

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED
June 30, 2014**

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City of Lexington

Fiscal Year Ended June 30, 2014



**City Council
Newell Clark, Mayor**

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

**Dr. Herbert Miller, II
James B. Myers
E. Lewis Phillips
Tobin H. Shepherd**

**City Manager
J. Alan Carson**

**Assistant City Manager
Terra A. Greene**

**Director of Finance
John M. Overton**



**City of Lexington, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014**

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INTRODUCTORY SECTION





FINANCE DEPARTMENT
INTEGRITY FIRST

October 20, 2014

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, 2014. I am extremely proud that this report has been prepared in its entirety by the City's Finance Department.

State law requires that all local governments publish as soon as possible after the close of each fiscal year a complete set of financial statements presented in accordance with accounting principles generally accepted in the United States of America and audited 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. The audit must be performed by a certified public accountant or by an accountant certified by the North Carolina Local Government Commission as qualified to audit local government accounts. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

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

Martin Starnes & Associates, CPAs, P.A. have issued an unmodified ("clean") opinion on the City of Lexington's financial statements for the fiscal year ended June 30, 2014. The independent auditor's report is presented as the first component of the financial section of this report.

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

The financial statements of the City of Lexington were audited 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, which require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal control over financial reporting and on compliance and other matters. Also, the independent audit of the financial statements of the City of Lexington was part of a broader, federally and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditors' reports are included in the compliance section of this report.

Profile of the Government

The City of Lexington, North Carolina, was settled in the industrial region of North Carolina known as the "Piedmont Triad Area" in 1775. Lexington incorporated in 1828 under North Carolina General Statutes and became the county seat of Davidson County in 1847. Lexington's land area is 18 square miles with a population of 18,655. The City of Lexington is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City operates under a Council-Manager form of government and is governed by an eight-member City Council consisting of two members elected at large and six elected by ward. The Council operates under the guidance of a popularly-elected Mayor. Council members are elected on a nonpartisan basis for staggered four-year terms; and the Mayor is elected on a nonpartisan basis for a two-year term. The Mayor may vote only in 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 its values. 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 in a manner consistent with maintaining the City's sound financial condition. The strategic goals of the Council are accomplished by the City's management team through long-term financial and operational planning, the prudent use of debt, and incorporating appointed boards and committees to add another level of review in managing the City's resources to match citizen expectations.

The City provides a full range of services including police and fire protection, 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. This report includes all the City's activities in maintaining these services. The City of Lexington also is financially accountable for the legally separate City of Lexington Board of Alcoholic Control, Lexington Tourism Authority, and Uptown Lexington, Inc., each of which are reported separately within the City of Lexington's financial statements. Additional information on these three legally separate entities can be found in Note 1.A. in the notes to the financial statements.

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

The annual budget serves as the foundation for the City of Lexington's financial planning and control. For the City of Lexington, annual budgets are adopted for the General, Special Revenue (excluding Grant Projects), and Enterprise Funds. In addition, annual financial plans are adopted for all Internal Service Funds. Multi-year project budgets are adopted for Grant Projects Funds, the General Capital Improvements Projects Fund, and Enterprise and Internal Service Construction in Progress Funds. Appropriations for are

made at the functional or project level within each fund. A function is a group of related activities aimed at a major service, such as public safety; a department is a component of a function such as police.

Local Economy

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 seventh largest taxpayer, the 35,000 square foot winery is inspired by the Italian Renaissance architecture of rural Tuscany. The winery includes a banquet hall that can accommodate 500, a bistro, a wine tasting room and gift shop.

Two phases of The Shoppes at Vineyards Crossing, retail pedestrian specialty shops modeled in the same Tuscan architecture with a view of the vineyards, were constructed and opened in the spring and summer of 2006. With 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 four 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, and has included the taping of the finale of the national television show, BBQ Pitmasters. All four cook-offs were highly successful and the 5th Annual BBQ Capital Cook-off is slated again April 24-25, 2015.

All of the aforementioned efforts in combination with the 31st annual Barbecue Festival in 2014 are helping to create a tourism platform for economic impact. The Barbecue Festival brings in close to 200,000 people to Lexington and is recognized as one of the Top Ten Food Festivals in the U.S. by *Travel and Leisure* Magazine and one of the Top Twenty Events for the month of October by the Southeast Tourism Society. It was featured in *People* Magazine in October 2009. In 2012, the *US News and World Report* ranked Lexington as #4 on its list of the best cities for barbecue, not to mention the annual Barbecue Festival event is listed in the book *1,000 Places to See in the USA and Canada Before You Die*.

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 5.26% of the City's assessed valuation. Vitacost.com, NewBridge Bank, and Jeld-Wen round out the top four at 1.29%, 1.19%, and 1.10%, respectively, of the assessed valuation. (Please refer to Table 12 for the Schedule of Principal Property Taxpayers in the Statistical Section for a complete list.)

In an effort to attract new industry, the City continues to support the Davidson County Economic Development Commission (EDC) and demonstrate a willingness to offer economic development incentive grants. Due to the EDC's efforts, in 2007, 2010, 2011, and 2012 the Thomasville-Lexington micropolitan area was ranked among the top micropolitan areas for economic development success by *Site Selection* magazine out of close to 600 micropolitan areas in the United States.

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. 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 second as a top ten taxpayer with approximately \$20.3 million assessed value or 1.29% 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.

Long-Term Financial Planning and 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 May 2011, City Council accepted a \$645,000 grant through the Community Development Block Grant Economic Recovery Program administered by the NC Department of Commerce, Division of Community Assistance. This grant, which required no matching funds, provided for land acquisition, construction of a community shelter, a walking trail, playground equipment and landscaping at Erlanger Park. It also provided for the creation of a neighborhood center with a community shelter, playground equipment, benches and fencing at Green Needles Park. Work on these projects began during the 2012-13 fiscal year and was completed during the 2013-14 fiscal year.

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.

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. In October 2013, the City Council accepted and embraced *2020 Renaissance – A Strategic Plan for a Greater Lexington*. This strategic plan represents the completion of the 2020 strategic planning process and marks the third citizen-led strategic planning effort in Lexington, embodying the sentiment of “creating and intentional future.” The first strategic plan was developed between 1988 and 1991 and at that time proved to be the most successful citizen-led, long range planning effort to date in the history of the City with over 100 citizens involved and 22 recommendations made, 19 of which were accomplished. *Challenge 2000*, compiled by a committee of 27 members who began their work in April 1999, represented an extensive update of recommendations and has served as the City’s blueprint to over the last decade with a passionate focus on education, economic development and quality of life issues.

Unlike previous strategic plans for Lexington, the *2020 Renaissance* plan was not a continuation, nor was it built on the work of previous strategic plans. Instead, new Census data released from the U.S. Census Bureau in 2011 created the focal point for analysis. In anticipation of significant population and demographic changes from the 2000 Census data, City Management envisioned the importance of a fresh strategic planning process to better understand citizen needs for the community and to identify the “new face of Lexington,” and thus created an empowered citizen link to help craft the design and future work plan for meeting the needs of the community. The second primary objective for City Management with the third strategic plan was to solicit feedback from the citizens regarding satisfaction with City Government services. A goliath effort ensued to gather close to 500 participants in a citizen survey, which was deemed integral to fully assess the perceptions of City service levels. With these two key components as the research framework, the strategic planning process analyzed and ultimately identified key focus areas for government and partner agencies to rebuild a greater future for Lexington. The resulting *2020 Renaissance – A Strategic Plan for a Greater Lexington* includes recommendations in the following eleven focus areas: 1) Business/Job Developments, 2) Public Relations/Branding/Marketing, 3) Arts/Entertainment, 4) Depot District, 5) Education/Schools, 6) Health/Wellness, 7) Hispanic Population, 8) Neighborhood Stabilization/Community Design, 9) Population Growth, 10) Recreation/Community Centers, and 11) Transportation. More information, including the entire plan, can be found through the City’s website at www.LexingtonNC.gov.

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.

In August 2013, the City of Lexington completed a Parks and Recreation Facility Development Master Plan. Recognizing the importance of parks and recreation to quality of life for the citizens of Lexington, this plan provides a ten year vision (2013-2022) for improvements to the City's facilities and parks and can be found in its entirety through the City's website at www.LexingtonNC.gov. At the 2014 annual City Council Retreat, the City Manager introduced the "Re-creation of Recreation" master plan as a vision to restore recreational facilities and enrich the community's recreational opportunities, addressing the City Council goal to "*expand recreational opportunities for citizens.*" This vision was incorporated into the 2014-15 budget planning process and in August 2014, the City acquired a facility that will be developed into an indoor recreation facility during the next three to five years. In the more immediate future, reconstruction and renovation of Hillside Pool and pool house, a community pool, is slated to begin in the fall of 2014 with an expected opening in the spring of 2015.

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. The City's five-year Financial Planning Model are used to help discover future weaknesses. The analysis provided by the financial model and the prudent use of debt are used to help the City forge strategies to maintain the goal of a strong financial condition, while simultaneously ensuring professional service delivery. 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 and will be updated again in fiscal year 2014-15. The plans identify and recommend ways to effectively deal with areas of uncertainty, reliability of utility infrastructure, and increased risks due to adverse changes in the local economy. 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.

Awards and Acknowledgements

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 (CAFR) for the fiscal year ended June 30, 2013. This was the twenty-second consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. I 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, City Manager, and Assistant 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 black ink that reads "John M. Overton". The signature is written in a cursive, flowing style.

John M. Overton
Director of Finance



Government Finance Officers Association

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

Presented to

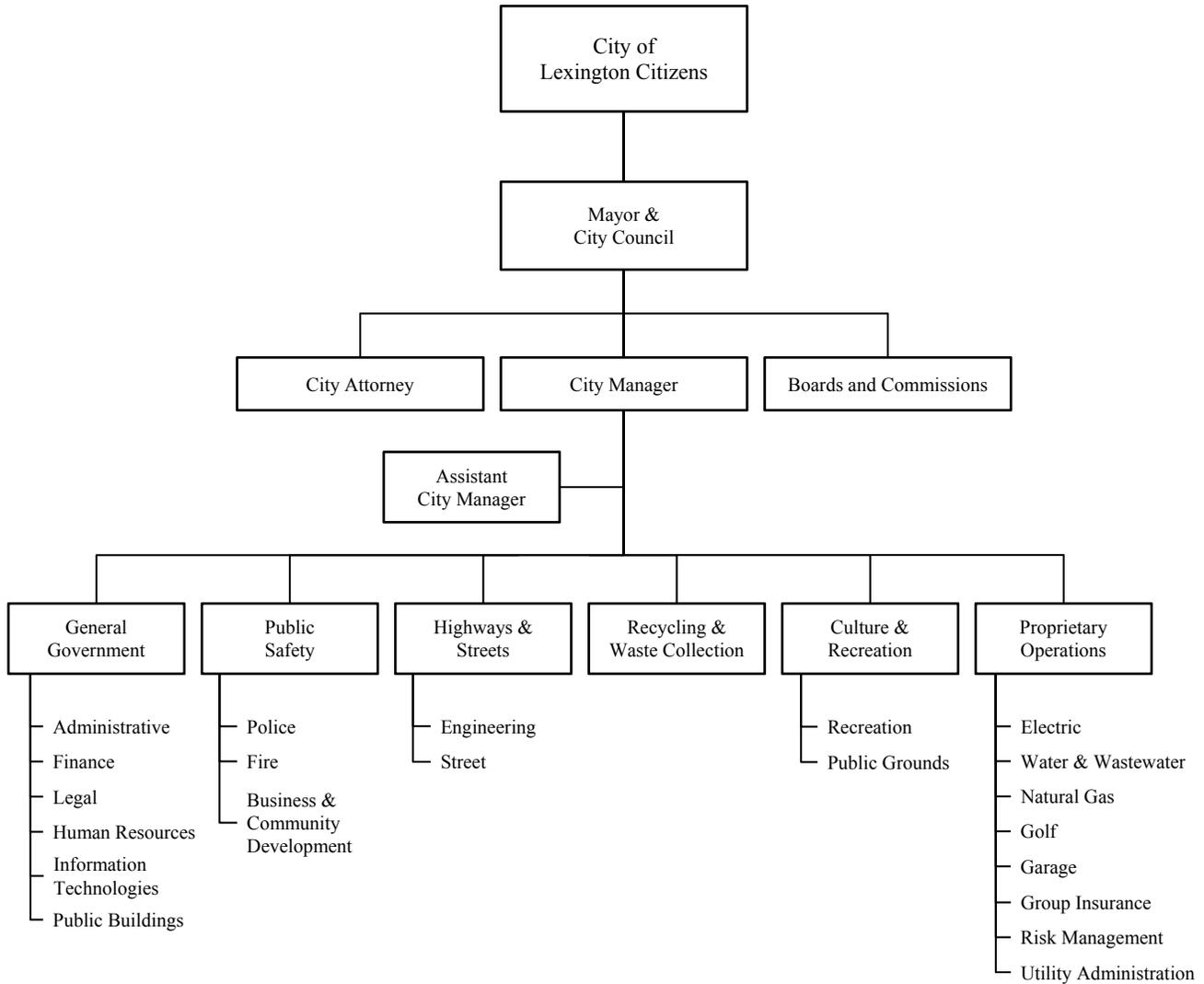
**City of Lexington
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Lexington, North Carolina Organizational Chart



FINANCIAL SECTION



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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2014, 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.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of June 30, 2014, 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' Special Separation Allowance and Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions on pages 83 through 86 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, component unit schedules, and statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of 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, component unit schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the 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, component unit schedules, 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 20, 2014 on our consideration of the City of Lexington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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* in considering the City of Lexington's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 20, 2014

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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii-ix of this report, and the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

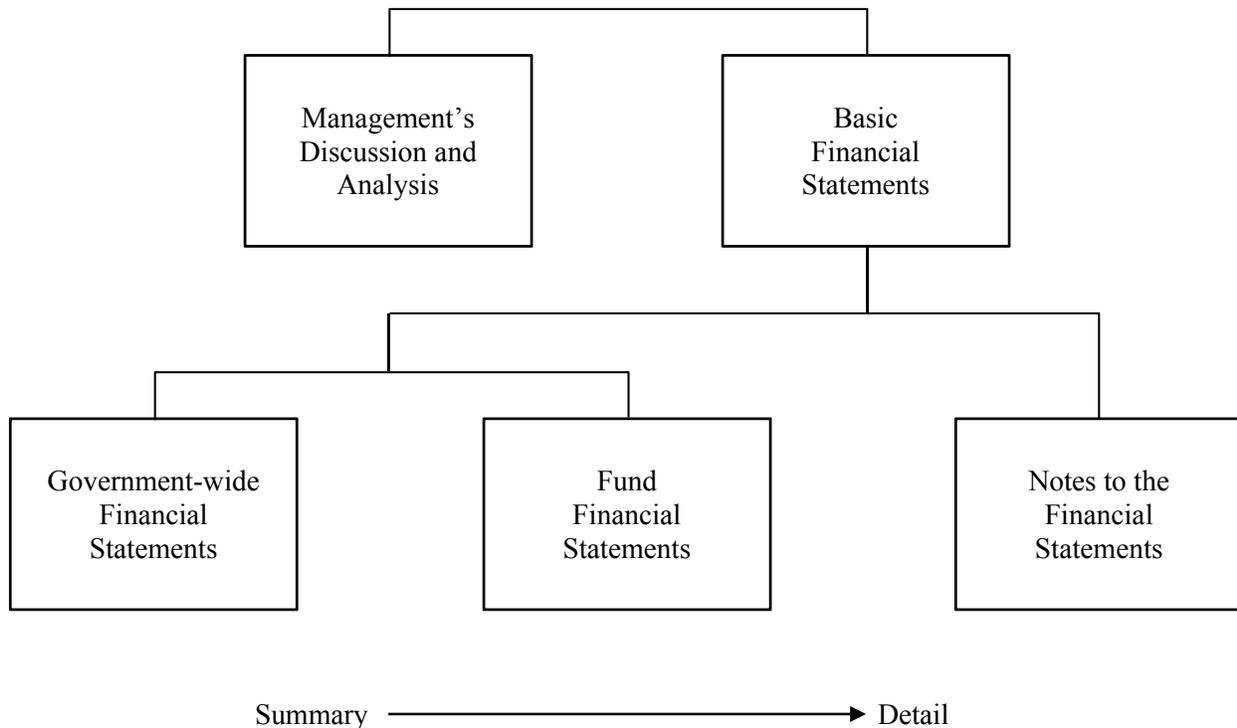
- The assets and deferred outflows of resources of the City of Lexington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$160,821,699 (*net position*).
- The government's total net position increased by \$3,239,118, primarily due to increases in customer's usage and charges in the Electric and Natural Gas Funds resulting from the unusually cold winter that the City experienced as well as 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 \$9,597,864 which is an increase of \$122,785 in comparison with the prior year. Approximately 32.3% of this total amount, or \$3,097,965, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,176,348, or 25.1 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 experienced a severe winter ice storm during the period of March 6-7, 2014. On March 31, 2014, the President of the United States declared a major disaster in the State of North Carolina for the area affected by this storm, including the City of Lexington. The City was able to obtain \$919,744 in disaster public assistance funding as reimbursement for expenses related to this storm, including emergency protective measures, debris removal and disposition, and work for the restoration and repair of public utilities. This assistance included \$339,395 in governmental activities and \$580,349 in business-type activities, primarily in the Electric Fund.
- The City of Lexington's total debt is \$14,963,955, which decreased by \$1,984,364 (11.7%) during the current fiscal year primarily due to debt retirements. During the year, the City issued installment purchase debt in the amount of \$582,807 to finance a 75' aerial ladder fire apparatus.
- 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 and continues to maintain these ratings for the 4th consecutive year. Before the 2010 upgrades, previous bond ratings had been intact for 12 consecutive years.
- For 22 consecutive years, the City of Lexington has received a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) presented by the Government Finance Officers Association of the United States and Canada.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

consider other non-financial factors as well, 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 business-type activities are those that the City charges customers to provide. These 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 component units. The City includes three separate legal entities as component units in its report – the Lexington ABC Board, the Lexington Tourism Authority and Uptown Lexington, Inc. Although legally separate entities from the City, the ABC Board, the Tourism Authority and Uptown Lexington, Inc. are important to the City. 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. In addition, the ABC Board is required to distribute its profits to the City.

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

Fund Financial Statements

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

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

The City of Lexington adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the 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.

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

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

operations, as well as 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 used to accumulate and allocate costs internally among the functions of City of Lexington. The City uses internal service funds to account for the following activities: 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. In addition, the City uses internal service funds to account for the accumulation of resources for future capital needs of the Electric, Water and Wastewater, Natural Gas, and Garage Funds and the accumulation of resources for rate stabilization in the Electric and Natural Gas Funds. With the exception of utility administration, capital reserve and rate stabilization, the majority of the internal service funds benefit predominantly governmental rather than business-type activities and have been included within the governmental activities in the government-wide financial statements.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 43 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lexington's progress in funding its obligation to provide pension and postemployment benefits to its employees. Required supplementary information can be found beginning on page 83 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Lexington Statement of Net Position as of June 30, 2014

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 15,369,291	\$ 15,001,846	\$ 33,858,559	\$ 29,880,733	\$ 49,227,850	\$ 44,882,579
Capital assets	43,579,080	44,046,942	99,328,013	99,804,044	142,907,093	143,850,986
Total assets	<u>58,948,371</u>	<u>59,048,788</u>	<u>133,186,572</u>	<u>129,684,777</u>	<u>192,134,943</u>	<u>188,733,565</u>
Current liabilities	1,762,047	1,168,195	6,294,451	5,360,125	8,056,498	6,528,320
Long-term liabilities outstanding	8,963,075	8,593,541	14,293,671	16,029,123	23,256,746	24,622,664
Total liabilities	<u>10,725,122</u>	<u>9,761,736</u>	<u>20,588,122</u>	<u>21,389,248</u>	<u>31,313,244</u>	<u>31,150,984</u>
Net position:						
Net investment in capital assets	40,515,571	40,979,496	87,427,567	85,923,171	127,943,138	126,902,667
Restricted	3,085,267	2,129,153	-	-	3,085,267	2,129,153
Unrestricted	4,622,411	6,178,403	25,170,883	22,372,358	29,793,294	28,550,761
Total net position	<u>\$ 48,223,249</u>	<u>\$ 49,287,052</u>	<u>\$ 112,598,450</u>	<u>\$ 108,295,529</u>	<u>\$ 160,821,699</u>	<u>\$ 157,582,581</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Lexington exceeded liabilities and deferred inflows by \$160,821,699 as of June 30, 2014. The City's net position increased by \$3,239,118 for the fiscal year ended June 30, 2014. However, the largest portion (79.6%) of net position reflects the City's net investment in capital assets (e.g. land,

buildings, machinery and equipment, infrastructure such as roads and bridges, and plants and distribution systems). The City of Lexington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lexington's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Lexington's net position, \$3,085,267, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$29,793,294 is unrestricted.

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

- Due from other governments included in governmental activities increased by \$751,395 from the previous year. Also, accounts payable and accrued liabilities increased by \$584,715. These changes, along with other changes in working capital, resulted in an increase of \$1,401,808 in the amount of governmental activities net position reclassified from unrestricted to restricted for stabilization
- An electric rate increase, extreme 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 \$1.98 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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 4,782,551	\$ 4,513,174	\$ 78,215,833	\$ 71,551,360	\$ 82,998,384	\$ 76,064,534
Operating grants and contributions	1,049,845	1,151,258	614,114	20,344	1,663,959	1,171,602
Capital grants and contributions	710,532	946,861	633,527	352,407	1,344,059	1,299,268
General revenues:						
Property taxes	9,433,618	9,047,127	-	-	9,433,618	9,047,127
Other taxes	265,561	265,420	-	-	265,561	265,420
Other general revenues	5,627,921	5,359,530	41,360	43,309	5,669,281	5,402,839
Total revenues	21,870,028	21,283,370	79,504,834	71,967,420	101,374,862	93,250,790
Expenses:						
General government	7,942,394	7,149,030	-	-	7,942,394	7,149,030
Public safety	10,390,718	9,981,953	-	-	10,390,718	9,981,953
Highways and streets	3,125,174	3,134,934	-	-	3,125,174	3,134,934
Sanitation	1,983,755	1,806,731	-	-	1,983,755	1,806,731
Culture and recreation	1,529,355	1,527,273	-	-	1,529,355	1,527,273
Economic and physical development	143,139	184,060	-	-	143,139	184,060
Interest on long-term debt	141,426	153,788	-	-	141,426	153,788
Electric	-	-	52,221,251	48,425,865	52,221,251	48,425,865
Water and Wastewater	-	-	8,441,895	7,698,833	8,441,895	7,698,833
Natural gas	-	-	11,407,325	9,797,266	11,407,325	9,797,266
Golf	-	-	809,312	1,037,258	809,312	1,037,258
Total expenses	25,255,961	23,937,769	72,879,783	66,959,222	98,135,744	90,896,991
Increase (decrease) in net position before transfers	(3,385,933)	(2,654,399)	6,625,051	5,008,198	3,239,118	2,353,799
Transfers	2,322,130	2,508,479	(2,322,130)	(2,508,479)	-	-
Increase (decrease) in net position	(1,063,803)	(145,920)	4,302,921	2,499,719	3,239,118	2,353,799
Net position, July 1	49,287,052	49,432,972	108,295,529	105,795,810	157,582,581	155,228,782
Net position, June 30	<u>\$ 48,223,249</u>	<u>\$ 49,287,052</u>	<u>\$ 112,598,450</u>	<u>\$ 108,295,529</u>	<u>\$ 160,821,699</u>	<u>\$ 157,582,581</u>

Governmental activities - Governmental activities decreased the City's net position by \$1,063,803. Key elements of this decrease are as follows:

- Increases in cost of property, liability and workers compensation coverage of approximately \$352,000 due to claims experience.
- Increases in cost of health insurance coverage of approximately \$431,000.
- Decreases in transfers from business-type activities of approximately \$186,000, primarily related to an increase of \$130,000 in the amount transferred from the General Fund to the Golf Fund in order to help mitigate the expected impact of unusual winter weather conditions on golf revenues.

Business-type activities - Business-type activities increased the City of Lexington's net position by \$4,302,921. Key elements of the business-type increase are as follows:

- An electric rate increase, extreme 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 \$4,259,008 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 \$6,219,663, while total fund balance reached \$8,650,812. 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 30.36% of General Fund expenditures, while total fund balance represents 42.23% of the same amount. Of the fund balance available, \$10,000 is restricted in what it can be used for and \$15,939 has been committed for specific purposes. Also, the City Council has appropriated \$1,017,376 of the fund balance available for use in the year ended June 30, 2015.

At June 30, 2014, the governmental funds of the City of Lexington reported a combined fund balance of \$9,597,864, with a net increase in fund balance of \$122,785. Included in this change in fund balance is an increase of \$491,933 in the General Fund and a decrease of \$416,654 in the Controlled Substance Fund, a Special Revenue Fund. Much of the increase in the General Fund is due to an improved current year property tax collection rate and improved collections of prior year property taxes. In addition, delays in hiring vacant positions and in capital and other spending contributed towards the increase.

General Fund Budgetary Highlights – During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased appropriations by \$1,373,386, representing a 6.6 percent increase from the original budget. These included the following significant amendments: 1) \$158,764 for re-appropriation of prior year outstanding encumbrances, 2) \$471,500 for extreme winter weather-related events, 3) \$471,570 for payroll-related accruals, 4) \$125,000 for funding initial design costs for the 2014 Public Buildings Improvement Project, and 5) \$110,527 for economic development expenditures under an economic development grant contract. The amendment for extreme winter weather-related events was primarily funded by expected revenues from disaster public assistance funding. The

amendment for payroll-related accruals was primarily funded with increases in expected unrestricted intergovernmental revenues.

Revenues were \$605,114 higher than the budgeted amounts. Ad valorem tax revenues exceeded those amounts estimated with the budget by \$629,888, primarily because the assessed valuation and the collection rate exceeded the original estimates used in the budget. Unrestricted intergovernmental revenues exceeded budgeted amounts by \$144,692. Included in this category are the utility franchise tax and local options sales tax with revenues exceeding budgeted amounts by \$49,802 and \$79,765, respectively. Restricted intergovernmental revenues were less than budgeted amounts by \$121,671, primarily due to disaster assistance funding of \$142,149 that was considered unavailable as of June 30, and therefore not recognized as revenue in the General Fund.

Expenditures were \$1,085,327, or 5%, lower than the final budgeted amounts. Personnel costs were \$477,375 lower than the final budgeted amounts, primarily due to vacancies and delays in filling positions during the year. Another significant part of this variance is represented by outstanding encumbrances at June 30, 2014, which totaled \$232,550 for the General Fund. These purchase and contractual commitments, although originally authorized under budgetary appropriations for the year ended June 30, 2013, will be reflected as expenditures in the subsequent fiscal year. Other expenditures were held in check by management in an effort to mitigate the continued impact of the economic downturn.

Proprietary Funds – The City of Lexington’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric, Water and Wastewater, Natural Gas, and Golf funds at the end of the fiscal year amounted to \$10,060,023, \$2,894,732, \$4,950,711, and (\$74,954), respectively. Total unrestricted net position for all enterprise funds amounted to \$17,830,512.

The total change in net position for the Electric, Water and Wastewater, Natural Gas, and Golf funds were \$2,073,270, \$601,851, \$1,583,887, and \$141,456, respectively. These changes include changes in net position invested in capital assets for the respective funds of \$350,980, \$268,363, \$807,352, and \$37,500. The remaining changes represent changes in unrestricted net position for the funds.

Electric and Natural Gas unrestricted net position increased by \$1,722,290 and \$776,535, respectively. These increases were primarily due to increases in customer’s usage and charges in the Electric and Natural Gas funds resulting from the unusually cold winter that the City experienced. Water and Wastewater unrestricted net position increased by \$333,488 due to cost containment. While the winter weather patterns positively affected the utilities; it had an adverse impact on golf rounds and revenues. The General Fund provided \$130,000 in additional funding that was not included in the original budget to help mitigate the expected impact on golf revenues. Cost containment efforts in the Golf fund resulted in expenditures being \$133,049 less than the final budgeted amounts and unrestricted net position increased by \$103,956.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As of June 30, 2014, the City of Lexington had \$142,907,093 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:

- Acquisition of 75’ aerial fire apparatus at a cost of \$582,807.
- Acquisition of Scott Safety Air Packs totaling \$161,943.
- Construction of Street Department/Sanitation Department sheds at a cost of \$329,693.
- Acquisition of Hillside Pool for recreation by donation at a value of \$124,730.
- Acquisition of property for economic development purposes at a cost of \$100,500.
- Disposal of information technology equipment with a book value of \$69,279
- Acquisition of a bucket truck in the Electric Fund at a cost of \$118,500

- Installation of 3-phase line reclosures in the Electric Fund at a cost of \$191,395
- Acquisition of sewer lines by donation from Davidson County at a value of \$380,000.
- Completion of Sedimentation Basin Sludge Collection project with a final capitalized cost of \$708,791.
- Natural Gas System improvements at a cost of \$864,493.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,368,267	\$ 2,195,067	\$ 2,051,883	\$ 2,051,883	\$ 4,420,150	\$ 4,246,950
Buildings	6,455,355	6,576,908	3,020,612	3,113,171	9,475,967	9,690,079
Other improvements	2,083,914	1,882,450	1,263,537	1,359,128	3,347,451	3,241,578
Machinery & equipment	3,806,552	3,540,094	919,473	874,480	4,726,025	4,414,574
Intangibles	1,133,928	1,292,923	172,553	181,385	1,306,481	1,474,308
Infrastructure	21,125,757	22,136,056	-	-	21,125,757	22,136,056
Plant & distribution systems	-	-	87,374,450	87,067,750	87,374,450	87,067,750
Construction in progress	6,605,307	6,423,444	4,525,505	5,156,247	11,130,812	11,579,691
Total	<u>\$ 43,579,080</u>	<u>\$ 44,046,942</u>	<u>\$ 99,328,013</u>	<u>\$ 99,804,044</u>	<u>\$ 142,907,093</u>	<u>\$ 143,850,986</u>

Additional information on the City's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

Long-term Debt – As of June 30, 2014, the City of Lexington had total bonded debt outstanding of \$4,954,263. Of this, \$2,850,000 is debt backed by the full faith and credit of the City; however, \$2,502,565 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 \$2,104,263 in bonds secured solely by specified revenue sources in the Natural Gas Fund (i.e. revenue bonds). At June 30, 2014, the City had installment purchase debt outstanding of \$10,009,692. Installment purchase debt represents contracts entered into by the City for the acquisition or construction of capital assets and are secured by the assets being financed.

