

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FISCAL YEAR ENDED  
June 30, 2015**



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## **City of Lexington**

**Fiscal Year Ended June 30, 2015**



**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, 2015**

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# **INTRODUCTORY SECTION**





LEXINGTON  
NORTH CAROLINA

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FINANCE DEPARTMENT  
INTEGRITY FIRST

October 14, 2015

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, 2015. 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, 2015.

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. has issued an unmodified ("clean") opinion on the City of Lexington's financial statements for the fiscal year ended June 30, 2015. 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 18,730. 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 five 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 five cook-offs were highly successful and the 5th Annual BBQ Capital Cook-off is slated again April 22-23, 2016.

All of the aforementioned efforts in combination with the 32<sup>st</sup> annual Barbecue Festival in 2015 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*. In July 2015, Fox News included Lexington among *11 sites that are distinctly American*. In September 2015, *Only In Your State* included Lexington as one of the ten best places to retire in North Carolina.

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. Halyard Health Corp (formerly Kimberly-Clark Health Care), a global consumer products company, continues to be the City's largest taxpayer, with 5.42% of the City's assessed valuation. Moran Foods, Jeld-Wen, Windstream, and Vitacost.com round out the top five at 1.59%, 1.48%, 1.39%, and 1.27%, 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. Chesapeake Printing, Masterbrand Cabinets, and 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 among the top ten taxpayers with approximately \$19.5 million assessed value or 1.27% 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](http://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. During the 2014-15 fiscal year significant steps were taken to begin redevelopment of property in the Depot District. Several structures on this property were demolished and removed to prepare for redevelopment. In June 2015, Bull City Ciderworks announced that it will move most of its production operations to Lexington, where it will be the first tenant of 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](http://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. Reconstruction and renovation of Hillside Pool and pool house, a community pool, began in the fall of 2014 and concluded in the spring of 2015 with the opening of Lexington Aquatics Park. Plans are currently underway for the redevelopment of Washington Park.

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 2014-15 and will be updated again in fiscal year 2016-17. 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, 2014. This was the

twenty-third 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 Kathy Whitman, Susan Floyd, 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 style with a large initial "J" and "O".

John M. Overton  
Director of Finance



Government Finance Officers Association

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

Presented to

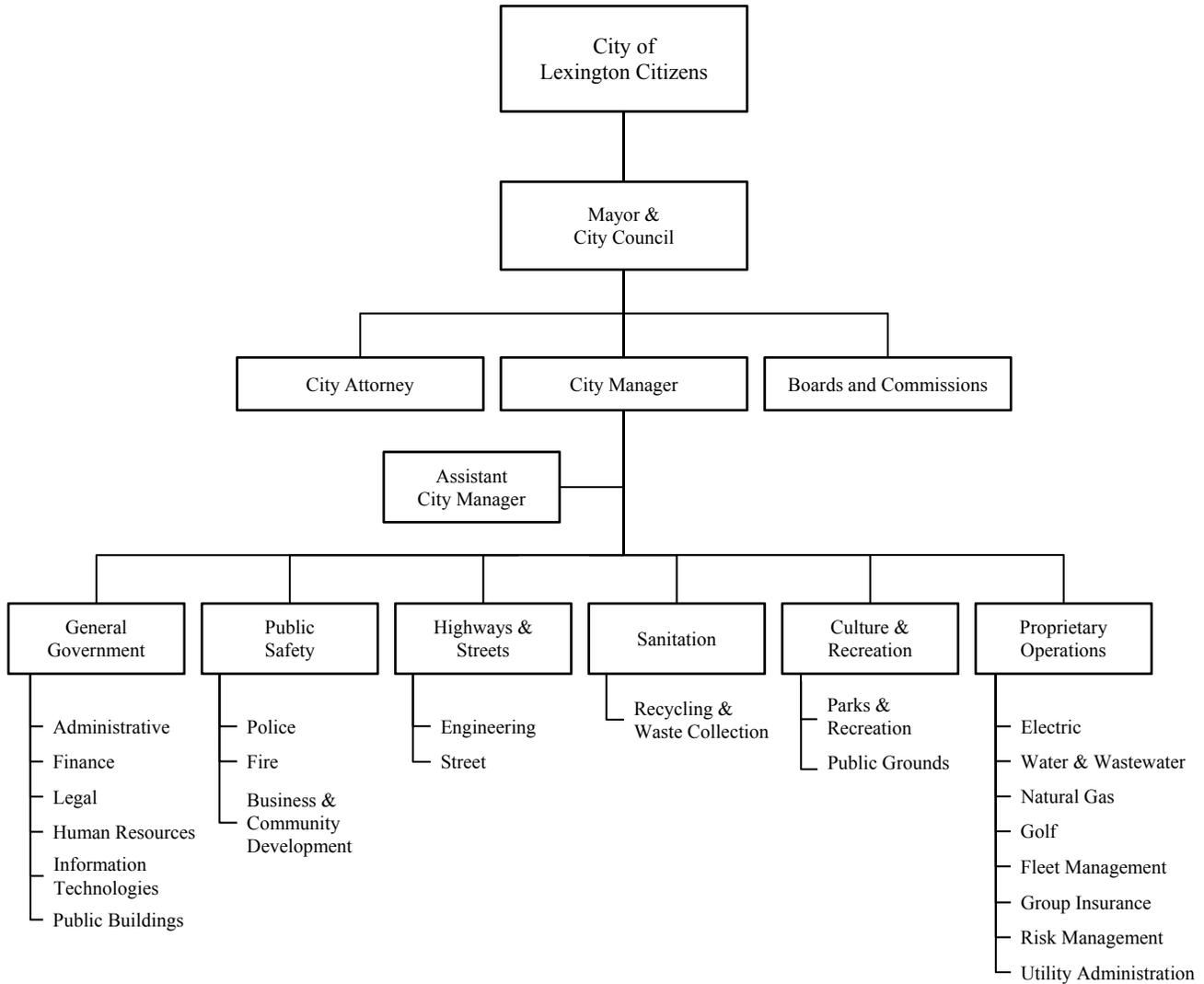
**City of Lexington  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 16, the Law Enforcement Officers' Special Separation Allowance's and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions on pages 85 through 88, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 89 through 90, and the Firefighters' and Rescue Squad Workers' Pension Funds' Schedule of the Proportionate Share of Net Pension Liability on page 91 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 14, 2015 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 14, 2015

## 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, 2015. 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-x of this report, and the City's financial statements, which follow this narrative.

### FINANCIAL HIGHLIGHTS

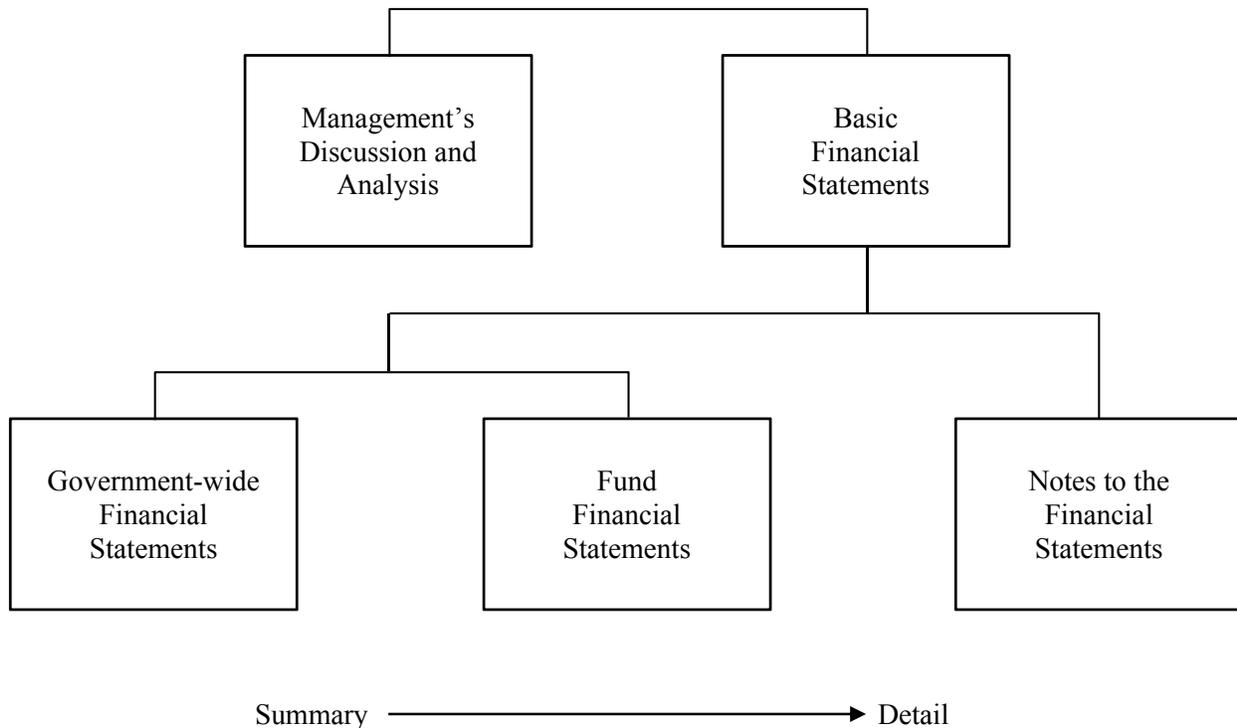
- The assets and deferred outflows of resources of the City of Lexington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$163,023,048 (*net position*).
- The government's total net position increased by \$4,237,175, primarily due to sustained increases in customer's usage and charges in the Electric and Natural Gas Funds resulting from the cold winter that the City experienced.
- As of the close of the current fiscal year, the City of Lexington's governmental funds reported combined ending fund balances of \$10,933,758 which is an increase of \$1,335,894 in comparison with the prior year. Approximately 44.3% of this total amount, or \$4,842,466, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,744,018, or 24.0% of total General Fund expenditures for the fiscal year. Unassigned fund balance represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength.
- The City of Lexington's total debt is \$16,884,585, which increased by \$1,920,630 (12.8%) during the current fiscal year. The key factor in this increase was the issuance of installment purchase debt in the amount of \$4,223,000 (\$1,706,000 for public building improvements including City Hall and Commons on the Green, \$704,000 for recreation improvements including Lexington Aquatics Park, and \$1,813,000 for electric system improvements including improvements to the Old Hospital and Royal Park substations. The City also incurred seller-financed installment debt in the amount of \$220,000 with its acquisition of property that will be developed into an indoor recreation center.
- The City of Lexington refinanced or modified existing debt obligations during the year that had outstanding balances of \$4,128,488. These activities were undertaken to reduce total future debt service payments by \$277,077 and resulted in economic gains of \$174,974.
- 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 5<sup>th</sup> consecutive year. Before the 2010 upgrades, previous bond ratings had been intact for 12 consecutive years.
- For 23 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 government, 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. Although legally separate entities from the City, the ABC Board, the Tourism Authority and Uptown Lexington are important to the City. The City exercises control over the Boards by appointing members and exercises fiduciary responsibilities in the case of the Tourism Authority and Uptown Lexington. In addition, the ABC Board is required to distribute a portion of its profits to the City.

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

### **Fund Financial Statements**

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

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

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

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

**Proprietary Funds** – City of Lexington has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Lexington uses enterprise funds to account for its electric, water and wastewater, 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: fleet management, employee and retiree group insurance, risk management insurance and claims, and utility administration operations that primarily serve the City utilities such as billing, customer service and meter reading. 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 Fleet Management 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 37 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 85 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### City of Lexington Statement of Net Position as of June 30, 2015

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 17,930,273	\$ 15,369,291	\$ 38,220,394	\$ 33,858,559	\$ 56,150,667	\$ 49,227,850
Capital assets	43,961,660	43,579,080	99,882,512	99,328,013	143,844,172	142,907,093
Deferred outflows of resources	681,739	665,174	353,597	345,005	1,035,336	1,010,179
Total assets and deferred outflows of resources	<u>62,573,672</u>	<u>59,613,545</u>	<u>138,456,503</u>	<u>133,531,577</u>	<u>201,030,175</u>	<u>193,145,122</u>
Current liabilities	1,919,537	1,762,047	6,781,636	6,294,451	8,701,173	8,056,498
Long-term liabilities outstanding	11,244,516	10,968,781	14,382,669	15,333,970	25,627,185	26,302,751
Deferred inflows of resources	2,422,363	-	1,256,406	-	3,678,769	-
Total liabilities and deferred inflows of resources	<u>15,586,416</u>	<u>12,730,828</u>	<u>22,420,711</u>	<u>21,628,421</u>	<u>38,007,127</u>	<u>34,359,249</u>
Net position:						
Net investment in capital assets	39,963,277	40,515,571	88,722,117	87,427,567	128,685,394	127,943,138
Restricted	3,766,473	3,085,267	-	-	3,766,473	3,085,267
Unrestricted	3,257,506	3,281,879	27,313,675	24,475,589	30,571,181	27,757,468
Total net position	<u>\$ 46,987,256</u>	<u>\$ 46,882,717</u>	<u>\$116,035,792</u>	<u>\$111,903,156</u>	<u>\$ 163,023,048</u>	<u>\$ 158,785,873</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 \$163,023,048 as of June 30, 2015. The City's net position increased by \$4,237,175 for the fiscal year ended June 30, 2015. However, the largest portion (78.9%) of net position reflects the City's net investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure such as roads and bridges, 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, \$3,766,473, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$30,571,181 is unrestricted. Also, the City of Lexington implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$2,035,826. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Lexington's management.

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

- Improvement in the collection of property taxes with a tax collection rate of 96.49%. The statewide average in fiscal year 2014 was 98.34%.
- An electric rate increase, continued cold 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 \$1.90 million of debt principal payments in the current year.

### City of Lexington Changes in Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,884,188	\$ 1,620,218	\$ 76,621,422	\$ 78,215,833	\$ 78,505,610	\$ 79,836,051
Operating grants and contributions	830,907	1,049,845	46,368	614,114	877,275	1,663,959
Capital grants and contributions	25,000	714,152	-	633,527	25,000	1,347,679
General revenues:						
Property taxes	9,355,556	9,433,618	-	-	9,355,556	9,433,618
Other taxes	314,466	265,561	-	-	314,466	265,561
Other general revenues	6,094,707	5,627,921	44,803	41,360	6,139,510	5,669,281
Total revenues	<u>18,504,824</u>	<u>18,711,315</u>	<u>76,712,593</u>	<u>79,504,834</u>	<u>95,217,417</u>	<u>98,216,149</u>

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

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Expenses:</b>						
General government	\$ 4,617,011	\$ 4,780,061	\$ -	\$ -	\$ 4,617,011	\$ 4,780,061
Public safety	9,728,760	10,390,718	-	-	9,728,760	10,390,718
Highways and streets	2,826,265	3,125,174	-	-	2,826,265	3,125,174
Sanitation	1,625,203	1,983,755	-	-	1,625,203	1,983,755
Culture and recreation	1,575,688	1,532,975	-	-	1,575,688	1,532,975
Economic and physical development	73,939	143,139	-	-	73,939	143,139
Interest on long-term debt	183,188	141,426	-	-	183,188	141,426
Electric	-	-	51,399,095	52,221,251	51,399,095	52,221,251
Water and Wastewater	-	-	7,788,441	8,441,895	7,788,441	8,441,895
Natural gas	-	-	10,347,419	11,407,325	10,347,419	11,407,325
Golf	-	-	815,233	809,312	815,233	809,312
Total expenses	<u>20,630,054</u>	<u>22,097,248</u>	<u>70,350,188</u>	<u>72,879,783</u>	<u>90,980,242</u>	<u>94,977,031</u>
Increase (decrease) in net position before transfers	(2,125,230)	(3,385,933)	6,362,405	6,625,051	4,237,175	3,239,118
Transfers	<u>2,229,769</u>	<u>2,322,130</u>	<u>(2,229,769)</u>	<u>(2,322,130)</u>	-	-
<b>Increase (decrease) in net position</b>	<u>104,539</u>	<u>(1,063,803)</u>	<u>4,132,636</u>	<u>4,302,921</u>	<u>4,237,175</u>	<u>3,239,118</u>
Net position, beginning, previously reported	48,223,249	49,287,052	112,598,450	108,295,529	160,821,699	157,582,581
Restatement	<u>(1,340,532)</u>	-	<u>(695,294)</u>	-	<u>(2,035,826)</u>	-
Net position, beginning, restated	<u>46,882,717</u>	<u>49,287,052</u>	<u>111,903,156</u>	<u>108,295,529</u>	<u>158,785,873</u>	<u>157,582,581</u>
Net position, ending	<u>\$ 46,987,256</u>	<u>\$ 48,223,249</u>	<u>\$ 116,035,792</u>	<u>\$ 112,598,450</u>	<u>\$ 163,023,048</u>	<u>\$ 160,821,699</u>

**Governmental activities** - Governmental activities increased the City's net position by \$104,539. Key elements of this increase are as follows:

- As the economy continued to slowly improve, unrestricted intergovernmental revenues including local option sales taxes and utilities franchise/sales tax increased by approximately \$466,000.
- Increase in waste collection fees of approximately \$254,000 as a result of increasing the monthly fee for waste collection rollout service from \$9.50 to \$11.00 per container per month.
- Decreases in cost of contracted labor for sanitation services of approximately \$177,000.
- City management continued to evaluate opportunities for reductions in personnel costs by reorganizations and delays in hiring.

**Business-type activities** - Business-type activities increased the City of Lexington's net position by \$4,132,636. Key elements of the business-type increase are as follows:

- An electric rate increase, unusually cold 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 \$3,809,929 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 \$6,060,742, while total fund balance reached \$9,369,879. The City of Lexington City Council has informally determined that the City should maintain an available fund balance of 25% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 29.76% of General Fund expenditures, while total fund balance represents 46.02% of the same amount. Of the fund balance available, \$10,000 is restricted in what it can be used for and \$13,902 has been committed for specific purposes. Also, the City Council has appropriated \$1,292,822 of the fund balance available for use in the year ended June 30, 2016.

At June 30, 2015, the governmental funds of the City of Lexington reported a combined fund balance of \$10,933,758, with a net increase in fund balance of \$1,335,894. Included in this change in fund balance is an increase of \$719,067 in the General Fund and an increase of \$822,604 in the Capital Projects Fund. Much of the increase in the General Fund is due to increases in unrestricted intergovernmental revenues resulting from a slowly improving economy and an increase in waste collection fees. Also, a delay in ordering two hybrid refuse trucks resulting in delaying recognition of the corresponding capital outlay expenditure of \$809,921 until the 2015-16 fiscal year. In addition, delays in other capital purchases and spending and in hiring vacant positions contributed towards the increase. The increase in the Capital Projects Fund is temporary and is primarily related to unexpended debt proceeds and other cash being used to fund projects.

**General Fund Budgetary Highlights** – During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased appropriations by \$700,232, representing a 3.3 percent increase from the original budget. These included the following significant amendments: 1) \$232,550 for re-appropriation of prior year outstanding encumbrances, 2) \$150,000 for the acquisition of storage area network equipment that is being financed through a borrowing from the Natural Gas Fund, 3) \$105,000 for the first of five planned annual appropriations to fund the acquisition of an indoor recreation facility, 2) \$95,000 for additional support to the Golf Fund due to the impact of unusually cold and wet conditions on revenues in that fund, and 5) \$95,000 for additional funding for the 2014 Public Buildings Improvement Project. These amendments were funded with a combination of increases in expected unrestricted intergovernmental revenues and appropriation of fund balance.

Revenues were \$1,028,781 higher than the final budgeted amounts. Ad valorem tax revenues exceeded those amounts estimated with the budget by \$669,064, primarily because the assessed valuation and the collection rate exceeded the original estimates used in the budget. Unrestricted intergovernmental revenues exceeded budgeted amounts by \$528,703. Included in this category are the utilities sales tax and local options sales tax with revenues exceeding budgeted amounts by \$395,878 and \$166,861, respectively. Restricted intergovernmental revenues were less than budgeted amounts by \$223,972, primarily due to a delay in ordering two hybrid refuse trucks that are being partially funded by a grant. This delay will result in the grant revenue of approximately \$283,000 being recognized in the 2015-16 fiscal year.

Expenditures were \$1,730,648, or 8%, lower than the final budgeted amounts. Personnel costs were \$375,000 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, 2015, which totaled \$969,621 for the General Fund. This amount includes \$809,921 related to the acquisition of two hybrid refuse trucks. These purchase and contractual commitments, although originally authorized under budgetary appropriations for the year ended June 30, 2015, 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.

Installment purchase debt issuances were \$675,202 lower than the final budgeted amounts. Of the planned debt issuances, \$525,202 was delayed due to the delay in ordering two hybrid refuse trucks. \$150,000 in borrowing that was planned for financing storage area network equipment was instead borrowed from the Natural Gas Fund.

**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 \$9,483,036, \$3,677,680, \$5,651,704, and (\$70,016), respectively. Total unrestricted net position for all enterprise funds amounted to \$18,742,404.

The total change in net position for the Electric, Water and Wastewater, Natural Gas, and Golf funds were (\$194,969), \$1,229,408, \$1,660,716, and \$87,054, respectively. These changes include changes in net position invested in capital assets for the respective funds of \$227,633, \$187,194, \$840,749, and \$42,525. The remaining changes represent changes in unrestricted net position for the funds.

Electric unrestricted net position decreased by \$422,602, primarily due to a transfer of \$1,232,000 to the Capital Reserve Fund to reestablish reserve amounts temporarily drawn upon the previous year in anticipation of debt financing for the 2014 Electric Systems Improvement Project. An electric rate increase, continued cold winter weather patterns and cost containment measures had a positive impact on unrestricted net position. Water and Wastewater unrestricted net position increased by \$1,042,214, primarily due to delays in capital spending and cost containment as well as moderate increases in revenues due to increased usage. Natural Gas unrestricted net position increased by \$819,967, primarily due to a moderation of natural gas prices as well as the impact of continued cold winter weather patterns on revenues. While the winter weather patterns positively affected the utilities, it had an adverse impact on golf rounds and revenues. The General Fund provided \$95,000 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 \$97,348 less than the final budgeted amounts and unrestricted net position increased by \$44,529.

Also, the City of Lexington implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees’ Retirement System’s net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement of beginning unrestricted net position to record the effects of the new reporting guidance decreased beginning net position for the Electric, Water and Wastewater, Natural Gas, and Golf funds by \$154,385, \$259,266, \$118,974, and \$39,591, respectively.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – As of June 30, 2015, the City of Lexington had \$143,844,172 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 storage area network equipment at a cost of \$154,880.
- Acquisition of Scott Safety Air Packs totaling \$132,678.
- Acquisition of a facility for a future Recreation Center at a cost of \$650,000.
- Construction of Lexington Aquatics Park at a cost of \$665,580.

- Construction in progress for renovations to Commons on the Green at a cost of \$355,004.
- Construction in progress for renovations to City Hall at a cost of \$513,548.
- Reassignment of Investment in Lake Thom-A-Lex joint venture (previously reflected as a Governmental capital asset) to the Water and Wastewater Fund at a carrying value of \$429,871.
- Acquisition of a bucket truck in the Electric Fund at a cost of \$116,489.
- Acquisition of a line truck in the Electric Fund at a cost of \$235,293
- Construction in progress for upgrades to Old Hospital Substation at a cost of \$876,964.
- Acquisition and installation of a Wastewater Treatment Plant filter screen in the Water and Wastewater Fund at a cost of \$198,481.
- Acquisition of a sewer camera for sewer mains at a cost of \$88,059.
- Construction of Erwin Capital Pump Station with a 2” force main in the Water and Wastewater Fund at a cost of \$72,752
- Construction in progress for Water Treatment Plant drying beds in the Water and Wastewater Fund at a cost of \$121,962
- Kimberly Clark Pump Station improvements at a cost of \$97,494.
- Acquisition of a Kubota Excavator, John Deere Wheel Loader, Kubota Tractor with Boom Mower, and John Deere Backhoe in the Fleet Management Fund at a total acquisition cost of \$391,228.

