

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED
June 30, 2013

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City of Lexington

Fiscal Year Ended June 30, 2013



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
J. Alan Carson

Assistant City Manager/Director of Finance
Terra A. Greene



**City of Lexington, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013**

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CITY OF LEXINGTON
NORTH CAROLINA
FINANCE DEPARTMENT

28 West Center Street
Lexington, NC 27292
www.LexingtonNC.gov

Phone: 336-248-3925
Fax: 336-248-2907
TDD: 800-735-2962

October 10, 2013

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, 2013. 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 18,628. 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 executive officer, the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing board, for overseeing the day-to-day operations of the City, and for 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 and values of the Council. Each February, strategic goals are

prioritized and set by City Council at the annual retreat. The Council aims 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 are accomplished by the City's management team through long-term financial and operational planning, the prudent use of debt, and incorporating appointed boards and committees to add another level of review in managing the City's resources to match citizen expectations.

The City provides a full range of services including police and fire protection, sanitation recycling and waste collection services, the construction and maintenance of streets and infrastructure, parks and recreational activities, cemetery services and cultural events. In addition, the City of Lexington owns and operates four utility services: a water treatment and distribution system, a wastewater treatment and collection system, an electric distribution system and a natural gas distribution system. In addition to serving City residents, these enterprise funds serve portions of Davidson County. The City also owns and operates a golf course.

The City extends financial support to certain boards, agencies and commissions to assist their efforts in serving the citizens. Support is largely centered on partnership efforts to provide essential economic development and neighborhood revitalization. Among these are the Davidson County Economic Development Commission; Lexington Appearance, Historic Preservation and Human Relations 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 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 \$8.1 million now ranking as the eighth 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 minimal occupancy, The Shoppes were 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 \$31 million to date. The Uptown organization is a member of North Carolina's Main Street Program, having won numerous awards over the years and earned a reputation as one of the top redevelopment programs in the state. 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 complemented the promotion of Lexington style barbecue and the annual Barbecue Festival for the past three years with a BBQ Capital Cook-off event held in April. Sanctioned by the Kansas City Barbeque Society (KCBS), the event has brought as many as 77 competitive teams, over 45,000 in attendance not to mention the taping of the finale of the national television show, BBQ Pitmasters. All three events were highly successful and the 4th Annual BBQ Capital Cook-off is slated again April 25-26, 2014.

All of the aforementioned efforts in combination with the 30th annual Barbecue Festival in 2013; which brings in over 150,000 people to Lexington and recognized as one of the Top Ten Food Festivals in the U.S. by *Travel and Leisure* Magazine and one of the Top Twenty Events for the month of October by the Southeast Tourism Society, lastly featured in *People Magazine* in October 2009; are helping to create a tourism platform for economic impact. In 2012, the *US News and World Report* ranked Lexington as #4 on its list of the best cities for barbecue, not to mention the annual Barbecue Festival event is listed in the book *1,000 Places to See in the USA and Canada Before You Die*.

With significant economic losses in the furniture and battery manufacturing industries in the previous decade, diversification of the employment base and job creation is critical to restore the future of Lexington. Major industries have historically included tissue products, furniture and battery manufacturing, textiles, printing and banking. Kimberly Clark Corporation, a global consumer products company, continues to be the City's largest taxpayer, with 5.19% of the City's assessed valuation. Jeld-Wen and Vitacost.com round out the top three at 1.21% and 1.19%, respectively, of the assessed valuation. (Please refer to Table 12 for the Schedule of Principal Property Taxpayers in the Statistical Section for a complete list.)

In an effort to attract new industry, the City continues to support the Davidson County Economic Development Commission (EDC) and demonstrate a willingness to offer economic development incentive grants. Due to the EDC's efforts in 2007, 2010 and 2012, the Thomasville-Lexington micropolitan area was among top ranking statistics nationally by *Site Selection* magazine in economic development success out of close to 600 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 despite healthy operations at the local facility. 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 that year, 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. Finally, the 2012 ranking is marked by the addition of the Save-A-Lot distribution center as described in further detail below.

The EDC maintains a data bank to provide information to industrial prospects and expanding industries such as Vitacost.com 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.com are the current tenants. In May 2010, Vitacost.com 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.com now ranks third as a top ten taxpayer with approximately \$17.9 million assessed value or 1.19% 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 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" outlines the value system for the City's efforts. The strategic values include the following: open communication with citizens, customers and employees; 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. Aligning with this value system and focus toward the prioritized goals set by City Council at the annual retreat, the following projects and initiatives have been undertaken.

Community officials purchased and are now working diligently to spur redevelopment opportunities to prevent a vacated 18-acre uptown complex from becoming a negative blight on the community. When the former furniture plant was shuttered, 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. LFI 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 Lexington Historic Southern Railway Freight Depot. 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. Now commonly referred to as the "Depot District," this 18-acre property has financial impacts on current and future City budgets as the huge tasks of redevelopment begin via grant opportunities and private development commitment. 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 acquired foreclosed or abandoned homes and rehabilitated or redeveloped 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 and expended funds by August 9, 2012.

Another primary work program that began in the spring of 2010, now finalized in the enclosed financial statements, 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 Recycling/Waste Collection 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 are gained by the utilities sharing office space and equipment. Second, relocation of Fire Station #2 to leased property at the Davidson County Airport enhances public safety response within the corporate limits with construction completed in late calendar year 2011. Finally, the replacement of the dilapidated equipment sheds for the Street and Sanitation Recycling/Waste Collection departments are now 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 and now nearing completion ahead of schedule. 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 and ultimate downsizing 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. Virtually 99% of the utility service meters are now being read via AMR technology.

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 4. 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. City of Lexington officials embrace the importance of shifting from government solving problems to community solving problems by stimulating more citizen involvement, empowering boards and commissions, and developing key 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 proved 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 has served as 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. A new Strategic Planning Committee comprised of 22 members was appointed in late 2010 to reevaluate the future direction for the organization. The eleven focus areas resulting from this citizen led committee are in process to be revealed and accepted by City Council in the fall of 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 are being 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, formerly the LFI Plant #1 property. Funding is being sought for Phase II, which will serve as the master redevelopment plan to include construction of a passenger rail stop in the Depot District.

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 future economic development opportunities. These impacts affect the City's fiscal condition and the City's five-year Financial Planning Model will be used to help discover future weaknesses. The analysis provided by the financial model and the prudent use of debt will be used to help the City forge strategies to maintain the goal of a strong financial condition, while simultaneously ensuring professional service delivery. 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 2012-13. The plans identified and recommended ways to effectively deal with areas of uncertainty, reliability of utility infrastructure, 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 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" opportunistic 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 Special Revenue Funds of Community Development Grants, Public Safety Grants and Economic Stimulus Grants, 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 functional or project 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 4. 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 document 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, 2012. This marked the 21st 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 sincere 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 Susan Floyd, Kathy Whitman, Wendy Everhart, Sarah Reece, TJ Jackson and Christina Smith for their extraordinary efforts and contributions in conjunction with this report.

I would also 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 support in planning and conducting the operations of the City of Lexington with utmost integrity in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Terra Greene".

Director of Finance



Government Finance Officers Association

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

Presented to

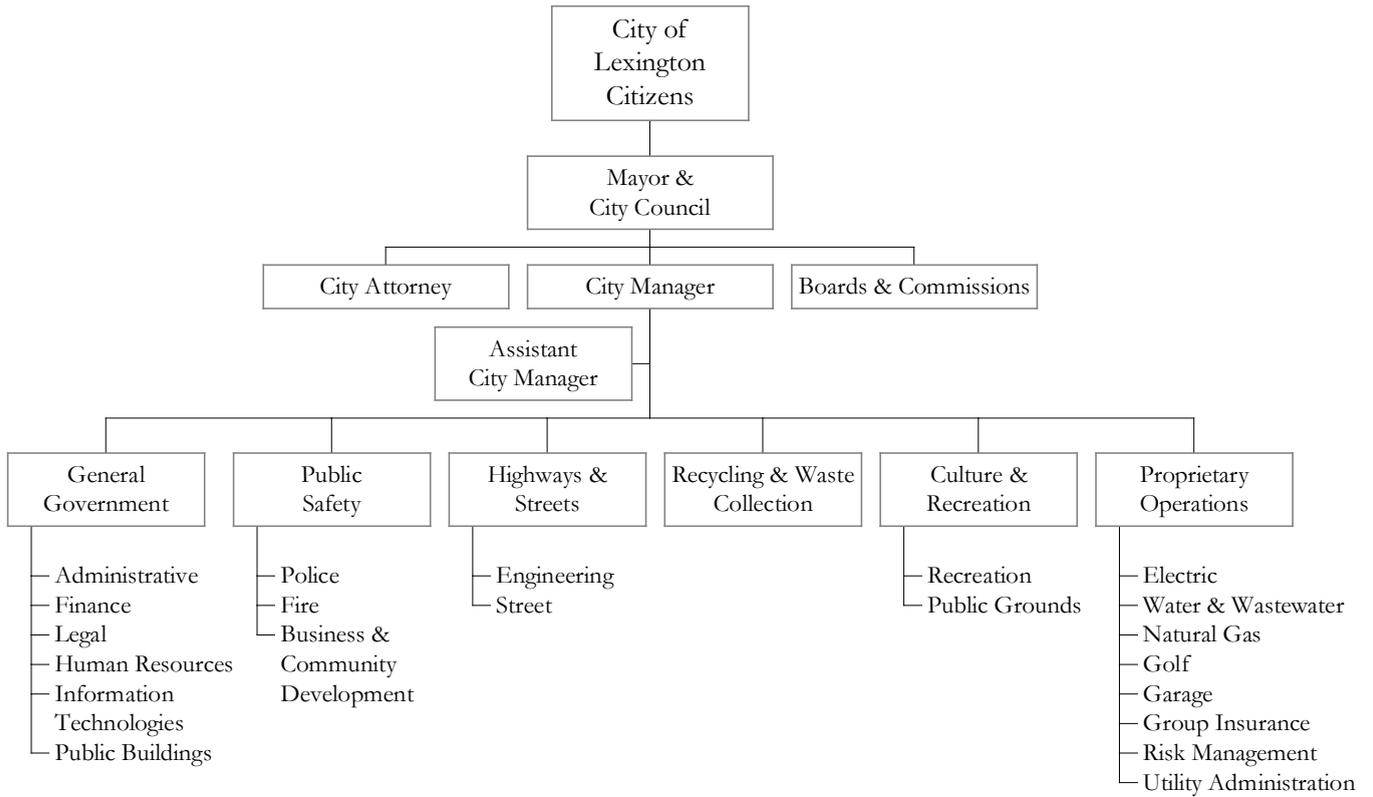
**City of Lexington
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

City of Lexington, North Carolina Organizational Chart





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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Lexington ABC Board and the Lexington Tourism Authority were not audited in accordance with *Government Auditing Standards*.

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

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

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' and Other Post-Employment Benefits' Special Separation Allowance 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 the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lexington's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013 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 prepared in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 10, 2013

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, 2013. 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 and deferred outflows of resources of the City of Lexington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$157,582,581 (*net position*).
- The government's total net position increased by \$2,353,799 primarily due to an increase in the net position in business-type activities; as a result of profits generated in the Water and Wastewater and Natural Gas funds and reductions in long term debt.
- As of the close of the current fiscal year, the City of Lexington's governmental funds reported combined ending fund balances of \$9,475,079 which is an increase of \$229,250 in comparison with the prior year; primarily as a result of an increase in the General Fund offset by 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 23 percent of this total amount, or \$2,187,967, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,068,607, or 32.6 percent of total general fund expenditures for the fiscal year. Unassigned fund balance represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength.
- The City of Lexington's total debt is \$16,948,319, which decreased by \$2,483,079 (12.8%) 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.
- For 21 consecutive years, the City of Lexington has received a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) presented by the Government Finance Officers Association of the United States and Canada.

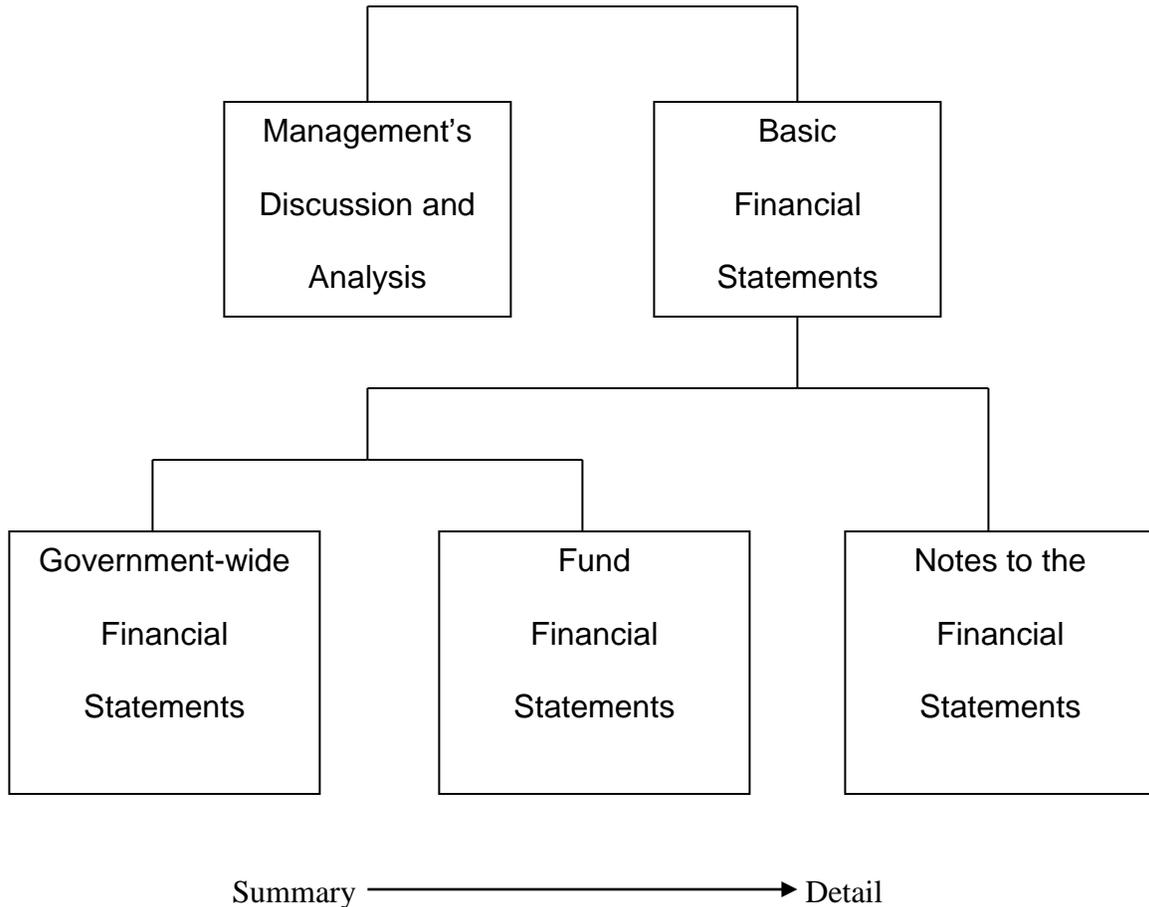
OVERVIEW OF THE FINANCIAL STATEMENTS

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

supplemental information that will enhance the reader’s understanding of the financial condition of the City of Lexington.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 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 Position 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 position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources net of the total liabilities and deferred inflows of resources. Increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. However, measuring net position is not the 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 municipally owned 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 North Carolina 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Lexington adopts an annual budget for its General Fund, as required by North Carolina 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 Position 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 Position as of June 30, 2013 (In thousands of dollars)

Figure 2

	Governmental Activities		Business-Type Activities		Total		Percent Change 2012-13
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 15,002	\$ 14,756	\$ 29,881	\$ 28,902	\$ 44,883	\$ 43,658	2.81%
Capital assets	44,047	44,607	99,804	100,032	143,851	144,639	-0.54%
Total assets	59,049	59,363	129,685	128,934	188,734	188,297	0.23%
Current liabilities	1,168	1,324	5,360	5,499	6,528	6,823	-4.32%
Long-term liabilities outstanding	8,594	8,606	16,029	17,639	24,623	26,245	-6.18%
Total liabilities	9,762	9,930	21,389	23,138	31,151	33,068	-5.80%
Net position:							
Net investment in capital assets	40,980	41,139	85,923	84,209	126,903	125,348	1.24%
Restricted	2,129	2,689	-	-	2,129	2,689	-20.83%
Unrestricted	6,178	5,605	22,373	21,587	28,551	27,192	5.00%
Total net position	49,287	49,433	108,296	105,796	157,583	155,229	1.52%

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Lexington exceeded liabilities and deferred inflows by \$157,582,581 as of June 30, 2013. The City's net position increased by \$2,353,799 for the fiscal year ended June 30, 2013.

However, the largest portion (81%) of net position reflects the City's net investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure such as roads and bridges, and plants and distribution systems); 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 net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A portion of the City of Lexington's net position (\$2,129,153) represents resources that are subject to external restrictions on how they may be used; \$1,056,544 of which is restricted for Stabilization by State Statute and \$844,484 of which is restricted for public safety.

The remaining balance of \$28,550,761 is unrestricted net position, 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 positively influenced the total unrestricted net position:

- An electric rate increase, restored winter weather patterns and cost containment measures resulted in operating margins in the three utility funds of Electric, Water and Wastewater and Natural Gas, which positively impacted the business-type activities unrestricted net position.
- The net position in business-type activities was also positively impacted by \$1.9 million of debt principal payments in the current year and the corresponding reduction in long term debt obligations.

**City of Lexington
Changes in Net Position**

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,513,174	\$ 5,239,215	\$ 71,551,360	\$ 67,795,940	\$ 76,064,534	\$ 73,035,155
Operating grants and contributions	1,151,258	1,807,962	20,344	45,776	1,171,602	1,853,738
Capital grants and contributions	946,861	1,563,195	352,407	1,469,210	1,299,268	3,032,405
General revenues:						
Property taxes	9,047,127	8,149,184	-	-	9,047,127	8,149,184
Other taxes	265,420	264,890	-	-	265,420	264,890
Other general revenues	5,359,530	5,283,486	43,309	76,609	5,402,839	5,360,095
Total revenues	21,283,370	22,307,932	71,967,420	69,387,535	93,250,790	91,695,467
Expenses:						
General government	7,149,030	8,010,696	-	-	7,149,030	8,010,696
Public safety	9,981,953	10,384,670	-	-	9,981,953	10,384,670
Highways and streets	3,134,934	2,744,783	-	-	3,134,934	2,744,783
Sanitation	1,806,731	1,804,492	-	-	1,806,731	1,804,492
Culture and recreation	1,527,273	1,397,814	-	-	1,527,273	1,397,814
Economic and physical development	184,060	2,752,101	-	-	184,060	2,752,101
Interest on long-term debt	153,788	167,568	-	-	153,788	167,568
Electric	-	-	48,425,865	47,049,771	48,425,865	47,049,771
Water and Wastewater	-	-	7,698,833	7,953,182	7,698,833	7,953,182
Natural gas	-	-	9,797,266	9,543,636	9,797,266	9,543,636
Golf	-	-	1,037,258	810,830	1,037,258	810,830
Total expenses	23,937,769	27,262,124	66,959,222	65,357,419	90,896,991	92,619,543
Inc. (dec.) in net position before transfers	(2,654,399)	(4,954,192)	5,008,198	4,030,116	2,353,799	(924,076)
Transfers	2,508,479	2,495,813	(2,508,479)	(2,495,813)	-	-
Increase (decrease) in net position	(145,920)	(2,458,379)	2,499,719	1,534,303	2,353,799	(924,076)
Net position, July 1	49,432,972	51,891,351	105,795,810	104,261,507	155,228,782	156,152,858
Net position, June 30	\$ 49,287,052	\$ 49,432,972	\$ 108,295,529	\$ 105,795,810	\$ 157,582,581	\$ 155,228,782

Governmental activities - Governmental activities decreased the City's net position by \$145,920. Key elements of this decrease are as follows:

- 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 current year expenditures in the Controlled Substance Fund resulted in a \$154,112 decrease in fund balance in the Controlled Substance Fund, which negatively impacted governmental activities net position.

Business-type activities - Business-type activities increased the City of Lexington's net position by \$2,499,719. Key elements of the business-type increase are as follows:

- An electric rate increase, restored winter weather patterns and cost containment measures resulted in operating margins in the three utility funds of Electric, Water and Wastewater and Natural Gas, resulting in an aggregate positive change of \$2,009,365 in the business-type activities net position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The General Fund is the chief operating fund of the City of Lexington. At the end of the current fiscal year, City of Lexington fund balance available for appropriation in the General Fund was \$6,068,607; while total fund balance reached \$8,158,879. Total fund balance in the General Fund increased in the amount of \$504,495 from last year; which is due to a four cent property tax increase exceeding budget projections and resulting in a favorable variance of \$368,163. The City of Lexington City Council has informally determined that the City should maintain an available fund balance of 25% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 32.6% of General Fund expenditures, while total fund balance represents 43.8% of the same amount.

At June 30, 2013, the governmental funds of the City of Lexington reported a combined fund balance of \$9,475,079, which is a \$229,250 or 2.5% increase 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 two key actions. The General Fund material amendments resulted in an appropriation to carry forward the prior year encumbrance commitments in the amount of \$164,499 and to make a \$64,756 ten percent down payment to acquire a demo 75' Quint Apparatus for the Fire department. Other immaterial amendments to the General Fund budget were also approved during the fiscal year.

Revenues in total came in above budgeted amounts by \$662,593, which is primarily attributable to the conservative budgeting of property tax, utility franchise tax and sales 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 \$782,069 below the final budgeted amounts. The positive variances resulted primarily from lapsed salary savings, cost containment measures and the delayed timing of pending contract commitments.

Proprietary Funds - The City of Lexington's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position for the Electric, Water and Wastewater, Natural Gas, and Golf funds at the end of the fiscal year amounted to \$8,337,733, \$2,561,244, \$4,174,176, and (\$178,910), respectively. The increase in total unrestricted net position for all proprietary funds is \$682,897.

Electric and Natural Gas unrestricted net position increased by \$119,727 and \$451,154, respectively; which is primarily attributable to the rebound in winter weather patterns resulting in higher electric and natural gas utility consumptions with a corresponding increase to utility sales and operating margins in these utility funds. Water and Wastewater unrestricted net position increased by \$232,474 due to cost containment. While the winter weather patterns positively affected the utilities; it had an adverse impact on golf rounds and revenues resulting in a \$120,458 decrease to Golf unrestricted net position.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As of June 30, 2013, the City of Lexington had \$143,850,986 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 \$1.4 million with a corresponding decrease in Construction in Progress.
- The business-type Buildings increase is due to the completion of construction and capitalization of a combined Natural Gas and Public Works Operations Center totaling \$2.35 million with a corresponding decrease in Construction in Progress.
- The business-type Machinery and Equipment increase is due to the purchase of a Sewer Jet Vacuum for the Public Works department totaling \$176,000, as well as other various equipment replacements offset by ongoing depreciation.
- 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 \$512,535 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,195,067	\$ 2,196,118	\$ 2,051,883	\$ 2,051,883	\$ 4,246,950	\$ 4,248,001
Buildings	6,576,908	5,328,723	3,113,171	855,303	9,690,079	6,184,026
Other improvements	1,882,450	1,865,060	1,359,128	1,454,719	3,241,578	3,319,779
Machinery & equipment	3,540,094	3,606,156	874,480	690,836	4,414,574	4,296,992
Intangibles	1,292,923	1,442,658	181,385	171,405	1,474,308	1,614,063
Infrastructure	22,136,056	22,546,354	-	-	22,136,056	22,546,354
Plant & distribution systems	-	-	87,067,750	88,673,243	87,067,750	88,673,243
Construction in progress	6,423,444	7,621,671	5,156,247	6,134,812	11,579,691	13,756,483
Total	\$ 44,046,942	\$ 44,606,740	\$ 99,804,044	\$ 100,032,201	\$ 143,850,986	\$ 144,638,941

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, 2013, the City of Lexington had total bonded debt outstanding of \$5,991,826. Of this, \$3,634,000 is debt backed by the full faith and credit of the City; however, \$3,082,107 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 \$2,357,826 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 551,893	\$ 760,063	\$ 3,082,107	\$ 3,671,937	\$ 3,634,000	\$ 4,432,000
Revenue bonds	-	-	2,357,826	2,601,036	2,357,826	2,601,036
Total	\$ 551,893	\$ 760,063	\$ 5,439,933	\$ 6,272,973	\$ 5,991,826	\$ 7,033,036

The City of Lexington also has \$10,956,493 outstanding in installment purchase debt. The vast majority of that amount is attributable to five major installment financing agreements: (1) \$4.8 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 \$16,948,319 as of June 30, 2013, a reduction of \$2,483,079 or 12.8% 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 \$106,273,934. The City has no bonds authorized but un-issued at June 30, 2013.

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 8.8% as of June 30, 2013 and averaged 9.3% for the fiscal year. However, the unemployment rate in the Thomasville-Lexington micropolitan statistical area was higher at 9.7% as of June 30, 2013, averaging 9.9% for the fiscal year. The State unemployment has decreased from 9.6% as of June 30, 2012 but remains elevated due to the national 'great recession' beginning December 2007 and officially ending June 2009 with sluggish economic effects ongoing. The unemployment rate in Lexington mirrors that downward trend as well, decreasing 0.6% from 10.3% a year ago.
- Lexington's local manufacturing industry demise over the last decade, the lingering effects of 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.

- Economic development grant initiatives landed United Furniture Industries locating in Lexington in May 2010, resulting in a gain of over \$5 million capital investment in the facility and equipment and 150 new manufacturing jobs pledged for the community over a three year period. In addition, an economic development grant partnership with Davidson County resulted in Moran Foods Save-A-Lot building a distribution center in Lexington Business Center, with over \$23 million capital investment and a minimum of 42 jobs pledged over a three year period. Moran Foods benefitted from the City acquiring a \$504,000 CDBG economic development grant to provide the needed water infrastructure to support their operations.
- A local entrepreneurial business, Lolly Wolly Doodle, is rapidly expanding through the use of social media and landed themselves on major news networks due to their ingenuity and social media business model. Steve Case, AOL co-founder, is investing \$20 million in this exploding company that just recently expanded to locate a distribution center in Lexington corporate limits. Lolly Wolly Doodle is producing approximately 30,000 kids garments a month with over 580,000 loyal fans and customers on Facebook.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities – Despite the recent unfavorable effects of the population decline from the Census 2010 and the aftermath of the ‘great recession’ on City revenue sources, sales tax and some State collected local revenues are projected to increase in Fiscal Year 2013-14 allowing for key investments towards City Council's goals and strategic investments in the Fire Department. Funding for 3 additional firefighters and a financed Quint Aerial/Pumper fire truck is included in an effort to maintain a "3" rating by the Insurance Service Office. Funding is also directed towards City Council's goal of green initiatives to begin a four year phase-in of a residential recycling rollout program.