City of Lexington's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 347,435	\$ 551,893	\$ 2,502,565	\$ 3,082,107	\$ 2,850,000	\$ 3,634,000
Revenue bonds	-	-	2,104,263	2,357,826	2,104,263	2,357,826
Installment purchases	2,716,074	2,515,553	7,293,618	8,440,940	10,009,692	10,956,493
Total	<u>\$ 3,063,509</u>	<u>\$ 3,067,446</u>	<u>\$ 11,900,446</u>	<u>\$ 13,880,873</u>	<u>\$ 14,963,955</u>	<u>\$ 16,948,319</u>

The City of Lexington's total debt decreased by \$1,984,364 (11.7%) during the past fiscal year, primarily due to debt retirements. During the year, the City entered into an installment purchase contract in the amount of \$582,807 to finance a 75' aerial ladder fire apparatus.

As mentioned in the financial highlights section of this document, 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 and continues to maintain these ratings for the 4th consecutive year. Before the 2010 upgrades, previous bond ratings had been intact for 12 consecutive years. These bond ratings are a clear indication

of the sound financial condition of the City of Lexington. Excellent bond ratings are a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Lexington is \$113,879,013. The City has no bonds authorized but un-issued at June 30, 2014.

Additional information regarding the City of Lexington's long-term debt can be found in Note 3.B.7 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 6.4% as of June 30, 2014 and averaged 7.1% for the fiscal year. However, the unemployment rate in the Thomasville-Lexington micropolitan statistical area was higher at 6.7% as of June 30, 2014, averaging 7.3% for the fiscal year. The State unemployment has decreased from 8.3% as of June 30, 2013 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 2.1% from 9.4% 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, 2015

Governmental Activities – The property tax rate for 2014-15 remains unchanged at \$0.60 per \$100 of assessed valuation. 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 2014-15 from the previous year's original budget estimates. The previous year's final budget estimates for unrestricted intergovernmental revenues included the effect of estimate changes related to revenue accruals, which are not expected to be repeated. City residents will be subject to a fee increase of \$2.50 per month

for recycling and waste collection services. The City will use its revenues to finance programs currently in place and to make key investments towards City Council's goals, including green initiatives and recreation. The City plans to continue with the second of a four year phase-in of a residential recycling rollout program. In conjunction with green initiative goals, the City is seeking a grant to aid in the acquisition of 2 hybrid refuse trucks. Plans for multi-year strategic investments in recreation are being initiated as well. Planned investments include the reconstruction and reopening of Hillside Pool, which was donated to the City during 2013-14, and the acquisition of a facility to be developed as an indoor recreation center. It is anticipated that these recreation improvements will be financed with installment purchase debt and debt service estimates for these have been budgeted accordingly. The General Fund budget also includes provisions for estimated debt service on public building improvements which are anticipated to be financed with installment purchase debt as well.

Business-type Activities – City residents incurred an average 4.2% electric rate increase effective July 1, 2014. This rate increase is primarily attributable to the North Carolina Municipal Power Agency No. 1 passing on a 3.2% wholesale power cost increase to the City of Lexington, but also provides funding for the City to make critical system reliability and emergency response investments in the coming year. Some of these system reliability improvements will require financing with installment purchase debt and the Electric Fund budget includes provisions for estimated debt service on these improvements.

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, 2013 through June 30, 2014. 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.





BASIC FINANCIAL STATEMENTS

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City of Lexington, North Carolina
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,658,157	\$ 12,095,186	\$ 21,753,343
Receivables (net)			
Taxes	758,756	-	758,756
Accounts - billed	208,511	4,533,553	4,742,064
Accounts - unbilled	61,155	4,892,481	4,953,636
Interest	2,489	4,485	6,974
Due from other governments	2,127,239	766,924	2,894,163
Due from component units	84,033	-	84,033
Due from primary government	-	-	-
Internal balances	(1,261,395)	1,261,395	-
Inventories	133,860	2,245,494	2,379,354
Prepaid items	11,485	39,717	51,202
Restricted assets:			
Cash and cash equivalents	3,585,001	8,019,324	11,604,325
Capital assets:			
Land and other non-depreciable assets	8,973,574	6,577,388	15,550,962
Other capital assets, net of accumulated depreciation	34,605,506	92,750,625	127,356,131
Total capital assets	<u>43,579,080</u>	<u>99,328,013</u>	<u>142,907,093</u>
Total assets	<u>58,948,371</u>	<u>133,186,572</u>	<u>192,134,943</u>
LIABILITIES			
Accounts payable and accrued liabilities	980,158	5,490,643	6,470,801
Due to component units	22,498	-	22,498
Due to primary government	-	-	-
Unearned revenue	8,067	-	8,067
Payable from restricted assets	751,324	803,808	1,555,132
Long-term liabilities:			
Due in one year	1,183,322	2,226,236	3,409,558
Due in more than one year	7,779,753	12,067,435	19,847,188
Total liabilities	<u>10,725,122</u>	<u>20,588,122</u>	<u>31,313,244</u>

Exhibit 1

Component Units		
ABC Board	Tourism Authority	Uptown Lexington, Inc.
\$ 464,207	\$ 258,204	\$ 130,320
-	-	-
-	-	-
-	-	2,085
-	-	-
-	-	-
-	-	-
-	22,484	14
-	-	-
311,376	-	-
15,969	-	-
-	-	-
49,091	-	-
81,486	-	-
<u>130,577</u>	<u>-</u>	<u>-</u>
<u>922,129</u>	<u>280,688</u>	<u>132,419</u>
158,198	2,263	3,743
-	-	-
84,033	-	-
-	-	-
-	-	-
-	4,489	-
-	-	-
<u>242,231</u>	<u>6,752</u>	<u>3,743</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business- type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 40,515,571	\$ 87,427,567	\$ 127,943,138
Restricted for:			
Stabilization by state statute	2,458,352	-	2,458,352
General government	10,000	-	10,000
Public safety	398,501	-	398,501
Economic and physical development	170,414	-	170,414
Urban redevelopment	48,000	-	48,000
Uptown revitalization	-	-	-
Working capital	-	-	-
Tourism promotion	-	-	-
Unrestricted	4,622,411	25,170,883	29,793,294
Total net position	<u>\$ 48,223,249</u>	<u>\$ 112,598,450</u>	<u>\$ 160,821,699</u>

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

Exhibit 1
continued

Component Units		
ABC Board	Tourism Authority	Uptown Lexington, Inc.
\$ 130,577	\$ -	\$ -
-	22,484	-
-	-	-
-	-	-
-	-	-
-	-	114,760
109,096	-	-
-	251,452	-
440,225	-	13,916
<u>\$ 679,898</u>	<u>\$ 273,936</u>	<u>\$ 128,676</u>

City of Lexington, North Carolina
Statement of Activities
For the fiscal year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 7,942,394	\$ 3,403,854	\$ 9,293	\$ -
Public safety	10,390,718	194,359	26,772	258,482
Highways and streets	3,125,174	4,406	683,458	-
Sanitation	1,983,755	924,808	254,545	-
Culture and recreation	1,532,975	84,643	75,777	367,016
Economic and physical development	143,139	170,481	-	88,654
Interest on long-term debt	141,426	-	-	-
Total governmental activities	<u>25,259,581</u>	<u>4,782,551</u>	<u>1,049,845</u>	<u>714,152</u>
Business-type activities:				
Electric	52,221,251	54,209,465	544,729	-
Water and Wastewater	8,441,895	9,012,258	45,920	633,527
Natural Gas	11,407,325	14,347,360	15,505	-
Golf	809,312	646,750	7,960	-
Total business-type activities	<u>72,879,783</u>	<u>78,215,833</u>	<u>614,114</u>	<u>633,527</u>
Total primary government	<u>\$ 98,139,364</u>	<u>\$ 82,998,384</u>	<u>\$ 1,663,959</u>	<u>\$ 1,347,679</u>
Component units:				
ABC Board	\$ 3,686,025	\$ 3,685,262	\$ -	\$ -
Tourism Authority	266,805	-	-	-
Uptown Lexington, Inc.	237,965	12,476	224,044	-
Total component units	<u>\$ 4,190,795</u>	<u>\$ 3,697,738</u>	<u>\$ 224,044</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.

Exhibit 2

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.
\$ (4,529,247)	\$ -	\$ (4,529,247)			
(9,911,105)	-	(9,911,105)			
(2,437,310)	-	(2,437,310)			
(804,402)	-	(804,402)			
(1,005,539)	-	(1,005,539)			
115,996	-	115,996			
(141,426)	-	(141,426)			
(18,713,033)	-	(18,713,033)			
-	2,532,943	2,532,943			
-	1,249,810	1,249,810			
-	2,955,540	2,955,540			
-	(154,602)	(154,602)			
-	6,583,691	6,583,691			
(18,713,033)	6,583,691	(12,129,342)			
			\$ (763)	\$ -	\$ -
			-	(266,805)	-
			-	-	(1,445)
			(763)	(266,805)	(1,445)
9,338,209	-	9,338,209	-	-	-
95,409	-	95,409	-	-	-
265,561	-	265,561	-	252,476	-
1,827,102	-	1,827,102	-	-	-
3,428,265	-	3,428,265	-	-	-
345,137	-	345,137	-	-	-
27,417	41,360	68,777	1,075	29	27
15,327,100	41,360	15,368,460	1,075	252,505	27
2,322,130	(2,322,130)	-	-	-	-
17,649,230	(2,280,770)	15,368,460	1,075	252,505	27
(1,063,803)	4,302,921	3,239,118	312	(14,300)	(1,418)
49,287,052	108,295,529	157,582,581	679,586	288,236	130,094
<u>\$ 48,223,249</u>	<u>\$ 112,598,450</u>	<u>\$ 160,821,699</u>	<u>\$ 679,898</u>	<u>\$ 273,936</u>	<u>\$ 128,676</u>

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit 3

	Major Fund		Total Non-		Total
	General		Major Funds		Governmental
	Fund				Funds
Assets					
Cash and cash equivalents	\$ 7,209,685		\$ 953,961		\$ 8,163,646
Receivables (net)					
Property taxes	745,794		12,962		758,756
Accounts - billed	129,192		-		129,192
Accounts - unbilled	61,155		-		61,155
Interest	1,377		138		1,515
Due from other governments	1,930,728		162,686		2,093,414
Due from other funds	151,201		-		151,201
Due from component unit	84,033		-		84,033
Inventories	1,213		-		1,213
Prepaid items	11,485		-		11,485
Restricted assets:					
Customer deposits	74,480		-		74,480
Economic development deposit	25,000		-		25,000
Total assets	\$ 10,425,343		\$ 1,129,747		\$ 11,555,090
Liabilities					
Accounts payable and accrued liabilities	\$ 734,988		\$ 10,451		\$ 745,439
Due to other funds	-		151,201		151,201
Due to component units	22,484		14		22,498
Unearned revenue	-		8,067		8,067
Liabilities payable from restricted assets:					
Deposits	99,480		-		99,480
Total liabilities	856,952		169,733		1,026,685
Deferred inflows of resources	917,579		12,962		930,541

Continued on next page.

**City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014**

Exhibit 3
continued

	Major Fund General Fund	Total Non- Major Funds	Total Governmental Funds
Fund balances			
Nonspendable:			
Inventories	\$ 1,213	\$ -	\$ 1,213
Prepaid items	11,485	-	11,485
Restricted:			
Stabilization by state statute	2,418,451	39,901	2,458,352
General government	10,000	-	10,000
Public safety	-	398,501	398,501
Economic and physical development	-	170,414	170,414
Urban redevelopment	-	48,000	48,000
Committed:			
General government	15,939	125,000	140,939
Economic and physical development	-	165,250	165,250
Assigned:			
Subsequent year's expenditures	1,017,376	-	1,017,376
Unassigned	5,176,348	(14)	5,176,334
Total fund balances	8,650,812	947,052	9,597,864
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 10,425,343	 \$ 1,129,747	 \$ 11,555,090

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit 3
continued

		Total Governmental Funds
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Fund balances as reported on the Balance Sheet of Governmental Funds	\$	9,597,864
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 98,348,556	
Accumulated depreciation	(54,769,476)	
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)	(913,356)	42,665,724
Other long-term assets are not available to pay for current-period expenditures and are therefore inflows of resources in the funds.		930,541
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.	4,720,767	
Consolidation adjustment to reflect the (profit)/loss of internal service fund activities related to governmental funds.	(946,360)	3,774,407
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		(8,745,287)
Net position of governmental activities	\$	48,223,249

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, 2014

Exhibit 4

	Major Fund General Fund	Total Non- Major Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 9,390,723	\$ -	\$ 9,390,723
Special ad valorem taxes	-	94,355	94,355
Other taxes and licenses	264,000	-	264,000
Unrestricted intergovernmental	6,157,526	-	6,157,526
Restricted intergovernmental	955,772	540,310	1,496,082
Permits and fees	168,223	-	168,223
Sales and services	1,031,007	85,125	1,116,132
Investment earnings	17,208	1,555	18,763
Miscellaneous	150,908	6,748	157,656
Total revenues	18,135,367	728,093	18,863,460
Expenditures:			
Current:			
General government	4,432,140	-	4,432,140
Public safety	9,970,271	646,497	10,616,768
Highways and streets	1,927,307	-	1,927,307
Sanitation	1,894,698	-	1,894,698
Culture and recreation	1,430,840	225,231	1,656,071
Economic and physical development	226,830	383,603	610,433
Debt service:			
Principal	586,744	-	586,744
Interest	141,426	-	141,426
Total expenditures	20,610,256	1,255,331	21,865,587
Revenues over (under) expenditures	(2,474,889)	(527,238)	(3,002,127)
Other financing sources (uses):			
Installment purchase debt issued	582,807	-	582,807
Transfers from other funds	2,840,791	158,090	2,998,881
Transfers to other funds	(456,674)	-	(456,674)
Total other financing sources (uses)	2,966,924	158,090	3,125,014
Net change in fund balances	492,035	(369,148)	122,887
Fund balances - beginning	8,158,879	1,316,200	9,475,079
Increase (decrease) in central purchasing inventory	(102)	-	(102)
Fund balances - ending	\$ 8,650,812	\$ 947,052	\$ 9,597,864

Continued on next page.

City of Lexington, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2014

Exhibit 4
continued

		Total Governmental Funds
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Net change in fund balances - total governmental funds	\$	122,887
Change in fund balance due to change in reserve for inventory		(102)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$ 1,611,435	
Donations/capital contributions for governmental assets	124,730	
Change in investment in joint venture - land	3,620	
Depreciation expense for governmental assets	<u>(2,167,071)</u>	(427,286)
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	(6,619)	
Gain (loss) on the disposal of capital assets	(71,052)	
Change in unavailable revenues	<u>(500,574)</u>	(578,245)
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	(582,807)	
Principal payments on long-term debt	<u>586,744</u>	3,937
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	50,360	
Net pension obligation	22,759	
Other postemployment benefits	(522,108)	
Economic development grants	84,300	
Landfill monitoring expenditures	<u>20,000</u>	(344,689)
Internal service funds are used by management to charge the costs of certain activities (Garage, Group Insurance, Risk Management) to individual funds.		
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 (\$895,168) for an ending balance of (\$946,360) in the Statement of Net Position.	51,192	
Net revenue (expense) of the Internal Service Funds determined to be governmental-type	<u>108,503</u>	<u>159,695</u>
Total change in net position of governmental activities	\$	<u><u>(1,063,803)</u></u>

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

City of Lexington, North Carolina

Exhibit 5

General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2014**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 8,635,835	\$ 8,760,835	\$ 9,390,723	\$ 629,888
Other taxes and licenses	263,385	263,385	264,000	615
Unrestricted intergovernmental	5,366,634	6,012,834	6,157,526	144,692
Restricted intergovernmental	700,943	1,077,443	955,772	(121,671)
Permits and fees	179,300	179,300	168,223	(11,077)
Sales and services	1,051,770	1,051,770	1,031,007	(20,763)
Investment earnings	18,500	18,500	17,208	(1,292)
Miscellaneous	156,159	166,186	150,908	(15,278)
Total revenues	16,372,526	17,530,253	18,135,367	605,114
Expenditures:				
Current:				
General government	4,548,917	4,683,125	4,432,140	250,985
Public safety	9,913,493	10,319,937	9,970,271	349,666
Highways and streets	2,005,275	2,112,935	1,927,307	185,628
Sanitation	1,791,474	2,061,304	1,894,698	166,606
Culture and recreation	1,512,672	1,557,519	1,430,840	126,679
Economic and physical development	109,407	231,714	226,830	4,884
Debt service:				
Principal	592,790	587,619	586,744	875
Interest	136,259	141,430	141,426	4
Total expenditures	20,610,287	21,695,583	20,610,256	1,085,327
Revenues over (under) expenditures	(4,237,761)	(4,165,330)	(2,474,889)	1,690,441
Other financing sources (uses):				
Installment purchase debt issued	585,000	585,000	582,807	(2,193)
Transfers from other funds	2,845,391	2,845,391	2,840,791	(4,600)
Transfers to other funds	(168,584)	(456,674)	(456,674)	-
Total other financing sources (uses)	3,261,807	2,973,717	2,966,924	(6,793)
Revenues and other financing sources over (under) expenditures and other financing uses	(975,954)	(1,191,613)	492,035	1,683,648
Fund balance appropriated	975,954	1,191,613	-	(1,191,613)
Net change in fund balances	\$ -	\$ -	492,035	\$ 492,035
Fund balance - beginning			8,158,879	
Increase (decrease) in central purchasing inventory			(102)	
Fund balance - ending			\$ 8,650,812	

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, 2014

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,968,792	\$ 2,355,364	\$ 4,225,845
Receivables (net)			
Accounts - billed	3,253,245	629,748	545,499
Accounts - unbilled	3,897,430	539,438	455,613
Interest	1,687	1,151	1,263
Due from other governments	607,483	85,170	33,706
Cash and cash equivalents restricted for:			
Customer deposits	608,363	56,035	135,110
Unpaid claims	-	-	-
Construction in progress	1,020,752	-	26,488
Inventories	1,284,426	364,685	596,383
Prepaid items	-	-	22,717
Total current assets	<u>15,642,178</u>	<u>4,031,591</u>	<u>6,042,624</u>
Noncurrent assets:			
Advances to golf fund	-	-	77,454
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	1,677,653	1,137,625	358,503
Other capital assets, net of accumulated depreciation	<u>30,530,207</u>	<u>40,007,752</u>	<u>20,223,586</u>
Total capital assets	<u>32,207,860</u>	<u>41,145,377</u>	<u>20,582,089</u>
Total noncurrent assets	<u>32,207,860</u>	<u>41,145,377</u>	<u>20,659,543</u>
Total assets	<u>\$ 47,850,038</u>	<u>\$ 45,176,968</u>	<u>\$ 26,702,167</u>

Exhibit 6

Golf	Total Enterprise Funds	Internal Service Funds
\$ 156,640	\$ 11,706,641	\$ 1,883,056
40	4,428,532	184,340
-	4,892,481	-
44	4,145	1,314
15,521	741,880	58,869
4,300	803,808	-
-	-	651,844
-	1,047,240	216,700
-	2,245,494	132,647
-	22,717	17,000
176,545	25,892,938	3,145,770
-	77,454	-
-	-	636,750
-	-	1,598,617
-	-	1,681,710
-	-	1,693,212
-	-	656,322
-	-	2,518,642
40,728	3,214,509	3,377,879
1,311,666	92,073,211	1,575,770
1,352,394	95,287,720	4,953,649
1,352,394	95,365,174	13,738,902
\$ 1,528,939	\$ 121,258,112	\$ 16,884,672

Continued on next page.

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Liabilities and net position			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 4,386,874	\$ 252,618	\$ 630,783
General obligation bonds payable	154,684	414,656	-
Revenue bonds payable	-	-	264,355
Installment purchases payable	411,743	400,517	99,329
Liabilities payable from restricted assets:			
Accounts payable	45,981	-	3,112
Customer deposits	608,363	56,035	135,110
Unpaid claims costs	-	-	-
Total current liabilities	<u>5,607,645</u>	<u>1,123,826</u>	<u>1,132,689</u>
Noncurrent liabilities:			
Compensated absences payable	82,852	148,283	75,491
Other postemployment benefits payable	458,085	679,923	324,871
General obligation bonds payable	514,833	1,418,392	-
Revenue bonds payable	-	-	1,839,908
Installment purchases payable	2,835,122	1,617,656	1,240,097
Advances from other funds:			
Natural gas fund	-	-	-
Total noncurrent liabilities	<u>3,890,892</u>	<u>3,864,254</u>	<u>3,480,367</u>
Total liabilities	<u>9,498,537</u>	<u>4,988,080</u>	<u>4,613,056</u>
Net position:			
Net investment in capital assets	28,291,478	37,294,156	17,138,400
Unrestricted	10,060,023	2,894,732	4,950,711
Total net position	<u>\$ 38,351,501</u>	<u>\$ 40,188,888</u>	<u>\$ 22,089,111</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.

Exhibit 6
continued

Golf	Total Enterprise Funds	Internal Service Funds
\$ 31,985	\$ 5,302,260	\$ 374,009
-	569,340	-
-	264,355	-
142,952	1,054,541	-
-	49,093	-
4,300	803,808	-
-	-	651,844
179,237	8,043,397	1,025,853
24,817	331,443	149,881
112,943	1,575,822	553,867
-	1,933,225	-
-	1,839,908	-
546,202	6,239,077	-
77,454	77,454	-
761,416	11,996,929	703,748
940,653	20,040,326	1,729,601
663,240	83,387,274	4,953,649
(74,954)	17,830,512	10,201,422
\$ 588,286	101,217,786	\$ 15,155,071
	10,434,304	
	946,360	
	\$ 112,598,450	

City of Lexington, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Operating revenues:			
Charges for sales and services	\$ 51,924,474	\$ 8,514,647	\$ 13,831,625
Restricted intergovernmental	535,346	41,433	8,977
Other operating	1,860,977	167,672	239,486
Total operating revenues	<u>54,320,797</u>	<u>8,723,752</u>	<u>14,080,088</u>
Operating expenses:			
Cost of sales and services	6,105,780	135,327	2,795,030
Purchases for resale	43,138,820	-	7,116,775
Water treatment	-	1,679,113	-
Waste collection and treatment	-	2,369,950	-
Water and wastewater construction	-	1,421,680	-
Premiums	-	-	-
Claims	-	-	-
Bad debt expense	182,350	40,477	24,446
Administration	1,647,105	1,232,670	1,282,121
Depreciation	949,226	1,260,606	584,781
Overhead capitalized	(370,691)	(24,815)	(864,493)
Total operating expenses	<u>51,652,590</u>	<u>8,115,008</u>	<u>10,938,660</u>
Operating income (loss)	2,668,207	608,744	3,141,428
Nonoperating revenues (expenses):			
Federal Build America Bond interest credit	-	9,772	27,686
Investment earnings	16,136	11,693	9,997
Gain (loss) on sale of property	61,532	(1,069)	232
Interest expense	(152,401)	(149,021)	(186,541)
Total nonoperating revenues (expenses)	<u>(74,733)</u>	<u>(128,625)</u>	<u>(148,626)</u>
Income (loss) before contributions and transfers	2,593,474	480,119	2,992,802
Capital contributions	-	633,527	-
Transfers from other funds	984,005	-	-
Transfers to other funds	(1,504,209)	(511,795)	(1,408,915)
Change in net position	2,073,270	601,851	1,583,887
Total net position - beginning	<u>36,278,231</u>	<u>39,587,037</u>	<u>20,505,224</u>
Total net position - ending	<u>\$ 38,351,501</u>	<u>\$ 40,188,888</u>	<u>\$ 22,089,111</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.

Exhibit 7

Golf	Total Enterprise Funds	Internal Service Funds
\$ 640,045	\$ 74,910,791	\$ 10,376,309
7,960	593,716	20,398
6,705	2,274,840	815,673
654,710	77,779,347	11,212,380
657,672	9,693,809	1,721,333
-	50,255,595	-
-	1,679,113	-
-	2,369,950	-
-	1,421,680	-
-	-	1,094,713
-	-	4,825,433
83	247,356	28,963
21,353	4,183,249	2,925,427
100,579	2,895,192	169,529
-	(1,259,999)	-
779,687	71,485,945	10,765,398
(124,977)	6,293,402	446,982
-	37,458	-
243	38,069	13,500
-	60,695	1,547
(32,394)	(520,357)	-
(32,151)	(384,135)	15,047
(157,128)	5,909,267	462,029
-	633,527	-
298,584	1,282,589	1,013,261
-	(3,424,919)	(1,413,138)
141,456	4,400,464	62,152
446,830		15,092,919
\$ 588,286		\$ 15,155,071
	(148,735)	
	51,192	
	\$ 4,302,921	

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Electric	Water and Wastewater	Natural Gas
Cash flows from operating activities:			
Cash received from customers	\$ 51,006,068	\$ 8,454,606	\$ 13,807,929
Cash payments for interfund services provided/used to/for other funds	(1,647,105)	(1,232,670)	(1,282,121)
Cash paid for goods and services	(47,294,780)	(2,791,976)	(8,498,974)
Cash paid to employees	(1,548,323)	(2,617,469)	(1,152,149)
Other operating income	1,860,977	167,672	239,486
Net cash provided (used) by operating activities	<u>2,376,837</u>	<u>1,980,163</u>	<u>3,114,171</u>
Cash flows from noncapital financing activities:			
Operating grants	-	33,765	8,977
Advances from (to) other funds	-	-	50,908
Transfers from other funds	984,005	-	-
Transfers to other funds	(1,504,209)	(511,795)	(1,408,915)
Net cash provided (used) by noncapital financing activities	<u>(520,204)</u>	<u>(478,030)</u>	<u>(1,349,030)</u>
Cash flows from capital and related financing activities:			
Capital grants and contributions	-	253,527	-
Acquisition and construction of capital assets	(382,836)	(317,161)	(48,148)
Federal Build America Bond interest credit	-	9,772	27,686
Principal payments - bonds	(157,438)	(422,104)	(253,563)
Principal payments - installment purchases	(396,569)	(386,048)	(227,197)
Interest paid	(152,401)	(149,021)	(183,913)
Proceeds from the sale of assets	68,860	90	1,500
Net cash provided (used) by capital and related financing activities	<u>(1,020,384)</u>	<u>(1,010,945)</u>	<u>(683,635)</u>
Cash flows from investing activities:			
Receipts of investment earnings	20,745	14,302	12,156
Net cash provided by investing activities	<u>20,745</u>	<u>14,302</u>	<u>12,156</u>
Net increase in cash and cash equivalents	856,994	505,490	1,093,662
Cash and cash equivalents - beginning	<u>5,740,913</u>	<u>1,905,909</u>	<u>3,293,781</u>
Cash and cash equivalents - ending	<u>\$ 6,597,907</u>	<u>\$ 2,411,399</u>	<u>\$ 4,387,443</u>

Exhibit 8

Golf	Total Enterprise Funds	Internal Service Funds
\$ 640,057	\$ 73,908,660	\$ -
(21,353)	(4,183,249)	10,309,151
(223,210)	(58,808,940)	(8,041,378)
(397,182)	(5,715,123)	(2,325,835)
6,705	2,274,840	815,673
5,017	7,476,188	757,611
-	42,742	75
(108,408)	(57,500)	-
298,584	1,282,589	1,013,261
-	(3,424,919)	(1,413,138)
190,176	(2,157,088)	(399,802)
-	253,527	-
(571)	(748,716)	(247,843)
-	37,458	-
-	(833,105)	-
(137,508)	(1,147,322)	-
(32,394)	(517,729)	-
-	70,450	2,563
(170,473)	(2,885,437)	(245,280)
303	47,506	16,706
303	47,506	16,706
25,023	2,481,169	129,235
135,917	11,076,520	11,407,618
\$ 160,940	\$ 13,557,689	\$ 11,536,853

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2014

	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)	\$ 2,668,207	\$ 608,744	\$ 3,141,428
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Restricted intergovernmental revenues	(535,346)	(41,433)	(8,977)
Depreciation	949,226	1,260,606	584,781
Overhead capitalized	(370,691)	(24,815)	(864,493)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(918,406)	(60,041)	(23,696)
(Increase) decrease in intergovernmental receivable	(531,290)	5,121	3,152
Increase (decrease) in amounts receivable related to restricted intergovernmental revenues	535,346	7,668	-
(Increase) decrease in inventory	(29,447)	39,742	11,928
(Increase) decrease in prepaid items	-	-	2,628
Increase (decrease) in prepaid items related to interest on capital debt	-	-	(2,628)
Increase (decrease) in accounts payable and accrued liabilities	543,423	75,462	224,228
Increase (decrease) in customer deposits	18,406	6,335	3,260
Increase (decrease) in unpaid claims cost	-	-	-
Increase (decrease) in accrued compensated absences liability	(12,083)	2,699	(2,112)
Increase (decrease) in accrued other postemployment benefits liability	59,492	100,075	44,672
Total adjustments	<u>(291,370)</u>	<u>1,371,419</u>	<u>(27,257)</u>
Net cash provided (used) by operating activities	<u>\$ 2,376,837</u>	<u>\$ 1,980,163</u>	<u>\$ 3,114,171</u>
Schedule of non-cash investing, capital and financing activities:			
Contributions of capital assets	<u>\$ -</u>	<u>\$ 380,000</u>	<u>\$ -</u>

Exhibit 8
continued

Golf	Total Enterprise Funds	Internal Service Funds
\$ (124,977)	\$ 6,293,402	\$ 446,982
(7,960)	(593,716)	(20,398)
100,579	2,895,192	169,529
-	(1,259,999)	-
12	(1,002,131)	(67,158)
112	(522,905)	(24,573)
7,960	550,974	20,323
-	22,223	16,144
-	2,628	(17,000)
-	(2,628)	-
21,637	864,750	165,215
(5,630)	22,371	-
-	-	817
(1,390)	(12,886)	(15,834)
14,674	218,913	83,564
129,994	1,182,786	310,629
\$ 5,017	\$ 7,476,188	\$ 757,611
\$ -	\$ 380,000	\$ -



**City of Lexington, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014**

1. Summary Of Significant Accounting Policies

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

A. Reporting Entity

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

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 (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Lexington Board of Alcoholic Control, 419 North Main Street, Lexington, NC 27292.

Lexington Tourism Authority

The eight members of 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 (discrete presentation). Complete financial statements may be obtained from the entity's administrative offices at Lexington Tourism Authority, 28 West Center Street, Lexington, NC 27292.

Uptown Lexington, Inc.

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., a 501 (c) (3) corporation, 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 (discrete presentation). Uptown Lexington, Inc. did not issue separate financial statements.

B. Basis of Presentation

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably

equivalent in value to the interfund services provided and other charges and transfers between the government's business type functions and various other functions of the government. Elimination of these charges and transfers would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

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

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

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

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

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the State, including the City of Lexington. Property taxes are due when vehicles are registered.