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

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,252,779	\$ 2,368,267	\$ 2,051,883	\$ 2,051,883	\$ 4,304,662	\$ 4,420,150
Buildings	6,277,734	6,455,355	2,928,054	3,020,612	9,205,788	9,475,967
Other improvements	2,544,346	2,083,914	1,167,945	1,263,537	3,712,291	3,347,451
Machinery & equipment	3,920,542	3,806,552	1,493,362	919,473	5,413,904	4,726,025
Intangibles	975,706	1,133,928	163,722	172,553	1,139,428	1,306,481
Infrastructure	20,228,649	21,125,757	-	-	20,228,649	21,125,757
Plant & distribution systems	-	-	87,578,944	87,374,450	87,578,944	87,374,450
Construction in progress	7,761,904	6,605,307	4,498,602	4,525,505	12,260,506	11,130,812
<b>Total</b>	<u>\$ 43,961,660</u>	<u>\$ 43,579,080</u>	<u>\$ 99,882,512</u>	<u>\$ 99,328,013</u>	<u>\$ 143,844,172</u>	<u>\$ 142,907,093</u>

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

**Long-term Debt** – As of June 30, 2015, the City of Lexington had total bonded debt outstanding of \$3,987,034. Of this, \$2,080,000 is debt backed by the full faith and credit of the City; however, \$1,933,225 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 \$1,907,034 in bonds secured solely by specified revenue sources in the Natural Gas Fund (i.e. revenue bonds). At June 30, 2015, the City had installment purchase debt outstanding of \$12,897,551. 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 146,775	\$ 347,435	\$ 1,933,225	\$ 2,502,565	\$ 2,080,000	\$ 2,850,000
Revenue bonds	-	-	1,907,034	2,104,263	1,907,034	2,104,263
Installment purchases	4,923,681	2,716,074	7,973,870	7,293,618	12,897,551	10,009,692
<b>Total</b>	<u>\$ 5,070,456</u>	<u>\$ 3,063,509</u>	<u>\$ 11,814,129</u>	<u>\$ 11,900,446</u>	<u>\$ 16,884,585</u>	<u>\$ 14,963,955</u>

The City of Lexington's total debt increased by \$1,920,630 (12.8%). During the past fiscal year, the City issued installment purchase debt in the amount of \$4,223,000 (\$1,706,000 for public building improvements including City Hall and Commons on the Green, \$704,000 for recreation improvements including Lexington Aquatics Park, and \$1,813,000 for electric system improvements including improvements to the Old Hospital and Royal Park substations). The City also incurred seller-financed debt in the amount of \$220,000 with its acquisition of property that will be developed into an indoor recreation center.

Refinancing debt was issued totaling \$3,723,997 to refinance two existing obligations. These refinancings, along with a modification of an additional existing obligation, were undertaken to reduce total future debt service payments by \$277,077 and resulted in economic gains of \$174,974.

Debt retirements, net of refinancing activities, totaled \$2,522,370.

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 5<sup>th</sup> 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 \$108,864,389. The City has no bonds authorized but unissued at June 30, 2015.

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

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

### **Economic Factors**

- Unemployment rate data, seasonally adjusted, available at the time of this report indicates unemployment in the State of North Carolina was 5.8% as of June 30, 2015 and averaged 5.6% for the fiscal year. However, the unemployment rate in Davidson County was higher at 5.9% as of June 30, 2015, averaging 5.6% for the fiscal year. The State unemployment has decreased from 6.2% as of June 30, 2014 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 Davidson County mirrors that downward trend as well, decreasing 0.6% from 6.5% 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.
- CDBG economic development grants in the form of building reuse grants were announced in July 2015 for Piedmont Candy Company and for Masterbrand Cabinets. Piedmont Candy Company expects to add \$2 million in private investment and thirty-eight full time jobs as part of its expansion. Masterbrand Cabinets expects to add \$8 million in private investment and thirty-eight full time jobs as part of its expansion.

### **Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities** – The property tax rate for 2015-16 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 2015-16 from the previous year’s final budget estimates. 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 third of a four year phase-in of a residential recycling rollout program. In conjunction with green initiative goals, the City has been awarded a grant to aid in the acquisition of 2 hybrid refuse trucks. Plans for multi-year strategic investments in recreation are being continued as well. Planned investments include the redevelopment of Washington Park, a City of Lexington recreational park. A Parks and Recreation Trust Fund grant has been applied for to assist with funding for this recreational initiative. It is anticipated that this and other recreation improvements will be financed with installment purchase debt and debt service estimates for these have been budgeted accordingly.

**Business-type Activities** – City residents benefitted from an average 2.7% electric rate decrease effective July 1, 2015. This rate decrease is primarily attributable to the North Carolina Municipal Power Agency No. 1 passing on wholesale power cost decreases 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. In addition, the City plans to replace its aging Electric Operations Center and Warehouse Center Facilities. The City Warehouse is operated out of the Utility Administration Internal Service Fund. The replacement of these facilities will require financing with installment purchase debt. Both the Electric Fund budget and the Utility Administration Internal Service Fund financial plan include provisions for estimated debt service on these facilities.

### **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, 2014 through June 30, 2015. Questions concerning any of the information found in this report or requests for additional information should be directed to the City of Lexington Finance Department, 28 West Center Street, Lexington, NC 27292 or visit the City’s website at [www.LexingtonNC.gov](http://www.LexingtonNC.gov).



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## BASIC FINANCIAL STATEMENTS

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**City of Lexington, North Carolina**  
**Statement of Net Position**  
**June 30, 2015**

**Exhibit 1**

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	ABC Board	Tourism Authority	Uptown Lexington
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,226,593	\$ 14,486,202	\$ 24,712,795	\$ 247,922	\$ 273,031	\$ 111,590
Receivables (net)						
Taxes	653,771	-	653,771	-	-	-
Accounts - billed	214,717	4,509,755	4,724,472	-	-	-
Accounts - unbilled	73,320	5,048,623	5,121,943	-	-	599
Interest	2,043	3,874	5,917	-	-	-
Due from other governments	1,981,198	377,792	2,358,990	-	-	-
Due from component units	114,686	-	114,686	-	-	-
Due from primary government	-	-	-	-	34,919	-
Internal balances	(1,470,799)	1,470,799	-	-	-	-
Inventories	163,947	2,242,244	2,406,191	311,591	-	-
Prepaid items	3,329	17,000	20,329	4,676	-	-
Restricted cash and cash equivalents	4,973,574	9,120,170	14,093,744	-	-	-
Equity interest in joint venture	-	428,433	428,433	-	-	-
Real estate held for investment	-	-	-	-	-	52,700
Net pension asset	993,894	515,502	1,509,396	12,030	-	-
Capital assets:						
Land and other non-depreciable assets	10,014,683	6,550,485	16,565,168	253,386	-	-
Other capital assets, net of accumulated depreciation	33,946,977	93,332,027	127,279,004	296,149	-	-
Total capital assets	43,961,660	99,882,512	143,844,172	549,535	-	-
Total assets	61,891,933	138,102,906	199,994,839	1,125,754	307,950	164,889
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	681,739	353,597	1,035,336	24,743	-	-

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Net Position**  
**June 30, 2015**

**Exhibit 1**  
*continued*

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	ABC Board	Tourism Authority	Uptown Lexington
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 1,770,988	\$ 5,896,207	\$ 7,667,195	\$ 179,788	\$ 2,393	\$ 3,188
Due to component units	34,919	-	34,919	-	-	-
Due to primary government	-	-	-	114,686	-	-
Unearned revenue	7,500	-	7,500	-	-	-
Payable from restricted assets	106,130	885,429	991,559	-	-	-
Long-term liabilities:						
Due in one year	1,360,078	2,371,013	3,731,091	33,838	4,823	8,422
Due in more than one year	9,884,438	12,011,656	21,896,094	116,491	-	29,120
Total liabilities	<u>13,164,053</u>	<u>21,164,305</u>	<u>34,328,358</u>	<u>444,803</u>	<u>7,216</u>	<u>40,730</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>2,422,363</u>	 <u>1,256,406</u>	 <u>3,678,769</u>	 <u>29,322</u>	 <u>-</u>	 <u>-</u>
 <b>NET POSITION</b>						
Net investment in capital assets	39,963,277	88,722,117	128,685,394	399,206	-	-
Restricted for:						
Stabilization by state statute	3,309,414	-	3,309,414	-	34,919	-
Council chamber improvements	10,000	-	10,000	-	-	-
Law enforcement	228,414	-	228,414	-	-	-
Urban redevelopment	48,000	-	48,000	-	-	-
Capital projects	170,645	-	170,645	-	-	-
Uptown revitalization	-	-	-	-	-	116,379
Working capital	-	-	-	117,531	-	-
Tourism promotion	-	-	-	-	265,815	-
Unrestricted	<u>3,257,506</u>	<u>27,313,675</u>	<u>30,571,181</u>	<u>159,635</u>	<u>-</u>	<u>7,780</u>
Total net position	<u>\$ 46,987,256</u>	<u>\$ 116,035,792</u>	<u>\$ 163,023,048</u>	<u>\$ 676,372</u>	<u>\$ 300,734</u>	<u>\$ 124,159</u>

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

**City of Lexington, North Carolina**  
**Statement of Activities**  
**For the fiscal year ended June 30, 2015**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	ABC Board	Tourism Authority	Uptown Lexington
Primary government:										
Governmental Activities:										
General government	\$ 4,617,011	\$ 88,413	\$ 272	\$ -	\$ (4,528,326)	\$ -	\$ (4,528,326)			
Public safety	9,711,455	305,823	90,231	-	(9,315,401)	-	(9,315,401)			
Highways and streets	2,826,265	2,009	617,263	-	(2,206,993)	-	(2,206,993)			
Sanitation	1,625,203	1,169,368	12,038	-	(443,797)	-	(443,797)			
Culture and recreation	1,575,688	85,667	77,722	25,000	(1,387,299)	-	(1,387,299)			
Economic and physical development	73,939	232,908	16,076	-	175,045	-	175,045			
Interest on long-term debt	183,188	-	-	-	(183,188)	-	(183,188)			
Total governmental activities	<u>20,612,749</u>	<u>1,884,188</u>	<u>813,602</u>	<u>25,000</u>	<u>(17,889,959)</u>	<u>-</u>	<u>(17,889,959)</u>			
Business-type activities:										
Electric	51,399,095	54,027,183	46,368	-	-	2,674,456	2,674,456			
Water and Wastewater	7,788,441	8,946,524	-	-	-	1,158,083	1,158,083			
Natural Gas	10,347,419	12,999,357	-	-	-	2,651,938	2,651,938			
Golf	815,233	648,358	-	-	-	(166,875)	(166,875)			
Total business-type activities	<u>70,350,188</u>	<u>76,621,422</u>	<u>46,368</u>	<u>-</u>	<u>-</u>	<u>6,317,602</u>	<u>6,317,602</u>			
Total primary government	<u>\$ 90,962,937</u>	<u>\$ 78,505,610</u>	<u>\$ 859,970</u>	<u>\$ 25,000</u>	<u>(17,889,959)</u>	<u>6,317,602</u>	<u>(11,572,357)</u>			
Component units:										
ABC Board	\$ 3,969,080	\$ 3,968,546	\$ -	\$ -			\$ (534)	\$ -	\$ -	
Tourism Authority	417,881	-	444,637	-			-	26,756	-	
Uptown Lexington	220,283	10,350	205,386	-			-	-	(4,547)	
Total component units	<u>\$ 4,607,244</u>	<u>\$ 3,978,896</u>	<u>\$ 650,023</u>	<u>\$ -</u>			<u>(534)</u>	<u>26,756</u>	<u>(4,547)</u>	

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Activities**  
**For the fiscal year ended June 30, 2015**

**Exhibit 2**  
*continued*

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	ABC Board	Tourism Authority	Uptown Lexington
General revenues:										
Taxes:										
Property taxes					\$ 9,355,556	\$ -	\$ 9,355,556	\$ -	\$ -	\$ -
Other taxes					314,466	-	314,466	-	-	-
Grants and contributions not restricted to specific programs					6,061,070	-	6,061,070	-	-	-
Investment earnings, unrestricted					27,756	44,803	72,559	599	42	30
Miscellaneous, unrestricted					5,881	-	5,881	-	-	-
Total general revenues not including transfers					15,764,729	44,803	15,809,532	599	42	30
Transfers					2,229,769	(2,229,769)	-	-	-	-
Total general revenues and transfers					17,994,498	(2,184,966)	15,809,532	599	42	30
Change in net position					104,539	4,132,636	4,237,175	65	26,798	(4,517)
Net position, beginning, previously reported					48,223,249	112,598,450	160,821,699	679,898	273,936	128,676
Restatement					(1,340,532)	(695,294)	(2,035,826)	(3,591)	-	-
Net position, beginning, restated					46,882,717	111,903,156	158,785,873	676,307	273,936	128,676
Net position, ending					\$ 46,987,256	\$ 116,035,792	\$ 163,023,048	\$ 676,372	\$ 300,734	\$ 124,159

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

**City of Lexington, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

**Exhibit 3**

	Major Fund		Total Non-		Total
	General		Major Funds		Governmental
	Fund				Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 7,918,426		\$ 880,787		\$ 8,799,213
Receivables (net)					
Property taxes	643,455		10,316		653,771
Accounts - billed	177,530		-		177,530
Accounts - unbilled	73,320		-		73,320
Interest	1,195		51		1,246
Due from other governments	1,907,231		18,614		1,925,845
Due from other funds	75,000		-		75,000
Advance to other funds	120,000		-		120,000
Due from component unit	114,686		-		114,686
Inventories	591		-		591
Prepaid items	3,329		-		3,329
Restricted cash and cash equivalents					
Customer deposits	81,130		-		81,130
Economic development deposit	25,000		-		25,000
Construction in progress - unexpended debt proceeds	-		1,072,073		1,072,073
Total assets	\$ 11,140,893		\$ 1,981,841		\$ 13,122,734
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 740,785		\$ 205,146		\$ 945,931
Due to other funds	37,174		75,000		112,174
Due to component units	34,919		-		34,919
Unearned revenue	-		7,500		7,500
Liabilities payable from restricted assets:					
Deposits	106,130		-		106,130
Advance from other funds	75,185		120,000		195,185
Total liabilities	994,193		407,646		1,401,839
Deferred inflows of resources	776,821		10,316		787,137

*Continued on next page.*

**City of Lexington, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2015**

**Exhibit 3**  
*continued*

	Major Fund General Fund	Total Non- Major Funds	Total Governmental Funds
Fund balances			
Nonspendable:			
Inventories	\$ 591	\$ -	\$ 591
Prepaid items	3,329	-	3,329
Restricted:			
Stabilization by state statute	3,305,217	4,197	3,309,414
Council chamber improvements	10,000	-	10,000
Law enforcement	-	228,414	228,414
Urban redevelopment	-	48,000	48,000
Capital projects			
Public buildings improvements	-	1,001,221	1,001,221
Recreation improvements	-	70,852	70,852
Business park development	-	170,645	170,645
Committed:			
General government	13,902	56,499	70,401
Economic and physical development	-	211,422	211,422
Assigned:			
Subsequent year's expenditures	1,292,822	-	1,292,822
Unassigned	4,744,018	(227,371)	4,516,647
Total fund balances	9,369,879	1,563,879	10,933,758
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,140,893	\$ 1,981,841	\$ 13,122,734

*Continued on next page.*

**City of Lexington, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

**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	\$	10,933,758
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 100,714,279	
Accumulated depreciation	(56,752,619)	
Less internal service funds' net capital assets included in net position adjustment below	(1,191,872)	42,769,788
Net pension asset		
Net pension asset for governmental activities	993,894	
Less internal service funds' net pension asset included in net position adjustment below	(49,999)	943,895
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		
		627,984
Other long-term assets are not available to pay for current-period expenditures and are therefore inflows of resources in the funds.		
		787,137
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(28,774)	
Bonds and installment financing	(5,070,456)	
Compensated absences	(927,121)	
Landfill monitoring	(100,000)	
Economic development grants	(583,333)	
Net pension obligation	(325,469)	
Other postemployment benefits	(3,992,666)	(11,027,819)
Pension related deferrals		
Pension related deferrals for governmental activities	(2,401,873)	
Add internal service funds' pension related deferrals included in net position adjustment below	120,828	(2,281,045)
Internal service funds are used by management to charge the costs of certain activities (Fleet Management, Group Insurance, Risk Management) to individual funds.		
Net position of governmental-type internal service funds	5,346,555	
Portion of net position allocated to business type activities	(1,112,997)	4,233,558
Net position of governmental activities		\$ 46,987,256

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, 2015**

**Exhibit 4**

	Major Fund General Fund	Total Non- Major Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 9,362,764	\$ 97,777	\$ 9,460,541
Other taxes and licenses	316,532	-	316,532
Unrestricted intergovernmental	6,061,070	-	6,061,070
Restricted intergovernmental	791,276	73,326	864,602
Permits and fees	225,193	-	225,193
Sales and services	1,294,405	97,013	1,391,418
Investment earnings	17,815	1,239	19,054
Miscellaneous	151,740	78,697	230,437
Total revenues	18,220,795	348,052	18,568,847
Expenditures:			
Current:			
General government	4,611,880	868,552	5,480,432
Public safety	9,490,368	272,811	9,763,179
Highways and streets	1,679,984	-	1,679,984
Sanitation	1,675,820	-	1,675,820
Culture and recreation	1,478,800	1,095,580	2,574,380
Economic and physical development	79,717	209,282	288,999
Debt service:			
Principal	623,053	-	623,053
Interest and other charges	154,414	-	154,414
Total expenditures	19,794,036	2,446,225	22,240,261
Revenues over (under) expenditures	(1,573,241)	(2,098,173)	(3,671,414)
Other financing sources (uses):			
Installment purchase debt issued	-	2,410,000	2,410,000
Transfers from other funds	2,842,907	305,000	3,147,907
Transfers to other funds	(568,584)	-	(568,584)
Sales of capital assets	18,607	-	18,607
Total other financing sources (uses)	2,292,930	2,715,000	5,007,930
Net change in fund balances	719,689	616,827	1,336,516
Fund balances - beginning	8,650,812	947,052	9,597,864
Increase (decrease) in central purchasing inventory	(622)	-	(622)
Fund balances - ending	\$ 9,369,879	\$ 1,563,879	\$ 10,933,758

*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, 2015**

**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	\$	1,336,516
Change in fund balance due to change in reserve for inventory		(622)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$ 2,500,143	
Governmental assets acquired through seller financing	220,000	
Depreciation expense for governmental assets	<u>(2,170,912)</u>	549,231
Reassignment of equity interest in joint venture to business-type activities		(429,871)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		627,984
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	(18,607)	
Gain (loss) on the disposal of capital assets	3,311	
Change in unavailable revenues	<u>(143,404)</u>	(158,700)
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	(2,410,000)	
New long-term debt through seller financing	(220,000)	
Principal payments on long-term debt	623,053	
Increase in accrued interest payable	<u>(28,774)</u>	(2,035,721)
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	(97,726)	
Pension expense	(64,054)	
Net pension obligation	(20,341)	
Other postemployment benefits	(272,886)	
Economic development grants	124,142	
Landfill monitoring expenditures	<u>20,000</u>	(310,865)
Internal service funds are used by management to charge the costs of certain activities (Fleet Management, Group Insurance, Risk Management) to individual funds.		
Net revenue of governmental-type internal service funds	693,224	
Portion of revenue allocated to business-type activities	<u>(166,637)</u>	526,587
Total change in net position of governmental activities	\$	<u>104,539</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, 2015**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 8,693,700	\$ 8,693,700	\$ 9,362,764	\$ 669,064
Other taxes and licenses	258,000	298,000	316,532	18,532
Unrestricted intergovernmental	5,393,767	5,532,367	6,061,070	528,703
Restricted intergovernmental	1,010,248	1,015,248	791,276	(223,972)
Permits and fees	190,450	190,450	225,193	34,743
Sales and services	1,275,520	1,284,420	1,294,405	9,985
Investment earnings	19,340	19,340	17,815	(1,525)
Miscellaneous	<u>167,426</u>	<u>167,426</u>	<u>151,740</u>	<u>(15,686)</u>
Total revenues	<u>17,008,451</u>	<u>17,200,951</u>	<u>18,220,795</u>	<u>1,019,844</u>
Expenditures:				
Current:				
General government	4,551,965	4,753,059	4,611,880	141,179
Public safety	9,793,738	9,809,139	9,490,368	318,771
Highways and streets	1,757,067	1,799,565	1,679,984	119,581
Sanitation	2,527,168	2,597,125	1,675,820	921,305
Culture and recreation	1,560,147	1,589,122	1,478,800	110,322
Economic and physical development	119,574	119,574	79,717	39,857
Debt service:				
Principal	682,255	702,570	623,053	79,517
Interest and other charges	<u>128,438</u>	<u>154,530</u>	<u>154,414</u>	<u>116</u>
Total expenditures	<u>21,120,352</u>	<u>21,524,684</u>	<u>19,794,036</u>	<u>1,730,648</u>
Revenues over (under) expenditures	<u>(4,111,901)</u>	<u>(4,323,733)</u>	<u>(1,573,241)</u>	<u>2,750,492</u>
Other financing sources (uses):				
Installment purchase debt issued	525,202	675,202	-	(675,202)
Transfers from other funds	2,842,907	2,842,907	2,842,907	-
Transfers to other funds	(273,584)	(569,484)	(568,584)	900
Sales of capital assets	<u>-</u>	<u>9,700</u>	<u>18,607</u>	<u>8,907</u>
Total other financing sources (uses)	<u>3,094,525</u>	<u>2,958,325</u>	<u>2,292,930</u>	<u>(665,395)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,017,376)	(1,365,408)	719,689	2,085,097
Fund balance appropriated	<u>1,017,376</u>	<u>1,365,408</u>	<u>-</u>	<u>(1,365,408)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	719,689	<u>\$ 719,689</u>
Fund balance - beginning			8,650,812	
Increase (decrease) in central purchasing inventory			<u>(622)</u>	
Fund balance - ending			<u>\$ 9,369,879</u>	

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

**City of Lexington, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2015**

**Exhibit 6**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas	Golf		
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 6,269,287	\$ 2,697,357	\$ 4,830,294	\$ 157,889	\$ 13,954,827	\$ 1,958,755
Receivables (net)						
Accounts - billed	3,281,122	649,455	465,096	-	4,395,673	151,269
Accounts - unbilled	4,114,876	550,733	383,014	-	5,048,623	-
Interest	1,545	978	1,077	10	3,610	1,061
Due from other governments	230,163	96,372	32,655	10,892	370,082	63,063
Due from other funds	-	-	63,139	-	63,139	-
Cash and cash equivalents restricted for:						
Customer deposits	656,942	55,555	148,560	1,550	862,607	-
Unpaid claims	-	-	-	-	-	676,357
Rental fees	-	-	-	-	-	35,971
Construction in progress	-	215,631	53,153	-	268,784	125,000
Construction in progress - unexpended debt proceeds	653,734	-	-	-	653,734	-
Debt service escrow	-	-	87,101	-	87,101	-
Inventories	1,175,839	405,652	660,753	-	2,242,244	163,356
Prepaid items	-	-	-	-	-	17,000
Total current assets	<u>16,383,508</u>	<u>4,671,733</u>	<u>6,724,842</u>	<u>170,341</u>	<u>27,950,424</u>	<u>3,191,832</u>
<b>Noncurrent assets:</b>						
Advances to other funds	-	-	75,185	-	75,185	-
<b>Restricted assets:</b>						
<b>Cash and cash equivalents restricted for:</b>						
Electric fund	-	-	-	-	-	1,869,988
Water and wastewater fund	-	-	-	-	-	1,527,617
Water and wastewater fund - capital recovery	-	-	-	-	-	1,754,337
Natural gas fund	-	-	-	-	-	1,694,226
Fleet management fund	-	-	-	-	-	522,219
Group insurance fund	-	-	-	-	-	2,837,600

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2015**

**Exhibit 6**  
*continued*

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas	Golf		
Equity interest in joint venture	\$ -	\$ 428,433	\$ -	\$ -	\$ 428,433	\$ -
Net pension asset	114,464	192,224	88,207	29,353	424,248	141,253
Capital assets:						
Land and other non-depreciable assets	1,747,232	976,352	377,488	40,728	3,141,800	3,423,685
Other capital assets, net of accumulated depreciation	31,211,680	39,532,259	20,748,792	1,211,239	92,703,970	1,804,929
Total capital assets	32,958,912	40,508,611	21,126,280	1,251,967	95,845,770	5,228,614
Total noncurrent assets	33,073,376	41,129,268	21,289,672	1,281,320	96,773,636	15,575,854
Total assets	49,456,884	45,801,001	28,014,514	1,451,661	124,724,060	18,767,686
Deferred outflows of resources	78,514	131,852	60,503	20,134	291,003	96,890
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	4,920,178	316,644	484,547	39,737	5,761,106	255,027
Due to other funds	-	-	-	25,965	25,965	-
General obligation bonds payable	151,867	407,358	-	-	559,225	-
Revenue bonds payable	-	-	272,750	-	272,750	-
Installment purchases payable	543,599	422,580	103,300	148,559	1,218,038	-
Liabilities payable from restricted assets:						
Accounts payable	13,685	399	8,738	-	22,822	-
Customer deposits	656,942	55,555	148,560	1,550	862,607	-
Unpaid claims costs	-	-	-	-	-	676,357
Total current liabilities	6,286,271	1,202,536	1,017,895	215,811	8,722,513	931,384