Business-type Activities – City residents incurred an average 5.7% electric rate increase effective July 1, 2013. This rate increase is due to the North Carolina Municipal Power Agency No. 1 passing on a 5.7% wholesale power cost increase to the City of Lexington.

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, 2012 through June 30, 2013. Questions concerning any of the information found in this report or requests for additional information should be directed to the City of Lexington Finance Department, 28 West Center Street, Lexington, NC 27292 or visit the City's website at www.LexingtonNC.gov.





City of Lexington, North Carolina
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,496,988	\$ 10,444,251	\$ 20,941,239
Receivables (net of allowances for uncollectibles):			
Taxes	810,216	-	810,216
Accounts - billed	150,538	4,228,953	4,379,491
Accounts - unbilled	53,515	4,195,503	4,249,018
Intergovernmental	1,375,844	227,063	1,602,907
Interest	9,142	14,859	24,001
Internal balances	(1,133,855)	1,133,855	-
Due from component units	79,514	-	79,514
Due from primary government	-	-	-
Inventories	150,105	2,267,717	2,417,822
Prepaid items	-	25,345	25,345
Advances to (from) other activities	57,500	(57,500)	-
Restricted assets:			
Cash and cash equivalents	2,952,339	7,400,687	10,353,026
Capital assets:			
Land and other non-depreciable assets	8,618,511	7,208,130	15,826,641
Other capital assets, net of accumulated depreciation	35,428,431	92,595,914	128,024,345
Total capital assets	44,046,942	99,804,044	143,850,986
TOTAL ASSETS	\$ 59,048,788	\$ 129,684,777	\$ 188,733,565

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

City of Lexington, North Carolina
Statement of Net Position
June 30, 2013

Component Units		
ABC Board	Tourism Authority	Uptown Lexington, Inc.
\$ 497,103	\$ 268,470	\$ 135,675
-	-	-
-	-	-
-	-	940
-	-	-
-	-	-
-	-	-
-	22,611	159
266,021	-	-
6,070	-	-
-	-	-
-	-	-
49,091	-	-
90,272	-	-
139,363	-	-
<u>\$ 908,557</u>	<u>\$ 291,081</u>	<u>\$ 136,774</u>

City of Lexington, North Carolina
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 395,443	\$ 4,578,688	\$ 4,974,131
Due to component units	22,770	-	22,770
Due to primary government	-	-	-
Payable from restricted assets	749,982	781,437	1,531,419
Long-term liabilities:			
Due in one year	1,211,995	2,339,427	3,551,422
Due in more than one year	7,381,546	13,689,696	21,071,242
Total liabilities	<u>9,761,736</u>	<u>21,389,248</u>	<u>31,150,984</u>
NET POSITION			
Net investment in capital assets	40,979,496	85,923,171	126,902,667
Restricted for:			
Stabilization by state statute	1,056,544	-	1,056,544
General government	10,000	-	10,000
Public safety	844,484	-	844,484
Highways and streets	-	-	-
Economic and physical development	170,125	-	170,125
Urban redevelopment	48,000	-	48,000
Uptown revitalization	-	-	-
Economic stimulus	-	-	-
Working capital	-	-	-
Capital projects	-	-	-
Tourism promotion	-	-	-
Unrestricted	6,178,403	22,372,358	28,550,761
Total net position	<u>\$ 49,287,052</u>	<u>\$ 108,295,529</u>	<u>\$ 157,582,581</u>

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

City of Lexington, North Carolina
Statement of Net Position
June 30, 2013

Component Units		
ABC Board	Tourism Authority	Uptown Lexington, Inc.
\$ 149,457	\$ 2,845	\$ 6,680
-	-	-
79,514	-	-
-	-	-
-	-	-
-	-	-
<u>228,971</u>	<u>2,845</u>	<u>6,680</u>
139,363	-	-
-	22,611	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	111,434
-	-	-
104,534	-	-
-	-	-
-	265,625	-
435,689	-	18,660
<u>\$ 679,586</u>	<u>\$ 288,236</u>	<u>\$ 130,094</u>

City of Lexington, North Carolina
Statement of Activities
For the fiscal year ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 7,149,030	\$ 3,122,802	\$ 4,000	\$ -
Public safety	9,981,953	293,915	465,149	175,380
Highways and streets	3,134,934	12,110	586,466	-
Sanitation	1,806,731	809,692	23,194	-
Culture and recreation	1,527,273	98,914	63,973	291,762
Economic and physical development	184,060	175,741	8,476	479,719
Interest on long-term debt	153,788	-	-	-
Total governmental activities	<u>23,937,769</u>	<u>4,513,174</u>	<u>1,151,258</u>	<u>946,861</u>
Business-type activities:				
Electric	48,425,865	50,204,074	20,344	-
Water and Wastewater	7,698,833	8,707,334	-	82,471
Natural Gas	9,797,266	11,859,814	-	269,936
Golf	1,037,258	780,138	-	-
Total business-type activities	<u>66,959,222</u>	<u>71,551,360</u>	<u>20,344</u>	<u>352,407</u>
Total primary government	<u>\$ 90,896,991</u>	<u>\$ 76,064,534</u>	<u>\$ 1,171,602</u>	<u>\$ 1,299,268</u>
Component units:				
ABC Board	\$ 3,513,130	\$ 3,533,180	-	-
Tourism Authority	232,856	-	-	-
Uptown Lexington, Inc.	240,466	14,766	244,708	-
Total component units	<u>\$ 3,986,452</u>	<u>\$ 3,547,946</u>	<u>\$ 244,708</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 position

Net position-beginning

Net position-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, 2013

Net (Expense) Revenue and Changes in Net Position						
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	ABC Board	Tourism Authority	Uptown Lexington, Inc.	
\$ (4,022,228)	\$ -	\$ (4,022,228)				
(9,047,509)	-	(9,047,509)				
(2,536,358)	-	(2,536,358)				
(973,845)	-	(973,845)				
(1,072,624)	-	(1,072,624)				
479,876	-	479,876				
(153,788)	-	(153,788)				
(17,326,476)	-	(17,326,476)				
	1,798,553	1,798,553				
	1,090,972	1,090,972				
	2,332,484	2,332,484				
	(257,120)	(257,120)				
	4,964,889	4,964,889				
(17,326,476)	4,964,889	(12,361,587)				
			\$ 20,050	\$ -	\$ -	
			-	(232,856)	-	
			-	-	19,008	
			20,050	(232,856)	19,008	
8,951,332	-	8,951,332	-	-	-	
95,795	-	95,795	-	-	-	
265,420	-	265,420	-	257,401	-	
1,430,901	-	1,430,901	-	-	-	
3,083,691	-	3,083,691	-	-	-	
813,700	-	813,700	-	-	-	
31,238	43,309	74,547	2,843	104	52	
14,672,077	43,309	14,715,386	2,843	257,505	52	
2,508,479	(2,508,479)	-	-	-	-	
17,180,556	(2,465,170)	14,715,386	2,843	257,505	52	
(145,920)	2,499,719	2,353,799	22,893	24,649	19,060	
49,432,972	105,795,810	155,228,782	656,693	263,587	111,034	
\$ 49,287,052	\$ 108,295,529	\$ 157,582,581	\$ 679,586	\$ 288,236	\$ 130,094	

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Assets			
Cash and cash equivalents	\$ 7,495,215	\$ 1,215,957	
Receivables (net of allowance for uncollectibles):			
Property taxes	798,308	11,908	
Accounts - billed	138,930	-	
Accounts - unbilled	53,515	-	
Intergovernmental	1,181,527	168,109	
Interest	5,260	639	
Intrafund due (to) from	33,786	-	
Due from component unit	79,514	-	
Inventories	1,314	-	
Advances to other funds:			
Golf fund	57,500	-	
Restricted assets:			
Customer deposits	73,955	-	
Economic development deposit	25,000	-	
Total assets	<u>\$ 9,943,824</u>	<u>\$ 1,396,613</u>	
Liabilities, deferred inflows and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 244,174	\$ 21,125	
Retainage payable	-	13,435	
Intrafund due (to) from	-	33,786	
Due to component units	22,611	159	
Liabilities payable from restricted assets:			
Deposits	98,955	-	
Total liabilities	<u>365,740</u>	<u>68,505</u>	
Deferred inflows of resources	<u>1,419,205</u>	<u>11,908</u>	

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

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

Total Governmental Funds	
\$	8,711,172
	810,216
	138,930
	53,515
	1,349,636
	5,899
	33,786
	79,514
	1,314
	57,500
	73,955
	25,000
\$	<u>11,340,437</u>

\$	265,299
	13,435
	33,786
	22,770
	98,955
	<u>434,245</u>
	<u>1,431,113</u>

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Other Governmental Funds
Fund balances:		
Nonspendable		
Long-term advance due from golf fund	57,500	-
Inventory	1,314	-
Spendable:		
Restricted:		
Stabilization by state statute	1,030,399	26,145
General government	10,000	-
Public safety	-	844,484
Economic and physical development	-	170,125
Urban redevelopment	-	48,000
Committed:		
General government	15,105	-
Economic and physical development	-	273,971
Assigned:		
Subsequent year's expenditures	975,954	-
Unassigned	6,068,607	(46,525)
Total fund balances	8,158,879	1,316,200
Total liabilities, deferred inflows and fund balances	\$ 9,943,824	\$ 1,396,613

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

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

Total Governmental Funds	
	<u>57,500</u>
	1,314
	1,056,544
	10,000
	844,484
	170,125
	48,000
	15,105
	273,971
	975,954
	<u>6,022,082</u>
	<u>9,475,079</u>
\$	<u><u>11,340,437</u></u>

City of Lexington, North Carolina
Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Position
June 30, 2013

Fund balances as reported on the Balance Sheet of Governmental Funds

Amounts reported for governmental activities in the statement of net position (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 position 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 inflows of resources 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 position.

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 position 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 Position
June 30, 2013

Total Governmental	
Funds	
<hr/>	
\$	9,475,079
\$	96,811,552
	(52,764,610)
	<hr/>
(876,259)	43,170,683
	1,431,113
4,509,880	
	<hr/>
(895,168)	3,614,712
	(8,404,535)
	<hr/>
\$	49,287,052
	<hr/>

City of Lexington, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2013

	General Fund	Other Governmental Funds
Revenues:		
Ad valorem taxes	\$ 8,925,727	\$ -
Special ad valorem taxes	-	93,791
Other taxes and licenses	264,915	-
Unrestricted intergovernmental	5,268,973	-
Restricted intergovernmental	731,137	1,341,352
Permits and fees	183,454	-
Sales and services	947,921	91,425
Interest earned	19,793	2,564
Miscellaneous	221,817	11,744
Total revenues	16,563,737	1,540,876
Expenditures:		
General government	3,927,746	-
Public safety	8,825,542	727,653
Highways and streets	1,904,926	162,996
Sanitation	1,722,243	-
Culture and recreation	1,434,744	305,197
Economic and physical development	124,954	675,183
Debt service:		
Principal	540,183	-
Interest	153,788	-
Total expenditures	18,634,126	1,871,029
Revenues over (under) expenditures	(2,070,389)	(330,153)
Other financing sources (uses):		
Transfers in	2,799,737	54,987
Transfers out	(223,571)	(79)
Total other financing sources (uses)	2,576,166	54,908

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, 2013

Total Governmental Funds
\$ 8,925,727
93,791
264,915
5,268,973
2,072,489
183,454
1,039,346
22,357
233,561
18,104,613
3,927,746
9,553,195
2,067,922
1,722,243
1,739,941
800,137
540,183
153,788
20,505,155
(2,400,542)
2,854,724
(223,650)
2,631,074

City of Lexington, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2013

	General Fund	Other Governmental Funds
Net change in fund balances	505,777	(275,245)
Beginning fund balances, July 1	7,654,384	1,591,445
Increase (decrease) in central purchasing inventory	(1,282)	-
Ending fund balances, June 30	\$ 8,158,879	\$ 1,316,200

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, 2013

Total Governmental Funds	
<hr/>	230,532
	9,245,829
	<hr/>
	(1,282)
	<hr/>
\$	9,475,079
	<hr/>

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, 2013

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

New long-term debt issued

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 Position prior year balance of (\$862,653) for an ending balance of (\$895,168) in the Statement of Net Position.

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

Total change in net position 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, 2013

	2013		
	\$		230,532
			(1,282)
\$	1,564,626		
	(2,120,909)		(556,283)
	(25,295)		
	(8,312)		
	86,043		52,436
	-		
	540,183		540,183
	13,639		
	2,560		
	(612,161)		
	81,442		
	20,000		(494,520)
	32,515		
	50,499		83,014
	\$		(145,920)

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, 2013

	Budget	
	Original	Final
Revenues:		
Ad valorem taxes	\$ 8,557,564	\$ 8,557,564
Other taxes and licenses	258,730	258,730
Unrestricted intergovernmental	4,909,034	5,022,377
Restricted intergovernmental	704,774	721,374
Permits and fees	176,000	176,000
Sales and services	942,320	942,320
Interest earned	30,000	30,000
Miscellaneous	157,291	192,779
Total revenues	15,735,713	15,901,144
Expenditures:		
Current:		
General government	3,959,367	4,094,570
Public safety	8,954,972	9,090,443
Highways and streets	2,026,925	2,027,004
Sanitation	1,829,430	1,842,030
Culture and recreation	1,518,493	1,522,562
Economic and physical development	143,609	145,609
Debt service:		
Principal	540,184	540,184
Interest	153,793	153,793
Total expenditures	19,126,773	19,416,195
Revenues over (under) expenditures	(3,391,060)	(3,515,051)
Other financing sources (uses):		
Transfers in	2,251,441	2,226,520
Transfers in related to payments in lieu of taxes	579,603	579,603
Transfers out	(207,984)	(223,571)
Fund balance appropriated	768,000	932,499
Total other financing sources (uses)	3,391,060	3,515,051
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, 2013

Actual	Variance from Budget
\$ 8,925,727	\$ 368,163
264,915	6,185
5,268,973	246,596
731,137	9,763
183,454	7,454
947,921	5,601
19,793	(10,207)
221,817	29,038
16,563,737	662,593
3,927,746	166,824
8,825,542	264,901
1,904,926	122,078
1,722,243	119,787
1,434,744	87,818
124,954	20,655
540,183	1
153,788	5
18,634,126	782,069
(2,070,389)	1,444,662
2,220,134	(6,386)
579,603	-
(223,571)	-
-	(932,499)
2,576,166	(938,885)
505,777	\$ 505,777
7,654,384	
(1,282)	
\$ 8,158,879	

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,895,036	\$ 1,845,109	\$ 3,151,205
Receivables (net of allowances for uncollectibles):			
Accounts - billed	2,937,851	588,849	596,627
Accounts - unbilled	3,294,418	520,296	380,789
Intergovernmental	76,193	90,291	36,858
Interest	6,296	3,760	3,422
Cash and cash equivalents restricted for:			
Customer deposits	589,957	49,700	131,850
Unpaid claims	-	-	-
Construction in progress	255,920	11,100	10,726
Inventory	1,254,979	404,427	608,311
Prepaid bond interest	-	-	25,345
Total current assets	<u>13,310,650</u>	<u>3,513,532</u>	<u>4,945,133</u>
Noncurrent assets:			
Advances to golf fund	-	-	128,362
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	1,604,712	1,581,789	688,637
Other capital assets, net of accumulated depreciation	<u>30,806,175</u>	<u>40,103,377</u>	<u>19,566,860</u>
Total capital assets	<u>32,410,887</u>	<u>41,685,166</u>	<u>20,255,497</u>
Total noncurrent assets	<u>32,410,887</u>	<u>41,685,166</u>	<u>20,383,859</u>
Total assets	<u>\$ 45,721,537</u>	<u>\$ 45,198,698</u>	<u>\$ 25,328,992</u>

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

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2013

<u>Golf</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ 125,987	\$ 10,017,337	\$ 2,212,730
52	4,123,379	117,182
-	4,195,503	-
15,633	218,975	34,296
104	13,582	4,520
9,930	781,437	-
-	-	651,027
-	277,746	226,870
-	2,267,717	148,791
-	25,345	-
<u>151,706</u>	<u>21,921,021</u>	<u>3,395,416</u>
-	128,362	-
-	-	1,619,152
-	-	1,473,617
-	-	1,531,489
-	-	1,241,946
-	-	487,117
-	-	1,963,670
40,728	3,915,866	3,307,264
1,411,674	91,888,086	1,569,087
<u>1,452,402</u>	<u>95,803,952</u>	<u>4,876,351</u>
<u>1,452,402</u>	<u>95,932,314</u>	<u>13,193,342</u>
<u>\$ 1,604,108</u>	<u>\$ 117,853,335</u>	<u>\$ 16,588,758</u>

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Liabilities and net position			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 3,865,412	\$ 177,156	\$ 403,235
General obligation bonds payable	157,438	422,104	-
Revenue bonds payable	-	-	253,563
Installment purchases payable	396,569	386,048	227,197
Liabilities payable from restricted assets:			
Accounts payable	24,020	-	6,432
Customer deposits	589,957	49,700	131,850
Unpaid claims costs	-	-	-
Total current liabilities	<u>5,033,396</u>	<u>1,035,008</u>	<u>1,022,277</u>
Noncurrent liabilities:			
Compensated absences payable	94,935	145,584	77,603
Other postemployment benefits payable	398,593	579,848	280,199
General obligation bonds payable	669,517	1,833,048	-
Revenue bonds payable	-	-	2,104,263
Installment purchases payable	3,246,865	2,018,173	1,339,426
Advances from other funds:			
General fund	-	-	-
Natural gas fund	-	-	-
Total noncurrent liabilities	<u>4,409,910</u>	<u>4,576,653</u>	<u>3,801,491</u>
Total liabilities	<u>9,443,306</u>	<u>5,611,661</u>	<u>4,823,768</u>
Net position:			
Net investment in capital assets	27,940,498	37,025,793	16,331,048
Unrestricted	<u>8,337,733</u>	<u>2,561,244</u>	<u>4,174,176</u>
Total net position	<u>36,278,231</u>	<u>39,587,037</u>	<u>20,505,224</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 position of business-type activities			

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

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2013

<u>Golf</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ 10,348	\$ 4,456,151	\$ 208,794
-	579,542	-
-	253,563	-
137,508	1,147,322	-
-	30,452	-
9,930	781,437	-
-	-	651,027
<u>157,786</u>	<u>7,248,467</u>	<u>859,821</u>
26,207	344,329	165,715
98,269	1,356,909	470,303
-	2,502,565	-
-	2,104,263	-
689,154	7,293,618	-
57,500	57,500	-
128,362	128,362	-
<u>999,492</u>	<u>13,787,546</u>	<u>636,018</u>
<u>1,157,278</u>	<u>21,036,013</u>	<u>1,495,839</u>
625,740	81,923,079	4,876,351
(178,910)	14,894,243	10,216,568
<u>446,830</u>	<u>96,817,322</u>	<u>15,092,919</u>
	10,583,039	
	895,168	
	<u>108,295,529</u>	

City of Lexington, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Operating revenues:			
Charges for sales and services	\$ 48,347,174	\$ 8,301,897	\$ 11,599,902
Other operating	1,574,156	166,534	19,294
Total operating revenues	<u>49,921,330</u>	<u>8,468,431</u>	<u>11,619,196</u>
Operating expenses:			
Cost of sales and services	4,629,266	110,210	2,333,140
Purchases for resale	40,755,523	-	5,744,010
Water treatment	-	1,411,184	-
Waste collection and treatment	-	2,129,017	-
Water and wastewater construction	-	1,312,470	-
Premiums	-	-	-
Claims	-	-	-
Bad debt expense	231,431	52,502	19,103
Administration	1,661,288	1,157,531	1,265,368
Depreciation	922,514	1,225,251	573,748
Overhead capitalized	(325,243)	(19,342)	(583,488)
Total operating expenses	<u>47,874,779</u>	<u>7,378,823</u>	<u>9,351,881</u>
Operating income (loss)	<u>2,046,551</u>	<u>1,089,608</u>	<u>2,267,315</u>
Nonoperating revenues (expenses):			
Federal Build America Bond interest credit	-	11,315	32,059
Interest earned	19,060	11,507	8,390
Gain (loss) on sale of property	(48,761)	258	(11,726)
Interest expense	(170,698)	(173,547)	(206,595)
Total nonoperating revenues (expenses)	<u>(200,399)</u>	<u>(150,467)</u>	<u>(177,872)</u>
Income (loss) before transfers and capital contributions	1,846,152	939,141	2,089,443
Capital contributions	-	82,471	269,936
Transfers in	332,000	-	-
Transfers out	(1,492,750)	(450,000)	(1,027,425)
Transfers related to payments in lieu of taxes	(178,031)	(328,351)	(73,221)
Change in net position	507,371	243,261	1,258,733
Total net position, July 1	<u>35,770,860</u>	<u>39,343,776</u>	<u>19,246,491</u>
Total net position, June 30	<u>\$ 36,278,231</u>	<u>\$ 39,587,037</u>	<u>\$ 20,505,224</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 position - 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 Position
 Proprietary Funds
 For the fiscal year ended June 30, 2013

Golf	Total Enterprise Funds	Internal Service Funds
\$ 693,059	\$ 68,942,032	\$ 9,217,442
54	1,760,038	578,741
<u>693,113</u>	<u>70,702,070</u>	<u>9,796,183</u>
886,351	7,958,967	1,624,754
-	46,499,533	-
-	1,411,184	-
-	2,129,017	-
-	1,312,470	-
-	-	1,091,390
-	-	3,874,496
-	303,036	30,662
14,549	4,098,736	2,772,688
101,838	2,823,351	178,528
-	(928,073)	-
<u>1,002,738</u>	<u>65,608,221</u>	<u>9,572,518</u>
(309,625)	5,093,849	223,665
-	43,374	-
305	39,262	15,148
87,025	26,796	6,458
(36,312)	(587,152)	-
<u>51,018</u>	<u>(477,720)</u>	<u>21,606</u>
(258,607)	4,616,129	245,271
-	352,407	-
168,584	500,584	1,190,371
-	(2,970,175)	(772,251)
-	(579,603)	-
<u>(90,023)</u>	<u>1,919,342</u>	<u>663,391</u>
<u>536,853</u>		<u>14,429,528</u>
<u>\$ 446,830</u>		<u>\$ 15,092,919</u>
	547,862	
	32,515	
	<u>\$ 2,499,719</u>	

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Cash flows from operating activities:			
Cash received from customers	\$ 48,327,548	\$ 8,304,602	\$ 11,487,526
Cash payments for interfund services provided/used to/for other funds	(1,661,288)	(1,157,531)	(1,265,368)
Cash paid for goods and services	(44,160,137)	(2,575,735)	(6,925,744)
Cash paid to employees	(1,440,773)	(2,391,108)	(1,054,469)
Other operating income	1,574,156	166,534	19,294
Net cash provided (used) by operating activities	<u>2,639,506</u>	<u>2,346,762</u>	<u>2,261,239</u>
Cash flows from noncapital financing activities:			
Federal/State grant reimbursement	-	18,608	269,936
Advances from (to) other funds	-	-	(128,362)
Transfers in	332,000	-	-
Transfers out	(1,670,781)	(778,351)	(1,100,646)
Net cash provided (used) by noncapital financing activities	<u>(1,338,781)</u>	<u>(759,743)</u>	<u>(959,072)</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of property	21,051	20,072	3,898
Construction	(485,796)	(38,325)	(335,205)
Acquisition of capital assets	(26,847)	(332,520)	(11,523)
Federal Build America Bond interest credit	-	11,315	32,059
Principal payments - bonds	(160,130)	(429,701)	(243,210)
Principal payments - installment purchases	(381,954)	(372,102)	(223,526)
Interest paid	(170,698)	(173,547)	(206,595)
Net cash provided (used) by capital and related financing activities	<u>(1,204,374)</u>	<u>(1,314,808)</u>	<u>(984,102)</u>
Cash flows from investing activities:			
Interest earned on investments	19,060	11,507	8,390
Net cash provided (used) by investing activities	<u>19,060</u>	<u>11,507</u>	<u>8,390</u>
Net increase (decrease) in cash and cash equivalents	115,411	283,718	326,455
Cash and cash equivalents, July 1	<u>5,625,502</u>	<u>1,622,191</u>	<u>2,967,326</u>
Cash and cash equivalents, June 30	<u>\$ 5,740,913</u>	<u>\$ 1,905,909</u>	<u>\$ 3,293,781</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, 2013

Golf	Total Enterprise Funds	Internal Service Funds
\$ 685,547	\$ 68,805,223	\$ -
(14,549)	(4,098,736)	9,230,810
(485,360)	(54,146,976)	(7,294,311)
(386,135)	(5,272,485)	(2,155,025)
54	1,760,038	578,741
<u>(200,443)</u>	<u>7,047,064</u>	<u>360,215</u>
-	288,544	-
120,862	(7,500)	-
168,584	500,584	1,190,371
-	(3,549,778)	(772,251)
<u>289,446</u>	<u>(2,768,150)</u>	<u>418,120</u>
87,025	132,046	11,251
-	(859,326)	(512,535)
-	(370,890)	(179,171)
-	43,374	-
-	(833,041)	-
(132,273)	(1,109,855)	-
(36,312)	(587,152)	-
<u>(81,560)</u>	<u>(3,584,844)</u>	<u>(680,455)</u>
305	39,262	15,148
<u>305</u>	<u>39,262</u>	<u>15,148</u>
7,748	733,332	113,028
<u>128,169</u>	<u>10,343,188</u>	<u>11,294,590</u>
<u>\$ 135,917</u>	<u>\$ 11,076,520</u>	<u>\$ 11,407,618</u>

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 2,046,551	\$ 1,089,608	\$ 2,267,315
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities			
Depreciation	922,514	1,225,251	573,748
Overhead capitalized	(325,243)	(19,342)	(583,488)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(3,397)	3,435	(110,696)
(Increase) decrease in inventory	15,742	(132,118)	135,457
(Increase) decrease in prepaid expenses	-	-	2,521
Increase (decrease) in accounts payable	(72,295)	67,083	(70,782)
Increase (decrease) in customer deposits	(16,229)	(730)	(1,680)
Increase (decrease) in unpaid claims cost	-	-	-
Increase (decrease) in accrued other postemployment benefits liability	71,460	116,390	52,290
Increase (decrease) in accrued compensated absences liability	403	(2,815)	(3,446)
Total adjustments	592,955	1,257,154	(6,076)
Net cash provided (used) by operating activities	\$ 2,639,506	\$ 2,346,762	\$ 2,261,239
Summary of Noncash Activities:			
Capital assets contributed by Davidson County		\$ 63,863	

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, 2013

<u>Golf</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
\$ (309,625)	\$ 5,093,849	\$ 223,665
101,838	2,823,351	178,528
-	(928,073)	-
(9,162)	(119,820)	13,368
-	19,081	(10,369)
-	2,521	-
(3,895)	(79,889)	(24,162)
1,650	(16,989)	-
-	-	(133,613)
17,964	258,104	99,789
787	(5,071)	13,009
<u>109,182</u>	<u>1,953,215</u>	<u>136,550</u>
<u>\$ (200,443)</u>	<u>\$ 7,047,064</u>	<u>\$ 360,215</u>



City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

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 position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes,

City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

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:

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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.

