

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FISCAL YEAR ENDED  
June 30, 2012**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## City of Lexington

Fiscal Year Ended June 30, 2012



City Council  
Newell Clark, Mayor

L. Wayne Alley, Mayor Pro Tem  
D. Linwood Bunce, II  
Frank D. Callicutt  
Tonya A. Lanier

Donald K. McBride  
James B. Myers  
E. Lewis Phillips  
Ronald F. Reid

City Manager  
John L. Gray

Assistant City Manager  
J. Alan Carson

Director of Finance  
Terra A. Greene



**City of Lexington, North Carolina  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2012**

**TABLE OF CONTENTS**

	<b>Exhibit No.</b>	<b>Page No.</b>
<b>INTRODUCTORY SECTION</b>		
Letter of Transmittal		i - ix
GFOA Certificate of Achievement		x
Organizational Chart		xi
 <b>FINANCIAL SECTION</b>		
Independent Auditors' Report		1 - 2
Management's Discussion and Analysis		3 - 15
 Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	16-19
Statement of Activities	2	20-21
 Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	22-25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	3	26-27
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4	28-31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	32-33
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	6	34-35
Statement of Net Assets - Proprietary Funds	7	36-39
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	8	40-41
Statement of Cash Flows - Proprietary Funds	9	42-45
Notes to the Basic Financial Statements		46-91
 Required Supplemental Financial Data:		
Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	A-1	92
Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions	A-2	93
Law Enforcement Officers' Special Separation Allowance - Notes to the Required Schedules	A-2	93

	<u>Exhibit No.</u>	<u>Page No.</u>
Other Postemployment Benefits - Schedule of Funding Progress	A-3	94
Other Postemployment Benefits - Schedule of Employer Contributions	A-4	95
Other Postemployment Benefits - Notes to the Required Schedules	A-4	95
 Combining and Individual Fund Statements and Schedules:		
General Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	B-1	97-110
Nonmajor Governmental Funds:		
Combining Balance Sheet	C-1	111-112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	113-114
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	D-1	116-117
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	D-2	118-119
Community Development Grants Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Authorized and Actual	D-3	120-121
Controlled Substance Tax Distribution Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	D-4	122-123
Public Safety Grants Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Authorized and Actual	D-5	124-125
Special Taxing District Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	D-6	126-127
Economic Stimulus Grants Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Authorized and Actual	D-7	128-129
General Capital Projects Fund:		
Nonmajor General Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Authorized and Actual	E-1	131-132
Enterprise Funds:		
Electric Fund:		
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual (Non-GAAP)	F-1	134-138
Construction in Progress - Schedule of Revenues and Expenses - Authorized and Actual (Non-GAAP)	F-2	139-140
Water and Sewer Fund:		
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual (Non-GAAP)	F-3	141-147
Construction in Progress - Schedule of Revenues and Expenses - Authorized and Actual (Non-GAAP)	F-4	148-149

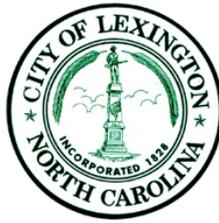
	<u>Exhibit No.</u>	<u>Page No.</u>
Natural Gas Fund:		
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual (Non-GAAP)	F-5	150-154
Construction in Progress - Schedule of Revenues and Expenses - Authorized and Actual (Non-GAAP)	F-6	155-156
Golf Fund:		
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual (Non-GAAP)	F-7	157-161
Internal Service Funds:		
Combining Statement of Net Assets	G-1	163-166
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	G-2	167-168
Combining Statement of Cash Flows	G-3	169-172
Garage Fund:		
Schedule of Revenues, Expenses and Changes in Net Assets - Financial Plan and Actual (Non-GAAP)	G-4	173-175
Group Insurance Fund:		
Schedule of Revenues, Expenses and Changes in Net Assets - Financial Plan and Actual (Non-GAAP)	G-5	176-177
Risk Management Fund:		
Schedule of Revenues, Expenses and Changes in Net Assets - Financial Plan and Actual (Non-GAAP)	G-6	178-180
Utility Administration Fund:		
Schedule of Revenues, Expenses and Changes in Net Assets - Financial Plan and Actual (Non-GAAP)	G-7	181-187
Construction in Progress - Schedule of Revenues and Expenses - Authorized and Actual (Non-GAAP)	G-8	188-189
Capital Reserve Fund:		
Capital Reserve Fund - Schedule of Revenues, Expenses and Changes in Net Assets - Financial Plan and Actual (Non-GAAP)	G-9	190-191
Rate Stabilization Fund:		
Rate Stabilization Fund - Schedule of Revenues, Expenses and Changes in Net Assets - Financial Plan and Actual (Non-GAAP)	G-10	192-193
Supplemental Financial Data:		
Schedule of Ad Valorem Taxes Receivable	H-1	194
Analysis of Current Tax Levy	H-2	195
Analysis of Current Tax Levy	H-3	196
Uptown Lexington, Inc. (A Component Unit of the City of Lexington, North Carolina) - Schedule of Revenues, Expenditures and Changes in Fund Balance	H-4	197

<b>STATISTICAL SECTION</b>	<b>Table No.</b>	<b>Page No.</b>
Net Assets by Component	1	199-200
Changes in Net Assets	2	201-204
Governmental Activities Tax Revenues by Source	3	205
Fund Balances of Governmental Funds	4	206-207
Changes in Fund Balances of Governmental Funds	5	208-209
Electric Statement of Revenues and Expenses	6	210-211
Water and Sewer Statement of Revenues and Expenses	7	212-213
Natural Gas Statement of Revenues and Expenses	8	214-215
Golf Statement of Revenues and Expenses	9	216-217
Assessed Value and Estimated Actual Value of Taxable Property	10	218-219
Property Tax Rates - Direct and Overlapping Governments	11	220
Principal Property Taxpayers	12	221-222
Property Tax Levies and Collections	13	223
Enterprise Funds Charges for Sales and Services	14	224
Electric Fund Charges for Sales and Services	14a	225
Water Fund Charges for Sales and Services	14b	226
Sewer Fund Charges for Sales and Services	14c	227
Natural Gas Fund Charges for Sales and Services	14d	228
Golf Fund Charges for Sales and Services	14e	229
Schedule of Top Ten Electric Customers	15	230
Schedule of Top Ten Water Customers	16	231
Schedule of Top Ten Sewer Customers	17	232
Schedule of Top Ten Natural Gas Customers	18	233
Ratio of Outstanding Debt by Type	19	234-235
Ratios of General Bonded Debt Outstanding	20	236
Direct and Overlapping Governmental Activities Debt	21	237
Legal Debt Margin Information	22	238-239
Electric Fund - General Obligation Bond Coverage	23	240
Water and Sewer Fund - General Obligation Bond Coverage	24	241
Natural Gas Fund - Pledged-Revenue Coverage	25	242
Demographic and Economic Statistics	26	243
Principal Employers	27	244
Full-time Equivalent City Government Employees by Function	28	245
Operating Indicators per Function	29	246-247
Capital Asset Statistics by Function	30	248-249

**COMPLIANCE SECTION**

Report on Internal Control over Financial Reporting and on Compliance and other matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	250-251
Report on Compliance with Requirements that could have a Direct and Material Effect on each Major State Program and on Internal Control over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	252-253
Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	254-255
Schedule of Findings, Responses, and Questioned Costs	256-257
Schedule of Prior Year Findings	258
Schedule of Expenditures of Federal and State Awards	259





**CITY OF LEXINGTON**  
**NORTH CAROLINA**  
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October 17, 2012

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Lexington, North Carolina for the fiscal year ended June 30, 2012. I am extremely proud that this report has been prepared virtually in its entirety by the City's Finance Department. The financial statements and supplemental schedules contained herein have been audited by the independent, certified public accounting firm of Martin Starnes and Associates; and that firm's unqualified opinion is included in the Financial Section of this report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Lexington, North Carolina. All disclosures necessary to enable the reader to gain the maximum understanding of the City of Lexington's financial activities have been included.

### **Description of the City**

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 land area is 18 square miles with a population of 18,808. The City has 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 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 the City's legal counsel, as well as hiring the City's chief administrative 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 the appointment of the Department Heads who direct city staff to deliver the services and to meet the goals of the organization.

The "Statement of Purpose of the City of Lexington City Council" is a document in which the Council identifies its mission, vision for the future, values, roles of the Council and strategic

goals. The Council wants to maintain as high a service level to its citizens as possible but is consistent with maintaining the City in sound financial condition. The strategic goals of the Council will be accomplished by the City's management through long-term planning, prudent use of debt, and use of citizens' committees to review and recommend operating standards in managing the City's resources.

The City provides a full range of services including police and fire protection, sanitation recycling and waste collection services, the construction and maintenance of streets and infrastructure, 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. These enterprise funds serve portions of Davidson County in addition to serving City residents. The City also owns and operates a golf course.

The City extends financial support to certain boards, agencies and commissions to assist their efforts in serving the citizens. Support efforts are largely centered on partnership efforts for essential economic development and neighborhood revitalization. Among these are the Davidson County Economic Development Commission, Davidson County Airport Authority, Lexington Appearance and Historic Preservation Commissions, Edward C. Smith Civic Center, Lexington Housing Community Development Corporation, and Uptown Lexington, Incorporated.

## **Economic Conditions and Outlook**

Internationally known artist Bob Timberlake, a Lexington native and resident, has a beautifully constructed gallery and welcome center just off Interstate 85 within the City limits. With Bob Timberlake well established on the east side of the gateway entrance to the City of Lexington, Richard Childress anchors the west gateway entrance with a 65-acre winery complex, at the intersection of US Highways 64 and 52. Effective August 11, 2003, the property was voluntarily annexed into the corporate limits and the Childress Vineyards complex opened on October 14, 2004. Within the tract, 33 acres of the land are designated for cultivating grapes. With an investment of approximately \$8.9 million now ranking as the seventh largest taxpayer, the 35,000 square foot winery is inspired by the Italian Renaissance architecture of rural Tuscany. The winery includes a banquet hall that can accommodate 500, a bistro, a wine tasting room and gift shop.

Two phases of The Shoppes at Vineyards Crossing, retail pedestrian specialty shops modeled in the same Tuscan architecture with a view of the vineyards, were constructed and opened in the spring and summer of 2006. With only one tenant, The Shoppes were recently acquired by Richard Childress in July 2010 in an effort to increase tenant occupancy with plans to add a restaurant. In addition, construction broke ground in May 2007 to develop 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, lobby furniture from the Bob Timberlake collection and a suite named for Richard Childress. The hotel was completed and opened in October 2008. The retail center has added a \$3 million dollar investment thus far; while the hotel has added another \$5 million dollar investment. With the Childress Vineyards tourism draw continuing to expand, the potential outlook is positive for future growth in tourism dollars.

The Uptown Lexington, Incorporated project began in 1993 when local property owners elected to tax themselves an additional \$.20 per \$100 assessed valuation to generate funding for the

revitalization of the uptown business district. Investments of typically \$1 million or more a year have resulted in years past, with the total of public and private investment reaching approximately \$27 million to date. The Uptown organization has won numerous awards over the years and earned a reputation as one of the top redevelopment programs in the state. The "Pigs in the City" campaigns, in which sponsors decorated fiberglass figures in colorful and witty themes for placement on the uptown sidewalks for the last several years, has garnered the City of Lexington national publicity. Uptown complimented the promotion of Lexington style barbecue and the annual Barbecue Festival for the past two years with a BBQ Capital Cook-off event held in the spring. Sanctioned by the Kansas City Barbeque Society (KCBS), the 2012 event brought 55 competitive teams, over 25,000 in attendance and the taping of the finale of the national television show, BBQ Pitmasters. Both events were highly successful and the 3<sup>rd</sup> Annual BBQ Capital Cook-off is slated again April 26-27, 2013.

All of the aforementioned efforts in combination with the 29<sup>th</sup> annual Barbecue Festival in 2012, which brings in over 100,000 people to Lexington and recognized as one of the Top Ten Food Festivals in the U.S. by Travel and Leisure Magazine and as one of the Top Twenty Events for the month of October by the Southeast Tourism Society and featured in People Magazine in October 2009, are helping to create a tourism platform for economic impact.

The City of Lexington's economy has been experiencing a downturn since late 2000 further impacted by the recent 'great recession', with a higher unemployment rate, seasonally adjusted, in the Thomasville-Lexington micropolitan statistical area of 10.5% compared to the state unemployment rate of 9.4% at the end of the fiscal year. The unemployment rate has been affected by the adverse market conditions in the furniture and manufacturing industries, but most recently by the aftermath of the national 'great recession'. Several local businesses have experienced reduced production and sales, closings, and layoffs in this past decade; the most significant of which have affected the furniture industry and the loss of the Duracell battery plant. Lexington Home Brands (LHB) has had the largest negative impact by closing three plants since December of 2000.

Diversification of the employment base and job creation is critical to the future of Lexington. Major industries have historically included tissue products, battery manufacturing, furniture manufacturing, textiles, printing and banking. Kimberly Clark Corporation, a global consumer products company, continues to be the City's largest taxpayer, with 5.29% of the City's assessed valuation. Jeld-Wen and Vitacost round out the top three at 1.33% and 1.12%, respectively, of the assessed valuation. (Please refer to Table 12 for the Schedule of Principal Property Taxpayers in the Statistical Section for a complete list.)

In an effort to attract new industry, the City continues to support the Davidson County Economic Development Commission (EDC) and demonstrate a willingness to offer economic development incentive grants. Due to the EDC's efforts in both 2007 and 2010, the Thomasville-Lexington micropolitan area received top ranking nationally by Site Selection magazine in economic development success out of 576 micropolitan areas in the United States.

A major contributor to that ranking in 2007 evolved when the City offered an incentive grant to Arneg LLC, a privately held international company that manufactures refrigeration cases for retail and commercial outlets. The company is the third largest case manufacturer in the world with 16 manufacturing plants and 8 regional sales offices in 20 nations. In exchange for the five-year \$545,000 grant from the City, the company must invest \$20 million in the facility and create and

employ 181 new full-time positions at an average annual wage in excess of 110% of Davidson County's average wage; conditions which they have failed to meet thus far. Construction of the Lexington plant, only the second production facility in the United States, was complete in July 2008. A key to the EDC ranking in 2010 was United Furniture Industries locating in Lexington in the spring of 2010, with an expected gain of \$3 million capital investment in the facility and equipment and 150 new manufacturing jobs for the community over a three year period in order to qualify for the economic development grant. United Furniture Industries, a Mississippi-based manufacturer of moderate priced residential furniture, has exceeded the plant investment at over \$5 million and the jobs figure by adding 460 jobs at the plant, a former Stanley Furniture warehouse facility.

The EDC maintains a data bank to provide information to industrial prospects and expanding industries such as Vitacost and Moran Foods (dba Save-A-Lot, Ltd.), of which a great deal revolve around the Lexington Business Center Industrial Park (LBC).

In March 1995, the City of Lexington, Davidson County and Energy United formed a project partnership to enhance economic development through building an industrial park. The goals established then for building the LBC were to build \$100 million in tax base in ten years, provide higher paying jobs, provide diversity in manufacturing and employment, and to the extent practical slow the migration of workers to other counties. During fiscal year 1997-1998, the LBC was granted Foreign Trade Zone designation along with five other sites in the "Piedmont Triad Area." Since the partnership agreement, the LBC has been fully served with water, sewer, natural gas, and electric utilities as well as road infrastructure. Three shell buildings were built and sold in Phase I of the development totaling to approximately \$30 million increased tax base. A local company Chesapeake Printing, a national firm Diebold, and an internet based wholesale nutritional supplement supplier, Vitacost, are the current tenants. In May 2010, Vitacost announced a \$6.7 million expansion to more than double the size of their facility with the commitment to add 228 jobs over three years, a significant increase from the 181 full-time permanent employees and 100 temporary workers in the manufacturing, distribution and customer service call center. With this expansion, Vitacost now ranks third as a top ten taxpayer with approximately \$16.5 million assessed value or 1.12% of total city assessed valuation. (Please refer to Table 12 for the Schedule of Principal Property Taxpayers in the Statistical Section for a complete list.)

In November 1999, Phase II began when Energy United entered a contract to purchase an additional 20.382 acres to construct a fourth 100,000 square foot shell building. This facility was sold in August 2005 to Border Concepts, a manufacturer and supplier to the landscape and garden industry. The shell building along with the acreage resulted in a \$3 million investment. The company had outgrown its existing facility in Lexington with no more room to expand; therefore, the additional building offered the space to handle its 11 product lines with some manufacturing, warehouse, and distribution operations performed in both facilities.

Additional activity at the Lexington Business Center has transpired over the past several years. Upon relocating from High Point, NC, Roehrig Engineering, a motor sports suspension development company, opened its 12,000 square foot \$1 million facility on a 2.8 acre parcel of land at the entrance of the industrial park in October 2005. Secondly, the City solidified plans to expand the business park by exercising a purchase option for 69.769 acres of additional land. The land purchase was made in December 2004 but has just recently developed into a twelve-year economic development land lease agreement negotiation between the City and Davidson County, and successfully resulted in luring Save-a-Lot to break ground in the business center in October 2010

with the promise of a \$20 million investment and 42 jobs over three years. Construction was completed in late calendar year 2011 and the final investment resulted in over \$23 million additional tax base. Save-a-Lot is an independent but wholly owned subsidiary of SuperValu Inc., a Fortune 100 company. Based in St. Louis, it is the nation's fifth largest grocery store chain overall with 1,200 food stores operated either corporately or by licensed retailers in 39 states; one of which is operated locally in Lexington.

With the revitalization of the uptown area, the potential tourism boosts, the strategic use of economic development incentive grants and the increased occupancy and expansions in the industrial park, it is anticipated that Lexington's economic base will be sustained somewhat despite the drastic losses in local manufacturing or further economic deterioration.

## **Major Initiatives**

**For the Year.** The "Statement of Purpose of the Lexington City Council" continues to provide the focus for the City's efforts. The strategic goals include the following: open communication with citizens, customers and employees; improve financial strength and integrity of City government; shift from government solving problems to community solving problems through citizen involvement and partnerships; City utilities and other enterprises to be operated in a businesslike manner; improve quality of life; and promote a strong, diversified economy. In working toward these goals among others, the following projects and initiatives have been undertaken.

Community officials have purchased and are working diligently to evaluate redevelopment opportunities to prevent a vacated 18-acre uptown complex from becoming a negative blight on the community. The City took a significant step in attempting to control its own economic future by purchasing the Lexington Furniture Industries, Inc. Plant #1 property for \$1,000,000 with payments spread out over three fiscal years, the final \$200,000 of which was made in fiscal year 2008-09. Plant #1, which has been closed since 2003, contains 18 acres of land and over one million square feet of building space and is located adjacent to the heart of uptown Lexington and the newly renovated depot district. The City faced real threats of declining appearance and tax base due to the expected acquisition of the property by absentee ownership if the City decided against the purchase. This acquisition has financial impacts on current and future City budgets as the huge tasks of redeveloping the property and seeking brownfield grant opportunities are addressed. However, it is considered a financial risk worth taking and grant funding for redevelopment plans are moving forward as discussed in the "For the Future" section below.

In June 2009, City Council accepted the funding award for the Neighborhood Stabilization Program grant administered by the NC Department of Commerce, Division of Community Assistance. The program is financed with \$2.1 million federal stimulus funds authorized under the Housing and Economic Recovery Act of 2008, supplemented by \$157,600 in local leveraging dollars funded equally over four fiscal years. Under this program, the City is acquiring foreclosed or abandoned homes and rehabilitating, reselling or redeveloping these homes in order to stabilize local neighborhoods and stem the decline of house values of neighboring homes throughout Lexington. To comply with the federal stimulus timeline requirements, the City obligated all funds by July 18, 2010, expended funds by August 9, 2012 and will submit all closeout documents by January 9, 2013.

Census 2010 population figures became available in the spring of 2011, registering the City with a revised population of 18,931. The Census 2010 number is a 5% drop or 1,022 decrease in

population from the last official census in 2000. However, the 18,931 population is a 2,489 or 12% decrease from the 2009 Certified Population figure that the State updates annually. The State Certified Population figure is an estimate the State prepares and uses for annual revenue distribution purposes and has been updated as of June 30, 2012 to reflect Lexington's population at 18,808. The City receives several State collected local revenues that are partially based on State per capita distribution models; those being the local option sales tax, beer and wine tax, and the Powell Bill gasoline tax which supports approximately 32% of the City's street maintenance budget. Despite Lexington's recorded loss of population, various other local governments in Davidson County and the County itself experienced population growth with the Census 2010 figures, which can result in further detriment to Lexington's weighted share of the revenues. Thus, the fiscal year 2011-12 revenues reflect a decrease in sales tax, beer and wine tax and Powell Bill gasoline tax revenues to support government services funded in the General Fund.

Another primary work program that began in the spring of 2010 and has continued is the construction of three key facilities. Major financial planning was utilized to find the most effective means to finance a Natural Gas and Public Works utilities operations center, to relocate Fire Station #2, and replace dilapidated sheds that house the vehicles and equipment of the Street and Sanitation departments. First, the new operations center opened in the spring of 2011 to accommodate the growing space needs of the Natural Gas department due to their expansion efforts, relocated Public Works staff from the inadequate 1946 existing structure which was in need of expensive repairs, and results in potential efficiencies that could be gained by the utilities sharing office space and equipment. Second, relocation of Fire Station #2 to leased property at the Davidson County Airport will enhance public safety response within the corporate limits and construction and was complete in late calendar year 2011. Finally, the replacement of the dilapidated equipment sheds for the Street and Sanitation departments are virtually complete and remove an eyesore for the community. The City issued a \$4.2 million Build America Bond installment financing in April 2010 to fund these initiatives; while simultaneously serving as a local stimulus plan of sorts for the infrastructure needs.

A major technological initiative has been underway for the past several years. Automated meter reading (AMR) encompasses installing an encoder receiver transmitter (ERT) device on utility meters, which enables the meter readers to drive by and record consumption readings from an electronic unit. This technology prevents personnel from having to exit the vehicle and physically read and enter the data manually in hand held units. With the City billing over 22,000 utility accounts monthly and continuing to expand electric and natural gas service territory outside the corporate limits to more distant geographical areas, AMR has become a component of reducing the need for meter reader personnel. The City embarked on an eight-year funding and implementation plan beginning in fiscal year 2006-07 with an estimated total cost to the three utilities of over \$3 million. Over half of the utility service areas are currently being read by AMR meters.

Additional information regarding this fiscal year's major initiatives along with the financial implications can be found in the Management's Discussion and Analysis (MD&A) beginning on page 3. The 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 complements this letter of transmittal and should be read in conjunction with it.

**For the Future.** The City Manager's performance goals include the strategic goal of "shift from government solving problems to community solving problems by stimulating more citizen

involvement, empowering boards, commission, and staff to do more and developing partnerships.” One of the ways this goal is obtained is through the update of the Lexington Challenge Strategic Plan throughout fiscal years’ 1999-2000 and 2000-2001. The original Plan developed between 1988 and 1991 has proven to be the most successful citizen-led, long-range planning effort in the history of the City – with over 100 citizens involved; 22 recommendations were made, of which 19 were accomplished. The 2000 Challenge Committee, comprised of 27 members, began its work April 26, 1999. The committee completed an update of recommendations and the City Council adopted the Lexington Challenge 2000 Plan. Challenge 2000 is the City’s blueprint to improve education, economic development, quality of life and transportation. The City began incorporating these goals over the last decade by focusing on Lexington City Schools’ performance and community and economic development strategic planning. The Plan remains as the blueprint guide for initiatives in the future; that is, until a new plan is revealed in 2013. A new Strategic Planning Committee was appointed in late 2010 to reevaluate the future direction and goals for the organization and the results from this citizen led committee are expected in 2013.

Grant funding in the amount of \$700,000 for a TIGER II (*Transportation Investment Generating Economic Recovery*) award was accepted October 10, 2011 from the U.S. Department of Transportation, administered by the Federal Railroad Administration. The funds will be used to prepare construction and operational plans for a passenger rail station, platform, and street cross sections, namely the Lexington Multi-Modal Transportation Station Area Plan. This work is described as Phase I of the overall redevelopment plan for the Depot District. Funding will be sought for Phase II, which will be the master redevelopment plan for the remainder of the redevelopment area including the LFI Plant #1 property.

Comprehensive long range financial planning is essential to maintain the sound fiscal integrity of the City’s financial position in an ever changing environment with issues on the horizon such as: loss of revenues due to local economic conditions, escalating capital infrastructure needs, and the impact of the Census 2010 results on local revenues and future economic development opportunities. These impacts will affect the City’s fiscal condition and the City’s five-year Financial Planning Model will be used to help discover future weaknesses. The information provided will be used to help the City forge strategies for the future to maintain the goal of a strong financial condition. Therefore, the City is committed to updating the Financial Planning Model every year in concert with the City Council retreat and annual budget development. The biennial business plans for the utilities were completely evaluated and updated in fiscal year 2010-11. The plans identified and recommended ways to effectively deal with areas of uncertainty, higher levels of competition, and increased risks due to adverse changes in the local economy. Current factors necessitate that these plans be monitored and adjusted every two years to aid in long range scenario financial planning for the utilities, which represent well over 75% of the annual operating budget. The City uses these plans along with the Financial Planning Model to adjust to various pressures in 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” strategy that necessitates cautious spending and efficiency maneuvers until economic conditions significantly improve.

## Financial Information

In government, much more than in business, the budget is an integral part of a unit's accounting system and daily operations. The City, in accordance with North Carolina General Statutes, operates under an appropriation act which provides extensive budgetary controls. The appropriation act applies to all City funds, including governmental and proprietary funds. The object of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Multi-year project budgets are prepared for the Community Development Grants, Public Safety Grants and Economic Stimulus Grants Special Revenue Funds, General Capital Improvement Projects Fund, and the Enterprise and Internal Service Construction in Progress Funds. The level of budgetary control (i.e., an appropriated amount) is at the departmental level within each fund. The government also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrance amounts lapse at year-end but are re-appropriated as part of the following year's budget; therefore, these amounts are reported in the financial statements as reservations of fund balances.

In accordance with State law, the City's budget is prepared on the modified accrual basis; and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a fund liability is incurred, except for unmatured principal and interest on long-term debt and certain compensated absences, claims and judgments. Governmental fund types are reported on the modified accrual basis in the fund financial statements. The Proprietary Funds are reported on the full accrual basis in the financial statements, under which revenues are recorded when earned and expenditures are recorded when incurred.

The City of Lexington, North Carolina is required by State law (North Carolina General Statute 159-34) to have an annual independent financial audit. A compliance audit on federal and state financial assistance programs is also required under the federal Single Audit Act of 1984 and the State Single Audit Implementation Act of 1987, and the related U.S. Office of Management and Budget's Circular A-133. The City's auditors, Martin Starnes and Associates, were selected through a formal request for proposals process. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements, fund statements, and schedules are included in the Financial Section of this report. The auditors' reports required as part of a single audit are found in the Compliance Section of this report.

Management is responsible for the accounting system and for establishing and maintaining an internal control structure. The internal control structure is designed to provide a reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles and maintaining accountability for assets; and (3) compliance with applicable laws and regulations related to federal and state financial assistance programs. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of cost and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately protect assets and provide reasonable assurance of the

proper recording of financial transactions. As part of the City's single audit, the independent auditor performed a review of the City's internal control structure. This review was not an audit and no opinion was issued on the City's internal control structure; however, the procedures performed by the independent auditor did not indicate any material internal control weaknesses or reportable conditions.

Additional financial information can be found in the Management's Discussion and Analysis beginning on page 3. As illustrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management. All amounts presented in the Management's Discussion and Analysis, Financial Section and in the remainder of this letter are expressed in whole dollars.

### **Other Information**

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lexington for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This marked the 20th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

**Acknowledgments.** The preparation of this comprehensive annual financial report is accomplished through the collective efforts and dedicated service of the entire staff of the Finance Department. I wish to express my appreciation to all members of the department for their team effort, dedication and hard work in preparing this report. In particular, I would like to mention and credit Kathy Whitman, Susan Floyd, Wendy Everhart, Sarah Reece, TJ Jackson and Christina Smith for their extraordinary efforts and contributions in conjunction with this year's report.

I would like to express my appreciation and give credit to the Mayor, City Council and City Manager for their support and interest in providing the resources necessary to accomplish this project. In addition, I am grateful for their support in planning and conducting the operations of the City of Lexington in a responsible and progressive manner.

Respectfully submitted,



Terra Greene  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lexington  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



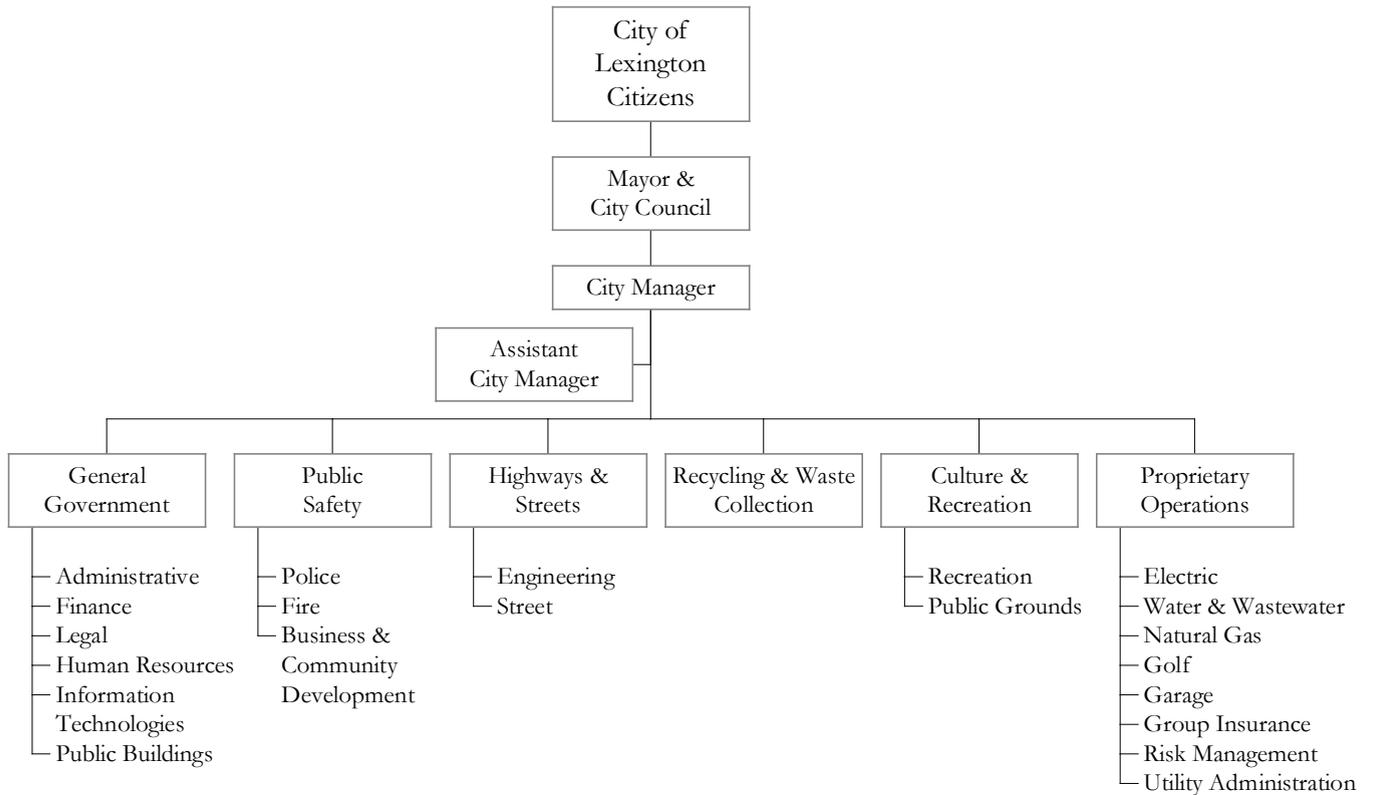
*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

# City of Lexington, North Carolina Organizational Chart





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

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lexington's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Lexington ABC Board which represents 69.5 percent, 63.7 percent, and 86.9 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinion, insofar as it relates to the amounts included for the City of Lexington ABC Board, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the City of Lexington ABC Board and the Tourism Authority were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2012, on our consideration of the City of Lexington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 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 assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Lexington, North Carolina, as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and; accordingly, we express no opinion on them.

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

Martin Starnes & Associates, CPAs, P.A.  
October 11 2012

## 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, 2012. We encourage readers to read the information presented here in conjunction with the transmittal letter on pages i-ix and the City's financial statements, which begin on page 16.

### FINANCIAL HIGHLIGHTS

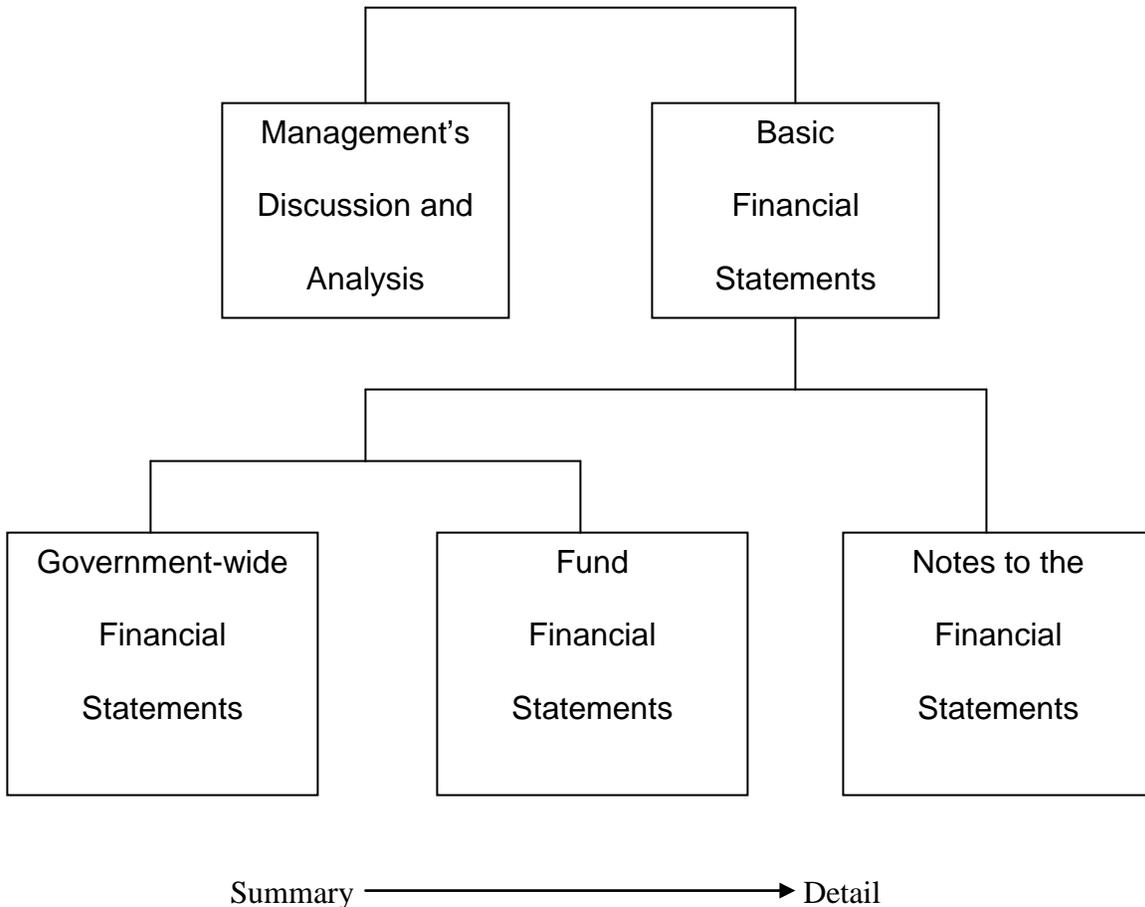
- The assets of the City of Lexington exceeded its liabilities at the close of the fiscal year by \$155,228,782 (*net assets*).
- The government's total net assets decreased by \$924,076 primarily due to a decrease in the public safety restricted net assets in governmental activities; as a result of greater current year expenditures from the Controlled Substance special revenue fund balance for authorized public safety financial activity.
- As of the close of the current fiscal year, the City of Lexington's governmental funds reported combined ending fund balances of \$9,245,829 which is a decrease of \$1,359,457 in comparison with the prior year; primarily as a result of a decrease in the public safety restricted fund balance due to greater current year expenditures from the Controlled Substance special revenue fund balance for authorized public safety financial activity. Approximately 30 percent of this total amount, or \$2,775,577, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,486,866, or 29.6 percent of total general fund expenditures for the fiscal year.
- The City of Lexington's total debt is \$19,431,397, which decreased by \$2,025,728 (9%) during the current fiscal year due to debt retirements.
- The City of Lexington was upgraded from A+ to AA- bond rating by Standard and Poor's in June 2010 and from A3 to A1 bond rating by Moody's with a recalibration in May 2010 resulting in the third year of these upgraded ratings. Before the 2010 upgrades, previous bond ratings had been in tact for 12 consecutive years.

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

The next section of the basic financial statements is the **Notes to the Basic Financial Statements**. The Notes explain in detail some of the data contained in those statements. Following the notes, additional schedules are 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 section of the statements.

### **Government-wide Financial Statements**

The government-wide financial statements (Exhibits 1 and 2 on pages 16 through 21) 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 business by using the accrual basis of accounting. The government-wide statements, including the Statement of Net Assets and the Statement of Activities, provide longer term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, measuring net assets is only one way to gauge the City's financial condition. The reader should consider other non-financial factors, such as changes in the City's property tax base and utility customer base as well as the condition of the City's infrastructure, to assess the overall health of the City.

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 administration, public safety, highways and streets, sanitation, and culture and recreation. Property taxes, sales taxes, intergovernmental revenues, user fees, along with various Federal and State grants finance most of these activities.

The City charges a fee to customers to cover all or most of the costs of providing the second category of business-type services. These business-type activities include the City's utilities of electric, water and wastewater, and natural gas, as well as a municipal golf course.