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2015**

**Exhibit 6**  
*continued*

	Business-type Activities - Enterprise Funds					
	Electric	Water and Wastewater	Natural Gas	Golf	Total Enterprise Funds	Internal Service Funds
Noncurrent liabilities:						
Compensated absences payable	\$ 80,072	\$ 172,673	\$ 90,659	\$ 30,318	\$ 373,722	\$ 150,683
Other postemployment benefits payable	489,863	732,793	349,545	120,733	1,692,934	596,672
General obligation bonds payable	362,966	1,011,034	-	-	1,374,000	-
Revenue bonds payable	-	-	1,634,284	-	1,634,284	-
Installment purchases payable	4,035,103	1,186,289	1,136,797	397,643	6,755,832	-
Total noncurrent liabilities	<u>4,968,004</u>	<u>3,102,789</u>	<u>3,211,285</u>	<u>548,694</u>	<u>11,830,772</u>	<u>747,355</u>
Total liabilities	<u>11,254,275</u>	<u>4,305,325</u>	<u>4,229,180</u>	<u>764,505</u>	<u>20,553,285</u>	<u>1,678,739</u>
Deferred inflows of resources	<u>278,976</u>	<u>468,498</u>	<u>214,984</u>	<u>71,541</u>	<u>1,033,999</u>	<u>344,266</u>
Net position:						
Net investment in capital assets	28,519,111	37,481,350	17,979,149	705,765	84,685,375	5,228,614
Unrestricted	9,483,036	3,677,680	5,651,704	(70,016)	18,742,404	11,612,957
Total net position	<u>\$ 38,002,147</u>	<u>\$ 41,159,030</u>	<u>\$ 23,630,853</u>	<u>\$ 635,749</u>	<u>103,427,779</u>	<u>\$ 16,841,571</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					11,495,016	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>1,112,997</u>	
Net position of business-type activities					<u>\$ 116,035,792</u>	

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

**City of Lexington, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2015**

**Exhibit 7**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas	Golf		
Operating revenues:						
Charges for sales and services	\$ 53,405,203	\$ 8,533,239	\$ 12,692,731	\$ 648,346	\$ 75,279,519	\$ 10,565,592
Restricted intergovernmental	46,368	-	-	-	46,368	-
Other operating	227,457	177,518	46,018	12	451,005	787,910
Total operating revenues	<u>53,679,028</u>	<u>8,710,757</u>	<u>12,738,749</u>	<u>648,358</u>	<u>75,776,892</u>	<u>11,353,502</u>
Operating expenses:						
Cost of sales and services	4,028,628	111,525	2,771,184	675,433	7,586,770	1,572,408
Purchases for resale	44,364,741	-	6,389,183	-	50,753,924	-
Water treatment	-	1,610,139	-	-	1,610,139	-
Waste collection and treatment	-	2,194,026	-	-	2,194,026	-
Water and wastewater construction	-	1,156,738	-	-	1,156,738	-
Premiums	-	-	-	-	-	1,096,408
Claims	-	-	-	-	-	4,889,784
Bad debt expense	323,411	64,954	33,938	40	422,343	38,851
Administration	1,726,231	1,186,028	1,294,620	21,085	4,227,964	2,768,742
Depreciation	956,873	1,291,217	561,669	100,427	2,910,186	204,648
Overhead capitalized	(488,916)	(36,527)	(1,067,127)	-	(1,592,570)	-
Total operating expenses	<u>50,910,968</u>	<u>7,578,100</u>	<u>9,983,467</u>	<u>796,985</u>	<u>69,269,520</u>	<u>10,570,841</u>
Operating income (loss)	2,768,060	1,132,657	2,755,282	(148,627)	6,507,372	782,661
Nonoperating revenues (expenses):						
Federal Build America Bond interest credit	-	9,174	25,994	-	35,168	-
Investment earnings	16,907	12,480	12,018	226	41,631	13,252
Gain (loss) on sale of property	(3,364)	(10,179)	(3,736)	-	(17,279)	20,113
Interest and other charges	(189,818)	(133,921)	(202,575)	(28,129)	(554,443)	-
Debt issuance cost	(12,600)	(7,200)	-	-	(19,800)	-
Total nonoperating revenues (expenses)	<u>(188,875)</u>	<u>(129,646)</u>	<u>(168,299)</u>	<u>(27,903)</u>	<u>(514,723)</u>	<u>33,365</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2015**

**Exhibit 7**  
*continued*

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas	Golf		
Income (loss) before transfers	\$ 2,579,185	\$ 1,003,011	\$ 2,586,983	\$ (176,530)	\$ 5,992,649	\$ 816,026
Transfers from other funds	862	657,776	88,459	263,584	1,010,681	2,211,151
Transfers to other funds	<u>(2,775,016)</u>	<u>(431,379)</u>	<u>(1,014,726)</u>	<u>-</u>	<u>(4,221,121)</u>	<u>(1,150,163)</u>
Change in net position	<u>(194,969)</u>	<u>1,229,408</u>	<u>1,660,716</u>	<u>87,054</u>	2,782,209	<u>1,877,014</u>
Total net position - beginning, as previously reported	38,351,501	40,188,888	22,089,111	588,286		15,155,071
Restatement	<u>(154,385)</u>	<u>(259,266)</u>	<u>(118,974)</u>	<u>(39,591)</u>		<u>(190,514)</u>
Net position, beginning, restated	<u>38,197,116</u>	<u>39,929,622</u>	<u>21,970,137</u>	<u>548,695</u>		<u>14,964,557</u>
Total net position - ending	<u>\$ 38,002,147</u>	<u>\$ 41,159,030</u>	<u>\$ 23,630,853</u>	<u>\$ 635,749</u>		<u>\$ 16,841,571</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,183,790	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>166,637</u>	
Change in net position - business-type activities					<u>\$ 4,132,636</u>	

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

**City of Lexington, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2015**

**Exhibit 8**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas	Golf		
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 53,159,880	\$ 8,502,237	\$ 12,845,733	\$ 648,386	\$ 75,156,236	\$ -
Cash payments for interfund services provided/used to/for other funds	(1,726,231)	(1,186,028)	(1,294,620)	(21,085)	(4,227,964)	10,414,323
Cash paid for goods and services	(46,618,261)	(2,538,236)	(8,223,472)	(262,362)	(57,642,331)	(8,060,542)
Cash paid to employees	(1,515,558)	(2,640,529)	(1,209,880)	(415,456)	(5,781,423)	(2,308,632)
Other operating income	<u>227,457</u>	<u>177,518</u>	<u>46,018</u>	<u>12</u>	<u>451,005</u>	<u>787,910</u>
Net cash provided (used) by operating activities	<u>3,527,287</u>	<u>2,314,962</u>	<u>2,163,779</u>	<u>(50,505)</u>	<u>7,955,523</u>	<u>833,059</u>
<b>Cash flows from noncapital financing activities:</b>						
Operating grants	449,338	7,668	-	5,970	462,976	17,165
Advances from (to) other funds	-	-	(60,870)	(51,489)	(112,359)	-
Transfers from other funds	862	227,905	88,459	263,584	580,810	2,211,151
Transfers to other funds	<u>(2,775,016)</u>	<u>(431,379)</u>	<u>(1,014,726)</u>	<u>-</u>	<u>(4,221,121)</u>	<u>(1,150,163)</u>
Net cash provided (used) by noncapital financing activities	<u>(2,324,816)</u>	<u>(195,806)</u>	<u>(987,137)</u>	<u>218,065</u>	<u>(3,289,694)</u>	<u>1,078,153</u>
<b>Cash flows from capital and related financing activities:</b>						
Installment purchase debt issued	4,172,548	1,364,449	-	-	5,536,997	-
Acquisition and construction of capital assets	(1,272,306)	(628,103)	(42,469)	-	(1,942,878)	(502,433)
Federal Build America Bond interest credit	-	9,174	25,994	-	35,168	-
Principal paid on bonds	(154,684)	(414,656)	(197,229)	-	(766,569)	-
Principal paid on installment purchase debt	(2,840,711)	(1,773,753)	(99,329)	(142,952)	(4,856,745)	-

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2015**

**Exhibit 8**  
*continued*

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas	Golf		
Debt issuance cost	\$ (12,600)	\$ (7,200)	\$ -	\$ -	\$ (19,800)	\$ -
Interest and other charges paid on debt	(179,644)	(124,576)	(144,148)	(26,369)	(474,737)	-
Proceeds from the sale of assets	<u>49,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,933</u>	<u>42,933</u>
Net cash provided (used) by capital and related financing activities	<u>(237,464)</u>	<u>(1,574,665)</u>	<u>(457,181)</u>	<u>(169,321)</u>	<u>(2,438,631)</u>	<u>(459,500)</u>
Cash flows from investing activities:						
Receipts of investment earnings	<u>17,049</u>	<u>12,653</u>	<u>12,204</u>	<u>260</u>	<u>42,166</u>	<u>13,505</u>
Net cash provided by investing activities	<u>17,049</u>	<u>12,653</u>	<u>12,204</u>	<u>260</u>	<u>42,166</u>	<u>13,505</u>
Net increase in cash and cash equivalents	982,056	557,144	731,665	(1,501)	2,269,364	1,465,217
Cash and cash equivalents - beginning	<u>6,597,907</u>	<u>2,411,399</u>	<u>4,387,443</u>	<u>160,940</u>	<u>13,557,689</u>	<u>11,536,853</u>
Cash and cash equivalents - ending	<u>\$ 7,579,963</u>	<u>\$ 2,968,543</u>	<u>\$ 5,119,108</u>	<u>\$ 159,439</u>	<u>\$ 15,827,053</u>	<u>\$ 13,002,070</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	<u>\$ 2,768,060</u>	<u>\$ 1,132,657</u>	<u>\$ 2,755,282</u>	<u>\$ (148,627)</u>	<u>\$ 6,507,372</u>	<u>\$ 782,661</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Restricted intergovernmental revenues	(46,368)	-	-	-	(46,368)	-
Depreciation	956,873	1,291,217	561,669	100,427	2,910,186	204,648
Pension expense	7,767	13,045	5,985	1,992	28,789	9,586
Overhead capitalized	(488,916)	(36,527)	(1,067,127)	-	(1,592,570)	-

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**

**Exhibit 8**  
*continued*

**Net cash provided (used) by noncapital financing activities**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas	Golf		
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	\$ (245,323)	\$ (31,002)	\$ 153,002	\$ 40	\$ (123,283)	\$ 33,071
(Increase) decrease in intergovernmental receivable	377,320	(11,202)	1,051	4,629	371,798	(4,194)
Increase (decrease) in amounts receivable related to restricted intergovernmental revenues	(402,970)	(7,668)	-	(5,970)	(416,608)	(17,165)
(Increase) decrease in inventory	108,587	(40,967)	(64,370)	-	3,250	(30,709)
(Increase) decrease in prepaid items	-	-	22,717	-	22,717	-
Increase (decrease) in prepaid items related to interest on capital debt	-	-	(22,717)	-	(22,717)	-
(Increase) decrease in equity interest in joint venture	-	1,438	-	-	1,438	-
(Increase) decrease in deferred outflows of resources for pensions	(76,154)	(127,889)	(58,685)	(19,529)	(282,257)	(93,977)
Increase (decrease) in accounts payable and accrued liabilities	501,008	64,425	(140,610)	7,752	432,575	(118,982)
(Increase) decrease in amounts accrued related to interest on capital debt	(10,174)	(9,345)	(35,710)	(1,760)	(56,989)	-
Increase (decrease) in customer deposits	48,579	(480)	13,450	(2,750)	58,799	-
Increase (decrease) in unpaid claims cost	-	-	-	-	-	24,513
Increase (decrease) in accrued compensated absences liability	(2,780)	24,390	15,168	5,501	42,279	802
Increase (decrease) in accrued other postemployment benefits liability	31,778	52,870	24,674	7,790	117,112	42,805
Total adjustments	<u>759,227</u>	<u>1,182,305</u>	<u>(591,503)</u>	<u>98,122</u>	<u>1,448,151</u>	<u>50,398</u>
Net cash provided (used) by operating activities	<u>\$ 3,527,287</u>	<u>\$ 2,314,962</u>	<u>\$ 2,163,779</u>	<u>\$ (50,505)</u>	<u>\$ 7,955,523</u>	<u>\$ 833,059</u>

**City of Lexington, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2015**

**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 City's financial statements in order to emphasize that they are legally separate from the City.

**City of Lexington Board of Alcoholic Control**

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

**Lexington Tourism Authority**

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

**Uptown Lexington, Inc.**

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

## 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:

**Fleet Management Fund** – The Fleet Management 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 Fleet Management 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 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 beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Lexington because the tax is levied by Davidson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Controlled Substance Special Revenue Fund, Special Tax District Special Revenue Fund, 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, and the Enterprise Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The City's Internal Service Funds operate under a financial plan that was adopted by City Council at the time the City's budget ordinance was approved, as required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional and fund level for all annually budgeted funds, and at the 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 are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value 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 General Capital Projects Fund for construction in progress – unexpended debt proceeds; in the Electric Fund for construction in progress – unexpended debt proceeds; in the Water and Wastewater Fund for construction in progress; and in the Natural Gas Fund for construction in progress and debt service escrow.

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

City of Lexington Restricted Cash

<u>Governmental Activities</u>	
General Fund	
Customer deposits	\$ 81,130
Economic development deposit	25,000
General Capital Projects Fund	
Construction in progress - unexpended	
debt proceeds	1,072,073
Fleet Management Fund	
Rental fees	35,971
Group Insurance Fund	
Unpaid claims	383,134
OPEB liabilities	2,837,600
Risk Management Fund	
Unpaid claims	293,223
Capital Reserve Fund	
Fleet management	245,443
Total Governmental Activities	<u>\$ 4,973,574</u>
 Business-type Activities	
Electric Fund	
Customer deposits	\$ 656,942
Construction in progress - unexpended	
debt proceeds	653,734
Water and Wastewater Fund	
Customer deposits	55,555
Construction in progress	215,631
Natural Gas Fund	
Customer deposits	148,560
Construction in progress	53,153
Debt service escrow	87,101
Golf Fund	
Customer deposits	1,550
Utility Administration Fund	
Construction in progress	125,000
Capital Reserve Fund	
Electric	1,266,873
Water and wastewater	1,527,617
Water and wastewater - capital recovery	1,754,337
Natural gas	1,199,918
Fleet management	276,776
Rate Stabilization Fund	
Electric	603,115
Natural gas	494,308
Total Business-type Activities	<u>\$ 9,120,170</u>
Total Restricted Cash	<u><u>\$ 14,093,744</u></u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2014. 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 and expensed as the items are used.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$0; buildings, \$5,000; other improvements, \$5,000; substations, lines, and other plant and distribution systems, \$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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion – pension related deferrals, and contributions made to the pension plan in the current fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet this criterion, unavailable property taxes receivable, unavailable miscellaneous revenue receivable, and other pension related deferrals.

**9. Long-Term Obligations**

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

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

**10. Compensated Absences**

The annual leave policy of the City provides for the accumulation of twenty-four (24) days earned annual leave with up to ten years of service, thirty-six (36) days earned annual leave with over ten years of service, and forty-eight (48) days earned annual leave with over twenty years of service. Annual leave in excess of the earned limits will be converted to sick leave at the beginning of each calendar year. All annual leave is fully vested up to the limit when earned.

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

For the City’s government-wide and proprietary funds, an expense and a liability for compensated absences and salary related payments for annual leave are recorded as the leave is earned. An expense and a liability for compensated absences and salary related payments for sick leave are recorded as a fraction of the leave earned based on historical average amounts paid out at retirement. The City has assumed a 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 Council Chamber Improvements – portion of fund balance that is restricted by external donors for a specific project to improve City Council chambers.

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

Restricted for 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.

Restricted for Capital Projects – portion of fund balance that is restricted by revenue source for various capital projects. These amounts include unexpended debt proceeds for Public Buildings Improvements and Recreation Improvements as well as other amounts restricted for the redevelopment of the Lexington Business Center Industrial Park.

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

Committed for 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 Culture and Recreation – portion of fund balance that is committed for the 2014 Recreation 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. Pensions**

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

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

## **13. 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.

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

### **A. Assets**

#### **1. Deposits**

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State

Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact 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.

At June 30, 2015, the City's deposits had a carrying amount of \$15,883,225 and a bank balance of \$16,138,824. Of the City's actual bank balance, \$1,000,000 was covered by federal depository insurance and the balance by collateral held under the Pooling Method. At June 30, 2015, the City's petty cash fund totaled \$7,050.

## 2. Investments

At June 30, 2015, 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	\$ 5,001,102	\$ -	\$ 500,920	\$ 4,500,182
Commercial Paper	5,996,020	5,996,020	-	-
NC Capital Management Trust - Cash Portfolio	4,138,094	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio*	<u>7,781,048</u>	<u>7,781,048</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 22,916,264</u>	<u>\$ 13,777,068</u>	<u>\$ 500,920</u>	<u>\$ 4,500,182</u>

\*Because the NC Capital Management Trust Term Portfolio had a duration of 0.19 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, 2015, 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, 2015. 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.

*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 Federal Home Loan Mortgage Corporation securities at 5.41%, Credit Agricole North America commercial paper at 5.41%, Natixis NY Branch commercial paper at 5.41% and Abbey National commercial paper at 5.40%.

**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 \$1,049,923.

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Local option sales tax	\$ 911,168	\$ -	\$ 911,168
Utilities sales tax	451,585	-	451,585
Piped natural gas sales tax	(4,950)	-	(4,950)
Telecommunications tax	69,056	-	69,056
Local video programming revenue	34,855	-	34,855
Solid waste disposal tax	2,763	-	2,763
Sales and use tax refund	170,787	240,269	411,056
Disaster assistance funding	142,149	137,523	279,672
Other federal and state grant funding	265	-	265
Unremitted property tax collections	203,520	-	203,520
	<u>\$ 1,981,198</u>	<u>\$ 377,792</u>	<u>\$ 2,358,990</u>

#### 4. Capital Assets

##### a. Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,923,396	\$ 314,383	\$ -	\$ 2,237,779
Investment in joint venture - land	429,871	-	(429,871)	-
Construction in progress	<u>6,605,307</u>	<u>2,278,881</u>	<u>(1,122,284)</u>	<u>7,761,904</u>
Total capital assets not being depreciated	<u>8,958,574</u>	<u>2,593,264</u>	<u>(1,552,155)</u>	<u>9,999,683</u>
Capital assets being depreciated:				
Buildings	14,468,818	-	-	14,468,818
Other improvements	4,108,378	689,243	-	4,797,621
Machinery & equipment	9,935,070	441,262	(152,968)	10,223,364
Infrastructure	54,115,597	118,658	-	54,234,255
Intangibles	<u>2,268,258</u>	<u>-</u>	<u>-</u>	<u>2,268,258</u>
Total capital assets being depreciated	<u>84,896,121</u>	<u>1,249,163</u>	<u>(152,968)</u>	<u>85,992,316</u>
Less accumulated depreciation for:				
Buildings	8,022,463	177,621	-	8,200,084
Other improvements	2,095,686	224,209	-	2,319,895
Machinery & equipment	6,945,222	595,337	(137,672)	7,402,887
Infrastructure	32,989,840	1,015,766	-	34,005,606
Intangibles	<u>1,135,760</u>	<u>157,979</u>	<u>-</u>	<u>1,293,739</u>
Total accumulated depreciation	<u>51,188,971</u>	<u>2,170,912</u>	<u>(137,672)</u>	<u>53,222,211</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	4,077,133	456,627	(228,208)	4,305,552
Intangibles	<u>9,846</u>	<u>-</u>	<u>-</u>	<u>9,846</u>
Total capital assets being depreciated	<u>4,478,861</u>	<u>456,627</u>	<u>(228,208)</u>	<u>4,707,280</u>

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Less accumulated depreciation for:				
Buildings	\$ 81,000	\$ -	\$ -	\$ 81,000
Other improvements	230,660	4,602	-	235,262
Machinery & equipment	3,260,429	150,446	(205,388)	3,205,487
Intangibles	8,416	243	-	8,659
Subtotal	<u>3,580,505</u>	<u>155,291</u>	<u>(205,388)</u>	<u>3,530,408</u>
Total accumulated depreciation	<u>54,769,476</u>	<u>2,326,203</u>	<u>(343,060)</u>	<u>56,752,619</u>
Total capital assets being depreciated, net	<u>34,605,506</u>			<u>33,946,977</u>
Governmental activity capital assets, net	<u>\$ 43,579,080</u>			<u>\$ 43,961,660</u>

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

**Governmental Activities**

*Depreciation Expense*

General government	\$ 303,170
Public safety	471,435
Highways and streets	1,214,799
Sanitation	36,634
Cultural and recreation	141,043
Economic Development	3,831
Capital assets held by internal service funds	<u>155,291</u>
<i>Total depreciation expense</i>	<u>\$ 2,326,203</u>

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 613,286	\$ -	\$ -	\$ 613,286
Construction in progress	<u>1,064,367</u>	<u>876,964</u>	<u>(807,385)</u>	<u>1,133,946</u>
Total capital assets not being depreciated	<u>1,677,653</u>	<u>876,964</u>	<u>(807,385)</u>	<u>1,747,232</u>
Capital assets being depreciated:				
Buildings	210,000	-	-	210,000
Plant and distribution systems	56,769,584	1,339,861	(241,637)	57,867,808
Machinery & equipment	<u>1,354,764</u>	<u>351,782</u>	<u>(292,337)</u>	<u>1,414,209</u>
Total capital assets being depreciated	<u>58,334,348</u>	<u>1,691,643</u>	<u>(533,974)</u>	<u>59,492,017</u>
Less accumulated depreciation for:				
Buildings	105,314	2,821	-	108,135
Plant and distribution systems	26,676,456	896,650	(217,474)	27,355,632
Machinery & equipment	<u>1,022,371</u>	<u>57,402</u>	<u>(263,203)</u>	<u>816,570</u>
Total accumulated depreciation	<u>27,804,141</u>	<u>956,873</u>	<u>(480,677)</u>	<u>28,280,337</u>
Total capital assets being depreciated, net	<u>30,530,207</u>			<u>31,211,680</u>
Electric Fund capital assets, net	<u>\$ 32,207,860</u>			<u>\$ 32,958,912</u>
Water and Wastewater Fund				
Capital assets not being depreciated:				
Land	\$ 849,390	\$ -	\$ -	\$ 849,390
Construction in progress	<u>288,235</u>	<u>126,962</u>	<u>(288,235)</u>	<u>126,962</u>
Total capital assets not being depreciated	<u>1,137,625</u>	<u>126,962</u>	<u>(288,235)</u>	<u>976,352</u>
Capital assets being depreciated:				
Buildings	851,923	-	-	851,923
Plant and distribution systems	71,514,576	397,514	(18,684)	71,893,406
Machinery & equipment	<u>1,206,216</u>	<u>428,389</u>	<u>(83,112)</u>	<u>1,551,493</u>
Total capital assets being depreciated	<u>73,572,715</u>	<u>825,903</u>	<u>(101,796)</u>	<u>74,296,822</u>
Less accumulated depreciation for:				
Buildings	247,533	10,817	-	258,350
Plant and distribution systems	32,540,761	1,172,627	(16,816)	33,696,572
Machinery & equipment	<u>776,669</u>	<u>107,773</u>	<u>(74,801)</u>	<u>809,641</u>
Total accumulated depreciation	<u>33,564,963</u>	<u>1,291,217</u>	<u>(91,617)</u>	<u>34,764,563</u>
Total capital assets being depreciated, net	<u>40,007,752</u>			<u>39,532,259</u>
Water and Wastewater Fund capital assets, net	<u>\$ 41,145,377</u>			<u>\$ 40,508,611</u>

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b>Natural Gas Fund</b>				
Capital assets not being depreciated:				
Land	\$ 303,049	\$ -	\$ -	\$ 303,049
Construction in progress	<u>55,454</u>	<u>18,985</u>	<u>-</u>	<u>74,439</u>
Total capital assets not being depreciated	<u>358,503</u>	<u>18,985</u>	<u>-</u>	<u>377,488</u>
Capital assets being depreciated:				
Buildings	2,245,262	-	-	2,245,262
Plant and distribution systems	28,401,282	1,067,127	(37,354)	29,431,055
Machinery & equipment	<u>324,354</u>	<u>23,484</u>	<u>-</u>	<u>347,838</u>
Total capital assets being depreciated	<u>30,970,898</u>	<u>1,090,611</u>	<u>(37,354)</u>	<u>32,024,155</u>
Less accumulated depreciation for:				
Buildings	407,697	41,809	-	449,506
Plant and distribution systems	10,093,775	500,964	(33,618)	10,561,121
Machinery & equipment	<u>245,840</u>	<u>18,896</u>	<u>-</u>	<u>264,736</u>
Total accumulated depreciation	<u>10,747,312</u>	<u>561,669</u>	<u>(33,618)</u>	<u>11,275,363</u>
Total capital assets being depreciated, net	<u>20,223,586</u>			<u>20,748,792</u>
Natural Gas Fund capital assets, net	<u>\$ 20,582,089</u>			<u>\$ 21,126,280</u>
<b>Golf Fund</b>				
Capital assets not being depreciated:				
Land	\$ 40,728	\$ -	\$ -	\$ 40,728
Total capital assets not being depreciated	<u>40,728</u>	<u>-</u>	<u>-</u>	<u>40,728</u>
Capital assets being depreciated:				
Buildings	61,500	-	-	61,500
Other improvements	2,128,719	-	-	2,128,719
Machinery & equipment	<u>175,450</u>	<u>-</u>	<u>-</u>	<u>175,450</u>
Total capital assets being depreciated	<u>2,365,669</u>	<u>-</u>	<u>-</u>	<u>2,365,669</u>
Less accumulated depreciation for:				
Buildings	38,475	810	-	39,285
Other improvements	865,182	95,592	-	960,774
Machinery & equipment	<u>150,346</u>	<u>4,025</u>	<u>-</u>	<u>154,371</u>
Total accumulated depreciation	<u>1,054,003</u>	<u>100,427</u>	<u>-</u>	<u>1,154,430</u>
Total capital assets being depreciated, net	<u>1,311,666</u>			<u>1,211,239</u>
Golf Fund capital assets, net	<u>\$ 1,352,394</u>			<u>\$ 1,251,967</u>