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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

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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

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become due. Therefore, the City's vehicle taxes for vehicles registered in Davidson County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred inflows of resources. 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. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. The City Council adopted an annual budget for the General Fund, Controlled Substance Special Revenue Fund, Special Tax District Special Revenue Fund, 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 functional and fund 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 departments and functions; however, amendments are required for any revisions that alter the total expenditures of any function or fund, authorize the purchase of a capital item valued at \$20,000 or more not previously approved, authorize any addition to the City's fleet without a report to City Council, 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.

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E. Assets, Liabilities, Deferred Outflows/Inflows of Resources 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, 2013, 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, 2013, 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 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.

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In the Internal Service Funds, cash is restricted 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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2012. 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

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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. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources represent the consumption of net position that applies to the future period and so will not be recognized as an expense or expenditure until then. The City has no items that meet this criterion.

Deferred Inflows of Resources represents an acquisition of net position that applies to a future period and so it will not be recognized as revenue until then. The City has two items that meet this criterion, unavailable revenue taxes receivable and unavailable revenue accounts receivable. Taxes receivable appear in the General Fund and the Special Tax District Fund for property taxes billed. Accounts receivable appear in the General Fund for general billing items, such as; mowing fees, lien fees, cemetery plot fees, public safety, and demolition fees for blight properties.

9. Long-Term Obligations

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

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

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

10. Compensated Absences

The annual leave policy of the City provides for the accumulation of 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.

11. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent

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

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

Restricted for 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 and unspent matching funds related to the Assistance to Firefighters grant.

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.

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

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

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

Unassigned Fund Balance – This classification of fund balance has not been restricted, committed or assigned to specific purposes or other funds.

The 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.

12. 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.

13. 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.

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II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At June 30, 2013, the City of Lexington is in compliance with North Carolina General Statutes, legal, budgetary, and contractual agreements.

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, 2013, the City's deposits had a carrying amount of \$12,449,759 and a bank balance of \$12,898,277. Of the City's actual bank balance, \$1,250,000 was covered by federal depository insurance and the balance by collateral held under the Pooling Method. At June 30, 2013, the City's petty cash fund totaled \$7,050.

At June 30, 2013, Uptown Lexington, Inc. deposits had a carrying amount of \$71,983 and a bank balance of \$73,514. 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, 2013, Uptown Lexington's petty cash fund totaled \$50.

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2. Investments

At June 30, 2013, 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*	\$ 4,000,000	\$ -	\$ -	\$ 4,000,000
Commercial Paper*	8,988,947	8,988,947	-	-
Municipal Revenue Bonds*	350,000	-	-	350,000
NC Capital Management Trust - Cash Portfolio	1,238,530	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio**	4,259,979	4,259,979	-	-
Total	\$ 18,837,456	\$ 13,248,926	\$ -	\$ 4,350,000

* Because the difference between book value and fair value of investments is immaterial, the value of US Government Agencies commercial paper and municipal revenue bonds are presented as book value. As of June 30, 2013, book value exceeded fair value by \$3,381.

**Because the NC Capital Management Trust Term Portfolio had a duration of 0.3 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, 2013, 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, 2013. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The NC Capital Management Trust is a SEC registered money market mutual fund operating in accordance with Rule 2a-7 of the Investment Act of 1940. The City's investments in US Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank) are rated AAA by Standard and Poor's and Aaa by Moody's Investor Services. The City's investment in municipal revenue bonds are rated AA by Standard & Poor's and AA3 by Moody's Investor Services.

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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 Abbey National commercial paper at 6.39%, Dealers Capital commercial paper at 6.39%, Federal Farm Credit Bank securities at 6.39%, Societe Generale commercial paper at 6.38% and Natixis US Finance Company at 6.38%.

At June 30, 2013, Uptown Lexington, Inc. had \$63,642 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 Position are net of an allowance for doubtful accounts in the amount of \$921,126.

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

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4. Capital Assets
a. Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,753,816	\$ -	\$ -	\$ 1,753,816
Investment in joint venture - land	427,302	-	(1,051)	426,251
Construction in progress	7,621,671	835,554	(2,033,781)	6,423,444
Total capital assets not being depreciated	<u>\$ 9,802,789</u>	<u>\$ 835,554</u>	<u>\$ (2,034,832)</u>	<u>\$ 8,603,511</u>
Capital assets being depreciated:				
Buildings	\$ 12,979,387	\$ 1,433,781	\$ -	\$ 14,413,168
Other improvements	3,534,832	180,965	-	3,715,797
Machinery & equipment	9,096,694	540,107	(286,271)	9,350,530
Infrastructure	53,515,597	600,000	-	54,115,597
Intangibles	2,260,258	8,000	-	2,268,258
Total capital assets being depreciated	<u>\$ 81,386,768</u>	<u>\$ 2,762,853</u>	<u>\$ (286,271)</u>	<u>\$ 83,863,350</u>
Less accumulated depreciation for:				
Buildings	\$ 7,659,664	\$ 185,596	\$ -	\$ 7,845,260
Other improvements	1,753,989	156,995	-	1,910,984
Machinery & equipment	6,226,574	609,476	(252,664)	6,583,386
Infrastructure	30,969,243	1,010,298	-	31,979,541
Intangibles	819,514	157,493	-	977,007
Total accumulated depreciation	<u>\$ 47,428,984</u>	<u>\$ 2,119,858</u>	<u>\$ (252,664)</u>	<u>\$ 49,296,178</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	3,643,620	332,267	(47,924)	3,927,963
Intangibles	9,846	-	-	9,846
Total capital assets being depreciated	<u>\$ 4,045,348</u>	<u>\$ 332,267</u>	<u>\$ (47,924)</u>	<u>\$ 4,329,691</u>

City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Less accumulated depreciation for:				
Buildings	\$ 81,000	\$ -	\$ -	\$ 81,000
Other improvements	217,665	6,580	-	224,245
Machinery & equipment	2,907,584	290,561	(43,132)	3,155,013
Intangibles	7,932	242	-	8,174
Subtotal	3,214,181	297,383	(43,132)	3,468,432
Accumulated depreciation	50,643,165	2,417,241	(295,796)	52,764,610
Total capital assets being depreciated, net	34,788,951			35,428,431
Governmental activity capital assets, net	\$ 44,606,740			\$ 44,046,942

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

Governmental Activities

Depreciation Expense

General government	\$ 338,618
Public safety	383,806
Highways and streets	1,189,010
Sanitation	85,040
Cultural and recreation	123,065
Economic Development	319
Capital assets held by internal service funds	123,812
<i>Total depreciation expense</i>	\$ 2,243,670

Depreciation Related to Capital Transfers (Increases)

General Government	\$ -
Capital assets held by internal service funds	173,571
<i>Total depreciation transferred</i>	\$ 173,571

Grand Total Depreciation Increases	\$ 2,417,241
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City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 613,286	\$ -	\$ -	\$ 613,286
Construction in progress	505,630	485,796	-	991,426
Total capital assets not being depreciated	<u>\$ 1,118,916</u>	<u>\$ 485,796</u>	<u>\$ -</u>	<u>\$ 1,604,712</u>
Capital assets being depreciated:				
Buildings	\$ 210,000	\$ -	\$ -	\$ 210,000
Plant and distribution systems	56,550,745	325,243	(595,209)	56,280,779
Machinery & equipment	1,312,328	26,847	(102,911)	1,236,264
Total capital assets being depreciated	<u>\$ 58,073,073</u>	<u>\$ 352,090</u>	<u>\$ (698,120)</u>	<u>\$ 57,727,043</u>
Less accumulated depreciation for:				
Buildings	\$ 99,672	\$ 2,821	\$ -	\$ 102,493
Plant and distribution systems	25,514,048	869,941	(535,688)	25,848,301
Machinery & equipment	1,012,942	49,752	(92,620)	970,074
Total accumulated depreciation	<u>\$ 26,626,662</u>	<u>\$ 922,514</u>	<u>\$ (628,308)</u>	<u>\$ 26,920,868</u>
Total capital assets being depreciated, net	<u>31,446,411</u>			<u>30,806,175</u>
Electric Fund capital assets, net	<u>\$ 32,565,327</u>			<u>\$ 32,410,887</u>
Water and Wastewater Fund				
Capital assets not being depreciated:				
Land	\$ 849,390	\$ -	\$ -	\$ 849,390
Construction in progress	1,294,997	38,325	(600,923)	732,399
Total capital assets not being depreciated	<u>\$ 2,144,387</u>	<u>\$ 38,325</u>	<u>\$ (600,923)</u>	<u>\$ 1,581,789</u>
Capital assets being depreciated:				
Buildings	\$ 251,000	\$ 600,923	\$ -	\$ 851,923
Plant and distribution systems	70,437,556	83,205	(108,201)	70,412,560
Machinery & equipment	911,108	332,520	(89,946)	1,153,682
Total capital assets being depreciated	<u>\$ 71,599,664</u>	<u>\$ 1,016,648</u>	<u>\$ (198,147)</u>	<u>\$ 72,418,165</u>
Less accumulated depreciation for:				
Buildings	\$ 225,900	\$ 10,816	\$ -	\$ 236,716
Plant and distribution systems	30,351,568	1,138,393	(97,381)	31,392,580
Machinery & equipment	690,401	76,042	(80,951)	685,492
Total accumulated depreciation	<u>\$ 31,267,869</u>	<u>\$ 1,225,251</u>	<u>\$ (178,332)</u>	<u>\$ 32,314,788</u>
Total capital assets being depreciated, net	<u>40,331,795</u>			<u>40,103,377</u>
Water and Wastewater Fund capital assets, net	<u>\$ 42,476,182</u>			<u>\$ 41,685,166</u>

City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Natural Gas Fund				
Capital assets not being depreciated:				
Land	\$ 303,049	\$ -	\$ -	\$ 303,049
Construction in progress	1,799,886	335,205	(1,749,503)	385,588
Total capital assets not being depreciated	<u>\$ 2,102,935</u>	<u>\$ 335,205</u>	<u>\$ (1,749,503)</u>	<u>\$ 688,637</u>
Capital assets being depreciated:				
Buildings	\$ 495,759	\$ 1,749,503	\$ -	\$ 2,245,262
Plant and distribution systems	26,769,517	583,487	(156,243)	27,196,761
Machinery & equipment	287,256	11,523	-	298,779
Total capital assets being depreciated	<u>\$ 27,552,532</u>	<u>\$ 2,344,513</u>	<u>\$ (156,243)</u>	<u>\$ 29,740,802</u>
Less accumulated depreciation for:				
Buildings	\$ 324,077	\$ 41,810	\$ -	\$ 365,887
Plant and distribution systems	9,218,959	503,129	(140,619)	9,581,469
Machinery & equipment	197,777	28,809	-	226,586
Total accumulated depreciation	<u>\$ 9,740,813</u>	<u>\$ 573,748</u>	<u>\$ (140,619)</u>	<u>\$ 10,173,942</u>
Total capital assets being depreciated, net	<u>17,811,719</u>			<u>19,566,860</u>
Natural Gas Fund capital assets, net	<u>\$ 19,914,654</u>			<u>\$ 20,255,497</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	169,736	-	-	169,736
Total capital assets being depreciated	<u>\$ 2,359,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,359,955</u>
Less accumulated depreciation for:				
Buildings	\$ 36,855	\$ 810	\$ -	\$ 37,665
Other improvements	674,000	95,591	-	769,591
Machinery & equipment	135,588	5,437	-	141,025
Total accumulated depreciation	<u>\$ 846,443</u>	<u>\$ 101,838</u>	<u>\$ -</u>	<u>\$ 948,281</u>
Total capital assets being depreciated, net	<u>1,513,512</u>			<u>1,411,674</u>
Golf Fund capital assets, net	<u>\$ 1,554,240</u>			<u>\$ 1,452,402</u>

City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Internal Service Funds				
Capital assets not being depreciated:				
Land	\$ 245,430	\$ -	\$ -	\$ 245,430
Construction in progress	2,534,299	512,535	-	3,046,834
Total capital assets not being depreciated	<u>\$ 2,779,729</u>	<u>\$ 512,535</u>	<u>\$ -</u>	<u>\$ 3,292,264</u>
Capital assets being depreciated:				
Buildings	\$ 1,083,423	\$ -	\$ -	\$ 1,083,423
Machinery & equipment	356,020	-	-	356,020
Intangibles	1,428,288	20,475	-	1,448,763
Total capital assets being depreciated	<u>\$ 2,867,731</u>	<u>\$ 20,475</u>	<u>\$ -</u>	<u>\$ 2,888,206</u>
Less accumulated depreciation for:				
Buildings	\$ 559,875	\$ 36,301	\$ -	\$ 596,176
Machinery & equipment	308,904	7,920	-	316,824
Intangibles	1,256,883	10,495	-	1,267,378
Total accumulated depreciation	<u>\$ 2,125,662</u>	<u>\$ 54,716</u>	<u>\$ -</u>	<u>\$ 2,180,378</u>
Total capital assets being depreciated, net	<u>742,069</u>			<u>707,828</u>
Internal Service Funds capital assets, net	<u>\$ 3,521,798</u>			<u>\$ 4,000,092</u>
Business-type activities capital assets, net	<u>\$ 100,032,201</u>			<u>\$ 99,804,044</u>

City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

b. Construction Commitments

The government has active construction projects as of June 30, 2013. 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	\$ 1,466,000	\$ -
Public Safety Grants Fund		
GHSP - Traffic Safety Initiative #11 - Year 3	\$ 52,515	\$ 969
Office of Justice - 2011 Justice Assistance	14,298	-
FEMA - Assistance to Firefighters #4	-	155,871
Total Public Safety Grants Fund	\$ 66,813	\$ 156,840
Economic Stimulus Grants Fund		
Neighborhood Stabilization Program	\$ 2,541,151	\$ 1
ARRA - COPS - Hiring Recovery	142,517	2,488
Total Economic Stimulus Grants Fund	\$ 2,683,668	\$ 2,489
General Capital Projects Fund		
Industrial Park	\$ 4,883,060	\$ 166,410
Industrial Park - Moran Foods, Inc. Water Project grants	630,000	-
Tiger II - Multi-Modal Transportation Station Area Plan	596,755	103,245
Lexington Furniture Industries, Inc. Plant #1	1,251,763	255,575
Street/Sanitation Equipment Sheds	492,689	1
Erlanger/Green Needles Parks ER grant	420,249	225,231
Total General Capital Projects Fund	\$ 8,274,516	\$ 750,462

City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

	Spent To Date	Remaining Commitments

Enterprise Funds:		
Electric Fund		
System improvements	\$ 1,136,047	\$ 255,349
Total Electric Fund	\$ 1,136,047	\$ 255,349
Water and Wastewater Fund		
Line extensions	\$ 23,608	\$ 298,392
Plant improvements	708,791	(1)
Total Water and Wastewater Fund	\$ 732,399	\$ 298,391
Natural Gas Fund		
Line extensions	\$ 352,707	\$ 22,293
Training Qualification Center	32,881	7,119
Total Natural Gas Fund	\$ 385,588	\$ 29,412
Utility Administration Fund		
Automated Meter Reading	\$ 3,046,835	\$ 227,138
Total Utility Administration Fund	\$ 3,046,835	\$ 227,138

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 employees not engaged in law enforcement and for law enforcement officers is 6.74%

City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

and 6.77%, 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, 2013, 2012, and 2011 were \$944,997, \$952,245, and \$888,265, 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, 2012, 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>62</u>
Total	<u><u>72</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 General Assembly. There were no contributions made by employees.

City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

The annual required contribution for the current year was determined as part of the December 31, 2011 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.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 156,736
Interest on net pension obligation	25,898
Adjustment to annual required contribution	<u>(32,234)</u>
Annual pension cost	150,400
Employer contributions made for fiscal year ended 6/30/2013	<u>152,960</u>
Increase (decrease) in net pension obligation	(2,560)
Net pension obligation beginning of fiscal year	<u>517,967</u>
Net pension obligation end of fiscal year	<u><u>\$ 515,407</u></u>

3-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	156,674	79.92%	510,998
6/30/12	140,469	95.04%	517,967
6/30/13	150,400	101.70%	515,407

Funded Status and Funding Progress

As of December 31, 2012, 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 \$1,454,977. The covered payroll (annual payroll of active employees covered by the plan) was \$2,554,558, and the ratio of the UAAL to the covered payroll was 56.96 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
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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, 2013 were \$177,779, which consisted of \$137,794 from the City and \$39,985 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, 2013. General employees may continue to make voluntary contributions to the Plan. Contributions for the year ended June 30, 2013 consisted of \$239,632 from the general employees.

City of Lexington, North Carolina
Notes to the Basic Financial Statements
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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, 2013, the City of Lexington has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$14,022 for the thirty-eight 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 \$100,000, and an aggregate stop loss of 125% of expected net claims. The retiree may purchase dependent healthcare coverage at the City's group rates which are adjusted periodically. The City Council may amend the benefit provisions at its discretion. A separate report was not issued for the HCB Plan.

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

	Law		
	General	Enforcement	Firefighters
	Employees	Officers	
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 \$1,963,670 for this purpose in the Group Insurance Fund for fiscal year ended June 30, 2013, 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 \$839,937 or 6.07% of annual covered payroll. The City is self-insured as described in more detail on pages 77 through 78 of the notes to the financial statements. Employees contributed \$10 bi-weekly for individual coverage and a total of \$594,176 during the fiscal year for employee and dependent coverage. Retirees contributed \$136,674 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, \$1,963,670 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

City of Lexington, North Carolina
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June 30, 2013

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 dependents totaled \$839,937, which resulted in a net OPEB obligation of \$4,837,364 for the year ended June 30, 2013.

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)	\$1,788,759
Interest on net OPEB obligation	154,692
Adjustment to ARC	<u>(133,460)</u>
Annual OPEB cost (pay-as-you-go expense)	1,809,991
Contributions made	<u>(839,937)</u>
Increase/(decrease) in net OPEB obligation	970,054
Net OPEB obligation, beginning of year	<u>3,867,310</u>
Net OPEB obligation, end of year	<u><u>\$4,837,364</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2012 and 2013 were as follows:

For Year Ended June 30	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,694,804	46.8%	\$2,822,193
2012	\$ 1,767,617	40.9%	\$3,867,310
2013	\$ 1,809,991	46.4%	\$4,837,364

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

City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

supplementary information following the notes to the financial statements, presents multiyear trend information as accumulated annually about whether the actuarial 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 110 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.

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g. Other Employment Benefit

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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, 2013, the State temporarily stopped the City's employer contributions to the Death Benefit Plan due to a surplus.

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. The cost of benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

2. Deferred Outflows and Inflows of Resources

The balance of deferred inflows of resources in the various funds at fiscal year ended June 30, 2013 is composed of the following elements:

	Unavailable Revenue	Unearned Revenue
Taxes Receivable - net (General Fund)	\$ 798,308	\$ -
Taxes Receivable - net (Special Revenue Fund)	11,908	-
Intergovernmental Receivables (General Fund)	574,236	-
Miscellaneous Receivables (General Fund)	46,661	-
Total	\$1,431,113	\$ -

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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

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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:

	<u>2013</u>	<u>2012</u>
Unpaid claims, 7/1	\$ 332,380	\$ 133,929
Incurred claims	122,539	1,057,043
Claim payments	<u>(245,484)</u>	<u>(858,592)</u>
Unpaid claims, 6/30	<u>\$ 209,435</u>	<u>\$ 332,380</u>

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 93 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 \$100,000 per covered employee/retiree/dependent. Aggregate stop-loss is 125% of expected net claims. The third party administrator performs such claims studies needed to

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

The Group Insurance Fund pays for all costs associated with claims, cost of the insurance coverage, and third party administrative charges. These costs are funded by 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, 2013, The City's Medical Expense Reimbursement Plan (MERP) was terminated. Enacted April 1, 2008, the plan was originally 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 on these individuals.

Based on the authority of Section 105 of the Employee Retirement Income Security Act (ERISA), the MERP satisfied the definitions as a Health Reimbursement Account and was 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.

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:

	<u>2013</u>	<u>2012</u>
Unpaid claims, 7/1	\$ 452,260	\$ 354,208
Incurred claims	3,618,344	3,316,046
Claim payments	<u>(3,629,012)</u>	<u>(3,217,994)</u>
Unpaid claims, 6/30	<u>\$ 441,592</u>	<u>\$ 452,260</u>

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5. Claims, Judgments and Contingent Liabilities

At June 30, 2013, 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 \$1,897,773 as of June 30, 2013, 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 \$1,740,341 as of June 30, 2013, 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 \$170,000 as of June 30, 2013, 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 \$2,729,754 as of June 30, 2013, to be paid in full December 2022.

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 \$541,185 as of June 30, 2013, 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 Recycling & Waste Collection 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 \$3,545,138 as of June 30, 2013 to be paid in full April 2025.

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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 \$332,302 as of June 30, 2013, to be paid in full February 2018.

The future minimum payments of the installment purchases as of June 30, 2013, including \$1,974,632 of interest, net of 35% federal credit, are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 298,929	\$ 89,941	\$ 1,147,322	\$ 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	299,154	50,495	1,180,419	142,074
2019-2023	757,277	143,621	2,437,161	310,347
2024-2025	322,269	16,102	390,116	19,493
Present value of the minimum installment purchase payments	<u>\$ 2,515,553</u>		<u>\$ 8,440,940</u>	
Total interest payments		<u>\$ 511,183</u>		<u>\$ 1,463,449</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 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.

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Bonds payable at June 30, 2013 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 \$204,458 to \$146,775 through 06/01/16; interest rate of 2.30%	\$ 551,893
Serviced by the Electric Fund:	
1/19/11 Electric Refunding bonds, Series 2011, \$1,312,729, due in annual payments of \$157,438 to \$67,945 through 06/01/19; interest rate of 2.30%	826,955
Serviced by the Water and Wastewater Fund:	
1/19/11 Sanitary Sewer Refunding bonds, Series 2011, \$3,557,240, due in annual payments of \$422,104 to \$232,055 through 06/01/19; interest rate of 2.30%	<u>2,255,152</u>
Total general obligation bonds	<u><u>\$ 3,634,000</u></u>

At June 30, 2013, the City of Lexington had no bonds authorized but unissued and a legal debt margin of \$106,273,934.

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

Fiscal Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 204,458	\$ 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	-	-	532,000	19,136
2019	-	-	300,000	6,900
Total	<u>\$ 551,893</u>	<u>\$ 24,061</u>	<u>\$ 3,082,107</u>	<u>\$ 230,549</u>

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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, 2013 is \$2,357,826.

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

Fiscal Year Ending	Principal	Interest
June 30		
2014	\$ 253,563	\$ 97,472
2015	264,355	86,792
2016	275,606	75,656
2017	287,337	64,047
2018	299,567	51,944
2019-2022	977,398	78,855
Total	\$ 2,357,826	\$ 454,766

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, 2013 is as follows:

	2013
Operating revenues	\$11,619,196
Operating expenses*	8,778,133
Operating income	2,841,063
Nonoperating revenues (expenses)**	(70,156)
Income available for debt service	2,770,907
Debt service, principal and interest paid (Revenue bond only)	\$ 350,926
Debt service coverage ratio	790%

*Per rate covenants, this does not include the depreciation expense of \$573,748.

**Per rate covenants, this does not include revenue bond interest paid of \$107,716.

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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 13% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,812,592. Principal and interest paid for the current year and total customer net revenues were \$350,926 and \$2,770,907, 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 \$140,000 liability recorded in the statement of net position is based on the estimated annual cost to complete periodic monitoring required by N.C. Department of Environment, Health and Natural Resources Division of Solid Waste Management, Solid Waste Section, for the next 7 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 \$791,775 liability recorded in the statement of net position is based on two long term grant agreements; whereas, United Furniture Industries and Save-A-Lot Ltd. are fulfilling the contractual obligations.

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 the lease agreement 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 when the company submits documentation fulfilling the terms of the economic development agreement, with 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

City of Lexington, North Carolina
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the form of an economic development grant with the final payment anticipated in 2023.

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, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 2,847,566	\$ -	\$ 332,013	\$ 2,515,553	\$ 298,929
General obligation bonds	760,063	-	208,170	551,893	204,458
Other postemployment benefits	2,514,796	642,130	-	3,156,926	-
Compensated absences	933,042	599,326	610,381	921,987	610,000
Net pension obligation	517,967	150,400	152,960	515,407	-
Solid waste landfill	160,000	-	20,000	140,000	20,000
Economic development grants	873,217	-	81,442	791,775	78,608
Governmental activity long-term liabilities	<u>\$ 8,606,651</u>	<u>\$ 1,391,856</u>	<u>\$ 1,404,966</u>	<u>\$ 8,593,541</u>	<u>\$ 1,211,995</u>

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Business-type activities:	Balance			Balance		Current Portion
	July 1, 2012	Increases	Decreases	June 30, 2013	of Balance	
<u>Electric Fund</u>						
Installment purchases	\$ 4,025,388	\$ -	\$ 381,954	\$ 3,643,434	\$ 396,569	
General obligation bonds	987,085	-	160,130	826,955	157,438	
Other postemployment benefits	327,133	71,460	-	398,593	-	
Compensated absences	94,532	87,708	87,305	94,935	87,000	
Electric Fund long-term liabilities	5,434,138	159,168	629,389	4,963,917	641,007	
<u>Water and Wastewater Fund</u>						
Installment purchases	2,776,323	-	372,102	2,404,221	386,048	
General obligation bonds	2,684,853	-	429,701	2,255,152	422,104	
Other postemployment benefits	463,458	116,390	-	579,848	-	
Compensated absences	148,399	121,689	124,504	145,584	124,000	
Water and Wastewater Fund long-term liabilities	6,073,033	238,079	926,307	5,384,805	932,152	
<u>Natural Gas Fund</u>						
Installment purchases	1,790,149	-	223,526	1,566,623	227,197	
Revenue bonds	2,601,036	-	243,210	2,357,826	253,563	
Other postemployment benefits	227,909	52,290	-	280,199	-	
Compensated absences	81,049	53,499	56,945	77,603	57,000	
Natural Gas Fund long-term liabilities	4,700,143	105,789	523,681	4,282,251	537,760	
<u>Golf Fund</u>						
Installment purchases	958,935	-	132,273	826,662	137,508	
Other postemployment benefits	80,305	17,964	-	98,269	-	
Compensated absences	25,420	16,459	15,672	26,207	16,000	
Golf Fund long-term liabilities	1,064,660	34,423	147,945	951,138	153,508	
<u>Utility Administration Fund</u>						
Other postemployment benefits	253,709	69,820	-	323,529	-	
Compensated absences	113,058	84,958	74,533	123,483	75,000	
Utility Administration Fund long-term liabilities	366,767	154,778	74,533	447,012	75,000	
Business activity long-term liabilities	\$ 17,638,741	\$ 692,237	\$ 2,301,855	\$ 16,029,123	\$ 2,339,427	

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C. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2013 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	Economic Stimulus Grants Fund	696
Total		<u>\$ 33,786</u>

As of June 30, 2013, balances were due from the Community Development 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 and partner agency funding, which will be reversed effective July 1, 2013.

2. Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Fund	\$ 57,500
Natural Gas Fund	Golf Fund	128,362
Total		<u>\$ 185,862</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. The Natural Gas Fund provided an advance to the Golf Fund for an internal financing of golf carts on June 20, 2013. The repayment between the funds is based on a three year amortization schedule with semi-annual payments at an interest rate of 1.14%. For fiscal year 2012-2013, a payment of \$26,113 was made to the Natural Gas Fund from the Golf Fund for this interfund liability.

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3. Transfers to/from other funds at 6/30/13 consist of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	General Capital Projects Fund	\$ 79
General Fund	Electric Fund	1,503,031
General Fund	Water and Wastewater Fund	328,351
General Fund	Natural Gas Fund	950,646
General Fund	Group Insurance Fund	17,630
Public Safety Grants Fund	General Fund	15,587
Public Safety Grants Fund	Controlled Substance Tax Distribution Fund	7,691 *
Economic Stimulus Grants Fund	General Fund	39,400
Electric Fund	Capital Reserve Fund	250,000
Electric Fund	Rate Stabilization	82,000
Golf Fund	General Fund	168,584
Garage Fund	Capital Reserve Fund	158,828
Utility Administration Fund	Electric Fund	167,750
Utility Administration Fund	Water and Wastewater Fund	225,000
Utility Administration Fund	Natural Gas Fund	150,000
Capital Reserve Fund	Water and Wastewater Fund	225,000
Capital Reserve Fund	Garage Fund	263,793
Total		<u>\$ 4,553,370</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 \$178,031, \$328,351, and \$73,221, respectively. The Electric and Natural Gas Funds also made transfers in the amounts of \$1,325,000 and \$877,425 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 \$7,691. This was an intrafund transfer since both funds are included under the Other Governmental Funds. The General Fund also made a matching funds transfer to the Public Safety Grants Fund in the amount of \$15,587.

City of Lexington, North Carolina
Notes to the Basic Financial Statements
June 30, 2013

The General Capital Projects Fund made a transfer to the General Fund in the amount of \$79 for the remaining balance from closing the Street/Recycling & Waste Collection Equipment Sheds project.

The General Fund received a transfer from the Group Insurance Fund in the amount of \$17,630 to help cover cost associated with the City of Lexington Wellness Plan.

The Electric Fund received a transfer from the Rate Stabilization Fund in the amount of \$82,000 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 \$250,000 to fund a capital project.

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 \$158,828 to purchase vehicles and 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, \$225,000 and \$150,000, respectively.

The Capital Reserve Fund received transfers from the Water and Wastewater and Garage Funds for future capital needs in the amounts of \$225,000 and \$263,793, respectively

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the City of Lexington has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$14,022 for the thirty-eight 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 \$11,111 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, 2013. 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, 2013

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	\$ 8,158,879
Less:	
Long-term Advance	57,500
Inventory	1,314
Stabilization by State Statute	1,030,399
General Government	10,000
Appropriated Fund Balance in 2014 budget	975,954
Committed: General Government	15,105
Remaining Fund Balance	6,068,607

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	\$ 158,764
Non-Major Funds	\$ 15,717

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, 2013 were \$40,755,523. 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, 2013

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, 2013, 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 \$26,897 and \$36,218 for the fiscal years ended June 30, 2012 and 2013, 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, 2013 was \$426,251, which is shown in the government-wide financial statements. There is no distribution of net income; net position 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, 2013. 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 7 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, 2013

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, 2013, the City collected and distributed the special district property tax to Uptown Lexington, Inc. totaling \$93,809. Uptown Lexington, Inc. also received grant funding from the City, in the amount of \$40,500, 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.

IX. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement 65, *Items Previously reported as Assets and Liabilities* in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that receivables, which were previously deferred, be presented as deferred inflows of resources.

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)
12/31/12	-	\$ 1,454,977	\$ 1,454,977	-	\$ 2,554,558	56.96%
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%

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
2013	\$ 156,736	97.59%
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%

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 closed
Remaining amortization period	19 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
2013	\$ 1,788,759	47.0%
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, 2013</u>		<u>June 30, 2012</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>
Ad valorem taxes	\$ 8,925,727	46%	\$ 7,984,145	42%
Other taxes and licenses	264,915	1%	264,890	1%
Unrestricted intergovernmental	5,268,973	27%	5,153,753	27%
Restricted intergovernmental	731,137	4%	700,555	4%
Permits and fees	183,454	1%	165,203	1%
Sales and services	947,921	5%	941,661	5%
Interest earned	19,793	0%	31,332	0%
Miscellaneous	221,817	1%	154,365	1%
Other financing sources	2,799,737	15%	3,492,695	19%
Total revenues	<u>\$ 19,363,474</u>	<u>100%</u>	<u>\$ 18,888,599</u>	<u>100%</u>

EXPENDITURES BY FUNCTION

General government	\$ 3,927,746	21%	\$ 3,615,850	19%
Public safety	8,825,542	47%	8,876,459	47%
Highways and streets	1,904,926	10%	2,134,439	12%
Sanitation	1,722,243	9%	1,690,560	9%
Culture and recreation	1,434,744	7%	1,373,091	7%
Economic and physical development	124,954	1%	87,134	1%
Debt service	693,971	4%	748,203	4%
Other financing uses	223,571	1%	230,809	1%
Total expenditures	<u>\$ 18,857,697</u>	<u>100%</u>	<u>\$ 18,756,545</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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Revenues:		
Ad valorem taxes:		
Current year		\$ 8,442,152
Prior year		462,992
Discounts and refunds		(70,265)
Penalties and interest		90,848
Total	\$ 8,557,564	8,925,727
Other taxes and licenses:		
Motel occupancy tax		264,663
Cable TV franchise tax		252
Total	258,730	264,915
Unrestricted intergovernmental:		
Federal Build America Bond interest credit		35,830
Utility franchise tax		1,430,901
Piped natural gas tax		1,601
Telecommunications tax		283,274
Cable TV franchise tax		143,785
Payments in lieu of taxes		8,154
Beer and wine tax		75,937
Local option sales tax		3,083,691
ABC revenues		205,800
Total	5,022,377	5,268,973
Restricted intergovernmental:		
ABC recreation		44,100
ABC law enforcement		10,785
Solid waste disposal tax		10,594
Solid waste reduction/recycling outreach		12,600
Powell Bill allocation		586,466
Davidson County regional grant		4,000
On-behalf of payments - fire		25,133
Public safety		37,459
NCDOT reimbursement		-
Total	721,374	731,137
Permits and fees:		
Inspection fees and permits		183,454
Total	176,000	183,454

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, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	\$ 7,718,774
	266,090
	(63,804)
	63,085
\$ 368,163	7,984,145
	264,569
	321
6,185	264,890
	37,955
	1,343,834
	1,628
	286,724
	157,097
	7,552
	82,326
	3,050,437
	186,200
246,596	5,153,753
	39,900
	9,028
	12,974
	-
	577,473
	-
	28,729
	24,101
	8,350
9,763	700,555
	165,203
7,454	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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Sales and services:		
Property rental		5,951
Court cost and parking fees		16,259
Fire safety violation penalty		175
Cemetery fees		74,400
Mowing and towing fees		29,450
Demolition fees		1,576
Recreation fees		17,463
Waste collection fees		802,647
Total	942,320	947,921
Interest earned	30,000	19,793
Miscellaneous:		
Reimbursement of costs		164,367
Sale of property		33,406
Donations		23,934
Other		110
Total	192,779	221,817
Total revenues	15,901,144	16,563,737

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, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	5,700
	15,599
	-
	54,850
	24,235
	1,160
	27,471
	812,646
5,601	941,661
(10,207)	31,332
	108,707
	22,419
	22,996
	243
29,038	154,365
662,593	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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Expenditures:		
General government:		
Governing board:		
Salaries and employee benefits		130,160
Operating expenses		40,237
Cost redistribution		(144,821)
Total governing board	29,978	25,576
Administrative - city manager:		
Salaries and employee benefits		466,621
Operating expenses		51,846
Cost redistribution		(251,951)
Total administrative - city manager	270,692	266,516
Administrative - other:		
Retiree benefits		528,046
Operating expenses		628,668
Administrative charges risk management fund		546,420
Administrative charges utility administration fund		202,065
Grants to other agencies		286,827
Contribution to LTA - occupancy tax		257,401
Cost redistribution		(134,069)
Total administrative - other	2,380,948	2,315,358
Finance:		
Salaries and employee benefits		684,462
Operating expenses		39,269
Cost redistribution		(377,840)
Total finance	356,456	345,891

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, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	121,841
	11,242
	(114,108)
4,402	18,975
	449,314
	30,989
	(263,169)
4,176	217,134
	536,102
	613,924
	442,802
	200,713
	305,984
	256,632
	(142,105)
65,590	2,214,052
	679,348
	33,992
	(386,018)
10,565	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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Legal:		
Operating expenses		32,602
Cost redistribution		(11,100)
Total legal	21,960	21,502
Human resources:		
Salaries and employee benefits		156,221
Operating expenses		59,579
Cost redistribution		(101,817)
Total human resources	124,921	113,983
Information technologies:		
Salaries and employee benefits		288,706
Operating expenses		446,251
Capital outlay		159,921
Cost redistribution		(347,140)
Total information technologies	595,198	547,738
Public buildings:		
Salaries and employee benefits		221,431
Operating expenses		153,459
Cost redistribution		(83,708)
Total public buildings	314,417	291,182
Total general government	4,094,570	3,927,746

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, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	26,870
	(10,080)
458	16,790
	134,469
	49,277
	(92,238)
10,938	91,508
	195,290
	464,865
	95,395
	(302,503)
47,460	453,047
	213,775
	159,299
	(96,052)
23,235	277,022
166,824	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, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Public safety:		
Police:		
Salaries and employee benefits		4,542,515
Operating expenses		463,655
Capital outlay		-
Cost redistribution		(46,486)
Total police	5,036,617	4,959,684
Fire:		
Salaries and employee benefits		2,757,068
Operating expenses		385,741
Capital outlay		79,491
Total fire	3,352,398	3,222,300
Business and community development:		
Salaries and employee benefits		495,267
Operating expenses		140,291
Capital outlay		8,000
Total business and community development	701,428	643,558
Total public safety	9,090,443	8,825,542
Highways and streets:		
Engineering:		
Salaries and employee benefits		320,867
Operating expenses		81,226
Cost redistribution		(203,652)
Total engineering	236,975	198,441
Street:		
Salaries and employee benefits		734,334
Operating expenses		1,133,314
Cost redistribution		(161,163)
Total street	1,790,029	1,706,485
Total highways and streets	2,027,004	1,904,926

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, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	4,539,791
	262,291
	20,594
	(46,700)
76,933	4,775,976
	2,658,826
	360,479
	505,952
130,098	3,525,257
	475,045
	100,181
	-
57,870	575,226
264,901	8,876,459
	314,760
	79,933
	(213,999)
38,534	180,694
	751,362
	1,432,753
	(230,370)
83,544	1,953,745
122,078	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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Sanitation:		
Recycling and waste collection services:		
Salaries and employee benefits		851,459
Operating expenses		579,778
Tipping fees - landfill		254,524
Capital outlay		36,482
Total sanitation	1,842,030	1,722,243
Culture and recreation:		
Recreation:		
Salaries and employee benefits		449,886
Operating expenses		243,203
Capital outlay		63,887
Total recreation	816,702	756,976
Public grounds:		
Salaries and employee benefits		520,971
Operating expenses		180,345
Capital outlay		13,118
Cost redistribution		(36,666)
Total public grounds	705,860	677,768
Total culture and recreation	1,522,562	1,434,744
Economic and physical development:		
Operating expenses		95,156
Capital outlay		29,798
Total economic and physical development	145,609	124,954
Debt service:		
Principal retirement		540,183
Interest fees		153,788
Total debt service	693,977	693,971
Total expenditures	19,416,195	18,634,126

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, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	855,561
	573,569
	261,430
	-
119,787	1,690,560
	449,622
	209,435
	64,511
59,726	723,568
	519,827
	192,321
	13,480
	(76,105)
28,092	649,523
87,818	1,373,091
	87,134
	-
20,655	87,134
	580,635
	167,568
6	748,203
782,069	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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Revenue over (under) expenditures	(3,515,051)	(2,070,389)
Other financing sources (uses):		
Installment purchase debt issued	-	-
Transfers from (to):		
From general capital projects fund	79	79
From electric fund	1,325,000	1,325,000
From natural gas fund	877,425	877,425
From group insurance fund	24,016	17,630
Transfers related to payment in lieu of taxes	579,603	579,603
To public safety grants fund	(15,587)	(15,587)
To economic stimulus grants fund	(39,400)	(39,400)
To general capital projects fund	-	-
To golf fund	(168,584)	(168,584)
Fund balance appropriated	932,499	-
Total other financing sources (uses)	3,515,051	2,576,166
Net change in fund balance	\$ -	505,777
Fund balance, July 1		7,654,384
Increase (decrease) in central purchasing inventory		(1,282)
Fund balance, June 30		\$ 8,158,879

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, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
1,444,662	(3,129,832)
-	460,402
-	319,107
-	1,350,000
-	832,602
(6,386)	-
-	530,584
-	-
-	(39,400)
-	(22,825)
-	(168,584)
(932,499)	-
(938,885)	3,261,886
\$ 505,777	132,054
	7,521,715
	615
	\$ 7,654,384





City of Lexington, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	Special Revenue	Capital Projects
Assets		
Cash and cash equivalents	\$ 926,342	\$ 289,615
Receivables (net of allowance for uncollectibles):		
Property taxes	11,908	-
Intergovernmental	11,627	156,482
Interest	555	84
Restricted assets:		
Acquisition of assets	-	-
Total assets	950,432	446,181
Liabilities, deferred inflows and fund balances		
Liabilities:		
Accounts payable and accrued liabilities	19,040	2,085
Retainage payable	-	13,435
Due to other funds:		
General fund	33,786	-
Due to component unit	159	-
Total liabilities	52,985	15,520
Deferred inflows of resources	11,908	-
Fund balances:		
Spendable:		
Restricted:		
Stabilization by state statute	26,145	-
Public safety	844,484	-
Highways and streets	-	-
Economic and physical development	-	170,125
Urban redevelopment	48,000	-
Committed:		
Highways and streets	-	-
Economic and physical development	-	273,971
Unassigned	(33,090)	(13,435)
Total fund balances	885,539	430,661
Total liabilities, deferred inflows and fund balances	\$ 950,432	\$ 446,181

City of Lexington, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

Total Nonmajor Governmental Funds			
2013	2012		
\$ 1,215,957	\$ 1,412,962		
11,908	9,904		
168,109	435,346		
639	655		
-	140,140		
1,396,613	1,999,007		
21,125	66,871		
13,435	-		
33,786	330,450		
159	337		
68,505	397,658		
11,908	9,904		
26,145	100,569		
844,484	908,585		
-	140,140		
170,125	169,781		
48,000	48,000		
-	22,825		
273,971	234,635		
(46,525)	(33,090)		
1,316,200	1,591,445		
\$ 1,396,613	\$ 1,999,007		

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, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	Special Revenue	Capital Projects
Revenues:		
Special ad valorem tax	\$ 93,791	\$ -
Restricted intergovernmental	595,071	746,281
Sales and services	-	91,425
Interest earned	2,110	454
Miscellaneous	10,054	1,690
Total revenues	701,026	839,850
Expenditures:		
Public safety	727,653	-
Highways and streets	-	162,996
Culture and recreation	-	305,197
Economic and physical development	166,885	508,298
Total expenditures	894,538	976,491
Revenues over (under) expenditures	(193,512)	(136,641)
Other financing sources (uses):		
Transfers from (to):		
From general fund	54,987	-
From controlled substance fund	-	-
To general fund	-	(79)
To public safety grants fund	-	-
To water and wastewater fund	-	-
Total other financing sources (uses)	54,987	(79)
Net change in fund balances	(138,525)	(136,720)
Beginning fund balances, July 1	1,024,064	567,381
Ending fund balances, June 30	\$ 885,539	\$ 430,661

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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

Total Nonmajor Governmental Funds	
2013	2012
\$ 93,791	\$ 99,678
1,341,352	2,517,005
91,425	88,458
2,564	6,495
11,744	129,755
1,540,876	2,841,391
727,653	1,687,449
162,996	-
305,197	115,052
675,183	2,273,081
1,871,029	4,075,582
(330,153)	(1,234,191)
54,987	62,225
-	22,297
(79)	(319,107)
-	(22,297)
-	(1,053)
54,908	(257,935)
(275,245)	(1,492,126)
1,591,445	3,083,571
\$ 1,316,200	\$ 1,591,445



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 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, 2013

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

	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District
Assets				
Cash and cash equivalents	\$ -	\$ 863,654	\$ 14,688	\$ 48,000
Receivables (net of allowance for uncollectibles):				
Property taxes	-	-	-	11,908
Intergovernmental	-	9,873	899	159
Interest	-	555	-	-
Total assets	-	874,082	15,587	60,067
Liabilities, deferred inflows and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	-	19,040	-	-
Due to other funds:				
General fund	33,090	-	-	-
Due to component unit	-	-	-	159
Total liabilities	33,090	19,040	-	159
Deferred inflows of resources	-	-	-	11,908
Fund balances:				
Spendable:				
Restricted:				
Stabilization by state statute	-	26,145	-	-
Public safety	-	828,897	15,587	-
Urban redevelopment	-	-	-	48,000
Unassigned	(33,090)	-	-	-
Total fund balances	(33,090)	855,042	15,587	48,000
Total liabilities, deferred inflows and fund balances	\$ -	\$ 874,082	\$ 15,587	\$ 60,067

City of Lexington, North Carolina
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2013

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

Economic Stimulus Grants	Totals	
	2013	2012
\$ -	\$ 926,342	\$ 1,042,730
-	11,908	9,904
696	11,627	373,621
-	555	564
<u>696</u>	<u>950,432</u>	<u>1,426,819</u>
-	19,040	62,064
696	33,786	330,450
-	159	337
<u>696</u>	<u>52,985</u>	<u>392,851</u>
-	11,908	9,904
-	26,145	100,569
-	844,484	908,585
-	48,000	48,000
-	(33,090)	(33,090)
-	<u>885,539</u>	<u>1,024,064</u>
<u>\$ 696</u>	<u>\$ 950,432</u>	<u>\$ 1,426,819</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, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District
Revenues:				
Special ad valorem tax	\$ -	\$ -	\$ -	\$ 93,791
Restricted intergovernmental	-	510,374	21,989	-
Partner agency funding	-	-	-	-
Program income	-	-	-	-
Interest earned	-	2,092	-	18
Miscellaneous	-	10,054	-	-
Total revenues	<u>-</u>	<u>522,520</u>	<u>21,989</u>	<u>93,809</u>
Expenditures:				
Salaries and employee benefits	-	-	15,361	-
Operations	-	507,859	21	-
Contribution to ULI	-	-	-	93,809
Capital outlay	-	161,082	14,298	-
Total expenditures	<u>-</u>	<u>668,941</u>	<u>29,680</u>	<u>93,809</u>
Revenues over (under) expenditures	<u>-</u>	<u>(146,421)</u>	<u>(7,691)</u>	<u>-</u>
Other financing sources (uses):				
Transfers from (to):				
From general fund	-	-	15,587	-
Intrafund transfers	-	(7,691)	7,691	-
To water and wastewater fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(7,691)</u>	<u>23,278</u>	<u>-</u>
Net change in fund balances	-	(154,112)	15,587	-
Fund balances, July 1	<u>(33,090)</u>	<u>1,009,154</u>	<u>-</u>	<u>48,000</u>
Fund balances, June 30	<u>\$ (33,090)</u>	<u>\$ 855,042</u>	<u>\$ 15,587</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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

Economic Stimulus Grants	Totals	
	2013	2012
\$ -	\$ 93,791	\$ 99,678
62,708	595,071	1,432,684
-	-	53,222
-	-	72,021
-	2,110	5,332
-	10,054	3,762
<u>62,708</u>	<u>701,026</u>	<u>1,666,699</u>
29,032	44,393	118,159
47,876	555,756	1,703,426
-	93,809	99,701
25,200	200,580	478,874
<u>102,108</u>	<u>894,538</u>	<u>2,400,160</u>
<u>(39,400)</u>	<u>(193,512)</u>	<u>(733,461)</u>
39,400	54,987	39,400
-	-	-
-	-	(1,053)
<u>39,400</u>	<u>54,987</u>	<u>38,347</u>
-	(138,525)	(695,114)
-	1,024,064	1,719,178
<u>\$ -</u>	<u>\$ 885,539</u>	<u>\$ 1,024,064</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, 2013

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental:		
Erlanger Community Revitalization grant	\$ 1,000,000	\$ 1,000,000
Partner agency funding - Erlanger Revitalization	100,000	66,910
Total revenues	1,100,000	1,066,910
Expenditures:		
Erlanger Community Revitalization grant	1,310,000	1,310,000
Erlanger Revitalization	156,000	156,000
Total expenditures	1,466,000	1,466,000
Revenues over (under) expenditures	(366,000)	(399,090)
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	\$ -	\$ (33,090)
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, 2013

<u>Actual Current Year</u>	<u>Total to Date</u>
\$ -	\$ 1,000,000
-	66,910
<u>-</u>	<u>1,066,910</u>
-	1,310,000
-	156,000
<u>-</u>	<u>1,466,000</u>
<u>-</u>	<u>(399,090)</u>
-	366,000
<u>-</u>	<u>366,000</u>
-	<u>\$ (33,090)</u>
<u>(33,090)</u>	
<u>\$ (33,090)</u>	

City of Lexington, North Carolina
 Controlled Substance Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the fiscal year ended June 30, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Revenues:		
Restricted intergovernmental		\$ 510,374
Interest earned		2,092
Sale of property		10,054
Miscellaneous		-
Total revenues	\$ 21,786	522,520
Expenditures:		
Operations		507,859
Capital outlay		161,082
Total expenditures	868,923	668,941
Revenues over (under) expenditures	(847,137)	(146,421)
Other financing sources (uses):		
Transfers from (to):		
To public safety grants fund	(8,176)	(7,691)
Fund balance appropriated	855,313	-
Total other financing sources (uses)	847,137	(7,691)
Net change in fund balance	\$ -	(154,112)
Fund balance, July 1		1,009,154
Fund balance, June 30		\$ 855,042

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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

2013 Variance from Budget	2012 Actual
	\$ 363,494
	5,309
	3,433
	329
\$ 500,734	372,565
	719,779
	361,457
199,982	1,081,236
700,716	(708,671)
	485
	(22,297)
(855,313)	-
(854,828)	(22,297)
\$ (154,112)	(730,968)
	1,740,122
	\$ 1,009,154

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, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>
Revenues:		
Restricted intergovernmental		\$ 18,567
Total revenues	<u>\$ 181,324</u>	<u>18,567</u>
Expenditures:		
GHSP - Traffic Safety Initiative grant #11 - Year 3		37,133
Office of Justice - 2011 Justice Assistance grant		-
FEMA - Assistance to Firefighters grant #4		-
Total expenditures	<u>223,653</u>	<u>37,133</u>
Revenues over (under) expenditures	<u>(42,329)</u>	<u>(18,566)</u>
Other financing sources (uses):		
Transfers from (to):		
From general fund		-
From controlled substance fund		18,566
Total other financing sources (uses)	<u>42,329</u>	<u>18,566</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>
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, 2013

Actual Current Year	Total to Date
\$ 21,989	\$ 40,556
21,989	40,556
15,382	52,515
14,298	14,298
-	-
29,680	66,813
(7,691)	(26,257)
15,587	15,587
7,691	26,257
23,278	41,844
15,587	\$ 15,587
-	
\$ 15,587	

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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Revenues:		
Special ad valorem tax:		
Current year		\$ 91,845
Prior year		2,377
Discounts and refunds		(863)
Penalties and interest		432
Interest earned		18
Total revenues	\$ 102,000	93,809
Expenditures:		
Contribution to ULI - special district property tax		93,809
Total expenditures	102,000	93,809
Revenues over (under) expenditures	-	-
Net change in fund balance	\$ -	-
Fund balance, July 1		48,000
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, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	\$ 97,227
	2,729
	(856)
	578
	23
\$ (8,191)	99,701
	99,701
8,191	99,701
-	-
\$ -	-
	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, 2013

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental:		
Neighborhood Stabilization Program grant	\$ 2,100,000	\$ 2,066,324
ARRA - COPS - Hiring Recovery grant	145,005	113,485
Program income	283,552	283,551
Total revenues	2,528,557	2,463,360
Expenditures:		
Neighborhood Stabilization Program grant	2,541,152	2,468,075
ARRA - COPS - Hiring Recovery grant	145,005	113,485
Total expenditures	2,686,157	2,581,560
Revenues over (under) expenditures	(157,600)	(118,200)
Other financing sources (uses):		
Transfers from (to):		
From general fund	157,600	118,200
Total other financing sources (uses)	157,600	118,200
Net change in fund balance	\$ -	\$ -
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, 2013

Actual Current Year	Total to Date
\$ 33,676	\$ 2,100,000
29,032	142,517
-	283,551
62,708	2,526,068
73,076	2,541,151
29,032	142,517
102,108	2,683,668
(39,400)	(157,600)
39,400	157,600
39,400	157,600
-	\$ -
-	
\$ -	