The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates 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. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. 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.

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 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.

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

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered 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; and in the Natural Gas Fund for construction in progress.

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.

Governmental Activities

General Fund	
Customer deposits	\$ 74,480
Economic development deposit	25,000
Group Insurance Fund	
Unpaid claims	455,674
OPEB liabilities	2,518,642
Risk Management Fund	
Unpaid claims	196,170
Capital Reserve Fund	
Garage	<u>315,035</u>
Total Governmental Activities	<u>\$ 3,585,001</u>

Business-type Activities	
Electric Fund	
Customer deposits	\$ 608,363
Construction in progress	1,020,752
Water and Wastewater Fund	
Customer deposits	56,035
Natural Gas Fund	
Customer deposits	135,110
Construction in progress	26,488
Golf Fund	
Customer deposits	4,300
Utility Administration Fund	
Construction in progress	216,700
Capital Reserve Fund	
Electric	34,873
Water and wastewater	1,598,617
Water and wastewater - capital recovery	1,681,710
Natural gas	1,199,918
Garage	341,287
Rate Stabilization Fund	
Electric	601,877
Natural gas	493,294
Total Business-type Activities	<u>\$ 8,019,324</u>
Total Restricted Cash	<u>\$ 11,604,325</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

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

6. Inventories and Prepaid Items

The inventories of the City's General Fund are valued using the weighted average cost method. The City's General Fund inventories 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. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

8. Deferred Outflows/Inflows of Resources

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

Deferred Inflows of Resources represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet this criterion, unavailable tax revenue receivable, unavailable intergovernmental revenue receivable, and unavailable miscellaneous revenues receivable. Taxes receivable appear in the General Fund and the Special Tax District Fund for property taxes billed. Intergovernmental revenues appear in the General Fund and represent federal disaster assistance receivables that were not collected within 90 days of year end. Miscellaneous receivables 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 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 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.

Inventories – 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.

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

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

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

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

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

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

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

Committed Fund Balance – This classification of fund balance can only be used for specific purposes imposed by majority vote by quorum of the City of Lexington’s City Council (highest level of decision-making authority). The City of Lexington’s City Council has the authority to commit fund balance by the adoption of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until such time the City Council adopts another ordinance to remove or revise the limitation. Any changes or removal of specific purpose requires majority action by City Council.

Committed for General Government – portion of fund balance that is committed for City Council improvements to their neighborhoods in accordance with established guidelines and the 2014 Public Buildings Improvement Project.

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.

2. Stewardship, Compliance And Accountability

At June 30, 2014, the City of Lexington is in compliance with North Carolina General Statutes, legal, budgetary, and contractual agreements.

3. 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, 2014, the City's deposits had a carrying amount of \$13,958,212 and a bank balance of \$13,679,702. 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, 2014, the City's petty cash fund totaled \$7,050.

At June 30, 2014, Uptown Lexington, Inc. deposits had a carrying amount of \$66,669 and a bank balance of \$68,548. 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, 2014, Uptown Lexington's petty cash fund totaled \$2.

2. Investments

At June 30, 2014, the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 6		
		Months	6-12 Months	1-3 Years
US Government Agencies	\$ 3,496,108	\$ -	\$ -	\$ 3,496,108
Commercial Paper	6,996,159	6,996,159	-	-
Municipal Revenue Bonds	353,227	-	353,227	-
NC Capital Management Trust - Cash Portfolio	4,282,586	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio*	4,264,326	4,264,326	-	-
Total	\$ 19,392,406	\$ 11,260,485	\$ 353,227	\$ 3,496,108

*Because the NC Capital Management Trust Term Portfolio had a duration of 0.23 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, 2014, 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, 2014. 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.

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 Credit Agricole North America commercial paper at 5.99%.

At June 30, 2014, Uptown Lexington, Inc. had \$63,649 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

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 \$1,019,492.

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.

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

	Governmental Activities	Business-Type Activities	Total
Local option sales tax	\$ 862,804	\$ -	\$ 862,804
Utility franchise tax	363,259	-	363,259
Piped natural gas tax	467	-	467
Telecommunications tax	51,438	-	51,438
Local video programming revenue	34,220	-	34,220
Solid waste disposal tax	2,613	-	2,613
Sales and use tax refund	134,616	195,626	330,242
Disaster assistance funding	331,391	571,298	902,689
Other federal and state grant funding	140,284	-	140,284
Unremitted property tax collections	193,584	-	193,584
Other	12,563	-	12,563
	<u>\$ 2,127,239</u>	<u>\$ 766,924</u>	<u>\$ 2,894,163</u>

4. Capital Assets

a. Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,753,816	\$ 169,580	\$ -	\$ 1,923,396
Investment in joint venture - land	426,251	3,620	-	429,871
Construction in progress	<u>6,423,444</u>	<u>511,556</u>	<u>(329,693)</u>	<u>6,605,307</u>
Total capital assets not being depreciated	<u>8,603,511</u>	<u>684,756</u>	<u>(329,693)</u>	<u>8,958,574</u>
Capital assets being depreciated:				
Buildings	14,413,168	55,650	-	14,468,818
Other improvements	3,715,797	392,581	-	4,108,378
Machinery & equipment	9,350,530	936,489	(351,949)	9,935,070
Infrastructure	54,115,597	-	-	54,115,597
Intangibles	<u>2,268,258</u>	<u>-</u>	<u>-</u>	<u>2,268,258</u>
Total capital assets being depreciated	<u>83,863,350</u>	<u>1,384,720</u>	<u>(351,949)</u>	<u>84,896,121</u>
Less accumulated depreciation for:				
Buildings	7,845,260	177,203	-	8,022,463
Other improvements	1,910,984	184,702	-	2,095,686
Machinery & equipment	6,583,386	636,114	(274,278)	6,945,222
Infrastructure	31,979,541	1,010,299	-	32,989,840
Intangibles	<u>977,007</u>	<u>158,753</u>	<u>-</u>	<u>1,135,760</u>
Total accumulated depreciation	<u>49,296,178</u>	<u>2,167,071</u>	<u>(274,278)</u>	<u>51,188,971</u>
Internal Service Funds				
Capital assets not being depreciated:				
Land	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
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	3,927,963	159,328	(10,158)	4,077,133
Intangibles	<u>9,846</u>	<u>-</u>	<u>-</u>	<u>9,846</u>
Total capital assets being depreciated	<u>4,329,691</u>	<u>159,328</u>	<u>(10,158)</u>	<u>4,478,861</u>

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Less accumulated depreciation for:				
Buildings	\$ 81,000	\$ -	\$ -	\$ 81,000
Other improvements	224,245	6,415	-	230,660
Machinery & equipment	3,155,013	114,558	(9,142)	3,260,429
Intangibles	8,174	242	-	8,416
Subtotal	<u>3,468,432</u>	<u>121,215</u>	<u>(9,142)</u>	<u>3,580,505</u>
Total accumulated depreciation	<u>52,764,610</u>	<u>2,288,286</u>	<u>(283,420)</u>	<u>54,769,476</u>
Total capital assets being depreciated, net	<u>35,428,431</u>			<u>34,605,506</u>
Governmental activity capital assets, net	<u>\$ 44,046,942</u>			<u>\$ 43,579,080</u>

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

Governmental Activities

Depreciation Expense

General government	\$ 320,499
Public safety	458,099
Highways and streets	1,209,333
Sanitation	76,396
Cultural and recreation	98,913
Economic Development	3,831
Capital assets held by internal service funds	<u>121,215</u>
<i>Total depreciation expense</i>	<u>\$ 2,288,286</u>

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 613,286	\$ -	\$ -	\$ 613,286
Construction in progress	<u>991,426</u>	<u>264,336</u>	<u>(191,395)</u>	<u>1,064,367</u>
Total capital assets not being depreciated	<u>1,604,712</u>	<u>264,336</u>	<u>(191,395)</u>	<u>1,677,653</u>
Capital assets being depreciated:				
Buildings	210,000	-	-	210,000
Plant and distribution systems	56,280,779	562,086	(73,281)	56,769,584
Machinery & equipment	<u>1,236,264</u>	<u>118,500</u>	<u>-</u>	<u>1,354,764</u>
Total capital assets being depreciated	<u>57,727,043</u>	<u>680,586</u>	<u>(73,281)</u>	<u>58,334,348</u>
Less accumulated depreciation for:				
Buildings	102,493	2,821	-	105,314
Plant and distribution systems	25,848,301	894,108	(65,953)	26,676,456
Machinery & equipment	<u>970,074</u>	<u>52,297</u>	<u>-</u>	<u>1,022,371</u>
Total accumulated depreciation	<u>26,920,868</u>	<u>949,226</u>	<u>(65,953)</u>	<u>27,804,141</u>
Total capital assets being depreciated, net	<u>30,806,175</u>			<u>30,530,207</u>
Electric Fund capital assets, net	<u>\$ 32,410,887</u>			<u>\$ 32,207,860</u>
Water and Wastewater Fund				
Capital assets not being depreciated:				
Land	\$ 849,390	\$ -	\$ -	\$ 849,390
Construction in progress	<u>732,399</u>	<u>264,627</u>	<u>(708,791)</u>	<u>288,235</u>
Total capital assets not being depreciated	<u>1,581,789</u>	<u>264,627</u>	<u>(708,791)</u>	<u>1,137,625</u>
Capital assets being depreciated:				
Buildings	851,923	-	-	851,923
Plant and distribution systems	70,412,560	1,113,606	(11,590)	71,514,576
Machinery & equipment	<u>1,153,682</u>	<u>52,534</u>	<u>-</u>	<u>1,206,216</u>
Total capital assets being depreciated	<u>72,418,165</u>	<u>1,166,140</u>	<u>(11,590)</u>	<u>73,572,715</u>
Less accumulated depreciation for:				
Buildings	236,716	10,817	-	247,533
Plant and distribution systems	31,392,580	1,158,612	(10,431)	32,540,761
Machinery & equipment	<u>685,492</u>	<u>91,177</u>	<u>-</u>	<u>776,669</u>
Total accumulated depreciation	<u>32,314,788</u>	<u>1,260,606</u>	<u>(10,431)</u>	<u>33,564,963</u>
Total capital assets being depreciated, net	<u>40,103,377</u>			<u>40,007,752</u>
Water and Wastewater Fund capital assets, net	<u>\$ 41,685,166</u>			<u>\$ 41,145,377</u>

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Natural Gas Fund				
Capital assets not being depreciated:				
Land	\$ 303,049	\$ -	\$ -	\$ 303,049
Construction in progress	385,588	22,573	(352,707)	55,454
Total capital assets not being depreciated	<u>688,637</u>	<u>22,573</u>	<u>(352,707)</u>	<u>358,503</u>
Capital assets being depreciated:				
Buildings	2,245,262	-	-	2,245,262
Plant and distribution systems	27,196,761	1,217,200	(12,679)	28,401,282
Machinery & equipment	298,779	25,575	-	324,354
Total capital assets being depreciated	<u>29,740,802</u>	<u>1,242,775</u>	<u>(12,679)</u>	<u>30,970,898</u>
Less accumulated depreciation for:				
Buildings	365,887	41,810	-	407,697
Plant and distribution systems	9,581,469	523,717	(11,411)	10,093,775
Machinery & equipment	226,586	19,254	-	245,840
Total accumulated depreciation	<u>10,173,942</u>	<u>584,781</u>	<u>(11,411)</u>	<u>10,747,312</u>
Total capital assets being depreciated, net	<u>19,566,860</u>			<u>20,223,586</u>
Natural Gas Fund capital assets, net	<u>\$ 20,255,497</u>			<u>\$ 20,582,089</u>
Golf Fund				
Capital assets not being depreciated:				
Land	\$ 40,728	\$ -	\$ -	\$ 40,728
Construction in progress	-	-	-	-
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	5,714	-	175,450
Total capital assets being depreciated	<u>2,359,955</u>	<u>5,714</u>	<u>-</u>	<u>2,365,669</u>
Less accumulated depreciation for:				
Buildings	37,665	810	-	38,475
Other improvements	769,591	95,591	-	865,182
Machinery & equipment	141,025	9,321	-	150,346
Total accumulated depreciation	<u>948,281</u>	<u>105,722</u>	<u>-</u>	<u>1,054,003</u>
Total capital assets being depreciated, net	<u>1,411,674</u>			<u>1,311,666</u>
Golf Fund capital assets, net	<u>\$ 1,452,402</u>			<u>\$ 1,352,394</u>

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Internal Service Funds				
Capital assets not being depreciated:				
Land	\$ 245,430	\$ -	\$ -	\$ 245,430
Construction in progress	<u>3,046,834</u>	<u>70,615</u>	<u>-</u>	<u>3,117,449</u>
Total capital assets not being depreciated	<u>3,292,264</u>	<u>70,615</u>	<u>-</u>	<u>3,362,879</u>
Capital assets being depreciated:				
Buildings	1,083,423	-	-	1,083,423
Machinery & equipment	356,020	17,900	-	373,920
Intangibles	<u>1,448,763</u>	<u>-</u>	<u>-</u>	<u>1,448,763</u>
Total capital assets being depreciated	<u>2,888,206</u>	<u>17,900</u>	<u>-</u>	<u>2,906,106</u>
Less accumulated depreciation for:				
Buildings	596,176	36,301	-	632,477
Machinery & equipment	316,824	3,181	-	320,005
Intangibles	<u>1,267,378</u>	<u>8,832</u>	<u>-</u>	<u>1,276,210</u>
Total accumulated depreciation	<u>2,180,378</u>	<u>48,314</u>	<u>-</u>	<u>2,228,692</u>
Total capital assets being depreciated, net	<u>707,828</u>			<u>677,414</u>
Internal Service Funds capital assets, net	<u>\$ 4,000,092</u>			<u>\$ 4,040,293</u>
Business-type activities capital assets, net	<u>\$ 99,804,044</u>			<u>\$ 99,328,013</u>

b. Construction Commitments

The government has active construction projects as of June 30, 2014. At year-end, the government's construction in progress was comprised of the following:

	<u>Spent To Date</u>	<u>Remaining Commitments</u>
Community Development Grants Fund		
Erlanger Community Revitalization	\$ 1,310,000	\$ -
Erlanger Revitalization	156,000	-
2012 Scattered Site Housing	-	225,000
Total Community Development Grants Fund	<u>\$ 1,466,000</u>	<u>\$ 225,000</u>
Public Safety Grants Fund		
Office of Justice - Lexington PD - 2013	\$ 7,480	\$ 426
FEMA - Assistance to Firefighters #4	155,871	-
Total Public Safety Grants Fund	<u>\$ 163,351</u>	<u>\$ 426</u>
Economic Stimulus Grants Fund		
Neighborhood Stabilization Program	\$ 2,541,151	\$ 1
Total Economic Stimulus Grants Fund	<u>\$ 2,541,151</u>	<u>\$ 1</u>
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	685,409	14,591
Lexington Furniture Industries, Inc. Plant #1	1,452,357	157,528
Erlanger/Green Needles Parks ER grant	645,480	-
2014 Public Buildings Improvements	-	125,000
Total General Capital Projects Fund	<u>\$ 8,296,306</u>	<u>\$ 463,529</u>
Enterprise Funds:		
Electric Fund		
System improvements	\$ 1,208,987	\$ 975,018
Total Electric Fund	<u>\$ 1,208,987</u>	<u>\$ 975,018</u>
Water and Wastewater Fund		
Line extensions	\$ 322,000	\$ -
Total Water and Wastewater Fund	<u>\$ 322,000</u>	<u>\$ -</u>
Natural Gas Fund		
Training Qualification Center	\$ 55,454	\$ 24,546
Total Natural Gas Fund	<u>\$ 55,454</u>	<u>\$ 24,546</u>
Utility Administration Fund		
Automated Meter Reading	\$ 3,117,450	\$ 216,523
Total Utility Administration Fund	<u>\$ 3,117,450</u>	<u>\$ 216,523</u>

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 7.07% and 7.28%, 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, 2014, 2013, and 2012 were \$1,010,493, \$944,997, and \$952,245, 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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>69</u>
Total	<u>77</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.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions do not include post-employment benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

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 Pension Cost and Net Pension Obligation. The City's annual pension cost (APC) and net pension obligation (NPO) to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 152,919
Interest on net pension obligation	25,770
Adjustment to annual required contribution	<u>(41,992)</u>
Annual pension cost	136,697
Employer contributions made for fiscal year ended 6/30/2014	<u>159,456</u>
Increase (decrease) in net pension obligation	(22,759)
Net pension obligation beginning of fiscal year	<u>515,407</u>
Net pension obligation end of fiscal year	<u><u>\$ 492,648</u></u>

The City's APC, percentage of APC contributed, and NPO for the plan for 2012, 2013, and 2014 were as:

3-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
2012	\$ 140,469	95.04%	\$ 517,967
2013	150,400	101.70%	515,407
2014	136,697	116.65%	492,648

Funded Status and Funding Progress

As of December 31, 2013, 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 \$1,480,572. The covered payroll (annual payroll of active employees covered by the plan) was \$2,776,644 and the ratio of the UAAL to the covered payroll was 53.32 %.

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.

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, 2014 were \$157,073, which consisted of \$132,487 from the City and \$24,586 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, 2014. General employees may continue to make voluntary contributions to the Plan. Contributions for the year ended June 30, 2014 consisted of \$227,768 from the general employees.

e. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description

The State of North Carolina contributes, on behalf of the City of Lexington, to the Firefighter'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 Firefighter's and Rescue Squad

Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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, 2014, the City of Lexington has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$18,960 for the fifty-three 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.

Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers	Firefighters
Active Plan Members	232	69	50
Retired Plan Members	45	28	21
Total	277	97	71

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 \$2,518,642 for this purpose in the Group Insurance Fund for fiscal year ended June 30, 2014, these financial statements assume the pay-as-you-go method will continue in the near term.

The current annual required contribution (ARC) rate is 13.19% of annual covered payroll. For the current year, the City contributed \$1,026,485 or 7.35% of annual covered payroll. The City is self-insured as described in more detail on page 70 of the notes to the financial statements. Employees contributed \$10 bi-weekly for individual coverage and a total of \$564,670 during the fiscal year for employee and dependent coverage. Retirees contributed \$144,427 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, \$2,518,642 is restricted and earmarked in the Group Insurance Fund to begin accumulating assets necessary to pay for the accrued liability of postemployment healthcare coverage.

Annual OPEB Cost and Net OPEB Obligation

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

The 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)	\$ 1,842,422
Interest on net OPEB obligation	193,495
Adjustment to ARC	<u>(184,847)</u>
Annual OPEB cost (pay-as-you-go expense)	1,851,070
Contributions made	<u>(1,026,485)</u>
Increase/(decrease) in net OPEB obligation	824,585
Net OPEB obligation, beginning of year	<u>4,837,364</u>
Net OPEB obligation, end of year	<u>\$ 5,661,949</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013 and 2014 were as follows:

3-Year Trend Information

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,767,617	40.9%	\$ 3,867,310
2013	1,809,991	46.4%	4,837,364
2014	1,851,070	55.5%	5,661,949

Funded Status and Funding Progress

As of December 31, 2013, 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 \$17,928,725. The covered payroll (annual payroll of active employees covered by the plan) was \$13,965,567, and the ratio of the UAAL to the covered payroll was 128.38%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information as accumulated annually about whether the actuarial 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, 2013 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 7.75 to 5.00 percent pre-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, 2013, was 30 years.

2. Postemployment Life Insurance Benefits

On December 14, 1981, the City Council adopted a local policy to provide the following post-employment life insurance coverage program to be effective January 1, 1982. Active employees, who were retired prior to the effective date and employees hired prior to the effective date and subsequently retired, would be provided \$2,500 life insurance coverage by the City. Anyone hired after December 31, 1981 would be eligible for City-paid life insurance coverage only while actively employed. Currently, there are 109 retirees who are eligible for this benefit at the time of their deaths. All benefits are paid from the Life Insurance Plan. The City has no liability beyond payment of monthly premiums. Employees not eligible for City-paid benefits may elect coverage through a City-selected carrier, Standard Insurance Company of Portland, Oregon. All costs are born by the retirees, and life insurance coverage is provided up to a maximum of \$10,000, with a 35% reduction at age 65 through 69, a 60% reduction at age 70 through 74, and a 75% reduction at age 75 or over.

g. Other Postemployment Benefits

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, 2014, the State temporarily stopped the City's employer contributions to the Death Benefit Plan due to a surplus. Contributions will resume for the fiscal year beginning July 1, 2015.

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. Unearned Revenue

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

Unearned rent (Nonmajor General Capital Projects Fund)	<u>\$ 8,067</u>
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3. Deferred Outflows and Inflows of Resources

The balance of deferred inflows of resources in the various funds at fiscal year ended June 30, 2014 is composed of the following elements:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Property taxes receivable		
Taxes receivable, net (General Fund)	\$ 745,794	\$ -
Taxes receivable, net (Special Revenue Fund)	12,962	-
Miscellaneous Receivables (General Fund)	29,636	-
Due from other governments (General Fund)	<u>142,149</u>	<u>-</u>
Total	<u>\$ 930,541</u>	<u>\$ -</u>

4. Risk Management

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

The City's insurance deductible for property is \$50,000 per occurrence. The property insurance limit is \$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 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>2014</u>	<u>2013</u>
Unpaid claims, 7/1	\$ 209,435	\$ 332,380
Incurred claims	674,013	122,539
Claim payments	<u>(687,278)</u>	<u>(245,484)</u>
Unpaid claims, 6/30	<u>\$ 196,170</u>	<u>\$ 209,435</u>

5. Group Health Insurance

The City is also self-insured for group health insurance. The Group Insurance Fund, an internal service fund type, pays health and dental claims for City employees and their covered dependents, for retirees and their covered dependents (that is, those 96 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 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.

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>2014</u>	<u>2013</u>
Unpaid claims, 7/1	\$ 441,592	\$ 452,260
Incurred claims	4,152,237	3,618,344
Claim payments	<u>(4,138,155)</u>	<u>(3,629,012)</u>
Unpaid claims, 6/30	<u>\$ 455,674</u>	<u>\$ 441,592</u>

6. Claims, Judgments and Contingent Liabilities

At June 30, 2014, the City of Lexington was a defendant in various lawsuits. In the opinion of the City's attorneys and management, the ultimate outcome of these legal matters will not have a material adverse effect on the City's financial position.

7. Long-Term Obligations

a. Installment Purchases

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 \$1,545,435 as of June 30, 2014, 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 \$1,450,850 as of June 30, 2014, to be paid in full December 2018.

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 \$2,485,169 as of June 30, 2014, 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 \$450,914 as of June 30, 2014, 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 \$3,309,169 as of June 30, 2014 to be paid in full April 2025.

In August 2011, the City entered into an installment purchase contract with BB&T to finance a fire pumper truck. The financing required principal payments beginning in fiscal year 2011-2012 with an interest rate of 2.19% and a current outstanding balance of \$268,705 as of June 30, 2014, to be paid in full February 2018.

In August 2013, the City entered into an installment purchase contract with BB&T to finance a 75' aerial ladder fire apparatus. The financing required principal payments beginning in fiscal year 2013-2014 with an interest rate of 1.92% and a current outstanding balance of \$499,450 as of June 30, 2014, to be paid in full February 2020.

Annual debt service payments of installment purchase contracts as of June 30, 2014. Including \$1,606,424 of interest, net of 35% federal credit, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 349,054	\$ 89,122	\$ 1,054,541	\$ 267,953
2016	360,039	78,137	1,094,516	227,977
2017	371,400	66,776	1,136,866	185,627
2018	383,150	55,026	1,180,419	142,074
2019	269,422	43,259	624,908	100,712
2020-2024	818,717	115,740	2,003,488	223,203
2025	164,292	4,894	198,880	5,924
Total	<u>\$ 2,716,074</u>	<u>\$ 452,954</u>	<u>\$ 7,293,618</u>	<u>\$ 1,153,470</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.

Bonds payable at June 30, 2014 are comprised of the following individual issues:

General Obligation Bonds	Outstanding
Serviced by the General Fund:	
1/19/11 Recreation Refunding bonds, Series 2011, \$1,184,031, due in annual payments of \$200,660 to \$146,775 through 06/01/16; interest rate of 2.30%	\$ 347,435
Serviced by the Electric Fund:	
1/19/11 Electric Refunding bonds, Series 2011, \$1,312,729, due in annual payments of \$154,684 to \$67,945 through 06/01/19; interest rate of 2.30%	669,517
Serviced by the Water and Wastewater Fund:	
1/19/11 Sanitary Sewer Refunding bonds, Series 2011, \$3,557,240, due in annual payments of \$414,656 to \$232,055 through 06/01/19; interest rate of 2.30%	<u>1,833,048</u>
Total general obligation bonds	<u>\$ 2,850,000</u>

At June 30, 2014, the City of Lexington had no bonds authorized but unissued and a legal debt margin of \$113,879,013.

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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>\$ 347,435</u>	<u>\$ 11,367</u>	<u>\$ 2,502,565</u>	<u>\$ 159,661</u>

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, 2014 is \$2,104,263.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Principal	Interest
2015	\$ 264,355	\$ 86,792
2016	275,606	75,656
2017	287,337	64,047
2018	299,567	51,944
2019	312,318	39,326
2020-2022	<u>665,080</u>	<u>39,529</u>
Total	<u>\$ 2,104,263</u>	<u>\$ 357,294</u>

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, 2014 is as follows:

	2014
Operating revenues	\$ 14,080,088
Operating expenses*	<u>10,353,879</u>
Operating income	3,726,209
Nonoperating revenues (expenses)**	<u>(51,154)</u>
Income available for debt service	3,675,055
Debt service, principal and interest paid (Revenue bond only)	\$ 351,035
Debt service coverage ratio	1047%

*Per rate covenants, this does not include the depreciation expense of \$584,781.

**Per rate covenants, this does not include revenue bond interest paid of \$97,472.

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 \$2,461,557. Principal and interest paid for the current year and total customer net revenues were \$351,035 and \$3,675,055, 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 \$120,000 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 6 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 \$707,475 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 the form of an economic development grant with the final payment anticipated in 2023.

8. **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			Current	
	July 1, 2013	Increases	Decreases	Balance	Portion of
				June 30, 2014	Balance
Governmental activities:					
Installment purchases	\$ 2,515,553	\$ 582,807	\$ 382,286	\$ 2,716,074	\$ 349,054
General obligation bonds	551,893	-	204,458	347,435	200,660
Other postemployment benefits	3,156,926	548,127	-	3,705,053	-
Compensated absences	921,987	487,216	534,813	874,390	535,000
Net pension obligation	515,407	136,697	159,456	492,648	-
Solid waste landfill	140,000	-	20,000	120,000	20,000
Economic development grants	791,775	-	84,300	707,475	78,608
Governmental activity long-term liabilities	<u>\$ 8,593,541</u>	<u>\$ 1,754,847</u>	<u>\$ 1,385,313</u>	<u>\$ 8,963,075</u>	<u>\$ 1,183,322</u>
<u>Electric Fund</u>					
Installment purchases	\$ 3,643,434	\$ -	\$ 396,569	\$ 3,246,865	\$ 411,743
General obligation bonds	826,955	-	157,438	669,517	154,684
Other postemployment benefits	398,593	59,492	-	458,085	-
Compensated absences	94,935	64,727	76,810	82,852	77,000
Electric Fund long-term liabilities	<u>4,963,917</u>	<u>124,219</u>	<u>630,817</u>	<u>4,457,319</u>	<u>643,427</u>
<u>Water and Wastewater Fund</u>					
Installment purchases	2,404,221	-	386,048	2,018,173	400,517
General obligation bonds	2,255,152	-	422,104	1,833,048	414,656
Other postemployment benefits	579,848	100,075	-	679,923	-
Compensated absences	145,584	121,702	119,003	148,283	119,000
Water and Wastewater Fund long-term liabilities	<u>5,384,805</u>	<u>221,777</u>	<u>927,155</u>	<u>4,679,427</u>	<u>934,173</u>
<u>Natural Gas Fund</u>					
Installment purchases	1,566,623	-	227,197	1,339,426	99,329
Revenue bonds	2,357,826	-	253,563	2,104,263	264,355
Other postemployment benefits	280,199	44,672	-	324,871	-
Compensated absences	77,603	52,990	55,102	75,491	55,000
Natural Gas Fund long-term liabilities	<u>4,282,251</u>	<u>97,662</u>	<u>535,862</u>	<u>3,844,051</u>	<u>418,684</u>
<u>Golf Fund</u>					
Installment purchases	826,662	-	137,508	689,154	142,952
Other postemployment benefits	98,269	14,674	-	112,943	-
Compensated absences	26,207	18,177	19,567	24,817	20,000
Golf Fund long-term liabilities	<u>951,138</u>	<u>32,851</u>	<u>157,075</u>	<u>826,914</u>	<u>162,952</u>
<u>Utility Administration Fund</u>					
Other postemployment benefits	323,529	57,545	-	381,074	-
Compensated absences	123,483	48,054	66,651	104,886	67,000
Utility Administration Fund long-term liabilities	<u>447,012</u>	<u>105,599</u>	<u>66,651</u>	<u>485,960</u>	<u>67,000</u>
Business activity long-term liabilities	<u>\$ 16,029,123</u>	<u>\$ 582,108</u>	<u>\$ 2,317,560</u>	<u>\$ 14,293,671</u>	<u>\$ 2,226,236</u>

C. **Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2014 is as follows:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Safety Grants Fund	\$ 151,201
Total		<u>\$ 151,201</u>

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Natural Gas Fund	Golf Fund	\$ 77,454
Total		<u>\$ 77,454</u>

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 2013-2014, payments of \$50,907 were made to the Natural Gas Fund from the Golf Fund for this interfund liability.

3. **Interfund transfers**

The composition of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 1,325,000
General Fund (payment in lieu of taxes)	Electric Fund (payment in lieu of taxes)	179,209
General Fund (payment in lieu of taxes)	Water and Wastewater Fund (payment in lieu of taxes)	326,795
General Fund	Natural Gas Fund	889,664
General Fund (payment in lieu of taxes)	Natural Gas Fund (payment in lieu of taxes)	69,251
General Fund	Group Insurance Fund	50,872
Community Development Grants Fund	General Fund	33,090
General Capital Projects Fund	General Fund	125,000
Electric Fund	Capital Reserve Fund	984,005
Golf Fund	General Fund	298,584
Garage Fund	Capital Reserve Fund	104,528
Utility Administration Fund	Water and Wastewater Fund	60,000
Capital Reserve Fund	Water and Wastewater Fund	125,000
Capital Reserve Fund	Natural Gas Fund	450,000
Capital Reserve Fund	Garage Fund	273,733
Total		<u>\$ 5,294,731</u>

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

The Electric, Water and Wastewater, and Natural Gas Funds made transfers to the General Fund, which consisted of transfers related to payments in lieu of taxes in the amounts of \$179,209, \$326,795, and \$69,251, respectively. The Electric and Natural Gas Funds also made transfers in the amounts of \$1,325,000 and \$889,664 as profit distributions to support General Fund services.