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Internal Service Funds				
Capital assets not being depreciated:				
Land	\$ 245,430	\$ -	\$ -	\$ 245,430
Construction in progress	<u>3,117,449</u>	<u>45,806</u>	<u>-</u>	<u>3,163,255</u>
Total capital assets not being depreciated	<u>3,362,879</u>	<u>45,806</u>	<u>-</u>	<u>3,408,685</u>
Capital assets being depreciated:				
Buildings	1,083,423	-	-	1,083,423
Machinery & equipment	373,920	-	-	373,920
Intangibles	<u>1,448,763</u>	<u>-</u>	<u>-</u>	<u>1,448,763</u>
Total capital assets being depreciated	<u>2,906,106</u>	<u>-</u>	<u>-</u>	<u>2,906,106</u>
Less accumulated depreciation for:				
Buildings	632,477	36,301	-	668,778
Machinery & equipment	320,005	4,225	-	324,230
Intangibles	<u>1,276,210</u>	<u>8,831</u>	<u>-</u>	<u>1,285,041</u>
Total accumulated depreciation	<u>2,228,692</u>	<u>49,357</u>	<u>-</u>	<u>2,278,049</u>
Total capital assets being depreciated, net	<u>677,414</u>			<u>628,057</u>
Internal Service Funds capital assets, net	<u>\$ 4,040,293</u>			<u>\$ 4,036,742</u>
Business-type activities capital assets, net	<u>\$ 99,328,013</u>			<u>\$ 99,882,512</u>

**b. Construction Commitments**

The government has active construction projects as of June 30, 2015. 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		
2012 Scattered Site Housing	\$ 15,845	\$ 209,155
Total Community Development Grants Fund	<u>\$ 15,845</u>	<u>\$ 209,155</u>
General Capital Projects Fund		
2014 Public Buildings Improvements	\$ 868,552	\$ 1,057,448
Recreation Acquisition and Development	430,000	220,000
2014 Recreation Improvements	665,580	38,420
Lexington Business Center	5,513,060	166,410
Multi-Modal Transportation Station Area Plan	685,409	14,591
Lexington Furniture Industries, Inc. Plant #1	1,549,318	211,421
Total General Capital Projects Fund	<u>\$ 9,711,919</u>	<u>\$ 1,708,290</u>
Electric Fund		
System improvements	\$ 1,219,443	\$ 1,870,746
Total Electric Fund	<u>\$ 1,219,443</u>	<u>\$ 1,870,746</u>
Water and Wastewater Fund		
System improvements	\$ 5,000	195,000
Plant improvements	121,962	24,038
Total Water and Wastewater Fund	<u>\$ 126,962</u>	<u>\$ 219,038</u>
Natural Gas Fund		
Training Qualification Center	\$ 74,439	\$ 45,561
Total Natural Gas Fund	<u>\$ 74,439</u>	<u>\$ 45,561</u>
Utility Administration Fund		
Work Order System Project	\$ -	\$ 125,000
Total Utility Administration Fund	<u>\$ -</u>	<u>\$ 125,000</u>

**B. Liabilities**

1. **Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities at the government-wide level at June 30, 2015 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities					
General	\$ 247,440	\$ 446,862	\$ 28,774	\$ 46,483	\$ 769,559
Other Governmental	205,146	-	-	-	205,146
Governmental Internal Service	94,031	22,742	-	679,510	796,283
Total - governmental activities	<u>\$ 546,617</u>	<u>\$ 469,604</u>	<u>\$ 28,774</u>	<u>\$ 725,993</u>	<u>\$ 1,770,988</u>

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Business-type Activities					
Electric	\$ 4,845,306	\$ 62,078	\$ 10,174	\$ 2,620	\$ 4,920,178
Water and Wastewater	211,588	95,620	9,345	91	316,644
Natural Gas	406,448	40,098	35,710	2,291	484,547
Golf	20,768	17,209	1,760	-	39,737
Business-type Internal Service	68,379	40,846	-	25,876	135,101
Total - business-type activities	<u>\$ 5,552,489</u>	<u>\$ 255,851</u>	<u>\$ 56,989</u>	<u>\$ 30,878</u>	<u>\$ 5,896,207</u>

## 2. Pension Plan and Postemployment Obligations

### a. Local Governmental Employees' Retirement System

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

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

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

Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Lexington employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Lexington's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Lexington were \$1,004,218 for the year ended June 30, 2015.

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

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

At June 30, 2015, the City reported an asset of \$1,509,396 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014 the City's proportion was 0.26%, which was an increase of 0.01% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$102,429. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 164,928
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,513,841
Changes in proportion and differences between City contributions and proportionate share of contributions	31,118	-
City contributions subsequent to the measurement date	1,004,218	-
Total	<u>\$ 1,035,336</u>	<u>\$ 3,678,769</u>

\$1,004,218 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of

resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$	(911,997)
2017		(911,997)
2018		(911,996)
2019		(911,661)
2020		-
Thereafter		-

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate.* The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability (asset)	\$ 5,123,545	\$ (1,509,396)	\$ (7,094,119)

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

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

Plan Description

The City of Lexington administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. 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 of the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	9
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>61</u>
Total	<u>70</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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

*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 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, 2013 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, 2013 was 17 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 required contribution	\$ 186,226
Interest on net pension obligation	24,632
Adjustment to annual required contribution	<u>(41,617)</u>
Annual pension cost	169,241
Employer contributions made for fiscal year ended 6/30/2015	<u>148,900</u>
Increase (decrease) in net pension obligation	20,341
Net pension obligation beginning of fiscal year	<u>492,648</u>
Net pension obligation end of fiscal year	<u>\$ 512,989</u>

The City's APC, percentage of APC contributed, and NPO for the plan for 2013, 2014, and 2015 were as follows:

**3-Year Trend Information**

<u>Year Ended</u> <u>June 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation (NPO)</u>
2013	\$ 150,400	101.70%	\$ 515,407
2014	136,697	116.65%	492,648
2015	169,241	87.98%	512,989

Funded Status and Funding Progress

As of December 31, 2014, 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 \$1,496,023. The covered payroll (annual payroll of active employees covered by the plan) was \$2,626,322 and the ratio of the UAAL to the covered payroll was 56.96%.

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, 2015 were \$157,353, which consisted of \$131,149 from the City and \$26,204 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, 2015. General employees may continue to make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 consisted of \$154,959 from the general employees.

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

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

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

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly.

*Refunds of Contributions* - Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on

the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2015, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$32,450. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the City recognized pension expense of \$12,204 and revenue of \$12,204 for support provided by the State. At June 30, 2015, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**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. 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	<u>277</u>	<u>97</u>	<u>71</u>

*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 \$2,837,600 for this purpose in the Group Insurance Fund for fiscal year ended June 30, 2015, these financial statements assume the pay-as-you-go method will continue in the near term.

The current annual required contribution (ARC) rate is 10.86% of annual covered payroll. For the current year, the City contributed \$1,093,889 or 7.83% of annual covered payroll. The City is self-insured as described in more detail on page 68 of the notes to the financial statements. Employees contributed a total of \$475,430 during the fiscal year for employee and dependent coverage. Retirees contributed \$124,741 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, \$2,837,600 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, an amount actuarially determined in accordance with the parameters of GASB Statement 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)	\$ 1,516,571
Interest on net OPEB obligation	226,478
Adjustment to ARC	<u>(216,357)</u>
Annual OPEB cost (pay-as-you-go expense)	1,526,692
Contributions made	<u>(1,093,889)</u>
Increase/(decrease) in net OPEB obligation	432,803
Net OPEB obligation, beginning of year	<u>5,661,949</u>
Net OPEB obligation, end of year	<u><u>\$ 6,094,752</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 were as follows:

### 3-Year Trend Information

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 1,809,991	46.4%	\$ 4,837,364
2014	1,851,070	55.5%	5,661,949
2015	1,526,692	71.7%	6,094,752

*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 102 retirees who are eligible for this benefit at the time of their deaths. All benefits are paid from the Life Insurance Plan. The City has no liability beyond payment of monthly premiums. Employees not eligible for City-paid benefits may elect coverage through a City-selected carrier, Standard Insurance Company of Portland, Oregon. All costs are born by the retirees, and life insurance coverage is provided up to a maximum of \$10,000, with a 35% reduction at age 65 through 69, a 60% reduction at age 70 through 74, and a 75% reduction at age 75 or over.

### **g. Other Employment 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. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. 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. The City considers these contributions to be immaterial.

For the fiscal year ended June 30, 2015, the City made contributions to the State for death benefits of \$0. The City's required contributions for employee not engaged in law enforcement and for law enforcement represented 0.00% and 0.00% of covered payroll, respectively.

Due to the surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
Less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The City of Lexington will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in 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 maximum of \$200,000 subject to reductions. The benefit will reduce 35% at age 65, an additional 25% at age 70, and further reduce 15% at age 75. Benefits will terminate at retirement regardless of age. The cost of benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

### 3. 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>\$ 7,500</u>
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### 4. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pensions - difference between expected and actual experience	\$ -	\$ 164,928
Pensions - difference between projected and actual investment earnings	-	3,513,841
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	31,118	-
Contributions to pension plan in current fiscal year	1,004,218	-
Unavailable revenue		
Property taxes receivable		
Taxes receivable, net (General Fund)	-	643,455
Taxes receivable, net (Special Revenue Fund)	-	10,316
Miscellaneous receivables (General Fund)	-	51,285
Due from other governments (General Fund)	-	82,081
Total	<u>\$ 1,035,336</u>	<u>\$ 4,465,906</u>

### 5. 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 \$600,000 per occurrence with excess coverage up to the statutory limit. Boiler and machinery has a \$50,000 deductible and a \$90,835,500 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 and must be approved by the City Council. 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>2015</u>	<u>2014</u>
Unpaid claims, 7/1	\$ 196,170	\$ 209,435
Incurred claims	590,921	674,013
Claim payments	<u>(493,868)</u>	<u>(687,278)</u>
Unpaid claims, 6/30	<u>\$ 293,223</u>	<u>\$ 196,170</u>

**6. Group Health Insurance**

The City is also self-insured for group health insurance. The Group Insurance Fund, an internal service fund type, pays health and dental claims for City employees and their covered dependents, for retirees and their covered dependents (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 premium charges to other funds, treated as interfund services provided/used, and premium contributions from employees and retirees. Employees and retirees contribute toward the cost of coverage for themselves and their dependents based on premium rates established for the various types of coverage, which may change over time. The remaining costs are funded through premium charges to the operating funds based on an allocation of cost to participants of the plan.

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

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

	<u>2015</u>	<u>2014</u>
Unpaid claims, 7/1	\$ 455,674	\$ 441,592
Incurred claims	4,323,376	4,152,237
Claim payments	<u>(4,395,916)</u>	<u>(4,138,155)</u>
Unpaid claims, 6/30	<u>\$ 383,134</u>	<u>\$ 455,674</u>

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

At June 30, 2015, the City of Lexington was a defendant in various lawsuits. In the opinion of the City's attorneys and management, the ultimate outcome of these legal matters will not have a material adverse effect on the City's financial position.

## 8. Long-Term Obligations

### a. Installment Purchases

\$4,000,000 Installment Purchase Contract with Wells Fargo, dated December 8, 2003 for 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%, to be paid in December 2018	\$ 1,149,899
\$907,970 Installment Purchase Contract with BB&T dated October 28, 2008 (as modified January 28, 2015) for aerial fire truck. The financing required principal payments beginning in fiscal year 2008-2009; interest at 3.79% through January 28, 2015, then at 1.89%, to be paid in full October 2018	357,326
\$4,200,000 Installment Purchase Build America Bond with Bank of America dated April 15, 2010 for a utilities operations center for Natural Gas and Public Works, the relocation of Fire Station #2, and equipment sheds for the Street and Recycling & Waste Collection departments. 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, to be paid in full April 2025	3,063,769
\$460,202 Installment Purchase Contract with BB&T dated October 10, 2011 for fire pumper truck. The financing required principal payments beginning in fiscal year 2011-2012 with an interest rate of 2.19%, to be paid in full February 2018	203,707
\$582,807 Installment Purchase Contract with BB&T dated August 15, 2013 for a 75' aerial ladder fire apparatus. The financing required principal payments beginning in fiscal year 2013-2014 with an interest rate of 1.92%, to be paid in full February 2020	420,134
\$220,000 Installment Purchase Contract with Tri-Distributors, LLC dated August 22, 2014 for acquisition of facility for Recreation Center. The financing required principal payments beginning in fiscal year 2015-2016 with no interest, to be paid in full August 2018	220,000
\$4,223,000 Installment Purchase Contract with First Tennessee Bank dated January 15, 2015 for Public Building Improvements, Recreation Improvements and Electric System Improvements. The financing required principal payments beginning in fiscal year 2015-2016 with an interest rate of 2.56%, to be paid in full December 2029	4,094,248
\$1,364,449 Refinancing Installment Purchase Contract with First Tennessee Bank dated January 15, 2015 for state-mandated nutrient removal improvements at the City's wastewater treatment plant. The re-financing required principal payments beginning in fiscal year 2014-2015 with an interest rate of 1.10%, to be paid in full June 2018	1,171,188
\$2,359,548 Refinancing Installment Purchase Contract with First Tennessee Bank dated January 15, 2015 for the Arcadia electric substation and various electric system reliability improvements. The re-financing required principal payments beginning in fiscal year 2014-2015 with an interest rate of 1.89%, to be paid in December 2022	<u>2,217,280</u>
	<u>\$12,897,551</u>

Annual debt service payments of installment purchase contracts as of June 30, 2015. Including \$1,838,780 of interest, net of 35% federal credit, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 552,386	\$ 159,687	\$ 1,218,039	\$ 239,002
2017	565,394	144,194	1,248,265	205,768
2018	578,775	128,229	1,279,314	171,588
2019	468,630	112,163	734,563	137,422
2020	371,728	98,276	575,474	115,933
2021-2025	1,567,493	293,889	2,301,889	303,264
2026-2030	<u>819,275</u>	<u>53,322</u>	<u>616,326</u>	<u>40,114</u>
Total Principal & Interest	<u>\$ 4,923,681</u>	989,760	<u>\$ 7,973,870</u>	1,213,091
35% Federal Credit		<u>(164,699)</u>		<u>(199,372)</u>
Interest, Net of Credit		<u>\$ 825,061</u>		<u>\$ 1,013,719</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, 2015 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 an annual payment of \$146,775 through 06/01/16; interest rate of 2.30%	\$ 146,775
Serviced by the Electric Fund:	
1/19/11 Electric Refunding bonds, Series 2011, \$1,312,729, due in annual payments of \$151,867 to \$67,945 through 06/01/19; interest rate of 2.30%	514,833
Serviced by the Water and Wastewater Fund:	
1/19/11 Sanitary Sewer Refunding bonds, Series 2011, \$3,557,240, due in annual payments of \$407,358 to \$232,055 through 06/01/19; interest rate of 2.30%	<u>1,418,392</u>
Total general obligation bonds	<u>\$ 2,080,000</u>

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
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>\$ 146,775</u>	<u>\$ 3,376</u>	<u>\$ 1,933,225</u>	<u>\$ 102,102</u>

At June 30, 2015, the City of Lexington had no bonds authorized but unissued and a legal debt margin of \$108,864,389.

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 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, 2015 is \$1,907,034.

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

Year Ending June 30	Principal	Interest
2016	\$ 272,749	\$ 75,656
2017	284,359	64,047
2018	296,462	51,944
2019	309,080	39,326
2020	322,235	26,171
2021-2022	422,149	13,358
Total	<u>\$ 1,907,034</u>	<u>\$ 270,502</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 120%. The debt service coverage ratio calculation for the year ended June 30, 2015 is as follows:

	<u>2015</u>
Operating revenues	\$ 12,738,749
Operating expenses*	<u>9,421,798</u>
Operating income	3,316,951
Nonoperating revenues (expenses)**	<u>(61,532)</u>
Income available for debt service	3,255,419
Debt service, principal and interest paid (Revenue bond only)	\$ 284,020
Debt service coverage ratio	1146%

\*Per rate covenants, this does not include the depreciation expense of \$561,669.

\*\*Per rate covenants, this does not include revenue bond interest expense of \$106,767  
(\$86,791 interest paid and \$19,976 increase in accrued interest)

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 \$2,177,536. Principal and interest paid for the current year and total customer net revenues were \$284,020 and \$3,255,419, respectively.

d. **Debt Refinancings and Modifications**

On January 15, 2015, the City refinanced an installment purchase contract with an outstanding balance of \$1,364,448, which as originally dated June 12, 2003. Debt refinancing costs incurred totaled \$20,844. The refinancing was undertaken to reduce total future debt service payments over the next 4 years by \$68,029 and resulted in an economic gain of \$45,612.

On January 15, 2015, the City refinanced an installment purchase contract with an outstanding balance of \$2,359,547, which was originally dated December 13, 2007. Debt refinancing costs incurred totaled \$59,791. The refinancing was undertaken to reduce future debt service payments over the next 7 years by \$193,175 and resulted in an economic gain of \$118,185.

On January 28, 2015, the City closed on a renegotiation of terms for an installment purchase contract with an outstanding balance of \$404,491, which was originally dated October 28, 2008. Debt modification costs incurred for this renegotiation totaled \$4,045. The renegotiation was undertaken to reduce total future debt service payments over the next 4 years by \$15,873 and resulted in an economic gain of \$11,177.

e. **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 \$100,000 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 5 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.

f. **Economic Development Grants**

The City of Lexington enters into formal economic development incentive agreements with companies to stimulate economic development in the local economy. These contracts stipulate the company's

required investment in real and personal property, the number of jobs that must be created and the wage requirements. Due to the uncertainty of contractual obligations being met by grant recipients, the City's incentive commitments are not recorded as obligations in the statement of net position until the company meets its contractual obligations to qualify for the grant.

Commitments under economic development incentive agreements for which an obligation has been recorded include:

- Save-A-Lot, Ltd. – As part of an economic development grant, land co-owned with Davidson County in the Lexington Business Center is being leased to Save-A-Lot, Ltd. and will be conveyed to the company when the 12-year lease agreement is fulfilled in December 2022. Save-A-Lot is meeting the terms of both the lease and economic development incentive agreements and remitting \$72,916.67 annually in a lease payment. Under the terms of the economic development incentive agreement, the lease amount is returned to the company in the form of an economic development incentive grant with the final payment anticipated in 2023. As of June 30, 2015, the City's remaining obligation under this contract totals \$583,333.

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

- United Furniture Industries – The City partnered with Davidson County to purchase land, resulting in a \$68,300 transaction in fiscal year 2009-10 and a \$100,500 transaction in fiscal year 2013-14. As part of an economic development incentive grant, this land is being leased to United Furniture Industries and will be conveyed to the company when the 12-year lease agreement is fulfilled in December 2022. United Furniture is meeting the terms of the lease agreement remitting \$16,858.35 annually in a lease payment. Under the terms of the economic development incentive agreement, the lease amount will be returned to the company in the form of an economic development incentive grant when the company submits documentation evidencing fulfillment of its obligations under the contract, with final payment anticipated in 2023. As of June 30, 2015, the City's remaining commitment under this contract totals \$163,108.

## 9. Changes in Long-Term Liabilities

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

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
<u>Governmental activities:</u>					
Installment purchases	\$ 2,716,074	\$ 2,630,000	\$ 422,393	\$ 4,923,681	\$ 552,386
General obligation bonds	347,435	-	200,660	146,775	146,775
Other postemployment benefits	3,705,053	287,613	-	3,992,666	-
Compensated absences	874,390	679,084	568,402	985,072	568,000
Net pension liability (LGERS)	2,005,706	-	2,005,706	-	-
Net pension obligation (LEO)	492,648	169,241	148,900	512,989	-
Solid waste landfill	120,000	-	20,000	100,000	20,000
Economic development grants	707,475	-	124,142	583,333	72,917
Governmental activity long-term liabilities	<u>\$ 10,968,781</u>	<u>\$ 3,765,938</u>	<u>\$ 3,490,203</u>	<u>\$ 11,244,516</u>	<u>\$ 1,360,078</u>

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
<u>Electric Fund</u>					
Installment purchases	\$ 3,246,865	\$ 4,172,548	\$ 2,840,711	\$ 4,578,702	\$ 543,599
General obligation bonds	669,517	-	154,684	514,833	151,867
Other postemployment benefits	458,085	31,778	-	489,863	-
Compensated absences	82,852	52,638	55,418	80,072	55,000
Net pension liability (LGERS)	<u>230,991</u>	<u>-</u>	<u>230,991</u>	<u>-</u>	<u>-</u>
Electric Fund long-term liabilities	<u>4,688,310</u>	<u>4,256,964</u>	<u>3,281,804</u>	<u>5,663,470</u>	<u>750,466</u>
<u>Water and Wastewater Fund</u>					
Installment purchases	2,018,173	1,364,449	1,773,753	1,608,869	422,580
General obligation bonds	1,833,048	-	414,656	1,418,392	407,358
Other postemployment benefits	679,923	52,870	-	732,793	-
Compensated absences	148,283	156,763	132,373	172,673	132,000
Net pension liability (LGERS)	<u>387,914</u>	<u>-</u>	<u>387,914</u>	<u>-</u>	<u>-</u>
Water and Wastewater Fund long-term liabilities	<u>5,067,341</u>	<u>1,574,082</u>	<u>2,708,696</u>	<u>3,932,727</u>	<u>961,938</u>
<u>Natural Gas Fund</u>					
Installment purchases	1,339,426	-	99,329	1,240,097	103,300
Revenue bonds	2,104,263	-	197,229	1,907,034	272,749
Other postemployment benefits	324,871	24,674	-	349,545	-
Compensated absences	75,491	68,999	53,831	90,659	54,000
Net pension liability (LGERS)	<u>178,009</u>	<u>-</u>	<u>178,009</u>	<u>-</u>	<u>-</u>
Natural Gas Fund long-term liabilities	<u>4,022,060</u>	<u>93,673</u>	<u>528,398</u>	<u>3,587,335</u>	<u>430,049</u>
<u>Golf Fund</u>					
Installment purchases	689,154	-	142,952	546,202	148,560
Other postemployment benefits	112,943	7,790	-	120,733	-
Compensated absences	24,817	24,243	18,742	30,318	19,000
Net pension liability (LGERS)	<u>59,236</u>	<u>-</u>	<u>59,236</u>	<u>-</u>	<u>-</u>
Golf Fund long-term liabilities	<u>886,150</u>	<u>32,033</u>	<u>220,930</u>	<u>697,253</u>	<u>167,560</u>
<u>Utility Administration Fund</u>					
Other postemployment benefits	381,074	28,078	-	409,152	-
Compensated absences	104,886	48,769	60,923	92,732	61,000
Net pension liability (LGERS)	<u>184,149</u>	<u>-</u>	<u>184,149</u>	<u>-</u>	<u>-</u>
Utility Administration Fund long-term liabilities	<u>670,109</u>	<u>76,847</u>	<u>245,072</u>	<u>501,884</u>	<u>61,000</u>
Business activity long-term liabilities	<u>\$ 15,333,970</u>	<u>\$ 6,033,599</u>	<u>\$ 6,984,900</u>	<u>\$ 14,382,669</u>	<u>\$ 2,371,013</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

C. **Interfund Balances and Activity**

1. **Interfund Balances**

Balances due to/from other funds at June 30, 2015 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
General Fund	Capital Projects Fund	\$ 75,000	\$ 120,000	\$ 195,000
Natural Gas Fund	General Fund	37,174	75,185	112,359
Natural Gas Fund	Golf Fund	25,965	-	25,965
Total		<u>\$ 138,139</u>	<u>\$ 195,185</u>	<u>\$ 333,324</u>

Interfund balances owed to the General Fund by the Capital Projects Fund represent temporary advances and will be repaid upon receipt of other permanent funding.