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, 2013

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental:		
Davidson County	\$ 1,313,500	\$ 1,313,500
Moran Foods, Inc Water Project grants	504,000	504,000
Tiger II Planning grant	700,000	142,236
Erlanger/Green Needles Parks ER grant	645,480	115,052
Property rental	346,373	269,904
Interest earned	151,500	154,760
Reimbursement of costs	211,261	211,261
Sale of property	2,130,753	2,132,503
Donations	107,500	107,500
Total revenues	6,110,367	4,950,716
Expenditures:		
Industrial Park	5,049,470	4,883,060
Industrial Park - Moran Foods, Inc. Water Project grants	630,000	630,000
Tiger II - Multi-Modal Transportation Station Area Plan	700,000	142,236
Lexington Furniture Industries, Inc. Plant #1	1,507,338	1,197,984
Street/Sanitation Equipment Sheds	492,690	329,693
Erlanger/Green Needles Parks ER grant	645,480	115,052
Total expenditures	9,024,978	7,298,025
Revenues over (under) expenditures	(2,914,611)	(2,347,309)
Other financing sources (uses):		
Installment purchase debt issued - Build America Bond	469,340	469,340
Transfers from (to):		
From general fund	2,584,650	2,584,650
From natural gas fund	79,700	79,700
To general fund	(219,079)	(219,000)
Total other financing sources (uses)	2,914,611	2,914,690
Net change in fund balance	\$ -	\$ 567,381
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, 2013

Actual Current Year	Total to Date
\$ -	\$ 1,313,500
-	504,000
454,519	596,755
291,762	406,814
91,425	361,329
454	155,214
-	211,261
1,690	2,134,193
-	107,500
839,850	5,790,566
-	4,883,060
-	630,000
454,519	596,755
53,779	1,251,763
162,996	492,689
305,197	420,249
976,491	8,274,516
(136,641)	(2,483,950)
-	469,340
-	2,584,650
-	79,700
(79)	(219,079)
(79)	2,914,611
(136,720)	\$ 430,661
567,381	
\$ 430,661	



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 Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Revenues:		
Operating revenues:		
Charges for sales and services:		
Residential		\$ 27,233,197
Commercial		17,062,609
Industrial		2,559,021
Area lights		795,400
Street lighting		342,201
Traffic lights		22,009
Cable amplifiers		166,718
Renewable Energy Portfolio Standards		166,019
Other operating		1,574,156
Total operating revenues	\$ 50,738,616	49,921,330
Nonoperating revenues:		
Interest earned		19,060
Sale of property		21,051
Total nonoperating revenues	50,292	40,111
Total revenues	50,788,908	49,961,441

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 Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	\$ 25,328,836
	16,523,842
	2,565,399
	772,488
	326,019
	21,361
	159,132
	154,516
	1,534,910
\$ (817,286)	47,386,503
	34,225
	9,324
(10,181)	43,549
(827,467)	47,430,052

City of Lexington, North Carolina
Electric Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Expenditures:		
Operating expenditures:		
Salaries and employee benefits		1,440,773
Maintenance		405,570
Cost of sales and services		2,690,093
Purchases for resale		40,755,523
Administrative charges general fund		682,949
Administrative charges risk management fund		81,420
Administrative charges utility administration fund		896,919
Total operating expenditures	48,024,117	46,953,247
Budgetary appropriations:		
Interest expense		170,698
Bond principal		160,130
Installment purchase principal		381,954
Capital outlay		26,847
Total budgetary appropriations	858,533	739,629
Total expenditures	48,882,650	47,692,876
Revenues over (under) expenditures	1,906,258	2,268,565
Other financing sources (uses):		
Transfers from (to):		
From electric fund construction in progress	8,604	8,604
From capital reserve fund	250,000	250,000
From rate stabilization fund	145,000	82,000
To general fund	(1,325,000)	(1,325,000)
To electric fund construction in progress	(650,000)	(650,000)
To utility administration fund	(167,750)	(167,750)
Transfers related to payment in lieu of taxes	(178,031)	(178,031)
Appropriated net position	10,919	-
Total other financing sources (uses)	(1,906,258)	(1,980,177)
Change in net position - budgetary basis	\$ -	\$ 288,388

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 Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	1,459,160
	377,485
	2,466,121
	39,655,108
	719,175
	68,122
	872,363
1,070,870	45,617,534
	188,937
	162,761
	367,459
	17,885
118,904	737,042
1,189,774	46,354,576
362,307	1,075,476
-	-
-	550,000
(63,000)	500,000
-	(1,350,000)
-	(550,000)
-	(167,750)
-	(166,673)
(10,919)	-
(73,919)	(1,184,423)
\$ 288,388	\$ (108,947)

City of Lexington, North Carolina
Electric Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 49,961,441	\$ 47,430,052
Total expenditures	<u>47,692,876</u>	<u>46,354,576</u>
Revenues over (under) expenditures	2,268,565	1,075,476
Budgetary appropriations	739,629	737,042
Depreciation	(922,514)	(916,110)
Wages and overhead charged to construction	214,571	268,471
Materials charged to construction	110,672	158,780
CIP expense not capitalized	(5,225)	(139,396)
Gain (loss) on sale of property	(69,812)	(66,895)
Increase (decrease) in inventory	(15,742)	123,692
Interest expense	(170,698)	(188,937)
Bad debt expense	(231,431)	(237,578)
(Increase) decrease in compensated absences payable	(403)	8,979
(Increase) decrease in other postemployment benefits	(71,460)	(79,407)
Other financing sources/(uses)	<u>(1,338,781)</u>	<u>(634,423)</u>
Total reconciling items	<u>(1,761,194)</u>	<u>(965,782)</u>
Change in net position	<u>\$ 507,371</u>	<u>\$ 109,694</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, 2013

	Project Authorization	Prior Years
Revenues:		
None		\$ -
Total revenues	\$ -	-
Expenditures:		
3-Phase line reclosers		180,372
Cotton Grove 44kV loop		464,654
Wallburg Substation transformers		-
Total expenditures for construction in progress	1,391,396	645,026
Revenues over (under) expenditures	(1,391,396)	(645,026)
Other financing sources (uses):		
Contribution from (to):		
From operating fund		750,000
To operating fund		-
Total other financing sources (uses)	1,391,396	750,000
Unexpended revenues and receipts	\$ -	\$ 104,974

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, 2013

Actual Current Year	Total to Date
\$ -	\$ -
-	-
11,024	191,396
17,417	482,071
462,580	462,580
491,021	1,136,047
(491,021)	(1,136,047)
650,000	1,400,000
(8,604)	(8,604)
641,396	1,391,396
\$ 150,375	\$ 255,349

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Revenues:		
Operating revenues:		
Charges for sales and services - Water:		
Residential		\$ 1,811,209
Commercial		900,547
Industrial		937,189
Other water charges		11,337
Charges for sales and services - Wastewater:		
Residential		2,527,673
Commercial		1,758,154
Industrial		321,872
Other wastewater charges		33,916
Charges for sales and services - Other:		
Other operating		166,534
Total operating revenues	\$ 8,575,424	8,468,431
Nonoperating revenues:		
Federal Build America Bond interest credit		11,315
Interest earned		11,507
Sale of property		20,072
Total nonoperating revenues	27,599	42,894
Total revenues	8,603,023	8,511,325

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 Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	\$ 1,793,751
	907,844
	1,022,070
	24,307
	2,529,417
	1,753,870
	291,652
	29,951
	150,721
\$ (106,993)	8,503,583
	11,986
	18,214
	17,036
15,295	47,236
(91,698)	8,550,819

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Expenditures:		
Operating expenditures:		
Water and wastewater administration:		
Salaries and employee benefits		94,937
Cost of sales and services		9,526
Administrative charges general fund		637,625
Administrative charges risk management fund		109,720
Administrative charges utility administration fund		410,186
Total water and wastewater administration	1,285,866	1,261,994
Water plant:		
Salaries and employee benefits		586,705
Maintenance		141,366
Cost of sales and services		652,638
Total water plant	1,456,787	1,380,709
Wastewater plant:		
Salaries and employee benefits		960,223
Maintenance		152,510
Cost of sales and services		966,375
Total wastewater plant	2,224,614	2,079,108
Public works, maintenance, and construction:		
Salaries and employee benefits		749,243
Maintenance		133,250
Cost of sales and services		534,651
Total public works, maintenance, and construction	1,490,570	1,417,144
Total operating expenditures	6,457,837	6,138,955

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 Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	110,294
	10,093
	699,838
	88,567
	365,528
23,872	1,274,320
	597,188
	168,775
	681,831
76,078	1,447,794
	936,006
	273,492
	955,649
145,506	2,165,147
	714,692
	125,261
	451,702
73,426	1,291,655
318,882	6,178,916

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Budgetary appropriations:		
Interest expense		173,547
Bond principal		429,701
Installment purchase principal		372,102
Capital outlay:		
Water plant		37,336
Wastewater plant		64,000
Public works, maintenance and construction		231,184
Total budgetary appropriations	1,387,695	1,307,870
 Total expenditures	 7,845,532	 7,446,825
 Revenue over (under) expenditures	 757,491	 1,064,500
Other financing sources (uses):		
Transfers from (to) :		
From economic stimulus grants fund	-	-
From water and wastewater fund construction in progress	20,860	20,859
To water and wastewater fund construction in progress	-	-
To utility administration fund	(225,000)	(225,000)
To capital reserve fund	(225,000)	(225,000)
Transfers related to payment in lieu of taxes	(328,351)	(328,351)
Total other financing sources (uses)	(757,491)	(757,492)
 Change in net position - budgetary basis	 \$ -	 \$ 307,008

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 Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	197,933
	436,440
	358,426
	-
	7,878
	5,750
79,825	1,006,427
398,707	7,185,343
307,009	1,365,476
-	1,053
(1)	364,733
-	(129,650)
-	(325,000)
-	(664,733)
-	(305,239)
(1)	(1,058,836)
\$ 307,008	\$ 306,640

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 8,511,325	\$ 8,550,819
Total expenditures	<u>7,446,825</u>	<u>7,185,343</u>
Revenues over (under) expenditures	1,064,500	1,365,476
Budgetary appropriations	1,307,870	1,006,427
Depreciation	(1,225,251)	(1,197,166)
Wages and overhead charged to construction	10,402	24,207
Material charged to construction	8,940	21,421
CIP expense not capitalized	-	(35,267)
Gain (loss) on sale of property	(19,814)	(61,006)
Discovery of capital assets	-	29,672
Increase (decrease) in inventory	132,118	34,988
Interest earned	-	69
Interest expense	(173,547)	(197,933)
Bad debt expense	(52,502)	(57,750)
(Increase) decrease in compensated absences payable	2,815	436
(Increase) decrease in other postemployment benefits	(116,390)	(125,252)
Capital contributions	82,471	1,461,439
Other financing sources/(uses)	<u>(778,351)</u>	<u>(1,293,919)</u>
Total reconciling items	<u>(821,239)</u>	<u>(389,634)</u>
Change in net position	<u>\$ 243,261</u>	<u>\$ 975,842</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, 2013

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental:		
Cow Palace Sewer Infrastructure grant	\$ 305,900	\$ -
Total revenues	305,900	-
Expenditures:		
Sedimentation Basin sludge collection	708,790	686,576
Cow Palace Sewer Infrastructure grant	305,900	2,498
Cow Palace Sewer Infrastructure local match	16,100	5,000
Total expenditures for construction in progress	1,030,790	694,074
Revenues over (under) expenditures	(724,890)	(694,074)
Other financing sources (uses):		
Contribution from (to):		
From operating fund	745,750	745,750
To operating fund	(20,860)	-
Total other financing sources (uses)	724,890	745,750
Unexpended revenues and receipts	\$ -	\$ 51,676

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, 2013

Actual Current Year	Total to Date
\$ 18,608	\$ 18,608
18,608	18,608
22,215	708,791
16,110	18,608
-	5,000
38,325	732,399
(19,717)	(713,791)
-	745,750
(20,859)	(20,859)
(20,859)	724,891
\$ (40,576)	\$ 11,100

City of Lexington, North Carolina
Natural Gas Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Revenues:		
Operating revenues:		
Charges for sales and services:		
Residential		\$ 4,757,704
Commercial		4,024,866
Industrial		2,817,332
Other operating		19,294
Total operating revenues	\$ 12,377,726	11,619,196
Nonoperating revenues:		
Federal Build America Bond interest credit		32,059
Interest earned		8,390
Sale of property		3,898
Total nonoperating revenues	58,159	44,347
Total revenues	12,435,885	11,663,543

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 Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	\$ 3,959,116
	3,364,431
	3,073,413
	19,229
\$ (758,530)	10,416,189
	33,960
	15,544
	6,201
(13,812)	55,705
(772,342)	10,471,894

City of Lexington, North Carolina
Natural Gas Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Expenditures:		
Operating expenditures:		
Salaries and employee benefits		1,054,469
Maintenance		261,505
Cost of sales and services		931,059
Purchases for resale		5,645,816
Administrative charges general fund		579,839
Administrative charges risk management fund		57,538
Administrative charges utility administration fund		627,991
Total operating expenditures	10,670,383	9,158,217
Budgetary appropriations:		
Interest expense		206,595
Bond principal		243,210
Installment purchase principal		223,526
Capital outlay		11,523
Total budgetary appropriations	684,856	684,854
Total expenditures	11,355,239	9,843,071
Revenues over (under) expenditures	1,080,646	1,820,472
Other financing sources (uses):		
Transfers from (to):		
From natural gas fund construction in progress	-	-
To general fund	(877,425)	(877,425)
To natural gas fund construction in progress	(40,000)	(40,000)
To utility administration fund	(150,000)	(150,000)
To capital reserve fund	-	-
Transfers related to payment in lieu of taxes	(73,221)	(73,221)
Appropriated net position	60,000	-
Total other financing sources (uses)	(1,080,646)	(1,140,646)
Change in net position - budgetary basis	\$ -	\$ 679,826

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 Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	1,114,260
	264,084
	1,269,417
	5,290,686
	554,434
	38,921
	594,371
1,512,166	9,126,173
	227,156
	233,281
	219,996
	24,929
2	705,362
1,512,168	9,831,535
739,826	640,359
-	89,392
-	(832,602)
-	-
-	(167,000)
-	(89,392)
-	(58,672)
(60,000)	-
(60,000)	(1,058,274)
\$ 679,826	\$ (417,915)

City of Lexington, North Carolina
Natural Gas Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 11,663,543	\$ 10,471,894
Total expenditures	<u>9,843,071</u>	<u>9,831,535</u>
Revenues over (under) expenditures	1,820,472	640,359
Budgetary appropriations	684,854	705,362
Depreciation	(573,748)	(544,692)
Wages and overhead charged to construction	436,239	679,445
Materials charged to construction	147,249	122,333
Gain (loss) on sale of property	(15,624)	(55,109)
Increase (decrease) in inventory	(135,457)	(52,596)
Interest earned	-	15,544
Interest expense	(206,595)	(227,156)
Bad debt expense	(19,103)	(37,364)
(Increase) decrease in compensated absences payable	3,446	8,382
(Increase) decrease in other postemployment benefits	(52,290)	(58,603)
Capital contributions	269,936	(7,771)
Other financing sources/(uses)	<u>(1,100,646)</u>	<u>(1,147,666)</u>
Total reconciling items	<u>(561,739)</u>	<u>(599,891)</u>
Change in net position	<u><u>\$ 1,258,733</u></u>	<u><u>\$ 40,468</u></u>



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, 2013

	Project Authorization	Prior Years
Revenues:		
Restricted intergovernmental:		
Lowe's Home Centers, Inc. Natural Gas Line grant	\$ 300,000	\$ 7,771
Total revenues	300,000	7,771
Expenditures:		
Lowe's Home Centers, Inc. Natural Gas Line grant	375,000	50,383
Natural Gas Training Qualification Center	40,000	-
Total expenditures for construction in progress	415,000	50,383
Revenues over (under) expenditures	(115,000)	(42,612)
Other financing sources (uses):		
Contribution from (to):		
From operating fund	115,000	75,000
Total other financing sources (uses)	115,000	75,000
Unexpended revenues and receipts	\$ -	\$ 32,388

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, 2013

<u>Actual Current Year</u>	<u>Total to Date</u>
\$ 269,936	\$ 277,707
<u>269,936</u>	<u>277,707</u>
302,324	352,707
32,881	32,881
<u>335,205</u>	<u>385,588</u>
<u>(65,269)</u>	<u>(107,881)</u>
40,000	115,000
<u>40,000</u>	<u>115,000</u>
<u>\$ (25,269)</u>	<u>\$ 7,119</u>

City of Lexington, North Carolina
 Golf Fund
 Schedule of Revenues, Expenses and Changes in Net Position
 Budget and Actual (Non-GAAP)
 For the fiscal year ended June 30, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Revenues:		
Operating revenues:		
Charges for sales and services:		
Golf course		\$ 379,135
Golf cart rentals		284,244
Municipal club rental		29,680
Other operating		54
Total operating revenues	\$ 730,779	693,113
Nonoperating revenues:		
Interest earned		305
Sale of property		87,025
Total nonoperating revenues	60,200	87,330
Total revenues	790,979	780,443

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 Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	\$ 411,211
	308,746
	27,780
	1,391
\$ (37,666)	749,128
	268
	-
27,130	268
(10,536)	749,396

City of Lexington, North Carolina
 Golf Fund
 Schedule of Revenues, Expenses and Changes in Net Position
 Budget and Actual (Non-GAAP)
 For the fiscal year ended June 30, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Budget	Actual
Expenditures:		
Operating expenditures:		
Salaries and employee benefits		386,135
Cost of sales and services		481,465
Administrative charges risk management fund		14,549
Total operating expenditures	930,189	882,149
Budgetary appropriations:		
Interest expense		36,312
Installment purchase principal		132,273
Capital outlay		-
Total budgetary appropriations	197,374	168,585
Total expenditures	1,127,563	1,050,734
Revenues over (under) expenditures	(336,584)	(270,291)
Other financing sources (uses):		
Installment purchase debt issued	168,000	-
Transfers from (to):		
From general fund	168,584	168,584
Total other financing sources (uses)	336,584	168,584
Change in net position - budgetary basis	\$ -	\$ (101,707)

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 Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Budget	Actual
	384,317
	239,907
	11,699
48,040	635,923
	41,703
	127,130
	18,126
28,789	186,959
76,829	822,882
66,293	(73,486)
(168,000)	-
-	168,584
(168,000)	168,584
\$ (101,707)	\$ 95,098

City of Lexington, North Carolina
Golf Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 780,443	\$ 749,396
Total expenditures	<u>1,050,734</u>	<u>822,882</u>
Revenues over (under) expenditures	(270,291)	(73,486)
Budgetary appropriations	168,585	186,959
Depreciation	(101,838)	(101,566)
Gain (loss) on sale of property	-	(2,756)
Interest expense	(36,312)	(41,703)
Bad debt expense	-	28
(Increase) decrease in compensated absences payable	(787)	(485)
(Increase) decrease in other postemployment benefits	(17,964)	(20,992)
Other financing sources/(uses)	<u>168,584</u>	<u>168,584</u>
Total reconciling items	<u>180,268</u>	<u>188,069</u>
Change in net position	<u><u>\$ (90,023)</u></u>	<u><u>\$ 114,583</u></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 Fund Net Position
June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	Governmental-type Activities			Business-type Activities
	Garage	Group Insurance	Risk Management	Utility Administration
Assets				
Current assets:				
Cash and cash equivalents	\$ 145,362	\$ 586,335	\$ 1,054,119	\$ 426,914
Receivables (net of allowance for uncollectibles):				
Accounts - billed	-	11,608	-	105,574
Intergovernmental	23,424	36	2,748	8,088
Interest	397	1,971	875	428
Cash and cash equivalents restricted for:				
Unpaid claims	-	441,592	209,435	-
Rental fees	-	-	-	-
Construction in progress	-	-	-	226,870
Inventory	148,791	-	-	-
Total current assets	<u>317,974</u>	<u>1,041,542</u>	<u>1,267,177</u>	<u>767,874</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	-	1,963,670	-	-
Capital assets:				
Land and other non-depreciable assets	15,000	-	-	3,292,264
Other capital assets, net of accumulated depreciation	845,179	-	16,080	707,828
Total capital assets	<u>860,179</u>	<u>-</u>	<u>16,080</u>	<u>4,000,092</u>
Total noncurrent assets	<u>860,179</u>	<u>1,963,670</u>	<u>16,080</u>	<u>4,000,092</u>
Total assets	<u>\$ 1,178,153</u>	<u>\$ 3,005,212</u>	<u>\$ 1,283,257</u>	<u>\$ 4,767,966</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

Business-type Activities		Totals	
Capital Reserve	Rate Stabilization	2013	2012
\$ -	\$ -	\$ 2,212,730	\$ 2,591,053
-	-	117,182	128,087
-	-	34,296	37,498
-	849	4,520	3,782
-	-	651,027	784,640
-	-	-	43,281
-	-	226,870	195,937
-	-	148,791	138,422
-	849	3,395,416	3,922,700
1,018,878	600,274	1,619,152	1,949,541
1,473,617	-	1,473,617	1,248,617
1,531,489	-	1,531,489	1,448,687
749,918	492,028	1,241,946	1,240,785
487,117	-	487,117	382,152
-	-	1,963,670	1,409,897
-	-	3,307,264	2,794,729
-	-	1,569,087	1,573,236
-	-	4,876,351	4,367,965
5,261,019	1,092,302	13,193,342	12,047,644
<u>\$ 5,261,019</u>	<u>\$ 1,093,151</u>	<u>\$ 16,588,758</u>	<u>\$ 15,970,344</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2013

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

	Governmental-type Activities			Business-type Activities
	Garage	Group Insurance	Risk Management	Utility Administration
Liabilities and net position				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 66,947	\$ 5,022	\$ 44,740	\$ 92,085
Liabilities payable from restricted assets:				
Unpaid claims costs	-	441,592	209,435	-
Total current liabilities	<u>66,947</u>	<u>446,614</u>	<u>254,175</u>	<u>92,085</u>
Noncurrent liabilities:				
Compensated absences payable	19,039	-	23,193	123,483
Other postemployment benefits payable	106,987	-	39,787	323,529
Total noncurrent liabilities	<u>126,026</u>	<u>-</u>	<u>62,980</u>	<u>447,012</u>
Total liabilities	<u>192,973</u>	<u>446,614</u>	<u>317,155</u>	<u>539,097</u>
Net position:				
Net investment in capital assets	860,179	-	16,080	4,000,092
Unrestricted	125,001	2,558,598	950,022	228,777
Total net position	<u>985,180</u>	<u>2,558,598</u>	<u>966,102</u>	<u>4,228,869</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

Business-type Activities		Totals	
Capital Reserve	Rate Stabilization	2013	2012
\$ -	\$ -	\$ 208,794	\$ 232,956
-	-	651,027	784,640
-	-	859,821	1,017,596
-	-	165,715	152,706
-	-	470,303	370,514
-	-	636,018	523,220
-	-	1,495,839	1,540,816
-	-	4,876,351	4,367,965
5,261,019	1,093,151	10,216,568	10,061,563
5,261,019	1,093,151	15,092,919	14,429,528

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	Governmental-type Activities			Business-type Activities
	Garage	Group Insurance	Risk Management	Utility Administration
	Garage	Group Insurance	Risk Management	Utility Administration
Operating revenues:				
Charges for services	\$ 1,592,705	\$ 4,437,700	\$ 1,049,876	\$ 2,137,161
Other operating	-	50,663	16,644	428,632
Total operating revenues	<u>1,592,705</u>	<u>4,488,363</u>	<u>1,066,520</u>	<u>2,565,793</u>
Operating expenses:				
Cost of sales and services	1,418,591	-	206,163	-
Premiums	-	591,560	499,830	-
Claims	-	3,629,012	245,484	-
Bad debt expense	-	-	-	30,662
Administration	-	212,571	-	2,560,117
Depreciation	120,489	-	3,323	54,716
Total operating expenses	<u>1,539,080</u>	<u>4,433,143</u>	<u>954,800</u>	<u>2,645,495</u>
Operating income (loss)	<u>53,625</u>	<u>55,220</u>	<u>111,720</u>	<u>(79,702)</u>
Nonoperating revenues (expenses):				
Interest earned	1,880	6,732	2,489	1,343
Gain (loss) on sale of property	6,458	-	-	-
Interest expense	-	-	-	-
Total nonoperating revenues (expenses)	<u>8,338</u>	<u>6,732</u>	<u>2,489</u>	<u>1,343</u>
Income (loss) before transfers	61,963	61,952	114,209	(78,359)
Transfers from (to):				
From electric fund	-	-	-	167,750
From water and wastewater fund	-	-	-	225,000
From natural gas fund	-	-	-	150,000
From garage fund	-	-	-	-
From capital reserve fund	158,828	-	-	-
To general fund	-	(17,630)	-	-
To electric fund	-	-	-	-
To garage fund	-	-	-	-
To capital reserve fund	(263,793)	-	-	-
Total transfers from (to)	<u>(104,965)</u>	<u>(17,630)</u>	<u>-</u>	<u>542,750</u>
Change in net position	(43,002)	44,322	114,209	464,391
Net position:				
Net position, July 1	<u>1,028,182</u>	<u>2,514,276</u>	<u>851,893</u>	<u>3,764,478</u>
Net position, June 30	<u>\$ 985,180</u>	<u>\$ 2,558,598</u>	<u>\$ 966,102</u>	<u>\$ 4,228,869</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

Business-type Activities		Totals	
Capital Reserve	Rate Stabilization	2013	2012
\$ -	\$ -	\$ 9,217,442	\$ 8,915,507
82,802	-	578,741	580,311
<u>82,802</u>	<u>-</u>	<u>9,796,183</u>	<u>9,495,818</u>
-	-	1,624,754	1,637,654
-	-	1,091,390	1,219,417
-	-	3,874,496	4,528,846
-	-	30,662	41,269
-	-	2,772,688	2,663,163
<u>-</u>	<u>-</u>	<u>178,528</u>	<u>155,332</u>
<u>-</u>	<u>-</u>	<u>9,572,518</u>	<u>10,245,681</u>
82,802	-	223,665	(749,863)
-	2,704	15,148	29,145
-	-	6,458	247,616
<u>-</u>	<u>-</u>	<u>-</u>	<u>(148)</u>
<u>-</u>	<u>2,704</u>	<u>21,606</u>	<u>276,613</u>
82,802	2,704	245,271	(473,250)
-	-	167,750	167,750
225,000	-	450,000	989,733
-	-	150,000	256,392
263,793	-	263,793	270,851
-	-	158,828	223,115
-	-	(17,630)	-
(250,000)	(82,000)	(332,000)	(1,050,000)
(158,828)	-	(158,828)	(223,115)
<u>-</u>	<u>-</u>	<u>(263,793)</u>	<u>(270,851)</u>
<u>79,965</u>	<u>(82,000)</u>	<u>418,120</u>	<u>363,875</u>
162,767	(79,296)	663,391	(109,375)
<u>5,098,252</u>	<u>1,172,447</u>	<u>14,429,528</u>	<u>14,538,903</u>
<u>\$ 5,261,019</u>	<u>\$ 1,093,151</u>	<u>\$ 15,092,919</u>	<u>\$ 14,429,528</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	Governmental-type Activities		
	Garage	Group Insurance	Risk Management
Cash flows from operating activities:			
Cash received from interfund services provided/used to/for other funds	\$ 1,598,349	\$ 4,436,926	\$ 1,048,438
Cash paid for goods and services	(948,755)	(4,460,056)	(926,963)
Cash paid to employees	(413,207)	-	(147,703)
Other operating income	-	50,663	16,644
Net cash provided (used) by operating activities	<u>236,387</u>	<u>27,533</u>	<u>(9,584)</u>
Cash flows from noncapital financing activities:			
Advances from (to) other funds	-	-	-
Transfers in	158,828	-	-
Transfers out	(263,793)	(17,630)	-
Net cash provided (used) by noncapital financing activities	<u>(104,965)</u>	<u>(17,630)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of property	11,251	-	-
Construction	-	-	-
Acquisition of capital assets	(158,696)	-	-
Interest paid	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(147,445)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest earned on investments	1,880	6,732	2,489
Net cash provided (used) by investing activities	<u>1,880</u>	<u>6,732</u>	<u>2,489</u>
Net increase (decrease) in cash and cash equivalents	(14,143)	16,635	(7,095)
Cash and cash equivalents, July 1	<u>159,505</u>	<u>2,974,962</u>	<u>1,270,649</u>
Cash and cash equivalents, June 30	<u>\$ 145,362</u>	<u>\$ 2,991,597</u>	<u>\$ 1,263,554</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