The final category is the component unit. The City includes three separate legal entities as component units in its report – the Lexington ABC Board, the Lexington Tourism Authority and Uptown Lexington, Inc. Although legally separate entities from the City, the ABC Board, the Tourism Authority and Uptown Lexington, Inc. are important because the City exercises control over the Boards by appointing members and exercises fiduciary responsibility in the case of the Tourism Authority and Uptown Lexington, Inc.

### **Fund Financial Statements**

The fund financial statements, beginning on page 22, 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. The City of Lexington's funds can be divided into two categories: governmental funds and proprietary funds, each of which uses different accounting approaches.

**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, using a *modified accrual accounting method*, focus on how assets can be readily 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. As a result, the governmental fund financial statements give the reader a detailed short-term spending focus and view that helps him or her determine if there are more or less financial resources available to finance the City's programs in the near future. The relationship between government activities (reported in the Statement of Net Assets 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 Board 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 Board, 2) the final budget as amended by the Board, 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.

**Proprietary Funds** – The 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. The City uses enterprise funds to account for its electric, water and wastewater, and natural gas utility operations, as well as the municipal golf course activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are an accounting device to accumulate and allocate internal costs to provide supplies and services for the City's other programs and functions. The City uses internal service funds to account for the following activities: central garage, 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, capital reserve and rate stabilization, the majority of the internal service funds benefit predominantly governmental rather than business-type activities; and thus, have been included within the governmental activities in the government-wide financial statements.

## Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46 through 91 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lexington's progress in funding the obligation to provide pension and postemployment benefits to employees. Required supplementary information can be found beginning on page 92 of this report.

## FINANCIAL ANALYSIS OF THE CITY GOVERNMENT-WIDE

### City of Lexington Statement of Net Assets as of June 30, 2012 (In thousands of dollars)

Figure 2

	Governmental Activities		Business-Type Activities		Total		Percent Change 2011-12
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$ 14,756	\$ 16,666	\$ 28,902	\$ 29,766	\$ 43,658	\$ 46,432	-5.97%
Capital assets (net)	44,607	43,675	100,032	98,961	144,639	142,636	1.40%
Total assets	59,363	60,341	128,934	128,727	188,297	189,068	-0.41%
Current liabilities	1,324	1,297	5,499	5,283	6,823	6,580	3.69%
Long-term liabilities outstanding	8,606	7,153	17,639	19,182	26,245	26,335	-0.34%
Total liabilities	9,930	8,450	23,138	24,465	33,068	32,915	0.46%
Net assets:							
Invested in capital assets, net of related debt	41,139	40,644	84,209	81,275	125,348	121,919	2.81%
Restricted	2,689	4,475	-	43	2,689	4,518	-40.48%
Unrestricted	5,605	6,772	21,587	22,944	27,192	29,716	-8.49%
Total net assets	49,433	51,891	105,796	104,262	155,229	156,153	-0.59%

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Lexington exceeded liabilities by \$155,228,782 as of June 30, 2012. The City's net assets decreased by \$924,076 for the fiscal year ended June 30, 2012.

However, the largest portion (81%) of net assets reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure such as roads and bridges, and plants and distribution systems); less any related debt still outstanding that was issued to acquire those items. 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 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. A portion of the City of Lexington's net assets (\$2,688,766) represents resources that are subject to external restrictions on how they may be used; \$1.4 million of which is restricted for Stabilization by State Statute and \$908,585 of which is restricted for public safety.

The remaining balance of \$27,192,332 is unrestricted net assets, which is the residual amount of assets that can be used without constraints established by debt covenants or other legal requirements.

The following outlines particular aspects of the City's financial operations which negatively influenced the total unrestricted net assets:

- Higher health insurance and liability self-insurance claims resulted in reductions of net assets in the Group Insurance and Risk Management internal service funds, which negatively impacted governmental activities unrestricted net assets.
- Mild winter weather patterns resulted in lowered electric and natural gas utility consumptions, with a corresponding decrease to utility sales and lower operating margins in the Electric and Natural Gas funds, which negatively impacted the business-type activities unrestricted net assets.

**City of Lexington  
Changes in Net Assets**

**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,239,215	\$ 3,517,090	\$ 67,795,940	\$ 71,252,782	\$ 73,035,155	\$ 74,769,872
Operating grants and contributions	1,807,962	2,793,823	45,776	-	1,853,738	2,793,823
Capital grants and contributions	1,563,195	1,635,126	1,469,210	-	3,032,405	1,635,126
General revenues:					-	-
Property taxes	8,149,184	8,228,253	-	-	8,149,184	8,228,253
Other taxes	264,890	259,127	-	-	264,890	259,127
Other general revenues	5,283,486	5,301,957	76,609	86,902	5,360,095	5,388,859
Total revenues	<u>22,307,932</u>	<u>21,735,376</u>	<u>69,387,535</u>	<u>71,339,684</u>	<u>91,695,467</u>	<u>93,075,060</u>
<b>Expenses:</b>						
General government	8,010,696	5,635,640	-	-	8,010,696	5,635,640
Public safety	10,384,670	9,607,070	-	-	10,384,670	9,607,070
Highways and streets	2,744,783	2,467,267	-	-	2,744,783	2,467,267
Sanitation	1,804,492	1,858,518	-	-	1,804,492	1,858,518
Culture and recreation	1,397,814	1,391,684	-	-	1,397,814	1,391,684
Economic and physical development	2,752,101	1,342,633	-	-	2,752,101	1,342,633
Interest on long-term debt	167,568	202,506	-	-	167,568	202,506
Electric	-	-	47,049,771	45,943,820	47,049,771	45,943,820
Water and Wastewater	-	-	7,953,182	7,929,297	7,953,182	7,929,297
Natural gas	-	-	9,543,636	12,338,924	9,543,636	12,338,924
Golf	-	-	810,830	756,527	810,830	756,527
Total expenses	<u>27,262,124</u>	<u>22,505,318</u>	<u>65,357,419</u>	<u>66,968,568</u>	<u>92,619,543</u>	<u>89,473,886</u>
Inc. (dec.) in net assets before transfers	(4,954,192)	(769,942)	4,030,116	4,371,116	(924,076)	3,601,174
Transfers	2,495,813	2,452,971	(2,495,813)	(2,452,971)	-	-
<b>Increase (decrease) in net assets</b>	(2,458,379)	1,683,029	1,534,303	1,918,145	(924,076)	3,601,174
Net assets, July 1 beginning	51,891,351	50,296,929	104,261,507	102,343,362	156,152,858	152,640,291
Prior period adjustment	-	(88,607)	-	-	-	(88,607)
Net assets, July 1 as restated	<u>51,891,351</u>	<u>50,208,322</u>	<u>104,261,507</u>	<u>102,343,362</u>	<u>156,152,858</u>	<u>152,551,684</u>
Net assets, June 30	<u>\$ 49,432,972</u>	<u>\$ 51,891,351</u>	<u>\$ 105,795,810</u>	<u>\$ 104,261,507</u>	<u>\$ 155,228,782</u>	<u>\$ 156,152,858</u>

**Governmental activities** - Governmental activities decreased the City's net assets by \$2,458,379. Key elements of this decrease are as follows:

- A \$500,000 street resurfacing contract in the General Fund was budgeted but bid late in the previous year inflating net assets in Fiscal Year 2010-11; while completion of the work was done in Fiscal Year 2011-12 causing a reduction in net assets.
- Diligence in the receipt of controlled substance forfeiture funds by the Lexington Police Department has resulted in building of cash reserves in previous years in the Controlled Substance Fund which can be used to fund authorized public safety needs.

The use of those cash reserves towards greater current year expenditures in the Controlled Substance Fund decreased net assets by \$730,968.

- Higher health insurance and liability self-insurance claims resulted in \$299,816 and \$614,493 decreases in net assets in the Group Insurance and Risk Management internal service funds respectively, which negatively impacted governmental activities net assets.

**Business-type activities** - Business-type activities increased the City of Lexington's net assets by \$1,534,303. Key elements of the business-type increase are as follows:

- The increase to business-type net assets is due to contributed capital in the Water and Wastewater Fund. The City has an agreement to allocate a portion of the capacity at the wastewater treatment plant to allow Davidson County to construct and pay for wastewater collection lines. These lines extend wastewater service to targeted areas of the county for economic development and health safety purposes. As part of that agreement, the City will then assume responsibility to operate and maintain the infrastructure and provide the wastewater service to those new customers. Significant construction of this infrastructure in the amount of \$1,461,439 was completed and recorded as capital contributions reflected in the financial statements.

## **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 \$5,486,866; while total fund balance reached \$7,654,384. Total fund balance in the General Fund moderately increased in the amount of \$132,669 from last year; which is due to the net effect of expenditures remaining significantly below budget appropriations being offset by the timing of expenditures of the street resurfacing contract as previously discussed in the City of Lexington's governmental activities section above. 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 29.6% of General Fund expenditures, while total fund balance represents 41.3% of the same amount.

At June 30, 2012, the governmental funds of the City of Lexington reported a combined fund balance of \$9,245,829, which is a \$1,359,457 or 12.8% decrease from last year.

**General Fund Budgetary Highlights** – Over the course of 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.

The amendments to the General Fund budget for the current fiscal year primarily revolved around one key action. The General Fund material amendment resulted in an appropriation to carry forward the appropriation for the street resurfacing contract, as previously discussed in the City of Lexington’s governmental activities section above. Other immaterial amendments to the General Fund budget were also approved during the fiscal year.

Revenues in total came in above budgeted amounts by \$517,411, which is primarily attributable to the conservative budgeting of property tax and utility franchise tax revenues in light of recent adverse economic conditions and to hedge against falling tax collections and moderate utility usage. In addition, expenditures were held \$1,005,245 below the final budgeted amounts. The positive variances resulted from increased use of controlled substance forfeiture funds for public safety initiatives and lapsed salary savings.

**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 assets for the Electric, Water and Wastewater, Natural Gas, and Golf funds at the end of the fiscal year amounted to \$8,218,006, \$2,328,770, \$3,723,022, and (\$58,452), respectively. The decrease in total unrestricted net assets for all proprietary funds was \$1,193,147.

Electric and Natural Gas unrestricted net assets decreased by \$237,537 and \$723,727, respectively; which is primarily attributable to the mild winter weather patterns resulting in lowered electric and natural gas utility consumptions, with a corresponding decrease to utility sales and lower operating margins in these utility funds. Water and Wastewater unrestricted net assets decreased by \$305,532 due to increased funding of capital improvements. While the milder weather patterns adversely affected the utilities; it had a positive impact on golf rounds and revenues resulting in a \$73,649 increase to Golf unrestricted net assets.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – As of June 30, 2012, the City of Lexington had \$144,638,941 invested in a broad range of capital assets, net of accumulated depreciation, for its governmental and business-type activities. This amount includes assets such as land, buildings, vehicles and equipment, roads and bridges, park facilities, and various utility plants, substations, and distribution system infrastructure.

Major capital asset transactions during the year include the following:

- The governmental Buildings increase is due to the completion of construction and capitalization of the relocated Fire Station #2 totaling \$1,433,781 with a corresponding decrease in Construction in Progress.
- The governmental Machinery and Equipment increase is due to the purchase of a new Fire Pumper for the Fire Department totaling \$461,402, offset by ongoing depreciation and surplus disposal of other depreciated assets.
- The City is implementing a multi-year project to upgrade all utility meters to automated meter reading technology, which resulted in an increase in business-type Construction in Progress. The value of this infrastructure improvement totaled \$490,111 in Utility Administration.
- No major demolitions or disposals were recorded this year.

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

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,196,118	\$ 2,188,097	\$ 2,051,883	\$ 2,051,883	\$ 4,248,001	\$ 4,239,980
Buildings	5,328,723	3,772,572	855,303	905,649	6,184,026	4,678,221
Other improvements	1,865,060	1,647,301	1,454,719	1,550,310	3,319,779	3,197,611
Machinery & equipment	3,606,156	3,129,066	690,836	894,000	4,296,992	4,023,066
Intangibles	1,442,658	1,581,527	171,405	146,906	1,614,063	1,728,433
Infrastructure	22,546,354	22,514,104	-	-	22,546,354	22,514,104
Plant & distribution systems	-	-	88,673,243	88,486,085	88,673,243	88,486,085
Construction in progress	7,621,671	8,842,627	6,134,812	4,925,825	13,756,483	13,768,452
<b>Total</b>	<b>\$ 44,606,740</b>	<b>\$ 43,675,294</b>	<b>\$ 100,032,201</b>	<b>\$ 98,960,658</b>	<b>\$ 144,638,941</b>	<b>\$ 142,635,952</b>

Additional information on the City's capital assets can be found on pages 53 through 54 and pages 61 through 65 in the Notes to the Basic Financial Statements.

**Long-term Debt** - As of June 30, 2012, the City of Lexington had total bonded debt outstanding of \$7,033,036. Of this, \$4,432,000 is debt backed by the full faith and credit of the City; however, \$3,671,937 of this general obligation debt is budgeted and paid for by revenues generated by the Electric Fund and the Water and Wastewater Fund. The remainder of the City's bonded debt represents \$2,601,036 in bonds secured solely by specified revenue sources in the Natural Gas Fund (i.e. revenue bonds).

**City of Lexington's Outstanding Debt  
General Obligation and Revenue Bonds**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 760,063	\$ 971,861	\$ 3,671,937	\$ 4,271,139	\$ 4,432,000	\$ 5,243,000
Revenue bonds	-	-	2,601,036	2,834,318	\$ 2,601,036	\$ 2,834,318
<b>Total</b>	<b>\$ 760,063</b>	<b>\$ 971,861</b>	<b>\$ 6,272,973</b>	<b>\$ 7,105,457</b>	<b>\$ 7,033,036</b>	<b>\$ 8,077,318</b>

The City of Lexington also has \$12,398,361 outstanding in installment purchase debt. The vast majority of that amount is attributable to five major installment financing agreements: (1) \$4.8 million issued June 12, 2003 for State mandated phosphorous removal at the wastewater treatment plant, (2) \$4 million issued December 8, 2003 for \$1.9 million in municipal golf course renovations and \$2.1 million for electric system reliability improvements as well as a new electric substation to spur load growth, (3) \$1.7 million issued March 8, 2004 for \$1.2 million in natural gas line expansions and \$500,000 for building improvements to the Edward C. Smith Civic Center, (4) \$3.925 million issued December 13, 2007 for electric system reliability improvements as well as a new electric substation to handle load growth, and (5) \$4.2 million Build America Bond issued April 15, 2010 for a combined Natural Gas and Public Works utilities operations center, the relocation of Fire Station #2, and equipment sheds for Street and Sanitation. The City's total debt tallies \$19,431,397 as of June 30, 2012, a reduction of \$2,025,728 or 9.4% from the prior year due to debt retirements.

As mentioned in the financial highlights section of this document, the City of Lexington received an upgrade from A3 to A1 bond rating from Moody's Investor Service and received an upgrade from A+ to AA- rating from Standard and Poor's Corporation. 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.

State of 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 \$102,051,097. The City has no bonds authorized but un-issued at June 30, 2012.

Additional information regarding the City of Lexington's long-term debt can be found in the notes to the financial statements on pages 79 through 85 of this report.

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

### **Economic Factors**

- Unemployment rate data, seasonally adjusted, available at the time of this report indicates unemployment in the State of North Carolina was 9.4% as of June 30, 2012 and averaged 10.1% for the fiscal year. However, the unemployment rate in the Thomasville-Lexington micropolitan statistical area was higher at 10.5% as of June 30, 2012, averaging 11% for the fiscal year. The State unemployment has decreased from 10.6% as of June 30, 2011 but remains elevated due to the national 'great recession' beginning in December 2007 and officially ending June 2009, with sluggish economic effects ongoing. The unemployment rate in Lexington mirrors that downward trend as well, decreasing 1.6% from 12.1% a year ago.
- Lexington's local manufacturing industry demise over the last decade, the national 'great recession' and higher unemployment rates have adversely affected the area's economic condition.
- The City took a significant step in attempting to control its own economic future by purchasing the Lexington Furniture Industries, Inc. Plant 1 property for \$1,000,000 with acquisition payments in previous fiscal years. However, redevelopment planning costs and Tiger II grant funding for this initiative are reflected in this financial report. Plant 1, which has been closed since 2003, contains 18 acres of land and over one million square feet of building space and is located adjacent to the heart of uptown Lexington and the newly renovated depot district. The City faced real threats of declining appearance and tax base due to the expected acquisition of the property by absentee ownership if the City decided against the purchase. This acquisition has financial impacts on current and future City budgets as the huge task of redevelopment of the property is addressed and additional grants are sought. However, it is considered a financial risk worth taking.
- Recent economic development grant initiatives landed United Furniture Industries locating in Lexington in May 2010, resulting in a gain of over \$5 million capital investment in the facility and equipment and 150 new manufacturing jobs for the community over a three year period. In addition, an economic development grant partnership with Davidson County resulted in Moran Foods Save-A-Lot building a distribution center in Lexington Business Center, with over \$23 million capital investment and a minimum of 42 jobs over a three year period. Moran Foods benefitted from the City acquiring a \$504,000 CDBG economic development grant to provide the needed water infrastructure to support their operations.

### **Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities** – The 2010 Census resulted in a reduction in population of 1,022 with a \$445,000 projected adverse annualized effect on General Fund sales tax and other State collected local revenues. A 4 cent increase in the property tax rate was approved generating \$544,580 additional projected revenue in the General Fund; which is intended to mitigate the revenue loss from the 2010 Census, increase street resurfacing projects by \$200,000, and financially meet the obligations of other key City Council initiatives. The population decline,

along with the aftermath of the ‘great recession,’ are projected to have an unfavorable effect on City revenue sources by resulting in lowered sales tax and other State collected local revenues, falling collection rates resulting in lower property taxes, and ongoing downward pressure on interest rates earned on investments. The Fiscal Year 2012-2013 budget was adjusted accordingly by raising specific revenue sources and reducing some spending levels in the General Fund, while maintaining service levels.

**Business-type Activities** – City residents incurred an average 4.5% electric rate increase effective July 1, 2012. This rate increase is due to the North Carolina Municipal Power Agency No. 1 passing on a 5% wholesale power cost increase to the City; however, the City absorbed some of this cost increase for the customers. The budget also includes a .56% base rate increase in the natural gas utility effective July 1, 2012, in an effort to mitigate base consumption losses from industrial plant closures and operating cost increases as a result of Distribution Integrity Management Program federal mandates.

## **REQUESTS FOR INFORMATION**

This report is designed to provide our citizens, customers, investors and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money received for the reporting period of July 1, 2011 through June 30, 2012. Questions concerning any of the information found in this report or requests for additional information should be directed to the City of Lexington Finance Department, 28 West Center Street, Lexington, NC 27292 or visit the City’s website at [www.lexingtonnc.net](http://www.lexingtonnc.net).





City of Lexington, North Carolina  
Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,297,092	\$ 9,785,021	\$ 20,082,113
Receivables (net of allowances for uncollectibles):			
Taxes	782,607	-	782,607
Accounts - billed	150,197	3,916,930	4,067,127
Accounts - unbilled	52,828	4,391,927	4,444,755
Intergovernmental	1,576,340	236,912	1,813,252
Interest	6,715	10,725	17,440
Internal balances	(1,046,086)	1,046,086	-
Due from component units	73,618	-	73,618
Due from primary government	-	-	-
Inventories	141,019	2,286,797	2,427,816
Prepaid items	-	27,866	27,866
Advances to (from) other activities	65,000	(65,000)	-
Restricted assets:			
Cash and cash equivalents	2,657,406	7,264,208	9,921,614
Capital assets:			
Land and other non-depreciable assets	9,817,789	8,186,695	18,004,484
Other capital assets, net of accumulated depreciation	34,788,951	91,845,506	126,634,457
Total capital assets	44,606,740	100,032,201	144,638,941
<b>TOTAL ASSETS</b>	<b>\$ 59,363,476</b>	<b>\$ 128,933,673</b>	<b>\$ 188,297,149</b>

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

City of Lexington, North Carolina  
Statement of Net Assets  
June 30, 2012

Component Units		
ABC Board	Tourism Authority	Uptown Lexington, Inc.
\$ 549,232	\$ 241,739	\$ 114,455
-	-	-
-	-	-
-	-	3,873
-	-	-
-	-	-
-	-	-
-	25,425	337
257,928	-	-
6,891	-	-
-	-	-
-	-	-
49,091	-	-
16,470	496	-
65,561	496	-
<u>\$ 879,612</u>	<u>\$ 267,660</u>	<u>\$ 118,665</u>

City of Lexington, North Carolina  
Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	\$ 417,436	\$ 4,679,242	\$ 5,096,678
Due to component units	25,762	-	25,762
Due to primary government	-	-	-
Payable from restricted assets	880,655	819,880	1,700,535
Long-term liabilities:			
Due in one year	1,285,317	2,299,896	3,585,213
Due in more than one year	7,321,334	15,338,845	22,660,179
Total liabilities	9,930,504	23,137,863	33,068,367
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	41,139,252	84,208,432	125,347,684
Restricted for:			
Stabilization by state statute	1,412,260	-	1,412,260
General government	10,000	-	10,000
Public safety	908,585	-	908,585
Highways and streets	140,140	-	140,140
Economic and physical development	169,781	-	169,781
Urban redevelopment	48,000	-	48,000
Uptown revitalization	-	-	-
Economic stimulus	-	-	-
Working capital	-	-	-
Capital projects	-	-	-
Tourism promotion	-	-	-
Unrestricted	5,604,954	21,587,378	27,192,332
Total net assets	\$ 49,432,972	\$ 105,795,810	\$ 155,228,782

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

City of Lexington, North Carolina  
Statement of Net Assets  
June 30, 2012

Component Units		
ABC Board	Tourism Authority	Uptown Lexington, Inc.
\$ 149,301	\$ 4,073	\$ 7,631
-	-	-
73,618	-	-
-	-	-
-	-	-
-	-	-
222,919	4,073	7,631
65,561	496	-
-	25,425	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	105,315
-	-	-
102,009	-	-
-	-	-
-	237,666	-
489,123	-	5,719
\$ 656,693	\$ 263,587	\$ 111,034

City of Lexington, North Carolina  
Statement of Activities  
For the fiscal year ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 8,010,696	\$ 3,936,201	\$ 170,182	\$ -
Public safety	10,384,670	222,367	177,923	361,457
Highways and streets	2,744,783	3,620	577,473	600,000
Sanitation	1,804,492	815,666	12,974	-
Culture and recreation	1,397,814	93,521	71,346	115,052
Economic and physical development	2,752,101	167,840	798,064	486,686
Interest on long-term debt	167,568	-	-	-
Total governmental activities	<u>27,262,124</u>	<u>5,239,215</u>	<u>1,807,962</u>	<u>1,563,195</u>
Business-type activities:				
Electric	47,049,771	47,654,094	45,776	-
Water and Wastewater	7,953,182	8,733,673	-	1,461,439
Natural Gas	9,543,636	10,659,045	-	7,771
Golf	810,830	749,128	-	-
Total business-type activities	<u>65,357,419</u>	<u>67,795,940</u>	<u>45,776</u>	<u>1,469,210</u>
Total primary government	<u>\$ 92,619,543</u>	<u>\$ 73,035,155</u>	<u>\$ 1,853,738</u>	<u>\$ 3,032,405</u>
Component units:				
ABC Board	\$ 3,453,687	\$ 3,450,491	\$ -	\$ -
Tourism Authority	228,682	-	-	-
Uptown Lexington, Inc.	261,332	15,619	249,047	-
Total component units	<u>\$ 3,943,701</u>	<u>\$ 3,466,110</u>	<u>\$ 249,047</u>	<u>\$ -</u>

General revenues:

- Property taxes, levied for general purpose
- Property taxes, levied for special taxing district
- Other taxes
- Unrestricted intergovernmental revenues:
  - Utility franchise tax
  - Local option sales tax
  - Other unrestricted intergovernmental revenues
- Unrestricted investment earnings
- Total general revenues not including transfers

Transfers

- Total general revenues and transfers

Change in net assets

Net assets-beginning

Net assets-ending

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, 2012

Net (Expense) Revenue and Changes in Net Assets						
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	ABC Board	Tourism Authority	Uptown Lexington, Inc.	
\$ (3,904,313)	\$ -	\$ (3,904,313)				
(9,622,923)	-	(9,622,923)				
(1,563,690)	-	(1,563,690)				
(975,852)	-	(975,852)				
(1,117,895)	-	(1,117,895)				
(1,299,511)	-	(1,299,511)				
(167,568)	-	(167,568)				
(18,651,752)	-	(18,651,752)				
	650,099	650,099				
	2,241,930	2,241,930				
	1,123,180	1,123,180				
	(61,702)	(61,702)				
	3,953,507	3,953,507				
(18,651,752)	3,953,507	(14,698,245)				
			\$ (3,196)	\$ -	\$ -	
			-	(228,682)	-	
			-	-	3,334	
			(3,196)	(228,682)	3,334	
8,048,746	-	8,048,746	-	-	-	
100,438	-	100,438	-	-	-	
264,890	-	264,890	-	256,632	-	
1,343,834	-	1,343,834	-	-	-	
3,050,437	-	3,050,437	-	-	-	
836,629	-	836,629	-	-	-	
52,586	76,609	129,195	3,269	118	81	
13,697,560	76,609	13,774,169	3,269	256,750	81	
2,495,813	(2,495,813)	-	-	-	-	
16,193,373	(2,419,204)	13,774,169	3,269	256,750	81	
(2,458,379)	1,534,303	(924,076)	73	28,068	3,415	
51,891,351	104,261,507	156,152,858	656,620	235,519	107,619	
\$ 49,432,972	\$ 105,795,810	\$ 155,228,782	\$ 656,693	\$ 263,587	\$ 111,034	

City of Lexington, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General Fund	Other Governmental Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 6,716,832	\$ 1,412,962
Receivables (net of allowance for uncollectibles):		
Property taxes	772,703	9,904
Accounts - billed	140,523	-
Accounts - unbilled	52,828	-
Intergovernmental	1,108,769	435,346
Interest	3,467	655
Intrafund due (to) from	330,450	-
Due from component unit	73,618	-
Inventories	2,597	-
Advances to other funds:		
Golf fund	65,000	-
Restricted assets:		
Customer deposits	71,015	-
Economic development deposit	25,000	-
Acquisition of assets	-	140,140
Total assets	\$ 9,362,802	\$ 1,999,007
<b>Liabilities and fund balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 251,812	\$ 66,871
Intrafund due (to) from	-	330,450
Due to component units	25,425	337
Deferred revenues	1,335,166	9,904
Deposits	96,015	-
Total liabilities	1,708,418	407,562

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

City of Lexington, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2012

Total Governmental Funds	
\$	8,129,794
	782,607
	140,523
	52,828
	1,544,115
	4,122
	330,450
	73,618
	2,597
	65,000
	71,015
	25,000
	140,140
\$	<u>11,361,809</u>

\$	318,683
	330,450
	25,762
	1,345,070
	96,015
	<u>2,115,980</u>

City of Lexington, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General Fund	Other Governmental Funds
Fund balances:		
Nonspendable		
Long-term advance due from golf fund	65,000	-
Inventory	2,597	-
Spendable:		
Restricted:		
Stabilization by state statute	1,311,691	100,569
General government	10,000	-
Public safety	-	908,585
Highways and streets	-	140,140
Economic and physical development	-	169,781
Urban redevelopment	-	48,000
Committed:		
General government	10,230	-
Highways and streets	-	22,825
Economic and physical development	-	234,635
Assigned		
Subsequent year's expenditures	768,000	-
Unassigned	5,486,866	(33,090)
Total fund balances	7,654,384	1,591,445
 Total liabilities and fund balances	\$ 9,362,802	\$ 1,999,007

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

City of Lexington, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2012

Total Governmental Funds	
	<u>65,000</u>
	2,597
1,412,260	
10,000	
908,585	
140,140	
169,781	
48,000	
10,230	
22,825	
234,635	
768,000	
5,453,776	
	<u>9,245,829</u>
	<u><u>\$ 11,361,809</u></u>

City of Lexington, North Carolina  
Reconciliation of the Balance Sheet  
of Governmental Funds to the Statement of Net Assets  
June 30, 2012

Fund balances as reported on the Balance Sheet of Governmental Funds

Amounts reported for governmental activities in the statement of net assets (Exhibit 3) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost

Accumulated depreciation

Less Internal Service Fund's beginning net capital assets included as net assets below

(include the addition to accumulated depreciation less capital outlays during the year)

Other long-term assets are not available to pay for current-period expenditures and are therefore deferred in the funds.

Internal service funds are used by management to charge the costs of certain activities

(Garage, Group Insurance, Risk Management) to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Consolidation adjustment to reflect the (profit)/loss of internal service fund activities related to governmental funds.

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Net assets of governmental activities

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

City of Lexington, North Carolina  
Reconciliation of the Balance Sheet  
of Governmental Funds to the Statement of Net Assets  
June 30, 2012

Total Governmental Funds	
<hr/>	
\$	9,245,829
\$	95,249,905
	(50,643,165)
	<hr/>
(846,167)	43,760,573
	1,345,070
4,394,351	
	<hr/>
(862,653)	3,531,698
	(8,450,198)
	<hr/>
\$	49,432,972
	<hr/> <hr/>

City of Lexington, North Carolina  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the fiscal year ended June 30, 2012

	General Fund	Other Governmental Funds
Revenues:		
Ad valorem taxes	\$ 7,984,145	\$ -
Special ad valorem taxes	-	99,678
Other taxes and licenses	264,890	-
Unrestricted intergovernmental	5,153,753	-
Restricted intergovernmental	700,555	2,517,005
Permits and fees	165,203	-
Sales and services	941,661	88,458
Interest earned	31,332	6,495
Miscellaneous	154,365	129,755
Total revenues	15,395,904	2,841,391
Expenditures:		
General government	3,615,850	-
Public safety	8,876,459	1,687,449
Highways and streets	2,134,439	-
Sanitation	1,690,560	-
Culture and recreation	1,373,091	115,052
Economic and physical development	87,134	2,273,081
Debt service:		
Principal	580,635	-
Interest	167,568	-
Bond issuance costs	-	-
Total expenditures	18,525,736	4,075,582
Revenues over (under) expenditures	(3,129,832)	(1,234,191)
Other financing sources (uses):		
Installment purchase debt issued	460,402	-
Transfers in	3,032,293	84,522
Transfers out	(230,809)	(342,457)
Total other financing sources (uses)	3,261,886	(257,935)

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, 2012

Total Governmental Funds	
\$	7,984,145
	99,678
	264,890
	5,153,753
	3,217,560
	165,203
	1,030,119
	37,827
	284,120
	<u>18,237,295</u>
	3,615,850
	10,563,908
	2,134,439
	1,690,560
	1,488,143
	2,360,215
	580,635
	167,568
	-
	<u>22,601,318</u>
	<u>(4,364,023)</u>
	460,402
	3,116,815
	<u>(573,266)</u>
	<u>3,003,951</u>

City of Lexington, North Carolina  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the fiscal year ended June 30, 2012

	General Fund	Other Governmental Funds
Net change in fund balances	132,054	(1,492,126)
Beginning fund balances, July 1	7,521,715	3,083,571
Increase (decrease) in central purchasing inventory	615	-
Ending fund balances, June 30	\$ 7,654,384	\$ 1,591,445

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, 2012

Total Governmental Funds	
<hr/>	
	(1,360,072)
	10,605,286
	<hr/>
	615
	<hr/>
\$	<u>9,245,829</u>

City of Lexington, North Carolina  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the fiscal year ended June 30, 2012

Net change in fund balances - total governmental funds

Change in fund balance due to change in reserve for inventory

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized

Depreciation expense for governmental assets

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Proceeds from the sale of assets

Gain (loss) on the disposal of capital assets

Change in deferred revenues

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued

Principal payments on long-term debt

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

Net pension obligation

Other postemployment benefits

Economic development grants

Landfill monitoring expenditures

Governmental activities Internal Service Funds' current year (profit) loss is allocated to the business-type funds in Statement of Activities. This offsets the Statement of Net Assets prior year balance of (\$1,000,863) for an ending balance of (\$862,653) in the Statement of Net Assets.

Net revenue (expense) of the Internal Service Funds determined to be governmental-type

Total change in net assets of governmental activities

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

City of Lexington, North Carolina  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
 of Governmental Funds to the Statement of Activities  
 For the fiscal year ended June 30, 2012

	2012	
	\$	(1,360,072)
		615
\$	2,836,933	
	(2,057,609)	779,324
	(17,806)	
	(179,676)	
	142,317	(55,165)
	(460,402)	
	580,635	120,233
	(22,881)	
	(6,969)	
	(657,156)	
	(873,217)	
	20,000	(1,540,223)
	(138,210)	
	(264,881)	(403,091)
	\$	(2,458,379)

City of Lexington, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 For the fiscal year ended June 30, 2012

	Budget	
	Original	Final
Revenues:		
Ad valorem taxes	\$ 7,858,324	\$ 7,866,850
Other taxes and licenses	237,913	262,913
Unrestricted intergovernmental	4,747,062	4,766,282
Restricted intergovernmental	675,580	675,580
Permits and fees	177,866	177,866
Sales and services	943,220	943,220
Interest earned	40,600	40,600
Miscellaneous	69,342	145,182
Total revenues	14,749,907	14,878,493
Expenditures:		
Current:		
General government	3,808,175	3,882,293
Public safety	8,846,505	9,372,173
Highways and streets	1,727,238	2,204,938
Sanitation	1,786,262	1,786,262
Culture and recreation	1,397,088	1,449,954
Economic and physical development	5,692	87,135
Debt service:		
Principal	574,764	580,637
Interest	162,933	167,589
Total expenditures	18,308,657	19,530,981
Revenues over (under) expenditures	(3,558,750)	(4,652,488)
Other financing sources (uses):		
Installment purchase debt issued	-	460,402
Transfers in	2,501,710	2,501,710
Transfers in related to payments in lieu of taxes	530,584	530,584
Transfers out	(207,984)	(230,809)
Fund balance appropriated	734,440	1,390,601
Total other financing sources (uses)	3,558,750	4,652,488
Net change in fund balances	\$ -	\$ -
Fund balances, July 1		
(Increase) decrease in central purchasing inventory		
Fund balances, June 30		

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

City of Lexington, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 For the fiscal year ended June 30, 2012

Actual	Variance from Budget
\$ 7,984,145	\$ 117,295
264,890	1,977
5,153,753	387,471
700,555	24,975
165,203	(12,663)
941,661	(1,559)
31,332	(9,268)
154,365	9,183
15,395,904	517,411
3,615,850	266,443
8,876,459	495,714
2,134,439	70,499
1,690,560	95,702
1,373,091	76,863
87,134	1
580,635	2
167,568	21
18,525,736	1,005,245
(3,129,832)	1,522,656
460,402	-
2,501,709	(1)
530,584	-
(230,809)	-
-	(1,390,601)
3,261,886	(1,390,602)
132,054	\$ 132,054
7,521,715	
615	
\$ 7,654,384	

City of Lexington, North Carolina  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,894,888	\$ 1,535,931	\$ 2,810,558
Receivables (net of allowances for uncollectibles):			
Accounts - billed	2,757,237	559,221	482,059
Accounts - unbilled	3,478,000	545,291	368,636
Intergovernmental	71,541	99,557	53,981
Interest	4,583	2,562	2,324
Cash and cash equivalents restricted for:			
Customer deposits	606,186	50,430	133,530
Unpaid claims	-	-	-
Rental fees	-	-	-
Construction in progress	124,428	35,830	23,238
Inventory	1,270,721	272,308	743,768
Prepaid bond interest	-	-	27,866
Total current assets	<u>13,207,584</u>	<u>3,101,130</u>	<u>4,645,960</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents restricted for:			
Electric fund	-	-	-
Water and wastewater fund	-	-	-
Water and wastewater fund - capital recovery	-	-	-
Natural gas fund	-	-	-
Garage fund	-	-	-
Group insurance fund	-	-	-
Capital assets:			
Land and other non-depreciable assets	1,118,916	2,144,387	2,102,935
Other capital assets, net of accumulated depreciation	31,446,411	40,331,795	17,811,719
Total capital assets	<u>32,565,327</u>	<u>42,476,182</u>	<u>19,914,654</u>
Total noncurrent assets	<u>32,565,327</u>	<u>42,476,182</u>	<u>19,914,654</u>
Total assets	<u>\$ 45,772,911</u>	<u>\$ 45,577,312</u>	<u>\$ 24,560,614</u>

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

City of Lexington, North Carolina  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

<u>Golf</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ 119,889	\$ 9,361,266	\$ 2,591,053
-	3,798,517	128,087
-	4,391,927	-
6,560	231,639	37,498
67	9,536	3,782
8,280	798,426	-
-	-	784,640
-	-	43,281
-	183,496	195,937
-	2,286,797	138,422
-	27,866	-
<u>134,796</u>	<u>21,089,470</u>	<u>3,922,700</u>
-	-	1,949,541
-	-	1,248,617
-	-	1,448,687
-	-	1,240,785
-	-	382,152
-	-	1,409,897
40,728	5,406,966	2,794,729
<u>1,513,512</u>	<u>91,103,437</u>	<u>1,573,236</u>
<u>1,554,240</u>	<u>96,510,403</u>	<u>4,367,965</u>
<u>1,554,240</u>	<u>96,510,403</u>	<u>12,047,644</u>
<u>\$ 1,689,036</u>	<u>\$ 117,599,873</u>	<u>\$ 15,970,344</u>