On February 1, 2015, the General Fund borrowed \$150,000 from the Natural Gas Fund to fund the purchase of storage area network equipment. The terms of the arrangement require the General Fund to repay the Natural Gas Fund in four annual installments, including interest at 0.75%, beginning on June 1, 2015.

On June 20, 2013, the Golf Fund borrowed \$154,475 from the Natural Gas Fund to fund the purchase of golf carts. The terms of the arrangement require the Golf Fund to repay the Natural Gas Fund in six semi-annual installments, including interest at 1.14%, beginning on June 20, 2013.

2. **Interfund transfers**

The composition of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 1,300,000
General Fund (payment in lieu of taxes)	Electric Fund (payment in lieu of taxes)	178,016
General Fund (payment in lieu of taxes)	Water and Wastewater Fund (payment in lieu of taxes)	327,379
General Fund	Natural Gas Fund	912,883
General Fund (payment in lieu of taxes)	Natural Gas Fund (payment in lieu of taxes)	70,843
General Fund	Group Insurance Fund	53,786
General Capital Projects Fund	General Fund	305,000
Electric Fund	Utility Administration Fund	862
Water and Wastewater Fund	Utility Administration Fund	81,905
Water and Wastewater Fund	Capital Reserve Fund	146,000
Water and Wastewater Fund	N/A - (Governmental Capital Asset)	429,871
Natural Gas Fund	Utility Administration Fund	88,459
Golf Fund	General Fund	263,584
Garage Fund	Capital Reserve Fund	456,627
Utility Administration Fund	Electric Fund	65,000
Utility Administration Fund	Water and Wastewater Fund	29,000
Utility Administration Fund	Natural Gas Fund	31,000
Capital Reserve Fund	Electric Fund	1,232,000
Capital Reserve Fund	Water and Wastewater Fund	75,000
Capital Reserve Fund	Garage Fund	322,524
Total		<u>\$ 6,369,739</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 \$178,016, \$327,379, and \$70,843, respectively. The Electric and Natural Gas Funds also made transfers in the amounts of \$1,300,000 and \$912,883 as profit distributions to support General Fund services.

The General Fund received a transfer from the Group Insurance Fund in the amount of \$53,786 to help cover cost associated with the City of Lexington Wellness Plan.

The General Capital Projects Fund received a transfer from the General Fund in the amount of \$210,000 to cover the cost of two (2) annual payments for the purchase of property related to the Recreation Center Acquisition and Development capital project. The General Fund also made a transfer of \$95,000 to cover the cost of additional funds needed for the 2014 Public Buildings Improvement capital project.

The Electric Fund received a transfer from the Utility Administration Fund in the amount of \$862 of unspent funds related to the completion of the Automated Meter Reading capital project.

The Water and Wastewater Fund received a transfer from the Utility Administration Fund in the amount of \$81,905 of unspent funds related to the completion of the Automated Meter Reading capital project. The Capital Reserve Fund also made a transfer of \$146,000 to the Water and Wastewater Fund to provide funding for the Drying Beds Capital Project at the Water Plant. Due to the reassignment of equity interest in the Lake Thom-A-Lex Joint Venture, the Water and Wastewater Fund received a transfer from Governmental Activities in the amount of \$429,871 (see Exhibit 2 – Statement of Activities).

The Natural Gas Fund received a transfer from the Utility Administration Fund in the amount of \$88,459 of unspent funds related to the completion of the Automated Meter Reading capital project.

The Golf Fund received a transfer from the General Fund in the amount of \$168,584 for principal and interest debt payments on the course renovations. The Golf Fund also received an additional transfer of \$95,000 from the General Fund to offset lost revenues due to the impact of adverse weather conditions.

The Garage Fund received a transfer from the Capital Reserve Fund in the amount of \$456,627 to purchase vehicles and equipment for the City's motor pool fleet.

The Utility Administration Fund received a transfer from the Electric, Water and Wastewater, and Natural Gas Funds for the Work Order capital project in the amount of \$65,000, 29,000, and \$31,000, respectively.

The Capital Reserve Fund received a transfer from the Electric Fund in the amount of \$1,232,000 for the reimbursement of funds used to prefund the 2014 Electric System Improvements capital project in FY 2013-2014. The Water and Wastewater and Garage Funds also made transfers in the amounts of \$75,000 and \$322,524, respectively for future capital needs.

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

The City has recognized as a revenue and an expenditure, on-behalf payments for pension contributions of \$17,305 made by the State for the fifty employed firefighters' who perform firefighting duties for the City's fire department. The employees elected to be members of the Firefighters' and Rescue Squad Workers' Pension Fund, a cost sharing multiple employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

E. **Net Investment in Capital Assets**

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

	Governmental Activities	Business-Type Activities
Capital assets	\$ 43,961,660	\$ 99,882,512
Less: long-term debt on capital assets	(5,070,456)	(11,814,129)
Unexpended debt proceeds	<u>1,072,073</u>	<u>653,734</u>
Net investment in capital assets	<u>\$ 39,963,277</u>	<u>\$ 88,722,117</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	\$ 9,369,879
Less:	
Inventory	(591)
Prepaid Items	(3,329)
Stabilization by State Statute	<u>(3,305,217)</u>
Fund balance available for appropriation	6,060,742
Less: Restrictions, commitments, and assignments of fund balance available for appropriation	
Restricted for general government	(10,000)
Committed for general government	(13,902)
Appropriated fund balance in 2015-16 budget	<u>(1,292,822)</u>
Unassigned fund balance	<u>\$ 4,744,018</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	\$ 969,621	\$ -

3. **Jointly Governed Organization**

North Carolina Municipal Power Agency Number 1

The City of Lexington, in conjunction with eighteen other local governments, is a member of the North Carolina Municipal Power Agency Number 1. The agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one Council member (or Commissioner) to the agency's governing board. The nineteen members, who receive power from the agency, have signed power sales agreements to purchase a specified share of the power generated by the agency. Except for the power sales purchase requirements, no local government

participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2015 were \$44,364,741. These expenses are reflected in the Electric Fund's operations. Complete financial statements for the Power Agency can be obtained from the Agency's administrative offices at P.O. Box 29513, Raleigh, NC 27626-0513.

#### 4. Joint Venture

##### Lake Thom-A-Lex

The municipalities of Lexington and Thomasville, North Carolina jointly own and operate a waterworks reservoir system. Both cities' governing bodies have authority, under resolutions adopted individually, to acquire, construct, improve, maintain, and jointly operate this system. Both cities have authority to issue bonds or other means of financing as necessary to acquire, construct, and/or improve the system. There are no bonds outstanding for the joint venture at June 30, 2015, and there are no bonds authorized but unissued. The cities' governing boards also have joint control over budgeting the operation.

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

Costs of operations are shared equally between the City of Lexington, the City of Thomasville, and Davidson County. The City of Thomasville maintains control over the financial records for assets and liabilities of the lake. Effective July 1, 2009 Davidson County began maintaining control over the financial records of the operation of the lake and bills the City of Lexington for its share of the costs. These costs are included as an operating expenditure in the Water Plant Department in the City's Water and Wastewater Fund. The City spent \$35,887 and \$33,415 for the fiscal years ended June 30, 2014 and 2015, respectively.

The City of Lexington has a 50% interest in the joint venture and an ongoing financial responsibility for Lake Thom-A-Lex. The City's original investment of \$180,000 was recorded in 1957, the year the joint venture began. Assets consist of 1,034 acres of land, an earthen dam constructed in 1957, a boathouse, piers, restroom building, playground, picnic shelters, boats, and a vehicle, which are jointly owned. The City's equity interest as of June 30, 2015 was \$428,433, which is shown in the government-wide financial statements. There is no distribution of net income. Net position remains in the joint venture for future operational needs of the system. Lake Thom-A-Lex has the same fiscal year-end as the City of Lexington, which is June 30, 2015. Lake Thom-A-Lex did not issue separate financial statements. The following condensed financial information has been provided by the City of Thomasville.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets		
Cash	\$ 349,351	\$ 304,030
Accounts receivable	33,886	45,321
Land	223,395	223,395
Buildings	15,000	15,000
Other improvements	1,140,665	1,140,665
Equipment	<u>86,020</u>	<u>86,020</u>
	1,848,317	1,814,431
Less: accumulated depreciation	<u>(991,451)</u>	<u>(954,688)</u>
Total assets	<u>\$ 856,866</u>	<u>\$ 859,743</u>
Net Position	<u>\$ 856,866</u>	<u>\$ 859,743</u>

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues		
Permits, rentals, concessions, etc.	\$ 57,094	\$ 55,460
Contributions		
City of Thomasville	33,415	35,887
City of Lexington	33,415	35,887
Davidson County	<u>33,415</u>	<u>35,887</u>
Total revenues	157,339	163,121
Expenditures		
Salaries and employee benefits	88,347	87,423
Operating expenditures	<u>35,106</u>	<u>30,378</u>
Total expenditures	<u>123,453</u>	<u>117,801</u>
Revenues over (under) expenditures	33,886	45,320
Reconciliation from budgetary basis (modified accrual) to full accrual:		
Reconciling item:		
Depreciation expense	<u>(36,763)</u>	<u>(38,080)</u>
Change in net position	(2,877)	7,240
Net position		
Beginning of year, July 1	<u>859,743</u>	<u>852,503</u>
End of year, June 30	<u>\$ 856,866</u>	<u>\$ 859,743</u>

## 5. Related Organizations

### A. Lexington Housing Authority

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

### 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.

## **6. Summary Disclosure Of Significant Contingencies**

### **Federal and State Assisted Programs**

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

## **7. Change in Accounting Principles/Restatement**

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pension (an amendment of GASB Statement No.27)*, in the fiscal year ending June 30, 2015. The implementation of the statement requires the City to record beginning net pension liability and the effect on net position of the contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,340,532 and \$695,294, respectively.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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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)
12/31/14	\$ -	\$ 1,496,023	\$ 1,496,023	\$ -	\$ 2,626,322	56.96%
12/31/13	-	1,480,572	1,480,572	-	2,776,644	53.32%
12/31/12	-	1,454,977	1,454,977	-	2,554,558	56.96%
12/31/11	-	1,544,339	1,544,339	-	2,770,689	55.74%
12/31/10	-	1,467,937	1,467,937	-	2,813,742	52.17%
12/31/09	-	1,651,253	1,651,253	-	2,856,385	57.81%
12/31/08	-	1,374,612	1,374,612	-	2,771,227	49.60%
12/31/07	-	1,350,496	1,350,496	-	2,478,902	54.48%
12/31/06	-	1,270,742	1,270,742	-	2,530,486	50.22%
12/31/05	-	1,119,699	1,119,699	-	2,387,790	46.89%

**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
2015	\$ 186,226	79.96%
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%

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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	N/A

**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
2015	\$ 1,516,571	72.1%
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%

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

**Exhibit A-5**

**Local Government Employees' Retirement System**

	<b>2015</b>	<b>2014</b>
City of Lexington's proportion of the net pension liability (asset) (%)	0.25594%	0.25270%
City of Lexington's proportion of the net pension liability (asset) (\$)	\$ (1,509,396)	\$ 3,046,005
City of Lexington's covered-employee payroll	\$ 14,213,987	\$ 14,008,463
City of Lexington's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	( 10.62%)	21.74%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

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

**Exhibit A-6**

**Local Government Employees' Retirement System**

	2015	2014
Contractually required contribution	\$ 1,004,218	\$ 1,010,179
Contributions in relation to the contractually required contribution	1,004,218	1,010,179
Contribution deficiency (excess)	\$ -	\$ -
City of Lexington's covered-employee payroll	\$ 14,049,910	\$ 14,213,987
Contributions as a percentage of covered-employee payroll	7.15%	7.11%

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

**Exhibit A-7**

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

	<b>2015</b>
City of Lexington's proportionate share of the net pension liability (%)	0.0000%
City of Lexington's proportionate share of the net pension liability (\$)	\$ -
State's proportionate share of the net pension liability associated with City of Lexington	32,450
Total	\$ 32,450
City of Lexington's covered-employee payroll	\$ 2,044,553
City of Lexington's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.59%
Plan fiduciary net position as a percentage of the total pension liability	93.42%

\*The amounts presented for the fiscal year ending June 30, 2015 were determined as of June 30, 2014.

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**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, 2015</u>		<u>June 30, 2014</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>
Ad valorem taxes	\$ 9,362,764	44%	\$ 9,390,723	43%
Other taxes and licenses	316,532	1%	264,000	1%
Unrestricted intergovernmental	6,061,070	29%	6,157,526	29%
Restricted intergovernmental	791,276	4%	955,772	4%
Permits and fees	225,193	1%	168,223	1%
Sales and services	1,294,405	6%	1,031,007	5%
Investment earnings	17,815	0%	17,208	0%
Miscellaneous	151,740	1%	150,908	1%
Other financing sources	<u>2,861,514</u>	<u>14%</u>	<u>3,423,598</u>	<u>16%</u>
Total revenues	<u>\$ 21,082,309</u>	<u>100%</u>	<u>\$ 21,558,965</u>	<u>100%</u>
 <u>EXPENDITURES BY FUNCTION</u>				
General government	\$ 4,611,880	23%	\$ 4,432,140	21%
Public safety	9,490,368	47%	9,970,271	47%
Highways and streets	1,679,984	8%	1,927,307	9%
Sanitation	1,675,820	8%	1,894,698	9%
Culture and recreation	1,478,800	7%	1,430,840	7%
Economic and physical development	79,717	0%	226,830	1%
Debt service	777,467	4%	728,170	4%
Other financing uses	<u>568,584</u>	<u>3%</u>	<u>456,674</u>	<u>2%</u>
Total expenditures	<u>\$ 20,362,620</u>	<u>100%</u>	<u>\$ 21,066,930</u>	<u>100%</u>



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

**Exhibit B-1**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2015  
(With comparative actual amounts for the fiscal year ended June 30, 2014)**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad valorem taxes:</b>				
Current year	\$	\$ 8,938,408	\$	\$ 9,018,207
Prior year		390,283		380,957
Discounts and refunds		(77,561)		(94,853)
Interest		111,634		86,412
Total	<u>8,693,700</u>	<u>9,362,764</u>	<u>669,064</u>	<u>9,390,723</u>
<b>Other taxes and licenses:</b>				
Occupancy tax		316,532		264,000
Total	<u>298,000</u>	<u>316,532</u>	<u>18,532</u>	<u>264,000</u>
<b>Unrestricted intergovernmental:</b>				
Federal Build America Bond interest credit		29,052		30,944
Utilities sales tax		1,838,078		1,827,102
Piped natural gas sales tax		(3,867)		2,427
Telecommunications tax		235,965		299,966
Video franchise tax		138,770		172,657
Payments in lieu of taxes		4,678		13,681
Beer and wine tax		88,973		81,484
Local option sales tax		3,424,361		3,428,265
ABC revenues		305,060		301,000
Total	<u>5,532,367</u>	<u>6,061,070</u>	<u>528,703</u>	<u>6,157,526</u>
<b>Restricted intergovernmental:</b>				
ABC recreation		65,370		64,500
ABC law enforcement		16,876		16,176
Solid waste disposal tax		12,038		11,381
Powell Bill allocation		589,310		588,744
On-behalf of payments - fire		17,305		30,967
Public safety		2,495		24,704
Disaster assistance		60,068		197,246
NCDOT reimbursement		27,814		22,054
Total	<u>1,015,248</u>	<u>791,276</u>	<u>(223,972)</u>	<u>955,772</u>
<b>Permits and fees:</b>				
Inspection fees and permits		225,193		168,223
Total	<u>190,450</u>	<u>225,193</u>	<u>34,743</u>	<u>168,223</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, 2015  
(With comparative actual amounts for the fiscal year ended June 30, 2014)**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Sales and services:				
Property rental	\$	\$ 5,950	\$	\$ 5,950
Court cost and parking fees		13,137		12,586
Cemetery fees		62,650		55,550
Mowing and towing fees		26,368		16,567
Demolition fees		8,976		4,678
Recreation fees		14,849		19,843
Waste collection fees		1,162,475		915,833
Total	<u>1,284,420</u>	<u>1,294,405</u>	<u>9,985</u>	<u>1,031,007</u>
Investment earnings	<u>19,340</u>	<u>17,815</u>	<u>(1,525)</u>	<u>17,208</u>
Miscellaneous:				
Reimbursement of costs		136,379		123,844
Sale of materials		2,425		12,137
Donations		12,791		14,630
Other		145		297
Total	<u>167,426</u>	<u>151,740</u>	<u>(15,686)</u>	<u>150,908</u>
Total revenues	<u>17,200,951</u>	<u>18,220,795</u>	<u>1,019,844</u>	<u>18,135,367</u>
Expenditures:				
General government:				
Governing board:				
Salaries and employee benefits		156,974		148,448
Operating expenses		18,382		19,145
Cost redistribution		(149,149)		(142,551)
Total governing board	<u>30,698</u>	<u>26,207</u>	<u>4,491</u>	<u>25,042</u>
Administrative - city manager:				
Salaries and employee benefits		509,757		495,571
Operating expenses		66,482		28,248
Cost redistribution		(290,323)		(272,195)
Total administrative - city manager	<u>308,701</u>	<u>285,916</u>	<u>22,785</u>	<u>251,624</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, 2015  
(With comparative actual amounts for the fiscal year ended June 30, 2014)**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Administrative - other:				
Retiree benefits	\$	\$ 760,744	\$	\$ 646,245
Operating expenses		674,247		685,821
Administrative charges risk management fund		786,828		898,358
Administrative charges utility administration fund		231,661		201,706
Grants to other agencies		229,062		296,194
Payment to Lexington Tourism Authority		345,222		252,476
Cost redistribution		(131,375)		(127,985)
Total administrative - other	2,895,152	2,896,389	(1,237)	2,852,815
Finance:				
Salaries and employee benefits		676,213		664,382
Operating expenses		30,281		42,540
Cost redistribution		(375,721)		(392,464)
Total finance	345,207	330,773	14,434	314,458
Legal:				
Operating expenses		33,099		42,422
Cost redistribution		(12,338)		(11,085)
Total legal	23,662	20,761	2,901	31,337
Human resources:				
Salaries and employee benefits		319,561		244,615
Operating expenses		71,837		80,409
Cost redistribution		(135,036)		(134,227)
Total human resources	266,165	256,362	9,803	190,797
Information technologies:				
Salaries and employee benefits		336,042		337,895
Operating expenses		357,496		392,010
Capital outlay		203,132		88,284
Cost redistribution		(308,851)		(309,814)
Total information technologies	649,302	587,819	61,483	508,375

*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, 2015  
(With comparative actual amounts for the fiscal year ended June 30, 2014)**

	2015		Variance	2014
	Budget	Actual	Positive (Negative)	Actual
Public buildings:				
Salaries and employee benefits	\$	\$ 237,084	\$	\$ 229,392
Operating expenses		61,802		122,240
Cost redistribution		(91,233)		(93,940)
Total public buildings	<u>234,172</u>	<u>207,653</u>	<u>26,519</u>	<u>257,692</u>
 Total general government	 <u>4,753,059</u>	 <u>4,611,880</u>	 <u>141,179</u>	 <u>4,432,140</u>
Public safety:				
Police:				
Salaries and employee benefits		4,585,404		4,706,276
Operating expenses		582,297		465,476
Capital outlay		98,902		30,223
Cost redistribution		(49,707)		(48,757)
Total police	<u>5,412,793</u>	<u>5,216,896</u>	<u>195,897</u>	<u>5,153,218</u>
Fire:				
Salaries and employee benefits		2,986,739		3,015,881
Operating expenses		384,926		413,612
Capital outlay		132,678		600,440
Total fire	<u>3,592,839</u>	<u>3,504,343</u>	<u>88,496</u>	<u>4,029,933</u>
Business and community development:				
Salaries and employee benefits		599,122		635,768
Operating expenses		170,007		151,352
Total business and community development	<u>803,507</u>	<u>769,129</u>	<u>34,378</u>	<u>787,120</u>
Total public safety	<u>9,809,139</u>	<u>9,490,368</u>	<u>318,771</u>	<u>9,970,271</u>
Highways and streets:				
Engineering:				
Salaries and employee benefits		152,517		374,467
Operating expenses		88,558		86,645
Cost redistribution		(147,940)		(214,079)
Total engineering	<u>104,352</u>	<u>93,135</u>	<u>11,217</u>	<u>247,033</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, 2015  
(With comparative actual amounts for the fiscal year ended June 30, 2014)**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
<b>Street:</b>				
Salaries and employee benefits	\$	\$ 739,459	\$	\$ 790,376
Operating expenses		970,121		1,020,339
Cost redistribution		(122,731)		(130,441)
Total street		1,586,849	108,364	1,680,274
Total highways and streets	1,799,565	1,679,984	119,581	1,927,307
<b>Sanitation:</b>				
Recycling and waste collection services:				
Salaries and employee benefits		767,531		864,719
Operating expenses		660,456		776,283
Tipping fees - landfill		247,833		253,696
Total sanitation	2,597,125	1,675,820	921,305	1,894,698
<b>Culture and recreation:</b>				
Parks and Recreation:				
Salaries and employee benefits		429,258		452,507
Operating expenses		326,231		241,292
Capital outlay		-		15,400
Total parks and recreation	821,013	755,489	65,524	709,199
<b>Public grounds:</b>				
Salaries and employee benefits		587,378		574,651
Operating expenses		168,673		179,233
Capital outlay		6,550		6,550
Cost redistribution		(39,290)		(38,793)
Total public grounds	768,109	723,311	44,798	721,641
Total culture and recreation	1,589,122	1,478,800	110,322	1,430,840
<b>Economic and physical development:</b>				
Operating expenses		79,717		126,330
Capital outlay		-		100,500
Total economic and physical development	119,574	79,717	39,857	226,830

*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, 2015  
(With comparative actual amounts for the fiscal year ended June 30, 2014)**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Debt service:				
Principal retirement	\$	\$ 623,053	\$	\$ 586,744
Interest and other charges		154,414		141,426
Total debt service	<u>857,100</u>	<u>777,467</u>	<u>79,633</u>	<u>728,170</u>
Total expenditures	<u>21,524,684</u>	<u>19,794,036</u>	<u>1,730,648</u>	<u>20,610,256</u>
Revenue over (under) expenditures	<u>(4,323,733)</u>	<u>(1,573,241)</u>	<u>2,750,492</u>	<u>(2,474,889)</u>
Other financing sources (uses):				
Installment purchase debt issued	675,202	-	(675,202)	582,807
Transfers from other funds				
Electric Fund	1,300,000	1,300,000	-	1,325,000
Electric Fund (payment in lieu of taxes)	178,016	178,016	-	179,209
Water and Wastewater Fund (payment in lieu of taxes)	327,379	327,379	-	326,795
Natural Gas Fund	912,883	912,883	-	889,664
Natural Gas Fund (payment in lieu of taxes)	70,843	70,843	-	69,251
Group Insurance Fund	53,786	53,786	-	50,872
Transfers to other funds				
Community Development Grants Fund	-	-	-	(33,090)
General Capital Projects Fund	(305,000)	(305,000)	-	(125,000)
Golf Fund	(264,484)	(263,584)	900	(298,584)
Sale of capital assets	<u>9,700</u>	<u>18,607</u>	<u>8,907</u>	<u>-</u>
Total other financing sources (uses)	<u>2,958,325</u>	<u>2,292,930</u>	<u>(665,395)</u>	<u>2,966,924</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,365,408)	719,689	2,085,097	492,035
Fund balance appropriated	<u>1,365,408</u>	<u>-</u>	<u>(1,365,408)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>719,689</u>	<u>\$ 719,689</u>	<u>492,035</u>
Fund balance - beginning		8,650,812		8,158,879
Increase (decrease) in central purchasing inventory		<u>(622)</u>		<u>(102)</u>
Fund balance - ending		<u>\$ 9,369,879</u>		<u>\$ 8,650,812</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, 2015**

**Exhibit C-1**

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

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds	
			2015	2014
<b>Assets</b>				
Cash and cash equivalents	\$ 283,917	\$ 596,870	\$ 880,787	\$ 953,961
Receivables (net)				
Taxes	10,316	-	10,316	12,962
Interest	40	11	51	138
Due from other governments	4,157	14,457	18,614	162,686
Restricted cash and cash equivalents				
Construction in progress - unexpended debt proceeds	-	1,072,073	1,072,073	-
Total assets	\$ 298,430	\$ 1,683,411	\$ 1,981,841	\$ 1,129,747
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 7,503	\$ 197,643	\$ 205,146	\$ 10,451
Due to other funds	-	75,000	75,000	151,201
Due to component unit	-	-	-	14
Unearned revenue	-	7,500	7,500	8,067
Advance from other funds	-	120,000	120,000	-
Total liabilities	7,503	400,143	407,646	169,733
Deferred inflows of resources	10,316	-	10,316	12,962
<b>Fund balances</b>				
Restricted:				
Stabilization by state statute	4,197	-	4,197	39,901
Law enforcement	228,414	-	228,414	398,501
Urban redevelopment	48,000	-	48,000	48,000
Capital projects				
Public buildings improvements	-	1,001,221	1,001,221	-
Recreation improvements	-	70,852	70,852	-
Business park development	-	170,645	170,645	170,414
Committed:				
General government	-	56,499	56,499	125,000
Economic and physical development	-	211,422	211,422	165,250
Unassigned	-	(227,371)	(227,371)	(14)
Total fund balances	280,611	1,283,268	1,563,879	947,052
Total liabilities, deferred inflows of resources, and fund balances	\$ 298,430	\$ 1,683,411	\$ 1,981,841	\$ 1,129,747