The General Fund received a transfer from the Group Insurance Fund in the amount of \$50,872 to help cover cost associated with the City of Lexington Wellness Plan.

The Community Development Grants Fund received a transfer from the General Fund in the amount of \$33,090 to complete and finalize the Erlanger Community Revitalization project.

The General Capital Projects Fund received a transfer from the General Fund in the amount of \$125,000 to fund preliminary architectural and engineering services for the 2014 Public Buildings Improvements project.

The Electric Fund received a transfer from the Capital Reserve Fund in the amount of \$984,005 to provide temporary funding for the 2014 Electric System Improvements project. The City intends to reimburse itself from the proceeds of indebtedness to be incurred by the City for this 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 Golf Funds also received an additional transfer of \$130,000 from the General Fund to offset lost revenues due to the impact of extreme weather conditions.

The Garage Fund received a transfer from the Capital Reserve Fund in the amount of \$104,528 to purchase vehicles and equipment for the City's motor pool fleet.

The Utility Administration Fund received a transfer from the Water and Wastewater Fund for the Automated Meter Reading capital project in the amount of \$60,000.

The Capital Reserve Fund received transfers from the Water and Wastewater, Natural Gas, and Garage Funds for future capital needs in the amounts of \$125,000, \$450,000, and 273,733, respectively.

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City of Lexington has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$18,960 for the fifty-three 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 \$12,007 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, 2014. 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.

E. **Net Investment in Capital Assets**

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

	Governmental Activities	Business-Type Activities
Capital assets	\$ 43,579,080	\$ 99,328,013
Less: long-term debt on capital assets	<u>(3,063,509)</u>	<u>(11,900,446)</u>
Net investment in capital assets	<u>\$ 40,515,571</u>	<u>\$ 87,427,567</u>

F. **Fund Balance**

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

Total fund balance - General Fund	\$ 8,650,812
Less:	
Inventory	(1,213)
Prepaid Items	(11,485)
Stabilization by State Statute	<u>(2,418,451)</u>
Fund balance available for appropriation	6,219,663
Less: Restrictions, commitments, and assignments of fund balance available for appropriation	
Restricted for general government	(10,000)
Committed for general government	(15,939)
Appropriated fund balance in 2014 budget	<u>(1,017,376)</u>
Unassigned fund balance	<u>\$ 5,176,348</u>

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

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

	<u>General Fund</u>	<u>Non-Major Funds</u>
Encumbrances	\$ 232,550	\$ 32,935

4. **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, 2014 were \$43,138,820. 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.

5. Joint Ventures

Lake Thom-A-Lex Advisory Committee

The municipalities of Lexington and Thomasville, North Carolina jointly own a waterworks reservoir system. Both cities' governing bodies have authority, under resolutions adopted individually, to acquire, construct, improve, maintain, and jointly operate this system. Both cities have authority to issue bonds or other means of financing as necessary to acquire, construct, and/or improve the system, as well as having joint control over budgeting the operation. There are no bonds outstanding for the joint venture at June 30, 2014, 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 \$36,218 and \$35,887 for the fiscal years ended June 30, 2013 and 2014, 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, 2014 was \$429,871, which is shown in the government-wide financial statements. There is no distribution of net income. Net position remains in the joint venture for future operational needs of the system. The City of Thomasville has the same fiscal year-end as the City of Lexington, which is June 30, 2014. 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.

6. Related Organizations

A. Lexington Housing Authority

This unit operates under the "Housing Authorities Law" of the State of North Carolina for the benefit of the City's residents, and is managed by a City Council-appointed board of 5 members. The City is therefore accountable because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City does not approve or modify the Authority's budget and does not select its management. The City does not finance any of the Authority's deficits and is not entitled to any surpluses. The City is not obligated in any manner for the Authority's debt. Complete financial statements for the Lexington Housing Authority can be obtained from the Authority's offices at 1 Jamaica Drive, Lexington, North Carolina 27292.

B. Lexington Board of Education

The City of Lexington appoints 8 of the members of a 9-member board. Davidson County appoints the remaining 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 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.

7. 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, 2014, the City collected and distributed the special district property tax to Uptown Lexington, Inc. totaling \$94,355. Uptown Lexington, Inc. also received grant funding from the City, in the amount of \$40,500, for the revitalization of the uptown area.

8. Summary Disclosure Of Significant Contingencies

Federal and State Assisted Programs

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



**REQUIRED
SUPPLEMENTAL FINANCIAL DATA**

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

Exhibit A-1

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)
12/31/13	\$ -	\$ 1,480,572	\$ 1,480,572	0.00%	\$ 2,776,644	53.32%
12/31/12	-	1,454,977	1,454,977	0.00%	2,554,558	56.96%
12/31/11	-	1,544,339	1,544,339	0.00%	2,770,689	55.74%
12/31/10	-	1,467,937	1,467,937	0.00%	2,813,742	52.17%
12/31/09	-	1,651,253	1,651,253	0.00%	2,856,385	57.81%
12/31/08	-	1,374,612	1,374,612	0.00%	2,771,227	49.60%
12/31/07	-	1,350,496	1,350,496	0.00%	2,478,902	54.48%
12/31/06	-	1,270,742	1,270,742	0.00%	2,530,486	50.22%
12/31/05	-	1,119,699	1,119,699	0.00%	2,387,790	46.89%
12/31/04	-	1,029,151	1,029,151	0.00%	2,301,723	44.71%

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

Exhibit A-2

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 152,919	104.27%
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%

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 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

Exhibit A-3

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)
12/31/13	\$ -	\$ 17,928,725	\$ 17,928,725	0.00%	\$ 13,965,567	128.38%
12/31/11	-	21,579,793	21,579,793	0.00%	13,830,782	156.03%
12/31/09	-	20,239,058	20,239,058	0.00%	13,795,609	146.71%
12/31/06	-	23,888,055	23,888,055	0.00%	12,754,864	187.29%

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

Exhibit A-4

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 1,842,422	55.7%
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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return	4.00%
Medical trend assumptions	
Pre-Medicare trend rate	7.75% to 5.00%
Year of Ultimate trend rate	2019
Includes inflation at	3.00%



GENERAL FUND
Individual Fund Schedule

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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, 2014</u>		<u>June 30, 2013</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>
Ad valorem taxes	\$ 9,390,723	43%	\$ 8,925,727	46%
Other taxes and licenses	264,000	1%	264,915	1%
Unrestricted intergovernmental	6,157,526	29%	5,268,973	27%
Restricted intergovernmental	955,772	4%	731,137	4%
Permits and fees	168,223	1%	183,454	1%
Sales and services	1,031,007	5%	947,921	5%
Investment earnings	17,208	0%	19,793	0%
Miscellaneous	150,908	1%	221,817	1%
Other financing sources	<u>3,423,598</u>	<u>16%</u>	<u>2,799,737</u>	<u>15%</u>
Total revenues	<u>\$ 21,558,965</u>	<u>100%</u>	<u>\$ 19,363,474</u>	<u>100%</u>
 <u>EXPENDITURES BY FUNCTION</u>				
General government	\$ 4,432,140	21%	\$ 3,927,746	21%
Public safety	9,970,271	47%	8,825,542	47%
Highways and streets	1,927,307	9%	1,904,926	10%
Sanitation	1,894,698	9%	1,722,243	9%
Culture and recreation	1,430,840	7%	1,434,744	7%
Economic and physical development	226,830	1%	124,954	1%
Debt service	728,170	4%	693,971	4%
Other financing uses	<u>456,674</u>	<u>2%</u>	<u>223,571</u>	<u>1%</u>
Total expenditures	<u>\$ 21,066,930</u>	<u>100%</u>	<u>\$ 18,857,697</u>	<u>100%</u>

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

Exhibit B-1

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)**

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year	\$	\$ 9,018,207	\$	\$ 8,442,152
Prior year		380,957		462,992
Discounts and refunds		(94,853)		(70,265)
Penalties and interest		86,412		90,848
Total		<u>8,760,835</u>		<u>8,925,727</u>
Other taxes and licenses:				
Motel occupancy tax		264,000		264,663
Cable TV franchise tax		-		252
Total		<u>263,385</u>		<u>264,915</u>
Unrestricted intergovernmental:				
Federal Build America Bond interest credit		30,944		35,830
Utility franchise tax		1,827,102		1,430,901
Piped natural gas tax		2,427		1,601
Telecommunications tax		299,966		283,274
Video franchise tax		172,657		143,785
Payments in lieu of taxes		13,681		8,154
Beer and wine tax		81,484		75,937
Local option sales tax		3,428,265		3,083,691
ABC revenues		301,000		205,800
Total		<u>6,012,834</u>		<u>5,268,973</u>
Restricted intergovernmental:				
ABC recreation		64,500		44,100
ABC law enforcement		16,176		10,785
Solid waste disposal tax		11,381		10,594
Solid waste reduction/recycling outreach		-		12,600
Powell Bill allocation		588,744		586,466
Davidson County regional grant		-		4,000
On-behalf of payments - fire		30,967		25,133
Public safety		24,704		37,459
Disaster assistance		197,246		-
NCDOT reimbursement		22,054		-
Total		<u>1,077,443</u>		<u>731,137</u>

Continued on next page.

City of Lexington, North Carolina
General Fund

Exhibit B-1
continued

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Permits and fees:				
Inspection fees and permits	\$	\$ 168,223	\$	\$ 183,454
Total	<u>179,300</u>	<u>168,223</u>	<u>(11,077)</u>	<u>183,454</u>
Sales and services:				
Property rental		5,950		5,951
Court cost and parking fees		12,586		16,259
Fire safety violation penalty		-		175
Cemetery fees		55,550		74,400
Mowing and towing fees		16,567		29,450
Demolition fees		4,678		1,576
Recreation fees		19,843		17,463
Waste collection fees		915,833		802,647
Total	<u>1,051,770</u>	<u>1,031,007</u>	<u>(20,763)</u>	<u>947,921</u>
Investment earnings	<u>18,500</u>	<u>17,208</u>	<u>(1,292)</u>	<u>19,793</u>
Miscellaneous:				
Reimbursement of costs		123,844		164,367
Sale of property		12,137		33,406
Donations		14,630		23,934
Other		297		110
Total	<u>166,186</u>	<u>150,908</u>	<u>(15,278)</u>	<u>221,817</u>
Total revenues	<u>17,530,253</u>	<u>18,135,367</u>	<u>605,114</u>	<u>16,563,737</u>

Continued on next page.

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

Exhibit B-1
continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)**

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures:				
General government:				
Governing board:				
Salaries and employee benefits	\$	\$ 148,448	\$	\$ 130,160
Operating expenses		19,145		40,237
Cost redistribution		(142,551)		(144,821)
Total governing board	<u>25,304</u>	<u>25,042</u>	<u>262</u>	<u>25,576</u>
Administrative - city manager:				
Salaries and employee benefits		495,571		466,621
Operating expenses		28,248		51,846
Cost redistribution		(272,195)		(251,951)
Total administrative - city manager	<u>278,590</u>	<u>251,624</u>	<u>26,966</u>	<u>266,516</u>
Administrative - other:				
Retiree benefits		646,245		528,046
Operating expenses		685,821		628,668
Administrative charges risk management fund		898,358		546,420
Administrative charges utility administration fund		201,706		202,065
Grants to other agencies		296,194		286,827
Contribution to LTA - occupancy tax		252,476		257,401
Cost redistribution		(127,985)		(134,069)
Total administrative - other	<u>2,905,828</u>	<u>2,852,815</u>	<u>53,013</u>	<u>2,315,358</u>
Finance:				
Salaries and employee benefits		664,382		684,462
Operating expenses		42,540		39,269
Cost redistribution		(392,464)		(377,840)
Total finance	<u>359,822</u>	<u>314,458</u>	<u>45,364</u>	<u>345,891</u>
Legal:				
Operating expenses		42,422		32,602
Cost redistribution		(11,085)		(11,100)
Total legal	<u>31,406</u>	<u>31,337</u>	<u>69</u>	<u>21,502</u>

Continued on next page.

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

Exhibit B-1
continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)**

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Human resources:				
Salaries and employee benefits	\$	\$ 244,615	\$	\$ 156,221
Operating expenses		80,409		59,579
Cost redistribution		(134,227)		(101,817)
Total human resources	<u>196,154</u>	<u>190,797</u>	<u>5,357</u>	<u>113,983</u>
Information technologies:				
Salaries and employee benefits		337,895		288,706
Operating expenses		392,010		446,251
Capital outlay		88,284		159,921
Cost redistribution		(309,814)		(347,140)
Total information technologies	<u>585,003</u>	<u>508,375</u>	<u>76,628</u>	<u>547,738</u>
Public buildings:				
Salaries and employee benefits		229,392		221,431
Operating expenses		122,240		153,459
Cost redistribution		(93,940)		(83,708)
Total public buildings	<u>301,018</u>	<u>257,692</u>	<u>43,326</u>	<u>291,182</u>
Total general government	<u>4,683,125</u>	<u>4,432,140</u>	<u>250,985</u>	<u>3,927,746</u>
Public safety:				
Police:				
Salaries and employee benefits		4,706,276		4,542,515
Operating expenses		465,476		463,655
Capital outlay		30,223		-
Cost redistribution		(48,757)		(46,486)
Total police	<u>5,369,435</u>	<u>5,153,218</u>	<u>216,217</u>	<u>4,959,684</u>
Fire:				
Salaries and employee benefits		3,015,881		2,757,068
Operating expenses		413,612		385,741
Capital outlay		600,440		79,491
Total fire	<u>4,104,711</u>	<u>4,029,933</u>	<u>74,778</u>	<u>3,222,300</u>

Continued on next page.

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

Exhibit B-1
continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)**

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Business and community development:				
Salaries and employee benefits	\$	\$ 635,768	\$	\$ 495,267
Operating expenses		151,352		140,291
Capital outlay		-		8,000
Total business and community development	<u>845,791</u>	<u>787,120</u>	<u>58,671</u>	<u>643,558</u>
Total public safety	<u>10,319,937</u>	<u>9,970,271</u>	<u>349,666</u>	<u>8,825,542</u>
Highways and streets:				
Engineering:				
Salaries and employee benefits		374,467		320,867
Operating expenses		86,645		81,226
Cost redistribution		(214,079)		(203,652)
Total engineering	<u>276,487</u>	<u>247,033</u>	<u>29,454</u>	<u>198,441</u>
Street:				
Salaries and employee benefits		790,376		734,334
Operating expenses		1,020,339		1,133,314
Cost redistribution		(130,441)		(161,163)
Total street	<u>1,836,448</u>	<u>1,680,274</u>	<u>156,174</u>	<u>1,706,485</u>
Total highways and streets	<u>2,112,935</u>	<u>1,927,307</u>	<u>185,628</u>	<u>1,904,926</u>
Sanitation:				
Recycling and waste collection services:				
Salaries and employee benefits		864,719		851,459
Operating expenses		776,283		579,778
Tipping fees - landfill		253,696		254,524
Capital outlay		-		36,482
Total sanitation	<u>2,061,304</u>	<u>1,894,698</u>	<u>166,606</u>	<u>1,722,243</u>

Continued on next page.

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

Exhibit B-1
continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)**

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Culture and recreation:				
Recreation:				
Salaries and employee benefits	\$	\$ 452,507	\$	\$ 449,886
Operating expenses		241,292		243,203
Capital outlay		15,400		63,887
Total recreation	<u>790,589</u>	<u>709,199</u>	<u>81,390</u>	<u>756,976</u>
Public grounds:				
Salaries and employee benefits		574,651		520,971
Operating expenses		179,233		180,345
Capital outlay		6,550		13,118
Cost redistribution		(38,793)		(36,666)
Total public grounds	<u>766,930</u>	<u>721,641</u>	<u>45,289</u>	<u>677,768</u>
Total culture and recreation	<u>1,557,519</u>	<u>1,430,840</u>	<u>126,679</u>	<u>1,434,744</u>
Economic and physical development:				
Operating expenses		126,330		95,156
Capital outlay		100,500		29,798
Total economic and physical development	<u>231,714</u>	<u>226,830</u>	<u>4,884</u>	<u>124,954</u>
Debt service:				
Principal retirement		586,744		540,183
Interest fees		141,426		153,788
Total debt service	<u>729,049</u>	<u>728,170</u>	<u>879</u>	<u>693,971</u>
Total expenditures	<u>21,695,583</u>	<u>20,610,256</u>	<u>1,085,327</u>	<u>18,634,126</u>
Revenue over (under) expenditures	<u>(4,165,330)</u>	<u>(2,474,889)</u>	<u>1,690,441</u>	<u>(2,070,389)</u>

Continued on next page.

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

Exhibit B-1
continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)**

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Other financing sources (uses):				
Installment purchase debt issued	\$ 585,000	\$ 582,807	\$ (2,193)	\$ -
Transfers from other funds				
General Capital Projects Fund	-	-	-	79
Electric Fund	1,325,000	1,325,000	-	1,325,000
Electric Fund (payment in lieu of taxes)	179,209	179,209	-	178,031
Water and Wastewater Fund (payment in lieu of taxes)	326,795	326,795	-	328,351
Natural Gas Fund	889,664	889,664	-	877,425
Natural Gas Fund (payment in lieu of taxes)	69,251	69,251	-	73,221
Group Insurance Fund	55,472	50,872	(4,600)	17,630
Transfers to other funds				
Community Development Grants Fund	(33,090)	(33,090)	-	-
Public Safety Grants Fund	-	-	-	(15,587)
Economic Stimulus Grants Fund	-	-	-	(39,400)
General Capital Projects Fund	(125,000)	(125,000)	-	-
Golf Fund	(298,584)	(298,584)	-	(168,584)
Total other financing sources (uses)	<u>2,973,717</u>	<u>2,966,924</u>	<u>(6,793)</u>	<u>2,576,166</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,191,613)	492,035	1,683,648	505,777
Fund balance appropriated	<u>1,191,613</u>	<u>-</u>	<u>(1,191,613)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	492,035	<u>\$ 492,035</u>	505,777
Fund balance - beginning		8,158,879		7,654,384
Increase (decrease) in central purchasing inventory		<u>(102)</u>		<u>(1,282)</u>
Fund balance - ending		<u>\$ 8,650,812</u>		<u>\$ 8,158,879</u>

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NONMAJOR GOVERNMENTAL FUNDS
Combining Schedules

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City of Lexington, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

Exhibit C-1

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

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds	
			2014	2013
Assets				
Cash and cash equivalents	\$ 489,662	\$ 464,299	\$ 953,961	\$ 1,215,957
Receivables (net)				
Taxes	12,962	-	12,962	11,908
Interest	91	47	138	639
Due from other governments	158,076	4,610	162,686	168,109
Total assets	<u>\$ 660,791</u>	<u>\$ 468,956</u>	<u>\$ 1,129,747</u>	<u>\$ 1,396,613</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 10,226	\$ 225	\$ 10,451	\$ 34,560
Due to other funds	151,201	-	151,201	33,786
Due to component unit	14	-	14	159
Unearned revenue	-	8,067	8,067	-
Total liabilities	<u>161,441</u>	<u>8,292</u>	<u>169,733</u>	<u>68,505</u>
Deferred inflows of resources	<u>12,962</u>	<u>-</u>	<u>12,962</u>	<u>11,908</u>
Fund balances				
Restricted:				
Stabilization by state statute	39,901	-	39,901	26,145
Public safety	398,501	-	398,501	844,484
Economic and physical development	-	170,414	170,414	170,125
Urban redevelopment	48,000	-	48,000	48,000
Committed:				
General government	-	125,000	125,000	-
Economic and physical development	-	165,250	165,250	273,971
Unassigned	(14)	-	(14)	(46,525)
Total fund balances	<u>486,388</u>	<u>460,664</u>	<u>947,052</u>	<u>1,316,200</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 660,791</u>	<u>\$ 468,956</u>	<u>\$ 1,129,747</u>	<u>\$ 1,396,613</u>

City of Lexington, North Carolina **Exhibit C-2**
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds	
			2014	2013
Revenues:				
Special ad valorem taxes	\$ 94,355	\$ -	\$ 94,355	\$ 93,791
Restricted intergovernmental	212,990	327,320	540,310	1,341,352
Sales and services	-	85,125	85,125	91,425
Investment earnings	1,266	289	1,555	2,564
Miscellaneous	-	6,748	6,748	11,744
Total revenues	308,611	419,482	728,093	1,540,876
Expenditures:				
Public safety	646,497	-	646,497	727,653
Highways and streets	-	-	-	162,996
Culture and recreation	-	225,231	225,231	305,197
Economic and physical development	94,355	289,248	383,603	675,183
Total expenditures	740,852	514,479	1,255,331	1,871,029
Revenues over (under) expenditures	(432,241)	(94,997)	(527,238)	(330,153)
Other financing sources (uses):				
Transfers from other funds				
General Fund	33,090	125,000	158,090	54,987
Transfers to other funds				
General Fund	-	-	-	(79)
Total other financing sources (uses)	33,090	125,000	158,090	54,908
Net change in fund balances	(399,151)	30,003	(369,148)	(275,245)
Fund balances - beginning	885,539	430,661	1,316,200	1,591,445
Fund balances - ending	\$ 486,388	\$ 460,664	\$ 947,052	\$ 1,316,200



**SPECIAL REVENUE FUNDS
Combining Schedules
And
Individual Fund Schedules**

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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, 2014

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

	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District
Assets				
Cash and cash equivalents	\$ -	\$ 441,662	\$ -	\$ 48,000
Receivables (net):				
Taxes	-	-	-	12,962
Interest	-	91	-	-
Due from other governments	-	6,861	151,201	14
Total assets	\$ -	\$ 448,614	\$ 151,201	\$ 60,976
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 10,226	\$ -	\$ -
Due to other funds	-	-	151,201	-
Due to component unit	-	-	-	14
Total liabilities	-	10,226	151,201	14
Deferred inflows of resources	-	-	-	12,962
Fund balances				
Restricted:				
Stabilization by state statute	-	39,887	-	14
Public safety	-	398,501	-	-
Urban redevelopment	-	-	-	48,000
Unassigned	-	-	-	(14)
Total fund balances	-	438,388	-	48,000
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 448,614	\$ 151,201	\$ 60,976

Exhibit D-1

Economic Stimulus Grants	Totals	
	2014	2013
\$ -	\$ 489,662	\$ 926,342
-	12,962	11,908
-	91	555
-	158,076	11,627
<u>\$ -</u>	<u>\$ 660,791</u>	<u>\$ 950,432</u>
\$ -	\$ 10,226	\$ 19,040
-	151,201	33,786
-	14	159
<u>-</u>	<u>161,441</u>	<u>52,985</u>
-	12,962	11,908
-	39,901	26,145
-	398,501	844,484
-	48,000	48,000
-	(14)	(33,090)
<u>-</u>	<u>486,388</u>	<u>885,539</u>
<u>\$ -</u>	<u>\$ 660,791</u>	<u>\$ 950,432</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, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)

	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District
Revenues:				
Special ad valorem tax	\$ -	\$ -	\$ -	\$ 94,355
Restricted intergovernmental	-	65,226	147,764	-
Investment earnings	-	1,266	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>66,492</u>	<u>147,764</u>	<u>94,355</u>
Expenditures:				
Salaries and employee benefits	-	-	-	-
Operations	-	388,015	-	-
Contribution to Uptown Lexington, Inc.	-	-	-	94,355
Capital outlay	-	95,131	163,351	-
Total expenditures	<u>-</u>	<u>483,146</u>	<u>163,351</u>	<u>94,355</u>
Revenues over (under) expenditures	<u>-</u>	<u>(416,654)</u>	<u>(15,587)</u>	<u>-</u>
Other financing sources (uses):				
Transfers from other funds				
General Fund	33,090	-	-	-
Controlled Substance Fund	-	-	-	-
Transfers to other funds				
Public Safety Grants Fund	-	-	-	-
Total other financing sources (uses)	<u>33,090</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	33,090	(416,654)	(15,587)	-
Fund balances - beginning	<u>(33,090)</u>	<u>855,042</u>	<u>15,587</u>	<u>48,000</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 438,388</u>	<u>\$ -</u>	<u>\$ 48,000</u>

Economic Stimulus Grants	Totals	
	2014	2013
\$ -	\$ 94,355	\$ 93,791
-	212,990	595,071
-	1,266	2,110
-	-	10,054
-	<u>308,611</u>	<u>701,026</u>
-	-	44,393
-	388,015	555,756
-	94,355	93,809
-	<u>258,482</u>	<u>200,580</u>
-	<u>740,852</u>	<u>894,538</u>
-	<u>(432,241)</u>	<u>(193,512)</u>
-	33,090	54,987
-	-	7,691
-	-	<u>(7,691)</u>
-	<u>33,090</u>	<u>54,987</u>
-	<u>(399,151)</u>	<u>(138,525)</u>
-	<u>885,539</u>	<u>1,024,064</u>
<u>\$ -</u>	<u>\$ 486,388</u>	<u>\$ 885,539</u>

City of Lexington, North Carolina
Community Development Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2014

Exhibit D-3

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental:					
Erlanger Community Revitalization grant	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
2012 Scattered Site Housing grant	225,000	-	-	-	(225,000)
Partner agency funding - Erlanger Revitalization	66,910	66,910	-	66,910	-
Total revenues	<u>1,291,910</u>	<u>1,066,910</u>	<u>-</u>	<u>1,066,910</u>	<u>(225,000)</u>
Expenditures:					
Erlanger Community Revitalization grant	1,310,000	1,310,000	-	1,310,000	-
Erlanger Revitalization	156,000	156,000	-	156,000	-
2012 Scattered Site Housing grant	225,000	-	-	-	225,000
Total expenditures	<u>1,691,000</u>	<u>1,466,000</u>	<u>-</u>	<u>1,466,000</u>	<u>225,000</u>
Revenues over (under) expenditures	<u>(399,090)</u>	<u>(399,090)</u>	<u>-</u>	<u>(399,090)</u>	<u>-</u>
Other financing sources:					
Transfers from other funds					
General Fund	399,090	366,000	33,090	399,090	-
Total other financing sources	<u>399,090</u>	<u>366,000</u>	<u>33,090</u>	<u>399,090</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (33,090)</u>	33,090	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>(33,090)</u>		
Fund balance - ending			<u>\$ -</u>		

City of Lexington, North Carolina
Controlled Substance Special Revenue Fund

Exhibit D-4

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual

For the fiscal year ended June 30, 2014

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$	\$ 65,226	\$	\$ 510,374
Investment earnings		1,266		2,092
Sale of property		-		10,054
Total revenues	<u>-</u>	<u>66,492</u>	<u>66,492</u>	<u>522,520</u>
Expenditures:				
Operations		388,015		507,859
Capital outlay		95,131		161,082
Total expenditures	<u>595,106</u>	<u>483,146</u>	<u>111,960</u>	<u>668,941</u>
Revenues over (under) expenditures	<u>(595,106)</u>	<u>(416,654)</u>	<u>178,452</u>	<u>(146,421)</u>
Other financing uses:				
Transfers to other funds				
Public Safety Grants Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,691)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,691)</u>
Revenues over (under) expenditures and other financing uses	(595,106)	(416,654)	178,452	(154,112)
Fund balance appropriated	<u>595,106</u>	<u>-</u>	<u>(595,106)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(416,654)</u>	<u>\$ (416,654)</u>	<u>(154,112)</u>
Fund balance - beginning		<u>855,042</u>		<u>1,009,154</u>
Fund balance - ending		<u>\$ 438,388</u>		<u>\$ 855,042</u>

City of Lexington, North Carolina
Public Safety Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2014

Exhibit D-5

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental	\$ 148,190	\$ -	\$ 147,764	\$ 147,764	\$ (426)
Total revenues	<u>148,190</u>	<u>-</u>	<u>147,764</u>	<u>147,764</u>	<u>(426)</u>
Expenditures:					
Office of Justice - Lexington PD - Interview Room Equipment - 2013 grant	7,906	-	7,480	7,480	426
FEMA - Assistance to Firefighters grant #4	<u>155,871</u>	<u>-</u>	<u>155,871</u>	<u>155,871</u>	<u>-</u>
Total expenditures	<u>163,777</u>	<u>-</u>	<u>163,351</u>	<u>163,351</u>	<u>426</u>
Revenues over (under) expenditures	<u>(15,587)</u>	<u>-</u>	<u>(15,587)</u>	<u>(15,587)</u>	<u>-</u>
Other financing sources:					
Transfers from other funds					
General Fund	<u>15,587</u>	<u>15,587</u>	<u>-</u>	<u>15,587</u>	<u>-</u>
Total other financing sources	<u>15,587</u>	<u>15,587</u>	<u>-</u>	<u>15,587</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 15,587</u>	<u>(15,587)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>15,587</u>		
Fund balance - ending			<u>\$ -</u>		

City of Lexington, North Carolina
Special Tax District Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)

Exhibit D-6

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Special ad valorem tax:				
Current year	\$	\$ 92,194	\$	\$ 91,845
Prior year		2,320		2,377
Discounts and refunds		(866)		(863)
Penalties and interest		707		432
Investment earnings		-		18
Total revenues	<u>98,914</u>	<u>94,355</u>	<u>(4,559)</u>	<u>93,809</u>
Expenditures:				
Contribution to Uptown Lexington, Inc. - special district property tax		<u>94,355</u>		<u>93,809</u>
Total expenditures	<u>98,914</u>	<u>94,355</u>	<u>4,559</u>	<u>93,809</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund balance - beginning		<u>48,000</u>		<u>48,000</u>
Fund balance - ending		<u>\$ 48,000</u>		<u>\$ 48,000</u>

City of Lexington, North Carolina
Economic Stimulus Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2014

Exhibit D-7

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



CAPITAL PROJECTS FUND
Individual Fund Schedule

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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.