City of Lexington, North Carolina  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 3,940,273	\$ 110,073	\$ 471,738
Retainage payable	-	-	8,712
General obligation bonds payable	160,130	429,701	-
Revenue bonds payable	-	-	243,210
Installment purchases payable	381,954	372,102	223,526
Liabilities payable from restricted assets:			
Accounts payable	21,454	-	-
Customer deposits	606,186	50,430	133,530
Unpaid claims costs	-	-	-
Total current liabilities	<u>5,109,997</u>	<u>962,306</u>	<u>1,080,716</u>
Noncurrent liabilities:			
Compensated absences payable	94,532	148,399	81,049
Other postemployment benefits payable	327,133	463,458	227,909
General obligation bonds payable	826,955	2,255,152	-
Revenue bonds payable	-	-	2,357,826
Installment purchases payable	3,643,434	2,404,221	1,566,623
Advances from other funds:			
General fund	-	-	-
Total noncurrent liabilities	<u>4,892,054</u>	<u>5,271,230</u>	<u>4,233,407</u>
Total liabilities	<u>10,002,051</u>	<u>6,233,536</u>	<u>5,314,123</u>
Net assets:			
Invested in capital assets, net of related debt	27,552,854	37,015,006	15,523,469
Unrestricted	8,218,006	2,328,770	3,723,022
Total net assets	<u>35,770,860</u>	<u>39,343,776</u>	<u>19,246,491</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds			
Net assets of business-type activities			

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

City of Lexington, North Carolina  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

<u>Golf</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ 14,243	\$ 4,536,327	\$ 232,956
-	8,712	-
-	589,831	-
-	243,210	-
132,273	1,109,855	-
-	21,454	-
8,280	798,426	-
-	-	784,640
<u>154,796</u>	<u>7,307,815</u>	<u>1,017,596</u>
25,420	349,400	152,706
80,305	1,098,805	370,514
-	3,082,107	-
-	2,357,826	-
826,662	8,440,940	-
65,000	65,000	-
<u>997,387</u>	<u>15,394,078</u>	<u>523,220</u>
<u>1,152,183</u>	<u>22,701,893</u>	<u>1,540,816</u>
595,305	80,686,634	4,367,965
(58,452)	14,211,346	10,061,563
<u>536,853</u>	<u>94,897,980</u>	<u>14,429,528</u>
	10,035,177	
	<u>862,653</u>	
	<u>105,795,810</u>	

City of Lexington, North Carolina  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the fiscal year ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Operating revenues:			
Charges for sales and services	\$ 45,851,593	\$ 8,352,862	\$ 10,396,960
Other operating	1,534,910	150,721	19,229
Total operating revenues	<u>47,386,503</u>	<u>8,503,583</u>	<u>10,416,189</u>
Operating expenses:			
Cost of sales and services	4,388,898	121,754	2,655,489
Purchases for resale	39,655,108	-	5,385,773
Water treatment	-	1,474,732	-
Waste collection and treatment	-	2,223,004	-
Water and wastewater construction	-	1,300,916	-
Premiums	-	-	-
Claims	-	-	-
Bad debt expense	237,578	57,750	37,364
Administration	1,659,660	1,153,933	1,187,726
Depreciation	916,110	1,197,166	544,692
Overhead capitalized	(427,251)	(45,628)	(801,778)
Total operating expenses	<u>46,430,103</u>	<u>7,483,627</u>	<u>9,009,266</u>
Operating income (loss)	<u>956,400</u>	<u>1,019,956</u>	<u>1,406,923</u>
Nonoperating revenues (expenses):			
Federal Build America Bond interest credit	-	11,986	33,960
Interest earned	34,225	18,283	15,544
Gain (loss) on sale of property	(57,571)	(43,970)	(48,908)
Interest expense	(188,937)	(197,933)	(227,156)
Total nonoperating revenues (expenses)	<u>(212,283)</u>	<u>(211,634)</u>	<u>(226,560)</u>
Income (loss) before transfers and capital contributions	744,117	808,322	1,180,363
Capital contributions	-	1,461,439	7,771
Transfers in	1,050,000	1,053	-
Transfers out	(1,517,750)	(989,733)	(1,088,994)
Transfers related to payments in lieu of taxes	(166,673)	(305,239)	(58,672)
Change in net assets	109,694	975,842	40,468
Total net assets, July 1	<u>35,661,166</u>	<u>38,367,934</u>	<u>19,206,023</u>
Total net assets, June 30	<u>\$ 35,770,860</u>	<u>\$ 39,343,776</u>	<u>\$ 19,246,491</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds  
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds  
Change in net assets - business-type activities

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 Assets  
Proprietary Funds  
For the fiscal year ended June 30, 2012

Golf	Total Enterprise Funds	Internal Service Funds
\$ 747,737	\$ 65,349,152	\$ 8,915,507
1,391	1,706,251	580,311
<u>749,128</u>	<u>67,055,403</u>	<u>9,495,818</u>
645,701	7,811,842	1,637,654
-	45,040,881	-
-	1,474,732	-
-	2,223,004	-
-	1,300,916	-
-	-	1,219,417
-	-	4,528,846
(28)	332,664	41,269
11,699	4,013,018	2,663,163
101,566	2,759,534	155,332
-	(1,274,657)	-
<u>758,938</u>	<u>63,681,934</u>	<u>10,245,681</u>
<u>(9,810)</u>	<u>3,373,469</u>	<u>(749,863)</u>
-	45,946	-
268	68,320	29,145
(2,756)	(153,205)	247,616
<u>(41,703)</u>	<u>(655,729)</u>	<u>(148)</u>
<u>(44,191)</u>	<u>(694,668)</u>	<u>276,613</u>
(54,001)	2,678,801	(473,250)
-	1,469,210	-
168,584	1,219,637	1,907,841
-	(3,596,477)	(1,543,966)
-	(530,584)	-
114,583	1,240,587	(109,375)
<u>422,270</u>	<u>14,538,903</u>	<u>14,538,903</u>
<u>\$ 536,853</u>	<u>\$ 14,429,528</u>	<u>\$ 14,429,528</u>
	431,926	
	<u>(138,210)</u>	
	<u>\$ 1,534,303</u>	

City of Lexington, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For the fiscal year ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Electric	Water and Sewer	Natural Gas
Cash flows from operating activities:			
Cash received from customers	\$ 45,891,985	\$ 8,386,866	\$ 10,535,393
Cash payments for interfund services provided/used to/for other funds	(1,659,660)	(1,153,933)	(1,187,726)
Cash paid for goods and services	(42,740,353)	(2,721,830)	(6,919,353)
Cash paid to employees	(1,459,160)	(2,358,180)	(1,114,260)
Other operating income	1,534,910	150,721	19,229
Net cash provided (used) by operating activities	<u>1,567,722</u>	<u>2,303,644</u>	<u>1,333,283</u>
Cash flows from noncapital financing activities:			
State grant reimbursement	-	-	7,771
Advances from (to) other funds	-	-	35,201
Transfers in	1,050,000	1,053	-
Transfers out	(1,684,423)	(1,294,972)	(1,147,666)
Net cash provided (used) by noncapital financing activities	<u>(634,423)</u>	<u>(1,293,919)</u>	<u>(1,104,694)</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of property	9,324	17,036	6,201
Construction (incl. capitalized interest)	(354,880)	(279,970)	(84,026)
Acquisition of capital assets	(17,885)	(43,300)	(24,929)
Federal Build America Bond interest credit	-	11,986	33,960
Principal payments - bonds	(162,761)	(436,440)	(233,281)
Principal payments - installment purchases	(367,459)	(358,426)	(219,996)
Interest paid	(188,937)	(197,933)	(227,156)
Net cash provided (used) by capital and related financing activities	<u>(1,082,598)</u>	<u>(1,287,047)</u>	<u>(749,227)</u>
Cash flows from investing activities:			
Interest earned on investments	34,225	18,283	15,544
Net cash provided (used) by investing activities	<u>34,225</u>	<u>18,283</u>	<u>15,544</u>
Net increase (decrease) in cash and cash equivalents	(115,074)	(259,039)	(505,094)
Cash and cash equivalents, July 1	<u>5,740,576</u>	<u>1,881,230</u>	<u>3,472,420</u>
Cash and cash equivalents, June 30	<u>\$ 5,625,502</u>	<u>\$ 1,622,191</u>	<u>\$ 2,967,326</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, 2012

<u>Golf</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ 744,967	\$ 65,559,211	\$ -
(11,699)	(4,013,018)	8,915,527
(233,594)	(52,615,130)	(7,541,716)
(384,317)	(5,315,917)	(2,039,276)
1,391	1,706,251	580,311
<u>116,748</u>	<u>5,321,397</u>	<u>(85,154)</u>
-		
(30,652)	4,549	(13,088)
168,584	1,219,637	1,907,841
-	(4,127,061)	(1,543,966)
<u>137,932</u>	<u>(2,902,875)</u>	<u>350,787</u>
-		
-	32,561	22,431
(18,126)	(718,876)	(490,111)
-	(104,240)	(247,270)
-	45,946	-
-	(832,482)	-
(127,130)	(1,073,011)	-
(41,703)	(655,729)	(148)
<u>(186,959)</u>	<u>(3,305,831)</u>	<u>(715,098)</u>
268	32,561	22,431
<u>268</u>	<u>68,320</u>	<u>29,145</u>
67,989	(718,876)	(490,111)
60,180	(104,240)	(247,270)
<u>60,180</u>	<u>45,946</u>	<u>29,145</u>
<u>\$ 128,169</u>	<u>\$ 10,343,188</u>	<u>\$ 11,294,590</u>

City of Lexington, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For the fiscal year ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Electric	Water and Sewer	Natural Gas
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 956,400	\$ 1,019,956	\$ 1,406,923
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities			
Depreciation	916,110	1,197,166	544,692
Overhead capitalized	(427,251)	(45,628)	(801,778)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(5,546)	32,299	132,303
(Increase) decrease in inventory	(123,692)	(34,988)	52,594
(Increase) decrease in prepaid expenses	-	-	3,561
Increase (decrease) in accounts payable	135,337	8,318	(61,364)
Increase (decrease) in customer deposits	45,936	1,705	6,130
Increase (decrease) in unpaid claims cost	-	-	-
Increase (decrease) in accrued other postemployment benefits liability	79,407	125,252	58,603
Increase (decrease) in accrued compensated absences liability	(8,979)	(436)	(8,382)
Total adjustments	611,322	1,283,688	(73,641)
Net cash provided (used) by operating activities	\$ 1,567,722	\$ 2,303,644	\$ 1,333,282
Summary of Noncash Activities:			
Capital assets reclassified from Machinery & Equipment to Plant and Distribution Systems		\$ -	

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, 2012

<u>Golf</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ (9,810)	\$ 3,373,469	\$ (749,863)
101,566	2,759,534	155,332
-	(1,274,657)	-
(1,270)	157,786	20
-	(106,086)	32,995
-	3,561	-
6,285	88,576	51,619
(1,500)	52,271	-
20,992	20,992	296,503
485	263,747	103,706
-	(17,797)	24,534
<u>126,558</u>	<u>1,947,927</u>	<u>664,709</u>
<u>\$ 116,748</u>	<u>\$ 5,321,396</u>	<u>\$ (85,154)</u>



City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**I. 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 (GAAP) as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The City of Lexington is a municipal corporation that is governed by an elected mayor and eight-member council. As required by GAAP, these financial statements present the City and its component units (legally separate entities for which the City is financially accountable). The three discretely presented component units described below are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

**1. City of Lexington Board of Alcoholic Control**

The three board members of this unit 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 type. 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.

**2. Lexington Tourism Authority**

The eight members of this board are appointed by the City of Lexington. 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, less a 3% administration charge, on a quarterly basis. Lexington Tourism Authority, which has a June 30 year-end, is presented as if it were a governmental fund type. Complete financial statements may be obtained from the entity's administrative offices at Lexington Tourism Authority, 28 West Center Street, Lexington, NC 27292.

**3. Uptown Lexington, Inc.**

This fourteen member board is made up of twelve board elected members and two board appointed members. The City is authorized by State statute to levy special assessment property tax, collect and contribute to Uptown Lexington, Inc. for revitalization of the uptown area. Uptown Lexington, Inc., which has a June 30 year-end, is presented as if it were a governmental fund type. The City is financially accountable for Uptown Lexington, Inc., which is reported as a discrete component unit separate from the financial information of the primary government. The City did not issue separate financial statements.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net assets 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,

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

*Fund Financial Statements:* The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

*The City reports the following major governmental fund:*

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

*The City reports the following non-major governmental funds:*

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

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**Community Development Grants Fund** – Revenues for the Community Development Grants Fund are monies received from Federal and State sources and are restricted for improving the living conditions and environment of low to moderate income households in Lexington and Davidson County.

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

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

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

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

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

*The City reports the following major enterprise funds:*

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

**Electric Fund** – The Electric Fund includes the accounts of the electric operation fund and one capital project fund. Financing of the operation fund comes principally from charges to the users. The capital project fund is primarily financed by debt issuance and transfers from the Capital Reserve Fund.

**Water and Wastewater Fund** – The Water and Wastewater Fund includes the accounts of the water and wastewater operation fund and one capital project fund. Financing of the operation fund comes principally from charges to the users. The capital project fund is primarily financed by debt issuance and transfers from the Capital Reserve Fund.

**Natural Gas Fund** – The Natural Gas Fund includes the accounts of the natural gas operation fund and one capital project fund. Financing of the operation fund comes principally from charges to the users. The capital project fund is primarily financed by debt issuance and transfers from the Capital Reserve Fund.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**Golf Fund** – The Golf Fund includes the accounts of the golf course operation fund and one capital project fund. Financing of the operation fund comes principally from charges to the users and transfers from the General Fund. The capital project fund is primarily financed by debt issuance.

*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:

**Garage Fund** – The Garage Fund is used to account for the accumulation and allocation of costs associated with the City's garage and motor pool fleet. This fund is reported in the basic financial statements as a governmental activity.

**Group Insurance Fund** – The Group Insurance Fund is used to account for the self-insurance for health and dental benefits 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** – The Risk Management 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** – The Utility Administration Fund is used to account for administrative overhead costs, which are shared by all of the utility enterprise funds and the General Fund. This fund is reported in the basic financial statements as a business-type activity.

**Capital Reserve Fund** – The Capital Reserve Fund is used to account for the accumulation of resources for future capital needs of the Electric, Water and Wastewater, Natural Gas and Garage Funds. This fund is reported in the basic financial statements as a business-type activity.

**Rate Stabilization Fund** – The Rate Stabilization Fund is used to account for the accumulation of resources for rate stabilization in the electric and natural gas utilities. This fund is reported in the basic financial statements as a business-type activity.

**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

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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

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

The City considers all revenues available if they are collected within 60 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Davidson County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Lexington. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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become due. Therefore, the City's vehicle taxes for vehicles registered in Davidson County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues. The City also 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 utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned/deferred revenues. 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 assets 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.

As permitted by GAAP, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

**D. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. The City Council adopted an annual budget for the General Fund, two Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Community Development Grants Fund, the Public Safety Grants Fund, the Economic Stimulus Grants Fund, the General Capital Projects Fund, as well as the Enterprise Capital Project Funds which are consolidated with the operating funds for reporting purposes. A financial plan was adopted by City Council as part of the Annual Budget ordinance approval for the Internal Service Fund operations 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 departmental level for all annually budgeted funds, and at the individual project level for the multi-year funds. The City Manager as Budget Officer (or his/her designee) is authorized to transfer appropriations within a department; however, amendments are required for any revisions that alter the total expenditures of any department or fund, authorize the purchase of a capital item valued at \$10,000 or more not previously approved, approve the use of contingency funds, grant a salary increase or create a position not duly authorized by the existing personnel policy or City Council action, and approve transfers or appropriations from City Council Neighborhood Revitalization funds. All amendments must be 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.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**E. Assets, Liabilities and Fund Equity**

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the City and Uptown Lexington, Inc. 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 with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. Non-participating interest earning investment contracts are reported at cost. As of June 30, 2012, the difference between market and fair value for all investments was immaterial and therefore all investments are reported at cost value. There are no investments stated at amortized cost.

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. As of June 30, 2012, the difference between market and fair value for all step-up callable securities was immaterial and therefore all of these securities are reported at cost value.

**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 cash and cash equivalents.

**3. Restricted Assets**

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

Assets (cash) restricted for other purposes appear in the General Fund for an economic development grant contract; in the General Capital Projects Fund for acquisition of assets; in the Electric Fund for construction in progress; in the Water and Wastewater Fund for construction in progress; and in the Natural Gas Fund for construction in progress.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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In the Internal Service Funds, cash is restricted in the Garage Fund for rental fees; in the Group Insurance and Risk Management Funds for unpaid claims; in the Group Insurance Fund for future liabilities related to other postemployment benefits; and for construction in progress in the Utility Administration Fund. The Capital Reserve Fund has cash restricted for Electric, Water and Wastewater, Water and Wastewater–Capital Recovery, Natural Gas and Garage. The Rate Stabilization Fund has cash restricted for Electric and Natural Gas.

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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

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

**6. Inventory and Prepaid Items**

The inventories of the City's General Fund 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 rather than when consumed.

Inventories are maintained for Electric, Water and Wastewater, Natural Gas, and Garage supplies. They are valued using the weighted average cost method, and are considered expenses when 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.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$0; buildings, \$5,000; other improvements, \$5,000; substations, lines, and other plant and distribution systems, \$0; infrastructure, \$50,000; furniture and equipment, \$5,000; vehicles, \$5,000; computer equipment, \$5,000; and computer software, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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value of the asset or materially extend assets' lives are not capitalized.

Effective July 1, 2002, the City began depreciating capital assets used in government activities. General infrastructure assets acquired prior to July 1, 2002, 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.

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

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

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

**8. 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 assets. Material bond premiums and discounts, as well as issuance costs, 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. Material bond issuance costs are reported as deferred charges and amortized over the term of the related 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.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**9. Compensated Absences**

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

The City's sick leave policy provides for the accumulation of up to two hundred sixty (260) days earned sick leave. Any unused sick leave accumulated at the time of retirement is vested at a rate of 25% of the balance. An employee qualifying for retirement may elect to be paid 25% of the balance 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 last in first-out (LIFO) method of using accumulated compensated time.

**10. Net Assets/Fund Balances**

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

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

*The governmental fund types classify fund balances as follows:*

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

Long-term Advance – portion of fund balance that is not an available resource because it represents a transfer of assets from the General Fund to the Golf Enterprise Fund, which is not expected to be repaid in the near future.

Inventory – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes amounts that are restricted to specific

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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purposes externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

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

Restricted for General Government – portion of fund balance that is restricted for general government expenditures by external donors. The donation is for a specific project to improve City Council chambers.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures. This amount represents the balance of unexpended Controlled Substance funds.

Restricted for Highways and Streets – portion of fund balance that is restricted by revenue source for street expenditures. This amount represents unspent debt proceeds for equipment sheds for the Street and Sanitation departments.

Restricted for Economic and Physical Development – portion of fund balance that is restricted by revenue source for economic development expenditures. This amount is restricted for the redevelopment of the Lexington Business Center Industrial Park.

Restricted for Urban Redevelopment – portion of fund balance that is restricted by revenue source for urban redevelopment expenditures. This amount is restricted for the Urban Redevelopment revolving loan grant project for Uptown Lexington, Inc.

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 City of Lexington’s City Council has the authority to commit fund balance by the adoption of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until such time the City Council adopts another ordinance to remove or revise the limitation. Any changes or removal of specific purpose requires majority action by City Council.

Committed for General Government – portion of fund balance that is committed for City Council improvements to their neighborhoods in accordance with established guidelines.

Committed for Highways and Streets – portion of fund balance that is committed for Street department equipment.

Committed for Economic and Physical Development – portion of fund balance that is committed for the redevelopment of the Lexington Furniture Industries Inc. Plant #1

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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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 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. The Finance Director reports on fund balance a minimum of bi-annually to Management and City Council.

**11. Comparative Data/Reclassifications**

Certain amounts presented in the prior year data columns have been reclassified in order to be consistent with the current year's presentation.

**12. Management Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

At June 30, 2012, the City of Lexington is in compliance with North Carolina General Statutes, legal, budgetary, and contractual agreements.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**III. DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All the deposits of the City and Uptown Lexington Inc. 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 amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has a formal investment policy regarding custodial credit risk for deposits and also relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. Uptown Lexington, Inc. follows the City's investment policy regarding custodial credit risk.

At June 30, 2012, the City's deposits had a carrying amount of \$11,554,823 and a bank balance of \$11,807,230. Of the City's actual bank balance, \$1,000,000 was covered by federal depository insurance and the balance by collateral held under the Pooling Method. At June 30, 2012, the City's petty cash fund totaled \$7,050.

At June 30, 2012, Uptown Lexington, Inc. deposits had a carrying amount of \$50,802 and a bank balance of \$54,404. Of Uptown Lexington's actual bank balance, all was covered by federal depository insurance and the balance by collateral held under the Pooling Method. At June 30, 2012, Uptown Lexington's petty cash fund totaled \$40.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**2. Investments**

At June 30, 2012, the City had the following investments and maturities:

Investment Type	Book Value*	Less Than 6 Months	6-12 Months	1-3 Years
US Government Agencies*	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Commercial Paper*	7,982,796	7,982,796	-	-
NC Capital Management Trust - Cash Portfolio	2,458,197	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio**	5,000,861	5,000,861	-	-
Total	\$ 18,441,854	\$ 12,983,657	\$ -	\$ 3,000,000

\* Because the difference between book value and fair value of investments is immaterial, the value of US Government Agencies and commercial paper are presented as book value. As of June 30, 2012, fair value exceeded book value by \$14,924.

\*\*Because the NC Capital Management Trust Term Portfolio had a duration of 0.17 years, it was presented as an investment with a maturity of less than 6 months.

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

*Credit Risk.* The City's investment policy limits the City's investments to the provisions of G.S. 159-30 and State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2012, the City's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2012. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The NC Capital Management Trust is a SEC registered money market mutual fund operating in accordance with Rule 2a-7 of the Investment Act of 1940. The City's investments in US Agencies (Federal National Mortgage Association and Federal Farm Credit Bank) are rated AAA by Standard and Poor's and Aaa by Moody's Investor Services.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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

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

US Agencies in total are limited to 50% of the portfolio and commercial paper in total is limited to 30% of the portfolio. More than 5 percent of the City's investments are in Deutsche Bank commercial paper at 6.69%, Abbey National commercial paper at 6.68%, Federal Farm Credit Bank securities at 5.03% and Federal National Mortgage Association securities at 5.03%.

At June 30, 2012, Uptown Lexington, Inc. had \$63,613 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard & Poor's. Uptown Lexington, Inc. follows the City's policy regarding credit risk of its investments.

**3. Receivables - Allowances for Doubtful Accounts**

The General Fund taxes receivable amounts presented in the Balance Sheet and the Statement of Net Assets are net of an allowance for doubtful accounts in the amount of \$887,341.

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

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**4. Capital Assets**  
**a. Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,732,393	\$ 21,423	\$ -	\$ 1,753,816
Investment in joint venture - land	440,704	-	(13,402)	427,302
Construction in progress	8,842,627	1,788,948	(3,009,904)	7,621,671
Total capital assets not being depreciated	<u>\$ 11,015,724</u>	<u>\$ 1,810,371</u>	<u>\$ (3,023,306)</u>	<u>\$ 9,802,789</u>
Capital assets being depreciated:				
Buildings	\$ 11,316,604	\$ 1,756,684	\$ (93,901)	\$ 12,979,387
Other improvements	3,168,118	372,000	(5,286)	3,534,832
Machinery & equipment	9,388,496	871,774	(1,163,576)	9,096,694
Infrastructure	52,483,849	1,031,748	-	53,515,597
Intangibles	2,242,596	17,662	-	2,260,258
Total capital assets being depreciated	<u>\$ 78,599,663</u>	<u>\$ 4,049,868</u>	<u>\$ (1,262,763)</u>	<u>\$ 81,386,768</u>
Less accumulated depreciation for:				
Buildings	\$ 7,553,032	\$ 165,049	\$ (58,417)	\$ 7,659,664
Other improvements	1,611,614	146,637	(4,262)	1,753,989
Machinery & equipment	6,639,041	590,136	(1,002,603)	6,226,574
Infrastructure	29,969,745	999,498	-	30,969,243
Intangibles	663,225	156,289	-	819,514
Total accumulated depreciation	<u>\$ 46,436,657</u>	<u>\$ 2,057,609</u>	<u>\$ (1,065,282)</u>	<u>\$ 47,428,984</u>
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	301,882	-	-	301,882
Machinery & equipment	1,880,345	2,065,471	(302,196)	3,643,620
Intangibles	9,846	-	-	9,846
Total capital assets being depreciated	<u>\$ 2,282,073</u>	<u>\$ 2,065,471</u>	<u>\$ (302,196)</u>	<u>\$ 4,045,348</u>

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Less accumulated depreciation for:				
Buildings	\$ 81,000	\$ -	\$ -	\$ 81,000
Other improvements	211,085	6,580	-	217,665
Machinery & equipment	1,500,734	1,682,732	(275,882)	2,907,584
Intangibles	7,690	242	-	7,932
Subtotal	1,800,509	1,689,554	(275,882)	3,214,181
Accumulated depreciation	48,237,166	3,747,163	(1,341,164)	50,643,165
Total capital assets being depreciated, net	32,644,570			34,788,951
Governmental activity capital assets, net	\$ 43,675,294			\$ 44,606,740

Vehicles (1) ton or less were transferred to Garage's motor pool July 1, 2011 resulting in a net increase of \$1,855,772 to Garage's capital assets. The goal is to maximize the utilization of the City's fleet by pooling administrative vehicles and service trucks together to be managed and assigned by the Garage.

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

**Governmental Activities**

*Depreciation Expense*

General government	\$ 274,293
Public safety	389,744
Highways and streets	1,166,798
Sanitation	105,685
Cultural and recreation	121,089
Capital assets held by internal service funds	104,225
<i>Total depreciation expense</i>	\$ 2,161,834

*Depreciation Related to Capital Transfers (Increases)*

General Government	\$ -
Capital assets held by internal service funds	1,585,329
<i>Total depreciation transferred</i>	\$ 1,585,329

Grand Total Depreciation Increases	\$ 3,747,163
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City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 613,286	\$ -	\$ -	\$ 613,286
Construction in progress	150,750	354,880	-	505,630
Total capital assets not being depreciated	<u>\$ 764,036</u>	<u>\$ 354,880</u>	<u>\$ -</u>	<u>\$ 1,118,916</u>
Capital assets being depreciated:				
Buildings	\$ 210,000	\$ -	\$ -	\$ 210,000
Plant and distribution systems	56,443,532	427,251	(320,038)	56,550,745
Machinery & equipment	1,494,864	17,885	(200,421)	1,312,328
Total capital assets being depreciated	<u>\$ 58,148,396</u>	<u>\$ 445,136</u>	<u>\$ (520,459)</u>	<u>\$ 58,073,073</u>
Less accumulated depreciation for:				
Buildings	\$ 96,851	\$ 2,821	\$ -	\$ 99,672
Plant and distribution systems	24,941,136	860,946	(288,034)	25,514,048
Machinery & equipment	1,126,129	52,343	(165,530)	1,012,942
Total accumulated depreciation	<u>\$ 26,164,116</u>	<u>\$ 916,110</u>	<u>\$ (453,564)</u>	<u>\$ 26,626,662</u>
Total capital assets being depreciated, net	<u>31,984,280</u>			<u>31,446,411</u>
Electric Fund capital assets, net	<u>\$ 32,748,316</u>			<u>\$ 32,565,327</u>
Water and Wastewater Fund				
Capital assets not being depreciated:				
Land	\$ 849,390	\$ -	\$ -	\$ 849,390
Construction in progress	1,015,027	315,237	(35,267)	1,294,997
Total capital assets not being depreciated	<u>\$ 1,864,417</u>	<u>\$ 315,237</u>	<u>\$ (35,267)</u>	<u>\$ 2,144,387</u>
Capital assets being depreciated:				
Buildings	\$ 251,000	\$ -	\$ -	\$ 251,000
Plant and distribution systems	69,013,969	1,507,066	(83,479)	70,437,556
Machinery & equipment	1,177,886	43,300	(310,078)	911,108
Total capital assets being depreciated	<u>\$ 70,442,855</u>	<u>\$ 1,550,366</u>	<u>\$ (393,557)</u>	<u>\$ 71,599,664</u>
Less accumulated depreciation for:				
Buildings	\$ 225,900	\$ -	\$ -	\$ 225,900
Plant and distribution systems	29,297,663	1,129,036	(75,131)	30,351,568
Machinery & equipment	879,691	68,130	(257,420)	690,401
Total accumulated depreciation	<u>\$ 30,403,254</u>	<u>\$ 1,197,166</u>	<u>\$ (332,551)</u>	<u>\$ 31,267,869</u>
Total capital assets being depreciated, net	<u>40,039,601</u>			<u>40,331,795</u>
Water and Wastewater Fund capital assets, net	<u>\$ 41,904,018</u>			<u>\$ 42,476,182</u>

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

	Balance	Increases	Decreases	Balance
	July 1, 2011			June 30, 2012
*****				
Natural Gas Fund				
Capital assets not being depreciated:				
Land	\$ 303,049	\$ -	\$ -	\$ 303,049
Construction in progress	1,715,860	84,026	-	1,799,886
Total capital assets not being depreciated	<u>\$ 2,018,909</u>	<u>\$ 84,026</u>	<u>\$ -</u>	<u>\$ 2,102,935</u>
Capital assets being depreciated:				
Buildings	\$ 495,759	\$ -	\$ -	\$ 495,759
Plant and distribution systems	26,111,009	801,778	(143,270)	26,769,517
Machinery & equipment	621,836	24,929	(359,509)	287,256
Total capital assets being depreciated	<u>\$ 27,228,604</u>	<u>\$ 826,707</u>	<u>\$ (502,779)</u>	<u>\$ 27,552,532</u>
Less accumulated depreciation for:				
Buildings	\$ 313,663	\$ 10,414	\$ -	\$ 324,077
Plant and distribution systems	8,843,626	504,276	(128,943)	9,218,959
Machinery & equipment	486,503	30,002	(318,728)	197,777
Total accumulated depreciation	<u>\$ 9,643,792</u>	<u>\$ 544,692</u>	<u>\$ (447,671)</u>	<u>\$ 9,740,813</u>
Total capital assets being depreciated, net	<u>17,584,812</u>			<u>17,811,719</u>
Natural Gas Fund capital assets, net	<u>\$ 19,603,721</u>			<u>\$ 19,914,654</u>
Golf Fund				
Capital assets not being depreciated:				
Land	\$ 40,728	\$ -	\$ -	\$ 40,728
Total capital assets not being depreciated	<u>\$ 40,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,728</u>
Capital assets being depreciated:				
Buildings	\$ 61,500	\$ -	\$ -	\$ 61,500
Other improvements	2,128,719	-	-	2,128,719
Machinery & equipment	179,167	18,126	(27,557)	169,736
Total capital assets being depreciated	<u>\$ 2,369,386</u>	<u>\$ 18,126</u>	<u>\$ (27,557)</u>	<u>\$ 2,359,955</u>
Less accumulated depreciation for:				
Buildings	\$ 36,045	\$ 810	\$ -	\$ 36,855
Other improvements	578,409	95,591	-	674,000
Machinery & equipment	155,224	5,165	(24,801)	135,588
Total accumulated depreciation	<u>\$ 769,678</u>	<u>\$ 101,566</u>	<u>\$ (24,801)</u>	<u>\$ 846,443</u>
Total capital assets being depreciated, net	<u>1,599,708</u>			<u>1,513,512</u>
Golf Fund capital assets, net	<u>\$ 1,640,436</u>			<u>\$ 1,554,240</u>

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

	Balance	Increases	Decreases	Balance
	July 1, 2011			June 30, 2012
Internal Service Funds				
Capital assets not being depreciated:				
Land	\$ 245,430	\$ -	\$ -	\$ 245,430
Construction in progress	2,044,188	490,111	-	2,534,299
Total capital assets not being depreciated	<u>\$ 2,289,618</u>	<u>\$ 490,111</u>	<u>\$ -</u>	<u>\$ 2,779,729</u>
Capital assets being depreciated:				
Buildings	\$ 1,083,423	\$ -	\$ -	\$ 1,083,423
Machinery & equipment	474,802	5,571	(124,353)	356,020
Intangibles	1,414,671	32,000	(18,383)	1,428,288
Total capital assets being depreciated	<u>\$ 2,972,896</u>	<u>\$ 37,571</u>	<u>\$ (142,736)</u>	<u>\$ 2,867,731</u>
Less accumulated depreciation for:				
Buildings	\$ 523,574	\$ 36,301	\$ -	\$ 559,875
Machinery & equipment	407,008	9,143	(107,247)	308,904
Intangibles	1,267,765	5,663	(16,545)	1,256,883
Total accumulated depreciation	<u>\$ 2,198,347</u>	<u>\$ 51,107</u>	<u>\$ (123,792)</u>	<u>\$ 2,125,662</u>
Total capital assets being depreciated, net	<u>774,549</u>			<u>742,069</u>
Internal Service Funds capital assets, net	<u>\$ 3,064,167</u>			<u>\$ 3,521,798</u>
Business-type activities capital assets, net	<u>\$ 98,960,658</u>			<u>\$ 100,032,201</u>

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**b. Construction Commitments**

The government has active construction projects as of June 30, 2012. At year-end, the government's construction in progress was comprised of the following:

	Spent To Date	Remaining Commitments
Community Development Grants Fund		
Erlanger Community Revitalization	\$ 1,310,000	\$ -
Erlanger Revitalization	156,000	-
Total Community Development Grants Fund	<u>\$ 1,466,000</u>	<u>\$ -</u>
Public Safety Grants Fund		
GHSP - Traffic Safety Initiative #11 - Year 2	\$ 56,470	\$ 2,297
GHSP - Traffic Safety Initiative #11 - Year 3	37,133	16,351
GCC - Project Safe Neighborhood #2	20,793	2,307
GCC - Project Safe Neighborhood #3	10,252	993
Office of Justice - 2010 Justice Assistance	20,002	-
Office of Justice - 2011 Justice Assistance	-	14,298
Office of Justice - 2010 COPS - Secure Our Schools	19,012	988
Total Public Safety Grants Fund	<u>\$ 163,662</u>	<u>\$ 37,234</u>
Economic Stimulus Grants Fund		
Neighborhood Stabilization Program	\$ 2,468,075	\$ 33,677
ARRA - COPS - Hiring Recovery	113,485	31,520
ARRA - Energy Efficiency and Conservation Block	117,292	-
Energy Efficiency in Governmental Buildings	189,961	1,956
Total Economic Stimulus Grants Fund	<u>\$ 2,888,813</u>	<u>\$ 67,153</u>
General Capital Projects Fund		
Industrial Park	\$ 4,883,060	\$ 166,410
Industrial Park - Moran Foods, Inc. Water Project grants	630,000	-
West Bypass extension	828,565	-
Tiger II - Multi-Modal Transportation Station Area Plan	142,236	557,764
Lexington Furniture Industries, Inc. Plant #1	1,197,984	225,277
Relocation of Fire Station 2	1,433,781	-
Street/Sanitation Equipment Sheds	329,693	162,997
United Furniture Access Road	600,000	-
Erlanger/Green Needles Parks ER grant	115,052	530,428
Total General Capital Projects Fund	<u>\$ 10,160,371</u>	<u>\$ 1,642,876</u>

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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	Spent To Date	Remaining Commitments
Enterprise Funds:		
Electric Fund		
System improvements	\$ 645,026	\$ 104,974
Total Electric Fund	\$ 645,026	\$ 104,974
Water and Wastewater Fund		
Line extensions	\$ 42,765	\$ 314,502
Plant improvements	686,576	43,074
Building improvements	600,923	1
Total Water and Wastewater Fund	\$ 1,330,264	\$ 357,577
Natural Gas Fund		
Line extensions	\$ 50,383	\$ 324,617
Building improvements	1,749,503	-
Total Natural Gas Fund	\$ 1,799,886	\$ 324,617
Utility Administration Fund		
Automated Meter Reading	\$ 2,534,300	\$ 196,923
Total Utility Administration Fund	\$ 2,534,300	\$ 196,923

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

Plan Description

The City of Lexington contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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employees not engaged in law enforcement and for law enforcement officers is 6.88% and 6.91%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Lexington are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$952,245, \$888,265, and \$645,619, respectively. The contributions made by the City equaled the required contributions for each year.

**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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers for the City of Lexington are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	10
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>66</u>
Total	<u><u>76</u></u>

A separate report was not issued for the plan.

**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.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Contributions**

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund's operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions do not include post-employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

Annual required contribution	\$ 145,403
Interest on net pension obligation	25,550
Adjustment to annual required contribution	(30,484)
Annual pension cost	140,469
Employer contributions made for fiscal year ended 6/30/2012	133,500
Increase (decrease) in net pension obligation	6,969
Net pension obligation beginning of fiscal year	510,998
Net pension obligation end of fiscal year	\$ 517,967

**3-Year Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	136,253	91.00%	479,536
6/30/11	156,674	79.92%	510,998
6/30/12	140,469	95.04%	517,967

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,544,339. The covered payroll (annual payroll of active employees covered by the plan) was \$2,770,689, and the ratio of the UAAL to the covered payroll was 55.74 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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

**Plan Description**

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

**Funding Policy**

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$167,626, which consisted of \$141,251 from the City and \$26,375 from the law enforcement officers.

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

**Plan Description**

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

**Funding Policy**

The City temporarily suspended contributions to the Plan for general employees for the year ended June 30, 2012. General employees may continue to make voluntary contributions to the Plan. Contributions for the year ended June 30, 2012 consisted of \$227,467 from the general employees.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**e. Firemen's and Rescue Squad Workers' Pension Fund**

**Plan Description**

The State of North Carolina contributes, on behalf of the City of Lexington, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that 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. The Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy**

Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. For the fiscal year ended June 30, 2012, the City of Lexington has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$17,961 for the forty-seven employed firemen who perform firefighting duties for the City's fire department.

**f. 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 provides continuation of group insurance coverage to employees who retire under the North Carolina Local Governmental Employees' Retirement System and have twenty years of consecutive service with the City, or five years consecutive service with the City in the case of disability retirement. 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 \$90,000, 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 at its discretion. A separate report was not issued for the HCB Plan.

Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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	Law		
	General	Enforcement	
	Employees	Officers	Firefighters
Active Plan Members	228	66	47
Retired Plan Members	41	26	22
Total	269	92	69

Funding Policy

The City currently pays for postemployment healthcare benefits on a pay-as-you-go basis. Retirees contribute the premium of the healthcare coverage plan to the City at the group rates, which are adjusted periodically. Although the City is evaluating the establishment of a trust that would be used to accumulate and invest assets necessary to pay for the accumulated liability and earmarked \$1,409,897 for this purpose in the Group Insurance Fund for fiscal year ended June 30, 2012, these financial statements assume the pay-as-you-go method will continue in the near term.

The current annual required contribution (ARC) rate is 12.93% of annual covered payroll. For the current year, the City contributed \$722,500 or 5.22% of annual covered payroll. The City is self-insured as described in more detail on pages 77 through 79 of the notes to the financial statements. Employees contributed \$10 bi-weekly for individual coverage and a total of \$597,524 during the fiscal year for employee and dependent coverage. Retirees contributed \$133,804 during the fiscal year for retiree and dependent coverage. The City's obligation to contribute to the HCB Plan is established annually and may be amended by the City Council.

Summary of Significant Accounting Policies

Postemployment expenditures are made from the Group Insurance Fund which is funded by charges to the General Fund and the proprietary funds, treated as interfund services provided/used. The Group Insurance Fund is maintained in conformity with generally accepted accounting principles. The vast majority of expenditures are paid as they come due. However as discussed in the Funding Policy section above, \$1,409,897 is restricted and earmarked in the Group Insurance Fund to begin accumulating assets necessary to pay for the accrued liability of postemployment healthcare coverage.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The payment of current health insurance premiums for retirees and covered

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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dependents totaled \$722,500, which resulted in a net OPEB obligation of \$3,867,310 for the year ended June 30, 2012.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution (ARC)	\$1,752,122
Interest on net OPEB obligation	112,888
Adjustment to ARC	<u>(97,393)</u>
Annual OPEB cost (pay-as-you-go expense)	1,767,617
Contributions made	<u>(722,500)</u>
Increase/(decrease) in net OPEB obligation	1,045,117
Net OPEB obligation, beginning of year	<u>2,822,193</u>
Net OPEB obligation, end of year	<u><u>\$3,867,310</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2011 and 2012 were as follows:

For Year Ended June 30	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 1,694,804	51.2%	\$ 1,921,273
2011	\$ 1,694,804	46.8%	\$ 2,822,193
2012	\$ 1,767,617	40.9%	\$ 3,867,310

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$21,579,793. The covered payroll (annual payroll of active employees covered by the plan) was \$13,830,782, and the ratio of the UAAL to the covered payroll was 156.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information as accumulated annually about whether the actuarial

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50 to 5.00 percent pre-Medicare and 7.00 to 5.00 percent post-Medicare annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 28 years.

**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 109 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.

**g. Other Employment Benefit**

The City has also elected to provide death benefits to employees through the Death

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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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. Effective July 1, 2004, the death benefit payments to beneficiaries must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2012, the City made contributions to the State for death benefits of \$13,859. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

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 minimum of \$20,000 and a maximum of \$150,000 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. Benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

**2. Deferred/Unearned Revenues**

The balance in deferred/unearned revenues in the various funds at fiscal year ended June 30, 2012 is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Taxes Receivable - net (General Fund)	\$ 772,703	\$ -
Taxes Receivable - net (Special Revenue Fund)	9,904	-
Intergovernmental Receivables (General Fund)	513,221	-
Miscellaneous Receivables (General Fund)	49,242	-
Total	\$1,345,070	\$ -

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**3. Risk Management**

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

The City's insurance deductible for property is \$50,000 per occurrence. The property insurance limit is \$80,737,959. The self-insurance retention for general liability, employee benefit liability, police professional, public officials and auto is \$300,000 per occurrence. The general liability, public official's liability and police liability insurance limits are \$1,000,000 per occurrence; \$2,000,000 aggregate. The employee benefit liability limits are \$1,000,000 per occurrence; \$1,000,000 aggregate. The auto liability has a combined single limit of \$1,000,000. The auto physical damage coverage is a catastrophic only limit of \$1,000,000 and a \$50,000 per occurrence deductible. The City also purchased excess liability coverage of \$10,000,000 per occurrence. This applies to all liabilities except workers' compensation. Workers' Compensation has a self-insured retention of \$500,000 per occurrence with excess coverage up to the statutory limit. Boiler and machinery has a \$50,000 deductible and a \$80,737,959 limit for any one accident. Crime has a \$2,500 deductible and a \$200,000 limit. All claims under \$5,000 can be settled by the City Manager. Claims up to \$25,000 can be settled by the City's Claims Committee, which includes the Risk Safety Director, Management and the City attorney. Claims \$25,000 and over are reviewed by the City's third party administrator. Workers' Compensation claims up to \$25,000 can be settled by the City's Claims Committee, which includes the Workers' Compensation Specialist.

The Risk Management Fund pays for all costs associated with claims, cost of the excess policies, and third party administrative charges. These expenses are funded by charges allocated to the General, Electric, Water and Wastewater, Natural Gas and Golf Funds.

The City carries flood insurance through Firemen's Insurance Company of Washington, D.C. with \$5,000,000 of coverage per occurrence. This coverage only applies to buildings designated in flood zones other than A, D, & V by the National Flood Insurance Program. The City is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency and therefore is not eligible to purchase additional coverage through the National Flood Insurance Plan.

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

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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years.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more of the City's funds at any given time are performance bonded through a commercial surety bond. The City Manager, Assistant City Manager and Director of Finance are each individually bonded for \$100,000. The Director of Customer Service, Customer Service Manager, Purchasing Officer and Accountant who manages cash and investments are each individually bonded for \$50,000. The Police Chief, Police Major and two Police Captains are each individually bonded for \$25,000. The Utilities Marketing Representative for natural gas is individually bonded at \$5,000. The remaining employees that have access to funds are covered by a faithful performance of duty under a crime policy up to \$200,000 with a \$2,500 deductible.

In accordance with G.S. 159-29, the Director of Finance, who is responsible for accounting for Uptown Lexington, Inc., is individually bonded through a commercial surety bond in the amount of \$50,000.

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 balances of claims liabilities during the past two fiscal years are as follows:

	2012	2011
Unpaid claims, 7/1	\$ 133,929	\$ 24,000
Incurred claims	1,057,043	434,072
Claim payments	(858,592)	(324,143)
Unpaid claims, 6/30	\$ 332,380	\$ 133,929

**4. 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 (that is, those 89 retirees who fall under the City's post-employment benefits), 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 City 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 \$90,000 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

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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expected net claims costs. Losses greater than \$90,000 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 charges to other funds, treated as interfund services provided/used. As of January 1, 1999, the City adopted a new health insurance plan. Under this plan, employees pay \$10.00 bi-weekly toward their cost of health, dental and vision insurance, plus their dependent coverage. Effective January 1, 2008, retirees pay \$58.06 per month toward their cost of health, dental, and vision insurance, plus their dependent coverage. The remaining costs for some retirees (post-employment benefits) are borne entirely by the City and are funded by the General and Utility Administration Funds, and are based on the number of retirees in the respective funds. The remaining funding comes from charges to the respective funds on a per employee, per year basis.

Effective April 1, 2008, the City's Medical Expense Reimbursement Plan (MERP) was established to provide a voluntary option for employees with chronic high cost medical conditions coverage under a non-employer sponsored health insurance contract; as well as to provide relief for the Group Insurance Fund, specifically the City's self insurance costs, from the exposure to the specific stop loss deductible of \$90,000 on these individuals.

Based on the authority of Section 105 of the Employee Retirement Income Security Act (ERISA), the MERP satisfies the definitions as a Health Reimbursement Account and may be used for paying expenses for premiums, deductibles, copays and coinsurance related to Qualified Medical Expenses. The list of Qualified Medical Expenses is the same as the list used for Flexible Spending Accounts known as Section 213(d) of the IRS Code; IRS Publication 502.

Employees who elect participation in the MERP are required to continue regular payroll deductible contributions to the plan but are relieved of out of pocket costs for the deductibles, copays and coinsurance under the insurance contract to which they have accepted transfer. Premium for the replacement insurance coverage is paid through the MERP. The administrative charge for each of these participants is \$6.00 per employee per month which the City pays to the third party administrator of the MERP 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.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	2012	2011
Unpaid claims, 7/1	\$ 354,208	\$ 311,997
Incurring claims	3,316,046	2,921,781
Claim payments	(3,217,994)	(2,879,570)
Unpaid claims, 6/30	\$ 452,260	\$ 354,208

**5. Claims, Judgments and Contingent Liabilities**

At June 30, 2012, 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.

**6. Long-Term Obligations**

**a. Installment Purchases**

In June 2003, the City entered into an installment purchase contract with Bank of America to finance state-mandated nutrient removal improvements at the City's wastewater treatment plant. The financing required principal payments beginning in fiscal year 2003-2004 with an interest rate of 3.69% and a current outstanding balance of \$2,237,461 as of June 30, 2012, to be paid in full June 2018.

In December 2003, the City entered into an installment purchase contract with Wachovia, now doing business as Wells Fargo, to finance electric system improvements and golf course renovations. The financing required principal payments beginning in fiscal year 2003-2004 with an interest rate of 3.92% and a current outstanding balance of \$2,018,810 as of June 30, 2012, to be paid in full December 2018.

In March 2004, the City entered into an installment purchase contract with Wachovia, now doing business as Wells Fargo, to finance a natural gas system expansion and a new HVAC and roof at the Edward C. Smith Civic Center. The financing required principal payments beginning in fiscal year 2004-2005 with an interest rate of 3.16% and a current outstanding balance of \$340,000 as of June 30, 2012, to be paid in full March 2014.

In December 2007, the City entered into an installment purchase contract with Bank of America to finance the Arcadia electric substation and various electric system reliability improvements. The financing required principal payments beginning in fiscal year 2007-2008 with an interest rate of 3.71% and a current outstanding balance of \$2,965,512 as of June 30, 2012, to be paid in full December 2022.

In February 2008, the City entered into an installment purchase contract with RBC Centura, now doing business as PNC Bank, to finance two sanitation side-loading trucks. The financing required principal payments beginning in fiscal year 2007-2008 with an

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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interest rate of 2.52% and a current outstanding balance of \$41,884 as of June 30, 2012, to be paid in full August 2012.

In October 2008, the City entered into an installment purchase contract with BB&T to finance an aerial fire truck. The financing required principal payments beginning in fiscal year 2008-2009 with an interest rate of 3.79% and a current outstanding balance of \$628,129 as of June 30, 2012, to be paid in full October 2018.

In April 2010, the City entered into an installment purchase Build America Bond with Bank of America to finance a utilities operations center for Natural Gas and Public Works, the relocation of Fire Station #2, and equipment sheds for the Street and Sanitation departments. The financing required principal payments beginning in fiscal year 2010-2011 with a net interest rate of 3.959%, equivalent to the gross interest rate of 6.09% net of a 35% federal credit, and with a current outstanding balance of \$3,772,036 as of June 30, 2012 to be paid in full April 2025.

In August 2011, the City entered into an installment purchase contract with BB&T to finance a fire pumper truck. The financing required principal payments beginning in fiscal year 2011-2012 with an interest rate of 2.19% and a current outstanding balance of \$394,529 as of June 30, 2012, to be paid in full February 2018.

The future minimum payments of the installment purchases as of June 30, 2012, including \$2,481,910 of interest, net of 35% federal credit, are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	332,013	100,480	1,109,855	351,608
2014	298,929	89,941	1,147,321	309,978
2015	269,737	79,912	1,054,540	267,953
2016	279,193	70,457	1,094,516	227,977
2017	288,994	60,655	1,136,866	185,627
2018-2022	904,526	176,834	3,265,024	483,554
2023-2025	474,174	33,384	742,673	43,550
Present value of the minimum installment purchase payments	<u>\$ 2,847,566</u>		<u>\$ 9,550,795</u>	
Total interest payments		<u>\$ 611,663</u>		<u>\$ 1,870,247</u>

**b. General Obligation Indebtedness**

The City issues general obligation bonds to finance the purchase of major capital items and the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities and are being repaid

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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from the applicable resources. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

In January 2011, the City issued \$6,054,000 Series 2011 General Obligation Refunding Bonds consisting of \$1,184,031 Recreation, \$1,312,729 Electric, and \$3,557,240 Sewer bonds. The proceeds from the \$6 million refunding bonds were used to refund Series 1998 General Obligation Bonds originally issued in December 1998 to pay for recreation park improvements, electric system reliability improvements and extend sewer lines to a newly annexed area in the corporate limits. The interest rate on the Series 2011 bonds is 2.30% with scheduled maturities in varying amounts through 2019.

Bonds payable at June 30, 2012 are comprised of the following individual issues:

<u>General Obligation Bonds</u>	<u>Outstanding</u>
Serviced by the General Fund:	
1/19/11 Recreation Refunding bonds, Series 2011, \$1,184,031, due in annual payments of \$208,170 to \$146,775 through 06/01/16; interest rate of 2.30%	\$ 760,062
Serviced by the Electric Fund:	
1/19/11 Electric Refunding bonds, Series 2011, \$1,312,729, due in annual payments of \$160,130 to \$67,945 through 06/01/19; interest rate of 2.30%	\$ 987,085
Serviced by the Water and Wastewater Fund:	
1/19/11 Sanitary Sewer Refunding bonds, Series 2011, 3,557,240, due in annual payments of \$429,701 to \$232,055 through 06/01/19; interest rate of 2.30%	\$ <u>2,684,853</u>
Total general obligation bonds	\$ <u><u>4,432,000</u></u>

At June 30, 2012, the City of Lexington had no bonds authorized but unissued and a legal debt margin of \$102,051,097.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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Debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	208,170	17,481	589,831	84,455
2014	204,457	12,694	579,542	70,888
2015	200,660	7,991	569,340	57,559
2016	146,775	3,376	559,225	44,464
2017	-	-	542,000	31,602
2018-2019	-	-	832,000	26,036
Total	\$ 760,062	\$ 41,542	\$ 3,671,938	\$ 315,004

**c. Revenue Bonds**

The City issues revenue bonds to finance the purchase of major capital items and the acquisition and construction of major capital facilities. Combined Enterprise System Revenue Bonds in the amount of \$3,900,000, Series 2006, issued for Natural Gas system expansion to the Southmont and Tyro regions on September 18, 2006; issue placed with Wachovia, now doing business as Wells Fargo. The Natural Gas Fund services this debt; with quarterly principal and interest payments due July 1, October 1, January 1, and April 1, at an annual interest rate of 4.19%. The principal amount outstanding on the bonds as of June 30, 2012 is \$2,601,036.

Debt service requirements to maturity for revenue bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest
2013	243,210	107,716
2014	253,563	97,472
2015	264,355	86,792
2016	275,606	75,656
2017	287,337	64,047
2018-2022	1,276,965	130,799
Total	\$ 2,601,036	\$ 562,482

The City has been in compliance with the covenants as to rates, fees, rentals and charges in Section 704 of the Bond Order, authorizing the issuance of the Combined Enterprise System Revenue Bonds, Series 2006, since adoption in 2006. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 125%. The debt service coverage ratio calculation for the year ended June 30, 2012 is as follows:

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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	2012
Operating revenues	\$10,416,189
Operating expenses*	8,464,574
Operating income	1,951,615
Nonoperating revenues (expenses)**	(107,875)
Income available for debt service	1,843,740
Debt service, principal and interest paid (Revenue bond only)	351,967
Debt service coverage ratio	524%

\*Per rate covenants, this does not include the depreciation expense of \$544,692.

\*\*Per rate covenants, this does not include revenue bond interest paid of \$118,685.

The City has pledged future natural gas customer revenues, net of specified operating expenses, to repay a total of \$3,900,000 in natural gas system revenue bonds issued in September 2006. Proceeds from the bonds provided financing for expansion of the Natural Gas system to various areas in Davidson County, NC. The bonds are payable solely from natural gas customer net revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 20% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,163,518. Principal and interest paid for the current year and total customer net revenues were \$351,967 and \$1,843,740, respectively.

**d. Solid Waste Landfill Post-closure Care Costs**

The City of Lexington closed its landfill during the fiscal year ended June 30, 1990. As of the current period, an administrative agreement on consent has been entered into, and an assessment plan is now complete. The \$160,000 liability recorded in the statement of net assets is based on the estimated annual cost to complete periodic monitoring required by N.C. Department of Environment, Health and Natural Resources Division of Solid Waste Management, Solid Waste Section, for the next 8 years. The estimates are updated annually based on current technology and regulatory requirements. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**e. Economic Development Grants**

The City of Lexington enters into formal grant contracts 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 grant obligations are not incurred until the company meets their contractual obligations to qualify for the grant. The \$873,217 liability recorded in the statement of net assets is based on three long term grant agreements; whereas, United Furniture, Save-A-Lot and Johnson Concrete are fulfilling the contractual obligations.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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The City partnered with Davidson County to purchase land, resulting in a \$68,300 transaction in fiscal year 2009-2010. As part of an economic development grant, this land is being leased to United Furniture Industries and will be conveyed to the company when the 12-year lease agreement is fulfilled in December 2022. United Furniture is meeting the terms of both the lease and economic development agreements and remitting \$5,691.68 annually in a lease payment. The lease amount is returned to the company in the form of an economic development grant with the final payment anticipated in 2023.

As part of an economic development grant, land co-owned with Davidson County in the Lexington Business Center is being leased to Save-A-Lot, Ltd. and will be conveyed to the company when the 12-year lease agreement is fulfilled in December 2022. Save-A-Lot is meeting the terms of both the lease and economic development agreements and remitting \$72,916.67 annually in a lease payment. The lease amount is returned to the company in the form of an economic development grant with the final payment anticipated in 2023.

For the fiscal year ended June 30, 2012, Johnson Concrete Company met the investment and employment provisions outlined in an economic development grant for the first of a 2-year grant agreement. The company is entitled to \$8,525.38 per year with the final payment anticipated in 2013.

**7. Changes in Long-Term Liabilities**

The majority of compensated absences and other post employment benefits for governmental activities have been liquidated in the General Fund. Governmental activities also include Garage and Risk Management internal service funds. Business-type activities also include Utility Administration internal service fund.

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Governmental activities:					
Installment purchases	\$2,756,001	\$460,402	\$368,837	\$2,847,566	\$332,013
General obligation bonds	971,861	-	211,799	760,062	208,170
Other postemployment benefits	1,825,891	1,215,904	527,000	2,514,795	-
Compensated absences	908,361	662,706	638,025	933,042	638,000
Net pension obligation	510,998	140,469	133,500	517,967	-
Solid waste landfill	180,000	-	20,000	160,000	20,000
Economic development grants	-	873,217	-	873,217	87,134
Governmental activity long-term liabilities	<u>\$ 7,153,112</u>	<u>\$ 3,352,698</u>	<u>\$ 1,899,161</u>	<u>\$ 8,606,649</u>	<u>\$ 1,285,317</u>

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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Business-type activities:	Balance			Balance		Current Portion
	July 1, 2011	Increases	Decreases	June 30, 2012	of Balance	
<u>Electric Fund</u>						
Installment purchases	\$ 4,392,847	\$ -	\$ 367,459	\$ 4,025,388	\$	381,954
General obligation bonds	1,149,846	-	162,761	987,085		160,130
Other postemployment benefits	247,726	79,407	-	327,133		-
Compensated absences	103,511	99,647	108,626	94,532		94,000
Electric Fund long-term liabilities	5,893,930	179,054	638,846	5,434,138		636,084
<u>Water and Wastewater Fund</u>						
Installment purchases	3,134,749	-	358,426	2,776,323		372,102
General obligation bonds	3,121,293	-	436,440	2,684,853		429,701
Other postemployment benefits	338,206	125,252	-	463,458		-
Compensated absences	148,835	128,484	128,920	148,399		129,000
Water and Wastewater Fund long-term liabilities	6,743,083	253,736	923,786	6,073,033		930,803
<u>Natural Gas Fund</u>						
Installment purchases	2,010,145	-	219,996	1,790,149		223,526
Revenue bonds	2,834,318	-	233,282	2,601,036		243,210
Other postemployment benefits	169,306	58,603	-	227,909		-
Compensated absences	89,431	40,546	48,928	81,049		49,000
Natural Gas Fund long-term liabilities	5,103,200	99,149	502,206	4,700,143		515,736
<u>Golf Fund</u>						
Installment purchases	1,086,065	-	127,130	958,935		132,273
Other postemployment benefits	59,313	20,992	-	80,305		-
Compensated absences	24,935	13,885	13,400	25,420		13,000
Golf Fund long-term liabilities	1,170,313	34,877	140,530	1,064,660		145,273
<u>Utility Administration Fund</u>						
Other postemployment benefits	181,751	71,958	-	253,709		-
Compensated absences	90,324	95,106	72,372	113,058		72,000
Utility Administration Fund long-term liabilities	272,075	167,064	72,372	366,767		72,000
Business activity long-term liabilities	\$ 19,182,601	\$ 733,880	\$ 2,277,740	\$ 17,638,741	\$	2,299,896

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**C. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2012 is as follows:

**1. Balances due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Grants Fund	\$ 33,090
General Fund	Public Safety Grants Fund	4,021
General Fund	Economic Stimulus Grants Fund	293,339
Total		<u>\$ 330,450</u>

As of June 30, 2012, balances were due from the Community Development Grants Fund, Public Safety Grants Fund and the Economic Stimulus Grants Fund to the General Fund. These were year end adjustments to correct negative cash resulting from delays in grant reimbursement, which will be reversed effective July 1, 2012.

**2. Advances to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Fund	<u>\$ 65,000</u>
Total		<u>\$ 65,000</u>

The General Fund has a receivable from the Golf Fund, which represents an advance to the Golf Fund for administrative charges and the purchase of a greens mower. This interfund liability will not be paid off until such time as there are sufficient profits in the Golf Fund to do so.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**3. Transfers to/from other funds at 6/30/12 consist of the following:**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	General Capital Projects Fund	\$ 319,107
General Fund	Electric Fund	1,516,673
General Fund	Water and Wastewater Fund	305,239
General Fund	Natural Gas Fund	891,274
Public Safety Grants Fund	Controlled Substance Tax Distribution Fund	22,297 *
Economic Stimulus Grants Fund	General Fund	39,400
General Capital Projects Fund	General Fund	22,825
Electric Fund	Capital Reserve Fund	550,000
Electric Fund	Rate Stabilization	500,000
Water and Sewer Fund	Economic Stimulus Grants Fund	1,053
Golf Fund	General Fund	168,584
Garage Fund	Capital Reserve Fund	223,115
Utility Administration Fund	Electric Fund	167,750
Utility Administration Fund	Water and Wastewater Fund	325,000
Utility Administration Fund	Natural Gas Fund	167,000
Capital Reserve Fund	Water and Wastewater Fund	664,733
Capital Reserve Fund	Natural Gas Fund	89,392
Capital Reserve Fund	Garage Fund	270,851
Total		<u>\$ 6,244,293</u>

\* Note: Intrafund transfer

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

The Electric, Water and Wastewater, and Natural Gas Funds made a transfer to the General Fund, which consisted of transfers related to payments in lieu of taxes in the amounts of \$166,673, \$305,239, and \$58,672, respectively. The Electric and Natural Gas Funds also made transfers in the amounts of \$1,350,000 and \$832,602 as a profit distribution to support General Fund services.

The General Fund made a matching funds transfer to the Economic Stimulus Grants Fund in the amount of \$39,400.

The Public Safety Grants Fund received a matching funds transfer from the Controlled Substance Tax Distribution Fund in the amount of \$22,297. This was an intrafund transfer since both funds are included under the Other Governmental Funds.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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The General Capital Projects Fund made a transfer to the General Fund in the amount of \$319,107 for the remaining balance from the closing of the West Bypass Extension project. The General Fund also made a transfer to the General Capital Projects Fund to cover expenditures related to the Street and Recycling/Waste Collection Equipment Sheds project in the amount of \$22,825.

The Electric Fund received a transfer from the Rate Stabilization Fund in the amount of \$500,000 to help offset the effects of the wholesale rate increase on electric utility customers. The Electric Fund also received a transfer from the Capital Reserve Fund in the amount of \$550,000 to fund a capital project.

The Water and Wastewater Fund received a transfer of \$1,053 from the Economic Stimulus Grants Fund for the closeout of the Energy Efficiency in Government Buildings Grant.

The Golf Fund received a transfer from the General Fund in the amount of \$168,584 for principal and interest debt payments on the course renovations.

The Garage Fund received a transfer from the Capital Reserve Fund in the amount of \$223,115 to cover partial repayments of an advance from the Natural Gas Fund and to purchase equipment for the City's motor pool fleet.

The Utility Administration Fund received transfers from the Electric, Water and Wastewater, and Natural Gas Funds for the Automated Meter Reading capital project in the amounts of \$167,750, \$325,000 and \$167,000, respectively.

The Capital Reserve Fund received transfers from the Water and Wastewater, Natural Gas, and Garage Funds for future capital needs in the amounts of \$664,733, \$89,392, and \$270,851, respectively

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

For the fiscal year ended June 30, 2012, the City of Lexington has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$17,961 for the forty-seven employed firemen who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen Pension Fund, a cost sharing, and multiple employer public employee retirement system established and 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.

Also, the City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$10,768 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2012. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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**E. 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	\$ 7,654,384
Less:	
Long-term Advance	65,000
Inventory	2,597
Stabilization by State Statute	1,311,691
General Government	10,000
Appropriated Fund Balance in 2013 budget	768,000
Committed: General Government	10,230
Remaining Fund Balance	5,486,866

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

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

Encumbrances	
General Fund	\$ 164,499
Non-Major Funds	\$ 75,577

**IV. 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, 2012 were \$39,655,108. 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.

**V. JOINT VENTURES**

Lake Thom-A-Lex Advisory Committee

The municipalities of Lexington and Thomasville, North Carolina jointly own a waterworks reservoir

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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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, as well as having joint control over budgeting the operation. There are no bonds outstanding for the joint venture at June 30, 2012, and there are no bonds authorized but unissued.

The City of Lexington has a 50% interest in the joint venture and an ongoing financial responsibility for Lake Thom-A-Lex in that costs of operation are shared equally between the two cities 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 a separate line item expense in the Water Plant Department in the City's Water and Wastewater Fund. The City spent \$37,336 and \$27,897 for the fiscal years ended June 30, 2011 and 2012, respectively.

The City of Lexington'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, 2012 was \$427,302, which is shown in the government-wide financial statements. There is no distribution of net income; net assets remain in the joint venture for future operational needs of the system. The City of Thomasville has the same fiscal year-end as the City of Lexington; that is, June 30, 2012. Complete financial statements for Lake Thom-A-Lex can be obtained from the City of Thomasville, Finance Department, 10 Salem Street, Thomasville, North Carolina 27360.

## **VI. 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, and is managed by a City Council-appointed board of 5 members. The City is therefore 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.

### **B. Lexington Board of Education**

The City of Lexington appoints 8 of the members of a 9-member board; Davidson County appoints the remaining 1 member. Taxing authority falls under the Davidson County Commissioners. The City is accountable because it appoints the majority of the governing board; however, the City is not financially accountable for the Board of Education. The City does not approve or modify the Board's budget and does not select its management. The City

City of Lexington, North Carolina  
Notes to the Basic Financial Statements  
June 30, 2012

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does not finance any of the Board's deficits and is not entitled to any surpluses. The City is not obligated in any manner for the Board's debt. Complete financial statements for the Lexington Board of Education can be obtained from the Board's offices at 1010 Fair Street, Lexington, North Carolina 27292.

**VII. RELATED PARTY TRANSACTIONS**

**Uptown Lexington, Inc.**

The City is authorized by State Statute to levy a \$.20 special uptown municipal district property tax, collect and contribute the tax to Uptown Lexington, Inc. for the revitalization of the uptown area. The City is financially accountable for Uptown Lexington, Inc. which is reported as a discrete component unit separate from the financial information of the primary government. During fiscal year ended June 30, 2012, the City collected and distributed the special district property tax to Uptown Lexington, Inc. totaling \$99,701. Uptown Lexington, Inc. also received grant funding from the City, in the amount of \$51,720, for the revitalization of the uptown area.

**VIII. 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; therefore, no provision has been made in the City's financial statements for the refund of grant monies.

City of Lexington, North Carolina  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information  
 Schedule of Funding Progress  
 Last Ten Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	-	\$ 1,544,339	\$ 1,544,339	-	\$ 2,770,689	55.74%
12/31/10	-	\$ 1,467,937	\$ 1,467,937	-	\$ 2,813,742	52.17%
12/31/09	-	\$ 1,651,253	\$ 1,651,253	-	\$ 2,856,385	57.81%
12/31/08	-	\$ 1,374,612	\$ 1,374,612	-	\$ 2,771,227	49.60%
12/31/07	-	\$ 1,350,496	\$ 1,350,496	-	\$ 2,478,902	54.48%
12/31/06	-	\$ 1,270,742	\$ 1,270,742	-	\$ 2,530,486	50.22%
12/31/05	-	\$ 1,119,699	\$ 1,119,699	-	\$ 2,387,790	46.89%
12/31/04	-	\$ 1,029,151	\$ 1,029,151	-	\$ 2,301,723	44.71%
12/31/03	-	\$ 950,573	\$ 950,573	-	\$ 2,191,845	43.37%
12/31/02	-	\$ 816,379	\$ 816,379	-	\$ 2,109,467	38.70%

City of Lexington, North Carolina  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information  
 Schedule of Employer Contributions  
 Last Ten Fiscal Years

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 145,403	91.81%
2011	\$ 158,370	79.06%
2010	\$ 131,811	94.06%
2009	\$ 126,329	98.01%
2008	\$ 120,848	88.13%
2007	\$ 109,091	82.88%
2006	\$ 111,616	57.13%
2005	\$ 102,045	35.42%
2004	\$ 93,267	37.04%
2003	\$ 86,526	32.70%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% to 7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	None

City of Lexington, North Carolina  
 Other Postemployment Benefits  
 Required Supplementary Information  
 Schedule of Funding Progress  
 Last Ten Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	-	\$ 21,579,793	\$ 21,579,793	-	\$ 13,830,782	156.0%
12/31/09	-	\$ 20,239,058	\$ 20,239,058	-	\$ 13,795,609	146.7%
12/31/06	-	\$ 23,888,055	\$ 23,888,055	-	\$ 12,754,864	187.3%

City of Lexington, North Carolina  
 Other Postemployment Benefits  
 Required Supplementary Information  
 Schedule of Employer Contributions  
 Last Ten Fiscal Years

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 1,752,122	41.2%
2011	\$ 1,688,792	47.0%
2010	\$ 1,688,792	51.4%
2009	\$ 1,918,372	42.9%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	28 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	9.50% to 5.00%
Post-Medicare trend rate	7.00% to 5.00%
Year of Ultimate trend rate	2018
Includes inflation at	3.00%
Cost-of-living adjustments	None

GENERAL FUND

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

A summary of revenues and expenditures for the last two fiscal years is presented below:

<u>REVENUES BY SOURCE</u>	<u>June 30, 2012</u>		<u>June 30, 2011</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>
Ad valorem taxes	\$ 7,984,145	42%	\$ 8,064,247	41%
Other taxes and licenses	264,890	1%	259,127	1%
Unrestricted intergovernmental	5,153,753	27%	5,245,141	27%
Restricted intergovernmental	700,555	4%	753,250	4%
Permits and fees	165,203	1%	202,391	1%
Sales and services	941,661	5%	948,556	5%
Interest earned	31,332	0%	34,326	0%
Miscellaneous	154,365	1%	66,616	0%
Other financing sources	3,492,695	19%	4,117,009	21%
Total revenues	<u>\$ 18,888,599</u>	<u>100%</u>	<u>\$ 19,690,663</u>	<u>100%</u>

EXPENDITURES BY FUNCTION

General government	\$ 3,615,850	19%	\$ 3,402,260	18%
Public safety	8,876,459	47%	8,612,175	46%
Highways and streets	2,134,439	12%	1,370,860	8%
Sanitation	1,690,560	9%	1,737,312	9%
Culture and recreation	1,373,091	7%	1,288,640	7%
Economic and physical development	87,134	1%	-	0%
Debt service	748,203	4%	725,727	4%
Other financing uses	230,809	1%	1,462,244	8%
Total expenditures	<u>\$ 18,756,545</u>	<u>100%</u>	<u>\$ 18,599,218</u>	<u>100%</u>

City of Lexington, North Carolina  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Revenues:		
Ad valorem taxes:		
Current year		\$ 7,718,774
Prior year		266,090
Discounts and refunds		(63,804)
Penalties and interest		63,085
Total	\$ 7,866,850	7,984,145
Other taxes and licenses:		
Motel occupancy tax		264,569
Cable TV franchise tax		321
Total	262,913	264,890
Unrestricted intergovernmental:		
Federal Build America Bond interest credit		37,955
Utility franchise tax		1,343,834
Piped natural gas tax		1,628
Telecommunications tax		286,724
Cable TV franchise tax		157,097
Payments in lieu of taxes		7,552
Beer and wine tax		82,326
Local option sales tax		3,050,437
ABC revenues		186,200
Total	4,766,282	5,153,753
Restricted intergovernmental:		
ABC recreation		39,900
ABC law enforcement		9,028
Solid waste disposal tax		12,974
Powell Bill allocation		577,473
On-behalf of payments - fire		28,729
Public safety		24,101
NCDOT reimbursement		8,350
Total	675,580	700,555
Permits and fees:		
Inspection fees and permits		165,203
Total	177,866	165,203

City of Lexington, North Carolina  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	\$ 7,768,771
	300,278
	(64,237)
	59,435
\$ 117,295	8,064,247
	257,833
	1,294
1,977	259,127
	39,998
	1,265,918
	2,842
	275,218
	173,287
	2,067
	94,406
	3,236,005
	155,400
387,471	5,245,141
	33,300
	6,325
	14,520
	612,196
	26,245
	24,194
	36,470
24,975	753,250
	202,391
(12,663)	202,391

City of Lexington, North Carolina  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Sales and services:		
Property rental		5,700
Court cost and parking fees		15,599
Cemetery fees		54,850
Mowing and towing fees		24,235
Demolition fees		1,160
Recreation fees		27,471
Waste collection fees		812,646
Total	943,220	941,661
Interest earned	40,600	31,332
Miscellaneous:		
Reimbursement of costs		108,707
Sale of property		22,419
Donations		22,996
Other		243
Total	145,182	154,365
Total revenues	14,878,493	15,395,904

City of Lexington, North Carolina  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012 Variance from Budget	2011 Actual
	5,116
	16,192
	82,600
	9,174
	1,724
	23,454
	810,296
(1,559)	948,556
(9,268)	34,326
	14,648
	10,802
	40,054
	1,112
9,183	66,616
517,411	15,573,654

City of Lexington, North Carolina  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Expenditures:		
General government:		
Governing board:		
Salaries and employee benefits		121,841
Operating expenses		11,242
Cost redistribution		(114,108)
Total governing board	26,635	18,975
Administrative - city manager:		
Salaries and employee benefits		449,314
Operating expenses		30,989
Cost redistribution		(263,169)
Total administrative - city manager	223,476	217,134
Administrative - other:		
Retiree benefits		536,102
Operating expenses		613,924
Administrative charges risk management fund		442,802
Administrative charges utility administration fund		200,713
Grants to other agencies		305,984
Contribution to LTA - occupancy tax		256,632
175th Anniversary festival		-
Cost redistribution		(142,105)
Total administrative - other	2,286,036	2,214,052
Finance:		
Salaries and employee benefits		679,348
Operating expenses		33,992
Cost redistribution		(386,018)
Total finance	342,083	327,322

City of Lexington, North Carolina  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	133,405
	7,484
	(127,701)
7,660	13,188
	438,983
	31,837
	(267,715)
6,342	203,105
	585,490
	573,594
	528,978
	233,563
	302,036
	250,098
	18,440
	(131,069)
71,984	2,361,130
	665,975
	33,390
	(478,965)
14,761	220,400

City of Lexington, North Carolina  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Legal:		
Operating expenses		26,870
Cost redistribution		(10,080)
Total legal	19,920	16,790
Human resources:		
Salaries and employee benefits		134,469
Operating expenses		49,277
Cost redistribution		(92,238)
Total human resources	103,839	91,508
Information technologies:		
Salaries and employee benefits		195,290
Operating expenses		464,865
Capital outlay		95,395
Cost redistribution		(302,503)
Total information technologies	558,919	453,047
Public buildings:		
Salaries and employee benefits		213,775
Operating expenses		159,299
Cost redistribution		(96,052)
Total public buildings	321,385	277,022
Total general government	3,882,293	3,615,850

City of Lexington, North Carolina  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	24,814
	(14,470)
3,130	10,344
	129,636
	52,688
	(93,627)
12,331	88,697
	184,353
	313,094
	124,375
	(333,410)
105,872	288,412
	215,237
	60,772
	(59,025)
44,363	216,984
266,443	3,402,260

City of Lexington, North Carolina  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Public safety:		
Police:		
Salaries and employee benefits		4,539,791
Operating expenses		262,291
Capital outlay		20,594
Cost redistribution		(46,700)
Total police	5,123,366	4,775,976
Fire:		
Salaries and employee benefits		2,658,826
Operating expenses		360,479
Capital outlay		505,952
Total fire	3,661,559	3,525,257
Community development:		
Salaries and employee benefits		475,045
Operating expenses		100,181
Capital outlay		-
Total community development	587,248	575,226
Total public safety	9,372,173	8,876,459
Highways and streets:		
Engineering:		
Salaries and employee benefits		314,760
Operating expenses		79,933
Cost redistribution		(213,999)
Total engineering	202,362	180,694
Street:		
Salaries and employee benefits		751,362
Operating expenses		1,432,753
Capital outlay		-
Cost redistribution		(230,370)
Total street	2,002,576	1,953,745
Total highways and streets	2,204,938	2,134,439