**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, 2015**  
**(With comparative actual amounts for the fiscal year ended June 30, 2014)**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds	
			2015	2014
Revenues:				
Ad valorem taxes	\$ 97,777	\$ -	\$ 97,777	\$ 94,355
Restricted intergovernmental	73,326	-	73,326	540,310
Sales and services	-	97,013	97,013	85,125
Investment earnings	675	564	1,239	1,555
Miscellaneous	<u>7,577</u>	<u>71,120</u>	<u>78,697</u>	<u>6,748</u>
Total revenues	<u>179,355</u>	<u>168,697</u>	<u>348,052</u>	<u>728,093</u>
Expenditures:				
General government	-	868,552	868,552	-
Public safety	272,811	-	272,811	646,497
Culture and recreation	-	1,095,580	1,095,580	225,231
Economic and physical development	<u>112,321</u>	<u>96,961</u>	<u>209,282</u>	<u>383,603</u>
Total expenditures	<u>385,132</u>	<u>2,061,093</u>	<u>2,446,225</u>	<u>1,255,331</u>
Revenues over (under) expenditures	<u>(205,777)</u>	<u>(1,892,396)</u>	<u>(2,098,173)</u>	<u>(527,238)</u>
Other financing sources (uses):				
Installment purchase obligations issued	-	2,410,000	2,410,000	-
Transfers from other funds				
General Fund	<u>-</u>	<u>305,000</u>	<u>305,000</u>	<u>158,090</u>
Total other financing sources (uses)	<u>-</u>	<u>2,715,000</u>	<u>2,715,000</u>	<u>158,090</u>
Net change in fund balances	(205,777)	822,604	616,827	(369,148)
Fund balances - beginning	<u>486,388</u>	<u>460,664</u>	<u>947,052</u>	<u>1,316,200</u>
Fund balances - ending	<u>\$ 280,611</u>	<u>\$ 1,283,268</u>	<u>\$ 1,563,879</u>	<u>\$ 947,052</u>



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**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, 2015**

**Exhibit D-1**

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

	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District	Economic Stimulus Grants	Totals	
						2015	2014
<b>Assets</b>							
Cash and cash equivalents	\$ -	\$ 235,917	\$ -	\$ 48,000	\$ -	\$ 283,917	\$ 489,662
Receivables (net):							
Taxes	-	-	-	10,316	-	10,316	12,962
Interest	-	40	-	-	-	40	91
Due from other governments	-	2,856	-	1,301	-	4,157	158,076
Total assets	<u>\$ -</u>	<u>\$ 238,813</u>	<u>\$ -</u>	<u>\$ 59,617</u>	<u>\$ -</u>	<u>\$ 298,430</u>	<u>\$ 660,791</u>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ -	\$ 7,503	\$ -	\$ -	\$ -	\$ 7,503	\$ 10,226
Due to other funds	-	-	-	-	-	-	151,201
Due to component unit	-	-	-	-	-	-	14
Total liabilities	<u>-</u>	<u>7,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,503</u>	<u>161,441</u>
Deferred inflows of resources	-	-	-	10,316	-	10,316	12,962
<b>Fund balances</b>							
Restricted:							
Stabilization by state statute	-	2,896	-	1,301	-	4,197	39,901
Law enforcement	-	228,414	-	-	-	228,414	398,501
Urban redevelopment	-	-	-	48,000	-	48,000	48,000
Unassigned	-	-	-	-	-	-	(14)
Total fund balances	<u>-</u>	<u>231,310</u>	<u>-</u>	<u>49,301</u>	<u>-</u>	<u>280,611</u>	<u>486,388</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 238,813</u>	<u>\$ -</u>	<u>\$ 59,617</u>	<u>\$ -</u>	<u>\$ 298,430</u>	<u>\$ 660,791</u>

**City of Lexington, North Carolina  
Nonmajor Special Revenue Funds**

**Exhibit D-2**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the fiscal year ended June 30, 2015  
(With comparative actual amounts for the fiscal year ended June 30, 2014)**

	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District	Economic Stimulus Grants	Totals	
						2015	2014
<b>Revenues:</b>							
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 97,777	\$ -	\$ 97,777	\$ 94,355
Restricted intergovernmental	15,845	57,481	-	-	-	73,326	212,990
Investment earnings	-	675	-	-	-	675	1,266
Miscellaneous	-	7,577	-	-	-	7,577	-
Total revenues	<u>15,845</u>	<u>65,733</u>	<u>-</u>	<u>97,777</u>	<u>-</u>	<u>179,355</u>	<u>308,611</u>
<b>Expenditures:</b>							
Public safety	-	272,811	-	-	-	272,811	646,497
Economic and physical development	<u>15,845</u>	<u>-</u>	<u>-</u>	<u>96,476</u>	<u>-</u>	<u>112,321</u>	<u>94,355</u>
Total expenditures	<u>15,845</u>	<u>272,811</u>	<u>-</u>	<u>96,476</u>	<u>-</u>	<u>385,132</u>	<u>740,852</u>
Revenues over (under) expenditures	<u>-</u>	<u>(207,078)</u>	<u>-</u>	<u>1,301</u>	<u>-</u>	<u>(205,777)</u>	<u>(432,241)</u>
<b>Other financing sources (uses):</b>							
Transfers from other funds							
General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,090</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,090</u>
Net change in fund balances	-	(207,078)	-	1,301	-	(205,777)	(399,151)
Fund balances - beginning	<u>-</u>	<u>438,388</u>	<u>-</u>	<u>48,000</u>	<u>-</u>	<u>486,388</u>	<u>885,539</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 231,310</u>	<u>\$ -</u>	<u>\$ 49,301</u>	<u>\$ -</u>	<u>\$ 280,611</u>	<u>\$ 486,388</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, 2015**

**Exhibit D-3**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
2012 Scattered Site Housing grant	\$ 225,000	\$ -	\$ 15,845	\$ 15,845	\$ (209,155)
Total revenues	<u>225,000</u>	<u>-</u>	<u>15,845</u>	<u>15,845</u>	<u>(209,155)</u>
Expenditures:					
Economic and physical development					
2012 Scattered Site Housing grant	225,000	-	15,845	15,845	209,155
Total expenditures	<u>225,000</u>	<u>-</u>	<u>15,845</u>	<u>15,845</u>	<u>209,155</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>		
Fund balance - ending			<u>\$ -</u>		

**City of Lexington, North Carolina**  
**Controlled Substance Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For the fiscal year ended June 30, 2015**  
**(With comparative actual amounts for the fiscal year ended June 30, 2014)**

**Exhibit D-4**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$	\$ 57,481	\$	\$ 65,226
Investment earnings		675		1,266
Miscellaneous		<u>7,577</u>		<u>-</u>
Total revenues	<u>-</u>	<u>65,733</u>	<u>65,733</u>	<u>66,492</u>
Expenditures:				
Public safety				
Operations		272,811		388,015
Capital outlay		<u>-</u>		<u>95,131</u>
Total expenditures	<u>336,343</u>	<u>272,811</u>	<u>63,532</u>	<u>483,146</u>
Revenues over (under) expenditures	<u>(336,343)</u>	<u>(207,078)</u>	<u>129,265</u>	<u>(416,654)</u>
Fund balance appropriated	<u>336,343</u>	<u>-</u>	<u>(336,343)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(207,078)</u>	<u>\$ (207,078)</u>	<u>(416,654)</u>
Fund balance - beginning		<u>438,388</u>		<u>855,042</u>
Fund balance - ending		<u>\$ 231,310</u>		<u>\$ 438,388</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, 2015**

**Exhibit D-5**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental	\$ 140,284	\$ 140,284	\$ -	\$ 140,284	\$ -
Total revenues	<u>140,284</u>	<u>140,284</u>	<u>-</u>	<u>140,284</u>	<u>-</u>
Expenditures:					
Public safety					
FEMA - Assistance to Firefighters grant #4	155,871	155,871	-	155,871	-
Total expenditures	<u>155,871</u>	<u>155,871</u>	<u>-</u>	<u>155,871</u>	<u>-</u>
Revenues over (under) expenditures	<u>(15,587)</u>	<u>(15,587)</u>	<u>-</u>	<u>(15,587)</u>	<u>-</u>
Other financing sources:					
Transfers from other funds					
General Fund	15,587	15,587	-	15,587	-
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>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</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, 2015**  
**(With comparative actual amounts for the fiscal year ended June 30, 2014)**

**Exhibit D-6**

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Current year	\$	\$ 91,266	\$	\$ 92,194
Prior year		6,165		2,320
Discounts and refunds		(868)		(866)
Penalties and interest		1,214		707
Total revenues	98,500	97,777	(723)	94,355
Expenditures:				
Economic and physical development				
Contribution to Uptown Lexington, Inc. - special district property tax		96,476		94,355
Total expenditures	98,500	96,476	2,024	94,355
Revenues over (under) expenditures	-	1,301	1,301	-
Net change in fund balance	\$ -	1,301	\$ 1,301	-
Fund balance - beginning		48,000		48,000
Fund balance - ending		\$ 49,301		\$ 48,000

**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, 2015**

**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	<u>283,552</u>	<u>283,551</u>	<u>-</u>	<u>283,551</u>	<u>(1)</u>
Total revenues	<u>2,383,552</u>	<u>2,383,551</u>	<u>-</u>	<u>2,383,551</u>	<u>(1)</u>
Expenditures:					
Economic and physical development					
Neighborhood Stabilization Program grant	<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>		

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**CAPITAL PROJECTS FUND**  
**Individual Fund Schedule**

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## **CAPITAL PROJECTS FUND**

### **GENERAL CAPITAL PROJECTS FUND**

General Capital Projects 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. Projects currently accounted for in this fund are as follows:

*2014 Public Buildings Improvements Project* – authorizes the renovation of the Municipal Club, now called “Commons on the Green” and City Hall.

*Recreation Center Acquisition and Development Project* – authorizes the purchase of the Recreation Center facility and land and future renovations.

*2014 Recreation Improvements Project* – authorizes the restoration of donated pool property, formally known as Hillside Pool, now called Lexington Aquatic Park.

*Lexington Business Park Project* – authorizes the development of the Lexington Business Park.

*Multi-Modal Transportation Station Area Plan Project* – authorizes the preparation of construction and operational plans for the train station, platform and surrounding area of the Lexington Multi-Modal Transportation Station Area using TIGER II grant funding.

*Lexington Furniture Industries, Inc. Plant #1 Project* – authorizes the development and maintenance of the Plant #1 property, funded by rental property revenues.



**City of Lexington, North Carolina**  
**Nonmajor 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, 2015**

**Exhibit E-1**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
2014 Public Buildings Improvements Project					
Investment earnings	\$ -	\$ -	\$ 272	\$ 272	\$ 272
Total	<u>-</u>	<u>-</u>	<u>272</u>	<u>272</u>	<u>272</u>
Recreation Center Acquisition and Development Project					
Miscellaneous					
Donations	125,000	-	25,000	25,000	(100,000)
Total	<u>125,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>(100,000)</u>
2014 Recreation Improvements Project					
Investment earnings	-	-	61	61	61
Total	<u>-</u>	<u>-</u>	<u>61</u>	<u>61</u>	<u>61</u>
Lexington Business Center Project					
Restricted intergovernmental	1,817,500	1,817,500	-	1,817,500	-
Investment earnings	150,896	154,900	231	155,131	4,235
Miscellaneous					
Reimbursement of costs	211,261	211,261	-	211,261	-
Sale of property	2,119,788	2,119,788	-	2,119,788	-
Donations	107,500	107,500	-	107,500	-
Total	<u>4,406,945</u>	<u>4,410,949</u>	<u>231</u>	<u>4,411,180</u>	<u>4,235</u>
Multi-Modal Transportation Station Area Plan Project					
Restricted intergovernmental					
Tiger II Planning grant	700,000	685,409	-	685,409	(14,591)
Total	<u>700,000</u>	<u>685,409</u>	<u>-</u>	<u>685,409</u>	<u>(14,591)</u>
Lexington Furniture Industries, Inc. Plant #1 Project					
Sales and services					
Property rental	543,467	446,454	97,013	543,467	-
Miscellaneous					
Sale of materials	67,272	21,153	46,120	67,273	1
Total	<u>610,739</u>	<u>467,607</u>	<u>143,133</u>	<u>610,740</u>	<u>1</u>
Total revenues	<u>5,842,684</u>	<u>5,563,965</u>	<u>168,697</u>	<u>5,732,662</u>	<u>(110,022)</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Nonmajor General Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**From inception and for the fiscal year ended June 30, 2015**

**Exhibit E-1**  
*continued*

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
General government					
2014 Public Buildings Improvements Project	\$ 1,926,000	\$ -	\$ 868,552	\$ 868,552	\$ 1,057,448
Total general government	<u>1,926,000</u>	<u>-</u>	<u>868,552</u>	<u>868,552</u>	<u>1,057,448</u>
Culture and recreation					
Recreation Center Acquisition and Development Project	650,000	-	430,000	430,000	220,000
2014 Recreation Improvements Project	<u>704,000</u>	<u>-</u>	<u>665,580</u>	<u>665,580</u>	<u>38,420</u>
Total culture and recreation	<u>1,354,000</u>	<u>-</u>	<u>1,095,580</u>	<u>1,095,580</u>	<u>258,420</u>
Economic and physical development					
Lexington Business Center Project	5,679,470	5,513,060	-	5,513,060	166,410
Multi-Modal Transportation Station Area Plan Project	700,000	685,409	-	685,409	14,591
Lexington Furniture Industries, Inc. Plant #1 Project	<u>1,760,739</u>	<u>1,452,357</u>	<u>96,961</u>	<u>1,549,318</u>	<u>211,421</u>
Total economic and physical development	<u>8,140,209</u>	<u>7,650,826</u>	<u>96,961</u>	<u>7,747,787</u>	<u>392,422</u>
Total expenditures	<u>11,420,209</u>	<u>7,650,826</u>	<u>2,061,093</u>	<u>9,711,919</u>	<u>1,708,290</u>
Revenues over (under) expenditures	<u>(5,577,525)</u>	<u>(2,086,861)</u>	<u>(1,892,396)</u>	<u>(3,979,257)</u>	<u>1,598,268</u>
Other financing sources (uses):					
2014 Public Buildings Improvements Project					
Installment purchase obligations issued	1,706,000	-	1,706,000	1,706,000	-
Transfers from other funds					
General Fund	<u>220,000</u>	<u>125,000</u>	<u>95,000</u>	<u>220,000</u>	<u>-</u>
Total	<u>1,926,000</u>	<u>125,000</u>	<u>1,801,000</u>	<u>1,926,000</u>	<u>-</u>
Recreation Center Acquisition and Development Project					
Transfers from other funds					
General Fund	<u>525,000</u>	<u>-</u>	<u>210,000</u>	<u>210,000</u>	<u>(315,000)</u>
Total	<u>525,000</u>	<u>-</u>	<u>210,000</u>	<u>210,000</u>	<u>(315,000)</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Nonmajor General Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**From inception and for the fiscal year ended June 30, 2015**

**Exhibit E-1**  
*continued*

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
2014 Recreation Improvements Project					
Installment purchase obligations issued	\$ 704,000	\$ -	\$ 704,000	\$ 704,000	\$ -
Total	<u>704,000</u>	<u>-</u>	<u>704,000</u>	<u>704,000</u>	<u>-</u>
Lexington Business Center Project					
Transfers from other funds					
General Fund	1,411,825	1,411,825	-	1,411,825	-
Natural Gas Fund	79,700	79,700	-	79,700	-
Transfers to other funds					
General Fund	(219,000)	(219,000)	-	(219,000)	-
Total	<u>1,272,525</u>	<u>1,272,525</u>	<u>-</u>	<u>1,272,525</u>	<u>-</u>
Lexington Furniture Industries, Inc. Plant #1 Project					
Transfers from other funds					
General Fund	1,150,000	1,150,000	-	1,150,000	-
Total	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>	<u>1,150,000</u>	<u>-</u>
 Total other financing sources (uses)	 <u>5,577,525</u>	 <u>2,547,525</u>	 <u>2,715,000</u>	 <u>5,262,525</u>	 <u>(315,000)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ 460,664</u>	 822,604	 <u>\$ 1,283,268</u>	 <u>\$ 1,283,268</u>
 Fund balance - beginning			 <u>460,664</u>		
Fund balance - ending			<u>\$ 1,283,268</u>		

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## 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.



City of Lexington, North Carolina

Exhibit F-1

Electric Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the fiscal year ended June 30, 2015

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for sales and services:				
Residential	\$	\$ 30,273,762	\$	\$ 29,295,996
Commercial		18,487,446		18,266,796
Industrial		2,996,800		2,783,984
Area lights		874,096		840,467
Street lighting		386,091		361,586
Traffic lights		23,838		23,354
Cable amplifiers		172,338		170,368
Renewable Energy Portfolio Standards		190,832		181,923
Disaster assistance		-		535,346
Other operating		227,457		1,860,977
Total operating revenues	<u>53,572,762</u>	<u>53,632,660</u>	<u>59,898</u>	<u>54,320,797</u>
Nonoperating revenues:				
Investment earnings		16,768		16,136
Sale of property		49,933		68,860
Total nonoperating revenues	<u>18,403</u>	<u>66,701</u>	<u>48,298</u>	<u>84,996</u>
Total revenues	<u>53,591,165</u>	<u>53,699,361</u>	<u>108,196</u>	<u>54,405,793</u>

Continued on next page.

City of Lexington, North Carolina

Exhibit F-1

Electric Fund

continued

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the fiscal year ended June 30, 2015

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Expenditures:				
Electric operations:				
Salaries and employee benefits	\$	\$ 1,497,105	\$	\$ 1,552,524
Maintenance		636,793		1,242,688
Cost of sales and services		1,740,035		3,292,606
Purchases for resale		44,364,741		43,138,820
Administrative charges general fund		680,240		679,085
Administrative charges risk management fund		113,007		120,230
Administrative charges utility administration fund		932,984		847,790
Capital outlay		395,342		118,500
Total electric operations	<u>51,252,765</u>	<u>50,360,247</u>	<u>892,518</u>	<u>50,992,243</u>
Debt service:				
Debt issuance cost		12,600		-
Principal retirement		635,848		554,007
Interest and other charges		179,644		152,401
Total debt service	<u>856,038</u>	<u>828,092</u>	<u>27,946</u>	<u>706,408</u>
Total expenditures	<u>52,108,803</u>	<u>51,188,339</u>	<u>920,464</u>	<u>51,698,651</u>
Revenues over expenditures	<u>1,482,362</u>	<u>2,511,022</u>	<u>1,028,660</u>	<u>2,707,142</u>
Other financing sources (uses):				
Refinancing debt issued	2,359,548	2,359,548	-	-
Debt redemption	(2,359,548)	(2,359,547)	1	-
Transfers from other funds				
Electric Fund construction in progress	1,232,000	1,232,000	-	247,995
Utility Administration Fund	863	862	(1)	-
Capital Reserve Fund	-	-	-	984,005
Transfers to other funds				
General Fund	(1,300,000)	(1,300,000)	-	(1,325,000)
General Fund (payment in lieu of taxes)	(178,016)	(178,016)	-	(179,209)
Electric Fund construction in progress	-	-	-	(1,232,000)
Utility Administration Fund	(65,000)	(65,000)	-	-
Capital Reserve Fund	(1,232,000)	(1,232,000)	-	-
Total other financing sources (uses)	<u>(1,542,153)</u>	<u>(1,542,153)</u>	<u>-</u>	<u>(1,504,209)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(59,791)	968,869	1,028,660	1,202,933
Appropriated net position	<u>59,791</u>	<u>-</u>	<u>(59,791)</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>968,869</u>	<u>\$ 968,869</u>	<u>1,202,933</u>

Continued on next page.

City of Lexington, North Carolina

Exhibit F-1

Electric Fund

continued

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the fiscal year ended June 30, 2015

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 968,869		\$ 1,202,933
Reconciling items:				
Refinancing debt issued		(2,359,548)		-
Principal retirement		2,995,395		554,007
Capital outlay		395,342		118,500
Depreciation		(956,873)		(949,226)
Wages and overhead charged to construction		301,160		232,569
Materials charged to construction		187,756		138,122
Gain (loss) on sale of property		(53,297)		(7,328)
Increase (decrease) in inventory		(108,587)		29,447
Bad debt expense		(323,411)		(182,350)
Change in accrued interest		(10,174)		-
(Increase) decrease in compensated absences payable		2,780		12,083
(Increase) decrease in other postemployment benefits		(31,778)		(59,492)
Deferred outflows of resources for contributions made to pension plan in current fiscal year		76,154		-
Pension expense		(7,767)		-
Items related to subfund - electric construction in progress fund				
Investment earnings		139		-
CIP grants for non-capital items		46,368		-
CIP expense not capitalized		(85,497)		-
Transfer from Electric Fund		-		1,232,000
Transfer to Electric Fund		(1,232,000)		(247,995)
Total reconciling items		(1,163,838)		870,337
Change in net position		\$ (194,969)		\$ 2,073,270

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

**Exhibit F-2**

**From inception and for the fiscal year ended June 30, 2015**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental	\$ 1,277,189	\$ -	\$ 46,368	\$ 1,230,821	\$ (46,368)
Investment earnings	-	-	139	139	139
Total revenues	<u>1,277,189</u>	<u>-</u>	<u>46,507</u>	<u>1,230,960</u>	<u>(46,229)</u>
<b>Expenditures:</b>					
2014 Electric system improvements	1,813,000	256,982	904,821	1,161,803	651,197
Winston Road bridge relocation	1,037,780	-	13,532	13,532	1,024,248
East Center Street bridge	239,409	-	44,108	44,108	195,301
Total expenditures	<u>3,090,189</u>	<u>256,982</u>	<u>962,461</u>	<u>1,219,443</u>	<u>1,870,746</u>
Revenues over (under) expenditures	<u>(1,813,000)</u>	<u>(256,982)</u>	<u>(915,954)</u>	<u>(1,172,936)</u>	<u>1,824,517</u>
<b>Other financing sources (uses):</b>					
Installment purchase debt issued	1,813,000	-	1,813,000	1,813,000	-
Transfers from other funds					
Operating fund	1,232,000	1,232,000	-	1,232,000	-
Transfers to other funds					
Operating fund	<u>(1,232,000)</u>	<u>-</u>	<u>(1,232,000)</u>	<u>(1,232,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,813,000</u>	<u>1,232,000</u>	<u>581,000</u>	<u>1,813,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 975,018</u>	<u>\$ (334,954)</u>	<u>\$ 640,064</u>	<u>\$ 1,824,517</u>

**City of Lexington, North Carolina**  
**Water and Wastewater Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the fiscal year ended June 30, 2015**

**Exhibit F-3**

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for sales and services - Water:				
Residential	\$	\$ 1,824,831	\$	\$ 1,815,619
Commercial		900,706		892,306
Industrial		1,144,763		1,074,239
Other water charges		18,762		20,823
Charges for sales and services - Wastewater:				
Residential		2,558,762		2,538,841
Commercial		1,751,746		1,746,828
Industrial		307,169		342,745
Other wastewater charges		26,500		83,246
Disaster assistance		-		7,668
Other operating		177,518		167,672
Total operating revenues	<u>8,485,784</u>	<u>8,710,757</u>	<u>224,973</u>	<u>8,689,987</u>
Nonoperating revenues:				
Federal Build America Bond interest credit		9,174		9,772
Investment earnings		12,480		11,693
Sale of property		-		90
Total nonoperating revenues	<u>22,759</u>	<u>21,654</u>	<u>(1,105)</u>	<u>21,555</u>
Total revenues	<u>8,508,543</u>	<u>8,732,411</u>	<u>223,868</u>	<u>8,711,542</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, 2015**