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City of Lexington, North Carolina
Nonmajor General Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2014

Exhibit E-1

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Davidson County	\$ 1,313,500	\$ 1,313,500	\$ -	\$ 1,313,500	\$ -
Moran Foods, Inc Water Project grants	504,000	504,000	-	504,000	-
Tiger II Planning grant	700,000	596,755	88,654	685,409	(14,591)
Erlanger/Green Needles Parks ER grant	645,480	406,814	238,666	645,480	-
Property rental	445,480	361,329	85,125	446,454	974
Investment earnings	150,896	154,611	289	154,900	4,004
Reimbursement of costs	211,261	211,261	-	211,261	-
Sale of property	2,134,193	2,134,193	6,748	2,140,941	6,748
Donations	107,500	107,500	-	107,500	-
Total revenues	<u>6,212,310</u>	<u>5,789,963</u>	<u>419,482</u>	<u>6,209,445</u>	<u>(2,865)</u>
Expenditures:					
Industrial Park	5,049,470	4,883,060	-	4,883,060	166,410
Industrial Park - Moran Foods, Inc. Water Project grants	630,000	630,000	-	630,000	-
Tiger II - Multi-Modal Transportation Station Area Plan	700,000	596,755	88,654	685,409	14,591
Lexington Furniture Industries, Inc. Plant #1	1,609,885	1,251,763	200,594	1,452,357	157,528
Erlanger/Green Needles Parks ER grant	645,480	420,249	225,231	645,480	-
2014 Public Buildings Improvements	125,000	-	-	-	125,000
Total expenditures	<u>8,759,835</u>	<u>7,781,827</u>	<u>514,479</u>	<u>8,296,306</u>	<u>463,529</u>
Revenues over (under) expenditures	<u>(2,547,525)</u>	<u>(1,991,864)</u>	<u>(94,997)</u>	<u>(2,086,861)</u>	<u>460,664</u>
Other financing sources (uses):					
Transfers from other funds					
General Fund	2,686,825	2,561,825	125,000	2,686,825	-
Natural Gas Fund	79,700	79,700	-	79,700	-
Transfers to other funds					
General Fund	(219,000)	(219,000)	-	(219,000)	-
Total other financing sources (uses)	<u>2,547,525</u>	<u>2,422,525</u>	<u>125,000</u>	<u>2,547,525</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 430,661</u>	<u>30,003</u>	<u>\$ 460,664</u>	<u>\$ 460,664</u>
Fund balance - beginning			<u>430,661</u>		
Fund balance - ending			<u>\$ 460,664</u>		





ENTERPRISE FUNDS

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ENTERPRISE FUNDS

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

ELECTRIC FUND

This fund 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.

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City of Lexington, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit F-1

For the fiscal year ended June 30, 2014

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for sales and services:				
Residential	\$	\$ 29,295,996	\$	\$ 27,233,197
Commercial		18,266,796		17,062,609
Industrial		2,783,984		2,559,021
Area lights		840,467		795,400
Street lighting		361,586		342,201
Traffic lights		23,354		22,009
Cable amplifiers		170,368		166,718
Renewable Energy Portfolio Standards		181,923		166,019
Disaster assistance		535,346		-
Other operating		1,860,977		1,574,156
Total operating revenues	<u>53,593,296</u>	<u>54,320,797</u>	<u>727,501</u>	<u>49,921,330</u>
Nonoperating revenues:				
Investment earnings		16,136		19,060
Sale of property		68,860		21,051
Total nonoperating revenues	<u>26,227</u>	<u>84,996</u>	<u>58,769</u>	<u>40,111</u>
Total revenues	<u>53,619,523</u>	<u>54,405,793</u>	<u>786,270</u>	<u>49,961,441</u>

Continued on next page.

City of Lexington, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit F-1
continued

For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures:				
Operating expenditures:				
Salaries and employee benefits	\$	\$ 1,552,524	\$	\$ 1,440,773
Maintenance		3,292,606		405,570
Cost of sales and services		1,242,688		2,690,093
Purchases for resale		43,138,820		40,755,523
Administrative charges general fund		679,085		682,949
Administrative charges risk management fund		120,230		81,420
Administrative charges utility administration fund		847,790		896,919
Total operating expenditures	<u>51,625,855</u>	<u>50,873,743</u>	<u>752,112</u>	<u>46,953,247</u>
Budgetary appropriations:				
Interest expense		152,401		170,698
Bond principal		157,438		160,130
Installment purchase principal		396,569		381,954
Capital outlay		118,500		26,847
Total budgetary appropriations	<u>824,909</u>	<u>824,908</u>	<u>1</u>	<u>739,629</u>
Total expenditures	<u>52,450,764</u>	<u>51,698,651</u>	<u>752,113</u>	<u>47,692,876</u>
Revenues over expenditures	<u>1,168,759</u>	<u>2,707,142</u>	<u>1,538,383</u>	<u>2,268,565</u>
Other financing sources (uses):				
Transfers from other funds				
Electric Fund construction in progress	247,995	247,995	-	8,604
Capital Reserve Fund	984,005	984,005	-	250,000
Rate Stabilization Fund	160,000	-	(160,000)	82,000
Transfers to other funds				
General Fund	(1,325,000)	(1,325,000)	-	(1,325,000)
General Fund (payment in lieu of taxes)	(179,209)	(179,209)	-	(178,031)
Electric Fund construction in progress	(1,232,000)	(1,232,000)	-	(650,000)
Utility Administration Fund	-	-	-	(167,750)
Total other financing sources (uses)	<u>(1,344,209)</u>	<u>(1,504,209)</u>	<u>(160,000)</u>	<u>(1,980,177)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(175,450)</u>	<u>1,202,933</u>	<u>1,378,383</u>	<u>288,388</u>
Appropriated net position	<u>175,450</u>	<u>-</u>	<u>(175,450)</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,202,933</u>	<u>\$ 1,202,933</u>	<u>\$ 288,388</u>

Continued on next page.

City of Lexington, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)

Exhibit F-1
continued

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 54,405,793		\$ 49,961,441
Total expenditures		<u>51,698,651</u>		<u>47,692,876</u>
Revenues over (under) expenditures		2,707,142		2,268,565
Budgetary appropriations		824,908		739,629
Depreciation		(949,226)		(922,514)
Wages and overhead charged to construction		232,569		214,571
Materials charged to construction		138,122		110,672
CIP expense not capitalized		-		(5,225)
Gain (loss) on sale of property		(7,328)		(69,812)
Increase (decrease) in inventory		29,447		(15,742)
Interest expense		(152,401)		(170,698)
Bad debt expense		(182,350)		(231,431)
(Increase) decrease in compensated absences payable		12,083		(403)
(Increase) decrease in other postemployment benefits		(59,492)		(71,460)
Other financing sources (uses)		<u>(520,204)</u>		<u>(1,338,781)</u>
Total reconciling items		<u>(633,872)</u>		<u>(1,761,194)</u>
Change in net position		<u>\$ 2,073,270</u>		<u>\$ 507,371</u>

City of Lexington, North Carolina
Construction in Progress - Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit F-2

From inception and for the fiscal year ended June 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
None	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Cotton Grove 44kV loop	482,071	482,071	-	482,071	-
Wallburg Substation transformers	469,934	462,580	7,354	469,934	-
2014 Electric system improvements	<u>1,232,000</u>	<u>-</u>	<u>256,982</u>	<u>256,982</u>	<u>975,018</u>
Total expenditures	<u>2,184,005</u>	<u>944,651</u>	<u>264,336</u>	<u>1,208,987</u>	<u>975,018</u>
Revenues over (under) expenditures	<u>(2,184,005)</u>	<u>(944,651)</u>	<u>(264,336)</u>	<u>(1,208,987)</u>	<u>975,018</u>
Other financing sources (uses):					
Transfers from other funds					
Operating fund	2,432,000	1,200,000	1,232,000	2,432,000	-
Transfers to other funds					
Operating fund	<u>(247,995)</u>	<u>-</u>	<u>(247,995)</u>	<u>(247,995)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,184,005</u>	<u>1,200,000</u>	<u>984,005</u>	<u>2,184,005</u>	<u>-</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 255,349</u>	<u>\$ 719,669</u>	<u>\$ 975,018</u>	<u>\$ 975,018</u>

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit F-3

For the fiscal year ended June 30, 2014

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for sales and services - Water:				
Residential	\$	\$ 1,815,619	\$	\$ 1,811,209
Commercial		892,306		900,547
Industrial		1,074,239		937,189
Other water charges		20,823		11,337
Charges for sales and services - Wastewater:				
Residential		2,538,841		2,527,673
Commercial		1,746,828		1,758,154
Industrial		342,745		321,872
Other wastewater charges		83,246		33,916
Disaster assistance		7,668		-
Other operating		167,672		166,534
Total operating revenues	<u>8,552,825</u>	<u>8,689,987</u>	<u>137,162</u>	<u>8,468,431</u>
Nonoperating revenues:				
Federal Build America Bond interest credit		9,772		11,315
Investment earnings		11,693		11,507
Sale of property		90		20,072
Total nonoperating revenues	<u>23,687</u>	<u>21,555</u>	<u>(2,132)</u>	<u>42,894</u>
Total revenues	<u>8,576,512</u>	<u>8,711,542</u>	<u>135,030</u>	<u>8,511,325</u>

Continued on next page.

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit F-3
continued

For the fiscal year ended June 30, 2014

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures:				
Operating expenditures:				
Water and wastewater administration:				
Salaries and employee benefits	\$	\$ 101,502	\$	\$ 94,937
Cost of sales and services		29,165		9,526
Administrative charges general fund		649,744		637,625
Administrative charges risk management fund		166,876		109,720
Administrative charges utility administration fund		416,050		410,186
Total water and wastewater administration	<u>1,368,413</u>	<u>1,363,337</u>	<u>5,076</u>	<u>1,261,994</u>
Water plant:				
Salaries and employee benefits		655,454		586,705
Maintenance		224,664		141,366
Cost of sales and services		772,537		652,638
Total water plant	<u>1,758,169</u>	<u>1,652,655</u>	<u>105,514</u>	<u>1,380,709</u>
Wastewater plant:				
Salaries and employee benefits		1,062,058		960,223
Maintenance		209,773		152,510
Cost of sales and services		1,025,144		966,375
Total wastewater plant	<u>2,329,306</u>	<u>2,296,975</u>	<u>32,331</u>	<u>2,079,108</u>
Public works, maintenance, and construction:				
Salaries and employee benefits		781,092		749,243
Maintenance		165,328		133,250
Cost of sales and services		403,072		534,651
Total public works, maintenance, and construction	<u>1,527,367</u>	<u>1,349,492</u>	<u>177,875</u>	<u>1,417,144</u>
Total operating expenditures	<u>6,983,255</u>	<u>6,662,459</u>	<u>320,796</u>	<u>6,138,955</u>

Continued on next page.

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit F-3
continued

For the fiscal year ended June 30, 2014

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Budgetary appropriations:				
Interest expense	\$	\$ 149,021	\$	\$ 173,547
Bond principal		422,104		429,701
Installment purchase principal		386,048		372,102
Capital outlay:				
Water plant		-		37,336
Wastewater plant		-		64,000
Public works, maintenance and construction		52,534		231,184
Total budgetary appropriations	<u>1,265,657</u>	<u>1,009,707</u>	<u>255,950</u>	<u>1,307,870</u>
 Total expenditures	<u>8,248,912</u>	<u>7,672,166</u>	<u>576,746</u>	<u>7,446,825</u>
 Revenue over expenditures	<u>327,600</u>	<u>1,039,376</u>	<u>711,776</u>	<u>1,064,500</u>
 Other financing sources (uses):				
Transfers from other funds				
Water and Wastewater Fund construction in progress	-	-	-	20,859
Transfers to other funds				
General Fund (payment in lieu of taxes)	(326,795)	(326,795)	-	(328,351)
Utility Administration Fund	(60,000)	(60,000)	-	(225,000)
Capital Reserve Fund	(125,000)	(125,000)	-	(225,000)
Total other financing sources (uses)	<u>(511,795)</u>	<u>(511,795)</u>	<u>-</u>	<u>(757,492)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	(184,195)	527,581	711,776	307,008
 Appropriated net position	<u>184,195</u>	<u>-</u>	<u>(184,195)</u>	<u>-</u>
 Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 527,581</u>	<u>\$ 527,581</u>	<u>\$ 307,008</u>

Continued on next page.

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit F-3
continued

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Total revenues		\$ 8,711,542		\$ 8,511,325
Total expenditures		<u>7,672,166</u>		<u>7,446,825</u>
Revenues over (under) expenditures		1,039,376		1,064,500
Budgetary appropriations		1,009,707		1,307,870
Depreciation		(1,260,606)		(1,225,251)
Wages and overhead charged to construction		13,893		10,402
Material charged to construction		10,922		8,940
CIP expense not capitalized		(33,765)		-
Gain (loss) on sale of property		(1,159)		(19,814)
Increase (decrease) in inventory		(39,742)		132,118
Interest expense		(149,021)		(173,547)
Bad debt expense		(40,477)		(52,502)
(Increase) decrease in compensated absences payable		(2,699)		2,815
(Increase) decrease in other postemployment benefits		(100,075)		(116,390)
CIP grants for non-capital items		33,765		-
Capital contributions		633,527		82,471
Other financing sources (uses)		<u>(511,795)</u>		<u>(778,351)</u>
Total reconciling items		<u>(437,525)</u>		<u>(821,239)</u>
Change in net position		<u>\$ 601,851</u>		<u>\$ 243,261</u>

City of Lexington, North Carolina
Construction in Progress - Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From inception and for the fiscal year ended June 30, 2014

Exhibit F-4

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Cow Palace Sewer Infrastructure grant	\$ 305,900	\$ 18,608	\$ 287,292	\$ 305,900	\$ -
Total revenues	<u>305,900</u>	<u>18,608</u>	<u>287,292</u>	<u>305,900</u>	<u>-</u>
Expenditures:					
Cow Palace Sewer Infrastructure grant	305,900	18,608	287,292	305,900	-
Cow Palace Sewer Infrastructure local match	<u>16,100</u>	<u>5,000</u>	<u>11,100</u>	<u>16,100</u>	<u>-</u>
Total expenditures	<u>322,000</u>	<u>23,608</u>	<u>298,392</u>	<u>322,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>(16,100)</u>	<u>(5,000)</u>	<u>(11,100)</u>	<u>(16,100)</u>	<u>-</u>
Other financing sources:					
Transfers from other funds					
Operating fund	<u>16,100</u>	<u>16,100</u>	<u>-</u>	<u>16,100</u>	<u>-</u>
Total other financing sources	<u>16,100</u>	<u>16,100</u>	<u>-</u>	<u>16,100</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 11,100</u>	<u>\$ (11,100)</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lexington, North Carolina
Natural Gas Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit F-5

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for sales and services:				
Residential	\$	\$ 5,594,047	\$	\$ 4,757,704
Commercial		4,636,501		4,024,866
Industrial		3,601,077		2,817,332
Disaster assistance		8,977		-
Other operating		239,486		19,294
Total operating revenues	<u>13,361,770</u>	<u>14,080,088</u>	<u>718,318</u>	<u>11,619,196</u>
Nonoperating revenues:				
Federal Build America Bond interest credit		27,686		32,059
Investment earnings		9,997		8,390
Sale of property		1,500		3,898
Total nonoperating revenues	<u>40,952</u>	<u>39,183</u>	<u>(1,769)</u>	<u>44,347</u>
Total revenues	<u>13,402,722</u>	<u>14,119,271</u>	<u>716,549</u>	<u>11,663,543</u>

Continued on next page.

City of Lexington, North Carolina
Natural Gas Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit F-5
continued

For the fiscal year ended June 30, 2014

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures:				
Operating expenditures:				
Salaries and employee benefits	\$	\$ 1,146,234	\$	\$ 1,054,469
Maintenance		117,320		261,505
Cost of sales and services		1,493,838		931,059
Purchases for resale		7,099,925		5,645,816
Administrative charges general fund		587,502		579,839
Administrative charges risk management fund		92,053		57,538
Administrative charges utility administration fund		602,566		627,991
Total operating expenditures	<u>11,357,248</u>	<u>11,139,438</u>	<u>217,810</u>	<u>9,158,217</u>
Budgetary appropriations:				
Interest expense		186,541		206,595
Bond principal		253,563		243,210
Installment purchase principal		227,197		223,526
Capital outlay		25,575		11,523
Total budgetary appropriations	<u>693,069</u>	<u>692,876</u>	<u>193</u>	<u>684,854</u>
Total expenditures	<u>12,050,317</u>	<u>11,832,314</u>	<u>218,003</u>	<u>9,843,071</u>
Revenues over expenditures	<u>1,352,405</u>	<u>2,286,957</u>	<u>934,552</u>	<u>1,820,472</u>
Other financing uses:				
Transfers to other funds				
General Fund	(889,664)	(889,664)	-	(877,425)
General Fund (payment in lieu of taxes)	(69,251)	(69,251)	-	(73,221)
Natural Gas Fund construction in progress	(40,000)	(40,000)	-	(40,000)
Utility Administration Fund	-	-	-	(150,000)
Capital Reserve Fund	(450,000)	(450,000)	-	-
Total other financing uses	<u>(1,448,915)</u>	<u>(1,448,915)</u>	<u>-</u>	<u>(1,140,646)</u>
Revenues over (under) expenditures and other financing uses	(96,510)	838,042	934,552	679,826
Appropriated net position	<u>96,510</u>	<u>-</u>	<u>(96,510)</u>	<u>-</u>
Revenues and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 838,042</u>	<u>\$ 838,042</u>	<u>\$ 679,826</u>

Continued on next page.

City of Lexington, North Carolina
Natural Gas Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit F-5
continued

For the fiscal year ended June 30, 2014

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Total revenues		\$ 14,119,271		\$ 11,663,543
Total expenditures		<u>11,832,314</u>		<u>9,843,071</u>
Revenues over (under) expenditures		2,286,957		1,820,472
Budgetary appropriations		692,876		684,854
Depreciation		(584,781)		(573,748)
Wages and overhead charged to construction		675,760		436,239
Materials charged to construction		188,733		147,249
Gain (loss) on sale of property		(1,268)		(15,624)
Increase (decrease) in inventory		(11,928)		(135,457)
Interest expense		(186,541)		(206,595)
Bad debt expense		(24,446)		(19,103)
(Increase) decrease in compensated absences payable		2,112		3,446
(Increase) decrease in other postemployment benefits		(44,672)		(52,290)
Capital contributions		-		269,936
Other financing sources (uses)		<u>(1,408,915)</u>		<u>(1,100,646)</u>
Total reconciling items		<u>(703,070)</u>		<u>(561,739)</u>
Change in net position		<u>\$ 1,583,887</u>		<u>\$ 1,258,733</u>

City of Lexington, North Carolina
Construction in Progress - Natural Gas Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit F-6

From inception and for the fiscal year ended June 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
None	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Natural Gas Training Qualification Center	80,000	32,881	22,573	55,454	24,546
Total expenditures	<u>80,000</u>	<u>32,881</u>	<u>22,573</u>	<u>55,454</u>	<u>24,546</u>
Revenues over (under) expenditures	<u>(80,000)</u>	<u>(32,881)</u>	<u>(22,573)</u>	<u>(55,454)</u>	<u>24,546</u>
Other financing sources:					
Transfers from other funds					
Operating fund	80,000	40,000	40,000	80,000	-
Total other financing sources	<u>80,000</u>	<u>40,000</u>	<u>40,000</u>	<u>80,000</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 7,119</u>	<u>\$ 17,427</u>	<u>\$ 24,546</u>	<u>\$ 24,546</u>

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

Exhibit F-7

**Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)**

For the fiscal year ended June 30, 2014

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for sales and services:				
Golf course	\$	\$ 345,070	\$	\$ 379,135
Golf cart rentals		271,665		284,244
Municipal club rental		23,310		29,680
Disaster assistance		7,960		-
Other operating		6,705		54
Total operating revenues	622,579	654,710	32,131	693,113
Nonoperating revenues:				
Investment earnings		243		305
Sale of property		-		87,025
Total nonoperating revenues	280	243	(37)	87,330
Total revenues	622,859	654,953	32,094	780,443

Continued on next page.

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

Exhibit F-7
continued

**Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)**

For the fiscal year ended June 30, 2014

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures:				
Operating expenditures:				
Salaries and employee benefits	\$	\$ 402,675	\$	\$ 386,135
Cost of sales and services		241,713		481,465
Administrative charges risk management fund		21,353		14,549
Total operating expenditures	<u>747,879</u>	<u>665,741</u>	<u>82,138</u>	<u>882,149</u>
Budgetary appropriations:				
Interest expense		32,394		36,312
Installment purchase principal		137,508		132,273
Capital outlay		571		-
Total budgetary appropriations	<u>221,384</u>	<u>170,473</u>	<u>50,911</u>	<u>168,585</u>
Total expenditures	<u>969,263</u>	<u>836,214</u>	<u>133,049</u>	<u>1,050,734</u>
Revenues over (under) expenditures	<u>(346,404)</u>	<u>(181,261)</u>	<u>165,143</u>	<u>(270,291)</u>
Other financing sources:				
Transfers from other funds				
General Fund	<u>298,584</u>	<u>298,584</u>	<u>-</u>	<u>168,584</u>
Total other financing sources	<u>298,584</u>	<u>298,584</u>	<u>-</u>	<u>168,584</u>
Revenues and other financing sources over (under) expenditures	<u>(47,820)</u>	<u>117,323</u>	<u>165,143</u>	<u>(101,707)</u>
Appropriated net position	<u>47,820</u>	<u>-</u>	<u>(47,820)</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures	<u>\$ -</u>	<u>\$ 117,323</u>	<u>\$ 117,323</u>	<u>\$ (101,707)</u>

Continued on next page.

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

Exhibit F-7
continued

**Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)**

For the fiscal year ended June 30, 2014

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

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Total revenues		\$ 654,953		\$ 780,443
Total expenditures		<u>836,214</u>		<u>1,050,734</u>
Revenues over (under) expenditures		(181,261)		(270,291)
Budgetary appropriations		170,473		168,585
Depreciation		(100,579)		(101,838)
Interest expense		(32,394)		(36,312)
Bad debt expense		(83)		-
(Increase) decrease in compensated absences payable		1,390		(787)
(Increase) decrease in other postemployment benefits		(14,674)		(17,964)
Other financing sources (uses)		<u>298,584</u>		<u>168,584</u>
Total reconciling items		<u>322,717</u>		<u>180,268</u>
Change in net position		<u>\$ 141,456</u>		<u>\$ (90,023)</u>



**INTERNAL SERVICE FUNDS
Combining Schedules
And
Individual Fund Schedules**

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INTERNAL SERVICE FUNDS

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

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, 2014

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

	Governmental-type Activities		
	Garage	Group Insurance	Risk Management
Assets			
Current assets:			
Cash and cash equivalents	\$ 84,150	\$ 129,838	\$ 1,280,523
Receivables (net):			
Accounts - billed	298	79,021	-
Interest	130	565	279
Due from other governments	32,604	292	929
Cash and cash equivalents restricted for:			
Unpaid claims	-	455,674	196,170
Construction in progress	-	-	-
Inventories	132,647	-	-
Prepaid items	-	-	-
Total current assets	<u>249,829</u>	<u>665,390</u>	<u>1,477,901</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	-	2,518,642	-
Capital assets:			
Land and other non-depreciable assets	15,000	-	-
Other capital assets, net of accumulated depreciation	<u>883,825</u>	<u>-</u>	<u>14,531</u>
Total capital assets	<u>898,825</u>	<u>-</u>	<u>14,531</u>
Total noncurrent assets	<u>898,825</u>	<u>2,518,642</u>	<u>14,531</u>
Total assets	<u>\$ 1,148,654</u>	<u>\$ 3,184,032</u>	<u>\$ 1,492,432</u>

Exhibit G-1

Business-type Activities			Totals	
Utility Administration	Capital Reserve	Rate Stabilization	2014	2013
\$ 388,545	\$ -	\$ -	\$ 1,883,056	\$ 2,212,730
105,021	-	-	184,340	117,182
122	-	218	1,314	4,520
25,044	-	-	58,869	34,296
-	-	-	651,844	651,027
216,700	-	-	216,700	226,870
-	-	-	132,647	148,791
17,000	-	-	17,000	-
<u>752,432</u>	<u>-</u>	<u>218</u>	<u>3,145,770</u>	<u>3,395,416</u>
-	34,873	601,877	636,750	1,619,152
-	1,598,617	-	1,598,617	1,473,617
-	1,681,710	-	1,681,710	1,531,489
-	1,199,918	493,294	1,693,212	1,241,946
-	656,322	-	656,322	487,117
-	-	-	2,518,642	1,963,670
3,362,879	-	-	3,377,879	3,307,264
677,414	-	-	1,575,770	1,569,087
<u>4,040,293</u>	<u>-</u>	<u>-</u>	<u>4,953,649</u>	<u>4,876,351</u>
<u>4,040,293</u>	<u>5,171,440</u>	<u>1,095,171</u>	<u>13,738,902</u>	<u>13,193,342</u>
<u>\$ 4,792,725</u>	<u>\$ 5,171,440</u>	<u>\$ 1,095,389</u>	<u>\$ 16,884,672</u>	<u>\$ 16,588,758</u>

Continued on next page.

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2014

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

	Governmental-type Activities		
	Garage	Group Insurance	Risk Management
Liabilities and net position			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 41,032	\$ 4,690	\$ 188,997
Liabilities payable from restricted assets:			
Unpaid claims costs	-	455,674	196,170
Total current liabilities	<u>41,032</u>	<u>460,364</u>	<u>385,167</u>
Noncurrent liabilities:			
Compensated absences payable	23,020	-	21,975
Other postemployment benefits payable	125,926	-	46,867
Total noncurrent liabilities	<u>148,946</u>	<u>-</u>	<u>68,842</u>
Total liabilities	<u>189,978</u>	<u>460,364</u>	<u>454,009</u>
Net position:			
Net investment in capital assets	898,825	-	14,531
Unrestricted	59,851	2,723,668	1,023,892
Total net position	<u>\$ 958,676</u>	<u>\$ 2,723,668</u>	<u>\$ 1,038,423</u>

Exhibit G-1
continued

Business-type Activities			Totals	
Utility Administration	Capital Reserve	Rate Stabilization	2014	2013
\$ 139,290	\$ -	\$ -	\$ 374,009	\$ 208,794
<u>-</u>	<u>-</u>	<u>-</u>	<u>651,844</u>	<u>651,027</u>
<u>139,290</u>	<u>-</u>	<u>-</u>	<u>1,025,853</u>	<u>859,821</u>
104,886	-	-	149,881	165,715
<u>381,074</u>	<u>-</u>	<u>-</u>	<u>553,867</u>	<u>470,303</u>
<u>485,960</u>	<u>-</u>	<u>-</u>	<u>703,748</u>	<u>636,018</u>
<u>625,250</u>	<u>-</u>	<u>-</u>	<u>1,729,601</u>	<u>1,495,839</u>
4,040,293	-	-	4,953,649	4,876,351
<u>127,182</u>	<u>5,171,440</u>	<u>1,095,389</u>	<u>10,201,422</u>	<u>10,216,568</u>
<u>\$ 4,167,475</u>	<u>\$ 5,171,440</u>	<u>\$ 1,095,389</u>	<u>\$ 15,155,071</u>	<u>\$ 15,092,919</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, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)

	Governmental-type Activities		
	Garage	Group Insurance	Risk Management
Operating revenues:			
Charges for services	\$ 1,762,677	\$ 5,008,448	\$ 1,537,072
Restricted intergovernmental	-	-	-
Other operating	1,866	85,194	8,025
Total operating revenues	<u>1,764,543</u>	<u>5,093,642</u>	<u>1,545,097</u>
Operating expenses:			
Cost of sales and services	1,505,493	-	215,840
Premiums	-	524,211	570,502
Claims	-	4,138,155	687,278
Bad debt expense	-	-	-
Administration	-	221,380	-
Depreciation	119,666	-	1,549
Total operating expenses	<u>1,625,159</u>	<u>4,883,746</u>	<u>1,475,169</u>
Operating income (loss)	<u>139,384</u>	<u>209,896</u>	<u>69,928</u>
Nonoperating revenues (expenses):			
Investment earnings	1,770	6,046	2,393
Gain (loss) on sale of property	1,547	-	-
Total nonoperating revenues (expenses)	<u>3,317</u>	<u>6,046</u>	<u>2,393</u>
Income (loss) before transfers	142,701	215,942	72,321
Transfers from other funds			
Electric Fund	-	-	-
Water and Wastewater Fund	-	-	-
Natural Gas Fund	-	-	-
Garage Fund	-	-	-
Capital Reserve Fund	104,528	-	-
Transfers to other funds			
General Fund	-	(50,872)	-
Electric Fund	-	-	-
Garage Fund	-	-	-
Capital Reserve Fund	<u>(273,733)</u>	<u>-</u>	<u>-</u>
Change in net position	(26,504)	165,070	72,321
Net position - beginning	<u>985,180</u>	<u>2,558,598</u>	<u>966,102</u>
Net position - ending	<u>\$ 958,676</u>	<u>\$ 2,723,668</u>	<u>\$ 1,038,423</u>

Business-type Activities			Totals	
Utility Administration	Capital Reserve	Rate Stabilization	2014	2013
\$ 2,068,112	\$ -	\$ -	\$ 10,376,309	\$ 9,217,442
20,398	-	-	20,398	-
<u>570,367</u>	<u>150,221</u>	<u>-</u>	<u>815,673</u>	<u>578,741</u>
<u>2,658,877</u>	<u>150,221</u>	<u>-</u>	<u>11,212,380</u>	<u>9,796,183</u>
-	-	-	1,721,333	1,624,754
-	-	-	1,094,713	1,091,390
-	-	-	4,825,433	3,874,496
28,963	-	-	28,963	30,662
2,704,047	-	-	2,925,427	2,772,688
48,314	-	-	169,529	178,528
<u>2,781,324</u>	<u>-</u>	<u>-</u>	<u>10,765,398</u>	<u>9,572,518</u>
<u>(122,447)</u>	<u>150,221</u>	<u>-</u>	<u>446,982</u>	<u>223,665</u>
1,053	-	2,238	13,500	15,148
-	-	-	1,547	6,458
<u>1,053</u>	<u>-</u>	<u>2,238</u>	<u>15,047</u>	<u>21,606</u>
(121,394)	150,221	2,238	462,029	245,271
-	-	-	-	167,750
60,000	125,000	-	185,000	450,000
-	450,000	-	450,000	150,000
-	273,733	-	273,733	263,793
-	-	-	104,528	158,828
-	-	-	(50,872)	(17,630)
-	(984,005)	-	(984,005)	(332,000)
-	(104,528)	-	(104,528)	(158,828)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(273,733)</u>	<u>(263,793)</u>
(61,394)	(89,579)	2,238	62,152	663,391
<u>4,228,869</u>	<u>5,261,019</u>	<u>1,093,151</u>	<u>15,092,919</u>	<u>14,429,528</u>
<u>\$ 4,167,475</u>	<u>\$ 5,171,440</u>	<u>\$ 1,095,389</u>	<u>\$ 15,155,071</u>	<u>\$ 15,092,919</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)

	Governmental-type Activities		
	Garage	Group Insurance	Risk Management
Cash flows from operating activities:			
Cash received from interfund services provided/used to/for other funds	\$ 1,762,379	\$ 4,941,035	\$ 1,537,072
Cash paid for goods and services	(1,037,877)	(4,870,252)	(1,173,253)
Cash paid to employees	(463,647)	-	(161,694)
Other operating income	1,866	85,194	8,025
Net cash provided (used) by operating activities	<u>262,721</u>	<u>155,977</u>	<u>210,150</u>
Cash flows from noncapital financing activities:			
Operating grants	-	-	-
Transfers from other funds	104,528	-	-
Transfers to other funds	(273,733)	(50,872)	-
Net cash provided (used) by noncapital financing activities	<u>(169,205)</u>	<u>(50,872)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(159,328)	-	-
Proceeds from the sale of assets	2,563	-	-
Net cash provided (used) by capital and related financing activities	<u>(156,765)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Receipts of investment earnings	2,037	7,452	2,989
Net cash provided by investing activities	<u>2,037</u>	<u>7,452</u>	<u>2,989</u>
Net increase (decrease) in cash and cash equivalents	(61,212)	112,557	213,139
Cash and cash equivalents - beginning	<u>145,362</u>	<u>2,991,597</u>	<u>1,263,554</u>
Cash and cash equivalents - ending	<u>\$ 84,150</u>	<u>\$ 3,104,154</u>	<u>\$ 1,476,693</u>

Exhibit G-3

Business-type Activities			Totals	
Utility Administration	Capital Reserve	Rate Stabilization	2014	2013
\$ 2,068,665	\$ -	\$ -	\$ 10,309,151	\$ 9,230,810
(959,996)	-	-	(8,041,378)	(7,294,311)
(1,700,494)	-	-	(2,325,835)	(2,155,025)
<u>570,367</u>	<u>150,221</u>	<u>-</u>	<u>815,673</u>	<u>578,741</u>
<u>(21,458)</u>	<u>150,221</u>	<u>-</u>	<u>757,611</u>	<u>360,215</u>
75	-	-	75	-
60,000	848,733	-	1,013,261	1,190,371
<u>-</u>	<u>(1,088,533)</u>	<u>-</u>	<u>(1,413,138)</u>	<u>(772,251)</u>
<u>60,075</u>	<u>(239,800)</u>	<u>-</u>	<u>(399,802)</u>	<u>418,120</u>
(88,515)	-	-	(247,843)	(691,706)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,563</u>	<u>11,251</u>
<u>(88,515)</u>	<u>-</u>	<u>-</u>	<u>(245,280)</u>	<u>(680,455)</u>
<u>1,359</u>	<u>-</u>	<u>2,869</u>	<u>16,706</u>	<u>15,148</u>
<u>1,359</u>	<u>-</u>	<u>2,869</u>	<u>16,706</u>	<u>15,148</u>
(48,539)	(89,579)	2,869	129,235	113,028
<u>653,784</u>	<u>5,261,019</u>	<u>1,092,302</u>	<u>11,407,618</u>	<u>11,294,590</u>
<u>\$ 605,245</u>	<u>\$ 5,171,440</u>	<u>\$ 1,095,171</u>	<u>\$ 11,536,853</u>	<u>\$ 11,407,618</u>

Continued on next page.