City of Lexington, North Carolina  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	4,552,514
	548,145
	-
	(81,114)
347,390	5,019,545
	2,651,443
	306,165
	15,263
136,302	2,972,871
	463,717
	138,042
	18,000
12,022	619,759
495,714	8,612,175
	302,866
	82,835
	(164,785)
21,668	220,916
	750,352
	461,134
	17,697
	(79,239)
48,831	1,149,944
70,499	1,370,860

City of Lexington, North Carolina  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Sanitation:		
Recycling and waste collection services:		
Salaries and employee benefits		855,561
Operating expenses		573,569
Tipping fees - landfill		261,430
Total sanitation	1,786,262	1,690,560
Culture and recreation:		
Recreation:		
Salaries and employee benefits		449,622
Operating expenses		209,435
Capital outlay		64,511
Total recreation	769,518	723,568
Public grounds:		
Salaries and employee benefits		519,827
Operating expenses		192,321
Capital outlay		13,480
Cost redistribution		(76,105)
Total public grounds	680,436	649,523
Total culture and recreation	1,449,954	1,373,091
Economic and physical development:		
Operating expenses		87,134
Total economic and physical development	87,135	87,134
Debt service:		
Principal retirement		580,635
Interest fees		167,568
Bond issuance costs		-
Total debt service	748,226	748,203
Total expenditures	19,530,981	18,525,736

City of Lexington, North Carolina  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	860,210
	609,453
	267,649
95,702	1,737,312
	453,645
	201,722
	21,220
45,950	676,587
	528,710
	152,665
	12,400
	(81,722)
30,913	612,053
76,863	1,288,640
1	-
1	-
	506,221
	193,820
	25,686
23	725,727
1,005,245	17,136,974

City of Lexington, North Carolina  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Revenue over (under) expenditures	(4,652,488)	(3,129,832)
Other financing sources (uses):		
Installment purchase debt issued	460,402	460,402
Refunding bonds issued	-	-
Redemption of bonds	-	-
Transfers from (to):		
From general capital projects fund	319,108	319,107
From electric fund	1,350,000	1,350,000
From natural gas fund	832,602	832,602
Transfers related to payment in lieu of taxes	530,584	530,584
To community development grants fund	-	-
To economic stimulus grants fund	(39,400)	(39,400)
To general capital projects fund	(22,825)	(22,825)
To golf fund	(168,584)	(168,584)
Fund balance appropriated	1,390,601	-
Total other financing sources (uses)	4,652,488	3,261,886
Net change in fund balance	\$ -	132,054
Fund balance, July 1		7,521,715
Increase (decrease) in central purchasing inventory		615
Fund balance, June 30		\$ 7,654,384

City of Lexington, North Carolina  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
1,522,656	(1,563,320)
-	-
-	1,184,031
-	(1,150,000)
(1)	253,683
-	1,350,000
-	801,429
-	527,866
-	(56,000)
-	(39,400)
-	(8,260)
-	(208,584)
(1,390,601)	-
(1,390,602)	2,654,765
\$ 132,054	1,091,445
	6,430,951
	(681)
	\$ 7,521,715





City of Lexington, North Carolina  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	Special Revenue	Capital Projects
Assets		
Cash and cash equivalents	\$ 1,042,730	\$ 370,232
Receivables (net of allowance for uncollectibles):		
Property taxes	9,904	-
Intergovernmental	373,621	61,725
Interest	564	91
Restricted assets:		
Acquisition of assets	-	140,140
Total assets	1,426,819	572,188
Liabilities and fund balances		
Liabilities:		
Accounts payable and accrued liabilities	62,064	4,807
Retainage payable	-	-
Due to other funds:		
General fund	330,450	-
Due to component unit	337	-
Deferred revenues	9,904	-
Total liabilities	402,755	4,807
Fund balances:		
Spendable:		
Restricted:		
Stabilization by state statute	100,569	-
Public safety	908,585	-
Highways and streets	-	140,140
Economic and physical development	-	169,781
Urban redevelopment	48,000	-
Economic stimulus	-	-
Committed:		
Highways and streets	-	22,825
Economic and physical development	-	234,635
Unassigned	(33,090)	-
Total fund balances	1,024,064	567,381
Total liabilities and fund balances	\$ 1,426,819	\$ 572,188

City of Lexington, North Carolina  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

Total Nonmajor Governmental Funds	
2012	2011
\$ 1,412,962	\$ 2,495,786
9,904	9,144
435,346	413,305
655	1,830
140,140	697,124
1,999,007	3,617,189
66,871	272,344
-	50,085
330,450	201,783
337	262
9,904	9,144
407,562	533,618
100,569	85,702
908,585	2,248,411
140,140	20,679
169,781	257,356
48,000	48,000
-	1,053
22,825	319,107
234,635	173,260
(33,090)	(69,997)
1,591,445	3,083,571
\$ 1,999,007	\$ 3,617,189

City of Lexington, North Carolina  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	Special Revenue	Capital Projects
Revenues:		
Special ad valorem tax	\$ 99,678	\$ -
Restricted intergovernmental	1,432,684	1,084,321
Sales and services	-	88,458
Interest earned	5,332	1,163
Miscellaneous	129,005	750
Total revenues	1,666,699	1,174,692
Expenditures:		
Public safety	1,212,303	475,146
Highways and streets	-	-
Culture and recreation	-	115,052
Economic and physical development	1,187,857	1,085,224
Total expenditures	2,400,160	1,675,422
Revenues over (under) expenditures	(733,461)	(500,730)
Other financing sources (uses):		
Transfers from (to):		
From general fund	39,400	22,825
From controlled substance fund	22,297	-
From water and wastewater fund	-	-
To general fund	-	(319,107)
To public safety grants fund	(22,297)	-
To general capital projects fund	-	-
To water and wastewater fund	(1,053)	-
Total other financing sources (uses)	38,347	(296,282)
Net change in fund balances	(695,114)	(797,012)
Beginning fund balances, July 1	1,719,178	1,364,393
Prior period adjustment	-	-
Beginning fund balances, as restated	1,719,178	1,364,393
Ending fund balances, June 30	\$ 1,024,064	\$ 567,381

City of Lexington, North Carolina  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

Total Nonmajor Governmental Funds	
2012	2011
\$ 99,678	\$ 101,669
2,517,005	3,450,619
88,458	84,050
6,495	9,599
129,755	190,800
2,841,391	3,836,737
1,687,449	1,970,379
-	671,926
115,052	-
2,273,081	1,875,958
4,075,582	4,518,263
(1,234,191)	(681,526)
62,225	103,660
22,297	213,943
-	3,800
(319,107)	(253,683)
(22,297)	(15,194)
-	(198,749)
(1,053)	-
(257,935)	(146,223)
(1,492,126)	(827,749)
3,083,571	3,999,927
-	(88,607)
3,083,571	3,911,320
\$ 1,591,445	\$ 3,083,571



### SPECIAL REVENUE FUNDS

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

### COMMUNITY DEVELOPMENT GRANTS

This fund is used to account for the community development grants. Proceeds from these grants are restricted for improving the living condition and environment of low to moderate-income households in Lexington and Davidson County.

### CONTROLLED SUBSTANCE

This fund is used to account for the collected controlled substance tax revenues received from Federal, State, and County sources, which are restricted for public safety use.

### PUBLIC SAFETY GRANTS

This fund is used to account for monetary and equipment grants received from various agencies. Proceeds and equipment received from these grants are restricted for public safety use.

### SPECIAL TAX DISTRICT

This fund is used to account 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

This fund is used to account 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.

City of Lexington, North Carolina  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
June 30, 2012

(With comparative actual amounts for the fiscal year ended June 30, 2011)

	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 994,730	\$ -	\$ 48,000
Receivables (net of allowance for uncollectibles):				
Property taxes	-	-	-	9,904
Intergovernmental	-	24,428	4,095	337
Interest	-	564	-	-
Total assets	-	1,019,722	4,095	58,241
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	-	10,568	74	-
Due to other funds:				
General fund	33,090	-	4,021	-
Due to component unit	-	-	-	337
Deferred revenues	-	-	-	9,904
Total liabilities	33,090	10,568	4,095	10,241
<b>Fund balances:</b>				
<b>Spendable:</b>				
<b>Restricted:</b>				
Stabilization by state statute	-	100,569	-	-
Public safety	-	908,585	-	-
Urban redevelopment	-	-	-	48,000
Economic stimulus	-	-	-	-
Unassigned	(33,090)	-	-	-
Total fund balances	(33,090)	1,009,154	-	48,000
Total liabilities and fund balances	\$ -	\$ 1,019,722	\$ 4,095	\$ 58,241

City of Lexington, North Carolina  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2012

(With comparative actual amounts for the fiscal year ended June 30, 2011)

Economic Stimulus Grants	Totals	
	2012	2011
\$ -	\$ 1,042,730	\$ 1,784,882
-	9,904	9,144
344,761	373,621	187,676
-	564	1,599
<u>344,761</u>	<u>1,426,819</u>	<u>1,983,301</u>
51,422	62,064	52,934
293,339	330,450	201,783
-	337	262
-	9,904	9,144
<u>344,761</u>	<u>402,755</u>	<u>264,123</u>
-	100,569	85,702
-	908,585	1,654,420
-	48,000	48,000
-	-	1,053
-	(33,090)	(69,997)
-	<u>1,024,064</u>	<u>1,719,178</u>
<u>\$ 344,761</u>	<u>\$ 1,426,819</u>	<u>\$ 1,983,301</u>

City of Lexington, North Carolina  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District
Revenues:				
Special ad valorem tax	\$ -	\$ -	\$ -	\$ 99,678
Restricted intergovernmental	-	363,494	59,532	-
Partner agency funding	36,972	-	-	-
Program income	-	-	-	-
Interest earned	-	5,309	-	23
Miscellaneous	-	3,762	-	-
Total revenues	<u>36,972</u>	<u>372,565</u>	<u>59,532</u>	<u>99,701</u>
Expenditures:				
Salaries and employee benefits	-	-	68,921	-
Operations	65	719,779	12,908	-
Contribution to ULI	-	-	-	99,701
Capital outlay	-	361,457	-	-
Total expenditures	<u>65</u>	<u>1,081,236</u>	<u>81,829</u>	<u>99,701</u>
Revenues over (under) expenditures	<u>36,907</u>	<u>(708,671)</u>	<u>(22,297)</u>	<u>-</u>
Other financing sources (uses):				
Transfers from (to):				
From general fund	-	-	-	-
From water and wastewater fund	-	-	-	-
Intrafund transfers	-	(22,297)	22,297	-
To general capital projects fund	-	-	-	-
To water and wastewater fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(22,297)</u>	<u>22,297</u>	<u>-</u>
Net change in fund balances	36,907	(730,968)	-	-
Beginning fund balances, July 1	(69,997)	1,740,122	-	48,000
Prior period adjustment	-	-	-	-
Beginning fund balances, as restated	<u>(69,997)</u>	<u>1,740,122</u>	<u>-</u>	<u>48,000</u>
Ending fund balances, June 30	<u>\$ (33,090)</u>	<u>\$ 1,009,154</u>	<u>\$ -</u>	<u>\$ 48,000</u>

City of Lexington, North Carolina  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

Economic Stimulus Grants	Totals	
	2012	2011
\$ -	\$ 99,678	\$ 101,669
1,009,658	1,432,684	2,087,948
16,250	53,222	37,307
72,021	72,021	148,436
-	5,332	5,676
-	3,762	3,452
<u>1,097,929</u>	<u>1,666,699</u>	<u>2,384,488</u>
49,238	118,159	106,455
970,674	1,703,426	1,702,436
-	99,701	101,669
117,417	478,874	272,455
<u>1,137,329</u>	<u>2,400,160</u>	<u>2,183,015</u>
<u>(39,400)</u>	<u>(733,461)</u>	<u>201,473</u>
39,400	39,400	95,400
-	-	3,800
-	-	-
-	-	(198,749)
(1,053)	(1,053)	-
<u>38,347</u>	<u>38,347</u>	<u>(99,549)</u>
(1,053)	(695,114)	101,924
1,053	1,719,178	1,705,861
-	-	(88,607)
<u>1,053</u>	<u>1,719,178</u>	<u>1,617,254</u>
<u>\$ -</u>	<u>\$ 1,024,064</u>	<u>\$ 1,719,178</u>

City of Lexington, North Carolina  
Community Development Grants Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Authorized and Actual  
From inception and for the fiscal year ended June 30, 2012

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental:		
Erlanger Community Revitalization grant	\$ 1,000,000	\$ 1,000,000
Partner agency funding - Erlanger Revitalization	100,000	29,938
Total revenues	1,100,000	1,029,938
Expenditures:		
Erlanger Community Revitalization grant	1,310,000	1,310,000
Erlanger Revitalization	156,000	155,935
Total expenditures	1,466,000	1,465,935
Revenues over (under) expenditures	(366,000)	(435,997)
Other financing sources (uses):		
Transfers from (to):		
From general fund	366,000	366,000
Total other financing sources (uses)	366,000	366,000
Net change in fund balance	\$ -	\$ (69,997)
Fund balance, July 1		
Fund balance, June 30		

City of Lexington, North Carolina  
 Community Development Grants Special Revenue Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Authorized and Actual  
 From inception and for the fiscal year ended June 30, 2012

Actual Current Year	Total to Date
\$ -	\$ 1,000,000
36,972	66,910
36,972	1,066,910
-	1,310,000
65	156,000
65	1,466,000
36,907	(399,090)
-	366,000
-	366,000
36,907	\$ (33,090)
(69,997)	
\$ (33,090)	

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, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Revenues:		
Restricted intergovernmental		\$ 363,494
Interest earned		5,309
Sale of property		3,433
Miscellaneous		329
Total revenues	\$ 13,897	372,565
Expenditures:		
Operations		719,779
Capital outlay		361,457
Total expenditures	1,274,425	1,081,236
Revenues over (under) expenditures	(1,260,528)	(708,671)
Other financing sources (uses):		
Transfers from (to):		
To public safety grants fund	(31,742)	(22,297)
To general capital projects fund	-	-
Fund balance appropriated	1,292,270	-
Total other financing sources (uses)	1,260,528	(22,297)
Net change in fund balance	\$ -	(730,968)
Fund balance, July 1		1,740,122
Fund balance, June 30		\$ 1,009,154

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, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

2012 Variance from Budget	2011 Actual
	\$ 1,080,575
	5,676
	3,452
	-
\$ 358,668	1,089,703
	413,856
	160,189
193,189	574,045
551,857	515,658
9,445	(15,194)
-	(198,749)
(1,292,270)	-
(1,282,825)	(213,943)
\$ (730,968)	301,715
	1,438,407
	\$ 1,740,122

City of Lexington, North Carolina  
Public Safety Grants Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Authorized and Actual  
From inception and for the fiscal year ended June 30, 2012

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental		\$ 68,623
Total revenues	\$ 156,524	68,623
Expenditures:		
GHSP - Traffic Safety Initiative grant #11 - Year 2		44,036
GHSP - Traffic Safety Initiative grant #11 - Year 3		-
GCC - Project Safe Neighborhood grant #2		10,249
GCC - Project Safe Neighborhood grant #3		-
Office of Justice - 2010 Justice Assistance grant		8,536
Office of Justice - 2011 Justice Assistance grant		-
Office of Justice - 2010 COPS - Secure Our Schools grant		19,012
Total expenditures	200,896	81,833
Revenues over (under) expenditures	(44,372)	(13,210)
Other financing sources (uses):		
Transfers from (to):		
From controlled substance tax fund		13,210
Total other financing sources (uses)	44,372	13,210
Net change in fund balance	\$ -	\$ -
Fund balance, July 1		
Fund balance, June 30		

City of Lexington, North Carolina  
 Public Safety Grants Special Revenue Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Authorized and Actual  
 From inception and for the fiscal year ended June 30, 2012

Actual Current Year	Total to Date
\$ 59,532	\$ 128,155
59,532	128,155
12,434	56,470
37,133	37,133
10,544	20,793
10,252	10,252
11,466	20,002
-	-
-	19,012
81,829	163,662
(22,297)	(35,507)
22,297	35,507
22,297	35,507
-	\$ -
-	
\$ -	

City of Lexington, North Carolina  
Special Tax District Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Revenues:		
Special ad valorem tax:		
Current year		\$ 97,227
Prior year		2,729
Discounts and refunds		(856)
Penalties and interest		578
Interest earned		23
Total revenues	\$ 105,000	99,701
Expenditures:		
Contribution to ULI - special district property tax		99,701
Total expenditures	105,000	99,701
Revenues over (under) expenditures	-	-
Net change in fund balance	\$ -	-
Beginning fund balance, July 1		48,000
Prior period adjustment		-
Beginning fund balance, as restated		48,000
Ending fund balance, June 30		\$ 48,000

City of Lexington, North Carolina  
 Special Tax District Special Revenue Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	\$ 97,801
	3,728
	(856)
	996
	-
\$ (5,299)	101,669
	101,669
5,299	101,669
-	-
\$ -	-
	136,607
	(88,607)
	48,000
	48,000
	\$ 48,000

City of Lexington, North Carolina  
Economic Stimulus Grants Special Revenue Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Authorized and Actual  
From inception and for the fiscal year ended June 30, 2012

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental:		
Neighborhood Stabilization Program grant	\$ 2,100,000	\$ 1,259,836
ARRA - COPS - Hiring Recovery grant	145,005	64,247
ARRA - Energy Efficiency and Conservation Block grant	76,771	76,771
SEP - Energy Efficiency in Governmental Buildings grant	172,921	17,032
Partner agency funding	36,771	20,521
Program income	283,552	211,530
Total revenues	2,815,020	1,649,937
Expenditures:		
Neighborhood Stabilization Program grant	2,501,752	1,550,166
ARRA - COPS - Hiring Recovery grant	145,005	64,247
ARRA - Energy Efficiency and Conservation Block grant	117,292	117,292
SEP - Energy Efficiency in Governmental Buildings grant	191,917	19,779
Total expenditures	2,955,966	1,751,484
Revenues over (under) expenditures	(140,946)	(101,547)
Other financing sources (uses):		
Transfers from (to):		
From general fund	138,200	98,800
From water and wastewater fund	3,800	3,800
To water and wastewater fund	(1,054)	-
Total other financing sources (uses)	140,946	102,600
Net change in fund balance	\$ -	\$ 1,053
Fund balance, July 1		
Fund balance, June 30		

City of Lexington, North Carolina  
 Economic Stimulus Grants Special Revenue Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Authorized and Actual  
 From inception and for the fiscal year ended June 30, 2012

Actual Current Year	Total to Date
\$ 806,488	\$ 2,066,324
49,238	113,485
-	76,771
153,932	170,964
16,250	36,771
72,021	283,551
1,097,929	2,747,866
917,909	2,468,075
49,238	113,485
-	117,292
170,182	189,961
1,137,329	2,888,813
(39,400)	(140,947)
39,400	138,200
-	3,800
(1,053)	(1,053)
38,347	140,947
(1,053)	\$ -
1,053	
\$ -	



CAPITAL PROJECTS FUND

GENERAL CAPITAL PROJECTS FUND

This fund is used to account for multi-year capital improvement projects associated with the City's governmental funds and in conformity with the City's five-year business and capital improvement model. Improvements associated with proprietary operations are reported in the proprietary funds section.

City of Lexington, North Carolina  
Nonmajor General Capital Projects Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Authorized and Actual  
From inception and for the fiscal year ended June 30, 2012

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental:		
Davidson County	\$ 1,313,500	\$ 1,313,500
Moran Foods, Inc Water Project grants	504,000	276,967
Tiger II Planning grant	700,000	-
NCDOT reimbursement	600,000	-
Erlanger/Green Needles Parks ER grant	645,480	-
Property rental	262,296	181,446
Interest earned	154,543	156,718
Reimbursement of costs	211,261	211,261
Sale of property	2,130,753	2,131,753
Donations	107,500	107,500
Total revenues	6,629,333	4,379,145
Expenditures:		
Industrial Park	5,049,470	4,883,060
Industrial Park - Moran Foods, Inc. Water Project grants	630,000	314,846
West Bypass extension	828,564	828,565
Tiger II - Multi-Modal Transportation Station Area Plan	700,000	-
Lexington Furniture Industries, Inc. Plant #1	1,423,261	1,170,150
Relocation of Fire Station 2	1,433,782	958,635
Street/Sanitation Equipment Sheds	492,690	329,693
United Furniture Access Road	600,000	-
Erlanger/Green Needles Parks ER grant	645,480	-
Total expenditures	11,803,247	8,484,949
Revenues over (under) expenditures	(5,173,914)	(4,105,804)
Other financing sources (uses):		
Installment purchase debt issued - Build America Bond	1,900,000	1,900,000
Transfers from (to):		
From general fund	3,732,322	3,709,497
From natural gas fund	79,700	79,700
To general fund	(538,108)	(219,000)
Total other financing sources (uses)	5,173,914	5,470,197
Net change in fund balance	\$ -	\$ 1,364,393
Fund balances, July 1		
Fund balances, June 30		

City of Lexington, North Carolina  
 Nonmajor General Capital Projects Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Authorized and Actual  
 From inception and for the fiscal year ended June 30, 2012

Actual Current Year	Total to Date
\$ -	\$ 1,313,500
227,033	504,000
142,236	142,236
600,000	600,000
115,052	115,052
88,458	269,904
1,163	157,881
-	211,261
750	2,132,503
-	107,500
1,174,692	5,553,837
-	4,883,060
315,154	630,000
-	828,565
142,236	142,236
27,834	1,197,984
475,146	1,433,781
-	329,693
600,000	600,000
115,052	115,052
1,675,422	10,160,371
(500,730)	(4,606,534)
-	1,900,000
22,825	3,732,322
-	79,700
(319,107)	(538,107)
(296,282)	5,173,915
(797,012)	\$ 567,381
1,364,393	
\$ 567,381	



## ENTERPRISE FUNDS

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

### ELECTRIC FUND

This fund 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.

### WATER AND WASTEWATER FUND

This fund accounts for 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.

### NATURAL GAS FUND

This fund 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.

### GOLF FUND

This fund accounts for the activities at the Lexington Municipal Golf Course. This fund has revenues that primarily sustain the operating expenses for the course. These revenues along with a transfer from the General Fund are also used to provide for principal and interest on Golf Fund debt.

City of Lexington, North Carolina  
Electric Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Revenues:		
Operating revenues:		
Charges for sales and services:		
Residential		\$ 25,328,836
Commercial		16,523,842
Industrial		2,565,399
Area lights		772,488
Street lighting		326,019
Traffic lights		21,361
Cable amplifiers		159,132
Renewable Energy Portfolio Standards		154,516
Other operating		1,534,910
Total operating revenues	\$ 48,626,111	47,386,503
Nonoperating revenues:		
Interest earned		34,225
Sale of property		9,324
Total nonoperating revenues	45,000	43,549
Total revenues	48,671,111	47,430,052

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Electric Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	\$ 26,234,744
	16,303,851
	2,353,877
	734,848
	309,474
	21,374
	150,078
	181,887
	1,483,538
\$ (1,239,608)	47,773,671
	37,686
	52,102
(1,451)	89,788
(1,241,059)	47,863,459

City of Lexington, North Carolina  
Electric Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Expenditures:		
Operating expenditures:		
Salaries and employee benefits		1,459,160
Maintenance		377,485
Cost of sales and services		2,466,121
Purchases for resale		39,655,108
Administrative charges general fund		719,175
Administrative charges risk management fund		68,122
Administrative charges utility administration fund		872,363
Total operating expenditures	46,848,116	45,617,534
Budgetary appropriations:		
Interest expense		188,937
Bond issuance costs		-
Bond principal		162,761
Installment purchase principal		367,459
Capital outlay		17,885
Total budgetary appropriations	737,700	737,042
Total expenditures	47,585,816	46,354,576
Revenues over (under) expenditures	1,085,295	1,075,476
Other financing sources (uses):		
Refunding bonds issued	-	-
Redemption of bonds	-	-
Transfers from (to):		
From capital reserve fund	550,000	550,000
From rate stabilization fund	500,000	500,000
To general fund	(1,350,000)	(1,350,000)
To electric fund construction in progress	(550,000)	(550,000)
To utility administration fund	(167,750)	(167,750)
Transfers related to payment in lieu of taxes	(166,673)	(166,673)
Appropriated net assets	99,128	-
Total other financing sources (uses)	(1,085,295)	(1,184,423)
Change in net assets - budgetary basis	\$ -	\$ (108,947)

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Electric Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	1,682,639
	605,186
	2,212,108
	38,272,708
	795,524
	108,647
	891,390
1,230,582	44,568,202
	221,224
	30,631
	162,883
	354,337
	85,000
658	854,075
1,231,240	45,422,277
(9,819)	2,441,182
-	1,312,729
-	(1,275,000)
-	-
-	375,000
-	(1,350,000)
-	(200,000)
-	(167,750)
-	(167,643)
(99,128)	-
(99,128)	(1,472,664)
\$ (108,947)	\$ 968,518

City of Lexington, North Carolina  
Electric Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 47,430,052	\$ 47,863,459
Total expenditures	<u>46,354,576</u>	<u>45,422,277</u>
Revenues over (under) expenditures	1,075,476	2,441,182
Budgetary appropriations	737,042	854,075
Depreciation	(916,110)	(956,883)
Wages and overhead charged to construction	268,471	231,233
Materials charged to construction	158,780	142,945
CIP expense not capitalized	(139,396)	-
Gain (loss) on sale of property	(66,895)	(45,358)
Increase (decrease) in inventory	123,692	45,367
Interest expense	(188,937)	(221,224)
Bond issuance costs	-	(30,631)
Bad debt expense	(237,578)	(179,950)
(Increase) decrease in compensated absences payable	8,979	1,598
(Increase) decrease in other postemployment benefits	(79,407)	(77,644)
Other financing sources/(uses)	<u>(634,423)</u>	<u>(1,310,393)</u>
Total reconciling items	<u>(965,782)</u>	<u>(1,546,865)</u>
Change in net assets	<u>\$ 109,694</u>	<u>\$ 894,317</u>



City of Lexington, North Carolina  
Construction in Progress - Electric Fund  
Schedule of Revenues and Expenses  
Authorized and Actual (Non-GAAP)  
From inception and for the fiscal year ended June 30, 2012

	Project Authorization	Prior Years
Revenues:		
None		\$ -
Total revenues	\$ -	-
Expenditures:		
3-Phase line reclosers		150,750
Cotton Grove 44kV loop		-
Total expenditures for construction in progress	750,000	150,750
Revenues over (under) expenditures	(750,000)	(150,750)
Other financing sources (uses):		
Contribution from (to):		
From operating fund		200,000
Total other financing sources (uses)	750,000	200,000
Unexpended revenues and receipts	\$ -	\$ 49,250

City of Lexington, North Carolina  
 Construction in Progress - Electric Fund  
 Schedule of Revenues and Expenses  
 Authorized and Actual (Non-GAAP)  
 From inception and for the fiscal year ended June 30, 2012

<u>Actual Current Year</u>	<u>Total to Date</u>
\$ -	\$ -
-	-
29,622	180,372
<u>464,654</u>	<u>464,654</u>
<u>494,276</u>	<u>645,026</u>
<u>(494,276)</u>	<u>(645,026)</u>
550,000	750,000
<u>550,000</u>	<u>750,000</u>
<u>\$ 55,724</u>	<u>\$ 104,974</u>

City of Lexington, North Carolina  
Water and Wastewater Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Revenues:		
Operating revenues:		
Charges for sales and services - Water:		
Residential		\$ 1,793,751
Commercial		907,844
Industrial		1,022,070
Other water charges		24,307
Charges for sales and services - Wastewater:		
Residential		2,529,417
Commercial		1,753,870
Industrial		291,652
Other wastewater charges		29,951
Charges for sales and services - Other:		
Other operating		150,721
Total operating revenues	\$ 8,595,027	8,503,583
Nonoperating revenues:		
Federal Build America Bond interest credit		11,986
Interest earned		18,214
Sale of property		17,036
Total nonoperating revenues	31,186	47,236
Total revenues	8,626,213	8,550,819

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Water and Wastewater Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	\$ 1,773,243
	873,338
	982,257
	7,808
	2,407,557
	1,657,980
	298,487
	38,031
	184,610
\$ (91,444)	8,223,311
	12,631
	17,534
	19,765
16,050	49,930
(75,394)	8,273,241

City of Lexington, North Carolina  
Water and Wastewater Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Expenditures:		
Operating expenditures:		
Water and wastewater administration:		
Salaries and employee benefits		110,294
Cost of sales and services		10,093
Administrative charges general fund		699,838
Administrative charges risk management fund		88,567
Administrative charges utility administration fund		365,528
Total water and wastewater administration	1,344,262	1,274,320
Water plant:		
Salaries and employee benefits		597,188
Maintenance		168,775
Cost of sales and services		681,831
Total water plant	1,544,684	1,447,794
Wastewater plant:		
Salaries and employee benefits		936,006
Maintenance		273,492
Cost of sales and services		955,649
Total wastewater plant	2,219,005	2,165,147
Public works, maintenance, and construction:		
Salaries and employee benefits		714,692
Maintenance		125,261
Cost of sales and services		451,702
Total public works, maintenance, and construction	1,502,271	1,291,655
Total operating expenditures	6,610,222	6,178,916

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Water and Wastewater Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	151,047
	21,085
	132,851
	603,735
	395,099
69,942	1,303,817
	638,703
	184,824
	686,606
96,890	1,510,133
	933,095
	160,334
	947,665
53,858	2,041,094
	758,571
	118,139
	252,826
210,616	1,129,536
431,306	5,984,580

City of Lexington, North Carolina  
Water and Wastewater Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Budgetary appropriations:		
Interest expense		197,933
Bond issuance costs		-
Bond principal		436,440
Installment purchase principal		358,426
Capital outlay:		
Water plant		-
Wastewater plant		7,878
Public works, maintenance and construction		5,750
Total budgetary appropriations	1,006,428	1,006,427
 Total expenditures	 7,616,650	 7,185,343
 Revenue over (under) expenditures	 1,009,563	 1,365,476
Other financing sources (uses):		
Refunding bonds issued	-	-
Redemption of bonds	-	-
Transfers from (to) :		
From economic stimulus grants fund	1,054	1,053
From water and wastewater fund construction in progress	364,733	364,733
To economic stimulus grants fund	-	-
To water and wastewater fund construction in progress	(129,650)	(129,650)
To utility administration fund	(325,000)	(325,000)
To capital reserve fund	(664,733)	(664,733)
Transfers related to payment in lieu of taxes	(305,239)	(305,239)
Appropriated net assets	49,272	-
Total other financing sources (uses)	(1,009,563)	(1,058,836)
 Change in net assets - budgetary basis	 \$ -	 \$ 306,640

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Water and Wastewater Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	263,114
	83,197
	435,947
	345,712
	7,500
	-
	16,450
1	1,151,920
431,307	7,136,500
355,913	1,136,741
-	3,557,240
-	(3,455,000)
(1)	-
-	-
-	(3,800)
-	(68,585)
-	(155,000)
-	(275,000)
-	(303,495)
(49,272)	-
(49,273)	(703,640)
\$ 306,640	\$ 433,101

City of Lexington, North Carolina  
Water and Wastewater Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 8,550,819	\$ 8,273,241
Total expenditures	<u>7,185,343</u>	<u>7,136,500</u>
Revenues over (under) expenditures	1,365,476	1,136,741
Budgetary appropriations	1,006,427	1,151,920
Depreciation	(1,197,166)	(1,170,159)
Wages and overhead charged to construction	24,207	31,085
Material charged to construction	21,421	18,669
CIP expense not capitalized	(35,267)	(216,464)
Gain (loss) on sale of property	(61,006)	(51,623)
Discovery of capital assets	29,672	-
Increase (decrease) in inventory	34,988	(2,412)
Interest earned	69	605
Bond issuance costs	-	(83,197)
Interest expense	(197,933)	(263,114)
Bad debt expense	(57,750)	(43,517)
(Increase) decrease in compensated absences payable	436	(3,694)
(Increase) decrease in other postemployment benefits	(125,252)	(112,225)
Capital contributions	1,461,439	-
Other financing sources/(uses)	<u>(1,293,919)</u>	<u>(737,295)</u>
Total reconciling items	<u>(389,634)</u>	<u>(1,481,421)</u>
Change in net assets	<u>\$ 975,842</u>	<u>\$ (344,680)</u>



City of Lexington, North Carolina  
Construction in Progress - Water and Wastewater Fund  
Schedule of Revenues and Expenses  
Authorized and Actual (Non-GAAP)  
From inception and for the fiscal year ended June 30, 2012

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental:		
Cow Palace Sewer Infrastructure grant	\$ 305,900	\$ -
Interest earned	924	854
Total revenues	306,824	854
Expenditures:		
Sedimentation Basin sludge collection	729,650	419,046
Salisbury Road area sewer	18,504	18,504
East Center Street area sewer	16,763	16,763
Public Works Utility Operations Complex	600,924	560,011
Cow Palace Sewer Infrastructure grant	322,000	703
Total expenditures for construction in progress	1,687,841	1,015,027
Revenues over (under) expenditures	(1,381,017)	(1,014,173)
Other financing sources (uses):		
Installment purchase debt issued - Build America Bond	600,000	600,000
Contribution from (to):		
From operating fund	1,145,750	1,016,100
To operating fund	(364,733)	-
Total other financing sources (uses)	1,381,017	1,616,100
Unexpended revenues and receipts	\$ -	\$ 601,927

City of Lexington, North Carolina  
 Construction in Progress - Water and Wastewater Fund  
 Schedule of Revenues and Expenses  
 Authorized and Actual (Non-GAAP)  
 From inception and for the fiscal year ended June 30, 2012

Actual Current Year	Total to Date
\$ -	\$ -
69	923
69	923
267,530	686,576
-	18,504
-	16,763
40,912	600,923
6,795	7,498
315,237	1,330,264
(315,168)	(1,329,341)
-	600,000
129,650	1,145,750
(364,733)	(364,733)
(235,083)	1,381,017
\$ (550,251)	\$ 51,676

City of Lexington, North Carolina  
Natural Gas Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Revenues:		
Operating revenues:		
Charges for sales and services:		
Residential		\$ 3,959,116
Commercial		3,364,431
Industrial		3,073,413
Capacity sales		-
Other operating		19,229
Total operating revenues	\$ 14,060,063	10,416,189
Nonoperating revenues:		
Federal Build America Bond interest credit		33,960
Interest earned		15,544
Sale of property		6,201
Total nonoperating revenues	61,241	55,705
Total revenues	14,121,304	10,471,894

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Natural Gas Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	\$ 5,594,495
	4,260,936
	3,845,909
	49,965
	34,308
<u>\$ (3,643,874)</u>	<u>13,785,613</u>
	35,787
	19,548
	3,399
<u>(5,536)</u>	<u>58,734</u>
<u>(3,649,410)</u>	<u>13,844,347</u>

City of Lexington, North Carolina  
Natural Gas Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Expenditures:		
Operating expenditures:		
Salaries and employee benefits		1,114,260
Maintenance		264,084
Cost of sales and services		1,269,417
Purchases for resale		5,290,686
Administrative charges general fund		554,434
Administrative charges risk management fund		38,921
Administrative charges utility administration fund		594,371
Total operating expenditures	12,393,951	9,126,173
Budgetary appropriations:		
Interest expense		227,156
Bond principal		233,281
Installment purchase principal		219,996
Capital outlay		24,929
Total budgetary appropriations	705,365	705,362
Total expenditures	13,099,316	9,831,535
Revenues over (under) expenditures	1,021,988	640,359
Other financing sources (uses):		
Transfers from (to):		
From natural gas fund construction in progress	89,393	89,392
To general fund	(832,602)	(832,602)
To natural gas fund construction in progress	-	-
To rate stabilization fund	(100,000)	-
To utility administration fund	(167,000)	(167,000)
To capital reserve fund	(89,393)	(89,392)
Transfers related to payment in lieu of taxes	(58,672)	(58,672)
Appropriated net assets	136,286	-
Total other financing sources (uses)	(1,021,988)	(1,058,274)
Change in net assets - budgetary basis	\$ -	\$ (417,915)

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Natural Gas Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	1,301,772
	287,741
	883,570
	8,108,306
	513,583
	65,410
	442,300
3,267,778	11,602,682
	260,603
	691,883
	216,601
	24,903
3	1,193,990
3,267,781	12,796,672
(381,629)	1,047,675
(1)	-
-	(801,429)
-	(75,000)
100,000	-
-	(96,665)
1	-
-	(56,728)
(136,286)	-
(36,286)	(1,029,822)
\$ (417,915)	\$ 17,853

City of Lexington, North Carolina  
Natural Gas Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	2011
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 10,471,894	\$ 13,844,347
Total expenditures	9,831,535	12,796,672
Revenues over (under) expenditures	640,359	1,047,675
Budgetary appropriations	705,362	1,193,990
Depreciation	(544,692)	(540,673)
Wages and overhead charged to construction	679,445	260,455
Materials charged to construction	122,333	97,469
Gain (loss) on sale of property	(55,109)	(22,127)
Increase (decrease) in inventory	(52,596)	(52,245)
Interest earned	15,544	1,247
Interest expense	(227,156)	(260,603)
Bad debt expense	(37,364)	(24,881)
(Increase) decrease in compensated absences payable	8,382	(10,693)
(Increase) decrease in other postemployment benefits	(58,603)	(55,297)
Capital contributions	(7,771)	-
Other financing sources/(uses)	(1,147,666)	(954,822)
Total reconciling items	(599,891)	(368,180)
Change in net assets	\$ 40,468	\$ 679,495



City of Lexington, North Carolina  
Construction in Progress - Natural Gas Fund  
Schedule of Revenues and Expenses  
Authorized and Actual (Non-GAAP)  
From inception and for the fiscal year ended June 30, 2012

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental:		
Lowe's Home Centers, Inc. Natural Gas Line grant	\$ 300,000	\$ -
Interest earned	1,896	1,895
Total revenues	301,896	1,895
Expenditures:		
Natural Gas Utility Operations Complex	1,749,503	1,715,159
Lowe's Home Centers, Inc. Natural Gas Line grant	375,000	701
Total expenditures for construction in progress	2,124,503	1,715,860
Revenues over (under) expenditures	(1,822,607)	(1,713,965)
Other financing sources (uses):		
Installment purchase debt issued - Build America Bond	1,700,000	1,700,000
Contribution from (to):		
From operating fund	212,000	212,000
To operating fund	(89,393)	-
Total other financing sources (uses)	1,822,607	1,912,000
Unexpended revenues and receipts	\$ -	\$ 198,035

City of Lexington, North Carolina  
 Construction in Progress - Natural Gas Fund  
 Schedule of Revenues and Expenses  
 Authorized and Actual (Non-GAAP)  
 From inception and for the fiscal year ended June 30, 2012

Actual Current Year	Total to Date
\$ 7,771	\$ 7,771
-	1,895
7,771	9,666
34,344	1,749,503
49,682	50,383
84,026	1,799,886
(76,255)	(1,790,220)
-	1,700,000
-	212,000
(89,392)	(89,392)
(89,392)	1,822,608
\$ (165,647)	\$ 32,388

City of Lexington, North Carolina  
 Golf Fund  
 Schedule of Revenues, Expenses and Changes in Net Assets  
 Budget and Actual (Non-GAAP)  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Revenues:		
Operating revenues:		
Charges for sales and services:		
Golf course		\$ 411,211
Golf cart rentals		308,746
Municipal club rental		27,780
Other operating		1,391
Total operating revenues	\$ 748,876	749,128
Nonoperating revenues:		
Interest earned		268
Sale of property		-
Total nonoperating revenues	250	268
Total revenues	749,126	749,396

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Golf Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	\$ 335,954
	230,601
	21,795
	113
\$ 252	588,463
	98
	856
18	954
270	589,417

City of Lexington, North Carolina  
 Golf Fund  
 Schedule of Revenues, Expenses and Changes in Net Assets  
 Budget and Actual (Non-GAAP)  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Budget	Actual
Expenditures:		
Operating expenditures:		
Salaries and employee benefits		384,317
Cost of sales and services		239,907
Administrative charges risk management fund		11,699
Total operating expenditures	708,635	635,923
Budgetary appropriations:		
Interest expense		41,703
Installment purchase principal		127,130
Capital outlay		18,126
Total budgetary appropriations	209,075	186,959
Total expenditures	917,710	822,882
Revenues over (under) expenditures	(168,584)	(73,486)
Other financing sources (uses):		
Transfers from (to):		
From general fund	168,584	168,584
Total other financing sources (uses)	168,584	168,584
Change in net assets - budgetary basis	\$ -	\$ 95,098

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Golf Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Budget	Actual
	374,321
	212,145
	15,356
72,712	601,822
	47,421
	122,395
	2,146
22,116	171,962
94,828	773,784
95,098	(184,367)
-	208,584
-	208,584
\$ 95,098	\$ 24,217

City of Lexington, North Carolina  
Golf Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Budget and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 749,396	\$ 589,417
Total expenditures	<u>822,882</u>	<u>773,784</u>
Revenues over (under) expenditures	(73,486)	(184,367)
Budgetary appropriations	186,959	171,962
Depreciation	(101,566)	(99,449)
Gain (loss) on sale of property	(2,756)	(2,207)
Interest expense	(41,703)	(47,421)
Bad debt expense	28	-
(Increase) decrease in compensated absences payable	(485)	(2,631)
(Increase) decrease in other postemployment benefits	(20,992)	(17,278)
Other financing sources/(uses)	<u>168,584</u>	<u>208,584</u>
Total reconciling items	<u>188,069</u>	<u>211,560</u>
Change in net assets	<u>\$ 114,583</u>	<u>\$ 27,193</u>

### 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.

#### GARAGE FUND

This 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. This fund also maintains a motor pool fleet of cars, trucks (one ton or less), and general purpose equipment, which are rented out to the individual departments. Revenues earned from this activity are used to cover maintenance costs and to provide funding for replacement of such vehicles and equipment in the future. Monies received for vehicle and equipment replacement is held in the 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 provides management, billing/collections, warehousing, meter reading, and marketing services to the Electric, Water and Wastewater, and Natural Gas utilities. The fund also provides billing/collections for the General Fund for recycling and waste collection services. The four aforementioned funds are charged as user departments to recover the total cost of this fund. Charges to the user departments are prorated based on their operational budgets and number of customers.