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Expenditures:				
Water and wastewater operations:				
Water and wastewater administration:				
Salaries and employee benefits	\$	\$ 101,239	\$	\$ 101,502
Cost of sales and services		9,117		29,165
Administrative charges general fund		597,465		649,744
Administrative charges risk management fund		157,953		166,876
Administrative charges utility administration fund		430,610		416,050
Capital outlay		5,979		-
Total water and wastewater administration	<u>1,306,502</u>	<u>1,302,363</u>	<u>4,139</u>	<u>1,363,337</u>
Water plant:				
Salaries and employee benefits		666,227		655,454
Maintenance		235,178		224,664
Cost of sales and services		719,712		772,537
Total water plant	<u>1,768,128</u>	<u>1,621,117</u>	<u>147,011</u>	<u>1,652,655</u>
Wastewater plant:				
Salaries and employee benefits		1,061,291		1,062,058
Maintenance		133,493		209,773
Cost of sales and services		1,015,242		1,025,144
Capital outlay		198,481		-
Total wastewater plant	<u>2,494,874</u>	<u>2,408,507</u>	<u>86,367</u>	<u>2,296,975</u>
Public works, maintenance, and construction:				
Salaries and employee benefits		745,820		781,092
Maintenance		132,536		165,328
Cost of sales and services		329,686		403,072
Capital outlay		296,681		52,534
Total public works, maintenance, and construction	<u>1,830,804</u>	<u>1,504,723</u>	<u>326,081</u>	<u>1,402,026</u>
Total water and wastewater operations	<u>7,400,308</u>	<u>6,836,710</u>	<u>563,598</u>	<u>6,714,993</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, 2015**

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Debt service:				
Debt issuance cost	\$	\$ 7,200	\$	\$ -
Principal retirement		823,961		808,152
Interest and other charges		124,576		149,021
Total debt service	<u>960,139</u>	<u>955,737</u>	<u>4,402</u>	<u>957,173</u>
Total expenditures	<u>8,360,447</u>	<u>7,792,447</u>	<u>568,000</u>	<u>7,672,166</u>
Revenue over expenditures	<u>148,096</u>	<u>939,964</u>	<u>791,868</u>	<u>1,039,376</u>
Other financing sources (uses):				
Refinancing debt issued	1,364,449	1,364,449	-	-
Debt redemption	(1,364,449)	(1,364,448)	1	-
Transfers from other funds				
Utility Administration Fund	81,905	81,905	-	-
Capital Reserve Fund	146,000	146,000	-	-
Transfers to other funds				
General Fund (payment in lieu of taxes)	(327,379)	(327,379)	-	(326,795)
Water and Wastewater Fund construction in progress	(346,000)	(346,000)	-	-
Utility Administration Fund	(29,000)	(29,000)	-	(60,000)
Capital Reserve Fund	(75,000)	(75,000)	-	(125,000)
Total other financing sources (uses)	<u>(549,474)</u>	<u>(549,473)</u>	<u>1</u>	<u>(511,795)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(401,378)	390,491	791,869	527,581
Appropriated net position	<u>401,378</u>	<u>-</u>	<u>(401,378)</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>390,491</u>	<u>\$ 390,491</u>	<u>527,581</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, 2015**

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 390,491		\$ 527,581
Reconciling items:				
Refinancing debt issued		(1,364,449)		-
Principal retirement		2,188,409		808,152
Capital outlay		501,141		52,534
Depreciation		(1,291,217)		(1,260,606)
Wages and overhead charged to construction		16,018		13,893
Material charged to construction		20,509		10,922
Gain (loss) on sale of property		(10,179)		(1,159)
Increase (decrease) in inventory		40,967		(39,742)
Bad debt expense		(64,954)		(40,477)
Change in accrued interest		(9,345)		-
(Increase) decrease in compensated absences payable		(24,390)		(2,699)
(Increase) decrease in other postemployment benefits		(52,870)		(100,075)
Deferred outflows of resources for contributions made to pension plan in current fiscal year		127,889		-
Pension expense		(13,045)		-
Reassignment of equity interest in joint venture to water and wastewater fund		429,871		-
Change in equity interest in joint venture		(1,438)		-
Items related to subfund - water and wastewater construction in progress fund				
CIP grants for non-capital items		-		33,765
CIP expense not capitalized		-		(33,765)
Capital contributions		-		633,527
Transfer from Water and Wastewater Fund		<u>346,000</u>		<u>-</u>
Total reconciling items		<u>838,917</u>		<u>74,270</u>
Change in net position		<u>\$ 1,229,408</u>		<u>\$ 601,851</u>

**City of Lexington, North Carolina**  
**Water and Wastewater Construction in Progress Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From inception and for the fiscal year ended June 30, 2015**

**Exhibit F-4**

	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:					
Brown Street Force Main	200,000	-	5,000	5,000	195,000
Drying Beds	146,000	-	121,962	121,962	24,038
Total expenditures	<u>346,000</u>	<u>-</u>	<u>126,962</u>	<u>126,962</u>	<u>219,038</u>
Revenues over (under) expenditures	<u>(346,000)</u>	<u>-</u>	<u>(126,962)</u>	<u>(126,962)</u>	<u>219,038</u>
Other financing sources:					
Transfers from other funds					
Operating fund	346,000	-	346,000	346,000	-
Total other financing sources	<u>346,000</u>	<u>-</u>	<u>346,000</u>	<u>346,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,038</u>	<u>\$ 219,038</u>	<u>\$ 219,038</u>

City of Lexington, North Carolina

Exhibit F-5

Natural Gas Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the fiscal year ended June 30, 2015

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for sales and services:				
Residential	\$	\$ 4,994,576	\$	\$ 5,594,047
Commercial		4,260,240		4,636,501
Industrial		3,437,915		3,601,077
Disaster assistance		-		8,977
Other operating		46,018		239,486
Total operating revenues	<u>12,414,553</u>	<u>12,738,749</u>	<u>324,196</u>	<u>14,080,088</u>
Nonoperating revenues:				
Federal Build America Bond interest credit		25,994		27,686
Investment earnings		12,018		9,997
Sale of property		-		1,500
Total nonoperating revenues	<u>33,207</u>	<u>38,012</u>	<u>4,805</u>	<u>39,183</u>
Total revenues	<u>12,447,760</u>	<u>12,776,761</u>	<u>329,001</u>	<u>14,119,271</u>

Continued on next page.

**City of Lexington, North Carolina  
Natural Gas Fund**

**Exhibit F-5**  
*continued*

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

**For the fiscal year ended June 30, 2015**

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Expenditures:				
Natural gas operations:				
Salaries and employee benefits	\$	\$ 1,175,142	\$	\$ 1,146,234
Maintenance		231,249		117,320
Cost of sales and services		1,379,534		1,493,838
Purchases for resale		6,451,670		7,099,925
Administrative charges general fund		575,989		587,502
Administrative charges risk management fund		82,187		92,053
Administrative charges utility administration fund		636,444		602,566
Capital outlay		23,484		25,575
Total natural gas operations	<u>11,402,825</u>	<u>10,555,699</u>	<u>847,126</u>	<u>11,165,013</u>
Debt service:				
Principal retirement		296,558		480,760
Interest and other charges		<u>166,865</u>		<u>186,541</u>
Total debt service	<u>530,551</u>	<u>463,423</u>	<u>67,128</u>	<u>667,301</u>
Total expenditures	<u>11,933,376</u>	<u>11,019,122</u>	<u>914,254</u>	<u>11,832,314</u>
Revenues over expenditures	<u>514,384</u>	<u>1,757,639</u>	<u>1,243,255</u>	<u>2,286,957</u>
Other financing sources (uses):				
Transfers from other funds				
Utility Administration Fund	88,459	88,459	-	-
Capital Reserve Fund	293,427	-	(293,427)	-
Transfers to other funds				
General Fund	(912,883)	(912,883)	-	(889,664)
General Fund (payment in lieu of taxes)	(70,843)	(70,843)	-	(69,251)
Natural Gas Fund construction in progress	(40,000)	(40,000)	-	(40,000)
Utility Administration Fund	(31,000)	(31,000)	-	-
Capital Reserve Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,000)</u>
Total other financing uses	<u>(672,840)</u>	<u>(966,267)</u>	<u>(293,427)</u>	<u>(1,448,915)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(158,456)	791,372	949,828	838,042
Appropriated net position	<u>158,456</u>	<u>-</u>	<u>(158,456)</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>791,372</u>	<u>\$ 791,372</u>	<u>838,042</u>

*Continued on next page.*

**City of Lexington, North Carolina  
Natural Gas Fund**

**Exhibit F-5**  
*continued*

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

**For the fiscal year ended June 30, 2015**

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

	2015		2014
	Budget	Actual	Actual
		Variance Positive (Negative)	
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 791,372	\$ 838,042
Reconciling items:			
Principal retirement		296,558	480,760
Capital outlay		23,484	25,575
Depreciation		(561,669)	(584,781)
Wages and overhead charged to construction		775,846	675,760
Materials charged to construction		291,281	188,733
Gain (loss) on sale of property		(3,736)	(1,268)
Increase (decrease) in inventory		64,370	(11,928)
Bad debt expense		(33,938)	(24,446)
Change in accrues interest		(35,710)	-
(Increase) decrease in compensated absences payable		(15,168)	2,112
(Increase) decrease in other postemployment benefits		(24,674)	(44,672)
Deferred outflows of resources for contributions made to pension plan in current fiscal year		58,685	-
Pension expense		(5,985)	-
Items related to subfund - natural gas construction in progress fund			
Transfer from Natural Gas Fund		40,000	40,000
Total reconciling items		869,344	745,845
Change in net position		\$ 1,660,716	\$ 1,583,887

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

**Exhibit F-6**

**From inception and for the fiscal year ended June 30, 2015**

	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	120,000	55,454	18,985	74,439	45,561
Total expenditures	<u>120,000</u>	<u>55,454</u>	<u>18,985</u>	<u>74,439</u>	<u>45,561</u>
Revenues over (under) expenditures	<u>(120,000)</u>	<u>(55,454)</u>	<u>(18,985)</u>	<u>(74,439)</u>	<u>45,561</u>
Other financing sources:					
Transfers from other funds					
Operating fund	120,000	80,000	40,000	120,000	-
Total other financing sources	<u>120,000</u>	<u>80,000</u>	<u>40,000</u>	<u>120,000</u>	<u>-</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 24,546</u>	<u>\$ 21,015</u>	<u>\$ 45,561</u>	<u>\$ 45,561</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, 2015**

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Charges for sales and services:				
Golf course	\$	\$ 348,403	\$	\$ 345,070
Golf cart rentals		287,533		271,665
Municipal club rental		12,410		23,310
Disaster assistance		-		7,960
Other operating		12		6,705
Total operating revenues	<u>655,434</u>	<u>648,358</u>	<u>(7,076)</u>	<u>654,710</u>
Nonoperating revenues:				
Investment earnings		<u>226</u>		<u>243</u>
Total nonoperating revenues	<u>215</u>	<u>226</u>	<u>11</u>	<u>243</u>
Total revenues	<u>655,649</u>	<u>648,584</u>	<u>(7,065)</u>	<u>654,953</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, 2015**

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Expenditures:				
Golf operations:				
Salaries and employee benefits	\$	\$ 401,799	\$	\$ 402,675
Cost of sales and services		277,880		241,713
Administrative charges risk management fund		21,085		21,353
Capital outlay		-		571
Total operating expenditures	<u>746,622</u>	<u>700,764</u>	<u>45,858</u>	<u>666,312</u>
Debt service:				
Principal retirement		142,952		137,508
Interest and other charges		26,369		32,394
Total debt service	<u>220,811</u>	<u>169,321</u>	<u>51,490</u>	<u>169,902</u>
Total expenditures	<u>967,433</u>	<u>870,085</u>	<u>97,348</u>	<u>836,214</u>
Revenues over (under) expenditures	<u>(311,784)</u>	<u>(221,501)</u>	<u>90,283</u>	<u>(181,261)</u>
Other financing sources:				
Transfers from other funds				
General Fund	<u>264,484</u>	<u>263,584</u>	<u>(900)</u>	<u>298,584</u>
Total other financing sources	<u>264,484</u>	<u>263,584</u>	<u>(900)</u>	<u>298,584</u>
Revenues and other financing sources over (under) expenditures	(47,300)	42,083	89,383	117,323
Appropriated net position	<u>47,300</u>	<u>-</u>	<u>(47,300)</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures	<u>\$ -</u>	<u>42,083</u>	<u>\$ 42,083</u>	<u>117,323</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, 2015**

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Revenues, other financing sources, and appropriated net position over (under) expenditures		\$ 42,083		\$ 117,323
Reconciling items:				
Principal retirements		142,952		137,508
Capital outlay		-		571
Depreciation		(100,427)		(100,579)
Bad debt expense		(40)		(83)
Change in accrued interest		(1,760)		-
(Increase) decrease in compensated absences payable		(7,790)		1,390
(Increase) decrease in other postemployment benefits		(5,501)		(14,674)
Deferred outflows of resources for contributions made to pension plan in current fiscal year		19,529		-
Pension expense		(1,992)		-
Total reconciling items		44,971		24,133
Change in net position		\$ 87,054		\$ 141,456



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**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.

### **FLEET MANAGEMENT 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 Fleet Management 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, 2015**

**Exhibit G-1**

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

	Governmental-type Activities			Business-type Activities			Totals	
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	2015	2014
Assets								
Current assets:								
Cash and cash equivalents	\$ 69,117	\$ -	\$ 1,358,263	\$ 531,375	\$ -	\$ -	\$ 1,958,755	\$ 1,883,056
Receivables (net):								
Accounts - billed	820	36,367	-	114,082	-	-	151,269	184,340
Interest	89	466	242	93	-	171	1,061	1,314
Due from other governments	53,697	122	1,534	7,710	-	-	63,063	58,869
Cash and cash equivalents restricted for:								
Unpaid claims	-	383,134	293,223	-	-	-	676,357	651,844
Rental fees	35,971	-	-	-	-	-	35,971	-
Construction in progress	-	-	-	125,000	-	-	125,000	216,700
Inventories	163,356	-	-	-	-	-	163,356	132,647
Prepaid items	-	-	-	17,000	-	-	17,000	17,000
Total current assets	323,050	420,089	1,653,262	795,260	-	171	3,191,832	3,145,770
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents restricted for:								
Electric fund	-	-	-	-	1,266,873	603,115	1,869,988	636,750
Water and wastewater fund	-	-	-	-	1,527,617	-	1,527,617	1,598,617
Water and wastewater fund - capital recovery	-	-	-	-	1,754,337	-	1,754,337	1,681,710
Natural gas fund	-	-	-	-	1,199,918	494,308	1,694,226	1,693,212
Fleet management fund	-	-	-	-	522,219	-	522,219	656,322
Group insurance fund	-	2,837,600	-	-	-	-	2,837,600	2,518,642
Net pension asset	36,783	-	13,216	91,254	-	-	141,253	-

*Continued on next page.*

**City of Lexington, North Carolina**  
**Internal Service Funds**  
**Combining Statement of Fund Net Position**  
**June 30, 2015**

**Exhibit G-1**  
*continued*

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

	Governmental-type Activities			Business-type Activities			Totals	
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	2015	2014
Capital assets:								
Land and other non-depreciable assets	\$ 15,000	\$ -	\$ -	\$ 3,408,685	\$ -	\$ -	\$ 3,423,685	\$ 3,377,879
Other capital assets, net of accumulated depreciation	1,163,890	-	12,982	628,057	-	-	1,804,929	1,575,770
Total capital assets	<u>1,178,890</u>	<u>-</u>	<u>12,982</u>	<u>4,036,742</u>	<u>-</u>	<u>-</u>	<u>5,228,614</u>	<u>4,953,649</u>
Total noncurrent assets	<u>1,215,673</u>	<u>2,837,600</u>	<u>26,198</u>	<u>4,127,996</u>	<u>6,270,964</u>	<u>1,097,423</u>	<u>15,575,854</u>	<u>13,738,902</u>
Total assets	<u>1,538,723</u>	<u>3,257,689</u>	<u>1,679,460</u>	<u>4,923,256</u>	<u>6,270,964</u>	<u>1,097,594</u>	<u>18,767,686</u>	<u>16,884,672</u>
Deferred outflows of resources	<u>25,231</u>	<u>-</u>	<u>9,065</u>	<u>62,594</u>	<u>-</u>	<u>-</u>	<u>96,890</u>	<u>-</u>
Liabilities								
Current liabilities:								
Accounts payable and accrued liabilities	89,001	5,141	25,784	135,101	-	-	255,027	374,009
Liabilities payable from restricted assets:								
Unpaid claims costs	-	383,134	293,223	-	-	-	676,357	651,844
Total current liabilities	<u>89,001</u>	<u>388,275</u>	<u>319,007</u>	<u>135,101</u>	<u>-</u>	<u>-</u>	<u>931,384</u>	<u>1,025,853</u>
Noncurrent liabilities:								
Compensated absences payable	29,630	-	28,321	92,732	-	-	150,683	149,881
Other postemployment benefits payable	136,738	-	50,782	409,152	-	-	596,672	553,867
Total noncurrent liabilities	<u>166,368</u>	<u>-</u>	<u>79,103</u>	<u>501,884</u>	<u>-</u>	<u>-</u>	<u>747,355</u>	<u>703,748</u>
Total liabilities	<u>255,369</u>	<u>388,275</u>	<u>398,110</u>	<u>636,985</u>	<u>-</u>	<u>-</u>	<u>1,678,739</u>	<u>1,729,601</u>
Deferred inflows of resources	<u>89,648</u>	<u>-</u>	<u>32,211</u>	<u>222,407</u>	<u>-</u>	<u>-</u>	<u>344,266</u>	<u>-</u>
Net position:								
Net investment in capital assets	1,178,890	-	12,982	4,036,742	-	-	5,228,614	4,953,649
Unrestricted	40,047	2,869,414	1,245,222	89,716	6,270,964	1,097,594	11,612,957	10,201,422
Total net position	<u>\$ 1,218,937</u>	<u>\$ 2,869,414</u>	<u>\$ 1,258,204</u>	<u>\$ 4,126,458</u>	<u>\$ 6,270,964</u>	<u>\$ 1,097,594</u>	<u>\$ 16,841,571</u>	<u>\$ 15,155,071</u>

City of Lexington, North Carolina

Exhibit G-2

Internal Service Funds

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

For the fiscal year ended June 30, 2015

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

	Governmental-type Activities			Business-type Activities			Totals	
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	2015	2014
Operating revenues:								
Charges for services	\$ 1,633,652	\$ 5,322,528	\$ 1,377,713	\$ 2,231,699	\$ -	\$ -	\$ 10,565,592	\$ 10,376,309
Restricted intergovernmental	-	-	-	-	-	-	-	20,398
Other operating	3,655	57,822	152,297	501,509	72,627	-	787,910	815,673
Total operating revenues	<u>1,637,307</u>	<u>5,380,350</u>	<u>1,530,010</u>	<u>2,733,208</u>	<u>72,627</u>	<u>-</u>	<u>11,353,502</u>	<u>11,212,380</u>
Operating expenses:								
Cost of sales and services	1,329,478	-	242,930	-	-	-	1,572,408	1,721,333
Premiums	-	539,844	556,564	-	-	-	1,096,408	1,094,713
Claims	-	4,395,916	493,868	-	-	-	4,889,784	4,825,433
Bad debt expense	-	-	-	38,851	-	-	38,851	28,963
Administration	-	251,062	-	2,517,680	-	-	2,768,742	2,925,427
Depreciation	153,742	-	1,549	49,357	-	-	204,648	169,529
Total operating expenses	<u>1,483,220</u>	<u>5,186,822</u>	<u>1,294,911</u>	<u>2,605,888</u>	<u>-</u>	<u>-</u>	<u>10,570,841</u>	<u>10,765,398</u>
Operating income (loss)	<u>154,087</u>	<u>193,528</u>	<u>235,099</u>	<u>127,320</u>	<u>72,627</u>	<u>-</u>	<u>782,661</u>	<u>446,982</u>
Nonoperating revenues (expenses):								
Investment earnings	1,568	6,004	2,508	967	-	2,205	13,252	13,500
Gain (loss) on sale of property	20,113	-	-	-	-	-	20,113	1,547
Total nonoperating revenues (expenses)	<u>21,681</u>	<u>6,004</u>	<u>2,508</u>	<u>967</u>	<u>-</u>	<u>2,205</u>	<u>33,365</u>	<u>15,047</u>
Income (loss) before transfers	175,768	199,532	237,607	128,287	72,627	2,205	816,026	462,029

Continued on next page.

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

**Exhibit G-2  
continued**

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the fiscal year ended June 30, 2015  
(With comparative actual amounts for the fiscal year ended June 30, 2014)**

	Governmental-type Activities			Business-type Activities			Totals	
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	2015	2014
Transfers from other funds								
Electric Fund	\$ -	\$ -	\$ -	\$ 65,000	\$ 1,232,000	\$ -	\$ 1,297,000	\$ -
Water and Wastewater Fund	-	-	-	29,000	75,000	-	104,000	185,000
Natural Gas Fund	-	-	-	31,000	-	-	31,000	450,000
Fleet Management Fund	-	-	-	-	322,524	-	322,524	273,733
Capital Reserve Fund	456,627	-	-	-	-	-	456,627	104,528
Transfers to other funds								
General Fund	-	(53,786)	-	-	-	-	(53,786)	(50,872)
Electric Fund	-	-	-	(862)	-	-	(862)	(984,005)
Water and Wastewater Fund	-	-	-	(81,905)	(146,000)	-	(227,905)	-
Natural Gas Fund	-	-	-	(88,459)	-	-	(88,459)	-
Fleet Management Fund	-	-	-	-	(456,627)	-	(456,627)	(104,528)
Capital Reserve Fund	(322,524)	-	-	-	-	-	(322,524)	(273,733)
Change in net position	<u>309,871</u>	<u>145,746</u>	<u>237,607</u>	<u>82,061</u>	<u>1,099,524</u>	<u>2,205</u>	<u>1,877,014</u>	<u>62,152</u>
Net position - beginning	958,676	2,723,668	1,038,423	4,167,475	5,171,440	1,095,389	15,155,071	15,092,919
Restatement	(49,610)	-	(17,826)	(123,078)	-	-	(190,514)	-
Net position, beginning, restated	<u>909,066</u>	<u>2,723,668</u>	<u>1,020,597</u>	<u>4,044,397</u>	<u>5,171,440</u>	<u>1,095,389</u>	<u>14,964,557</u>	<u>15,092,919</u>
Net position - ending	<u>\$ 1,218,937</u>	<u>\$ 2,869,414</u>	<u>\$ 1,258,204</u>	<u>\$ 4,126,458</u>	<u>\$ 6,270,964</u>	<u>\$ 1,097,594</u>	<u>\$ 16,841,571</u>	<u>\$ 15,155,071</u>

**City of Lexington, North Carolina**

**Exhibit G-3**

**Internal Service Funds**

**Combining Statement of Cash Flows**

**For the fiscal year ended June 30, 2015**

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

	Governmental-type Activities			Business-type Activities			Totals	
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	2015	2014
Cash flows from operating activities:								
Cash received from interfund services provided/used to/for other funds	\$ 1,632,832	\$ 5,286,161	\$ 1,377,713	\$ 2,117,617	\$ -	\$ -	\$ 10,414,323	\$ 10,309,151
Cash paid for goods and services	(846,530)	(5,179,720)	(1,178,951)	(855,341)	-	-	(8,060,542)	(8,041,378)
Cash paid to employees	(491,037)	-	(178,811)	(1,638,784)	-	-	(2,308,632)	(2,325,835)
Other operating income	3,655	57,822	152,297	501,509	72,627	-	787,910	815,673
Net cash provided (used) by operating activities	<u>298,920</u>	<u>164,263</u>	<u>172,248</u>	<u>125,001</u>	<u>72,627</u>	<u>-</u>	<u>833,059</u>	<u>757,611</u>
Cash flows from noncapital financing activities:								
Operating grants	-	-	-	17,165	-	-	17,165	75
Transfers from other funds	456,627	-	-	125,000	1,629,524	-	2,211,151	1,013,261
Transfers to other funds	(322,524)	(53,786)	-	(171,226)	(602,627)	-	(1,150,163)	(1,413,138)
Net cash provided (used) by noncapital financing activities	<u>134,103</u>	<u>(53,786)</u>	<u>-</u>	<u>(29,061)</u>	<u>1,026,897</u>	<u>-</u>	<u>1,078,153</u>	<u>(399,802)</u>
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets	(456,627)	-	-	(45,806)	-	-	(502,433)	(247,843)
Proceeds from the sale of assets	42,933	-	-	-	-	-	42,933	2,563
Net cash provided (used) by capital and related financing activities	<u>(413,694)</u>	<u>-</u>	<u>-</u>	<u>(45,806)</u>	<u>-</u>	<u>-</u>	<u>(459,500)</u>	<u>(245,280)</u>
Cash flows from investing activities:								
Receipts of investment earnings	1,609	6,103	2,545	996	-	2,252	13,505	16,706
Net cash provided by investing activities	<u>1,609</u>	<u>6,103</u>	<u>2,545</u>	<u>996</u>	<u>-</u>	<u>2,252</u>	<u>13,505</u>	<u>16,706</u>
Net increase (decrease) in cash and cash equivalents	20,938	116,580	174,793	51,130	1,099,524	2,252	1,465,217	129,235
Cash and cash equivalents - beginning	84,150	3,104,154	1,476,693	605,245	5,171,440	1,095,171	11,536,853	11,407,618
Cash and cash equivalents - ending	<u>\$ 105,088</u>	<u>\$ 3,220,734</u>	<u>\$ 1,651,486</u>	<u>\$ 656,375</u>	<u>\$ 6,270,964</u>	<u>\$ 1,097,423</u>	<u>\$ 13,002,070</u>	<u>\$ 11,536,853</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, 2015**