Business-type Activities			Totals	
Utility Administration	Capital Reserve	Rate Stabilization	2013	2012
\$ 2,147,029	\$ -	\$ 68	\$ 9,230,810	\$ 8,915,527
(958,537)	-	-	(7,294,311)	(7,541,716)
(1,594,115)	-	-	(2,155,025)	(2,039,276)
428,632	82,802	-	578,741	580,311
<u>23,009</u>	<u>82,802</u>	<u>68</u>	<u>360,215</u>	<u>(85,154)</u>
-	-	-	-	(13,088)
542,750	488,793	-	1,190,371	1,907,841
-	(408,828)	(82,000)	(772,251)	(1,543,966)
<u>542,750</u>	<u>79,965</u>	<u>(82,000)</u>	<u>418,120</u>	<u>350,787</u>
-	-	-	11,251	22,431
(512,535)	-	-	(512,535)	(490,111)
(20,475)	-	-	(179,171)	(247,270)
-	-	-	-	(148)
<u>(533,010)</u>	<u>-</u>	<u>-</u>	<u>(680,455)</u>	<u>(715,098)</u>
1,343	-	2,704	15,148	29,145
<u>1,343</u>	<u>-</u>	<u>2,704</u>	<u>15,148</u>	<u>29,145</u>
34,092	162,767	(79,228)	113,028	(420,320)
<u>619,692</u>	<u>5,098,252</u>	<u>1,171,530</u>	<u>11,294,590</u>	<u>11,714,910</u>
<u>\$ 653,784</u>	<u>\$ 5,261,019</u>	<u>\$ 1,092,302</u>	<u>\$ 11,407,618</u>	<u>\$ 11,294,590</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	Governmental-type Activities		
	Garage	Group Insurance	Risk Management
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities			
Operating income	\$ 53,625	\$ 55,220	\$ 111,720
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	120,489	-	3,323
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	5,644	(774)	(1,438)
(Increase) decrease in inventory	(10,369)	-	-
Increase (decrease) in accounts payable	44,509	(16,245)	(10,308)
Increase (decrease) in unpaid claims cost	-	(10,668)	(122,945)
Increase (decrease) in accrued other postemployment benefits liability	21,819	-	8,150
Increase (decrease) in accrued compensated absences liability	670	-	1,914
Total adjustments	182,762	(27,687)	(121,304)
Net cash provided (used) by operating activities	\$ 236,387	\$ 27,533	\$ (9,584)

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

Business-type Activities			Totals	
Utility Administration	Capital Reserve	Rate Stabilization	2013	2012
\$ (79,702)	\$ 82,802	\$ -	\$ 223,665	\$ (749,863)
54,716	-	-	178,528	155,332
9,868	-	68	13,368	20
-	-	-	(10,369)	32,995
(42,118)	-	-	(24,162)	51,619
-	-	-	(133,613)	296,503
69,820	-	-	99,789	103,706
10,425	-	-	13,009	24,534
<u>102,711</u>	<u>-</u>	<u>68</u>	<u>136,550</u>	<u>664,709</u>
<u>\$ 23,009</u>	<u>\$ 82,802</u>	<u>\$ 68</u>	<u>\$ 360,215</u>	<u>\$ (85,154)</u>

City of Lexington, North Carolina
Garage Fund
Schedule of Revenues, Expenses and Changes in Net Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Financial Plan	Actual
Revenues:		
Operating revenues:		
Charges for sales and services		\$ 1,592,705
Total operating revenues	\$ 1,754,890	1,592,705
Nonoperating revenues:		
Interest earned		1,880
Sale of property		11,251
Total nonoperating revenues	6,000	13,131
Total revenues	1,760,890	1,605,836
Expenditures:		
Operating expenditures:		
Salaries and employee benefits		413,207
Cost of sales and services		267,405
Purchases for resale		725,859
Total operating expenditures	1,556,821	1,406,471
Budgetary appropriations:		
Interest expense		-
Capital outlay		158,696
Total budgetary appropriations	328,425	158,696
Total expenditures	1,885,246	1,565,167
Revenues over (under) expenditures	(124,356)	40,669
Other financing sources (uses):		
Transfers from (to):		
From capital reserve fund	285,145	158,828
To capital reserve fund	(279,438)	(263,793)
Appropriated net position	118,649	-
Total other financing sources (uses)	124,356	(104,965)
Change in net position - budgetary basis	\$ -	\$ (64,296)

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 Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Financial Plan	Actual
\$ (162,185)	\$ 1,669,914 1,669,914
7,131	3,184 22,431 25,615
(155,054)	1,695,529
150,350	404,072 238,571 735,926 1,378,569
169,729	148 201,095 201,243
320,079	1,579,812
165,025	115,717
(126,317) 15,645 (118,649) (229,321)	223,115 (270,851) - (47,736)
\$ (64,296)	\$ 67,981

City of Lexington, North Carolina
Garage Fund
Schedule of Revenues, Expenses and Changes in Net Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	2012
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 1,605,836	\$ 1,695,529
Total expenditures	1,565,167	1,579,812
Revenues over (under) expenditures	40,669	115,717
Budgetary appropriations	158,696	201,243
Depreciation	(120,489)	(101,418)
Gain (loss) on sale of property	(4,793)	263,096
Increase (decrease) in inventory	10,369	(32,995)
Interest expense	-	(148)
(Increase) decrease in compensated absences payable	(670)	(1,674)
(Increase) decrease in other postemployment benefits	(21,819)	(23,077)
Other financing sources/(uses)	(104,965)	(47,736)
Total reconciling items	(83,671)	257,291
Change in net position	\$ (43,002)	\$ 373,008



City of Lexington, North Carolina
Group Insurance Fund
Schedule of Revenues, Expenses and Changes in Net Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Financial Plan	Actual
Revenues:		
Operating revenues:		
Premium charges to employees/retirees		\$ 730,850
Premium charges for COBRA		1,632
Premium charges to departments		3,705,218
Other operating		50,663
Total operating revenues	\$ 4,524,043	4,488,363
Nonoperating revenues:		
Interest earned		6,732
Total nonoperating revenues	13,000	6,732
Total revenues	4,537,043	4,495,095
Expenditures:		
Operating expenditures:		
Premiums		591,560
Claims		3,629,012
Administration		212,571
Total operating expenditures	5,263,027	4,433,143
Revenues over (under) expenditures	(725,984)	61,952
Other financing sources (uses):		
Transfers from (to):		
To general fund	(24,016)	(17,630)
Appropriated net position	750,000	-
Total other financing sources (uses)	725,984	(17,630)
Change in net position - budgetary basis	\$ -	\$ 44,322

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 Position
 Financial Plan and Actual (Non-GAAP)
 For the fiscal year ended June 30, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Financial Plan	Actual
	\$ 731,327
	3,760
	3,559,340
	36,147
\$ (35,680)	4,330,574
	12,283
(6,268)	12,283
(41,948)	4,342,857
	725,978
	3,670,254
	246,441
829,884	4,642,673
787,936	(299,816)
6,386	-
(750,000)	-
(743,614)	-
\$ 44,322	\$ (299,816)

City of Lexington, North Carolina
Risk Management Fund
Schedule of Revenues, Expenses and Changes in Net Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Financial Plan	Actual
Revenues:		
Operating revenues:		
Premium charges to employees		\$ 4,945
Premium charges to departments		1,044,931
Other operating		16,644
Total operating revenues	\$ 1,078,773	1,066,520
Nonoperating revenues:		
Interest earned		2,489
Total nonoperating revenues	5,100	2,489
Total revenues	1,083,873	1,069,009
Expenditures:		
Operating expenditures:		
Salaries and employee benefits		147,703
Cost of sales and services		48,396
Premiums		499,830
Claims		245,484
Total operating expenditures	1,289,240	941,413
Budgetary appropriations:		
Capital outlay		-
Total budgetary appropriations	-	-
Total expenditures	1,289,240	941,413
Revenues over (under) expenditures	(205,367)	127,596
Other financing sources (uses):		
Appropriated net position	205,367	-
Total other financing sources (uses)	205,367	-
Change in net position - budgetary basis	\$ -	\$ 127,596

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 Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Financial Plan	Actual
	\$ 5,040
	913,151
	37,071
\$ (12,253)	955,262
	5,389
(2,611)	5,389
(14,864)	960,651
	146,373
	46,169
	493,439
	858,592
347,827	1,544,573
	8,604
-	8,604
347,827	1,553,177
332,963	(592,526)
(205,367)	-
(205,367)	-
\$ 127,596	\$ (592,526)

City of Lexington, North Carolina
Risk Management Fund
Schedule of Revenues, Expenses and Changes in Net Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 1,069,009	\$ 960,651
Total expenditures	<u>941,413</u>	<u>1,553,177</u>
Revenues over (under) expenditures	127,596	(592,526)
Budgetary appropriations	-	8,604
Depreciation	(3,323)	(2,807)
Gain (loss) on sale of property	-	(18,967)
(Increase) decrease in compensated absences payable	(1,914)	(126)
(Increase) decrease in other postemployment benefits	(8,150)	(8,671)
Total reconciling items	<u>(13,387)</u>	<u>(21,967)</u>
Change in net position	<u>\$ 114,209</u>	<u>\$ (614,493)</u>



City of Lexington, North Carolina
 Utility Administration Fund
 Schedule of Revenues, Expenses and Changes in Net Position
 Financial Plan and Actual (Non-GAAP)
 For the fiscal year ended June 30, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Financial Plan	Actual
Revenues:		
Operating revenues:		
Administrative charges general fund		\$ 202,065
Administrative charges electric fund		896,919
Administrative charges water and wastewater fund		410,186
Administrative charges natural gas fund		627,991
Other operating		428,632
Total operating revenues	\$ 2,607,024	2,565,793
Nonoperating revenues:		
Interest earned		625
Total nonoperating revenues	600	625
Total revenues	2,607,624	2,566,418

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 Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Financial Plan	Actual
	\$ 200,713
	872,363
	365,528
	594,371
	432,709
\$ (41,231)	2,465,684
	787
25	787
(41,206)	2,466,471

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues, Expenses and Changes in Net Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Financial Plan	Actual
Expenditures:		
Utility administration:		
Salaries and employee benefits		534,243
Cost of sales and services		224,377
Total utility administration	865,585	758,620
Customer service:		
Salaries and employee benefits		566,373
Cost of sales and services		275,121
Total customer service	896,386	841,494
Warehousing:		
Salaries and employee benefits		173,455
Cost of sales and services		16,080
Total warehousing	196,040	189,535
Meter reading:		
Salaries and employee benefits		222,184
Cost of sales and services		78,278
Total meter reading	317,889	300,462
Marketing:		
Salaries and employee benefits		97,860
Cost of sales and services		291,901
Total marketing	462,793	389,761
Total operating expenditures	2,738,693	2,479,872

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 Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Financial Plan	Actual
	335,287
	182,138
106,965	517,425
	637,664
	264,414
54,892	902,078
	172,550
	15,105
6,505	187,655
	260,966
	47,378
17,427	308,344
	82,364
	324,164
73,032	406,528
258,821	2,322,030

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues, Expenses and Changes in Net Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Financial Plan	Actual
Budgetary appropriations:		
Capital outlay:		
Customer service		20,475
Total budgetary appropriations	32,100	20,475
Total expenditures	2,770,793	2,500,347
Revenues over (under) expenditures	(163,169)	66,071
Other financing sources (uses):		
Transfers from (to):		
From electric fund	167,750	167,750
From water and wastewater fund	225,000	225,000
From natural gas fund	150,000	150,000
To utility administration fund construction in progress	(542,750)	(542,750)
Appropriated net position	163,169	-
Total other financing sources (uses)	163,169	-
Change in net position - budgetary basis	\$ -	\$ 66,071

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 Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Financial Plan	Actual
	37,571
11,625	37,571
270,446	2,359,601
229,240	106,870
-	167,750
-	325,000
-	167,000
-	(659,750)
(163,169)	-
(163,169)	-
\$ 66,071	\$ 106,870

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues, Expenses and Changes in Net Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	2012
Reconciliation of modified accrual basis to full accrual basis:		
Total revenues	\$ 2,566,418	\$ 2,466,471
Total expenditures	2,500,347	2,359,601
Revenues over (under) expenditures	66,071	106,870
Budgetary appropriations	20,475	37,571
Depreciation	(54,716)	(51,107)
Gain (loss) on sale of property	-	(18,944)
Interest earned	718	808
Bad debt expense	(30,662)	(41,269)
(Increase) decrease in compensated absences payable	(10,425)	(22,734)
(Increase) decrease in other postemployment benefits	(69,820)	(71,958)
Other financing sources/(uses)	542,750	659,750
Total reconciling items	398,320	492,117
Change in net position	\$ 464,391	\$ 598,987



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, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>
Revenues:		
Interest earned		\$ 26,014
Total revenues	<u>\$ 27,000</u>	<u>26,014</u>
Expenditures:		
Automated Meter Reading		2,534,300
Total expenditures for construction in progress	<u>3,273,973</u>	<u>2,534,300</u>
Revenues over (under) expenditures	<u>(3,246,973)</u>	<u>(2,508,286)</u>
Other financing sources (uses):		
Contribution from (to):		
From operating fund	<u>3,246,973</u>	<u>2,704,223</u>
Total other financing sources (uses)	<u>3,246,973</u>	<u>2,704,223</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ 195,937</u>

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, 2013

Actual Current Year	Total to Date
\$ 718	\$ 26,732
718	26,732
512,535	3,046,835
512,535	3,046,835
(511,817)	(3,020,103)
542,750	3,246,973
542,750	3,246,973
\$ 30,933	\$ 226,870

City of Lexington, North Carolina
 Capital Reserve Fund
 Schedule of Revenues, Expenses and Changes in Net Position
 Financial Plan and Actual (Non-GAAP)
 For the fiscal year ended June 30, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Financial Plan	Actual
Revenues:		
Operating revenues:		
Capital recovery - water/wastewater		\$ 82,802
Total revenues	\$ -	82,802
Expenditures:		
Capital reserve		-
Total expenditures	504,438	-
Revenues over (under) expenditures	(504,438)	82,802
Other financing sources (uses):		
Transfers from (to):		
From water and wastewater fund	225,000	225,000
From natural gas fund	-	-
From garage fund	279,438	263,793
To electric fund	(250,000)	(250,000)
To garage fund	(285,145)	(158,828)
Appropriated net position	535,145	-
Total other financing sources (uses)	504,438	79,965
Change in net position - budgetary basis	\$ -	\$ 162,767

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 Position
 Financial Plan and Actual (Non-GAAP)
 For the fiscal year ended June 30, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Financial Plan	Actual
	\$ 74,384
\$ 82,802	74,384
	-
504,438	-
587,240	74,384
-	664,733
-	89,392
(15,645)	270,851
-	(550,000)
126,317	(223,115)
(535,145)	-
(424,473)	251,861
\$ 162,767	\$ 326,245

City of Lexington, North Carolina
Rate Stabilization Fund
Schedule of Revenues, Expenses and Changes in Net Position
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2013
(With comparative actual amounts for the fiscal year ended June 30, 2012)

	2013	
	Financial Plan	Actual
Revenues:		
Interest earned		\$ 2,704
Total revenues	\$ -	2,704
Expenditures:		
None		-
Total expenditures	-	-
Revenues over (under) expenditures	-	2,704
Other financing sources (uses):		
Transfers from (to):		
To electric fund	(145,000)	(82,000)
Appropriated net position	145,000	-
Total other financing sources (uses)	-	(82,000)
Change in net position - budgetary basis	\$ -	\$ (79,296)

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 Position
 Financial Plan and Actual (Non-GAAP)
 For the fiscal year ended June 30, 2013
 (With comparative actual amounts for the fiscal year ended June 30, 2012)

2013	2012
Variance from Financial Plan	Actual
	\$ 6,694
\$ 2,704	6,694
-	-
-	-
2,704	6,694
63,000	(500,000)
(145,000)	-
(82,000)	(500,000)
\$ (79,296)	\$ (493,306)



City of Lexington, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Current Net Levy	Collections and Credits	Uncollected Balance June 30, 2013
2012-13	\$ -	\$ 8,987,527	\$ 8,447,008	\$ 540,519
2011-12	537,059	-	246,296	290,763
2010-11	310,799	-	118,009	192,790
2009-10	193,387	-	45,118	148,269
2008-09	139,514	-	48,688	90,826
2007-08	86,274	-	15,022	71,252
2006-07	62,251	-	1,760	60,491
2005-06	49,593	-	5,348	44,245
2004-05	32,541	-	837	31,704
Prior	248,626	-	51	248,575
	<u>\$ 1,660,044</u>	<u>\$ 8,987,527</u>	<u>\$ 8,928,137</u>	<u>\$ 1,719,434</u>
				Less: allowance for uncollectible accounts:
				General Fund
				<u>921,126</u>
				Ad valorem taxes receivable - net
				<u>\$ 798,308</u>

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 8,925,727
Discounts allowed	66,642
Amount refunded	3,623
Abatements and releases - prior years	17,680
Penalties collected	5,313
Subtotal	<u>9,018,985</u>
Less interest collected	<u>90,848</u>
Total collections and credits	<u>\$ 8,928,137</u>

City of Lexington, North Carolina
 Analysis of Current Tax Levy
 City - Wide Levy
 For the fiscal year ended June 30, 2013

	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	\$ 1,400,687,833	\$ 0.600	\$ 8,404,127	\$ 8,248,487	\$ 155,640
Registered motor vehicles taxed at prior year's rate	57,961,902	0.560	324,587	-	324,587
Penalties	-		7,901	7,901	-
Total	1,458,649,735		8,736,615	8,256,388	480,227
Discoveries - Current year taxes	47,872,333	0.600	287,234	287,234	-
Abatements	(6,053,667)	0.600	(36,322)	(16,851)	(19,471)
Total property valuation	\$ 1,500,468,401				
Net levy			8,987,527	8,526,771	460,756
Uncollected taxes at June 30			(540,519)	(444,301)	(96,218)
Current year's taxes collected			\$ 8,447,008	\$ 8,082,470	\$ 364,538
Current levy collection percentage			93.99%	94.79%	79.12%

City of Lexington, North Carolina
 Analysis of Current Tax Levy
 City - Wide Levy
 For the fiscal year ended June 30, 2013

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio (1)	100%
Real Property	\$ 1,209,076,841
Personal Property	255,378,212
Public Service Companies (2)	36,013,348
Total Assessed Valuation	1,500,468,401
City-wide Tax Rate	0.600
Levy (3)	\$ 8,987,527

- (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, 2013

	Final Budget	Actual	Variance from Budget
Revenues:			
Contribution from City of Lexington:			
Special district property tax	\$ 94,669	\$ 93,809	\$ (860)
Property rental	1,500	1,500	-
Marketing	10,500	11,667	1,167
Interest earned	100	52	(48)
Sale of property	-	72	72
Grant from City of Lexington	40,500	40,500	-
Donations/fund raisers	120,800	110,399	(10,401)
Miscellaneous	-	1,527	1,527
Total revenues	<u>268,069</u>	<u>259,526</u>	<u>(8,543)</u>
Expenditures:			
Salaries and employee benefits	104,513	97,136	7,377
Operations	169,275	143,330	25,945
Total expenditures	<u>273,788</u>	<u>240,466</u>	<u>33,322</u>
Revenues over (under) expenditures	<u>(5,719)</u>	<u>19,060</u>	<u>24,779</u>
Other financing sources (uses):			
Fund balance appropriated	5,719	-	(5,719)
Total other financing sources (uses)	<u>5,719</u>	<u>-</u>	<u>(5,719)</u>
Net change in fund balance	<u>\$ -</u>	<u>19,060</u>	<u>\$ 19,060</u>
Fund balance, July 1		<u>111,034</u>	
Fund balance, June 30		<u>\$ 130,094</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.

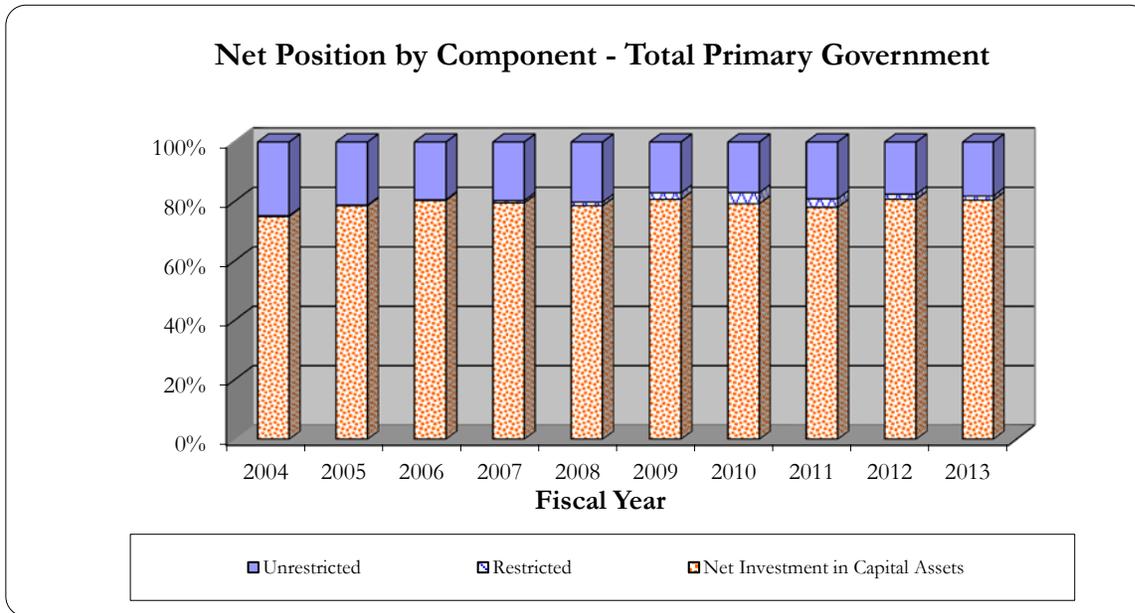
Operating Information	245 - 249
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 36,826,559	\$ 37,487,623	\$ 37,887,437	\$ 39,642,189
Restricted	355,667	353,525	322,603	1,151,767
Unrestricted	16,989,705	8,361,100	8,391,918	7,856,333
Total governmental activities net position	\$ 54,171,931	\$ 46,202,248	\$ 46,601,958	\$ 48,650,289
Business-type activities				
Net investment in capital assets	\$ 63,915,890	\$ 67,969,314	\$ 72,749,493	\$ 72,325,495
Restricted	-	-	-	-
Unrestricted	16,266,809	20,086,808	18,283,773	19,759,452
Total business-type activities net position	\$ 80,182,699	\$ 88,056,122	\$ 91,033,266	\$ 92,084,947
Primary government				
Net investment in capital assets	\$ 100,742,449	\$ 105,456,937	\$ 110,636,930	\$ 111,967,684
Restricted	355,667	353,525	322,603	1,151,767
Unrestricted	33,256,514	28,447,908	26,675,691	27,615,785
Total primary government net position	\$ 134,354,630	\$ 134,258,370	\$ 137,635,224	\$ 140,735,236



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

Table 1

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	40,202,445	\$	39,848,580	\$	40,328,855	\$	40,644,556	\$	41,139,252	\$	40,979,496
	1,765,878		2,388,811		3,635,859		4,474,720		2,688,766		2,129,153
	7,220,847		7,013,713		6,332,215		6,772,075		5,604,954		6,178,403
\$	49,189,170	\$	49,251,104	\$	50,296,929	\$	51,891,351	\$	49,432,972	\$	49,287,052
<hr/>											
\$	71,753,949	\$	78,643,928	\$	80,684,537	\$	81,274,231	\$	84,208,432	\$	85,923,171
	-		859,681		2,054,315		42,836		-		-
	21,496,152		18,083,754		19,604,510		22,944,440		21,587,378		22,372,358
\$	93,250,101	\$	97,587,363	\$	102,343,362	\$	104,261,507	\$	105,795,810	\$	108,295,529
<hr/>											
\$	111,956,394	\$	118,492,508	\$	121,013,392	\$	121,918,787	\$	125,347,684	\$	126,902,667
	1,765,878		3,248,492		5,690,174		4,517,556		2,688,766		2,129,153
	28,716,999		25,097,467		25,936,725		29,716,515		27,192,332		28,550,761
\$	142,439,271	\$	146,838,467	\$	152,640,291	\$	156,152,858	\$	155,228,782	\$	157,582,581