#### CAPITAL RESERVE FUND

The Capital Reserve Fund provides for the accumulation of resources for future capital needs of the Electric, Water and Wastewater, and Natural Gas utilities as well as for future capital needs of the Internal Service Garage Fund.

#### RATE STABILIZATION FUND

The Rate Stabilization Fund provides for the accumulation of resources for rate stabilization for the Electric and Natural Gas utilities.

City of Lexington, North Carolina  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2012

(With comparative actual amounts for the fiscal year ended June 30, 2011)

	Governmental-type Activities			Business-type Activities
	Group		Risk	Utility
	Garage	Insurance	Management	Administration
Assets				
Current assets:				
Cash and cash equivalents	\$ 116,224	\$ 1,112,805	\$ 938,269	\$ 423,755
Receivables (net of allowance for uncollectibles):				
Accounts - billed	-	9,674	-	118,413
Intergovernmental	29,214	1,521	1,490	5,273
Interest	251	1,646	696	272
Cash and cash equivalents restricted for:				
Unpaid claims	-	452,260	332,380	-
Rental fees	43,281	-	-	-
Construction in progress	-	-	-	195,937
Inventory	138,422	-	-	-
Total current assets	<u>327,392</u>	<u>1,577,906</u>	<u>1,272,835</u>	<u>743,650</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents restricted for:				
Electric fund	-	-	-	-
Water and wastewater fund	-	-	-	-
Water and wastewater fund - capital recovery	-	-	-	-
Natural gas fund	-	-	-	-
Garage fund	-	-	-	-
Group insurance fund	-	1,409,897	-	-
Capital assets:				
Land and other non-depreciable assets	15,000	-	-	2,779,729
Other capital assets, net of accumulated depreciation	811,765	-	19,402	742,069
Total capital assets	<u>826,765</u>	<u>-</u>	<u>19,402</u>	<u>3,521,798</u>
Total noncurrent assets	<u>826,765</u>	<u>1,409,897</u>	<u>19,402</u>	<u>3,521,798</u>
Total assets	<u>\$ 1,154,157</u>	<u>\$ 2,987,803</u>	<u>\$ 1,292,237</u>	<u>\$ 4,265,448</u>

City of Lexington, North Carolina  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

Business-type Activities		Totals	
Capital Reserve	Rate Stabilization	2012	2011
\$ -	\$ -	\$ 2,591,053	\$ 3,860,304
-	-	128,087	120,776
-	-	37,498	41,545
-	917	3,782	7,066
-	-	784,640	488,137
-	-	43,281	251
-	-	195,937	25,490
-	-	138,422	171,417
-	917	3,922,700	4,714,986
1,268,878	680,663	1,949,541	2,994,026
1,248,617	-	1,248,617	583,884
1,448,687	-	1,448,687	1,374,303
749,918	490,867	1,240,785	1,149,270
382,152	-	382,152	334,416
-	-	1,409,897	904,829
-	-	2,794,729	2,304,618
-	-	1,573,236	1,256,113
-	-	4,367,965	3,560,731
5,098,252	1,171,530	12,047,644	10,901,459
<u>\$ 5,098,252</u>	<u>\$ 1,172,447</u>	<u>\$ 15,970,344</u>	<u>\$ 15,616,445</u>

City of Lexington, North Carolina  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2012

(With comparative actual amounts for the fiscal year ended June 30, 2011)

	Governmental-type Activities			Business-type Activities
	Garage	Group Insurance	Risk Management	Utility Administration
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 22,438	\$ 21,267	\$ 55,048	\$ 134,203
Liabilities payable from restricted assets:				
Unpaid claims costs	-	452,260	332,380	-
Total current liabilities	<u>22,438</u>	<u>473,527</u>	<u>387,428</u>	<u>134,203</u>
Noncurrent liabilities:				
Compensated absences payable	18,369	-	21,279	113,058
Other postemployment benefits payable	85,168	-	31,637	253,709
Advances from other funds:				
Natural gas fund	-	-	-	-
Total noncurrent liabilities	<u>103,537</u>	<u>-</u>	<u>52,916</u>	<u>366,767</u>
Total liabilities	<u>125,975</u>	<u>473,527</u>	<u>440,344</u>	<u>500,970</u>
Net assets:				
Invested in capital assets, net of related debt	826,765	-	19,402	3,521,798
Unrestricted	<u>201,417</u>	<u>2,514,276</u>	<u>832,491</u>	<u>242,680</u>
Total net assets	<u>1,028,182</u>	<u>2,514,276</u>	<u>851,893</u>	<u>3,764,478</u>

City of Lexington, North Carolina  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

Business-type Activities		Totals	
Capital Reserve	Rate Stabilization	2012	2011
\$ -	\$ -	\$ 232,956	\$ 181,337
-	-	784,640	488,137
-	-	1,017,596	669,474
-	-	152,706	128,172
-	-	370,514	266,808
-	-	-	13,088
-	-	523,220	408,068
-	-	1,540,816	1,077,542
-	-	4,367,965	3,560,731
5,098,252	1,172,447	10,061,563	10,978,172
5,098,252	1,172,447	14,429,528	14,538,903

City of Lexington, North Carolina  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	Governmental-type Activities			Business-type Activities
	Garage	Group Insurance	Risk Management	Utility Administration
Operating revenues:				
Charges for services	\$ 1,669,914	\$ 4,294,427	\$ 918,191	\$ 2,032,975
Other operating	-	36,147	37,071	432,709
Total operating revenues	<u>1,669,914</u>	<u>4,330,574</u>	<u>955,262</u>	<u>2,465,684</u>
Operating expenses:				
Cost of sales and services	1,436,315	-	201,339	-
Premiums	-	725,978	493,439	-
Claims	-	3,670,254	858,592	-
Bad debt expense	-	-	-	41,269
Administration	-	246,441	-	2,416,722
Depreciation	101,418	-	2,807	51,107
Total operating expenses	<u>1,537,733</u>	<u>4,642,673</u>	<u>1,556,177</u>	<u>2,509,098</u>
Operating income (loss)	<u>132,181</u>	<u>(312,099)</u>	<u>(600,915)</u>	<u>(43,414)</u>
Nonoperating revenues (expenses):				
Interest earned	3,184	12,283	5,389	1,595
Gain (loss) on sale of property	285,527	-	(18,967)	(18,944)
Interest expense	(148)	-	-	-
Total nonoperating revenues (expenses)	<u>288,563</u>	<u>12,283</u>	<u>(13,578)</u>	<u>(17,349)</u>
Income (loss) before transfers and capital contributions	420,744	(299,816)	(614,493)	(60,763)
Capital contributions	-	-	-	-
Transfers from (to):				
From electric fund	-	-	-	167,750
From water and wastewater fund	-	-	-	325,000
From natural gas fund	-	-	-	167,000
From garage fund	-	-	-	-
From capital reserve fund	223,115	-	-	-
To electric fund	-	-	-	-
To garage fund	-	-	-	-
To capital reserve fund	(270,851)	-	-	-
Total transfers from (to)	<u>(47,736)</u>	<u>-</u>	<u>-</u>	<u>659,750</u>
Change in net assets	373,008	(299,816)	(614,493)	598,987
Net assets:				
Net assets, July 1	<u>655,174</u>	<u>2,814,092</u>	<u>1,466,386</u>	<u>3,165,491</u>
Net assets, June 30	<u>\$ 1,028,182</u>	<u>\$ 2,514,276</u>	<u>\$ 851,893</u>	<u>\$ 3,764,478</u>

City of Lexington, North Carolina  
Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

Business-type Activities		Totals	
Capital Reserve	Rate Stabilization	2012	2011
\$ -	\$ -	\$ 8,915,507	\$ 9,266,368
74,384	-	580,311	624,415
<u>74,384</u>	<u>-</u>	<u>9,495,818</u>	<u>9,890,783</u>
-	-	1,637,654	1,512,358
-	-	1,219,417	1,189,531
-	-	4,528,846	3,557,921
-	-	41,269	33,236
-	-	2,663,163	2,540,053
<u>-</u>	<u>-</u>	<u>155,332</u>	<u>120,015</u>
<u>-</u>	<u>-</u>	<u>10,245,681</u>	<u>8,953,114</u>
74,384	-	(749,863)	937,669
-	6,694	29,145	31,436
-	-	247,616	51,186
<u>-</u>	<u>-</u>	<u>(148)</u>	<u>(730)</u>
<u>-</u>	<u>6,694</u>	<u>276,613</u>	<u>81,892</u>
74,384	6,694	(473,250)	1,019,561
-	-	-	-
-	-	167,750	167,750
664,733	-	989,733	430,000
89,392	-	256,392	96,665
270,851	-	270,851	126,215
-	-	223,115	104,675
(550,000)	(500,000)	(1,050,000)	(375,000)
(223,115)	-	(223,115)	(104,675)
<u>-</u>	<u>-</u>	<u>(270,851)</u>	<u>(126,215)</u>
<u>251,861</u>	<u>(500,000)</u>	<u>363,875</u>	<u>319,415</u>
326,245	(493,306)	(109,375)	1,338,976
<u>4,772,007</u>	<u>1,665,753</u>	<u>14,538,903</u>	<u>13,199,927</u>
<u>\$ 5,098,252</u>	<u>\$ 1,172,447</u>	<u>\$ 14,429,528</u>	<u>\$ 14,538,903</u>

City of Lexington, North Carolina  
Internal Service Funds  
Combining Statement of Cash Flows  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	Governmental-type Activities		
	Garage	Group Insurance	Risk Management
Cash flows from operating activities:			
Cash received from interfund services provided/used to/for other funds	\$ 1,674,790	\$ 4,294,919	\$ 920,472
Cash paid for goods and services	(1,025,419)	(4,559,424)	(1,157,692)
Cash paid to employees	(404,072)	-	(146,373)
Other operating income	-	36,147	37,071
Net cash provided (used) by operating activities	<u>245,299</u>	<u>(228,358)</u>	<u>(346,522)</u>
Cash flows from noncapital financing activities:			
Advances from (to) other funds	(13,088)	-	-
Transfers in	223,115	-	-
Transfers out	(270,851)	-	-
Net cash provided (used) by noncapital financing activities	<u>(60,824)</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of property	22,431	-	-
Construction	-	-	-
Acquisition of capital assets	(201,095)	-	(8,604)
Interest paid	(148)	-	-
Net cash provided (used) by capital and related financing activities	<u>(178,812)</u>	<u>-</u>	<u>(8,604)</u>
Cash flows from investing activities:			
Interest earned on investments	3,184	12,283	5,389
Net cash provided (used) by investing activities	<u>3,184</u>	<u>12,283</u>	<u>5,389</u>
Net increase (decrease) in cash and cash equivalents	8,847	(216,075)	(349,737)
Cash and cash equivalents, July 1	<u>150,658</u>	<u>3,191,037</u>	<u>1,620,386</u>
Cash and cash equivalents, June 30	<u>\$ 159,505</u>	<u>\$ 2,974,962</u>	<u>\$ 1,270,649</u>

City of Lexington, North Carolina  
Internal Service Funds  
Combining Statement of Cash Flows  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

Business-type Activities			Totals	
Utility Administration	Capital Reserve	Rate Stabilization	2012	2011
\$ 2,024,402	\$ -	\$ 944	\$ 8,915,527	\$ 9,316,957
(799,181)	-	-	(7,541,716)	(6,825,286)
(1,488,831)	-	-	(2,039,276)	(1,968,221)
432,709	74,384	-	580,311	700,415
<u>169,099</u>	<u>74,384</u>	<u>944</u>	<u>(85,154)</u>	<u>1,223,865</u>
-	-	-	(13,088)	(25,742)
659,750	1,024,976	-	1,907,841	925,305
-	(773,115)	(500,000)	(1,543,966)	(605,890)
<u>659,750</u>	<u>251,861</u>	<u>(500,000)</u>	<u>350,787</u>	<u>293,673</u>
-	-	-	22,431	22,013
(490,111)	-	-	(490,111)	(501,010)
(37,571)	-	-	(247,270)	(84,748)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(148)</u>	<u>(730)</u>
<u>(527,682)</u>	<u>-</u>	<u>-</u>	<u>(715,098)</u>	<u>(564,475)</u>
1,595	-	6,694	29,145	31,436
<u>1,595</u>	<u>-</u>	<u>6,694</u>	<u>29,145</u>	<u>31,436</u>
302,762	326,245	(492,362)	(420,320)	984,499
<u>316,930</u>	<u>4,772,007</u>	<u>1,663,892</u>	<u>11,714,910</u>	<u>10,730,411</u>
<u>\$ 619,692</u>	<u>\$ 5,098,252</u>	<u>\$ 1,171,530</u>	<u>\$ 11,294,590</u>	<u>\$ 11,714,910</u>

City of Lexington, North Carolina  
Internal Service Funds  
Combining Statement of Cash Flows  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	Governmental-type Activities		
	Garage	Group Insurance	Risk Management
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities			
Operating income	\$ 132,181	\$ (312,099)	\$ (600,915)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	101,418	-	2,807
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	4,876	492	2,281
(Increase) decrease in inventory	32,995	-	-
Increase (decrease) in accounts payable	(50,922)	(14,803)	42,057
Increase (decrease) in unpaid claims cost	-	98,052	198,451
Increase (decrease) in accrued other postemployment benefits liability	23,077	-	8,671
Increase (decrease) in accrued compensated absences liability	1,674	-	126
Total adjustments	113,118	83,741	254,393
Net cash provided (used) by operating activities	\$ 245,299	\$ (228,358)	\$ (346,522)

City of Lexington, North Carolina  
Internal Service Funds  
Combining Statement of Cash Flows  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

Business-type Activities			Totals	
Utility Administration	Capital Reserve	Rate Stabilization	2012	2011
\$ (43,414)	\$ 74,384	\$ -	\$ (749,863)	\$ 937,669
51,107	-	-	155,332	120,015
(8,573)	-	944	20	126,587
-	-	-	32,995	(53,375)
75,287	-	-	51,619	19,305
-	-	-	296,503	(10,536)
71,958	-	-	103,706	82,516
22,734	-	-	24,534	1,684
<u>212,513</u>	<u>-</u>	<u>944</u>	<u>664,709</u>	<u>286,196</u>
<u>\$ 169,099</u>	<u>\$ 74,384</u>	<u>\$ 944</u>	<u>\$ (85,154)</u>	<u>\$ 1,223,865</u>

City of Lexington, North Carolina  
Garage Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Financial Plan	Actual
Revenues:		
Operating revenues:		
Charges for sales and services		\$ 1,669,914
Other operating		-
Total operating revenues	\$ 1,680,310	1,669,914
Nonoperating revenues:		
Interest earned		3,184
Sale of property		22,431
Total nonoperating revenues	7,100	25,615
Total revenues	1,687,410	1,695,529
Expenditures:		
Operating expenditures:		
Salaries and employee benefits		404,072
Cost of sales and services		238,571
Purchases for resale		735,926
Total operating expenditures	1,487,935	1,378,569
Budgetary appropriations:		
Interest expense		148
Capital outlay		201,095
Total budgetary appropriations	259,175	201,243
Total expenditures	1,747,110	1,579,812
Revenues over (under) expenditures	(59,700)	115,717
Other financing sources (uses):		
Transfers from (to):		
From capital reserve fund	230,790	223,115
To capital reserve fund	(286,090)	(270,851)
Appropriated net assets	115,000	-
Total other financing sources (uses)	59,700	(47,736)
Change in net assets - budgetary basis	\$ -	\$ 67,981

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Garage Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Financial Plan	Actual
	\$ 1,478,220
	100
\$ (10,396)	1,478,320
	2,549
	21,337
18,515	23,886
8,119	1,502,206
	407,968
	155,948
	785,593
109,366	1,349,509
	730
	84,748
57,932	85,478
167,298	1,434,987
175,417	67,219
	104,675
(7,675)	(126,215)
15,239	-
(115,000)	-
(107,436)	(21,540)
\$ 67,981	\$ 45,679

City of Lexington, North Carolina  
Garage Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	2011
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 1,695,529	\$ 1,502,206
Total expenditures	1,579,812	1,434,987
Revenues over (under) expenditures	115,717	67,219
Budgetary appropriations	201,243	85,478
Depreciation	(101,418)	(45,639)
Gain (loss) on sale of property	263,096	29,173
Increase (decrease) in inventory	(32,995)	53,374
Interest expense	(148)	(730)
(Increase) decrease in compensated absences payable	(1,674)	829
(Increase) decrease in other postemployment benefits	(23,077)	(19,553)
Other financing sources/(uses)	(47,736)	(21,540)
Total reconciling items	257,291	81,392
Change in net assets	\$ 373,008	\$ 148,611



City of Lexington, North Carolina  
Group Insurance Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Financial Plan	Actual
Revenues:		
Operating revenues:		
Premium charges to employees/retirees		\$ 731,327
Premium charges for COBRA		3,760
Premium charges to departments		3,559,340
Other operating		36,147
Total operating revenues	\$ 4,510,000	4,330,574
Nonoperating revenues:		
Interest earned		12,283
Total nonoperating revenues	10,900	12,283
Total revenues	4,520,900	4,342,857
Expenditures:		
Operating expenditures:		
Premiums		725,978
Claims		3,670,254
Administration		246,441
Total operating expenditures	4,920,900	4,642,673
Revenues over (under) expenditures	(400,000)	(299,816)
Other financing sources (uses):		
Appropriated net assets	400,000	-
Total other financing sources (uses)	400,000	-
Change in net assets - budgetary basis	\$ -	\$ (299,816)

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
 Group Insurance Fund  
 Schedule of Revenues, Expenses and Changes in Net Assets  
 Financial Plan and Actual (Non-GAAP)  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Financial Plan	Actual
	\$ 730,463
	1,958
	3,970,692
	12,406
\$ (179,426)	4,715,519
	12,332
1,383	12,332
(178,043)	4,727,851
	681,884
	3,233,778
	201,045
278,227	4,116,707
100,184	611,144
(400,000)	-
(400,000)	-
\$ (299,816)	\$ 611,144

City of Lexington, North Carolina  
Risk Management Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Financial Plan	Actual
Revenues:		
Operating revenues:		
Premium charges to employees		\$ 5,040
Premium charges to departments		913,151
Other operating		37,071
Total operating revenues	\$ 1,014,014	955,262
Nonoperating revenues:		
Interest earned		5,389
Sale of property		-
Total nonoperating revenues	8,700	5,389
Total revenues	1,022,714	960,651
Expenditures:		
Operating expenditures:		
Salaries and employee benefits		146,373
Cost of sales and services		46,169
Premiums		493,439
Claims		858,592
Total operating expenditures	1,549,110	1,544,573
Budgetary appropriations:		
Capital outlay		8,604
Total budgetary appropriations	8,604	8,604
Total expenditures	1,557,714	1,553,177
Revenues over (under) expenditures	(535,000)	(592,526)
Other financing sources (uses):		
Appropriated net assets	535,000	-
Total other financing sources (uses)	535,000	-
Change in net assets - budgetary basis	\$ -	\$ (592,526)

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Risk Management Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Financial Plan	Actual
	\$ 5,059
	1,117,624
	88,288
\$ (58,752)	1,210,971
	6,371
	676
(3,311)	7,047
(62,063)	1,218,018
	146,681
	41,403
	507,647
	324,143
4,537	1,019,874
-	-
-	-
4,537	1,019,874
(57,526)	198,144
(535,000)	-
(535,000)	-
\$ (592,526)	\$ 198,144

City of Lexington, North Carolina  
Risk Management Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 960,651	\$ 1,218,018
Total expenditures	<u>1,553,177</u>	<u>1,019,874</u>
Revenues over (under) expenditures	(592,526)	198,144
Budgetary appropriations	8,604	-
Depreciation	(2,807)	(6,015)
Gain (loss) on sale of property	(18,967)	-
(Increase) decrease in compensated absences payable	(126)	(2,025)
(Increase) decrease in other postemployment benefits	(8,671)	(7,390)
Total reconciling items	<u>(21,967)</u>	<u>(15,430)</u>
Change in net assets	<u>\$ (614,493)</u>	<u>\$ 182,714</u>



City of Lexington, North Carolina  
 Utility Administration Fund  
 Schedule of Revenues, Expenses and Changes in Net Assets  
 Financial Plan and Actual (Non-GAAP)  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Financial Plan	Actual
Revenues:		
Operating revenues:		
Administrative charges general fund		\$ 200,713
Administrative charges electric fund		872,363
Administrative charges water and wastewater fund		365,528
Administrative charges natural gas fund		594,371
Other operating		432,709
Total operating revenues	\$ 2,527,465	2,465,684
Nonoperating revenues:		
Interest earned		787
Total nonoperating revenues	400	787
Total revenues	2,527,865	2,466,471

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Utility Administration Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Financial Plan	Actual
	\$ 233,563
	891,390
	395,099
	442,300
	429,815
\$ (61,781)	2,392,167
	490
387	490
(61,394)	2,392,657

City of Lexington, North Carolina  
Utility Administration Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Financial Plan	Actual
Expenditures:		
Utility administration:		
Salaries and employee benefits		335,287
Cost of sales and services		182,138
Total utility administration	608,193	517,425
Customer service:		
Salaries and employee benefits		637,664
Cost of sales and services		264,414
Total customer service	1,063,686	902,078
Warehousing:		
Salaries and employee benefits		172,550
Cost of sales and services		15,105
Total warehousing	197,101	187,655
Meter reading:		
Salaries and employee benefits		260,966
Cost of sales and services		47,378
Total meter reading	324,044	308,344
Marketing:		
Salaries and employee benefits		82,364
Cost of sales and services		324,164
Total marketing	470,365	406,528
Total operating expenditures	2,663,389	2,322,030

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Utility Administration Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Financial Plan	Actual
	231,736
	196,927
90,768	428,663
	630,261
	314,412
161,608	944,673
	173,716
	11,868
9,446	185,584
	292,769
	46,702
15,700	339,471
	85,090
	299,466
63,837	384,556
341,359	2,282,947

City of Lexington, North Carolina  
Utility Administration Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Financial Plan	Actual
Budgetary appropriations:		
Capital outlay:		
Customer service		37,571
Total budgetary appropriations	37,572	37,571
Total expenditures	2,700,961	2,359,601
Revenues over (under) expenditures	(173,096)	106,870
Other financing sources (uses):		
Transfers from (to):		
From electric fund	167,750	167,750
From water and wastewater fund	325,000	325,000
From natural gas fund	167,000	167,000
To utility administration fund construction in progress	(659,750)	(659,750)
Appropriated net assets	173,096	-
Total other financing sources (uses)	173,096	-
Change in net assets - budgetary basis	\$ -	\$ 106,870

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
Utility Administration Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Financial Plan	Actual
1	-
341,360	2,282,947
279,966	109,710
-	167,750
-	155,000
-	96,665
-	(419,415)
(173,096)	-
(173,096)	-
\$ 106,870	\$ 109,710

City of Lexington, North Carolina  
Utility Administration Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	2011
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 2,466,471	\$ 2,392,657
Total expenditures	2,359,601	2,282,947
Revenues over (under) expenditures	106,870	109,710
Budgetary appropriations	37,571	-
Depreciation	(51,107)	(68,361)
Gain (loss) on sale of property	(18,944)	-
Interest earned	808	818
Bad debt expense	(41,269)	(33,236)
(Increase) decrease in compensated absences payable	(22,734)	(488)
(Increase) decrease in other postemployment benefits	(71,958)	(55,573)
Other financing sources/(uses)	659,750	419,415
Total reconciling items	492,117	262,575
Change in net assets	\$ 598,987	\$ 372,285



City of Lexington, North Carolina  
 Construction in Progress - Utility Administration Fund  
 Schedule of Revenues and Expenses  
 Authorized and Actual (Non-GAAP)  
 From inception and for the fiscal year ended June 30, 2012

	Project Authorization	Prior Years
Revenues:		
Interest earned		\$ 25,206
Total revenues	\$ 27,000	25,206
Expenditures:		
Automated Meter Reading		2,044,189
Total expenditures for construction in progress	2,731,223	2,044,189
Revenues over (under) expenditures	(2,704,223)	(2,018,983)
Other financing sources (uses):		
Contribution from (to):		
From operating fund		2,044,473
Total other financing sources (uses)	2,704,223	2,044,473
Unexpended revenues and receipts	\$ -	\$ 25,490

City of Lexington, North Carolina  
 Construction in Progress - Utility Administration Fund  
 Schedule of Revenues and Expenses  
 Authorized and Actual (Non-GAAP)  
 From inception and for the fiscal year ended June 30, 2012

Actual Current Year	Total to Date
\$ 808	\$ 26,014
808	26,014
490,111	2,534,300
490,111	2,534,300
(489,303)	(2,508,286)
659,750	2,704,223
659,750	2,704,223
\$ 170,447	\$ 195,937

City of Lexington, North Carolina  
Capital Reserve Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Financial Plan	Actual
Revenues:		
Operating revenues:		
Capital recovery - water/wastewater		\$ 74,384
Total revenues	\$ -	74,384
Expenditures:		
Capital reserve		-
Total expenditures	1,040,216	-
Revenues over (under) expenditures	(1,040,216)	74,384
Other financing sources (uses):		
Transfers from (to):		
From water and wastewater fund	664,733	664,733
From natural gas fund	89,393	89,392
From garage fund	286,090	270,851
To electric fund	(550,000)	(550,000)
To garage fund	(230,790)	(223,115)
Appropriated net assets	780,790	-
Total other financing sources (uses)	1,040,216	251,861
Change in net assets - budgetary basis	\$ -	\$ 326,245

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
 Capital Reserve Fund  
 Schedule of Revenues, Expenses and Changes in Net Assets  
 Financial Plan and Actual (Non-GAAP)  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Financial Plan	Actual
	\$ 93,806
\$ 74,384	93,806
	-
1,040,216	-
1,114,600	93,806
-	-
(1)	275,000
(15,239)	126,215
-	-
7,675	(104,675)
(780,790)	-
(788,355)	296,540
\$ 326,245	\$ 390,346

City of Lexington, North Carolina  
Rate Stabilization Fund  
Schedule of Revenues, Expenses and Changes in Net Assets  
Financial Plan and Actual (Non-GAAP)  
For the fiscal year ended June 30, 2012  
(With comparative actual amounts for the fiscal year ended June 30, 2011)

	2012	
	Financial Plan	Actual
Revenues:		
Interest earned		\$ 6,694
Total revenues	\$ -	6,694
Expenditures:		
None		-
Total expenditures	100,000	-
Revenues over (under) expenditures	(100,000)	6,694
Other financing sources (uses):		
Transfers from (to):		
From natural gas fund	100,000	-
To electric fund	(500,000)	(500,000)
Appropriated net assets	500,000	-
Total other financing sources (uses)	100,000	(500,000)
Change in net assets - budgetary basis	\$ -	\$ (493,306)

NOTE: Prepared on the budgetary basis which is modified accrual.

City of Lexington, North Carolina  
 Rate Stabilization Fund  
 Schedule of Revenues, Expenses and Changes in Net Assets  
 Financial Plan and Actual (Non-GAAP)  
 For the fiscal year ended June 30, 2012  
 (With comparative actual amounts for the fiscal year ended June 30, 2011)

2012	2011
Variance from Financial Plan	Actual
	\$ 8,876
\$ 6,694	8,876
	-
100,000	-
106,694	8,876
	-
(100,000)	(375,000)
-	-
(500,000)	-
(600,000)	(375,000)
\$ (493,306)	\$ (366,124)



City of Lexington, North Carolina  
 General Fund  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2012

Fiscal Year	Uncollected Balance June 30, 2011	Current Net Levy	Collections and Credits	Uncollected Balance June 30, 2012
2011-12	\$ -	\$ 8,257,246	\$ 7,720,187	\$ 537,059
2010-11	513,040	-	202,241	310,799
2009-10	234,249	-	40,862	193,387
2008-09	154,812	-	15,298	139,514
2007-08	93,984	-	7,710	86,274
2006-07	64,150	-	1,899	62,251
2005-06	50,784	-	1,191	49,593
2004-05	32,988	-	447	32,541
2003-04	34,479	-	397	34,082
Prior	217,914	-	3,370	214,544
	<u>\$ 1,396,400</u>	<u>\$ 8,257,246</u>	<u>\$ 7,993,602</u>	<u>\$ 1,660,044</u>
				Less: allowance for uncollectible accounts:
				General Fund
				<u>887,341</u>
				Ad valorem taxes receivable - net
				<u>\$ 772,703</u>

## Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 7,984,145
Discounts allowed	60,200
Amount refunded	3,604
Abatements and releases - prior years	6,846
Penalties collected	1,893
Subtotal	<u>8,056,688</u>
Less interest collected	<u>63,086</u>
Total collections and credits	<u>\$ 7,993,602</u>

City of Lexington, North Carolina  
 Analysis of Current Tax Levy  
 City - Wide Levy  
 For the fiscal year ended June 30, 2012

	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	\$ 1,378,718,214	\$ 0.560	\$ 7,720,822	\$ 7,590,393	\$ 130,429
Registered motor vehicles taxed at prior year's rate	53,489,309	0.560	299,540	-	299,540
Penalties	-		4,640	4,640	-
Total	1,432,207,523		8,025,002	7,595,033	429,969
Discoveries - Current year taxes	46,266,429	0.560	259,092	259,092	-
Abatements	(4,794,286)	0.560	(26,848)	(9,748)	(17,100)
Total property valuation	\$ 1,473,679,666				
Net levy			8,257,246	7,844,377	412,869
Uncollected taxes at June 30			(537,059)	(447,820)	(89,239)
Current year's taxes collected			\$ 7,720,187	\$ 7,396,557	\$ 323,630
Current levy collection percentage			93.50%	94.29%	78.39%

City of Lexington, North Carolina  
 Analysis of Current Tax Levy  
 City - Wide Levy  
 For the fiscal year ended June 30, 2012

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 1,180,889,247
Personal Property	253,420,913
Public Service Companies (2)	<u>39,369,506</u>
Total Assessed Valuation	1,473,679,666
City-wide Tax Rate	0.560
Levy (3)	\$ 8,257,246

- (1) Percentage of appraised value has been established by statute.  
 (2) Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.  
 (3) The levy includes discoveries, releases, abatements, interest and penalties.