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)

	Governmental-type Activities		
	Garage	Group Insurance	Risk Management
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	<u>\$ 139,384</u>	<u>\$ 209,896</u>	<u>\$ 69,928</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Restricted intergovernmental revenues	-	-	-
Depreciation	119,666	-	1,549
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(298)	(67,413)	-
(Increase) decrease in intergovernmental receivable	(9,180)	(256)	1,819
Increase (decrease) in amounts receivable related to restricted intergovernmental revenues	-	-	-
(Increase) decrease in inventory	16,144	-	-
(Increase) decrease in prepaid items	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	(25,915)	(332)	144,257
Increase (decrease) in unpaid claims cost	-	14,082	(13,265)
Increase (decrease) in compensated absences payable	3,981	-	(1,218)
Increase (decrease) in other postemployment benefits payable	18,939	-	7,080
Total adjustments	<u>123,337</u>	<u>(53,919)</u>	<u>140,222</u>
Net cash provided (used) by operating activities	<u>\$ 262,721</u>	<u>\$ 155,977</u>	<u>\$ 210,150</u>

Exhibit G-3
continued

Business-type Activities			Totals	
Utility Administration	Capital Reserve	Rate Stabilization	2014	2013
<u>\$ (122,447)</u>	<u>\$ 150,221</u>	<u>\$ -</u>	<u>\$ 446,982</u>	<u>\$ 223,665</u>
(20,398)	-	-	(20,398)	-
48,314	-	-	169,529	178,528
553	-	-	(67,158)	13,368
(16,956)	-	-	(24,573)	-
20,323	-	-	20,323	-
-	-	-	16,144	(10,369)
(17,000)	-	-	(17,000)	-
47,205	-	-	165,215	(24,162)
-	-	-	817	(133,613)
(18,597)	-	-	(15,834)	13,009
<u>57,545</u>	<u>-</u>	<u>-</u>	<u>83,564</u>	<u>99,789</u>
<u>100,989</u>	<u>-</u>	<u>-</u>	<u>310,629</u>	<u>136,550</u>
<u><u>\$ (21,458)</u></u>	<u><u>\$ 150,221</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 757,611</u></u>	<u><u>\$ 360,215</u></u>

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

Exhibit G-4

**Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014**

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

	2014		Variance Positive (Negative)	2013
	Financial Plan	Actual		Actual
Revenues:				
Operating revenues:				
Charges for sales and services	\$	\$ 1,762,677	\$	\$ 1,592,705
Other operating		1,866		-
Total operating revenues	<u>1,768,910</u>	<u>1,764,543</u>	<u>(4,367)</u>	<u>1,592,705</u>
Nonoperating revenues:				
Investment earnings		1,770		1,880
Sale of property		2,563		11,251
Total nonoperating revenues	<u>8,170</u>	<u>4,333</u>	<u>(3,837)</u>	<u>13,131</u>
Total revenues	<u>1,777,080</u>	<u>1,768,876</u>	<u>(8,204)</u>	<u>1,605,836</u>
Expenditures:				
Operating expenditures:				
Salaries and employee benefits		457,060		413,207
Cost of sales and services		284,146		267,405
Purchases for resale		725,223		725,859
Total operating expenditures	<u>1,519,527</u>	<u>1,466,429</u>	<u>53,098</u>	<u>1,406,471</u>
Budgetary appropriations:				
Capital outlay		159,328		158,696
Total budgetary appropriations	<u>159,523</u>	<u>159,328</u>	<u>195</u>	<u>158,696</u>
Total expenditures	<u>1,679,050</u>	<u>1,625,757</u>	<u>53,293</u>	<u>1,565,167</u>
Revenues over expenditures	<u>98,030</u>	<u>143,119</u>	<u>45,089</u>	<u>40,669</u>
Other financing sources (uses):				
Transfers from other funds				
Capital Reserve Fund	105,423	104,528	(895)	158,828
Transfers to other funds				
Capital Reserve Fund	<u>(273,733)</u>	<u>(273,733)</u>	<u>-</u>	<u>(263,793)</u>
Total other financing sources (uses)	<u>(168,310)</u>	<u>(169,205)</u>	<u>(895)</u>	<u>(104,965)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(70,280)</u>	<u>(26,086)</u>	<u>44,194</u>	<u>(64,296)</u>
Appropriated net position	<u>70,280</u>	<u>-</u>	<u>(70,280)</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (26,086)</u>	<u>\$ (26,086)</u>	<u>\$ (64,296)</u>

Continued on next page.

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

Exhibit G-4
continued

**Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014**

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

	2014		Variance Positive (Negative)	2013	
	Financial Plan	Actual		Actual	Actual
Reconciliation from financial plan basis (modified accrual) to full accrual:					
Total revenues		\$ 1,768,876		\$ 1,605,836	
Total expenditures		<u>1,625,757</u>		<u>1,565,167</u>	
Revenues over (under) expenditures		143,119		40,669	
Budgetary appropriations		159,328		158,696	
Depreciation		(119,666)		(120,489)	
Gain (loss) on sale of property		(1,016)		(4,793)	
Increase (decrease) in inventory		(16,144)		10,369	
(Increase) decrease in compensated absences payable		(3,981)		(670)	
(Increase) decrease in other postemployment benefits		(18,939)		(21,819)	
Other financing sources (uses)		<u>(169,205)</u>		<u>(104,965)</u>	
Total reconciling items		<u>(169,623)</u>		<u>(83,671)</u>	
Change in net position		<u>\$ (26,504)</u>		<u>\$ (43,002)</u>	

City of Lexington, North Carolina
Group Insurance Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit G-5

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

	2014		Variance Positive (Negative)	2013
	Financial Plan	Actual		Actual
Revenues:				
Operating revenues:				
Premium charges to employees/retirees	\$	\$ 709,097	\$	\$ 730,850
Premium charges for COBRA		10,413		1,632
Premium charges to departments		4,288,938		3,705,218
Other operating		85,194		50,663
Total operating revenues	<u>5,064,851</u>	<u>5,093,642</u>	<u>28,791</u>	<u>4,488,363</u>
Nonoperating revenues:				
Investment earnings		6,046		6,732
Total nonoperating revenues	<u>7,860</u>	<u>6,046</u>	<u>(1,814)</u>	<u>6,732</u>
Total revenues	<u>5,072,711</u>	<u>5,099,688</u>	<u>26,977</u>	<u>4,495,095</u>
Expenditures:				
Operating expenditures:				
Premiums		524,211		591,560
Claims		4,138,155		3,629,012
Administration		221,380		212,571
Total operating expenditures	<u>5,267,239</u>	<u>4,883,746</u>	<u>383,493</u>	<u>4,433,143</u>
Revenues over (under) expenditures	<u>(194,528)</u>	<u>215,942</u>	<u>410,470</u>	<u>61,952</u>
Other financing uses:				
Transfers to other funds				
General Fund	<u>(55,472)</u>	<u>(50,872)</u>	<u>4,600</u>	<u>(17,630)</u>
Total other financing uses	<u>(55,472)</u>	<u>(50,872)</u>	<u>4,600</u>	<u>(17,630)</u>
Revenues over (under) expenditures and other financing uses	<u>(250,000)</u>	<u>165,070</u>	<u>415,070</u>	<u>44,322</u>
Appropriated net position	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>
Revenues and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>165,070</u>	<u>\$ 165,070</u>	<u>44,322</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Reconciling items		<u>-</u>		<u>-</u>
Change in net position		<u>\$ 165,070</u>		<u>\$ 44,322</u>

City of Lexington, North Carolina
Risk Management Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit G-6

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

	2014		Variance Positive (Negative)	2013
	Financial Plan	Actual		Actual
Revenues:				
Operating revenues:				
Premium charges to employees	\$	\$ 4,685	\$	\$ 4,945
Premium charges to departments		1,532,387		1,044,931
Other operating		8,025		16,644
Total operating revenues	<u>1,719,931</u>	<u>1,545,097</u>	<u>(174,834)</u>	<u>1,066,520</u>
Nonoperating revenues:				
Investment earnings		<u>2,393</u>		<u>2,489</u>
Total nonoperating revenues	<u>2,943</u>	<u>2,393</u>	<u>(550)</u>	<u>2,489</u>
Total revenues	<u>1,722,874</u>	<u>1,547,490</u>	<u>(175,384)</u>	<u>1,069,009</u>
Expenditures:				
Operating expenditures:				
Salaries and employee benefits		160,366		147,703
Cost of sales and services		49,612		48,396
Premiums		570,502		499,830
Claims		<u>687,278</u>		<u>245,484</u>
Total operating expenditures	<u>1,729,114</u>	<u>1,467,758</u>	<u>261,356</u>	<u>941,413</u>
Revenues over (under) expenditures	(6,240)	79,732	85,972	127,596
Appropriated net position	<u>6,240</u>	<u>-</u>	<u>(6,240)</u>	<u>-</u>
Revenues and appropriated net position over (under) expenditures	<u>\$ -</u>	<u>\$ 79,732</u>	<u>\$ 79,732</u>	<u>\$ 127,596</u>

Continued on next page.

City of Lexington, North Carolina
Risk Management Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit G-6
continued

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

	2014		Variance Positive (Negative)	2013
	Financial Plan	Actual		Actual
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Total revenues		\$ 1,547,490		\$ 1,069,009
Total expenditures		<u>1,467,758</u>		<u>941,413</u>
Revenues over (under) expenditures		79,732		127,596
Depreciation		(1,549)		(3,323)
(Increase) decrease in compensated absences payable		1,218		(1,914)
(Increase) decrease in other postemployment benefits		<u>(7,080)</u>		<u>(8,150)</u>
Total reconciling items		<u>(7,411)</u>		<u>(13,387)</u>
Change in net position		<u>\$ 72,321</u>		<u>\$ 114,209</u>

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit G-7

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

	2014		Variance Positive (Negative)	2013
	Financial Plan	Actual		Actual
Revenues:				
Operating revenues:				
Administrative charges general fund	\$	\$ 201,706	\$	\$ 202,065
Administrative charges electric fund		847,790		896,919
Administrative charges water/wastewater fund		416,050		410,186
Administrative charges natural gas fund		602,566		627,991
Disaster assistance		20,398		-
Other operating		570,367		428,632
Total operating revenues	<u>2,544,812</u>	<u>2,658,877</u>	<u>114,065</u>	<u>2,565,793</u>
Nonoperating revenues:				
Investment earnings		608		625
Total nonoperating revenues	<u>585</u>	<u>608</u>	<u>23</u>	<u>625</u>
Total revenues	<u>2,545,397</u>	<u>2,659,485</u>	<u>114,088</u>	<u>2,566,418</u>

Continued on next page.

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit G-7
continued

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

	2014		Variance Positive (Negative)	2013
	Financial Plan	Actual		Actual
Expenditures:				
Utility administration:				
Salaries and employee benefits	\$	\$ 601,810	\$	\$ 534,243
Cost of sales and services		192,755		224,377
Total utility administration	<u>929,249</u>	<u>794,565</u>	<u>134,684</u>	<u>758,620</u>
Customer service:				
Salaries and employee benefits		594,807		566,373
Cost of sales and services		308,075		275,121
Total customer service	<u>937,581</u>	<u>902,882</u>	<u>34,699</u>	<u>841,494</u>
Warehousing:				
Salaries and employee benefits		198,604		173,455
Cost of sales and services		36,608		16,080
Total warehousing	<u>264,647</u>	<u>235,212</u>	<u>29,435</u>	<u>189,535</u>
Meter reading:				
Salaries and employee benefits		204,792		222,184
Cost of sales and services		41,238		78,278
Total meter reading	<u>280,244</u>	<u>246,030</u>	<u>34,214</u>	<u>300,462</u>
Marketing:				
Salaries and employee benefits		108,525		97,860
Cost of sales and services		377,885		291,901
Total marketing	<u>486,706</u>	<u>486,410</u>	<u>296</u>	<u>389,761</u>
Total operating expenditures	<u>2,898,427</u>	<u>2,665,099</u>	<u>233,328</u>	<u>2,479,872</u>

Continued on next page.

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit G-7
continued

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

	2014		Variance Positive (Negative)	2013
	Financial Plan	Actual		Actual
Budgetary appropriations:				
Capital outlay:				
Customer service	\$	\$ -	\$	\$ 20,475
Meter reading		10,520		-
Marketing		7,380		-
Total budgetary appropriations	<u>17,900</u>	<u>17,900</u>	<u>-</u>	<u>20,475</u>
Total expenditures	<u>2,916,327</u>	<u>2,682,999</u>	<u>233,328</u>	<u>2,500,347</u>
Revenues over (under) expenditures	<u>(370,930)</u>	<u>(23,514)</u>	<u>347,416</u>	<u>66,071</u>
Other financing sources (uses):				
Transfers from other funds				
Electric Fund	-	-	-	167,750
Water and Wastewater Fund	60,000	60,000	-	225,000
Natural Gas Fund	-	-	-	150,000
Transfers to other funds				
Utility Administration Fund construction in progress	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>(542,750)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(370,930)	(23,514)	347,416	66,071
Appropriated net position	<u>370,930</u>	<u>-</u>	<u>(370,930)</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (23,514)</u>	<u>\$ (23,514)</u>	<u>\$ 66,071</u>

Continued on next page.

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit G-7
continued

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

	2014		Variance Positive (Negative)	2013	
	Financial Plan	Actual		Actual	Actual
Reconciliation from financial plan basis (modified accrual) to full accrual:					
Total revenues		\$ 2,659,485		\$ 2,566,418	
Total expenditures		<u>2,682,999</u>		<u>2,500,347</u>	
Revenues over (under) expenditures		(23,514)		66,071	
Budgetary appropriations		17,900		20,475	
Depreciation		(48,314)		(54,716)	
Investment earnings		445		718	
Bad debt expense		(28,963)		(30,662)	
(Increase) decrease in compensated absences payable		18,597		(10,425)	
(Increase) decrease in other postemployment benefits		(57,545)		(69,820)	
Other financing sources (uses)		<u>60,000</u>		<u>542,750</u>	
Total reconciling items		<u>(37,880)</u>		<u>398,320</u>	
Change in net position		<u>\$ (61,394)</u>		<u>\$ 464,391</u>	

City of Lexington, North Carolina
Construction in Progress - Utility Administration Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From inception and for the fiscal year ended June 30, 2014

Exhibit G-8

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 27,000	\$ 26,732	\$ 445	\$ 27,177	\$ 177
Total revenues	<u>27,000</u>	<u>26,732</u>	<u>445</u>	<u>27,177</u>	<u>177</u>
Expenditures:					
Automated Meter Reading	3,333,973	3,046,835	70,615	3,117,450	216,523
Total expenditures	<u>3,333,973</u>	<u>3,046,835</u>	<u>70,615</u>	<u>3,117,450</u>	<u>216,523</u>
Revenues over (under) expenditures	<u>(3,306,973)</u>	<u>(3,020,103)</u>	<u>(70,170)</u>	<u>(3,090,273)</u>	<u>216,700</u>
Other financing sources:					
Transfers from other funds					
Operating fund	3,306,973	3,246,973	60,000	3,306,973	-
Total other financing sources	<u>3,306,973</u>	<u>3,246,973</u>	<u>60,000</u>	<u>3,306,973</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 226,870</u>	<u>\$ (10,170)</u>	<u>\$ 216,700</u>	<u>\$ 216,700</u>

City of Lexington, North Carolina
Capital Reserve Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit G-9

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

	2014		Variance Positive (Negative)	2013
	Financial Plan	Actual		Actual
Revenues:				
Operating revenues:				
Capital recovery - water/wastewater	\$	150,221	\$	82,802
Total revenues	-	150,221	150,221	82,802
Expenditures:				
Capital reserve		-		-
Total expenditures	848,733	-	848,733	-
Revenues over (under) expenditures	(848,733)	150,221	998,954	82,802
Other financing sources (uses):				
Transfers from other funds				
Water and Wastewater Fund	125,000	125,000	-	225,000
Natural Gas Fund	450,000	450,000	-	-
Garage Fund	273,733	273,733	-	263,793
Transfers to other funds				
Electric Fund	(984,005)	(984,005)	-	(250,000)
Garage Fund	(105,423)	(104,528)	895	(158,828)
Total other financing sources (uses)	(240,695)	(239,800)	895	79,965
Revenues and other financing sources over (under) expenditures and other financing uses	(1,089,428)	(89,579)	999,849	162,767
Appropriated net position	1,089,428	-	(1,089,428)	-
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	(89,579)	\$ (89,579)	162,767
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Reconciling items		-		-
Change in net position		\$ (89,579)		\$ 162,767

City of Lexington, North Carolina
Rate Stabilization Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2014

Exhibit G-10

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

	2014		Variance Positive (Negative)	2013
	Financial Plan	Actual		Actual
Revenues:				
Investment earnings	<u>\$</u>	<u>\$ 2,238</u>	<u>\$</u>	<u>\$ 2,704</u>
Revenues over expenditures	<u>-</u>	<u>2,238</u>	<u>2,238</u>	<u>2,704</u>
Other financing uses:				
Transfers to other funds				
Electric fund	<u>(160,000)</u>	<u>-</u>	<u>160,000</u>	<u>(82,000)</u>
Total other financing uses	<u>(160,000)</u>	<u>-</u>	<u>160,000</u>	<u>(82,000)</u>
Revenues over (under) expenditures and other financing uses	<u>(160,000)</u>	<u>2,238</u>	<u>162,238</u>	<u>(79,296)</u>
Appropriated net position	<u>160,000</u>	<u>-</u>	<u>(160,000)</u>	<u>-</u>
Revenues and appropriated net position over (under) expenditures and other financing uses	<u><u>\$ -</u></u>	<u><u>2,238</u></u>	<u><u>\$ 2,238</u></u>	<u><u>(79,296)</u></u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Reconciling items		<u>-</u>		<u>-</u>
Change in net position		<u><u>\$ 2,238</u></u>		<u><u>\$ (79,296)</u></u>

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SUPPLEMENTAL FINANCIAL DATA

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City of Lexington, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

Schedule H-1

Fiscal Year	Uncollected Balance June 30, 2013	Current Net Levy	Collections and Credits	Uncollected Balance June 30, 2014
2013-14	\$ -	\$ 9,477,350	\$ 9,027,238	\$ 450,112
2012-13	540,519	-	251,097	289,422
2011-12	290,763	-	65,953	224,810
2010-11	192,790	-	43,071	149,719
2009-10	148,269	-	28,149	120,120
2008-09	90,826	-	7,297	83,529
2007-08	71,252	-	2,793	68,459
2006-07	60,491	-	4,128	56,363
2005-06	44,245	-	1,327	42,918
Prior	280,279	-	445	279,834
	\$ 1,719,434	\$ 9,477,350	\$ 9,431,498	1,765,286
Less: allowance for uncollectible accounts:				
	General Fund			1,019,492
Ad valorem taxes receivable - net				\$ 745,794
Reconciliation to revenues:				
Ad valorem taxes - General Fund				\$ 9,390,723
Discounts allowed				70,229
Amount refunded				24,623
Abatements and releases - prior years				22,055
Penalties collected				10,280
Subtotal				9,517,910
Less interest collected				86,412
Total collections and credits				\$ 9,431,498

City of Lexington, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the fiscal year ended June 30, 2014

Schedule H-2

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,479,474,500	\$ 0.600	\$ 8,876,847	\$ 8,345,724	\$ 531,123
Registered motor vehicles taxed at prior year's rate	65,547,687	0.600	393,286	-	393,286
Penalties	-		22,161	22,161	-
Total	1,545,022,187		9,292,294	8,367,885	924,409
Discoveries - Current year taxes	44,211,667	0.600	265,270	265,270	-
Abatements	(13,369,000)	0.600	(80,214)	(72,501)	(7,713)
Total property valuation	\$ 1,575,864,854				
Net levy			9,477,350	8,560,654	916,696
Uncollected taxes at June 30			(450,112)	(423,167)	(26,945)
Current year's taxes collected			\$ 9,027,238	\$ 8,137,487	\$ 889,751
Current levy collection percentage			95.25%	95.06%	97.06%

Continued on next page.

City of Lexington, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the fiscal year ended June 30, 2014

Schedule H-2
continued

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio ¹	100%
Real Property	\$ 1,270,150,659
Personal Property	274,539,913
Public Service Companies ²	<u>31,174,282</u>
Total Assessed Valuation	1,575,864,854
City-wide Tax Rate	0.600
Levy (includes discoveries, releases and abatements) ³	\$ 9,477,350

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

Municipal Service District	\$ 97,765
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¹Percentage of appraised value has been established by statute.

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

³The levy includes interest and penalties.

Uptown Lexington, Inc.
(A component unit of the City of Lexington, North Carolina)
Schedule of Revenues, Expenditures and Changes in Net Assets
Budget and Actual
For the fiscal year ended June 30, 2014
(With comparative actual amounts for the fiscal year ended June 30, 2013)

Schedule H-3

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Contribution from City of Lexington:				
Special district property tax	\$ 98,914	\$ 94,355	\$ (4,559)	\$ 93,809
Property rental	1,500	1,500	-	1,500
Marketing	14,100	10,976	(3,124)	11,667
Investment earnings	60	27	(33)	52
Sale of property	-	-	-	72
Grant from City of Lexington	40,500	40,500	-	40,500
Donations/fund raisers	117,725	89,189	(28,536)	110,399
Miscellaneous	-	-	-	1,527
Total revenues	<u>272,799</u>	<u>236,547</u>	<u>(36,252)</u>	<u>259,526</u>
Expenditures:				
Salaries and employee benefits	89,969	65,607	24,362	97,136
Operations	<u>196,490</u>	<u>172,358</u>	<u>24,132</u>	<u>143,330</u>
Total expenditures	<u>286,459</u>	<u>237,965</u>	<u>48,494</u>	<u>240,466</u>
Revenues over (under) expenditures	(13,660)	(1,418)	12,242	19,060
Net assets appropriated	<u>13,660</u>	<u>-</u>	<u>(13,660)</u>	<u>-</u>
Change in net assets	<u>\$ -</u>	(1,418)	<u>\$ (1,418)</u>	19,060
Net assets				
Beginning of year, July 1		<u>130,094</u>		<u>111,034</u>
End of year, June 30		<u>\$ 128,676</u>		<u>\$ 130,094</u>

STATISTICAL SECTION



STATISTICAL SECTION

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

Contents	Pages
Financial Trends	176-195
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	196-209
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources: property taxes and enterprise fund revenues.</i>	
Debt Capacity	210-218
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	219-220
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	221-225
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

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

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 37,487,623	\$ 37,887,437	\$ 39,642,189	\$ 40,202,445
Restricted	353,525	322,603	1,151,767	1,765,878
Unrestricted	<u>8,361,100</u>	<u>8,391,918</u>	<u>7,856,333</u>	<u>7,220,847</u>
Total governmental activities net position	<u>\$ 46,202,248</u>	<u>\$ 46,601,958</u>	<u>\$ 48,650,289</u>	<u>\$ 49,189,170</u>
Business-type activities				
Net investment in capital assets	\$ 67,969,314	\$ 72,749,493	\$ 72,325,495	\$ 71,753,949
Restricted	-	-	-	-
Unrestricted	<u>20,086,808</u>	<u>18,283,773</u>	<u>19,759,452</u>	<u>21,496,152</u>
Total business-type activities net position	<u>\$ 88,056,122</u>	<u>\$ 91,033,266</u>	<u>\$ 92,084,947</u>	<u>\$ 93,250,101</u>
Primary government				
Net investment in capital assets	\$ 105,456,937	\$ 110,636,930	\$ 111,967,684	\$ 111,956,394
Restricted	353,525	322,603	1,151,767	1,765,878
Unrestricted	<u>28,447,908</u>	<u>26,675,691</u>	<u>27,615,785</u>	<u>28,716,999</u>
Total primary government net position	<u>\$ 134,258,370</u>	<u>\$ 137,635,224</u>	<u>\$ 140,735,236</u>	<u>\$ 142,439,271</u>

Net Position by Component - Total Primary Government

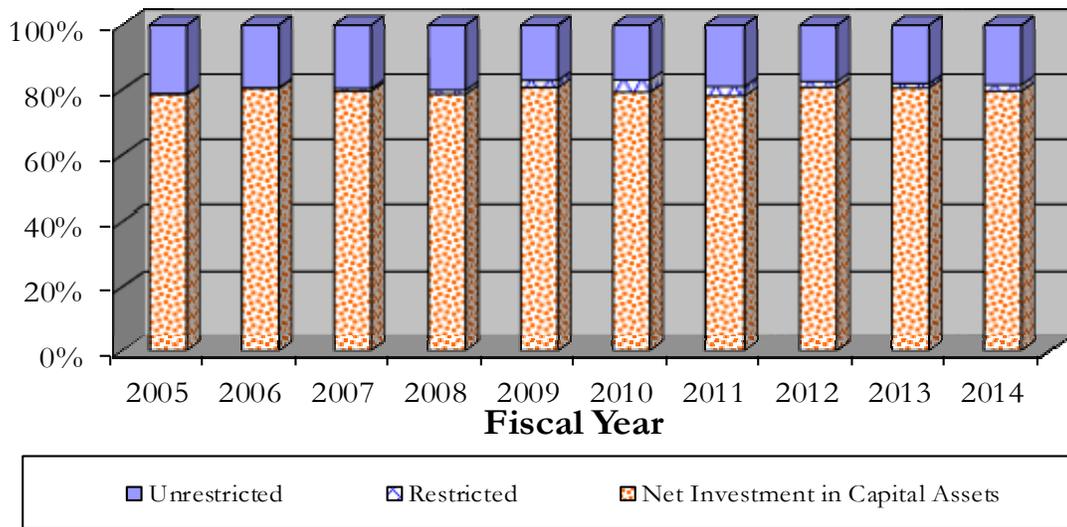


Table 1

	2009	2010	2011	2012	2013	2014
\$	39,848,580	\$ 40,328,855	\$ 40,644,556	\$ 41,139,252	\$ 40,979,496	\$ 40,515,571
	2,388,811	3,635,859	4,474,720	2,688,766	2,129,153	3,085,267
	<u>7,013,713</u>	<u>6,332,215</u>	<u>6,772,075</u>	<u>5,604,954</u>	<u>6,178,403</u>	<u>4,622,411</u>
\$	<u>49,251,104</u>	<u>\$ 50,296,929</u>	<u>\$ 51,891,351</u>	<u>\$ 49,432,972</u>	<u>\$ 49,287,052</u>	<u>\$ 48,223,249</u>
\$	78,643,928	\$ 80,684,537	\$ 81,274,231	\$ 84,208,432	\$ 85,923,171	\$ 87,427,567
	859,681	2,054,315	42,836	-	-	-
	<u>18,083,754</u>	<u>19,604,510</u>	<u>22,944,440</u>	<u>21,587,378</u>	<u>22,372,358</u>	<u>25,170,883</u>
\$	<u>97,587,363</u>	<u>\$ 102,343,362</u>	<u>\$ 104,261,507</u>	<u>\$ 105,795,810</u>	<u>\$ 108,295,529</u>	<u>\$ 112,598,450</u>
\$	118,492,508	\$ 121,013,392	\$ 121,918,787	\$ 125,347,684	\$ 126,902,667	\$ 127,943,138
	3,248,492	5,690,174	4,517,556	2,688,766	2,129,153	3,085,267
	<u>25,097,467</u>	<u>25,936,725</u>	<u>29,716,515</u>	<u>27,192,332</u>	<u>28,550,761</u>	<u>29,793,294</u>
\$	<u>146,838,467</u>	<u>\$ 152,640,291</u>	<u>\$ 156,152,858</u>	<u>\$ 155,228,782</u>	<u>\$ 157,582,581</u>	<u>\$ 160,821,699</u>