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 4,849,505	\$ 6,445,566	\$ 6,548,759	\$ 6,947,733
Public safety	7,825,103	8,187,070	8,381,387	8,645,626
Highways and streets	2,356,050	2,865,527	2,561,363	2,271,953
Sanitation	1,682,796	1,768,448	1,848,482	1,839,097
Culture and recreation	1,227,736	1,434,435	1,524,152	1,281,742
Economic and physical development	422,167	804,076	181,063	297,992
Interest on long-term debt	153,286	157,471	142,780	131,727
Total governmental activities expenses	<u>18,516,643</u>	<u>21,662,593</u>	<u>21,187,986</u>	<u>21,415,870</u>
Business-type activities:				
Electric	41,757,630	41,451,740	41,906,467	41,740,621
Water and Wastewater	6,162,991	6,860,682	6,640,862	7,139,058
Natural Gas	21,606,225	24,683,168	22,459,026	17,050,881
Golf	387,723	859,407	926,174	862,536
Total business-type activities expenses	<u>69,914,569</u>	<u>73,854,997</u>	<u>71,932,529</u>	<u>66,793,096</u>
Total primary government expenses	<u>\$ 88,431,212</u>	<u>\$ 95,517,590</u>	<u>\$ 93,120,515</u>	<u>\$ 88,208,966</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,012,367	\$ 3,122,439	\$ 2,991,256	\$ 3,070,146
Public safety	190,531	171,833	192,203	258,992
Highways and streets	49,805	5,177	15,110	10,637
Sanitation	725,741	711,252	707,655	760,686
Culture and recreation	94,230	118,970	113,582	97,501
Economic and physical development	13,783	518,777	12,254	10,907
Operating grants and contributions	1,142,308	1,176,227	1,027,163	1,897,340
Capital grants and contributions	68,812	776,450	1,001,303	1,290,766
Total governmental activities program revenues	<u>4,297,577</u>	<u>6,601,125</u>	<u>6,060,526</u>	<u>7,396,975</u>
Business-type activities:				
Charges for services:				
Electric	43,437,181	42,314,867	42,966,388	42,332,221
Water and Wastewater	6,330,103	6,966,891	6,946,893	7,629,073
Natural Gas	23,046,418	26,318,066	23,368,471	18,089,668
Golf	243,026	449,346	636,464	692,181
Operating grants and contributions	-	-	-	-
Capital grants and contributions	170,000	199,958	2,834,177	676,535
Total business-type activities program revenues	<u>73,226,728</u>	<u>76,249,128</u>	<u>76,752,393</u>	<u>69,419,678</u>
Total primary government program revenues	<u>\$ 77,524,305</u>	<u>\$ 82,850,253</u>	<u>\$ 82,812,919</u>	<u>\$ 76,816,653</u>

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

Table 2
 Page 1

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	7,085,684	\$	6,460,428	\$	5,392,826	\$	5,635,640	\$	8,010,696	\$	7,149,030
	8,862,033		9,364,136		9,152,311		9,607,070		10,384,670		9,981,953
	2,943,346		2,445,706		2,396,046		2,467,267		2,744,783		3,134,934
	1,882,576		1,928,807		1,807,085		1,858,518		1,804,492		1,806,731
	1,279,509		1,385,687		1,297,564		1,391,684		1,397,814		1,527,273
	608,643		876,947		1,800,659		1,342,633		2,752,101		184,060
	113,678		115,381		107,918		202,506		167,568		153,788
	<u>22,775,469</u>		<u>22,577,092</u>		<u>21,954,409</u>		<u>22,505,318</u>		<u>27,262,124</u>		<u>23,937,769</u>
	42,269,534		42,046,335		42,490,374		45,943,820		47,049,771		48,425,865
	6,967,468		7,327,038		7,411,514		7,929,297		7,953,182		7,698,833
	16,906,600		16,535,695		13,380,334		12,338,924		9,543,636		9,797,266
	861,937		1,043,915		718,431		756,527		810,830		1,037,258
	<u>67,005,539</u>		<u>66,952,983</u>		<u>64,000,653</u>		<u>66,968,568</u>		<u>65,357,419</u>		<u>66,959,222</u>
\$	<u>89,781,008</u>	\$	<u>89,530,075</u>	\$	<u>85,955,062</u>	\$	<u>89,473,886</u>	\$	<u>92,619,543</u>	\$	<u>90,896,991</u>
\$	3,247,370	\$	2,585,157	\$	2,112,338	\$	2,201,761	\$	3,936,201	\$	3,122,802
	253,017		210,025		208,693		293,066		222,367		293,915
	1,312		1,134		5,021		4,328		3,620		12,110
	759,317		754,188		764,636		811,013		815,666		809,692
	104,630		104,400		108,502		115,575		93,521		98,914
	10,836		24,720		140,156		91,347		167,840		175,741
	2,037,338		2,308,606		3,386,141		2,793,823		1,807,962		1,151,258
	211,992		290,836		281,898		1,635,126		1,563,195		946,861
	<u>6,625,812</u>		<u>6,279,066</u>		<u>7,007,385</u>		<u>7,946,039</u>		<u>8,610,372</u>		<u>6,611,293</u>
	43,393,859		42,874,197		45,846,264		48,164,096		47,654,094		50,204,074
	7,436,083		7,830,098		7,941,919		8,502,090		8,733,673		8,707,334
	18,143,797		18,297,321		15,379,486		13,997,277		10,659,045		11,859,814
	740,537		743,712		639,855		589,319		749,128		780,138
	132,059		47,754		-		-		45,776		20,344
	109,736		3,486,650		1,218,659		-		1,469,210		352,407
	<u>69,956,071</u>		<u>73,279,732</u>		<u>71,026,183</u>		<u>71,252,782</u>		<u>69,310,926</u>		<u>71,924,111</u>
\$	<u>76,581,883</u>	\$	<u>79,558,798</u>	\$	<u>78,033,568</u>	\$	<u>79,198,821</u>	\$	<u>77,921,298</u>	\$	<u>78,535,404</u>

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

	Fiscal Year			
	2004	2005	2006	2007
Net (expense)/revenue				
Governmental activities	\$ (14,219,066)	\$ (15,061,468)	\$ (15,127,460)	\$ (14,018,895)
Business-type activities	3,312,159	2,394,131	4,819,864	2,626,582
Total primary government net expense	<u>\$ (10,906,907)</u>	<u>\$ (12,667,337)</u>	<u>\$ (10,307,596)</u>	<u>\$ (11,392,313)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes, levied for general purpose	\$ 6,331,554	\$ 6,548,590	\$ 7,068,935	\$ 7,160,434
Property taxes, levied for special taxing district	72,514	73,403	80,212	80,842
Other taxes	382,132	419,931	443,559	363,883
Unrestricted intergovernmental revenues	4,517,725	4,919,671	5,090,991	5,516,762
Unrestricted investment earnings	136,984	229,255	374,033	490,959
Transfers	1,786,477	(5,099,065)	2,469,440	2,454,346
Total governmental activities	<u>13,227,386</u>	<u>7,091,785</u>	<u>15,527,170</u>	<u>16,067,226</u>
Business-type activities:				
Unrestricted investment earnings	239,930	380,227	626,720	879,445
Transfers	(1,786,477)	5,099,065	(2,469,440)	(2,454,346)
Total business-type activities	<u>(1,546,547)</u>	<u>5,479,292</u>	<u>(1,842,720)</u>	<u>(1,574,901)</u>
Total primary government	<u>\$ 11,680,839</u>	<u>\$ 12,571,077</u>	<u>\$ 13,684,450</u>	<u>\$ 14,492,325</u>
Change in Net Position				
Governmental activities	\$ (991,680)	\$ (7,969,683)	\$ 399,710	\$ 2,048,331
Business-type activities	1,765,612	7,873,423	2,977,144	1,051,681
Total primary government	<u>\$ 773,932</u>	<u>\$ (96,260)</u>	<u>\$ 3,376,854</u>	<u>\$ 3,100,012</u>

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

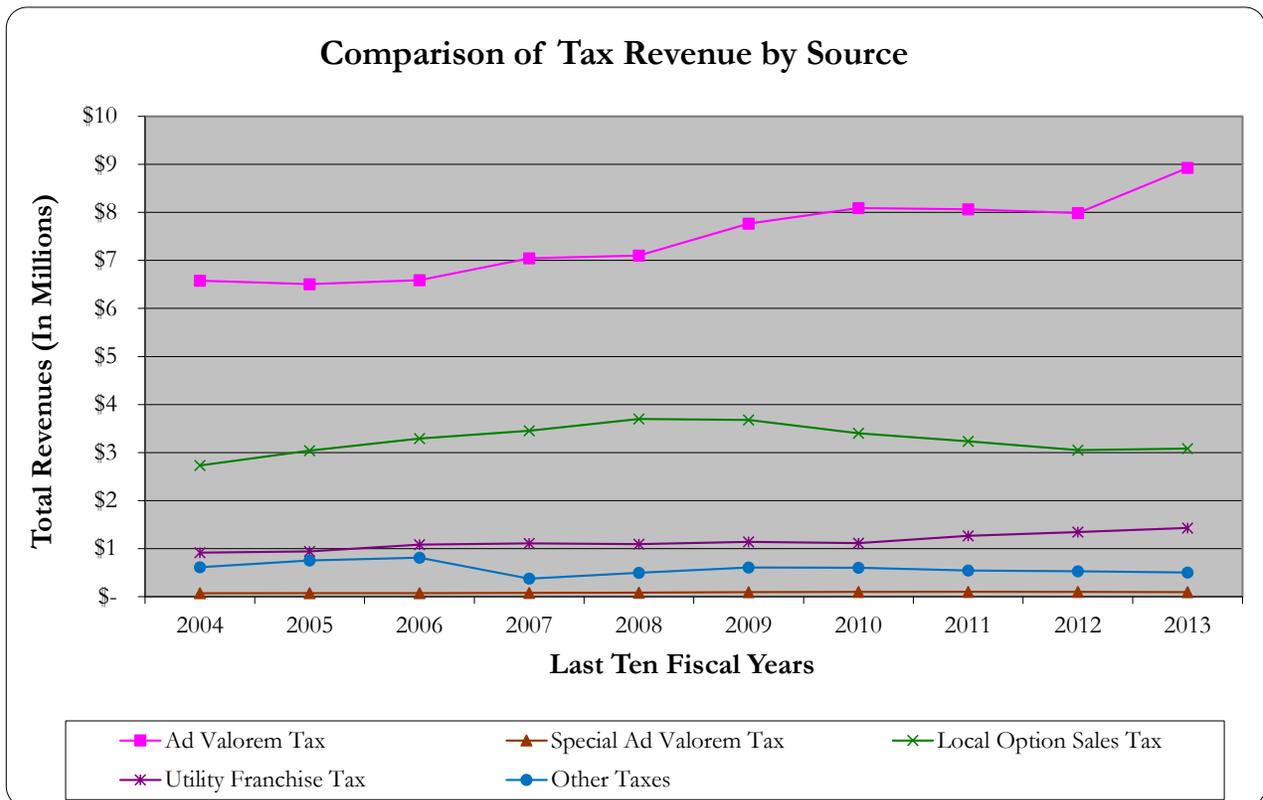
Table 2
 Page 2

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	(16,149,657)	\$	(16,298,026)	\$	(14,947,024)	\$	(14,559,279)	\$	(18,651,752)	\$	(17,326,476)
	2,950,532		6,326,749		7,025,530		4,284,214		3,953,507		4,964,889
\$	(13,199,125)	\$	(9,971,277)	\$	(7,921,494)	\$	(10,275,065)	\$	(14,698,245)	\$	(12,361,587)
\$	7,858,981	\$	8,226,188	\$	8,243,803	\$	8,125,132	\$	8,048,746	\$	8,951,332
	98,410		101,082		93,958		103,121		100,438		95,795
	242,835		219,068		239,920		259,127		264,890		265,420
	5,594,711		5,300,642		4,948,859		5,246,060		5,230,900		5,328,292
	385,688		184,698		76,502		55,897		52,586		31,238
	2,507,913		2,328,282		2,389,807		2,452,971		2,495,813		2,508,479
	16,688,538		16,359,960		15,992,849		16,242,308		16,193,373		17,180,556
	722,535		338,795		120,276		86,902		76,609		43,309
	(2,507,913)		(2,328,282)		(2,389,807)		(2,452,971)		(2,495,813)		(2,508,479)
	(1,785,378)		(1,989,487)		(2,269,531)		(2,366,069)		(2,419,204)		(2,465,170)
\$	14,903,160	\$	14,370,473	\$	13,723,318	\$	13,876,239	\$	13,774,169	\$	14,715,386
\$	538,881	\$	61,934	\$	1,045,825	\$	1,683,029	\$	(2,458,379)	\$	(145,920)
	1,165,154		4,337,262		4,755,999		1,918,145		1,534,303		2,499,719
\$	1,704,035	\$	4,399,196	\$	5,801,824	\$	3,601,174	\$	(924,076)	\$	2,353,799

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
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
2013	8,925,727	93,791	3,083,691	1,430,901	504,597	14,038,707



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			
	2004	2005 (1)	2006	2007
General Fund				
Nonspendable:	\$ -	\$ -	\$ -	\$ -
Spendable:				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	8,333,326	1,057,115	1,139,392	1,129,203
Unreserved	7,046,407	6,425,728	6,473,344	5,546,400
Total General Fund	<u>\$ 15,379,733</u>	<u>\$ 7,482,843</u>	<u>\$ 7,612,736</u>	<u>\$ 6,675,603</u>
All other governmental funds				
Spendable:				
Restricted	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	426,388	590,209	357,812	496,389
Unreserved, reported in:				
Special revenue funds	107,013	156,024	281,729	1,106,899
Capital projects fund	268,215	-	13,180	211,712
Total all other governmental funds	<u>\$ 801,616</u>	<u>\$ 746,233</u>	<u>\$ 652,721</u>	<u>\$ 1,815,000</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						
2008	2009	2010 (2)	2011	2012	2013	
\$ -	\$ -	\$ -	\$ 75,521	\$ 67,597	\$ 58,814	
-	-	-	1,813,519	1,321,691	1,040,399	
-	-	-	12,224	10,230	15,105	
-	-	-	734,440	768,000	975,954	
-	-	-	4,886,011	5,486,866	6,068,607	
1,162,239	1,029,879	1,069,845	-	-	-	
5,218,503	5,042,756	5,361,106	-	-	-	
<u>\$ 6,380,742</u>	<u>\$ 6,072,635</u>	<u>\$ 6,430,951</u>	<u>\$ 7,521,715</u>	<u>\$ 7,654,384</u>	<u>\$ 8,158,879</u>	
\$ -	\$ -	\$ -	\$ 2,661,201	\$ 1,367,075	\$ 1,088,754	
-	-	-	492,367	257,460	273,971	
-	-	-	(69,997)	(33,090)	(46,525)	
177,011	185,036	2,063,191	-	-	-	
1,660,698	2,196,734	1,520,766	-	-	-	
319,362	558,867	415,970	-	-	-	
<u>\$ 2,157,071</u>	<u>\$ 2,940,637</u>	<u>\$ 3,999,927</u>	<u>\$ 3,083,571</u>	<u>\$ 1,591,445</u>	<u>\$ 1,316,200</u>	

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

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Ad valorem taxes	\$ 6,506,655	\$ 6,590,108	\$ 7,043,243	\$ 7,104,130
Special ad valorem taxes	72,006	73,353	79,817	81,410
Other taxes and licenses	382,132	419,931	443,559	363,883
Unrestricted intergovernmental	4,482,664	4,893,258	5,072,931	5,447,419
Restricted intergovernmental	851,084	1,569,519	1,925,551	1,966,855
Permits and fees	137,377	142,295	159,090	199,570
Sales and services	1,130,065	874,973	864,093	894,261
Interest earned	114,594	193,313	325,409	446,583
Miscellaneous	347,296	633,453	184,548	144,385
Total Revenues	\$14,023,873	\$15,390,203	\$16,098,241	\$16,648,496
Expenditures				
General government	\$ 2,716,870	\$ 2,839,869	\$ 3,207,276	\$ 3,670,790
Public safety	7,619,160	7,686,175	8,070,865	8,325,443
Highways and streets	1,428,767	1,887,469	1,623,834	1,322,942
Sanitation	1,563,728	1,573,887	1,660,347	1,712,193
Culture and recreation	1,115,487	1,274,068	1,379,854	1,126,123
Economic and physical development	291,549	804,077	181,063	297,992
Capital outlay	805,269	595,282	468,738	427,734
Construction in progress	506,449	1,023,916	1,439,985	1,434,628
Debt service:				
Principal	624,980	688,113	686,041	734,128
Interest	153,239	157,471	142,780	131,727
Bond issuance cost	-	-	-	-
Arbitrage rebate	21,572	-	-	-
Total expenditures	\$16,847,070	\$18,530,327	\$18,860,783	\$19,183,700
Excess of revenues over (under) expenditures	(\$2,823,197)	(\$3,140,124)	(\$2,762,542)	(\$2,535,204)
Other financing sources (uses)				
Installment purchase debt issued	\$ 1,031,098	\$ 167,595	\$ 328,948	\$ 215,252
Transfers in	2,382,417	2,809,213	2,931,434	4,204,697
Transfers out	(595,940)	(7,787,234)	(461,994)	(1,658,585)
Refunding bonds issued	-	-	-	-
Redemption of bonds	-	-	-	-
Total other financing sources (uses)	\$2,817,575	(\$4,810,426)	\$2,798,388	\$2,761,364
Net change in fund balances	(\$5,622)	(\$7,950,550)	\$35,846	\$226,160
Debt service as a percentage of noncapital expenditures	5.0%	5.0%	4.9%	5.0%
Debt service as a percentage of total expenditures	4.6%	4.6%	4.4%	4.5%
Capital outlay as a percentage of total expenditures	7.8%	8.7%	10.1%	9.7%

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					
		2008	2009	2010	2011	2012	2013
\$	7,766,698	\$ 8,090,264	\$ 8,153,287	\$ 8,064,247	\$ 7,984,145	\$ 8,925,727	
	96,367	99,849	91,022	101,669	99,678	93,791	
	242,835	219,068	239,920	259,127	264,890	264,915	
	5,604,276	5,296,221	4,981,131	5,245,141	5,153,753	5,268,973	
	2,155,195	2,499,575	3,481,105	4,203,869	3,217,560	2,072,489	
	178,377	148,021	124,296	202,391	165,203	183,454	
	904,818	885,299	995,061	1,032,606	1,030,119	1,039,346	
	359,333	188,523	70,980	43,925	37,827	22,357	
	143,720	156,081	232,828	257,416	284,120	233,561	
	<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>	<u>\$18,104,613</u>	
\$	3,566,424	\$ 3,719,754	\$ 3,333,760	\$ 3,277,885	\$ 3,396,522	\$ 3,742,625	
	8,493,778	8,831,973	9,041,507	9,156,333	9,324,691	9,290,324	
	1,612,903	1,460,317	1,476,652	1,353,163	1,534,439	1,904,926	
	1,680,173	1,743,489	1,693,636	1,737,312	1,690,560	1,685,761	
	1,129,999	1,216,642	1,207,474	1,247,196	1,191,084	1,357,739	
	563,953	921,637	1,800,659	1,342,633	1,878,884	265,183	
	809,477	1,234,366	524,594	489,233	1,165,404	591,277	
	1,733,304	524,101	1,581,272	2,325,755	1,671,529	973,349	
	688,393	668,291	546,252	506,221	580,635	540,183	
	113,678	115,381	107,918	193,820	167,568	153,788	
	-	-	-	25,686	-	-	
	-	-	-	-	-	-	
	<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>	<u>\$ 20,505,155</u>	
	(\$2,940,463)	(\$2,853,050)	(\$2,944,094)	(\$2,244,846)	(\$4,364,021)	(\$2,400,542)	
\$	401,138	\$ 907,970	\$ 1,900,000	\$ -	\$ 460,402	\$ -	
	3,959,652	3,402,404	4,008,046	3,254,381	3,116,815	2,854,724	
	(1,373,788)	(981,400)	(1,547,449)	(779,870)	(573,266)	(223,650)	
	-	-	-	1,184,031	-	-	
	-	-	-	(1,150,000)	-	-	
	<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>\$2,631,074</u>	
	<u>\$46,539</u>	<u>\$475,924</u>	<u>\$1,416,503</u>	<u>\$263,696</u>	<u>(\$1,360,070)</u>	<u>\$230,532</u>	
	4.5%	4.2%	3.4%	3.7%	3.8%	3.7%	
	3.9%	3.8%	3.1%	3.2%	3.3%	3.4%	
	12.5%	8.6%	9.9%	13.0%	12.6%	7.6%	

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

Description	Fiscal Year			
	2004	2005	2006	2007
Operating revenues:				
Charges for service	\$41,215,076	\$40,449,488	\$40,997,905	\$40,464,262
Other operating revenues (1)	2,038,797	1,577,081	1,648,666	1,546,542
Total operating revenues	43,253,873	42,026,569	42,646,571	42,010,804
Operating expenses:				
Salaries and benefits	1,151,720	1,090,956	1,216,449	1,381,745
Operating expenses	5,182,083	5,453,013	5,333,330	5,690,968
Purchases of power for resale	33,209,674	33,005,644	33,718,191	32,914,969
Depreciation	1,460,571	1,100,113	1,107,163	1,149,253
Total operating expenses	41,004,048	40,649,726	41,375,133	41,136,935
Operating income (loss)	2,249,825	1,376,843	1,271,438	873,869
Non-operating revenues (expenses):				
Interest earned on investments	101,718	202,209	325,782	355,989
Interest on long-term debt	(183,485)	(213,269)	(195,743)	(178,512)
Other	(5,143)	22,516	0	(3,283)
Total non-operating revenues (expenses)	(86,910)	11,456	130,039	174,194
Net income before transfers	2,162,915	1,388,299	1,401,477	1,048,063
Transfers in (out)	(1,336,730)	6,388,819	(1,802,840)	(401,989)
Net income	\$826,185	\$7,777,118	(\$401,363)	\$646,074

(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					
2008	2009	2010	2011	2012	2013
\$41,531,324	\$40,973,741	\$43,062,906	\$46,290,133	\$45,851,593	\$48,347,174
1,698,630	1,578,812	1,536,246	1,483,538	1,534,910	1,574,156
43,229,954	42,552,553	44,599,152	47,773,671	47,386,503	49,921,330
1,400,668	1,661,301	1,579,835	1,608,301	1,357,152	1,372,491
5,185,465	5,342,448	4,395,926	4,523,644	4,501,733	4,824,251
33,826,763	33,298,694	34,652,715	38,272,708	39,655,108	40,755,523
1,106,735	1,055,389	994,135	956,883	916,110	922,514
41,519,631	41,357,832	41,622,611	45,361,536	46,430,103	47,874,779
1,710,323	1,194,721	2,976,541	2,412,135	956,400	2,046,551
327,019	162,886	52,119	37,686	34,225	19,060
(234,244)	(283,311)	(257,198)	(221,224)	(188,937)	(170,698)
4,417	(34,930)	(366,487)	(23,887)	(57,571)	(48,761)
97,192	(155,355)	(571,566)	(207,425)	(212,283)	(200,399)
1,807,515	1,039,366	2,404,975	2,204,710	744,117	1,846,152
(3,623,938)	(1,681,671)	(1,759,742)	(1,310,393)	(634,423)	(1,338,781)
(\$1,816,423)	(\$642,305)	\$645,233	\$894,317	\$109,694	\$507,371

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

Description	Fiscal Year			
	2004	2005	2006	2007
Operating revenues:				
Water charges for service	\$2,675,845	\$3,037,104	\$2,954,700	\$3,265,697
Wastewater charges for service	3,211,627	3,516,469	3,507,581	3,849,221
Other operating revenues	359,480	294,272	189,794	176,064
Total operating revenues	6,246,952	6,847,845	6,652,075	7,290,982
Operating expenses:				
Water plant	1,110,457	1,228,635	1,234,730	1,384,293
Waste treatment plant	1,400,794	1,530,716	1,544,578	1,684,495
Water and wastewater	1,907,540	2,338,387	2,335,780	2,368,365
Depreciation	1,126,559	984,306	1,011,274	1,093,612
Total operating expenses	5,545,350	6,082,044	6,126,362	6,530,765
Operating income (loss)	701,602	765,801	525,713	760,217
Non-operating revenues (expenses):				
Interest earned on investments	56,562	57,361	105,431	139,905
Interest on long-term debt	(423,017)	(401,060)	(374,359)	(347,751)
Other	(31,548)	(58,651)	7,261	(62,952)
Total non-operating revenues (expenses)	(398,003)	(402,350)	(261,667)	(270,798)
Net income before transfers and capital contributions	303,599	363,451	264,046	489,419
Capital contributions	170,000	170,862	2,834,177	676,535
Transfers in (out)	(225,147)	(415,866)	(618,814)	(719,124)
Net income	\$248,452	\$118,447	\$2,479,409	\$446,830

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

Table 7

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$3,259,876	\$3,308,617	\$3,351,254	\$3,636,646	\$3,747,972	\$3,660,282
3,651,528	3,882,808	4,059,854	4,402,055	4,604,890	4,641,615
219,877	235,233	249,903	184,610	150,721	166,534
7,131,281	7,426,658	7,661,011	8,223,311	8,503,583	8,468,431
1,311,156	1,440,449	1,429,152	1,534,200	1,474,732	1,411,184
1,734,286	1,896,536	2,019,671	2,090,429	2,223,004	2,129,017
2,294,778	2,508,762	2,561,648	2,688,509	2,588,725	2,613,371
1,090,384	1,106,790	1,157,368	1,170,159	1,197,166	1,225,251
6,430,604	6,952,537	7,167,839	7,483,297	7,483,627	7,378,823
700,677	474,121	493,172	740,014	1,019,956	1,089,608
130,483	72,152	25,796	18,139	18,283	11,507
(321,296)	(293,744)	(271,477)	(250,483)	(185,947)	(162,232)
17,561	(9,871)	4,185	(115,055)	(43,970)	258
(173,252)	(231,463)	(241,496)	(347,399)	(211,634)	(150,467)
527,425	242,658	251,676	392,615	808,322	939,141
69,574	3,486,650	1,218,659	0	1,461,439	82,471
(680,874)	(132,033)	(533,631)	(737,295)	(1,293,919)	(778,351)
(\$83,875)	\$3,597,275	\$936,704	(\$344,680)	\$975,842	\$243,261

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

Description	Fiscal Year			
	2004	2005	2006	2007
Operating revenues:				
Charges for service	\$22,934,061	\$26,078,146	\$23,108,897	\$17,808,955
Other operating revenues	34,157	109,899	83,387	88,190
Total operating revenues	<u>22,968,218</u>	<u>26,188,045</u>	<u>23,192,284</u>	<u>17,897,145</u>
Operating expenses:				
Salaries and benefits	781,785	818,393	914,023	897,001
Operating expenses	1,237,026	1,362,363	1,660,278	1,560,602
Purchases of natural gas for resale	18,610,990	21,395,375	18,923,326	13,515,181
Depreciation	558,365	592,994	597,893	594,433
Total operating expenses	<u>21,188,166</u>	<u>24,169,125</u>	<u>22,095,520</u>	<u>16,567,217</u>
Operating income (loss)	<u>1,780,052</u>	<u>2,018,920</u>	<u>1,096,764</u>	<u>1,329,928</u>
Non-operating revenues (expenses):				
Interest earned on investments	59,448	97,895	148,491	305,319
Interest on long-term debt	(183,054)	(204,191)	(179,804)	(218,928)
Other	1,036	0	1,732	(4,566)
Total nonoperating revenues (expenses)	<u>(122,570)</u>	<u>(106,296)</u>	<u>(29,581)</u>	<u>81,825</u>
Net income before transfers and capital contributions	1,657,482	1,912,624	1,067,183	1,411,753
Capital contributions	0	29,096	0	0
Transfers in (out)	(715,985)	(619,212)	(339,219)	(1,182,457)
Net income	<u>\$941,497</u>	<u>\$1,322,508</u>	<u>\$727,964</u>	<u>\$229,296</u>