Uptown Lexington, Inc.  
 (A component unit of the City of Lexington, North Carolina)  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual  
 For the fiscal year ended June 30, 2012

	Final Budget	Actual	Variance from Budget
Revenues:			
Contribution from City of Lexington:			
Special district property tax	\$ 105,000	\$ 99,701	\$ (5,299)
Property rental	1,500	1,500	-
Marketing	8,000	12,822	4,822
Interest earned	200	81	(119)
Grant from City of Lexington	51,720	51,720	-
Donations/fund raisers	118,521	97,626	(20,895)
Miscellaneous	-	1,297	1,297
Total revenues	<u>284,941</u>	<u>264,747</u>	<u>(20,194)</u>
Expenditures:			
Salaries and employee benefits	105,254	104,109	1,145
Operations	189,831	157,223	32,608
Total expenditures	<u>295,085</u>	<u>261,332</u>	<u>33,753</u>
Revenues over (under) expenditures	<u>(10,144)</u>	<u>3,415</u>	<u>13,559</u>
Other financing sources (uses):			
Fund balance appropriated	10,144	-	(10,144)
Total other financing sources (uses)	<u>10,144</u>	<u>-</u>	<u>(10,144)</u>
Net change in fund balance	<u>\$ -</u>	<u>3,415</u>	<u>\$ 3,415</u>
Fund balance, July 1		<u>107,619</u>	
Fund balance, June 30		<u>\$ 111,034</u>	

## STATISTICAL SECTION

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

### Contents

Financial Trends	199 - 217
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*These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

Revenue Capacity	218 - 233
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*These schedules contain information to help the reader assess the City's most significant local revenue sources: property taxes and enterprise fund revenues.*

Debt Capacity	234 - 242
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*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.*

Demographic and Economic Information	243 - 244
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*These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.*

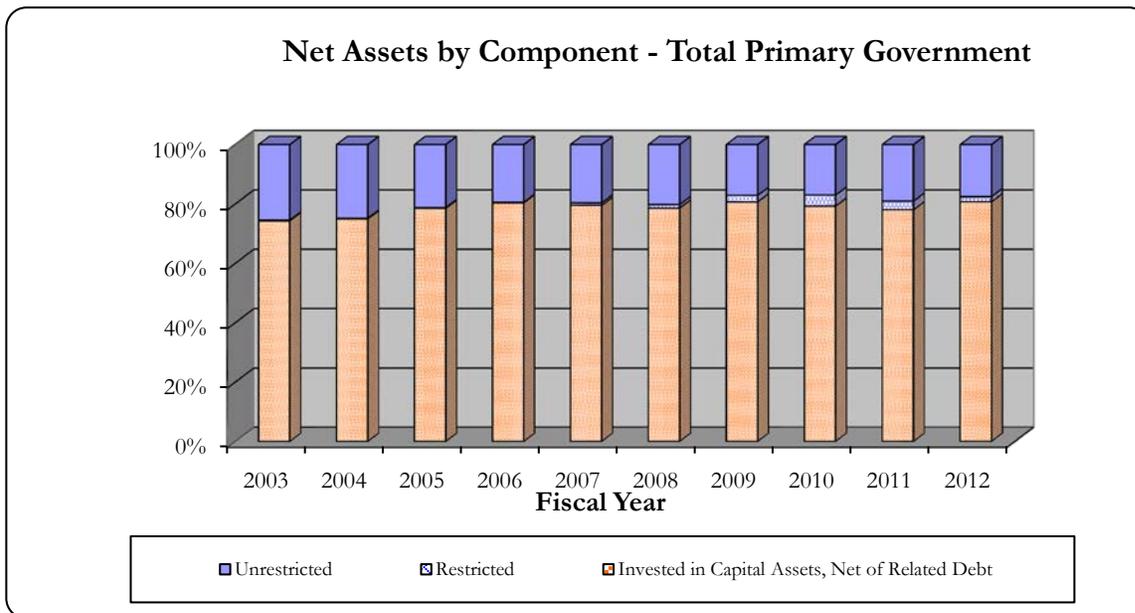
Operating Information	245 - 249
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*These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.*

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented the new reporting model (GASB 34) in the fiscal year ended June 30, 2003. Schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 39,493,659	\$ 36,826,559	\$ 37,487,623	\$ 37,887,437
Restricted	336,771	355,667	353,525	322,603
Unrestricted	16,991,280	16,989,705	8,361,100	8,391,918
<b>Total governmental activities net assets</b>	<b>\$ 56,821,710</b>	<b>\$ 54,171,931</b>	<b>\$ 46,202,248</b>	<b>\$ 46,601,958</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 61,043,301	\$ 63,915,890	\$ 67,969,314	\$ 72,749,493
Restricted	-	-	-	-
Unrestricted	17,373,786	16,266,809	20,086,808	18,283,773
<b>Total business-type activities net assets</b>	<b>\$ 78,417,087</b>	<b>\$ 80,182,699</b>	<b>\$ 88,056,122</b>	<b>\$ 91,033,266</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 100,536,960	\$ 100,742,449	\$ 105,456,937	\$ 110,636,930
Restricted	336,771	355,667	353,525	322,603
Unrestricted	34,365,066	33,256,514	28,447,908	26,675,691
<b>Total primary government net assets</b>	<b>\$ 135,238,797</b>	<b>\$ 134,354,630</b>	<b>\$ 134,258,370</b>	<b>\$ 137,635,224</b>



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

Table 1

		Fiscal Year					
		2007	2008	2009	2010	2011	2012
\$	39,642,189	\$ 40,202,445	\$ 39,848,580	\$ 40,328,855	\$ 40,644,556	\$ 41,139,252	
	1,151,767	1,765,878	2,388,811	3,635,859	4,474,720	2,688,766	
	7,856,333	7,220,847	7,013,713	6,332,215	6,772,075	5,604,954	
\$	48,650,289	\$ 49,189,170	\$ 49,251,104	\$ 50,296,929	\$ 51,891,351	\$ 49,432,972	
<hr/>							
\$	72,325,495	\$ 71,753,949	\$ 78,643,928	\$ 80,684,537	\$ 81,274,231	\$ 84,208,432	
	-	-	859,681	2,054,315	42,836	-	
	19,759,452	21,496,152	18,083,754	19,604,510	22,944,440	21,587,378	
\$	92,084,947	\$ 93,250,101	\$ 97,587,363	\$ 102,343,362	\$ 104,261,507	\$ 105,795,810	
<hr/>							
\$	111,967,684	\$ 111,956,394	\$ 118,492,508	\$ 121,013,392	\$ 121,918,787	\$ 125,347,684	
	1,151,767	1,765,878	3,248,492	5,690,174	4,517,556	2,688,766	
	27,615,785	28,716,999	25,097,467	25,936,725	29,716,515	27,192,332	
\$	140,735,236	\$ 142,439,271	\$ 146,838,467	\$ 152,640,291	\$ 156,152,858	\$ 155,228,782	

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 5,655,033	\$ 4,849,505	\$ 6,445,566	\$ 6,548,759
Public safety	6,519,363	7,825,103	8,187,070	8,381,387
Highways and streets	2,152,307	2,356,050	2,865,527	2,561,363
Sanitation	2,114,047	1,682,796	1,768,448	1,848,482
Culture and recreation	900,663	1,227,736	1,434,435	1,524,152
Economic and physical development	194,446	422,167	804,076	181,063
Interest on long-term debt	165,705	153,286	157,471	142,780
Total governmental activities expenses	<u>17,701,564</u>	<u>18,516,643</u>	<u>21,662,593</u>	<u>21,187,986</u>
Business-type activities:				
Electric	40,965,108	41,757,630	41,451,740	41,906,467
Water and Sewer	5,499,834	6,162,991	6,860,682	6,640,862
Natural Gas	18,812,051	21,606,225	24,683,168	22,459,026
Golf	536,881	387,723	859,407	926,174
Total business-type activities expenses	<u>65,813,874</u>	<u>69,914,569</u>	<u>73,854,997</u>	<u>71,932,529</u>
Total primary government expenses	<u>\$ 83,515,438</u>	<u>\$ 88,431,212</u>	<u>\$ 95,517,590</u>	<u>\$ 93,120,515</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 1,818,839	\$ 2,012,367	\$ 3,122,439	\$ 2,991,256
Public safety	218,819	190,531	171,833	192,203
Highways and streets	109,276	49,805	5,177	15,110
Sanitation	933,358	725,741	711,252	707,655
Culture and recreation	98,085	94,230	118,970	113,582
Economic and physical development	17,577	13,783	518,777	12,254
Operating grants and contributions	1,628,400	1,142,308	1,176,227	1,027,163
Capital grants and contributions	82,598	68,812	776,450	1,001,303
Total governmental activities program revenues	<u>4,906,952</u>	<u>4,297,577</u>	<u>6,601,125</u>	<u>6,060,526</u>
Business-type activities:				
Charges for services:				
Electric	43,710,417	43,437,181	42,314,867	42,966,388
Water and Sewer	5,585,840	6,330,103	6,966,891	6,946,893
Natural Gas	20,121,022	23,046,418	26,318,066	23,368,471
Golf	430,070	243,026	449,346	636,464
Operating grants and contributions	823,802	-	-	-
Capital grants and contributions	-	170,000	199,958	2,834,177
Total business-type activities program revenues	<u>70,671,151</u>	<u>73,226,728</u>	<u>76,249,128</u>	<u>76,752,393</u>
Total primary government program revenues	<u>\$ 75,578,103</u>	<u>\$ 77,524,305</u>	<u>\$ 82,850,253</u>	<u>\$ 82,812,919</u>

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

Table 2  
 Page 1

		Fiscal Year									
		2007	2008	2009	2010	2011	2012				
\$	6,947,733	\$	7,085,684	\$	6,460,428	\$	5,392,826	\$	5,635,640	\$	8,010,696
	8,645,626		8,862,033		9,364,136		9,152,311		9,607,070		10,384,670
	2,271,953		2,943,346		2,445,706		2,396,046		2,467,267		2,744,783
	1,839,097		1,882,576		1,928,807		1,807,085		1,858,518		1,804,492
	1,281,742		1,279,509		1,385,687		1,297,564		1,391,684		1,397,814
	297,992		608,643		876,947		1,800,659		1,342,633		2,752,101
	131,727		113,678		115,381		107,918		202,506		167,568
	21,415,870		22,775,469		22,577,092		21,954,409		22,505,318		27,262,124
	41,740,621		42,269,534		42,046,335		42,490,374		45,943,820		47,049,771
	7,139,058		6,967,468		7,327,038		7,411,514		7,929,297		7,953,182
	17,050,881		16,906,600		16,535,695		13,380,334		12,338,924		9,543,636
	862,536		861,937		1,043,915		718,431		756,527		810,830
	66,793,096		67,005,539		66,952,983		64,000,653		66,968,568		65,357,419
\$	88,208,966	\$	89,781,008	\$	89,530,075	\$	85,955,062	\$	89,473,886	\$	92,619,543
\$	3,070,146	\$	3,247,370	\$	2,585,157	\$	2,112,338	\$	2,201,761	\$	3,936,201
	258,992		253,017		210,025		208,693		293,066		222,367
	10,637		1,312		1,134		5,021		4,328		3,620
	760,686		759,317		754,188		764,636		811,013		815,666
	97,501		104,630		104,400		108,502		115,575		93,521
	10,907		10,836		24,720		140,156		91,347		167,840
	1,897,340		2,037,338		2,308,606		3,386,141		2,793,823		1,807,962
	1,290,766		211,992		290,836		281,898		1,635,126		1,563,195
	7,396,975		6,625,812		6,279,066		7,007,385		7,946,039		8,610,372
	42,332,221		43,393,859		42,874,197		45,846,264		48,164,096		47,654,094
	7,629,073		7,436,083		7,830,098		7,941,919		8,502,090		8,733,673
	18,089,668		18,143,797		18,297,321		15,379,486		13,997,277		10,659,045
	692,181		740,537		743,712		639,855		589,319		749,128
	-		132,059		47,754		-		-		45,776
	676,535		109,736		3,486,650		1,218,659		-		1,469,210
	69,419,678		69,956,071		73,279,732		71,026,183		71,252,782		69,310,926
\$	76,816,653	\$	76,581,883	\$	79,558,798	\$	78,033,568	\$	79,198,821	\$	77,921,298

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

	Fiscal Year			
	2003	2004	2005	2006
Net (expense)/revenue				
Governmental activities	\$ (12,794,612)	\$ (14,219,066)	\$ (15,061,468)	\$ (15,127,460)
Business-type activities	4,857,277	3,312,159	2,394,131	4,819,864
Total primary government net expense	<u>\$ (7,937,335)</u>	<u>\$ (10,906,907)</u>	<u>\$ (12,667,337)</u>	<u>\$ (10,307,596)</u>
<b>General Revenues and Other Changes in</b>				
<b>Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes, levied for general purpose	\$ 6,621,273	\$ 6,331,554	\$ 6,548,590	\$ 7,068,935
Property taxes, levied for special taxing district	79,111	72,514	73,403	80,212
Other taxes	359,192	382,132	419,931	443,559
Unrestricted intergovernmental revenues	4,052,158	4,517,725	4,919,671	5,090,991
Unrestricted investment earnings	174,876	136,984	229,255	374,033
Transfers	516,314	1,786,477	(5,099,065)	2,469,440
Total governmental activities	<u>11,802,924</u>	<u>13,227,386</u>	<u>7,091,785</u>	<u>15,527,170</u>
Business-type activities:				
Unrestricted investment earnings	241,916	239,930	380,227	626,720
Transfers	(516,314)	(1,786,477)	5,099,065	(2,469,440)
Total business-type activities	<u>(274,398)</u>	<u>(1,546,547)</u>	<u>5,479,292</u>	<u>(1,842,720)</u>
Total primary government	<u>\$ 11,528,526</u>	<u>\$ 11,680,839</u>	<u>\$ 12,571,077</u>	<u>\$ 13,684,450</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ (991,688)	\$ (991,680)	\$ (7,969,683)	\$ 399,710
Business-type activities	4,582,879	1,765,612	7,873,423	2,977,144
Total primary government	<u>\$ 3,591,191</u>	<u>\$ 773,932</u>	<u>\$ (96,260)</u>	<u>\$ 3,376,854</u>

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

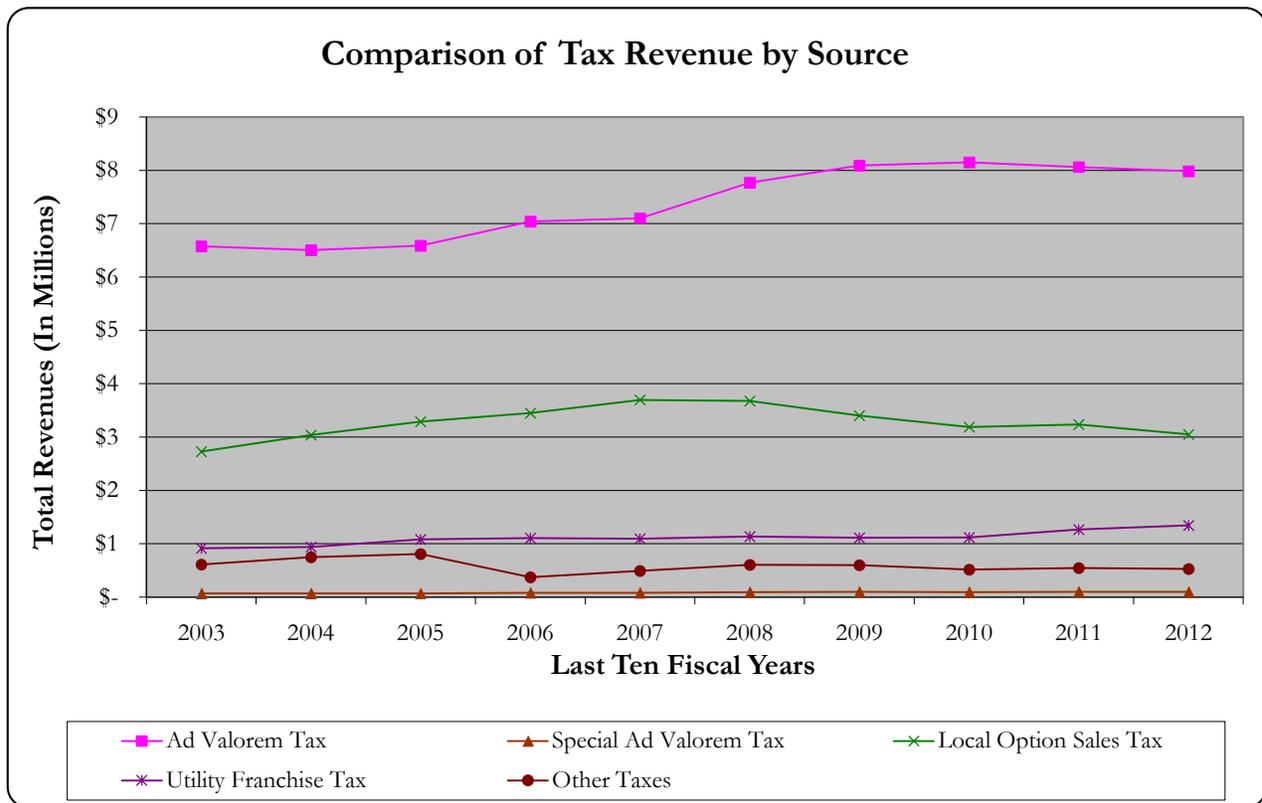
Table 2  
 Page 2

		Fiscal Year					
		2007	2008	2009	2010	2011	2012
\$	(14,018,895)	\$ (16,149,657)	\$ (16,298,026)	\$ (14,947,024)	\$ (14,559,279)	\$ (18,651,752)	
	2,626,582	2,950,532	6,326,749	7,025,530	4,284,214	3,953,507	
\$	(11,392,313)	\$ (13,199,125)	\$ (9,971,277)	\$ (7,921,494)	\$ (10,275,065)	\$ (14,698,245)	
\$	7,160,434	\$ 7,858,981	\$ 8,226,188	\$ 8,243,803	\$ 8,125,132	\$ 8,048,746	
	80,842	98,410	101,082	93,958	103,121	100,438	
	363,883	242,835	219,068	239,920	259,127	264,890	
	5,516,762	5,594,711	5,300,642	4,948,859	5,246,060	5,230,900	
	490,959	385,688	184,698	76,502	55,897	52,586	
	2,454,346	2,507,913	2,328,282	2,389,807	2,452,971	2,495,813	
	16,067,226	16,688,538	16,359,960	15,992,849	16,242,308	16,193,373	
	879,445	722,535	338,795	120,276	86,902	76,609	
	(2,454,346)	(2,507,913)	(2,328,282)	(2,389,807)	(2,452,971)	(2,495,813)	
	(1,574,901)	(1,785,378)	(1,989,487)	(2,269,531)	(2,366,069)	(2,419,204)	
\$	14,492,325	\$ 14,903,160	\$ 14,370,473	\$ 13,723,318	\$ 13,876,239	\$ 13,774,169	
\$	2,048,331	\$ 538,881	\$ 61,934	\$ 1,045,825	\$ 1,683,029	\$ (2,458,379)	
	1,051,681	1,165,154	4,337,262	4,755,999	1,918,145	1,534,303	
\$	3,100,012	\$ 1,704,035	\$ 4,399,196	\$ 5,801,824	\$ 3,601,174	\$ (924,076)	

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

Table 3

Fiscal Year	Ad Valorem Tax	Special Ad Valorem Tax	Local Option Sales Tax	Utility Franchise Tax	Other Taxes	Total Taxes
2003	6,579,087	71,211	2,730,859	916,306	614,407	10,911,870
2004	6,506,655	72,006	3,039,928	943,348	752,391	11,314,328
2005	6,590,108	73,353	3,290,342	1,083,754	810,529	11,848,086
2006	7,043,243	79,817	3,452,265	1,110,053	374,321	12,059,699
2007	7,104,130	81,410	3,698,872	1,094,752	495,122	12,474,286
2008	7,766,698	96,367	3,676,924	1,137,714	607,324	13,285,027
2009	8,090,264	99,849	3,401,870	1,113,588	601,746	13,307,317
2010	8,153,287	91,022	3,190,885	1,120,046	519,033 (1)	13,074,273
2011	8,064,247	101,669	3,236,005	1,265,918	545,753	13,213,592
2012	7,984,145	99,678	3,050,437	1,343,834	527,775	13,005,869



Note: Other taxes include piped natural gas tax, telecommunications tax, cable TV franchise tax and beer and wine tax.

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



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

	Fiscal Year			
	2003	2004	2005 (1)	2006
General Fund				
Nonspendable:	\$ -	\$ -	\$ -	\$ -
Spendable:				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	8,681,379	8,333,326	1,057,115	1,139,392
Unreserved	7,012,377	7,046,407	6,425,728	6,473,344
Total General Fund	<u>\$ 15,693,756</u>	<u>\$ 15,379,733</u>	<u>\$ 7,482,843</u>	<u>\$ 7,612,736</u>
All other governmental funds				
Nonspendable:	\$ -	\$ -	\$ -	\$ -
Spendable:				
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	29,660	426,388	590,209	357,812
Unreserved, reported in:				
Special revenue funds	26,577	107,013	156,024	281,729
Capital projects fund	440,431	268,215	-	13,180
Total all other governmental funds	<u>\$ 496,668</u>	<u>\$ 801,616</u>	<u>\$ 746,233</u>	<u>\$ 652,721</u>

Note: (1) The reduction in Reserved General Fund Balance in fiscal year 2005 is a result of the write off of the advance to the Electric Fund in the amount of \$7,107,264. This advance resulted from the city's former charter, prior to the amendment in 1986, which required a commitment to transfer all of the Electric Fund's profits to the General Fund. City Council took action on February 14, 2005 to write off the interfund advance recognizing that Electric Fund profits were not likely to be available to fulfill this obligation to the General Fund.

(2) The increase in Reserved All other governmental funds in fiscal year 2010 is due to unspent Build America Bond debt proceeds, with outstanding contract commitments for the construction of relocated Fire Station #2 and equipment sheds for the Street and Sanitation departments. The City issued \$1.9 million of a \$4.2 million Build America Bond on April 15, 2010 for these projects.

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

Table 4

		Fiscal Year									
		2007	2008	2009	2010 (2)	2011	2012				
\$	-	\$	-	\$	-	\$	75,521	\$	67,597		
	-		-		-	1,813,519		1,321,691			
	-		-		-	12,224		10,230			
	-		-		-	734,440		768,000			
	-		-		-	4,886,011		5,486,866			
	1,129,203		1,162,239		1,029,879	1,069,845		-			
	5,546,400		5,218,503		5,042,756	5,361,106		-			
\$	6,675,603	\$	6,380,742	\$	6,072,635	\$	6,430,951	\$	7,521,715	\$	7,654,384
\$	-	\$	-	\$	-	\$	-	\$	-		
	-		-		-	2,661,201		1,367,075			
	-		-		-	492,367		257,460			
	-		-		-	(69,997)		(33,090)			
	496,389		177,011		185,036	2,063,191		-			
	1,106,899		1,660,698		2,196,734	1,520,766		-			
	211,712		319,362		558,867	415,970		-			
\$	1,815,000	\$	2,157,071	\$	2,940,637	\$	3,999,927	\$	3,083,571	\$	1,591,445

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Revenues</b>				
Ad valorem taxes	\$ 6,579,087	\$ 6,506,655	\$ 6,590,108	\$ 7,043,243
Special ad valorem taxes	79,111	72,006	73,353	79,817
Other taxes and licenses	359,192	382,132	419,931	443,559
Unrestricted intergovernmental	4,048,725	4,482,664	4,893,258	5,072,931
Restricted intergovernmental	947,950	851,084	1,569,519	1,925,551
Permits and fees	176,600	137,377	142,295	159,090
Sales and services	1,264,671	1,130,065	874,973	864,093
Interest earned	149,468	114,594	193,313	325,409
Miscellaneous	630,580	347,296	633,453	184,548
<b>Total Revenues</b>	<b>\$14,235,384</b>	<b>\$14,023,873</b>	<b>\$15,390,203</b>	<b>\$16,098,241</b>
<b>Expenditures</b>				
General government	\$ 1,867,938	\$ 2,716,870	\$ 2,839,869	\$ 3,207,276
Public Safety	7,399,626	7,619,160	7,686,175	8,070,865
Highways and streets	1,226,108	1,428,767	1,887,469	1,623,834
Sanitation	2,138,159	1,563,728	1,573,887	1,660,347
Culture and recreation	1,038,820	1,115,487	1,274,068	1,379,854
Economic and physical development	194,446	291,549	804,077	181,063
Capital outlay	506,720	805,269	595,282	468,738
Construction in progress	264,006	506,449	1,023,916	1,439,985
Debt service:				
Principal	624,269	624,980	688,113	686,041
Interest	165,474	153,239	157,471	142,780
Bond issuance cost	-	-	-	-
Arbitrage rebate	-	21,572	-	-
<b>Total expenditures</b>	<b>\$15,425,566</b>	<b>\$16,847,070</b>	<b>\$18,530,327</b>	<b>\$18,860,783</b>
Excess of revenues over (under) expenditures	(\$1,190,182)	(\$2,823,197)	(\$3,140,124)	(\$2,762,542)
<b>Other financing sources (uses)</b>				
Installment purchase debt issued	\$ 585,936	\$ 1,031,098	\$ 167,595	\$ 328,948
Transfers in	901,655	2,382,417	2,809,213	2,931,434
Transfers out	(414,095)	(595,940)	(7,787,234)	(461,994)
Refunding bonds issued	-	-	-	-
Redemption of bonds	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$1,073,496</b>	<b>\$2,817,575</b>	<b>(\$4,810,426)</b>	<b>\$2,798,388</b>
<b>Net change in fund balances</b>	<b>(\$116,686)</b>	<b>(\$5,622)</b>	<b>(\$7,950,550)</b>	<b>\$35,846</b>
Debt service as a percentage of noncapital expenditures	5.4%	5.0%	5.0%	4.9%
Debt service as a percentage of total expenditures	5.1%	4.6%	4.6%	4.4%
Capital outlay as a percentage of total expenditures	5.0%	7.8%	8.7%	10.1%

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

Table 5

		Fiscal Year									
		2007	2008	2009	2010	2011	2012				
\$	7,104,130	\$	7,766,698	\$	8,090,264	\$	8,153,287	\$	8,064,247	\$	7,984,145
	81,410		96,367		99,849		91,022		101,669		99,678
	363,883		242,835		219,068		239,920		259,127		264,890
	5,447,419		5,604,276		5,296,221		4,981,131		5,245,141		5,153,753
	1,966,855		2,155,195		2,499,575		3,481,105		4,203,869		3,217,560
	199,570		178,377		148,021		124,296		202,391		165,203
	894,261		904,818		885,299		995,061		1,032,606		1,030,119
	446,583		359,333		188,523		70,980		43,925		37,827
	144,385		143,720		156,081		232,828		257,416		284,120
	<u>\$16,648,496</u>		<u>\$17,451,619</u>		<u>\$17,582,901</u>		<u>\$18,369,630</u>		<u>\$19,410,391</u>		<u>\$18,237,295</u>
\$	3,670,790	\$	3,566,424	\$	3,719,754	\$	3,333,760	\$	3,277,885	\$	3,396,522
	8,325,443		8,493,778		8,831,973		9,041,507		9,156,333		9,324,691
	1,322,942		1,612,903		1,460,317		1,476,652		1,353,163		1,534,439
	1,712,193		1,680,173		1,743,489		1,693,636		1,737,312		1,690,560
	1,126,123		1,129,999		1,216,642		1,207,474		1,247,196		1,191,084
	297,992		563,953		921,637		1,800,659		1,342,633		1,878,884
	427,734		809,477		1,234,366		524,594		489,233		1,165,404
	1,434,628		1,733,304		524,101		1,581,272		2,325,755		1,671,529
	734,128		688,393		668,291		546,252		506,221		580,635
	131,727		113,678		115,381		107,918		193,820		167,568
	-		-		-		-		25,686		-
	-		-		-		-		-		-
	<u>\$19,183,700</u>		<u>\$20,392,082</u>		<u>\$20,435,951</u>		<u>\$21,313,724</u>		<u>\$ 21,655,237</u>		<u>\$ 22,601,316</u>
	(\$2,535,204)		(\$2,940,463)		(\$2,853,050)		(\$2,944,094)		(\$2,244,846)		(\$4,364,021)
\$	215,252	\$	401,138	\$	907,970	\$	1,900,000	\$	-	\$	460,402
	4,204,697		3,959,652		3,402,404		4,008,046		3,254,381		3,116,815
	(1,658,585)		(1,373,788)		(981,400)		(1,547,449)		(779,870)		(573,266)
	-		-		-		-		1,184,031		-
	-		-		-		-		(1,150,000)		-
	<u>\$2,761,364</u>		<u>\$2,987,002</u>		<u>\$3,328,974</u>		<u>\$4,360,597</u>		<u>\$2,508,542</u>		<u>\$3,003,951</u>
	<u>\$226,160</u>		<u>\$46,539</u>		<u>\$475,924</u>		<u>\$1,416,503</u>		<u>\$263,696</u>		<u>(\$1,360,070)</u>
	5.0%		4.5%		4.2%		3.4%		3.7%		3.8%
	4.5%		3.9%		3.8%		3.1%		3.2%		3.3%
	9.7%		12.5%		8.6%		9.9%		13.0%		12.6%

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

Description	Fiscal Year			
	2003	2004	2005	2006
Operating revenues:				
Charges for service	\$41,046,276	\$41,215,076	\$40,449,488	\$40,997,905
Other operating revenues (1)	2,424,873	2,038,797	1,577,081	1,648,666
<b>Total operating revenues</b>	<b>43,471,149</b>	<b>43,253,873</b>	<b>42,026,569</b>	<b>42,646,571</b>
Operating expenses:				
Salaries and benefits	1,352,473	1,151,720	1,090,956	1,216,449
Operating expenses	5,676,254	5,182,083	5,453,013	5,333,330
Purchases of power for resale	32,652,410	33,209,674	33,005,644	33,718,191
Depreciation	748,118	1,460,571	1,100,113	1,107,163
<b>Total operating expenses</b>	<b>40,429,255</b>	<b>41,004,048</b>	<b>40,649,726</b>	<b>41,375,133</b>
<b>Operating income (loss)</b>	<b>3,041,894</b>	<b>2,249,825</b>	<b>1,376,843</b>	<b>1,271,438</b>
Non-operating revenues (expenses):				
Interest earned on investments	107,509	101,718	202,209	325,782
Interest on long-term debt	(155,639)	(183,485)	(213,269)	(195,743)
Other	412,503	(5,143)	22,516	0
<b>Total non-operating revenues (expenses)</b>	<b>364,373</b>	<b>(86,910)</b>	<b>11,456</b>	<b>130,039</b>
<b>Net income before transfers</b>	<b>3,406,267</b>	<b>2,162,915</b>	<b>1,388,299</b>	<b>1,401,477</b>
Transfers in (out)	(1,127,497)	(1,336,730)	6,388,819	(1,802,840)
<b>Net income</b>	<b>\$2,278,770</b>	<b>\$826,185</b>	<b>\$7,777,118</b>	<b>(\$401,363)</b>

(2)

Note: (1) North Carolina Utility Sales Tax is included in Other Operating Revenues calculation.

(2) The increase in the Electric Fund's Net Income in fiscal year 2005 is a result of the write off of the advance from the General Fund in the amount of \$7,107,264. This advance resulted from the city's former charter, prior to the amendment in 1986, which required a commitment to transfer all of the Electric Fund's profits to the General Fund. City Council took action on February 15, 2005 to write off the interfund advance recognizing that Electric Fund profits are not likely to be available to fulfill this obligation to the General Fund.

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

Table 6

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$40,464,262	\$41,531,324	\$40,973,741	\$43,062,906	\$46,290,133	\$45,851,593
1,546,542	1,698,630	1,578,812	1,536,246	1,483,538	1,534,910
42,010,804	43,229,954	42,552,553	44,599,152	47,773,671	47,386,503
1,381,745	1,400,668	1,661,301	1,579,835	1,608,301	1,357,152
5,690,968	5,185,465	5,342,448	4,395,926	4,523,644	4,501,733
32,914,969	33,826,763	33,298,694	34,652,715	38,272,708	39,655,108
1,149,253	1,106,735	1,055,389	994,135	956,883	916,110
41,136,935	41,519,631	41,357,832	41,622,611	45,361,536	46,430,103
873,869	1,710,323	1,194,721	2,976,541	2,412,135	956,400
355,989	327,019	162,886	52,119	37,686	34,225
(178,512)	(234,244)	(283,311)	(257,198)	(221,224)	(188,937)
(3,283)	4,417	(34,930)	(366,487)	(23,887)	(57,571)
174,194	97,192	(155,355)	(571,566)	(207,425)	(212,283)
1,048,063	1,807,515	1,039,366	2,404,975	2,204,710	744,117
(401,989)	(3,623,938)	(1,681,671)	(1,759,742)	(1,310,393)	(634,423)
\$646,074	(\$1,816,423)	(\$642,305)	\$645,233	\$894,317	\$109,694

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

Description	Fiscal Year			
	2003	2004	2005	2006
Operating revenues:				
Water charges for service	\$2,345,339	\$2,675,845	\$3,037,104	\$2,954,700
Wastewater charges for service	2,875,017	3,211,627	3,516,469	3,507,581
Other operating revenues	267,120	359,480	294,272	189,794
<b>Total operating revenues</b>	<b>5,487,476</b>	<b>6,246,952</b>	<b>6,847,845</b>	<b>6,652,075</b>
Operating expenses:				
Water plant	1,115,167	1,110,457	1,228,635	1,234,730
Waste treatment plant	1,352,435	1,400,794	1,530,716	1,544,578
Water and wastewater	2,093,308	1,907,540	2,338,387	2,335,780
Depreciation	608,086	1,126,559	984,306	1,011,274
<b>Total operating expenses</b>	<b>5,168,996</b>	<b>5,545,350</b>	<b>6,082,044</b>	<b>6,126,362</b>
<b>Operating income (loss)</b>	<b>318,480</b>	<b>701,602</b>	<b>765,801</b>	<b>525,713</b>
Non-operating revenues (expenses):				
Interest earned on investments	40,998	56,562	57,361	105,431
Interest on long-term debt	(270,955)	(423,017)	(401,060)	(374,359)
Other	(80,159)	(31,548)	(58,651)	7,261
<b>Total non-operating revenues (expenses)</b>	<b>(310,116)</b>	<b>(398,003)</b>	<b>(402,350)</b>	<b>(261,667)</b>
Net income before transfers and capital contributions	8,364	303,599	363,451	264,046
Capital contributions	500,000	170,000	170,862	2,834,177
Transfers in (out)	(50,530)	(225,147)	(415,866)	(618,814)
<b>Net income</b>	<b>\$457,834</b>	<b>\$248,452</b>	<b>\$118,447</b>	<b>\$2,479,409</b>

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

Table 7

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$3,265,697	\$3,259,876	\$3,308,617	\$3,351,254	\$3,636,646	\$3,747,972
3,849,221	3,651,528	3,882,808	4,059,854	4,402,055	4,604,890
176,064	219,877	235,233	249,903	184,610	150,721
7,290,982	7,131,281	7,426,658	7,661,011	8,223,311	8,503,583
1,384,293	1,311,156	1,440,449	1,429,152	1,534,200	1,474,732
1,684,495	1,734,286	1,896,536	2,019,671	2,090,429	2,223,004
2,368,365	2,294,778	2,508,762	2,561,648	2,688,509	2,588,725
1,093,612	1,090,384	1,106,790	1,157,368	1,170,159	1,197,166
6,530,765	6,430,604	6,952,537	7,167,839	7,483,297	7,483,627
760,217	700,677	474,121	493,172	740,014	1,019,956
139,905	130,483	72,152	25,796	18,139	18,283
(347,751)	(321,296)	(293,744)	(271,477)	(250,483)	(197,933)
(62,952)	17,561	(9,871)	4,185	(115,055)	(31,984)
(270,798)	(173,252)	(231,463)	(241,496)	(347,399)	(211,634)
489,419	527,425	242,658	251,676	392,615	808,322
676,535	69,574	3,486,650	1,218,659	0	1,461,439
(719,124)	(680,874)	(132,033)	(533,631)	(737,295)	(1,293,919)
\$446,830	(\$83,875)	\$3,597,275	\$936,704	(\$344,680)	\$975,842

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

Description	Fiscal Year			
	2003	2004	2005	2006
Operating revenues:				
Charges for service	\$19,630,615	\$22,934,061	\$26,078,146	\$23,108,897
Other operating revenues	330,966	34,157	109,899	83,387
Total operating revenues	<u>19,961,581</u>	<u>22,968,218</u>	<u>26,188,045</u>	<u>23,192,284</u>
Operating expenses:				
Salaries and benefits	683,047	781,785	818,393	914,023
Operating expenses	1,635,513	1,237,026	1,362,363	1,660,278
Purchases of natural gas for resale	15,615,163	18,610,990	21,395,375	18,923,326
Depreciation	428,678	558,365	592,994	597,893
Total operating expenses	<u>18,362,401</u>	<u>21,188,166</u>	<u>24,169,125</u>	<u>22,095,520</u>
Operating income (loss)	<u>1,599,180</u>	<u>1,780,052</u>	<u>2,018,920</u>	<u>1,096,764</u>
Non-operating revenues (expenses):				
Interest earned on investments	71,620	59,448	97,895	148,491
Interest on long-term debt	(201,596)	(183,054)	(204,191)	(179,804)
Other	(593)	1,036	0	1,732
Total nonoperating revenues (expenses)	<u>(130,569)</u>	<u>(122,570)</u>	<u>(106,296)</u>	<u>(29,581)</u>
Net income before transfers and capital contributions	1,468,611	1,657,482	1,912,624	1,067,183
Capital contributions	0	0	29,096	0
Transfers in (out)	<u>(657,335)</u>	<u>(715,985)</u>	<u>(619,212)</u>	<u>(339,219)</u>
Net income	<u>\$811,276</u>	<u>\$941,497</u>	<u>\$1,322,508</u>	<u>\$727,964</u>

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

Table 8

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$17,808,955	\$17,549,217	\$18,046,753	\$ 14,978,660	\$ 13,751,305	\$ 10,396,960
88,190	424,294	106,200	57,545	34,308	19,229
17,897,145	17,973,511	18,152,953	15,036,205	13,785,613	10,416,189
897,001	967,950	1,152,048	1,109,352	1,279,185	992,526
1,560,602	1,537,250	1,428,478	1,541,276	1,944,764	2,086,275
13,515,181	13,264,317	12,911,586	9,811,535	8,163,925	5,385,773
594,433	584,544	524,105	527,124	540,673	544,692
16,567,217	16,354,061	16,016,217	12,989,287	11,928,547	9,009,266
1,329,928	1,619,450	2,136,736	2,046,918	1,857,066	1,406,923
305,319	193,386	71,025	29,672	20,795	15,544
(218,928)	(247,214)	(218,592)	(188,973)	(224,816)	(193,196)
(4,566)	2,734	(85,304)	58,144	(18,728)	(48,908)
81,825	(51,094)	(232,871)	(101,157)	(222,749)	(226,560)
1,411,753	1,568,356	1,903,865	1,945,761	1,634,317	1,180,363
0	21,292	0	0	0	7,771
(1,182,457)	(844,038)	(1,061,715)	(925,223)	(954,822)	(1,147,666)
\$229,296	\$745,610	\$842,150	\$ 1,020,538	\$ 679,495	\$ 40,468

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

Description	Fiscal Year			
	2003	2004 (1)	2005 (1)	2006
Operating revenues:				
Charges for service	\$430,055	\$195,298	\$448,105	\$630,733
Other operating revenues	-	975	1,023	4,242
Total operating revenues	<u>430,055</u>	<u>196,273</u>	<u>449,128</u>	<u>634,975</u>
Operating expenses:				
Salaries and benefits	394,977	220,178	309,367	451,294
Operating expenses	134,458	133,992	456,065	269,433
Depreciation	16,179	9,341	7,552	98,058
Total operating expenses(loss)	<u>545,614</u>	<u>363,511</u>	<u>772,984</u>	<u>818,785</u>
Operating income (loss)	<u>(115,559)</u>	<u>(167,238)</u>	<u>(323,856)</u>	<u>(183,810)</u>
Non-operating revenues (expenses):				
Interest earned on investments	649	6,421	1,288	1,224
Interest on long-term debt	-	(35,098)	(71,615)	(70,900)
Other	2,768	46,753	218	(33,280)
Total nonoperating revenues (expenses)	<u>3,417</u>	<u>18,076</u>	<u>(70,109)</u>	<u>(102,956)</u>
Net income before transfers	(112,142)	(149,162)	(393,965)	(286,766)
Transfers in (out)	<u>176,000</u>	<u>255,150</u>	<u>430,794</u>	<u>315,000</u>
Net income	<u>\$63,858</u>	<u>\$105,988</u>	<u>\$36,829</u>	<u>\$28,234</u>

Note: (1) Lexington Municipal Course closed for renovations 11/3/2003 to 10/31/2004.