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

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government	\$ 6,445,566	\$ 6,548,759	\$ 6,947,733	\$ 7,085,684
Public safety	8,187,070	8,381,387	8,645,626	8,862,033
Highways and streets	2,865,527	2,561,363	2,271,953	2,943,346
Sanitation	1,768,448	1,848,482	1,839,097	1,882,576
Culture and recreation	1,434,435	1,524,152	1,281,742	1,279,509
Economic and physical development	804,076	181,063	297,992	608,643
Interest on long-term debt	157,471	142,780	131,727	113,678
Total governmental activities expenses	<u>21,662,593</u>	<u>21,187,986</u>	<u>21,415,870</u>	<u>22,775,469</u>
Business-type activities:				
Electric	41,451,740	41,906,467	41,740,621	42,269,534
Water and Wastewater	6,860,682	6,640,862	7,139,058	6,967,468
Natural Gas	24,683,168	22,459,026	17,050,881	16,906,600
Golf	859,407	926,174	862,536	861,937
Total business-type activities expenses	<u>73,854,997</u>	<u>71,932,529</u>	<u>66,793,096</u>	<u>67,005,539</u>
Total primary government expenses	<u>\$ 95,517,590</u>	<u>\$ 93,120,515</u>	<u>\$ 88,208,966</u>	<u>\$ 89,781,008</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 3,122,439	\$ 2,991,256	\$ 3,070,146	\$ 3,247,370
Public safety	171,833	192,203	258,992	253,017
Highways and streets	5,177	15,110	10,637	1,312
Sanitation	711,252	707,655	760,686	759,317
Culture and recreation	118,970	113,582	97,501	104,630
Economic and physical development	518,777	12,254	10,907	10,836
Operating grants and contributions	1,176,227	1,027,163	1,897,340	2,037,338
Capital grants and contributions	776,450	1,001,303	1,290,766	211,992
Total governmental activities program revenues	<u>6,601,125</u>	<u>6,060,526</u>	<u>7,396,975</u>	<u>6,625,812</u>
Business-type activities:				
Charges for services:				
Electric	42,314,867	42,966,388	42,332,221	43,393,859
Water and Wastewater	6,966,891	6,946,893	7,629,073	7,436,083
Natural Gas	26,318,066	23,368,471	18,089,668	18,143,797
Golf	449,346	636,464	692,181	740,537
Operating grants and contributions	-	-	-	132,059
Capital grants and contributions	199,958	2,834,177	676,535	109,736
Total business-type activities program revenues	<u>76,249,128</u>	<u>76,752,393</u>	<u>69,419,678</u>	<u>69,956,071</u>
Total primary government program revenues	<u>\$ 82,850,253</u>	<u>\$ 82,812,919</u>	<u>\$ 76,816,653</u>	<u>\$ 76,581,883</u>

Table 2

	2009	2010	2011	2012	2013	2014
\$	6,460,428	\$ 5,392,826	\$ 5,635,640	\$ 8,010,696	\$ 7,149,030	\$ 7,942,394
	9,364,136	9,152,311	9,607,070	10,384,670	9,981,953	10,390,718
	2,445,706	2,396,046	2,467,267	2,744,783	3,134,934	3,125,174
	1,928,807	1,807,085	1,858,518	1,804,492	1,806,731	1,983,755
	1,385,687	1,297,564	1,391,684	1,397,814	1,527,273	1,532,975
	876,947	1,800,659	1,342,633	2,752,101	184,060	143,139
	115,381	107,918	202,506	167,568	153,788	141,426
	<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>	<u>25,259,581</u>
	42,046,335	42,490,374	45,943,820	47,049,771	48,425,865	52,221,251
	7,327,038	7,411,514	7,929,297	7,953,182	7,698,833	8,441,895
	16,535,695	13,380,334	12,338,924	9,543,636	9,797,266	11,407,325
	1,043,915	718,431	756,527	810,830	1,037,258	809,312
	<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>72,879,783</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>	<u>98,139,364</u>
\$	2,585,157	\$ 2,112,338	\$ 2,201,761	\$ 3,936,201	\$ 3,122,802	\$ 3,403,854
	210,025	208,693	293,066	222,367	293,915	194,359
	1,134	5,021	4,328	3,620	12,110	4,406
	754,188	764,636	811,013	815,666	809,692	924,808
	104,400	108,502	115,575	93,521	98,914	84,643
	24,720	140,156	91,347	167,840	175,741	170,481
	2,308,606	3,386,141	2,793,823	1,807,962	1,151,258	1,049,845
	290,836	281,898	1,635,126	1,563,195	946,861	714,152
	<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>	<u>6,546,548</u>
	42,874,197	45,846,264	48,164,096	47,654,094	50,204,074	54,209,465
	7,830,098	7,941,919	8,502,090	8,733,673	8,707,334	9,012,258
	18,297,321	15,379,486	13,997,277	10,659,045	11,859,814	14,347,360
	743,712	639,855	589,319	749,128	780,138	646,750
	47,754	-	-	45,776	20,344	614,114
	<u>3,486,650</u>	<u>1,218,659</u>	<u>-</u>	<u>1,469,210</u>	<u>352,407</u>	<u>633,527</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>79,463,474</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>	<u>86,010,022</u>

Continued on next page.

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

	Fiscal Year			
	2005	2006	2007	2008
Net (expense)/revenue				
Governmental activities	\$ (15,061,468)	\$ (15,127,460)	\$ (14,018,895)	\$ (16,149,657)
Business-type activities	<u>2,394,131</u>	<u>4,819,864</u>	<u>2,626,582</u>	<u>2,950,532</u>
Total primary government net expense	<u>\$ (12,667,337)</u>	<u>\$ (10,307,596)</u>	<u>\$ (11,392,313)</u>	<u>\$ (13,199,125)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes, levied for general purpose	\$ 6,548,590	\$ 7,068,935	\$ 7,160,434	\$ 7,858,981
Property taxes, levied for special taxing district	73,403	80,212	80,842	98,410
Other taxes	419,931	443,559	363,883	242,835
Unrestricted intergovernmental revenues	4,919,671	5,090,991	5,516,762	5,594,711
Unrestricted investment earnings	229,255	374,033	490,959	385,688
Transfers	<u>(5,099,065)</u>	<u>2,469,440</u>	<u>2,454,346</u>	<u>2,507,913</u>
Total governmental activities	<u>7,091,785</u>	<u>15,527,170</u>	<u>16,067,226</u>	<u>16,688,538</u>
Business-type activities:				
Unrestricted investment earnings	380,227	626,720	879,445	722,535
Transfers	<u>5,099,065</u>	<u>(2,469,440)</u>	<u>(2,454,346)</u>	<u>(2,507,913)</u>
Total business-type activities	<u>5,479,292</u>	<u>(1,842,720)</u>	<u>(1,574,901)</u>	<u>(1,785,378)</u>
Total primary government	<u>\$ 12,571,077</u>	<u>\$ 13,684,450</u>	<u>\$ 14,492,325</u>	<u>\$ 14,903,160</u>
Change in Net Position				
Governmental activities	\$ (7,969,683)	\$ 399,710	\$ 2,048,331	\$ 538,881
Business-type activities	<u>7,873,423</u>	<u>2,977,144</u>	<u>1,051,681</u>	<u>1,165,154</u>
Total primary government	<u>\$ (96,260)</u>	<u>\$ 3,376,854</u>	<u>\$ 3,100,012</u>	<u>\$ 1,704,035</u>

Table 2
continued

2009	2010	2011	2012	2013	2014
\$ (16,298,026)	\$ (14,947,024)	\$ (14,559,279)	\$ (18,651,752)	\$ (17,326,476)	\$ (18,713,033)
<u>6,326,749</u>	<u>7,025,530</u>	<u>4,284,214</u>	<u>3,953,507</u>	<u>4,964,889</u>	<u>6,583,691</u>
<u>\$ (9,971,277)</u>	<u>\$ (7,921,494)</u>	<u>\$ (10,275,065)</u>	<u>\$ (14,698,245)</u>	<u>\$ (12,361,587)</u>	<u>\$ (12,129,342)</u>
\$ 8,226,188	\$ 8,243,803	\$ 8,125,132	\$ 8,048,746	\$ 8,951,332	\$ 9,338,209
101,082	93,958	103,121	100,438	95,795	95,409
219,068	239,920	259,127	264,890	265,420	265,561
5,300,642	4,948,859	5,246,060	5,230,900	5,328,292	5,600,504
184,698	76,502	55,897	52,586	31,238	27,417
<u>2,328,282</u>	<u>2,389,807</u>	<u>2,452,971</u>	<u>2,495,813</u>	<u>2,508,479</u>	<u>2,322,130</u>
<u>16,359,960</u>	<u>15,992,849</u>	<u>16,242,308</u>	<u>16,193,373</u>	<u>17,180,556</u>	<u>17,649,230</u>
338,795	120,276	86,902	76,609	43,309	41,360
<u>(2,328,282)</u>	<u>(2,389,807)</u>	<u>(2,452,971)</u>	<u>(2,495,813)</u>	<u>(2,508,479)</u>	<u>(2,322,130)</u>
<u>(1,989,487)</u>	<u>(2,269,531)</u>	<u>(2,366,069)</u>	<u>(2,419,204)</u>	<u>(2,465,170)</u>	<u>(2,280,770)</u>
<u>\$ 14,370,473</u>	<u>\$ 13,723,318</u>	<u>\$ 13,876,239</u>	<u>\$ 13,774,169</u>	<u>\$ 14,715,386</u>	<u>\$ 15,368,460</u>
\$ 61,934	\$ 1,045,825	\$ 1,683,029	\$ (2,458,379)	\$ (145,920)	\$ (1,063,803)
<u>4,337,262</u>	<u>4,755,999</u>	<u>1,918,145</u>	<u>1,534,303</u>	<u>2,499,719</u>	<u>4,302,921</u>
<u>\$ 4,399,196</u>	<u>\$ 5,801,824</u>	<u>\$ 3,601,174</u>	<u>\$ (924,076)</u>	<u>\$ 2,353,799</u>	<u>\$ 3,239,118</u>

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Nonspendable:	\$ -	\$ -	\$ -	\$ -
Spendable:				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	1,057,115	1,139,392	1,129,203	1,162,239
Unreserved	<u>6,425,728</u>	<u>6,473,344</u>	<u>5,546,400</u>	<u>5,218,503</u>
Total General Fund	<u>\$ 7,482,843</u>	<u>\$ 7,612,736</u>	<u>\$ 6,675,603</u>	<u>\$ 6,380,742</u>
All other governmental funds				
Spendable:				
Restricted	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	590,209	357,812	496,389	177,011
Unreserved, reported in:				
Special revenue funds	156,024	281,729	1,106,899	1,660,698
Capital projects fund	<u>-</u>	<u>13,180</u>	<u>211,712</u>	<u>319,362</u>
Total all other governmental funds	<u>\$ 746,233</u>	<u>\$ 652,721</u>	<u>\$ 1,815,000</u>	<u>\$ 2,157,071</u>

Notes:

(1) 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.

Table 3

	2009	2010 (1)	2011	2012	2013	2014
\$	-	\$ -	\$ 75,521	\$ 67,597	\$ 58,814	\$ 12,698
	-	-	1,813,519	1,321,691	1,040,399	2,428,451
	-	-	12,224	10,230	15,105	15,939
	-	-	734,440	768,000	975,954	1,017,376
	-	-	4,886,011	5,486,866	6,068,607	5,176,348
	1,029,879	1,069,845	-	-	-	-
	5,042,756	5,361,106	-	-	-	-
\$	<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>	<u>\$ 8,650,812</u>
\$	-	\$ -	\$ 2,661,201	\$ 1,367,075	\$ 1,088,754	\$ 656,816
	-	-	492,367	257,460	273,971	290,250
	-	-	(69,997)	(33,090)	(46,525)	(14)
	185,036	2,063,191	-	-	-	-
	2,196,734	1,520,766	-	-	-	-
	558,867	415,970	-	-	-	-
\$	<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>	<u>\$ 947,052</u>

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

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Ad valorem taxes	\$ 6,590,108	\$ 7,043,243	\$ 7,104,130	\$ 7,766,698
Special ad valorem taxes	73,353	79,817	81,410	96,367
Other taxes and licenses	419,931	443,559	363,883	242,835
Unrestricted intergovernmental	4,893,258	5,072,931	5,447,419	5,604,276
Restricted intergovernmental	1,569,519	1,925,551	1,966,855	2,155,195
Permits and fees	142,295	159,090	199,570	178,377
Sales and services	874,973	864,093	894,261	904,818
Investment earnings	193,313	325,409	446,583	359,333
Miscellaneous	633,453	184,548	144,385	143,720
Total revenues	<u>15,390,203</u>	<u>16,098,241</u>	<u>16,648,496</u>	<u>17,451,619</u>
Expenditures				
General government	2,839,869	3,207,276	3,670,790	3,566,424
Public safety	7,686,175	8,070,865	8,325,443	8,493,778
Highways and streets	1,887,469	1,623,834	1,322,942	1,612,903
Sanitation	1,573,887	1,660,347	1,712,193	1,680,173
Culture and recreation	1,274,068	1,379,854	1,126,123	1,129,999
Economic and physical development	804,077	181,063	297,992	563,953
Capital outlay	595,282	468,738	427,734	809,477
Construction in progress	1,023,916	1,439,985	1,434,628	1,733,304
Debt service:				
Principal	688,113	686,041	734,128	688,393
Interest	157,471	142,780	131,727	113,678
Bond issuance cost	-	-	-	-
Total expenditures	<u>18,530,327</u>	<u>18,860,783</u>	<u>19,183,700</u>	<u>20,392,082</u>
Excess of revenues over (under) expenditures	(3,140,124)	(2,762,542)	(2,535,204)	(2,940,463)
Other financing sources (uses)				
Installment purchase debt issued	167,595	328,948	215,252	401,138
Transfers from other funds	2,809,213	2,931,434	4,204,697	3,959,652
Transfers to other funds	(7,787,234)	(461,994)	(1,658,585)	(1,373,788)
Refunding bonds issued	-	-	-	-
Redemption of bonds	-	-	-	-
Total other financing sources (uses)	<u>(4,810,426)</u>	<u>2,798,388</u>	<u>2,761,364</u>	<u>2,987,002</u>
Net change in fund balances	<u>\$ (7,950,550)</u>	<u>\$ 35,846</u>	<u>\$ 226,160</u>	<u>\$ 46,539</u>
Debt service as a percentage of noncapital expenditures	5.0%	4.9%	5.0%	4.5%
Debt service as a percentage of total expenditures	4.6%	4.4%	4.5%	3.9%
Capital outlay as a percentage of total expenditures	8.7%	10.1%	9.7%	12.5%

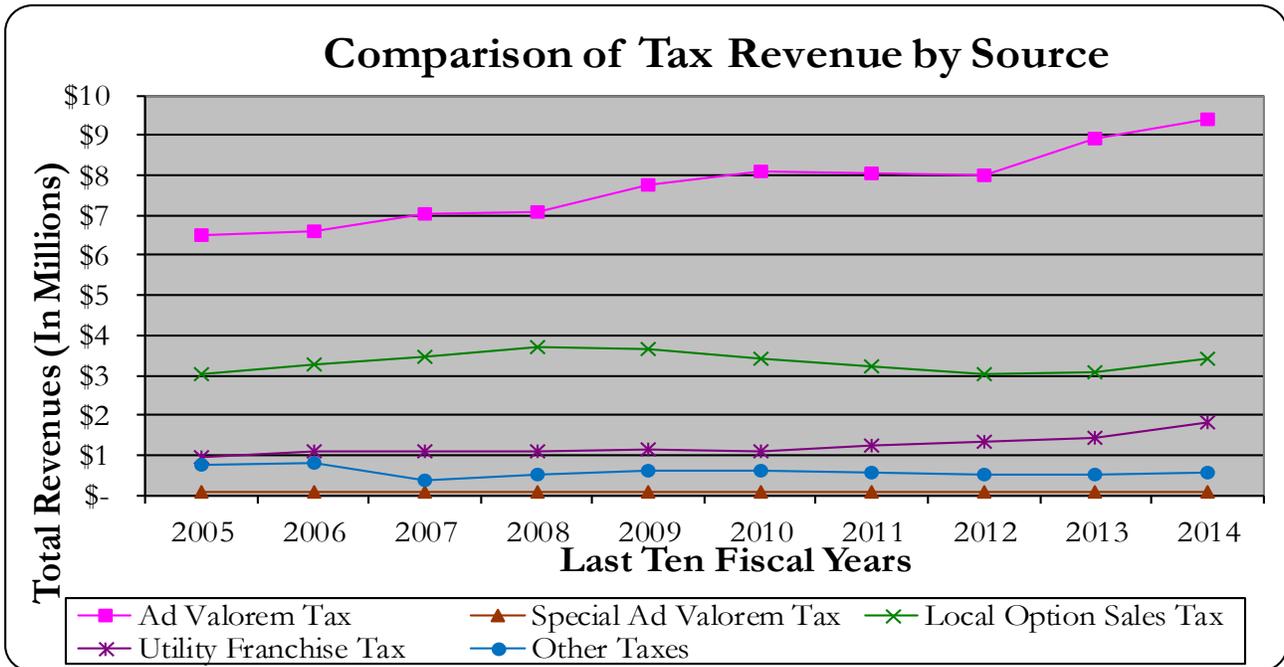
Table 4

	2009	2010	2011	2012	2013	2014
\$	8,090,264	\$ 8,153,287	\$ 8,064,247	\$ 7,984,145	\$ 8,925,727	\$ 9,390,723
	99,849	91,022	101,669	99,678	93,791	94,355
	219,068	239,920	259,127	264,890	264,915	264,000
	5,296,221	4,981,131	5,245,141	5,153,753	5,268,973	6,157,526
	2,499,575	3,481,105	4,203,869	3,217,560	2,072,489	1,496,082
	148,021	124,296	202,391	165,203	183,454	168,223
	885,299	995,061	1,032,606	1,030,119	1,039,346	1,116,132
	188,523	70,980	43,925	37,827	22,357	18,763
	156,081	232,828	257,416	284,120	233,561	157,656
	<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>	<u>18,863,460</u>
	3,719,754	3,333,760	3,277,885	3,396,522	3,742,625	4,343,856
	8,831,973	9,041,507	9,156,333	9,324,691	9,290,324	9,727,623
	1,460,317	1,476,652	1,353,163	1,534,439	1,904,926	1,927,307
	1,743,489	1,693,636	1,737,312	1,690,560	1,685,761	1,894,698
	1,216,642	1,207,474	1,247,196	1,191,084	1,357,739	1,408,890
	921,637	1,800,659	1,342,633	1,878,884	265,183	223,608
	1,234,366	524,594	489,233	1,165,404	591,277	1,099,879
	524,101	1,581,272	2,325,755	1,671,529	973,349	511,556
	668,291	546,252	506,221	580,635	540,183	586,744
	115,381	107,918	193,820	167,568	153,788	141,426
	-	-	25,686	-	-	-
	<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>	<u>21,865,587</u>
	(2,853,050)	(2,944,094)	(2,244,846)	(4,364,021)	(2,400,542)	(3,002,127)
	907,970	1,900,000	-	460,402	-	582,807
	3,402,404	4,008,046	3,254,381	3,116,815	2,854,724	2,998,881
	(981,400)	(1,547,449)	(779,870)	(573,266)	(223,650)	(456,674)
	-	-	1,184,031	-	-	-
	-	-	(1,150,000)	-	-	-
	<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>3,125,014</u>
\$	<u>475,924</u>	<u>\$ 1,416,503</u>	<u>\$ 263,696</u>	<u>\$ (1,360,070)</u>	<u>\$ 230,532</u>	<u>\$ 122,887</u>
	4.2%	3.4%	3.9%	3.8%	3.7%	3.6%
	3.8%	3.1%	3.4%	3.3%	3.4%	3.3%
	8.6%	9.9%	13.0%	12.6%	7.6%	7.4%

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

Table 5

Fiscal Year	Ad Valorem Tax	Special Ad Valorem Tax	Local Option Sales Tax	Utility Franchise Tax	Other Taxes	Total Taxes
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
2014	9,390,723	94,355	3,428,265	1,827,102	556,534	15,296,979



Notes:

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

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



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

Description	Fiscal Year			
	2005	2006	2007	2008
Operating revenues:				
Charges for service	\$ 40,449,488	\$ 40,997,905	\$ 40,464,262	\$ 41,531,324
Other operating revenues (1)	<u>1,577,081</u>	<u>1,648,666</u>	<u>1,546,542</u>	<u>1,698,630</u>
Total operating revenues	<u>42,026,569</u>	<u>42,646,571</u>	<u>42,010,804</u>	<u>43,229,954</u>
Operating expenses:				
Salaries and benefits	1,090,956	1,216,449	1,381,745	1,400,668
Operating expenses	5,453,013	5,333,330	5,690,968	5,185,465
Purchases of power for resale	33,005,644	33,718,191	32,914,969	33,826,763
Depreciation	<u>1,100,113</u>	<u>1,107,163</u>	<u>1,149,253</u>	<u>1,106,735</u>
Total operating expenses	<u>40,649,726</u>	<u>41,375,133</u>	<u>41,136,935</u>	<u>41,519,631</u>
Operating income (loss)	<u>1,376,843</u>	<u>1,271,438</u>	<u>873,869</u>	<u>1,710,323</u>
Non-operating revenues (expenses):				
Interest earned on investments	202,209	325,782	355,989	327,019
Interest on long-term debt	(213,269)	(195,743)	(178,512)	(234,244)
Other	<u>22,516</u>	<u>-</u>	<u>(3,283)</u>	<u>4,417</u>
Total non-operating revenues (expenses)	<u>11,456</u>	<u>130,039</u>	<u>174,194</u>	<u>97,192</u>
Income before transfers	1,388,299	1,401,477	1,048,063	1,807,515
Transfers from (to) other funds	<u>6,388,819</u>	<u>(1,802,840)</u>	<u>(401,989)</u>	<u>(3,623,938)</u>
Change in net position	<u>\$ 7,777,118</u>	<u>\$ (401,363)</u>	<u>\$ 646,074</u>	<u>\$ (1,816,423)</u>

Notes:

(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.

Table 6

	2009	2010	2011	2012	2013	2014
\$	40,973,741	\$ 43,062,906	\$ 46,290,133	\$ 45,851,593	\$ 48,347,174	\$ 51,924,474
	<u>1,578,812</u>	<u>1,536,246</u>	<u>1,483,538</u>	<u>1,534,910</u>	<u>1,574,156</u>	<u>2,396,323</u>
	<u>42,552,553</u>	<u>44,599,152</u>	<u>47,773,671</u>	<u>47,386,503</u>	<u>49,921,330</u>	<u>54,320,797</u>
	1,661,301	1,579,835	1,608,301	1,357,152	1,372,491	1,466,247
	5,342,448	4,395,926	4,523,644	4,501,733	4,824,251	6,098,297
	33,298,694	34,652,715	38,272,708	39,655,108	40,755,523	43,138,820
	<u>1,055,389</u>	<u>994,135</u>	<u>956,883</u>	<u>916,110</u>	<u>922,514</u>	<u>949,226</u>
	<u>41,357,832</u>	<u>41,622,611</u>	<u>45,361,536</u>	<u>46,430,103</u>	<u>47,874,779</u>	<u>51,652,590</u>
	<u>1,194,721</u>	<u>2,976,541</u>	<u>2,412,135</u>	<u>956,400</u>	<u>2,046,551</u>	<u>2,668,207</u>
	162,886	52,119	37,686	34,225	19,060	16,136
	(283,311)	(257,198)	(221,224)	(188,937)	(170,698)	(152,401)
	<u>(34,930)</u>	<u>(366,487)</u>	<u>(23,887)</u>	<u>(57,571)</u>	<u>(48,761)</u>	<u>61,532</u>
	<u>(155,355)</u>	<u>(571,566)</u>	<u>(207,425)</u>	<u>(212,283)</u>	<u>(200,399)</u>	<u>(74,733)</u>
	1,039,366	2,404,975	2,204,710	744,117	1,846,152	2,593,474
	<u>(1,681,671)</u>	<u>(1,759,742)</u>	<u>(1,310,393)</u>	<u>(634,423)</u>	<u>(1,338,781)</u>	<u>(520,204)</u>
\$	<u>(642,305)</u>	<u>645,233</u>	<u>894,317</u>	<u>109,694</u>	<u>507,371</u>	<u>2,073,270</u>

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

Description	Fiscal Year			
	2005	2006	2007	2008
Operating revenues:				
Water charges for service	\$ 3,037,104	\$ 2,954,700	\$ 3,265,697	\$ 3,259,876
Wastewater charges for service	3,516,469	3,507,581	3,849,221	3,651,528
Other operating revenues	<u>294,272</u>	<u>189,794</u>	<u>176,064</u>	<u>219,877</u>
Total operating revenues	<u>6,847,845</u>	<u>6,652,075</u>	<u>7,290,982</u>	<u>7,131,281</u>
Operating expenses:				
Water plant	1,228,635	1,234,730	1,384,293	1,311,156
Waste treatment plant	1,530,716	1,544,578	1,684,495	1,734,286
Water and wastewater	2,338,387	2,335,780	2,368,365	2,294,778
Depreciation	<u>984,306</u>	<u>1,011,274</u>	<u>1,093,612</u>	<u>1,090,384</u>
Total operating expenses	<u>6,082,044</u>	<u>6,126,362</u>	<u>6,530,765</u>	<u>6,430,604</u>
Operating income (loss)	<u>765,801</u>	<u>525,713</u>	<u>760,217</u>	<u>700,677</u>
Non-operating revenues (expenses):				
Interest earned on investments	57,361	105,431	139,905	130,483
Interest on long-term debt	(401,060)	(374,359)	(347,751)	(321,296)
Other	<u>(58,651)</u>	<u>7,261</u>	<u>(62,952)</u>	<u>17,561</u>
Total non-operating revenues (expenses)	<u>(402,350)</u>	<u>(261,667)</u>	<u>(270,798)</u>	<u>(173,252)</u>
Income before contributions and transfers	363,451	264,046	489,419	527,425
Capital contributions	170,862	2,834,177	676,535	69,574
Transfers from (to) other funds	<u>(415,866)</u>	<u>(618,814)</u>	<u>(719,124)</u>	<u>(680,874)</u>
Change in net position	<u>\$ 118,447</u>	<u>\$ 2,479,409</u>	<u>\$ 446,830</u>	<u>\$ (83,875)</u>

Table 7

	2009	2010	2011	2012	2013	2014
\$	3,308,617	\$ 3,351,254	\$ 3,636,646	\$ 3,747,972	\$ 3,660,282	\$ 3,802,987
	3,882,808	4,059,854	4,402,055	4,604,890	4,641,615	4,711,660
	<u>235,233</u>	<u>249,903</u>	<u>184,610</u>	<u>150,721</u>	<u>166,534</u>	<u>209,105</u>
	<u>7,426,658</u>	<u>7,661,011</u>	<u>8,223,311</u>	<u>8,503,583</u>	<u>8,468,431</u>	<u>8,723,752</u>
	1,440,449	1,429,152	1,534,200	1,474,732	1,411,184	1,679,113
	1,896,536	2,019,671	2,090,429	2,223,004	2,129,017	2,369,950
	2,508,762	2,561,648	2,688,509	2,588,725	2,613,371	2,805,339
	<u>1,106,790</u>	<u>1,157,368</u>	<u>1,170,159</u>	<u>1,197,166</u>	<u>1,225,251</u>	<u>1,260,606</u>
	<u>6,952,537</u>	<u>7,167,839</u>	<u>7,483,297</u>	<u>7,483,627</u>	<u>7,378,823</u>	<u>8,115,008</u>
	<u>474,121</u>	<u>493,172</u>	<u>740,014</u>	<u>1,019,956</u>	<u>1,089,608</u>	<u>608,744</u>
	72,152	25,796	18,139	18,283	11,507	11,693
	(293,744)	(271,477)	(250,483)	(185,947)	(162,232)	(139,249)
	<u>(9,871)</u>	<u>4,185</u>	<u>(115,055)</u>	<u>(43,970)</u>	<u>258</u>	<u>(1,069)</u>
	<u>(231,463)</u>	<u>(241,496)</u>	<u>(347,399)</u>	<u>(211,634)</u>	<u>(150,467)</u>	<u>(128,625)</u>
	242,658	251,676	392,615	808,322	939,141	480,119
	3,486,650	1,218,659	-	1,461,439	82,471	633,527
	<u>(132,033)</u>	<u>(533,631)</u>	<u>(737,295)</u>	<u>(1,293,919)</u>	<u>(778,351)</u>	<u>(511,795)</u>
\$	<u>3,597,275</u>	<u>\$ 936,704</u>	<u>\$ (344,680)</u>	<u>\$ 975,842</u>	<u>\$ 243,261</u>	<u>\$ 601,851</u>

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

Description	Fiscal Year			
	2005	2006	2007	2008
Operating revenues:				
Charges for service	\$ 26,078,146	\$ 23,108,897	\$ 17,808,955	\$ 17,549,217
Other operating revenues	<u>109,899</u>	<u>83,387</u>	<u>88,190</u>	<u>424,294</u>
Total operating revenues	<u>26,188,045</u>	<u>23,192,284</u>	<u>17,897,145</u>	<u>17,973,511</u>
Operating expenses:				
Salaries and benefits	818,393	914,023	897,001	967,950
Operating expenses	1,362,363	1,660,278	1,560,602	1,537,250
Purchases of natural gas for resale	21,395,375	18,923,326	13,515,181	13,264,317
Depreciation	<u>592,994</u>	<u>597,893</u>	<u>594,433</u>	<u>584,544</u>
Total operating expenses	<u>24,169,125</u>	<u>22,095,520</u>	<u>16,567,217</u>	<u>16,354,061</u>
Operating income (loss)	<u>2,018,920</u>	<u>1,096,764</u>	<u>1,329,928</u>	<u>1,619,450</u>
Non-operating revenues (expenses):				
Interest earned on investments	97,895	148,491	305,319	193,386
Interest on long-term debt	(204,191)	(179,804)	(218,928)	(247,214)
Other	<u>-</u>	<u>1,732</u>	<u>(4,566)</u>	<u>2,734</u>
Total nonoperating revenues (expenses)	<u>(106,296)</u>	<u>(29,581)</u>	<u>81,825</u>	<u>(51,094)</u>
Income before contributions and transfers	1,912,624	1,067,183	1,411,753	1,568,356
Capital contributions	29,096	-	-	21,292
Transfers from (to) other funds	<u>(619,212)</u>	<u>(339,219)</u>	<u>(1,182,457)</u>	<u>(844,038)</u>
Change in net position	<u>\$ 1,322,508</u>	<u>\$ 727,964</u>	<u>\$ 229,296</u>	<u>\$ 745,610</u>