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

Table 8

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$17,549,217	\$18,046,753	\$ 14,978,660	\$ 13,751,305	\$ 10,396,960	\$ 11,599,902
424,294	106,200	57,545	34,308	19,229	19,294
17,973,511	18,152,953	15,036,205	13,785,613	10,416,189	11,619,196
967,950	1,152,048	1,109,352	1,279,185	992,526	1,028,218
1,537,250	1,428,478	1,541,276	1,944,764	2,086,275	2,005,905
13,264,317	12,911,586	9,811,535	8,163,925	5,385,773	5,744,010
584,544	524,105	527,124	540,673	544,692	573,748
16,354,061	16,016,217	12,989,287	11,928,547	9,009,266	9,351,881
1,619,450	2,136,736	2,046,918	1,857,066	1,406,923	2,267,315
193,386	71,025	29,672	20,795	15,544	8,390
(247,214)	(218,592)	(188,973)	(224,816)	(193,196)	(174,536)
2,734	(85,304)	58,144	(18,728)	(48,908)	(11,726)
(51,094)	(232,871)	(101,157)	(222,749)	(226,560)	(177,872)
1,568,356	1,903,865	1,945,761	1,634,317	1,180,363	2,089,443
21,292	0	0	0	7,771	269,936
(844,038)	(1,061,715)	(925,223)	(954,822)	(1,147,666)	(1,100,646)
\$745,610	\$842,150	\$ 1,020,538	\$ 679,495	\$ 40,468	\$ 1,258,733

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

Description	Fiscal Year			
	2004 (1)	2005 (1)	2006	2007
Operating revenues:				
Charges for service	\$195,298	\$448,105	\$630,733	\$686,040
Other operating revenues	975	1,023	4,242	4,985
Total operating revenues	196,273	449,128	634,975	691,025
Operating expenses:				
Salaries and benefits	220,178	309,367	451,294	427,146
Operating expenses	133,992	456,065	269,433	270,935
Depreciation	9,341	7,552	98,058	97,082
Total operating expenses(loss)	363,511	772,984	818,785	795,163
Operating income (loss)	(167,238)	(323,856)	(183,810)	(104,138)
Non-operating revenues (expenses):				
Interest earned on investments	6,421	1,288	1,224	2,940
Interest on long-term debt	(35,098)	(71,615)	(70,900)	(65,544)
Other	46,753	218	(33,280)	(3,730)
Total nonoperating revenues (expenses)	18,076	(70,109)	(102,956)	(66,334)
Net income before transfers	(149,162)	(393,965)	(286,766)	(170,472)
Transfers in (out)	255,150	430,794	315,000	206,000
Net income	\$105,988	\$36,829	\$28,234	\$35,528

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					
2008	2009	2010	2011	2012	2013
\$739,096	\$670,211	\$633,027	\$588,350	\$747,737	\$693,059
142	1	52	113	1,391	54
739,238	670,212	633,079	588,463	749,128	693,113
449,261	461,150	390,347	394,230	405,794	404,886
249,958	443,798	200,440	227,501	251,578	496,014
96,952	98,211	98,598	99,449	101,566	101,838
796,171	1,003,159	689,385	721,180	758,938	1,002,738
(56,933)	(332,947)	(56,306)	(132,717)	(9,810)	(309,625)
3,292	2,208	294	98	268	305
(60,144)	(55,331)	(53,044)	(47,421)	(41,703)	(36,312)
(2,247)	73,500	6,776	(1,351)	(2,756)	87,025
(59,099)	20,377	(45,974)	(48,674)	(44,191)	51,018
(116,032)	(312,570)	(102,280)	(181,391)	(54,001)	(258,607)
206,000	170,000	188,584	208,584	168,584	168,584
\$89,968	(\$142,570)	\$86,304	\$27,193	\$114,583	(\$90,023)

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
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
2013	1,502,834,799	N/A	71,866,572	183,511,640

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
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
257,744,610	1,500,468,401	0.600	1,500,468,401

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	
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
2013	0.600	-	0.600	0.54	0.12	0.20	1.460

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, 2013 and June 30, 2004

2013					
Taxpayer	Type of Business	Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation
Kimberly Clark Corp.	Tissue Products	\$ 77,928,894	1	\$ 467,573	5.19%
Jeld-Wen Inc.	Windows and Doors	18,121,387	2	108,728	1.21%
Vitacost.com Inc.	Online Retail	17,891,227	3	107,347	1.19%
NewBridge Bank	Banking	15,063,585	4	90,381	1.00%
Wal-Mart	Retail	14,987,898	5	89,927	1.00%
Diebold Southeast Mfg. Inc.	Security Delivery Systems	9,845,467	6	59,072	0.66%
Chesapeake Printing & Packaging Co.	Printing	8,456,820	7	50,741	0.56%
Childress Winery & Vineyards	Viniculture	8,140,954	8	48,846	0.54%
Arneg Holdings USA LLC	Refrigeration Equipment	8,107,849	9	48,647	0.54%
Parkdale Mills Inc.	Textiles	7,869,382	10	47,216	0.52%
Duracell	Batteries	-	-	-	-
Lexington Home Brands	Furniture	-	-	-	-
Stanley Furniture Co. Inc.	Furniture	-	-	-	-
RCR Air LLC	Air Transportation	-	-	-	-
Total		<u>\$ 186,413,463</u>		<u>\$ 1,118,478</u>	<u>12.41%</u>

Source: Davidson County Tax Department

City of Lexington, North Carolina
Principal Property Taxpayers
Fiscal Years Ended June 30, 2013 and June 30, 2004

Table 12

2004				
Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation	
\$ 101,238,035	1	\$ 521,376	7.62%	
12,008,680	6	61,845	0.90%	
-	-	-	-	
10,273,368	8	52,908	0.77%	
-	-	-	-	
6,828,831	10	35,168	0.51%	
12,490,054	5	64,324	0.94%	
-	-	-	-	
-	-	-	-	
10,624,073	7	54,714	0.80%	
55,986,313	2	288,330	4.21%	
44,463,530	3	228,987	3.35%	
16,074,221	4	82,782	1.21%	
8,202,755	9	42,244	0.62%	
\$ 278,189,860		\$ 1,432,678	20.93%	

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
2004	6,664,844	6,423,988	96.39%	206,825	6,630,813	99.49%
2005	6,604,405	6,408,010	97.03%	164,691	6,572,701	99.52%
2006	7,105,958	6,887,873	96.93%	173,840	7,061,713	99.38%
2007	7,204,841	6,943,770	96.38%	200,580	7,144,350	99.16%
2008	7,901,129	7,566,532	95.77%	263,345	7,829,877	99.10%
2009	8,301,096	7,861,258	94.70%	349,012	8,210,270	98.91%
2010	8,372,149	7,878,645	94.11%	345,235	8,223,880	98.23%
2011	8,288,300	7,775,260	93.81%	320,250	8,095,510	97.67%
2012	8,257,246	7,720,187	93.50%	246,296	7,966,483	96.48%
2013	8,987,527	8,447,008	93.99%	-	8,447,008	93.99%

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
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
2013	48,347,174	8,301,897	11,599,902	693,059	68,942,032

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
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
2013	28,028,597	17,593,537	2,559,021	166,019	48,347,174

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
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
2013	1,822,546	900,547	937,189	3,660,282

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

Table 14c

Fiscal Year	Residential	Commercial	Industrial	Total
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
2013	2,539,599	1,776,637	325,379	4,641,615

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
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
2013	4,757,704	4,024,866	2,817,332	-	11,599,902

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
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
2013	379,135	284,244	29,680	693,059

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, 2013

Table 15

Customer	Type of Business	Consumption (kWh)	Amount Billed	Percent of Total Operating Revenue
City of Lexington	Government	8,126,385	\$1,212,646	2.43%
Davidson County Schools	Public School System	6,213,296	880,999	1.77%
Lexington Memorial Hospital	Hospital	8,374,033	761,653	1.53%
Lexington City Schools	Public School System	5,548,371	649,618	1.30%
Davidson County	Government	4,748,435	564,169	1.13%
Food Lion	Grocery Store Chain	5,902,599	520,772	1.04%
Leggett & Platt, Inc.	Furniture	3,306,302	387,169	0.78%
Cardinal Container	Corrugated Fiber Boxes	2,799,705	261,091	0.52%
Wal-Mart	Retail	4,905,535	245,467	0.49%
Paris Foods Corp	Frozen Produce Distribution	2,255,720	211,570	0.42%
		<u>52,180,381</u>	<u>\$5,695,154</u>	<u>11.41%</u>

City of Lexington, North Carolina
 Schedule of Top Ten Water Customers
 Fiscal Year Ended June 30, 2013

Table 16

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
PPG Industries	Glass Products	261,723	\$645,602	7.62%
Kimberly Clark Corp.	Tissue Products	43,650	79,243	0.94%
Parkdale Mills Inc.	Textiles	39,255	69,219	0.82%
Lexington Memorial Hospital	Hospital	21,386	40,457	0.48%
City of Lexington	Government	10,431	40,106	0.47%
Davidson County	Government	15,849	38,724	0.46%
Lexington Housing Authority	Public Housing	16,221	35,567	0.42%
Lexington City Schools	Public School System	9,862	32,382	0.38%
NC Department of Public Safety	Prison	18,616	32,287	0.38%
Cardinal Container	Corrugated Fiber Boxes	6,385	27,996	0.33%
		443,378	\$1,041,583	12.30%

City of Lexington, North Carolina
 Schedule of Top Ten Wastewater Customers
 Fiscal Year Ended June 30, 2013

Table 17

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Davidson County Schools	Public School System	28,223	\$235,638	2.78%
Lexington Memorial Hospital	Hospital	21,386	75,398	0.89%
Davidson County	Government	16,255	69,278	0.82%
Atrium Companies Inc.	Vinyl Windows & Doors	8,801	67,066	0.79%
Lexington Housing Authority	Public Housing	16,221	62,567	0.74%
NC Department of Public Safety	Prison	18,616	62,449	0.74%
Cardinal Container	Corrugated Fiber Boxes	11,760	52,247	0.62%
Brookstone Rest Home	Rest Home	6,688	48,290	0.57%
Kimberly Clark Corp.	Tissue Products	19,257	42,804	0.51%
Lexington City Schools	Public School System	9,141	37,483	0.44%
		156,348	\$753,220	8.90%

City of Lexington, North Carolina
Schedule of Top Ten Natural Gas Customers (1)
Fiscal Year Ended June 30, 2013

Table 18

Customer	Type of Business	Consumption (DT)	Amount Billed	Percent of Total Operating Revenue
Kimberly Clark Corp.	Tissue Products	141,687	\$816,678	7.03%
PPG Industries (2)	Glass Products	802,482	615,426	5.30%
J E Jones Lumber Company	Lumber Dry Kiln	72,159	425,701	3.66%
JT Russell and Sons, Inc.	Asphalt Plant	46,463	289,883	2.50%
Matcor Metal Fabrication	Machine Tools	32,780	236,413	2.03%
Leggett & Platt, Inc.	Furniture	28,059	228,302	1.97%
Kurz Transfer Products LP	Stamping Technology	31,392	227,972	1.96%
Lexington Memorial Hospital	Hospital	34,326	213,112	1.83%
Davidson County Schools	Public School System	13,948	133,587	1.15%
Hanes Construction Company	Paving	22,161	131,402	1.13%
		1,225,457	\$3,318,476	28.56%

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
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
2013	551,893	2,515,553	2,255,152	826,955

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)
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	3.40%	1,056
3,526,201	11,662,851	24,119,104	3.55%	1,126
2,834,318	10,623,806	21,457,125	3.43%	1,135
2,601,036	9,550,795	19,431,397	NA	1,033
2,357,826	8,440,940	16,948,319	NA	910

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)
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
2013	551,893	-	551,893	0.04%	30

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, 2013

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	\$ 105,687,884	11.34%	<u>\$ 11,985,006</u>
Subtotal, overlapping debt			<u>\$ 11,985,006</u>
City of Lexington, direct debt			<u>3,067,446</u>
Total direct and overlapping debt			<u><u>\$ 15,052,452</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 \$1,500,468,401 divided by the County's assessed valuation of \$13,228,420,733.

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Debt limit	\$ 103,397,483	\$ 102,498,691	\$ 104,537,339	\$ 105,707,349	\$ 117,965,215
Total net debt applicable to limit	19,685,151	18,183,632	16,674,871	15,118,063	17,661,700
Legal debt margin	<u>\$ 83,712,332</u>	<u>\$ 84,315,059</u>	<u>\$ 87,862,468</u>	<u>\$ 90,589,286</u>	<u>\$ 100,303,515</u>
Total net debt applicable to the limit as a percentage of debt limit	19.04%	17.74%	15.95%	14.30%	14.97%

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				
2009	2010	2011	2012	2013
\$ 118,807,716	\$ 119,378,163	\$ 117,893,779	\$ 117,894,373	\$ 120,037,472
16,784,261	19,317,903	17,472,961	15,843,276	13,763,538
<u>\$ 102,023,455</u>	<u>\$ 100,060,260</u>	<u>\$ 100,420,818</u>	<u>\$ 102,051,097</u>	<u>\$ 106,273,934</u>
14.13%	16.18%	14.82%	13.44%	11.47%

Legal Debt Margin Calculation for Fiscal Year 2013

Total Assessed Valuation	<u>\$ 1,500,468,401</u>
Debt limit (8 percent of total assessed value)	120,037,472
Debt applicable to limit (gross debt):	
Authorized and outstanding G.O. bonded debt	3,634,000
Outstanding debt not evidenced by bonds	10,956,493
Less Statutory deductions for electric bonds	<u>826,955</u>
Total net debt applicable to limit	13,763,538
Legal debt margin available to the City under North Carolina General Statute 159-55(C).	<u>\$ 106,273,934</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	
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
2013	49,743,634	46,952,265	2,791,369	160,130	22,703	182,833	15.27

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	
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
2013	8,379,715	6,153,572	2,226,143	429,701	61,751	491,452	4.53

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	
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
2013	11,549,040	8,778,133	2,770,907	243,210	107,716	350,926	7.90

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)
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	5.9
2009	21,378	664,129	31,066	10.3
2010	21,420	678,843	31,692	13.1
2011	18,900	625,987	33,121	11.8
2012	18,816	NA	NA	10.6
2013	18,628	NA	NA	9.9

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	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Davidson County Schools	1000+	1	1.42%+	1000+	1	1.37%+
Davidson County	500-999	2	0.71%-1.42%	500-999	5	0.68%-1.37%
Atrium Windows and Doors Inc.	500-999	3	0.71%-1.42%	1000+	3	1.37%+
Wal-Mart Associates Inc.	500-999	4	0.71%-1.42%	500-999	7	0.68%-1.37%
Old Dominion Freight Line	500-999	5	0.71%-1.42%	NA	NA	NA
Davidson County Community College	500-999	6	0.71%-1.42%	500-999	9	0.68%-1.37%
Lexington Memorial Hospital	500-999	7	0.71%-1.42%	500-999	8	0.68%-1.37%
Thomasville Medical Center	500-999	8	0.71%-1.42%	250-499	12	0.34%-0.68%
Food Lion	500-999	9	0.71%-1.42%	250-499	10	0.34%-0.68%
Lexington City Schools	500-999	10	0.71%-1.42%	NA	NA	NA
South East Employee Leasing Service	500-999	11	0.71%-1.42%	NA	NA	NA
Thomasville City Schools	250-499	12	0.36%-0.71%	250-499	16	0.34%-0.68%
Vitacost.com, Inc.	250-499	13	0.36%-0.71%	NA	NA	NA
PPG Industries	250-499	14	0.36%-0.71%	500-999	7	0.68%-1.37%
City of Lexington	250-499	15	0.36%-0.71%	250-499	14	0.34%-0.68%
Jeld-Wen	250-499	16	0.36%-0.71%	250-499	18	0.34%-0.68%
Richard Childress Racing	250-499	17	0.36%-0.71%	250-499	24	0.34%-0.68%
Asco Switch Enterprises LP	250-499	18	0.36%-0.71%	NA	NA	NA
Leggett & Platt, Inc.	250-499	19	0.36%-0.71%	250-499	11	0.34%-0.68%
Lowes Home Centers Inc.	250-499	20	0.36%-0.71%	250-499	21	0.34%-0.68%
City of Thomasville	250-499	21	0.36%-0.71%	250-499	19	0.34%-0.68%
Matcor Metal Fabrication	250-499	22	0.36%-0.71%	NA	NA	NA
Stewart Staffing Inc.	250-499	23	0.36%-0.71%	NA	NA	NA
Facility Logistic Services LLC	250-499	24	0.36%-0.71%	NA	NA	NA
Shelba D Johnson Trucking Inc.	250-499	25	0.36%-0.71%	NA	NA	NA

Source: Employment Security Commission of North Carolina

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

Table 28

Function:	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	23	24	24	24	24	24	24	24	24	24
Public safety										
Police										
Officers (1)	66	66	66	66	66	67	68	68	69	65
Civilians	11	11	11	11	11	11	11	11	10	10
Fire										
Firefighters and officers	47	47	47	47	47	47	47	48	47	47
Civilians	1	1	1	1	1	1	1	-	1	1
Business & community development	6	7	7	7	7	7	6	7	7	9
Highways and streets										
Engineering	5	5	4	4	4	4	4	4	4	4
Street	16	16	16	16	16	16	15	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	25	25	25	25	25	24	23	23
Water & Wastewater	45	44	44	44	44	44	44	44	44	43
Natural Gas	21	21	21	21	21	21	21	22	21	21
Golf	8	8	8	8	8	6	6	5	5	5
Garage	8	8	8	8	8	8	7	7	7	7
Risk Management	2	2	2	2	2	2	2	2	2	2
Utility Administration	30	30	29	29	28	27	25	24	24	24
Total	353	354	349	349	348	346	342	341	339	336

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

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

Function	Fiscal Year			
	2004	2005	2006	2007
Primary Government:				
Public safety				
Police				
Physical arrests	3,725	3,702	4,313	4,251
Parking tickets	2,473	2,255	2,434	2,413
Calls for service	57,287	57,596	60,398	58,398
Citations	4,511	4,971	4,342	4,574
Fire				
Number of calls answered	1,032	1,031	1,141	1,108
Inspections	574	459	335	113
Business & community development				
Number of minimum housing inspections	2,487	2,742	2,891	2,904
Number of building inspections	1,808	1,708	1,774	2,590
Number of nuisance complaints	1,386	1,113	904	945
Highways and streets				
Street resurfacing (miles)	-	11.50	-	3.15
Feet of sidewalk replaced/repared	2,340	1,055	1,285	2,272
Sanitation				
Refuse collected (tons/year)	8,768	8,761	7,846	8,668
Recyclables collected (tons/year)	323	401	291	347
Yard waste collected (tons/year)	NA	NA	NA	NA
Culture and recreation				
Athletic program enrollment	NA	1,030	1,045	1,191
Park reservations	NA	271	253	256
Pool admissions	NA	4,781	5,157	5,149
Recreational program enrollment	NA	391	377	405
Business-type activities:				
Electric				
kWh sold	442,548,845	430,622,662	425,357,371	413,869,167
Number of customers	18,224	18,353	18,461	18,477
Water				
ccf sold	1,282,558	1,350,131	1,280,320	1,254,704
Number of customers	8,402	8,390	8,371	8,350
Wastewater				
ccf sold	952,280	972,430	956,426	936,410
Number of customers	7,775	7,913	7,994	8,039
Natural gas				
dt sold	2,992,946	2,867,432	2,415,434	2,266,762
Number of customers	8,045	8,336	8,760	8,696
Golf course				
Rounds sold	10,911 (4)	18,574 (4)	29,376	31,055
Number of passholders	0 (4)	141	125	102

Source: Various city departments

Note: Indicators are not available for the general government function.

- (1) Effective fiscal year 2008, area light consumption included in kWh sold.
- (2) Effective fiscal year 2009, customer count adjusted to correspond with federal and state reporting requirements.
- (3) 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					
2008	2009	2010	2011	2012	2013
3,845	3,689	3,477	3,465	3,552	3,242
2,118	1,650	1,548	1,568	1,152	1,320
56,860	60,714	57,039	57,377	55,545	53,312
4,274	4,466	3,793	4,485	4,131	2,866
1,109	1,106	1,044	1,148	1,048	1,013
207	268	337	629	1,232	739
2,825	2,763	2,632	2,650	2,513	2,600
2,120	1,775	1,425	1,613	1,663	1,318
737	674	1,089	2,789	2,534	2,405
3.74	2.40	2.40	0.11	7.38	5.76
2,631	1,691	2,095	814	1,142	990
8,270	7,785	7,850	7,520	7,125	6,590
377	357	385	540	505	580
NA	4,478	4,600	4,510	4,350	4,550
1,043	1,203	1,087	809	844	905
284	295	317	317	397	357
5,238	5,523	4,007	3,531	2,366	4,609
511	398	394	349	1,076	1,135
421,787,331 (2)	402,228,635	407,199,181	416,417,763	387,548,920	393,249,951
18,536	18,154 (3)	18,118	18,362	18,352	18,331
1,242,648	1,168,340	1,097,607	1,180,032	1,171,646	1,110,310
8,334	8,338	8,277	8,269	8,219	8,257
900,333	856,751	862,024	846,465	830,295	822,187
8,036	7,963	7,937	7,940	7,922	7,954
2,136,715	2,056,501	1,885,217	2,023,133	1,812,816	2,034,937
8,845	8,949	8,934	8,948	8,940	9,054
34,193	30,467	28,340	27,094	33,637	30,808
102	92	88	87	103	110

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

Function	Fiscal Year			
	2004	2005	2006	2007
Primary Government:				
General Government				
Motor pool vehicles	2	2	2	2
Motor pool equipment	0	0	0	23
Public safety				
Police				
Stations	1	1	1	1
Police vehicles	62	70	70	67
Fire				
Fire stations	3	3	3	3
Fire trucks	8	8	8	8
Highways and streets				
Streets (miles)	123.0	123.1	123.3	125.1
Sanitation				
Collection trucks and equipment	27	27	28	26
Culture and recreation				
Parks	16	16	16	17
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)	2.37	2.37	2.37	2.37
Business-type activities:				
Electric				
Distribution lines (miles)	NA	NA	NA	494
Number of distribution stations	10	10	10	10
Number of delivery stations	2	2	2	2
Water and Wastewater				
Water lines (miles)	185.5	185.5	187.0	187.0
Wastewater lines (miles)	188.5	192.5	196.0	202.0
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	6.5	6.5	6.5
Natural Gas				
Distribution lines (miles)	485	501	533	550

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					
2008	2009	2010	2011	2012	2013
2	2	3	2	83	85
25	42	40	41	47	48
1	1	1	1	1	1
76	72	74	74	75	72
3	3	3	3	3	3
7	8	8	7	8	9
124.9	125.0	125.4	125.4	125.4	125.4
27	28	29	28	23	25
17	16	18	18	19	20
2	2	2	2	2	2
15	15	15	15	15	15
12	12	12	12	12	13
9	8	8	8	8	8
2.37	2.04	2.04	2.13	2.46	2.46
494	494	494	494	616	616
10	11	11	11	11	11
2	2	2	2	2	2
187.0	187.0	187.0	187.0	192.0	192.0
202.0	212.0	212.0	212.0	212.0	214.0
7.2	7.2	7.2	7.2	7.2	7.2
6.5	6.5	6.5	6.5	6.5	6.5
591	606	623	645	664	674



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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 10, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lexington's financial statements are free 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*.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 10, 2013

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lexington's compliance with the types of compliance requirements described in the (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 the City of Lexington's major federal programs for the year ended June 30, 2013. The City of Lexington's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lexington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and applicable sections of 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Lexington's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lexington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Lexington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lexington's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 of Lexington'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, in internal control over compliance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 10, 2013

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

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Lexington, North Carolina's, compliance with the types of compliance requirements described in applicable sections of (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 the City of Lexington's major State programs for the year ended June 30, 2013. The City of Lexington's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lexington's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 State program occurred. An audit includes examining, on a test basis, evidence about the City of Lexington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Lexington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Lexington is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City of Lexington's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirement of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 10, 2013

CITY OF LEXINGTON, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
• Material weaknesses identified?	_____	Yes	<u> X </u> No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	_____	Yes	<u> X </u> None reported
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 deficiency(s) identified that are not considered to be material weaknesses?	_____	Yes	<u> X </u> None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	Yes	<u> X </u> No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Federal Railroad Admin - TIGER II Discretionary Grant	20.933
CDBG – State Administered CDBG Cluster	14.228

Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
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Auditee qualified as low-risk auditee?	_____	Yes	<u> X </u> No
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CITY OF LEXINGTON, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Auditor's Report (continued)

State Awards

Internal control over major State programs:

- Material weaknesses identified? _____ Yes X No

- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

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

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

Identification of major State programs:

Powell Bill

2. Findings Related to the Audit of the Basic Financial Statements

None

3. Findings, Responses, and Questioned Costs Related to the Audit of Federal and State Awards

The audit did not detect any findings or questioned costs as it relates to federal and State awards.

CITY OF LEXINGTON, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

None

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

Federal Grantor/Passed Through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Passed Through) Expenditures	State Expenditures
Federal Grants			
CDBG - State-Administered CDBG Cluster			
U.S. Department of Housing and Urban Development			
N.C. Department of Commerce - Community Assistance			
Neighborhood Stabilization Program	14.228	33,676	-
N.C. Economic Recovery Program - Erlanger/Green Needles Parks	14.228	291,762	-
Cow Palace Sewer Infrastructure	14.228	18,608	-
N.C. Department of Commerce - Commerce Finance Center			
Economic Development - Lowe's Home Centers, Inc Natural Gas Line	14.228	269,936	-
Total - CDBG - State-Administered CDBG Cluster		<u>613,982</u>	<u>-</u>
U.S. Department of Justice			
Justice Assistance Grant (JAG) - 2011 Local Solicitation	16.738	14,298	-
ARRA - Community Oriented Policing Services (COPS) - Hiring Recovery	16.710	29,032	-
U.S. Department of Transportation			
N.C. Department of Transportation			
Governor's Highway Safety Program - 2012	20.600	7,691	-
Federal Railroad Administration			
TIGER II Discretionary Grant, Planning - Multi-Modal Transportation Area Plan	20.933	454,519	-
State Grants			
N.C. Department of Environmental and Natural Resources			
Division of Environmental Assistance and Outreach			
Curbside Recycling Roll-Out Cart Program #4826	N/A	-	12,600
N.C. Department of Transportation			
Powell Bill	N/A	-	<u>586,466</u>
Total Federal Grants		<u>\$ 1,119,522</u>	
Total State Grants			<u>\$ 599,066</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.