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

Table 9

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$686,040	\$739,096	\$670,211	\$633,027	\$588,350	\$747,737
4,985	142	1	52	113	1,391
691,025	739,238	670,212	633,079	588,463	749,128
427,146	449,261	461,150	390,347	394,230	405,794
270,935	249,958	443,798	200,440	227,501	251,578
97,082	96,952	98,211	98,598	99,449	101,566
795,163	796,171	1,003,159	689,385	721,180	758,938
(104,138)	(56,933)	(332,947)	(56,306)	(132,717)	(9,810)
2,940	3,292	2,208	294	98	268
(65,544)	(60,144)	(55,331)	(53,044)	(47,421)	(41,703)
(3,730)	(2,247)	73,500	6,776	(1,351)	(2,756)
(66,334)	(59,099)	20,377	(45,974)	(48,674)	(44,191)
(170,472)	(116,032)	(312,570)	(102,280)	(181,391)	(54,001)
206,000	206,000	170,000	188,584	208,584	168,584
\$35,528	\$89,968	(\$142,570)	\$86,304	\$27,193	\$114,583

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

Fiscal Year Ended June 30	Real Property		Personal Property	
	Residential Property (1)	Commercial Property (1)	Motor Vehicles	Other
2003	1,022,094,781	N/A	95,975,967	246,943,490
2004	1,097,376,319	N/A	91,891,503	266,729,846
2005	1,108,736,365	N/A	86,851,262	252,337,402
2006	1,082,441,873	N/A	87,593,190	250,734,013
2007	1,171,488,164	N/A	86,161,261	246,339,985
2008	1,396,679,838	N/A	92,531,307	206,481,583
2009	1,412,461,151	N/A	88,010,164	207,963,947
2010	1,451,277,854	N/A	79,339,683	201,572,196
2011	1,463,888,727	N/A	72,266,356	180,908,594
2012	1,474,504,583	N/A	67,068,941	186,351,972

Sources: Davidson County Tax Department  
 NC Department of Revenue

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

(1) Davidson County could not provide assessed value for commercial property. Therefore, commercial and residential real property are reported in the aggregate under Residential Property.

(2) Exempt Real Property information is not available from Davidson County for fiscal year ended June 30, 2009. Therefore, the City of Lexington Finance Department estimated the tax exempt real property based on prior year trend information.

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

Table 10

Less: Tax Exempt Real Property (2)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
76,789,115	1,288,225,123	0.515	1,288,225,123
163,529,135	1,292,468,533	0.515	1,292,468,533
166,691,390	1,281,233,639	0.515	1,281,233,639
114,052,335	1,306,716,741	0.545	1,306,716,741
182,647,545	1,321,341,865	0.545	1,321,341,865
221,127,540	1,474,565,188	0.535	1,474,565,188
223,338,815	1,485,096,447	0.560	1,485,096,447
239,962,695	1,492,227,038	0.560	1,492,227,038
243,391,435	1,473,672,242	0.560	1,473,672,242
254,245,830	1,473,679,666	0.560	1,473,679,666

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

Table 11

Fiscal Year	City of Lexington		Overlapping Rates (1)			Total Direct & Overlapping Rates	
	Operating	Debt Service	Total City	County Operating	School District Operating		Special Taxing District
2003	0.515	-	0.515	0.53	0.13	0.20	1.375
2004	0.515	-	0.515	0.53	0.13	0.20	1.375
2005	0.515	-	0.515	0.53	0.13	0.20	1.375
2006	0.545	-	0.545	0.54	0.13	0.20	1.415
2007	0.545	-	0.545	0.54	0.13	0.20	1.415
2008	0.535	-	0.535	0.54	0.12	0.20	1.395
2009	0.560	-	0.560	0.54	0.12	0.20	1.420
2010	0.560	-	0.560	0.54	0.12	0.20	1.420
2011	0.560	-	0.560	0.54	0.12	0.20	1.420
2012	0.560	-	0.560	0.54	0.12	0.20	1.420

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, 2012 and June 30, 2003

2012					
Taxpayer	Type of Business	Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation
Kimberly Clark Corp.	Tissue Products	\$ 77,958,969	1	\$ 436,570	5.29%
Jeld-Wen Inc.	Windows and Doors	19,563,716	2	109,557	1.33%
Vitacost.com Inc.	Online Retail	16,535,169	3	92,597	1.12%
NewBridge Bank	Banking	15,968,824	4	89,425	1.08%
Wal-Mart	Retail	15,436,080	5	86,442	1.05%
Diebold Southeast Mfg. Inc.	Security Delivery Systems	10,392,618	6	58,198	0.71%
Childress Winery & Vineyards	Viniculture	8,921,166	7	49,959	0.61%
Arneg Holdings USA LLC	Refrigeration Equipment	8,296,143	8	46,459	0.56%
Chesapeake Printing & Packaging Co.	Printing	8,085,986	9	45,282	0.55%
Parkdale Mills Inc.	Textiles	7,636,413	10	42,764	0.52%
Lexington Home Brands	Furniture	-	-	-	-
Duracell	Batteries	-	-	-	-
Stanley Furniture Co. Inc.	Furniture	-	-	-	-
Green Printing Co. Inc.	Printing	-	-	-	-
RCR Air LLC	Air Transportation	-	-	-	-
Total		<u>\$ 188,795,084</u>		<u>\$ 1,057,253</u>	<u>12.82%</u>

Source: Davidson County Tax Department

City of Lexington, North Carolina  
Principal Property Taxpayers  
Fiscal Years Ended June 30, 2012 and June 30, 2003

Table 12

2003				
Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation	
\$ 71,647,727	1	\$ 368,986	5.41%	
11,831,454	7	60,932	0.89%	
-	-	-	-	
9,997,749	8	51,488	0.75%	
-	-	-	-	
6,495,090	10	33,450	0.49%	
-	9	-	-	
-	-	-	-	
-	6	-	-	
17,485,795	4	90,052	1.32%	
61,748,572	2	318,005	4.66%	
52,291,503	3	269,301	3.95%	
15,158,710	5	78,067	1.14%	
13,404,441	6	69,033	1.01%	
8,498,077	9	43,765	0.64%	
\$ 268,559,118		\$ 1,383,079	20.26%	

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

Table 13

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	6,666,641	6,479,423	97.19%	153,769	6,633,192	99.50%
2004	6,664,844	6,423,988	96.39%	206,774	6,630,762	99.49%
2005	6,604,405	6,408,010	97.03%	163,854	6,571,864	99.51%
2006	7,105,958	6,887,873	96.93%	168,492	7,056,365	99.30%
2007	7,204,841	6,943,770	96.38%	198,820	7,142,590	99.14%
2008	7,901,129	7,566,532	95.77%	248,323	7,814,855	98.91%
2009	8,301,096	7,861,258	94.70%	300,324	8,161,582	98.32%
2010	8,372,149	7,878,645	94.11%	300,117	8,178,762	97.69%
2011	8,288,300	7,775,260	93.81%	202,241	7,977,501	96.25%
2012	8,257,246	7,720,187	93.50%	-	7,720,187	93.50%

Source: Davidson County Tax Department

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

Table 14

Fiscal Year	Electric	Water & Wastewater	Natural Gas	Golf (1)	Total
2003	41,046,276	5,220,356	19,630,615	430,055	66,327,302
2004	41,215,076	5,887,472	22,934,061	195,298	70,231,907
2005	40,449,488	6,553,573	26,078,146	448,105	73,529,312
2006	40,997,905	6,462,281	23,108,897	630,733	71,199,816
2007	40,464,262	7,114,918	17,808,955	686,121	66,074,256
2008	41,531,324	6,911,404	17,549,217	739,096	66,731,041
2009	40,973,741	7,191,425	18,046,753	670,211	66,882,130
2010	43,062,906	7,411,108	14,978,660	633,027	66,085,701
2011	46,290,133	8,038,701	13,751,305	588,350	68,668,489
2012	45,851,593	8,352,862	10,396,960	747,737	65,349,152

Note: (1) Lexington Municipal Course closed for renovations 11/3/2003 to 10/31/2004.

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

Table 14a

Fiscal Year	Residential (1)	Commercial	Industrial	REPS (2)	Total
2003	19,440,382	15,691,191	5,914,703	-	41,046,276
2004	19,562,798	15,269,922	6,382,356	-	41,215,076
2005	19,730,977	15,107,111	5,611,400	-	40,449,488
2006	21,528,480	15,029,139	4,440,286	-	40,997,905
2007	21,816,709	14,979,167	3,668,386	-	40,464,262
2008	22,925,285	15,287,786	3,318,253	-	41,531,324
2009	23,164,023	15,339,925	2,469,793	-	40,973,741
2010	24,991,255	15,722,834	2,184,715	164,102	43,062,906
2011	26,969,592	16,784,777	2,353,877	181,887	46,290,133
2012	26,101,324	17,030,354	2,565,399	154,516	45,851,593

Note: (1) Includes Area Lights

(2) Renewable Energy Portfolio Standards

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

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

Table 14b

Fiscal Year	Residential	Commercial	Industrial	Total
2003	1,041,274	620,778	683,286	2,345,338
2004	1,165,720	715,398	794,727	2,675,845
2005	1,373,074	857,807	806,223	3,037,104
2006	1,389,773	803,282	761,645	2,954,700
2007	1,594,870	825,731	845,096	3,265,697
2008	1,612,509	793,999	853,368	3,259,876
2009	1,638,360	828,997	841,260	3,308,617
2010	1,721,494	845,792	783,968	3,351,254
2011	1,781,051	873,338	982,257	3,636,646
2012	1,818,058	907,844	1,022,070	3,747,972

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

Table 14c

Fiscal Year	Residential	Commercial	Industrial	Total
2003	1,388,923	1,189,167	296,928	2,875,018
2004	1,610,384	1,319,542	281,701	3,211,627
2005	1,711,913	1,519,629	284,927	3,516,469
2006	1,800,528	1,478,634	228,419	3,507,581
2007	1,972,487	1,625,003	251,731	3,849,221
2008	1,969,585	1,453,346	228,597	3,651,528
2009	2,072,841	1,533,278	276,689	3,882,808
2010	2,108,397	1,508,055	443,402	4,059,854
2011	2,425,867	1,673,242	302,946	4,402,055
2012	2,537,277	1,770,235	297,378	4,604,890

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

Table 14d

Fiscal Year	Residential	Commercial	Industrial	Capacity Sales	Total
2003	4,676,524	4,419,023	7,823,312	2,711,756	19,630,615
2004	5,386,587	4,359,175	9,927,599	3,260,700	22,934,061
2005	5,690,639	4,465,987	13,521,689	2,399,831	26,078,146
2006	6,560,385	5,488,114	9,366,795	1,693,603	23,108,897
2007	5,753,035	4,771,513	6,785,684	498,723	17,808,955
2008	5,890,866	4,786,767	6,358,948	512,636	17,549,217
2009	6,945,537	5,393,743	5,412,515	294,958	18,046,753
2010	6,091,317	4,675,624	3,687,657	524,062	14,978,660
2011	5,594,495	4,260,936	3,845,909	49,965	13,751,305
2012	3,959,116	3,364,431	3,073,413	-	10,396,960

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

Table 14e

Fiscal Year	Green Fees	Cart Fees	Municipal Club	Total
2003	225,691	177,164	27,200	430,055
2004	90,697	80,961	23,640	195,298
2005	276,992	144,833	26,280	448,105
2006	365,538	235,738	29,457	630,733
2007	398,811	254,440	32,870	686,121
2008	419,909	287,732	31,455	739,096
2009	384,484	259,922	25,805	670,211
2010	350,859	253,703	28,465	633,027
2011	335,954	230,601	21,795	588,350
2012	411,211	308,746	27,780	747,737

Note: Lexington Municipal Course closed for renovations 11/3/2003 to 10/31/2004.

City of Lexington, North Carolina  
Schedule of Top Ten Electric Customers  
Fiscal Year Ended June 30, 2012

Table 15

Customer	Type of Business	Consumption (kWh)	Amount Billed	Percent of Total Operating Revenue
City of Lexington	Government	10,204,263	\$1,187,407	2.51%
Davidson County Schools	Public School System	5,917,683	828,964	1.75%
Lexington Memorial Hospital	Hospital	8,396,049	738,553	1.56%
Lexington City Schools	Public School System	5,902,818	652,782	1.38%
Davidson County	Government	4,865,181	545,466	1.15%
Food Lion	Grocery Store Chain	6,106,025	478,464	1.01%
Leggett & Platt, Inc.	Furniture	3,566,127	386,879	0.82%
Wal-Mart	Retail	5,471,920	325,057	0.69%
Linwood, Inc.	Furniture	4,721,793	314,091	0.66%
Windstream Communications	Communications	2,298,740	233,320	0.49%
		57,450,599	\$5,690,983	12.02%

City of Lexington, North Carolina  
 Schedule of Top Ten Water Customers  
 Fiscal Year Ended June 30, 2012

Table 16

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
PPG Industries	Glass Products	276,907	\$661,694	7.78%
Parkdale Mills Inc.	Textiles	54,974	93,531	1.10%
Kimberly Clark Corp.	Tissue Products	46,987	84,384	0.99%
Lexington Memorial Hospital	Hospital	21,921	41,247	0.49%
City of Lexington	Government	10,779	40,839	0.48%
Davidson County	Government	16,929	40,344	0.47%
Lexington Housing Authority	Public Housing	15,174	34,022	0.40%
Lexington City Schools	Public School System	10,417	33,066	0.39%
NC Department of Public Safety	Prison	18,958	32,740	0.39%
Cardinal Container	Corrugated Fiber Boxes	5,528	22,292	0.26%
		478,574	\$1,084,159	12.75%

City of Lexington, North Carolina  
Schedule of Top Ten Wastewater Customers  
Fiscal Year Ended June 30, 2012

Table 17

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Davidson County Schools	Public School System	26,993	\$201,128	2.37%
Lexington Memorial Hospital	Hospital	21,921	76,933	0.90%
Atrium Companies Inc.	Vinyl Windows & Doors	11,200	75,779	0.89%
Davidson County	Government	16,927	70,628	0.83%
NC Department of Public Safety	Prison	19,896	63,296	0.74%
Lexington Housing Authority	Public Housing	15,174	59,206	0.70%
Kimberly Clark Corp.	Tissue Products	20,121	47,788	0.56%
Brookstone Rest Home	Rest Home	7,087	45,825	0.54%
Cardinal Container	Corrugated Fiber Boxes	9,580	39,626	0.47%
Lexington City Schools	Public School System	10,467	38,981	0.46%
		159,366	\$719,190	8.46%

City of Lexington, North Carolina  
Schedule of Top Ten Natural Gas Customers (1)  
Fiscal Year Ended June 30, 2012

Table 18

Customer	Type of Business	Consumption (DT)	Amount Billed	Percent of Total Operating Revenue
Kimberly Clark Corp.	Tissue Products	147,291	\$893,609	8.58%
PPG Industries (2)	Glass Products	767,384	616,911	5.92%
J E Jones Lumber Company	Lumber Dry Kiln	68,331	446,478	4.29%
Matcor Metal Fabrication	Machine Tools	35,420	270,298	2.59%
Lexington Memorial Hospital	Hospital	36,531	239,059	2.30%
Leggett & Platt, Inc.	Furniture	24,385	229,606	2.20%
Kurz Transfer Products LP	Stamping Technology	26,334	199,885	1.92%
Hanes Construction Company	Paving	30,398	198,935	1.91%
Davidson County Board of Education	Public School System	11,826	115,452	1.11%
Piedmont Candy Company, Inc.	Candy	10,140	101,540	0.97%
		1,158,040	\$3,311,773	31.79%

Note: (1) Excludes off-system sales

(2) Transport only customer



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

Fiscal Year	Governmental Activities		Business-type Activities	
	General Obligation Bonds	Capital Leases	Sewer Bonds	General Obligation Bonds
2003	2,980,000	906,511	5,555,000	3,220,000
2004	2,750,000	1,540,366	5,230,000	2,975,000
2005	2,510,000	1,259,848	4,905,000	2,720,000
2006	2,260,000	1,152,755	4,580,000	2,455,000
2007	2,000,000	893,879	4,255,000	2,180,000
2008	1,730,000	876,623	3,930,000	1,890,000
2009	1,445,000	1,401,303	3,680,000	1,590,000
2010	1,150,000	3,050,052	3,455,000	1,275,000
2011	971,861	2,756,001	3,121,293	1,149,846
2012	760,062	2,847,566	2,684,853	987,085

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

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

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

Table 19

<u>Business-type Activities</u>				
Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
3,234,000	5,558,711	21,454,222	3.90%	1,055
2,905,000	10,164,786	25,565,152	4.45%	1,248
2,557,000	9,508,784	23,460,632	4.01%	1,139
2,189,000	8,682,116	21,318,871	3.48%	1,019
5,445,555	7,969,184	22,743,618	3.54%	1,087
4,830,805	11,125,077	24,382,505	3.60%	1,153
4,191,352	10,257,958	22,565,613	3.39%	1,056
3,526,201	11,662,851	24,119,104	3.51%	1,126
2,834,318	10,623,806	21,457,125	NA	1,129
2,601,036	9,550,795	19,431,397	NA	1,033

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

Table 20

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2003	2,980,000	-	2,980,000	0.23%	147
2004	2,750,000	-	2,750,000	0.21%	134
2005	2,510,000	-	2,510,000	0.20%	122
2006	2,260,000	-	2,260,000	0.17%	108
2007	2,000,000	-	2,000,000	0.15%	96
2008	1,730,000	-	1,730,000	0.12%	82
2009	1,445,000	-	1,445,000	0.10%	68
2010	1,150,000	-	1,150,000	0.08%	54
2011	971,861	-	971,861	0.07%	51
2012	760,062	-	760,062	0.05%	40

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

(1) Refer to the Schedule of Analysis of Current Tax Levy for property valuation data.

(2) Refer to the Schedule of Demographic and Economic Statistics for population data.

City of Lexington, North Carolina  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2012

Table 21

Government Unit	Debt Outstanding	Percentage Applicable to City of Lexington (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Davidson County	\$ 111,897,893	11.25%	<u>\$ 12,588,513</u>
Subtotal, overlapping debt			<u>\$ 12,588,513</u>
City of Lexington, direct debt			<u>3,607,628</u>
Total direct and overlapping debt			<u><u>\$ 16,196,141</u></u>

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

Note: 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 \$1,473,679,666 divided by the County's assessed valuation of \$13,100,482,339.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Debt limit	\$ 103,058,010	\$ 103,397,483	\$ 102,498,691	\$ 104,537,339	\$ 105,707,349
Total net debt applicable to limit	15,000,222	19,685,151	18,183,632	16,674,871	15,118,063
Legal debt margin	<u>\$ 88,057,788</u>	<u>\$ 83,712,332</u>	<u>\$ 84,315,059</u>	<u>\$ 87,862,468</u>	<u>\$ 90,589,286</u>
Total net debt applicable to the limit as a percentage of debt limit	14.56%	19.04%	17.74%	15.95%	14.30%

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

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

Table 22

Fiscal Year				
2008	2009	2010	2011	2012
\$ 117,965,215	\$ 118,807,716	\$ 119,378,163	\$ 117,893,779	\$ 117,894,373
17,661,700	16,784,261	19,317,903	17,472,961	15,843,276
<u>\$ 100,303,515</u>	<u>\$ 102,023,455</u>	<u>\$ 100,060,260</u>	<u>\$ 100,420,818</u>	<u>\$ 102,051,097</u>
14.97%	14.13%	16.18%	14.82%	13.44%

Legal Debt Margin Calculation for Fiscal Year 2012

Total Assessed Valuation	<u>\$ 1,473,679,666</u>
Debt limit (8 percent of total assessed value)	117,894,373
Debt applicable to limit (gross debt):	
Authorized and outstanding G.O. bonded debt	4,432,000
Outstanding debt not evidenced by bonds	12,398,361
Less Statutory deductions for electric bonds	<u>987,085</u>
Total net debt applicable to limit	15,843,276
Legal debt margin available to the City under North Carolina General Statute 159-55(C).	<u>\$ 102,051,097</u>

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

Table 23

Fiscal Year	Electric Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2003	43,987,327	39,681,137	4,306,190	240,000	151,805	391,805	10.99
2004	43,308,156	39,543,477	3,764,679	245,000	141,193	386,193	9.75
2005	42,168,380	39,549,613	2,618,767	255,000	130,355	385,355	6.80
2006	42,895,678	40,267,970	2,627,708	265,000	119,068	384,068	6.84
2007	42,292,328	39,987,682	2,304,646	275,000	107,330	382,330	6.03
2008	43,422,289	40,412,896	3,009,393	290,000	95,143	385,143	7.81
2009	42,479,263	40,302,443	2,176,820	300,000	82,065	382,065	5.70
2010	44,096,114	40,628,476	3,467,638	315,000	68,528	383,528	9.04
2011	47,611,857	44,404,653	3,207,204	162,883	45,611	208,494	15.38
2012	47,200,667	45,513,993	1,686,674	162,761	26,447	189,208	8.91

Note: 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  
 General Obligation Bond Coverage  
 Water and Wastewater Fund  
 Last Ten Fiscal Years

Table 24

Fiscal Year	Water & Wastewater Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2003	5,945,300	4,560,910	1,384,390	325,000	267,940	592,940	2.33
2004	6,100,327	4,418,791	1,681,536	325,000	251,378	576,378	2.92
2005	6,742,365	5,097,738	1,644,627	325,000	234,715	559,715	2.94
2006	6,608,461	5,115,088	1,493,373	325,000	218,053	543,053	2.75
2007	7,221,574	5,437,153	1,784,421	325,000	201,390	526,390	3.39
2008	7,142,757	5,340,220	1,802,537	325,000	184,728	509,728	3.54
2009	7,363,260	5,845,747	1,517,513	250,000	168,065	418,065	3.63
2010	7,576,243	6,010,471	1,565,772	225,000	156,728	381,728	4.10
2011	7,999,525	6,313,138	1,686,387	435,947	123,613	559,560	3.01
2012	8,363,739	6,286,461	2,077,278	436,440	71,790	508,230	4.09

Note: 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  
Pledged-Revenue Coverage  
Natural Gas Fund  
Last Ten Fiscal Years

Table 25

Fiscal Year	Natural Gas Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2003	20,031,133	17,933,723	2,097,410	310,000	200,121	510,121	4.11
2004	23,027,897	20,629,801	2,398,096	329,000	182,249	511,249	4.69
2005	26,245,084	23,576,131	2,668,953	348,000	163,335	511,335	5.22
2006	23,306,038	21,497,627	1,808,411	368,000	143,335	511,335	3.54
2007	18,165,648	15,972,784	2,192,864	643,445	186,678	830,123	2.64
2008	18,141,542	15,769,517	2,372,025	614,750	219,125	833,875	2.84
2009	18,114,746	15,492,112	2,622,634	639,453	194,664	834,117	3.14
2010	15,104,267	12,462,163	2,642,104	665,151	169,219	834,370	3.17
2011	13,705,613	11,387,874	2,317,739	691,883	142,749	834,632	2.78
2012	10,308,314	8,464,574	1,843,740	233,282	118,685	351,967	5.24

Note: 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.

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

Table 26

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)
2003	20,327	549,683	27,042	6.8
2004	20,492	574,965	28,058	7.1
2005	20,605	584,399	28,362	6.1
2006	20,918	613,086	29,309	5.8
2007	20,927	643,149	30,733	5.8
2008	21,149	677,931	32,055	5.8
2009	21,378	666,395	31,172	10.6
2010	21,420	686,897	32,068	13.4
2011	19,001	NA	NA	12.0
2012	18,808	NA	NA	11.0

Sources: (1) NC Office of State Budget and Management  
(2) Bureau of Economic Analysis, a division of the US Department of Commerce  
(3) Employment Security Commission of North Carolina

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

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

Table 27

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Davidson County Schools	1000+	1	1.44%+	NA	NA	NA
Davidson County	500-999	2	0.72%-1.44%	NA	NA	NA
Atrium Companies Inc.	500-999	3	0.72%-1.44%	NA	NA	NA
Wal-Mart Associates Inc.	500-999	4	0.72%-1.44%	NA	NA	NA
Lexington Memorial Hospital	500-999	5	0.72%-1.44%	NA	NA	NA
Old Dominion Freight Line	500-999	6	0.72%-1.44%	NA	NA	NA
Davidson County Community College	500-999	7	0.72%-1.44%	NA	NA	NA
Lexington City Schools	500-999	8	0.72%-1.44%	NA	NA	NA
Thomasville Medical Center	500-999	9	0.72%-1.44%	NA	NA	NA
Food Lion	500-999	10	0.72%-1.44%	NA	NA	NA
Bradley Personnel Inc.	500-999	11	0.72%-1.44%	NA	NA	NA
Thomasville City Schools	250-499	12	0.36%-0.72%	NA	NA	NA
PPG Industries	250-499	13	0.36%-0.72%	NA	NA	NA
The Recruiting Specialist	250-499	14	0.36%-0.72%	NA	NA	NA
Vitacost.com, Inc.	250-499	15	0.36%-0.72%	NA	NA	NA
Richard Childress Racing	250-499	16	0.36%-0.72%	NA	NA	NA
City of Lexington	250-499	17	0.36%-0.72%	NA	NA	NA
Jeld-Wen	250-499	18	0.36%-0.72%	NA	NA	NA
Asco Switch Enterprises LP	250-499	19	0.36%-0.72%	NA	NA	NA
Leggett & Platt, Inc.	250-499	20	0.36%-0.72%	NA	NA	NA
City of Thomasville	250-499	21	0.36%-0.72%	NA	NA	NA
Lowe's Home Centers Inc.	250-499	22	0.36%-0.72%	NA	NA	NA
Facility Logistic Services LLC	250-499	23	0.36%-0.72%	NA	NA	NA
Matcor Metal Fabrication	100-249	24	0.14%-0.36%	NA	NA	NA
Progressive Employer Mgt Company II, Inc.	100-249	25	0.14%-0.36%	NA	NA	NA

Source: Employment Security Commission of North Carolina

Note: Information available for Davidson County. No data available for 2003.

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

Table 28

Function:	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	31	23	24	24	24	24	24	24	24	24
Public safety										
Police										
Officers (1)	66	66	66	66	66	66	67	68	68	69
Civilians	11	11	11	11	11	11	11	11	11	10
Fire										
Firefighters and officers	47	47	47	47	47	47	47	47	48	47
Civilians	1	1	1	1	1	1	1	1	-	1
Community development	6	6	7	7	7	7	7	6	7	7
Highways and streets										
Engineering	5	5	5	4	4	4	4	4	4	4
Street	16	16	16	16	16	16	16	15	15	15
Sanitation	18	18	18	18	18	18	18	18	18	18
Culture and recreation	18	18	18	18	18	18	18	18	18	18
Electric	28	28	28	25	25	25	25	25	24	23
Water & Wastewater	45	45	44	44	44	44	44	44	44	44
Natural Gas	20	21	21	21	21	21	21	21	22	21
Golf	9	8	8	8	8	8	6	6	5	5
Garage	8	8	8	8	8	8	8	7	7	7
Risk Management	2	2	2	2	2	2	2	2	2	2
Utility Administration	25	30	30	29	29	28	27	25	24	24
Total	356	353	354	349	349	348	346	342	341	339

Source: City of Lexington Budget Office

Note: (1) One Gang Detective Officer funded in 2009 and 2010 by Governor's Crime Commission grant. One COPS Officer funded in 2010, 2011 and 2012 by U.S. Department of Justice grant. One Traffic Officer funded in 2010, 2011 and 2012 by Governor's Highway Safety Program grant.

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

Function	Fiscal Year			
	2003	2004	2005	2006
Primary Government:				
Public safety				
Police				
Physical arrests	3,434	3,725	3,702	4,313
Parking tickets	2,229	2,473	2,255	2,434
Calls for service	51,478	57,287	57,596	60,398
Citations	5,234	4,511	4,971	4,342
Fire				
Number of calls answered	1,212	1,032	1,031	1,141
Inspections	73	574	459	335
Community development				
Number of minimum housing inspections	NA	2,487	2,742	2,891
Number of building inspections	NA	1,808	1,708	1,774
Number of nuisance complaints	1,618	1,386	1,113	904
Highways and streets				
Street resurfacing (miles)	-	-	11.50	-
Feet of sidewalk replaced/repared	NA	2,340	1,055	1,285
Sanitation				
Refuse collected (tons/year)	14,074 (1)	8,768	8,761	7,846
Recyclables collected (tons/year)	451	323	401	291
Yard waste collected (tons/year)	NA	NA	NA	NA
Culture and recreation				
Athletic program enrollment	NA	NA	1,030	1,045
Park reservations	NA	NA	271	253
Pool admissions	NA	NA	4,781	5,157
Recreational program enrollment	NA	NA	391	377
Business-type activities:				
Electric				
kWh sold	453,001,042	442,548,845	430,622,662	425,357,371
Number of customers	18,214	18,224	18,353	18,461
Water				
ccf sold	1,351,827	1,282,558	1,350,131	1,280,320
Number of customers	8,496	8,402	8,390	8,371
Sewer				
ccf sold	1,014,977	952,280	972,430	956,426
Number of customers	7,780	7,775	7,913	7,994
Natural gas				
dt sold	2,906,965	2,992,946	2,867,432	2,415,434
Number of customers	8,026	8,045	8,336	8,760
Golf course				
Rounds sold	25,841	10,911 (4)	18,574 (4)	29,376
Number of passholders	102	0 (4)	141	125

Source: Various city departments

Note: Indicators are not available for the general government function.

- (1) Effective 1/1/03, commercial dumpster refuse no longer collected by the city.
- (2) Effective fiscal year 2008, area light consumption included in kWh sold.
- (3) Effective fiscal year 2009, customer count adjusted to correspond with federal and state reporting requirements.
- (4) Lexington Municipal Course closed for renovations 11/3/2003 to 10/31/2004.

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

Table 29

Fiscal Year					
2007	2008	2009	2010	2011	2012
4,251	3,845	3,689	3,477	3,465	3,552
2,413	2,118	1,650	1,548	1,568	1,152
58,398	56,860	60,714	57,039	57,377	55,545
4,574	4,274	4,466	3,793	4,485	4,131
1,108	1,109	1,106	1,044	1,148	1,048
113	207	268	337	629	1,232
2,904	2,825	2,763	2,632	2,650	2,513
2,590	2,120	1,775	1,425	1,613	1,663
945	737	674	1,089	2,789	2,534
3.15	3.74	2.40	2.40	0.11	7.38
2,272	2,631	1,691	2,095	814	1,142
8,668	8,270	7,785	7,850	7,520	7,125
347	377	357	385	540	505
NA	NA	4,478	4,600	4,510	4,350
1,191	1,043	1,203	1,087	809	844
256	284	295	317	317	397
5,149	5,238	5,523	4,007	3,531	2,366
405	511	398	394	349	1,076
413,869,167	421,787,331 (2)	402,228,635	407,199,181	416,417,763	387,548,920
18,477	18,536	18,154 (3)	18,118	18,362	18,352
1,254,704	1,242,648	1,168,340	1,097,607	1,180,032	1,171,646
8,350	8,334	8,338	8,277	8,269	8,219
936,410	900,333	856,751	862,024	846,465	830,295
8,039	8,036	7,963	7,937	7,940	7,922
2,266,762	2,136,715	2,056,501	1,885,217	2,023,133	1,812,816
8,696	8,845	8,949	8,934	8,948	8,940
31,055	34,193	30,467	28,340	27,094	33,637
102	102	92	88	87	103

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

Function	Fiscal Year			
	2003	2004	2005	2006
Primary Government:				
General Government				
Motor pool vehicles	2	2	2	2
Motor pool equipment	0	0	0	0
Public safety				
Police				
Stations	1	1	1	1
Police vehicles	63	62	70	70
Fire				
Fire stations	3	3	3	3
Fire trucks	8	8	8	8
Highways and streets				
Streets (miles)	123.4	123.0	123.1	123.3
Sanitation				
Collection trucks and equipment	28	27	27	28
Culture and recreation				
Parks	16	16	16	16
Swimming pools	2	2	2	2
Tennis courts	15	15	15	15
Basketball courts	12	12	12	12
Athletic fields	9	9	9	9
Walking, jogging and hiking trails (miles)	2.4	2.4	2.4	2.4
Business-type activities:				
Electric				
Distribution lines (miles)	NA	NA	NA	NA
Number of distribution stations	10	10	10	10
Number of delivery stations	2	2	2	2
Water and Sewer				
Water lines (miles)	185.5	185.5	185.5	187.0
Sewer lines (miles)	187.5	188.5	192.5	196.0
Maximum daily treatment capacity water (millions of gallons)	7.2	7.2	7.2	7.2
Maximum daily treatment capacity sewer (millions of gallons)	5.5	5.5	6.5	6.5
Natural Gas				
Distribution lines (miles)	465	485	501	533

Sources: Various city departments and city capital asset records.

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

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

Table 30

Fiscal Year					
2007	2008	2009	2010	2011	2012
2	2	2	3	2	83
23	25	42	40	41	47
1	1	1	1	1	1
67	76	72	74	74	75
3	3	3	3	3	3
8	7	8	8	7	8
125.1	124.9	125.0	125.4	125.4	125.4
26	27	28	29	28	23
17	17	16	18	18	18
2	2	2	2	2	2
15	15	15	15	15	15
12	12	12	12	12	12
9	9	8	8	8	8
2.75	2.75	2.75	2.75	2.75	3.13
494	494	494	494	494	616
10	10	11	11	11	11
2	2	2	2	2	2
187.0	187.0	187.0	187.0	187.0	192.0
202.0	202.0	212.0	212.0	212.0	212.0
7.2	7.2	7.2	7.2	7.2	7.2
6.5	6.5	6.5	6.5	6.5	6.5
550	591	606	623	645	664



# 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***

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2012, which collectively comprise the City of Lexington's basic financial statements, and have issued our report thereon dated October 11, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the City of Lexington ABC Board, as described in our report on the City of Lexington's financial statements. The financial statements of the City of Lexington ABC Board and the Tourism Authority were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

Management of the City of Lexington is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Lexington's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 a 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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lexington's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, members of the Lexington City Council, others within the organization, and federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Martin Starnes & Associates, CPAs, P. A.  
October 11, 2012

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## **Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major State Program And On Internal Control Over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act**

### **Independent Auditors' Report**

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

#### **Compliance**

We have audited the compliance of the City of Lexington, North Carolina, with the types of compliance requirements described in applicable sections of OMB Circular A-133 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 its major State program for the year ended June 30, 2012. The City of Lexington's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major State programs is the responsibility of the City of Lexington's management. Our responsibility is to express an opinion on the City of Lexington's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Lexington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lexington's compliance with those requirements.

In our opinion, the City of Lexington complied, in all material respects, with the requirements referred to above that are applicable to the major State program for the year ended June 30, 2012.

## Internal Control Over Compliance

The management of the City of Lexington is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered the City of Lexington's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, members of the Lexington City Council, others within the organization, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Martin Starnes & Associates, CPAs, P. A.  
October 11, 2012

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## **Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Federal Program and On Internal Control Over Compliance In Accordance with OMB Circular A-133 And the State Single Audit Implementation Act**

### **Independent Auditors' Report**

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

#### **Compliance**

We have audited the compliance of the City of Lexington, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 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 its major federal programs for the year ended June 30, 2012. The City of Lexington's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal program is the responsibility of the City of Lexington's management. Our responsibility is to express an opinion on the City of Lexington's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable standards of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lexington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lexington's compliance with those requirements.

In our opinion, the City of Lexington complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

The management of the City of Lexington is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Lexington's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the City's internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, members of the Lexington City Council, others within the organization, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Martin Starnes & Associates, CPAs, P. A.  
October 11, 2012

**CITY OF LEXINGTON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**1. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	_____ Yes <u>  X  </u> No
• Significant deficiencies identified?	_____ Yes <u>  X  </u> No
Non-compliance material to financial statements noted?	_____ Yes <u>  X  </u> No

**Federal Awards**

Internal control over major federal programs:	
• Material weaknesses identified?	_____ Yes <u>  X  </u> No
• Significant deficiencies identified?	_____ Yes <u>  X  </u> No
Type of auditors' report issued on compliance for major federal programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes <u>  X  </u> No

Identification of major federal programs:

<b><u>Program Name</u></b>	<b><u>CFDA#</u></b>
CDBG – State-Administered CDBG Cluster	14.228
Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	_____ Yes <u>  X  </u> No



**CITY OF LEXINGTON, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Finding 2011-01** – corrected in the current year

City of Lexington, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2012

Federal Grantor/Passed Through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Passed Through) Expenditures	State Expenditures
<b>Federal Grants</b>			
U.S. Department of Energy			
N.C. Department of Commerce - Energy Division			
State Energy Program - Energy Efficiency in Governmental Buildings	81.041	153,932	-
CDBG - State-Administered CDBG Cluster			
U.S. Department of Housing and Urban Development			
N.C. Department of Commerce - Community Investment and Assistance			
Neighborhood Stabilization Program	14.228	806,488	-
N.C. Economic Recovery Program - Erlanger/Green Needles Parks	14.228	115,052	-
N.C. Department of Commerce - Commerce Finance Center			
Economic Development - Moran Foods Water	14.228	227,033	-
Economic Development - Lowe's Home Centers, Inc Natural Gas Line	14.228	7,771	-
Total - CDBG - State-Administered CDBG Cluster		<u>1,156,344</u>	<u>-</u>
U.S. Department of Justice			
Justice Assistance Grant (JAG) - 2010 Local Solicitation	16.738	11,466	-
ARRA - Community Oriented Policing Services (COPS) - Hiring Recovery	16.710	49,238	-
N.C. Dept. Crime Control & Public Safety - Division of Governor's Crime Commission			
Project Safe Neighborhood Program - Davidson PROJ007954	16.609	10,544	-
Project Safe Neighborhood Program - Davidson PROJ008257	16.609	10,252	-
U.S. Department of Transportation			
N.C. Department of Transportation			
Governor's Highway Safety Program - 2011	20.600	8,704	-
Governor's Highway Safety Program - 2012	20.600	18,566	-
Federal Railroad Administration			
TIGER II Discretionary Grant, Planning - Multi-Modal Transportation Area Plan	20.932	142,236	-
<b>State Grants</b>			
N.C. Department of Transportation			
United Furniture Access Road and Turning Lanes on State Road 2203	N/A	-	600,000
Powell Bill	N/A	<u>-</u>	<u>577,473</u>
Total Federal Grants		<u>1,561,282</u>	
Total State Grants			<u>\$ 1,177,473</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Lexington and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Subrecipients

Of the Federal and State expenditures presented in this schedule, the City of Lexington provided Federal and State awards to subrecipients as follows:

United Furniture Access Road and Turning Lanes on State Road 2203	<u>\$ 600,000</u>
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