Table 8

	2009	2010	2011	2012	2013	2014
\$	18,046,753	\$ 14,978,660	\$ 13,751,305	\$ 10,396,960	\$ 11,599,902	\$ 13,831,625
	<u>106,200</u>	<u>57,545</u>	<u>34,308</u>	<u>19,229</u>	<u>19,294</u>	<u>248,463</u>
	<u>18,152,953</u>	<u>15,036,205</u>	<u>13,785,613</u>	<u>10,416,189</u>	<u>11,619,196</u>	<u>14,080,088</u>
	1,152,048	1,109,352	1,279,185	992,526	1,028,218	1,111,860
	1,428,478	1,541,276	1,944,764	2,086,275	2,005,905	2,125,244
	12,911,586	9,811,535	8,163,925	5,385,773	5,744,010	7,116,775
	<u>524,105</u>	<u>527,124</u>	<u>540,673</u>	<u>544,692</u>	<u>573,748</u>	<u>584,781</u>
	<u>16,016,217</u>	<u>12,989,287</u>	<u>11,928,547</u>	<u>9,009,266</u>	<u>9,351,881</u>	<u>10,938,660</u>
	<u>2,136,736</u>	<u>2,046,918</u>	<u>1,857,066</u>	<u>1,406,923</u>	<u>2,267,315</u>	<u>3,141,428</u>
	71,025	29,672	20,795	15,544	8,390	9,997
	(218,592)	(188,973)	(224,816)	(193,196)	(174,536)	(158,855)
	<u>(85,304)</u>	<u>58,144</u>	<u>(18,728)</u>	<u>(48,908)</u>	<u>(11,726)</u>	<u>232</u>
	<u>(232,871)</u>	<u>(101,157)</u>	<u>(222,749)</u>	<u>(226,560)</u>	<u>(177,872)</u>	<u>(148,626)</u>
	1,903,865	1,945,761	1,634,317	1,180,363	2,089,443	2,992,802
	-	-	-	7,771	269,936	-
	<u>(1,061,715)</u>	<u>(925,223)</u>	<u>(954,822)</u>	<u>(1,147,666)</u>	<u>(1,100,646)</u>	<u>(1,408,915)</u>
\$	<u>842,150</u>	<u>1,020,538</u>	<u>679,495</u>	<u>40,468</u>	<u>1,258,733</u>	<u>1,583,887</u>

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

Description	Fiscal Year			
	2005 (1)	2006	2007	2008
Operating revenues:				
Charges for service	\$ 448,105	\$ 630,733	\$ 686,040	\$ 739,096
Other operating revenues	<u>1,023</u>	<u>4,242</u>	<u>4,985</u>	<u>142</u>
Total operating revenues	<u>449,128</u>	<u>634,975</u>	<u>691,025</u>	<u>739,238</u>
Operating expenses:				
Salaries and benefits	309,367	451,294	427,146	449,261
Operating expenses	456,065	269,433	270,935	249,958
Depreciation	<u>7,552</u>	<u>98,058</u>	<u>97,082</u>	<u>96,952</u>
Total operating expenses(loss)	<u>772,984</u>	<u>818,785</u>	<u>795,163</u>	<u>796,171</u>
Operating income (loss)	<u>(323,856)</u>	<u>(183,810)</u>	<u>(104,138)</u>	<u>(56,933)</u>
Non-operating revenues (expenses):				
Interest earned on investments	1,288	1,224	2,940	3,292
Interest on long-term debt	(71,615)	(70,900)	(65,544)	(60,144)
Other	<u>218</u>	<u>(33,280)</u>	<u>(3,730)</u>	<u>(2,247)</u>
Total nonoperating revenues (expenses)	<u>(70,109)</u>	<u>(102,956)</u>	<u>(66,334)</u>	<u>(59,099)</u>
Income before transfers	<u>(393,965)</u>	<u>(286,766)</u>	<u>(170,472)</u>	<u>(116,032)</u>
Transfers from (to) other funds	<u>430,794</u>	<u>315,000</u>	<u>206,000</u>	<u>206,000</u>
Change in net position	<u>\$ 36,829</u>	<u>\$ 28,234</u>	<u>\$ 35,528</u>	<u>\$ 89,968</u>

Note:

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

Table 9

2009	2010	2011	2012	2013	2014
\$ 670,211	\$ 633,027	\$ 588,350	\$ 747,737	\$ 693,059	\$ 640,045
<u>1</u>	<u>52</u>	<u>113</u>	<u>1,391</u>	<u>54</u>	<u>14,665</u>
<u>670,212</u>	<u>633,079</u>	<u>588,463</u>	<u>749,128</u>	<u>693,113</u>	<u>654,710</u>
461,150	390,347	394,230	405,794	404,886	415,959
443,798	200,440	227,501	251,578	496,014	263,149
<u>98,211</u>	<u>98,598</u>	<u>99,449</u>	<u>101,566</u>	<u>101,838</u>	<u>100,579</u>
<u>1,003,159</u>	<u>689,385</u>	<u>721,180</u>	<u>758,938</u>	<u>1,002,738</u>	<u>779,687</u>
<u>(332,947)</u>	<u>(56,306)</u>	<u>(132,717)</u>	<u>(9,810)</u>	<u>(309,625)</u>	<u>(124,977)</u>
2,208	294	98	268	305	243
(55,331)	(53,044)	(47,421)	(41,703)	(36,312)	(32,394)
<u>73,500</u>	<u>6,776</u>	<u>(1,351)</u>	<u>(2,756)</u>	<u>87,025</u>	<u>-</u>
<u>20,377</u>	<u>(45,974)</u>	<u>(48,674)</u>	<u>(44,191)</u>	<u>51,018</u>	<u>(32,151)</u>
<u>(312,570)</u>	<u>(102,280)</u>	<u>(181,391)</u>	<u>(54,001)</u>	<u>(258,607)</u>	<u>(157,128)</u>
<u>170,000</u>	<u>188,584</u>	<u>208,584</u>	<u>168,584</u>	<u>168,584</u>	<u>298,584</u>
<u>\$ (142,570)</u>	<u>\$ 86,304</u>	<u>\$ 27,193</u>	<u>\$ 114,583</u>	<u>\$ (90,023)</u>	<u>\$ 141,456</u>

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
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
2014	1,565,705,901	N/A	80,680,192	193,859,721

Sources:

Davidson County Tax Department
NC Department of Revenue

Notes:

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.

Table 10

Less: Tax Exempt Real Property (2)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
\$ 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
264,380,960	1,575,864,854	0.600	1,575,864,854

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	
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
2014	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, 2014 and June 30, 2005

2014

Taxpayer	Type of Business	Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation
Kimberly Clark Corp.	Tissue Products	\$ 82,935,383	1	\$ 497,612	5.26%
Vitacost.com Inc.	Online Retail	20,310,293	2	121,861	1.29%
NewBridge Bank	Banking	18,745,506	3	112,473	1.19%
Jeld-Wen Inc.	Windows and Doors	17,382,956	4	104,298	1.10%
Wal-Mart	Retail	15,211,110	5	91,266	0.97%
Diebold Southeast Mfg. Inc.	Security Delivery Systems	9,609,231	6	57,655	0.61%
Childress Winery & Vineyards	Viniculture	8,116,092	7	48,697	0.52%
Chesapeake Printing & Packaging Co.	Printing	8,105,276	8	48,635	0.51%
Arneg Holdings USA LLC	Refrigeration Equipment	7,822,713	9	46,936	0.50%
Parkdale Mills Inc.	Textiles	7,647,326	10	45,884	0.49%
Duracell	Batteries	-	-	-	-
Lexington Home Brands	Furniture	-	-	-	-
Stanley Furniture Co. Inc.	Furniture	-	-	-	-
RCR Air LLC	Air Transportation	-	-	-	-
Total		<u>\$ 195,885,886</u>		<u>\$ 1,175,317</u>	<u>12.44%</u>

Source:

Davidson County Tax Department

Table 12

2005				
Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation	
\$ 97,443,055	1	\$ 501,831	7.61%	
-	-	-	-	
10,653,677	7	54,866	0.83%	
15,108,889	4	77,811	1.18%	
-	-	-	-	
6,660,173	9	34,300	0.52%	
-	-	-	-	
11,399,471	6	58,708	0.89%	
-	-	-	-	
9,746,078	8	50,192	0.76%	
52,688,877	2	271,347	4.11%	
38,244,626	3	196,960	2.98%	
14,984,811	5	77,171	1.17%	
6,267,326	10	32,277	0.49%	
<u>\$ 263,196,983</u>		<u>\$ 1,355,463</u>	<u>20.54%</u>	

**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
2005	\$ 6,604,405	\$ 6,408,010	97.03%	\$ 164,954	\$ 6,572,964	99.52%
2006	7,105,958	6,887,873	96.93%	175,167	7,063,040	99.40%
2007	7,204,841	6,943,770	96.38%	204,708	7,148,478	99.22%
2008	7,901,129	7,566,532	95.77%	266,138	7,832,670	99.13%
2009	8,301,096	7,861,258	94.70%	356,309	8,217,567	98.99%
2010	8,372,149	7,878,645	94.11%	373,384	8,252,029	98.57%
2011	8,288,300	7,775,260	93.81%	363,321	8,138,581	98.19%
2012	8,257,246	7,720,187	93.50%	312,249	8,032,436	97.28%
2013	8,987,527	8,447,008	93.99%	251,097	8,698,105	96.78%
2014	9,477,350	9,027,238	95.25%	-	9,027,238	95.25%

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
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
2014	51,924,474	8,514,647	13,831,625	640,045	74,910,791

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
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
2014	30,136,463	18,822,104	2,783,984	181,923	51,924,474

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
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
2014	1,836,442	892,306	1,074,239	3,802,987

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

Table 14c

Fiscal Year	Residential	Commercial	Industrial	Total
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
2014	2,594,913	1,768,470	348,277	4,711,660

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
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
2014	5,594,047	4,636,501	3,601,077	-	13,831,625

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
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
2014	345,070	271,665	23,310	640,045

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, 2014

Table 15

Customer	Type of Business	Consumption (kWh)	Amount Billed	Percent of Total Operating Revenue
City of Lexington	Government	8,354,415	\$ 1,302,995	2.40%
Davidson County Schools	Public School System	6,410,184	953,576	1.76%
Lexington Memorial Hospital	Hospital	8,516,545	819,482	1.51%
Lexington City Schools	Public School System	5,608,317	701,237	1.29%
Davidson County	Government	4,739,384	587,916	1.08%
Food Lion	Grocery Store Chain	5,529,504	515,766	0.95%
Leggett & Platt, Inc.	Furniture	3,351,393	404,128	0.74%
Cardinal Container	Corrugated Fiber Boxes	4,355,231	381,145	0.70%
Wal-Mart	Retail	4,950,324	238,376	0.44%
National Wholesale Co. Inc.	Online/Catalog Retail	<u>1,675,040</u>	<u>207,749</u>	<u>0.38%</u>
		<u>53,490,337</u>	<u>\$ 6,112,370</u>	<u>11.25%</u>

City of Lexington, North Carolina
Schedule of Top Ten Water Customers
Fiscal Year Ended June 30, 2014

Table 16

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
PPG Industries	Glass Products	305,858	\$ 749,914	8.60%
Parkdale Mills Inc.	Textiles	63,066	106,365	1.22%
Kimberly Clark Corp.	Tissue Products	43,532	79,059	0.91%
Davidson County	Government	20,221	45,808	0.53%
Lexington City Schools	Public School System	13,931	39,659	0.45%
City of Lexington	Government	10,062	39,452	0.45%
Lexington Memorial Hospital	Hospital	18,898	32,581	0.37%
Lexington Housing Authority	Public Housing	13,724	31,671	0.36%
NC Department of Public Safety	Prison	17,942	31,376	0.36%
Cardinal Container	Corrugated Fiber Boxes	<u>5,907</u>	<u>26,435</u>	<u>0.30%</u>
		<u>513,141</u>	<u>\$ 1,182,320</u>	<u>13.55%</u>

City of Lexington, North Carolina
Schedule of Top Ten Wastewater Customers
Fiscal Year Ended June 30, 2014

Table 17

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Davidson County Schools	Public School System	23,613	\$ 202,192	2.32%
Davidson County	Government	20,487	82,757	0.95%
Atrium Companies Inc.	Vinyl Windows & Doors	8,796	66,158	0.76%
Lexington Memorial Hospital	Hospital	18,898	63,541	0.73%
NC Department of Public Safety	Prison	17,942	60,601	0.69%
Lexington Housing Authority	Public Housing	13,724	54,676	0.63%
Kimberly Clark Corp.	Tissue Products	23,460	53,244	0.61%
Cardinal Container	Corrugated Fiber Boxes	10,799	52,972	0.61%
Lexington City Schools	Public School System	13,930	48,461	0.56%
Brookstone Rest Home	Rest Home	<u>6,326</u>	<u>46,411</u>	<u>0.53%</u>
		<u>157,975</u>	<u>\$ 731,013</u>	<u>8.39%</u>

City of Lexington, North Carolina
Schedule of Top Ten Natural Gas Customers (1)
Fiscal Year Ended June 30, 2014

Table 18

Customer	Type of Business	Consumption (DT)	Amount Billed	Percent of Total Operating Revenue
Kimberly Clark Corp.	Tissue Products	138,868	\$ 1,125,694	8.00%
PPG Industries (2)	Glass Products	817,371	674,874	4.79%
J E Jones Lumber Company	Lumber Dry Kiln	65,824	466,966	3.32%
Matcor Metal Fabrication	Machine Tools	38,023	318,906	2.27%
Leggett & Platt, Inc.	Furniture	30,477	286,167	2.03%
Lexington Memorial Hospital	Hospital	33,517	264,982	1.88%
Kurz Transfer Products LP	Stamping Technology	27,747	234,320	1.66%
Hanes Construction Company	Paving	25,681	177,467	1.26%
Cardinal Container	Corrugated Fiber Boxes	16,946	161,989	1.15%
Davidson County Schools	Public School System	<u>15,205</u>	<u>161,697</u>	<u>1.15%</u>
		<u>1,209,659</u>	<u>\$ 3,873,062</u>	<u>27.51%</u>

Notes:

(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	Installment Purchases	General Obligation Bonds	Revenue Bonds
2005	\$ 2,510,000	\$ 1,259,848	\$ 7,625,000	\$ 2,557,000
2006	2,260,000	1,152,755	7,035,000	2,189,000
2007	2,000,000	893,879	6,435,000	5,445,555
2008	1,730,000	876,623	5,820,000	4,830,805
2009	1,445,000	1,401,303	5,270,000	4,191,352
2010	1,150,000	3,050,052	4,730,000	3,526,201
2011	971,861	2,756,001	4,271,139	2,834,318
2012	760,062	2,847,566	3,671,938	2,601,036
2013	551,893	2,515,553	3,082,107	2,357,826
2014	347,435	2,716,074	2,502,565	2,104,263

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.

Table 19

<u>Installment Purchases</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
\$ 9,508,784	\$ 23,460,632	3.98%	\$ 1,139
8,682,116	21,318,871	3.42%	1,019
7,969,184	22,743,618	3.50%	1,087
11,125,077	24,382,505	3.58%	1,153
10,257,958	22,565,613	3.32%	1,056
11,662,851	24,119,104	3.45%	1,126
10,623,806	21,457,125	3.32%	1,135
9,550,795	19,431,397	2.91%	1,033
8,440,940	16,948,319	NA	910
7,293,618	14,963,955	NA	802

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

Table 20

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
2005	\$ 10,135,000	-	\$ 10,135,000	0.79%	\$ 492
2006	9,295,000	-	9,295,000	0.71%	444
2007	8,435,000	-	8,435,000	0.64%	403
2008	7,550,000	-	7,550,000	0.51%	357
2009	6,715,000	-	6,715,000	0.45%	314
2010	5,880,000	-	5,880,000	0.39%	275
2011	5,243,000	-	5,243,000	0.36%	277
2012	4,432,000	-	4,432,000	0.30%	236
2013	3,634,000	-	3,634,000	0.25%	195
2014	2,850,000	-	2,850,000	0.18%	153

Notes:

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

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

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

(3) 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, 2014

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	\$ 98,933,659	11.48%	\$ 11,357,584
Subtotal, overlapping debt			11,357,584
City of Lexington, direct debt			3,063,509
Total direct and overlapping debt			\$ 14,421,093

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.

Notes:

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

(1) The percentage applicable to City of Lexington is a ratio of the City's assessed valuation of \$1,575,864,854 divided by the County's assessed valuation of \$13,728,123,994.

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

	Fiscal Year			
	2005	2006	2007	2008
Debt limit	\$ 102,498,691	\$ 104,537,339	\$ 105,707,349	\$ 117,965,215
Total net debt applicable to limit	<u>18,183,632</u>	<u>16,674,871</u>	<u>15,118,063</u>	<u>17,661,700</u>
Legal debt margin	<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	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.

Table 22

2009	2010	2011	2012	2013	2014
\$ 118,807,716	\$ 119,378,163	\$ 117,893,779	\$ 117,894,373	\$ 120,037,472	\$ 126,069,188
<u>16,784,261</u>	<u>19,317,903</u>	<u>17,472,961</u>	<u>15,843,276</u>	<u>13,763,538</u>	<u>12,190,175</u>
<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>	<u>\$ 113,879,013</u>
14.13%	16.18%	14.82%	13.44%	11.47%	9.67%

Legal Debt Margin Calculation for Fiscal Year 2014

Total Assessed Valuation	\$ 1,575,864,854
Debt limit (8 percent of total assessed value)	126,069,188
Debt applicable to limit (gross debt):	
Authorized and outstanding G.O. bonded debt	2,850,000
Outstanding debt not evidenced by bonds	10,009,692
Less Statutory deductions for electric bonds	<u>669,517</u>
Total net debt applicable to limit	<u>12,190,175</u>
Legal debt margin available to the City under North Carolina General Statute 159-55(C).	<u>\$ 113,879,013</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	
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
2014	54,265,084	50,703,364	3,561,720	157,438	19,020	176,458	20.18

Notes:

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

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

(2) Operating expenses exclude depreciation.

**City of Lexington, North Carolina
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	
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
2014	8,646,996	6,854,402	1,792,594	422,104	51,869	473,973	3.78

Notes:

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

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

(2) Operating expenses exclude depreciation.

City of Lexington, North Carolina
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	
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
2014	14,028,934	10,353,879	3,675,055	253,563	97,472	351,035	10.47

Notes:

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

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

(2) Operating expenses exclude depreciation.

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

Table 26

Fiscal Year	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)
2005	20,605	\$ 590,086	\$ 28,638	6.1%
2006	20,918	622,520	29,760	5.8%
2007	20,927	649,428	31,033	5.8%
2008	21,149	680,236	32,164	5.9%
2009	21,378	680,547	31,834	10.3%
2010	21,420	699,706	32,666	13.2%
2011	18,900	647,155	34,241	11.8%
2012	18,816	668,213	35,513	10.6%
2013	18,628	NA	NA	9.4%
2014	18,655	NA	NA	7.3%

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

Notes:

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

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

Table 27

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Davidson County Schools	1000+	1	1.30%+	1000+	1	1.27%+
Davidson County	500-999	2	0.65%-1.30%	500-999	4	0.64%-1.27%
Atrium Windows and Doors Inc.	500-999	3	0.65%-1.30%	1000+	3	1.27%+
Old Dominion Freight Line	500-999	4	0.65%-1.30%	NA	NA	NA
Wal-Mart Associates Inc.	500-999	5	0.65%-1.30%	500-999	8	0.64%-1.27%
Century Employer Organization LLC	500-999	6	0.65%-1.30%	NA	NA	NA
Lexington Memorial Hospital	500-999	7	0.65%-1.30%	500-999	9	0.64%-1.27%
Thomasville Medical Center	500-999	8	0.65%-1.30%	250-499	14	0.32%-0.64%
Davidson County Community College	500-999	9	0.65%-1.30%	500-999	6	0.64%-1.27%
Food Lion	500-999	10	0.65%-1.30%	250-499	15	0.32%-0.64%
Lexington City Schools	500-999	11	0.65%-1.30%	500-999	10	0.64%-1.27%
Thomasville City Schools	250-499	12	0.32%-0.65%	250-499	11	0.32%-0.64%
Jeld-Wen	250-499	13	0.32%-0.65%	250-499	12	0.32%-0.64%
Vitacost.com, Inc.	250-499	14	0.32%-0.65%	NA	NA	NA
PPG Industries	250-499	15	0.32%-0.65%	500-999	7	0.64%-1.27%
Asco Power Technologies LP	250-499	16	0.32%-0.65%	NA	NA	NA
City of Lexington	250-499	17	0.32%-0.65%	250-499	17	0.32%-0.64%
Richard Childress Racing	250-499	18	0.32%-0.65%	250-499	20	0.32%-0.64%
Heritage Home Group LLC	250-499	19	0.32%-0.65%	NA	NA	NA
Leggett & Platt, Inc.	250-499	20	0.32%-0.65%	250-499	13	0.32%-0.64%
Lowe's Home Centers Inc.	250-499	21	0.32%-0.65%	250-499	19	0.32%-0.64%
City of Thomasville	250-499	22	0.32%-0.65%	250-499	25	0.32%-0.64%
Pergo LLC	250-499	23	0.32%-0.65%	NA	NA	NA
The Recruiting Specialist	100-249	24	0.13%-0.32%	NA	NA	NA
Shelba D Johnson Trucking Inc.	100-249	25	0.13%-0.32%	250-499	24	0.32%-0.64%

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	24	24	24	24	24	24	24	24	24	26
Public safety										
Police										
Officers (1)	66	66	66	66	67	68	68	69	65	65
Civilians	11	11	11	11	11	11	11	10	10	9
Fire										
Firefighters and officers	47	47	47	47	47	47	48	47	47	50
Civilians	1	1	1	1	1	1	-	1	1	1
Business & community development	7	7	7	7	7	6	7	7	9	9
Highways and streets										
Engineering	5	4	4	4	4	4	4	4	4	4
Street	16	16	16	16	16	15	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	25	25	25	25	25	24	23	23	21
Water & Wastewater	44	44	44	44	44	44	44	44	43	43
Natural Gas	21	21	21	21	21	21	22	21	21	21
Golf	8	8	8	8	6	6	5	5	5	5
Garage	8	8	8	8	8	7	7	7	7	7
Risk Management	2	2	2	2	2	2	2	2	2	2
Utility Administration	30	29	29	28	27	25	24	24	24	24
Total	<u>354</u>	<u>349</u>	<u>349</u>	<u>348</u>	<u>346</u>	<u>342</u>	<u>341</u>	<u>339</u>	<u>336</u>	<u>338</u>

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 by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2005	2006	2007	2008
Primary Government:				
Public safety				
Police				
Physical arrests	3,702	4,313	4,251	3,845
Parking tickets	2,255	2,434	2,413	2,118
Calls for service	57,596	60,398	58,398	56,860
Citations	4,971	4,342	4,574	4,274
Fire				
Number of calls answered	1,031	1,141	1,108	1,109
Inspections	459	335	113	207
Business & community development				
Number of minimum housing inspections	2,742	2,891	2,904	2,825
Number of building inspections	1,708	1,774	2,590	2,120
Number of nuisance complaints	1,113	904	945	737
Highways and streets				
Street resurfacing (miles)	11.50	-	3.15	3.74
Feet of sidewalk replaced/repared	1,055	1,285	2,272	2,631
Sanitation				
Refuse collected (tons/year)	8,761	7,846	8,668	8,270
Recyclables collected (tons/year)	401	291	347	377
Yard waste collected (tons/year)	NA	NA	NA	NA
Culture and recreation				
Athletic program enrollment	1,030	1,045	1,191	1,043
Park reservations	271	253	256	284
Pool admissions	4,781	5,157	5,149	5,238
Recreational program enrollment	391	377	405	511
Business-type activities:				
Electric				
kWh sold	430,622,662	425,357,371	413,869,167	421,787,331 (1)
Number of customers	18,353	18,461	18,477	18,536
Water				
ccf sold	1,350,131	1,280,320	1,254,704	1,242,648
Number of customers	8,390	8,371	8,350	8,334
Wastewater				
ccf sold	972,430	956,426	936,410	900,333
Number of customers	7,913	7,994	8,039	8,036
Natural gas				
dt sold	2,867,432	2,415,434	2,266,762	2,136,715
Number of customers	8,336	8,760	8,696	8,845
Golf course				
Rounds sold	18,574 (3)	29,376	31,055	34,193
Number of passholders	141	125	102	102

Source: Various city departments
Various city departments

Notes:

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.

(4) Increase due to winter storm damage that occurred in March 2014.

Table 29

2009	2010	2011	2012	2013	2014
3,689	3,477	3,465	3,552	3,242	2,532
1,650	1,548	1,568	1,152	1,320	1,656
60,714	57,039	57,377	55,545	53,312	47,125
4,466	3,793	4,485	4,131	2,866	1,603
1,106	1,044	1,148	1,048	1,013	1,181
268	337	629	1,232	739	831
2,763	2,632	2,650	2,513	2,600	2,494
1,775	1,425	1,613	1,663	1,318	1,582
674	1,089	2,789	2,534	2,405	2,405
2.40	2.40	0.11	7.38	5.76	4.12
1,691	2,095	814	1,142	990	384
7,785	7,850	7,520	7,125	6,590	7,036
357	385	540	505	580	568
4,478	4,600	4,510	4,350	4,550	7,151 (4)
1,203	1,087	809	844	905	1,185
295	317	317	397	357	342
5,523	4,007	3,531	2,366	4,609	3,295
398	394	349	1,076	1,135	523
402,228,635	407,199,181	416,417,763	387,548,920	393,249,951	396,264,183
18,154 (2)	18,118	18,362	18,352	18,331	18,445
1,168,340	1,097,607	1,180,032	1,171,646	1,110,310	1,173,260
8,338	8,277	8,269	8,219	8,257	8,252
856,751	862,024	846,465	830,295	822,187	824,727
7,963	7,937	7,940	7,922	7,954	7,988
2,056,501	1,885,217	2,023,133	1,812,816	2,034,937	2,125,609
8,949	8,934	8,948	8,940	9,054	9,093
30,467	28,340	27,094	33,637	30,808	28,574
92	88	87	103	110	100

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

Function	Fiscal Year			
	2005	2006	2007	2008
Primary Government:				
General Government				
Motor pool vehicles	2	2	2	2
Motor pool equipment	0	0	23	25
Public safety				
Police				
Stations	1	1	1	1
Police vehicles	70	70	67	76
Fire				
Fire stations	3	3	3	3
Fire trucks	8	8	8	7
Highways and streets				
Streets (miles)	123.1	123.3	125.1	124.9
Sanitation				
Collection trucks and equipment	27	28	26	27
Culture and recreation				
Parks	16	16	17	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	494	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	187.0	187.0	187.0
Wastewater lines (miles)	192.5	196.0	202.0	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)	6.5	6.5	6.5	6.5
Natural Gas				
Distribution lines (miles)	501	533	550	591

Sources:

Various city departments and city capital asset records.

Note:

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

Table 30

2009	2010	2011	2012	2013	2014
2	3	2	83	85	86
42	40	41	47	48	49
1	1	1	1	1	1
72	74	74	75	72	71
3	3	3	3	3	3
8	8	7	8	9	8
125.0	125.4	125.4	125.5	125.3	125.3
28	29	28	23	25	25
16	18	18	19	20	20
2	2	2	2	2	2
15	15	15	15	15	15
12	12	12	12	13	13
8	8	8	8	8	8
2.04	2.04	2.13	2.46	2.46	2.46
494	494	494	616	616	616
11	11	11	11	11	11
2	2	2	2	2	2
187.0	187.0	187.0	192.0	192.0	192.0
212.0	212.0	212.0	212.0	214.0	216.0
7.2	7.2	7.2	7.2	7.2	7.2
6.5	6.5	6.5	6.5	6.5	6.5
606	623	645	664	674	673



COMPLIANCE SECTION



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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2014, 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 20, 2014. The financial statements of the City of Lexington ABC Board and the Lexington Tourism Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lexington's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City 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 or deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 20, 2014

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, 2014. The City of Lexington's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for 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, 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, 2014.

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 20, 2014

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

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB 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 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, 2014. The City of Lexington's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the 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 *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*, 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, 2014.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a 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 20, 2014

City of Lexington, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Exhibit I-1

Part 1. Findings and Questioned Costs
Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant Deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes 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 No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA No.</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036
Federal Equitable Sharing Program	16.922
CDBG - State-Administered CDBG Cluster	14.228 , 14.255

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

State Awards

Internal control over major State programs:

Material weakness(es) identified? Yes No

Significant Deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

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

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

Identification of major State programs:

<u>Program Name</u>
Street-Aid Allocation (Powell Bill)

Continued on next page.

**City of Lexington, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Exhibit I-1
continued

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. State Award Findings and Questioned Costs

None reported

Part 2. Corrective Action Plan

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. State Award Findings and Questioned Costs

None reported

Part 3. Summary Schedule of Prior Audit Findings

None reported

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

Exhibit I-2

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Federal (Direct & Pass- through) Expenditures	State Expenditures	Local Expenditures
Federal Grants					
Cash Programs					
<i>U.S. Department of Housing and Urban Development</i>					
Passed-through N.C. Department of Commerce					
CDBG - State-Administered CDBG Cluster					
NC Economic Recovery Program	14.228	10-C-2146	\$ 238,666	\$ -	\$ -
Infrastructure Program	14.228	03-D-2084	287,292	-	11,100
Total CDBG - State-Administered CDBG Cluster			<u>525,958</u>	<u>-</u>	<u>11,100</u>
<i>U.S. Department of Justice</i>					
Direct Programs					
Federal Equitable Sharing Program	16.922	NC0290100	483,146	-	-
Passed-through N.C. Department of Public Safety					
Edward Byrne Memorial Justice Assistance Program	16.738	2012-DJ-BX-0640	7,480	-	-
<i>U.S. Department of Transportation</i>					
Direct Programs					
TIGER II Discretionary Grant, Planning - MultiModal Transportation Area Plan	20.933	FR-TII-0005-11-01-00	88,654	-	-
<i>U.S. Department of Homeland Security</i>					
Direct Programs					
Assistance to Firefighters	97.044	EMW-2012-FO-02458	140,284	-	15,587
Passed-through N.C. Department of Public Safety					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4167-DR-NC	721,340	198,404	-
Total assistance - federal programs			<u>1,966,862</u>	<u>198,404</u>	<u>26,687</u>
State Grants					
Cash Programs					
<i>N.C. Department of Transportation</i>					
Direct Program					
Powell Bill, DOT-4		32570	-	588,916	-
Total assistance - state programs			<u>-</u>	<u>588,916</u>	<u>-</u>
Total assistance			<u>\$ 1,966,862</u>	<u>\$ 787,320</u>	<u>\$ 26,687</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.