**Exhibit G-3**  
*continued*

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

	Governmental-type Activities			Business-type Activities			Totals	
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	2015	2014
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities								
Operating income (loss)	\$ 154,087	\$ 193,528	\$ 235,099	\$ 127,320	\$ 72,627	\$ -	\$ 782,661	\$ 446,982
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Restricted intergovernmental revenues	-	-	-	-	-	-	-	(20,398)
Depreciation	153,742	-	1,549	49,357	-	-	204,648	169,529
Pension expense	2,496	-	897	6,193	-	-	9,586	-
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(522)	42,654	-	(9,061)	-	-	33,071	(67,158)
(Increase) decrease in intergovernmental receivable	(21,093)	170	(605)	17,334	-	-	(4,194)	(24,573)
Increase (decrease) in amounts receivable related to restricted intergovernmental revenues	-	-	-	(17,165)	-	-	(17,165)	20,323
(Increase) decrease in inventory	(30,709)	-	-	-	-	-	(30,709)	16,144
(Increase) decrease in prepaid items	-	-	-	-	-	-	-	(17,000)
(Increase) decrease in deferred outflows of resources for pensions	(24,472)	-	(8,793)	(60,712)	-	-	(93,977)	-
Increase (decrease) in accounts payable and accrued liabilities	47,969	451	(163,213)	(4,189)	-	-	(118,982)	165,215
Increase (decrease) in unpaid claims cost	-	(72,540)	97,053	-	-	-	24,513	817
Increase (decrease) in compensated absences payable	6,610	-	6,346	(12,154)	-	-	802	(15,834)
Increase (decrease) in other postemployment benefits payable	10,812	-	3,915	28,078	-	-	42,805	83,564
Total adjustments	144,833	(29,265)	(62,851)	(2,319)	-	-	50,398	310,629
Net cash provided (used) by operating activities	\$ 298,920	\$ 164,263	\$ 172,248	\$ 125,001	\$ 72,627	\$ -	\$ 833,059	\$ 757,611

**City of Lexington, North Carolina**  
**Fleet Management Fund**  
**Schedule of Revenues and Expenditures**  
**Financial Plan and Actual (Non-GAAP)**  
**For the fiscal year ended June 30, 2015**

**Exhibit G-4**

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

	2015		Variance Positive (Negative)	2014
	Financial Plan	Actual		Actual
Revenues:				
Operating revenues:				
Charges for sales and services	\$	\$ 1,633,652	\$	\$ 1,762,677
Other operating		3,655		1,866
Total operating revenues	<u>1,798,380</u>	<u>1,637,307</u>	<u>(161,073)</u>	<u>1,764,543</u>
Nonoperating revenues:				
Investment earnings		1,568		1,770
Sale of property		42,933		2,563
Total nonoperating revenues	<u>1,550</u>	<u>44,501</u>	<u>42,951</u>	<u>4,333</u>
Total revenues	<u>1,799,930</u>	<u>1,681,808</u>	<u>(118,122)</u>	<u>1,768,876</u>
Expenditures:				
Salaries and employee benefits		475,415		457,060
Cost of sales and services		259,961		284,146
Purchases for resale		629,365		725,223
Capital outlay		456,627		159,328
Total expenditures	<u>2,006,951</u>	<u>1,821,368</u>	<u>185,583</u>	<u>1,625,757</u>
Revenues over (under) expenditures	<u>(207,021)</u>	<u>(139,560)</u>	<u>67,461</u>	<u>143,119</u>
Other financing sources (uses):				
Transfers from other funds				
Capital Reserve Fund	503,755	456,627	(47,128)	104,528
Transfers to other funds				
Capital Reserve Fund	<u>(322,934)</u>	<u>(322,524)</u>	<u>410</u>	<u>(273,733)</u>
Total other financing sources (uses)	<u>180,821</u>	<u>134,103</u>	<u>(46,718)</u>	<u>(169,205)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(26,200)	(5,457)	20,743	(26,086)
Appropriated net position	<u>26,200</u>	<u>-</u>	<u>(26,200)</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(5,457)</u>	<u>\$ (5,457)</u>	<u>(26,086)</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Fleet Management Fund**  
**Schedule of Revenues and Expenditures**  
**Financial Plan and Actual (Non-GAAP)**  
**For the fiscal year ended June 30, 2015**

**Exhibit G-4**  
*continued*

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

	2015		Variance	2014	
	Financial Plan	Actual	Positive (Negative)	Actual	Actual
Reconciliation from financial plan basis (modified accrual) to full accrual:					
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ (5,457)			\$ (26,086)
Reconciling items:					
Capital Outlay		456,627			159,328
Depreciation		(153,742)			(119,666)
Gain (loss) on sale of property		(22,820)			(1,016)
Increase (decrease) in inventory		30,709			(16,144)
(Increase) decrease in compensated absences payable		(6,610)			(3,981)
(Increase) decrease in other postemployment benefits		(10,812)			(18,939)
Deferred outflows of resources for contributions made to pension plan in current fiscal year		24,472			-
Pension expense		(2,496)			-
Total reconciling items		315,328			(418)
Change in net position		\$ 309,871			\$ (26,504)

**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, 2015**

**Exhibit G-5**

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

	2015		Variance Positive (Negative)	2014
	Financial Plan	Actual		Actual
Revenues:				
Operating revenues:				
Premium charges to employees/retirees	\$	\$ 600,171	\$	\$ 709,097
Premium charges for COBRA		23,511		10,413
Premium charges to departments		4,698,846		4,288,938
Other operating		57,822		85,194
Total operating revenues	<u>5,448,622</u>	<u>5,380,350</u>	<u>(68,272)</u>	<u>5,093,642</u>
Nonoperating revenues:				
Investment earnings		6,004		6,046
Total nonoperating revenues	<u>7,660</u>	<u>6,004</u>	<u>(1,656)</u>	<u>6,046</u>
Total revenues	<u>5,456,282</u>	<u>5,386,354</u>	<u>(69,928)</u>	<u>5,099,688</u>
Expenditures:				
Premiums		539,844		524,211
Claims		4,395,916		4,138,155
Administration		251,062		221,380
Total expenditures	<u>5,902,496</u>	<u>5,186,822</u>	<u>715,674</u>	<u>4,883,746</u>
Revenues over (under) expenditures	<u>(446,214)</u>	<u>199,532</u>	<u>645,746</u>	<u>215,942</u>
Other financing uses:				
Transfers to other funds				
General Fund	<u>(53,786)</u>	<u>(53,786)</u>	<u>-</u>	<u>(50,872)</u>
Total other financing uses	<u>(53,786)</u>	<u>(53,786)</u>	<u>-</u>	<u>(50,872)</u>
Revenues over (under) expenditures and other financing uses	<u>(500,000)</u>	<u>145,746</u>	<u>645,746</u>	<u>165,070</u>
Appropriated net position	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>
Revenues and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>145,746</u>	<u>\$ 145,746</u>	<u>165,070</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Reconciling items		<u>-</u>		<u>-</u>
Change in net position		<u>\$ 145,746</u>		<u>\$ 165,070</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, 2015**

**Exhibit G-6**

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

	2015		Variance Positive (Negative)	2014
	Financial Plan	Actual		Actual
Revenues:				
Operating revenues:				
Premium charges to employees	\$	\$ 3,926	\$	\$ 4,685
Premium charges to departments		1,373,787		1,532,387
Other operating		<u>152,297</u>		<u>8,025</u>
Total operating revenues	<u>1,412,828</u>	<u>1,530,010</u>	<u>117,182</u>	<u>1,545,097</u>
Nonoperating revenues:				
Investment earnings		<u>2,508</u>		<u>2,393</u>
Total nonoperating revenues	<u>3,170</u>	<u>2,508</u>	<u>(662)</u>	<u>2,393</u>
Total revenues	<u>1,415,998</u>	<u>1,532,518</u>	<u>116,520</u>	<u>1,547,490</u>
Expenditures:				
Salaries and employee benefits		170,023		160,366
Cost of sales and services		70,542		49,612
Premiums		556,564		570,502
Claims		<u>493,868</u>		<u>687,278</u>
Total expenditures	<u>1,555,998</u>	<u>1,290,997</u>	<u>265,001</u>	<u>1,467,758</u>
Revenues over (under) expenditures	(140,000)	241,521	381,521	79,732
Appropriated net position	<u>140,000</u>	<u>-</u>	<u>(140,000)</u>	<u>-</u>
Revenues and appropriated net position over (under) expenditures	<u>\$ -</u>	<u>241,521</u>	<u>\$ 241,521</u>	<u>79,732</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, 2015**

**Exhibit G-6**  
*continued*

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

	2015		Variance Positive (Negative)	2014
	Financial Plan	Actual		Actual
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Revenues and appropriated net position over (under) expenditures		\$ 241,521		\$ 79,732
Reconciling items:				
Depreciation		(1,549)		(1,549)
(Increase) decrease in compensated absences payable		(6,346)		1,218
(Increase) decrease in other postemployment benefits		(3,915)		(7,080)
Deferred outflows of resources for contributions made to pension plan in current fiscal year		8,793		-
Pension expense		(897)		-
Total reconciling items		<u>(3,914)</u>		<u>(7,411)</u>
Change in net position		<u>\$ 237,607</u>		<u>\$ 72,321</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, 2015**

**Exhibit G-7**

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

	2015		Variance Positive (Negative)	2014
	Financial Plan	Actual		Actual
Revenues:				
Operating revenues:				
Administrative charges general fund	\$	\$ 231,661	\$	\$ 201,706
Administrative charges electric fund		932,984		847,790
Administrative charges water/wastewater fund		430,610		416,050
Administrative charges natural gas fund		636,444		602,566
Disaster assistance		-		20,398
Other operating		501,509		570,367
Total operating revenues	<u>2,697,124</u>	<u>2,733,208</u>	<u>36,084</u>	<u>2,658,877</u>
Nonoperating revenues:				
Investment earnings		635		608
Total nonoperating revenues	<u>620</u>	<u>635</u>	<u>15</u>	<u>608</u>
Total revenues	<u>2,697,744</u>	<u>2,733,843</u>	<u>36,099</u>	<u>2,659,485</u>
Expenditures:				
Utility administration:				
Salaries and employee benefits		577,891		601,810
Cost of sales and services		193,909		192,755
Total utility administration	<u>878,497</u>	<u>771,800</u>	<u>106,697</u>	<u>794,565</u>
Customer service:				
Salaries and employee benefits		581,977		594,807
Cost of sales and services		365,010		308,075
Total customer service	<u>1,046,066</u>	<u>946,987</u>	<u>99,079</u>	<u>902,882</u>
Warehousing:				
Salaries and employee benefits		142,929		198,604
Cost of sales and services		15,968		36,608
Total warehousing	<u>204,794</u>	<u>158,897</u>	<u>45,897</u>	<u>235,212</u>
Meter reading:				
Salaries and employee benefits		200,317		204,792
Cost of sales and services		36,996		41,238
Capital outlay		-		10,520
Total meter reading	<u>288,858</u>	<u>237,313</u>	<u>51,545</u>	<u>256,550</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, 2015**

**Exhibit G-7**  
*continued*

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

	2015		Variance Positive (Negative)	2014
	Financial Plan	Actual		Actual
Marketing:				
Salaries and employee benefits	\$	\$ 114,847	\$	\$ 108,525
Cost of sales and services		326,431		377,885
Capital outlay		-		7,380
Total marketing	<u>504,529</u>	<u>441,278</u>	<u>63,251</u>	<u>493,790</u>
Total expenditures	<u>2,922,744</u>	<u>2,556,275</u>	<u>366,469</u>	<u>2,682,999</u>
Revenues over (under) expenditures	<u>(225,000)</u>	<u>177,568</u>	<u>402,568</u>	<u>(23,514)</u>
Other financing sources (uses):				
Transfers from other funds				
Electric Fund	65,000	65,000	-	-
Water and Wastewater Fund	29,000	29,000	-	60,000
Natural Gas Fund	31,000	31,000	-	-
Utility Administration Fund construction in progress	171,227	171,226	(1)	-
Transfers to other funds				
Electric Fund	(863)	(862)	1	-
Water and Wastewater Fund	(81,905)	(81,905)	-	-
Natural Gas Fund	(88,459)	(88,459)	-	-
Utility Administration Fund construction in progress	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>(60,000)</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	<u>(225,000)</u>	<u>177,568</u>	<u>402,568</u>	<u>(23,514)</u>
Appropriated net position	<u>225,000</u>	<u>-</u>	<u>(225,000)</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>177,568</u>	<u>\$ 177,568</u>	<u>(23,514)</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, 2015**

**Exhibit G-7**  
*continued*

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

	2015		Variance Positive (Negative)	2014
	Financial Plan	Actual		Actual
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 177,568		\$ (23,514)
Reconciling items:				
Capital outlay		-		17,900
Depreciation		(49,357)		(48,314)
Bad debt expense		(38,851)		(28,963)
(Increase) decrease in compensated absences payable		12,154		18,597
(Increase) decrease in other postemployment benefits		(28,078)		(57,545)
Deferred outflows of resources for contributions made to pension plan in current fiscal year		60,712		-
Pension expense		(6,193)		-
Items related to subfund - utility administration construction in progress fund				
Investment earnings		332		445
Transfer from Utility Administration Fund		125,000		60,000
Transfer to Utility Administration Fund		<u>(171,226)</u>		<u>-</u>
Total reconciling items		<u>(95,507)</u>		<u>(37,880)</u>
Change in net position		<u>\$ 82,061</u>		<u>\$ (61,394)</u>

**City of Lexington, North Carolina**  
**Utility Administration Construction in Progress Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From inception and for the fiscal year ended June 30, 2015**

**Exhibit G-8**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 27,509	\$ 27,177	\$ 332	\$ 27,509	\$ -
Total revenues	<u>27,509</u>	<u>27,177</u>	<u>332</u>	<u>27,509</u>	<u>-</u>
Expenditures:					
Automated Meter Reading	3,163,255	3,117,450	45,806	3,163,256	(1)
Work Order System	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
Total expenditures	<u>3,288,255</u>	<u>3,117,450</u>	<u>45,806</u>	<u>3,163,256</u>	<u>124,999</u>
Revenues over (under) expenditures	<u>(3,260,746)</u>	<u>(3,090,273)</u>	<u>(45,474)</u>	<u>(3,135,747)</u>	<u>124,999</u>
Other financing sources (uses):					
Transfers from other funds					
Operating fund	3,431,973	3,306,973	125,000	3,431,973	-
Transfers to other funds					
Operating fund	<u>(171,227)</u>	<u>-</u>	<u>(171,226)</u>	<u>(171,226)</u>	<u>1</u>
Total other financing sources (uses)	<u>3,260,746</u>	<u>3,306,973</u>	<u>(46,226)</u>	<u>3,260,747</u>	<u>1</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 216,700</u>	<u>\$ (91,700)</u>	<u>\$ 125,000</u>	<u>\$ 125,000</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, 2015**

**Exhibit G-9**

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

	2015		Variance Positive (Negative)	2014
	Financial Plan	Actual		Actual
Revenues:				
Operating revenues:				
Capital recovery - water/wastewater	\$	72,627	\$	150,221
Total revenues	-	72,627	72,627	150,221
Expenditures:				
Capital reserve		-		-
Total expenditures	1,719,934	-	1,719,934	-
Revenues over (under) expenditures	(1,719,934)	72,627	1,792,561	150,221
Other financing sources (uses):				
Transfers from other funds				
Electric Fund	1,232,000	1,232,000	-	-
Water and Wastewater Fund	165,000	75,000	(90,000)	125,000
Natural Gas Fund	-	-	-	450,000
Fleet Management Fund	322,934	322,524	(410)	273,733
Transfers to other funds				
Electric Fund	-	-	-	(984,005)
Water and Wastewater Fund	(146,000)	(146,000)	-	-
Natural Gas Fund	(293,427)	-	293,427	-
Fleet Management Fund	(503,755)	(456,627)	47,128	(104,528)
Total other financing sources (uses)	776,752	1,026,897	250,145	(239,800)
Revenues and other financing sources over (under) expenditures and other financing uses	(943,182)	1,099,524	2,042,706	(89,579)
Appropriated net position	943,182	-	(943,182)	-
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	1,099,524	\$ 1,099,524	(89,579)
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Reconciling items		-		-
Change in net position		\$ 1,099,524		\$ (89,579)

**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, 2015**

**Exhibit G-10**

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

	2015		Variance Positive (Negative)	2014
	Financial Plan	Actual		Actual
Revenues:				
Investment earnings	\$	2,205	\$	2,238
Revenues over expenditures	\$	2,205	\$	2,238
Reconciliation from financial plan basis (modified accrual) to full accrual:				
Reconciling items		-		-
Change in net position		\$ 2,205		\$ 2,238

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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, 2015**

**Schedule H-1**

Fiscal Year	Uncollected Balance June 30, 2014	Current Net Levy	Collections and Credits	Uncollected Balance June 30, 2015
2014-15	\$ -	\$ 9,267,995	\$ 8,943,133	\$ 324,862
2013-14	450,112	-	199,385	250,727
2012-13	289,422	-	88,823	200,599
2011-12	224,810	-	54,438	170,372
2010-11	149,719	-	27,037	122,682
2009-10	120,120	-	15,950	104,170
2008-09	83,529	-	4,873	78,656
2007-08	68,459	-	3,128	65,331
2006-07	56,363	-	2,209	54,154
Prior	322,752	-	927	321,825
	\$ 1,765,286	\$ 9,267,995	\$ 9,339,903	1,693,378
Less: allowance for uncollectible accounts:				
General Fund				1,049,923
Ad valorem taxes receivable - net				\$ 643,455
Reconciliation to revenues:				
Ad valorem taxes - General Fund				\$ 9,362,764
Reconciling items:				
Penalties collected on ad valorem taxes - remitted to Davidson County Schools				6,179
Interest collected				(111,634)
Discounts allowed				75,121
Amounts refunded				2,440
Abatements and releases - prior years				5,033
Total reconciling items				(22,861)
Total collections and credits				\$ 9,339,903

**City of Lexington, North Carolina**  
**Analysis of Current Tax Levy**  
**City - Wide Levy**  
**For the fiscal year ended June 30, 2015**

**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	\$ 1,511,963,167	\$ 0.600	\$ 9,071,779	\$ 8,396,508	\$ 675,271
Penalties	-		18,462	18,462	-
Total	<u>1,511,963,167</u>		<u>9,090,241</u>	<u>8,414,970</u>	<u>675,271</u>
Discoveries - Current year taxes	<u>41,060,000</u>	0.600	<u>246,360</u>	<u>246,360</u>	-
Abatements	<u>(11,434,333)</u>	0.600	<u>(68,606)</u>	<u>(68,606)</u>	-
Total property valuation	<u>\$ 1,541,588,834</u>				
Net levy			9,267,995	8,592,724	675,271
Uncollected taxes at June 30			<u>(324,862)</u>	<u>(324,862)</u>	-
Current year's taxes collected			<u>\$ 8,943,133</u>	<u>\$ 8,267,862</u>	<u>\$ 675,271</u>
Current levy collection percentage			<u>96.49%</u>	<u>96.22%</u>	<u>100.00%</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Analysis of Current Tax Levy**  
**City - Wide Levy**  
**For the fiscal year ended June 30, 2015**

**Schedule H-2**  
*continued*

Secondary Market Disclosures:

Assessed Valuation:

Assessment Ratio <sup>1</sup>	100%
Real Property	\$ 1,193,513,523
Registered Motor Vehicles	112,545,099
Other Personal Property	204,849,734
Public Service Company Property <sup>2</sup>	30,680,478
Total Assessed Valuation	1,541,588,834
City-wide Tax Rate	0.600
Levy (includes discoveries, releases and abatements) <sup>3</sup>	\$ 9,267,995

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

Municipal Service District	\$ 94,785
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<sup>1</sup>Percentage of appraised value has been established by statute.

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

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

**Uptown Lexington, Inc.**  
**(A component unit of the City of Lexington, North Carolina)**

**Schedule H-3**

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

**For the fiscal year ended June 30, 2015**

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

	2015		Variance Positive (Negative)	2014
	Budget	Actual		Actual
Revenues:				
Contribution from City of Lexington:				
Special district property tax	\$ 98,500	\$ 96,476	\$ (2,024)	\$ 94,355
Property rental	1,500	1,500	-	1,500
Marketing	12,800	7,849	(4,951)	10,976
Investment earnings	30	30	-	27
Grant from City of Lexington	20,000	20,000	-	40,500
Donations/fund raisers	96,900	88,910	(7,990)	89,189
Miscellaneous	-	1,001	1,001	-
Total revenues	<u>229,730</u>	<u>215,766</u>	<u>(13,964)</u>	<u>236,547</u>
Expenditures:				
Salaries and employee benefits	59,291	57,251	2,040	65,607
Operations	187,200	160,706	26,494	169,639
Debt service				
Principal retirement	7,329	7,328	1	7,349
Interest and other charges	2,326	2,326	-	2,719
Total expenditures	<u>256,146</u>	<u>227,611</u>	<u>28,535</u>	<u>245,314</u>
Revenues over (under) expenditures	(26,416)	(11,845)	14,571	(8,767)
Appropriated net position	<u>26,416</u>	<u>-</u>	<u>(26,416)</u>	<u>-</u>
Revenues and appropriated net position over (under) expenditures	<u>\$ -</u>	<u>(11,845)</u>	<u>\$ (11,845)</u>	<u>(8,767)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling item:				
Principal retirement		<u>7,328</u>		<u>7,349</u>
Change in net position		(4,517)		(1,418)
Net position				
Beginning of year, July 1		<u>128,676</u>		<u>130,094</u>
End of year, June 30		<u>\$ 124,159</u>		<u>\$ 128,676</u>

# **STATISTICAL SECTION**



# STATISTICAL SECTION

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

<b>Contents</b>	<b>Pages</b>
Financial Trends	179-189
<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	190-198
<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	199-205
<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	206-207
<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	208-211
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

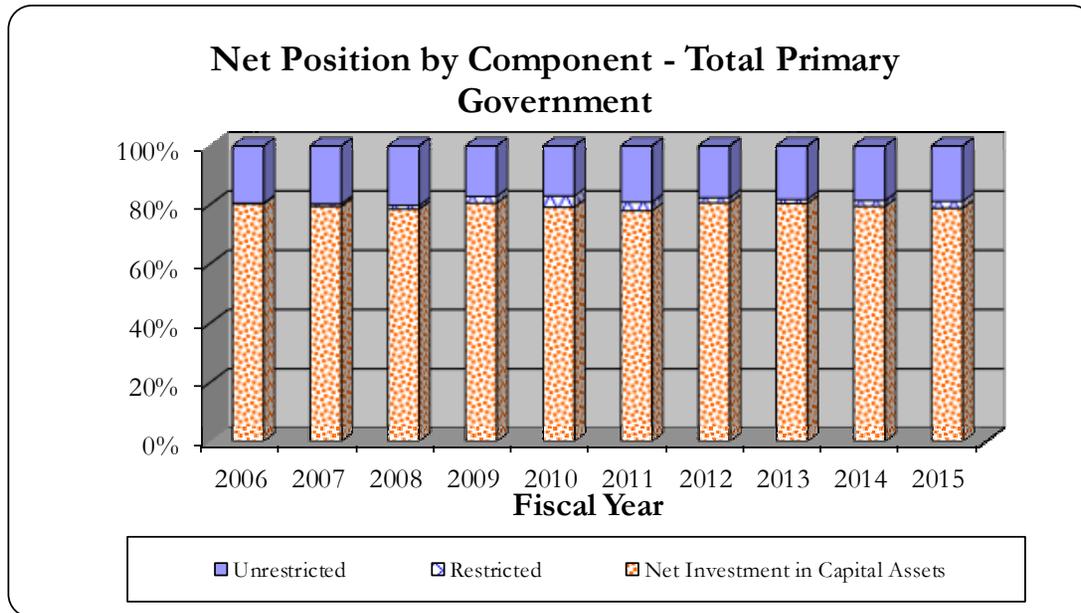
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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

**Table 1**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities</b>										
Net investment in capital assets	\$ 37,887,437	\$ 39,642,189	\$ 40,202,445	\$ 39,848,580	\$ 40,328,855	\$ 40,644,556	\$ 41,139,252	\$ 40,979,496	\$ 40,515,571	\$ 39,963,277
Restricted	322,603	1,151,767	1,765,878	2,388,811	3,635,859	4,474,720	2,688,766	2,129,153	3,085,267	3,766,473
Unrestricted	8,391,918	7,856,333	7,220,847	7,013,713	6,332,215	6,772,075	5,604,954	6,178,403	4,622,411	3,257,506
<b>Total governmental activities net position</b>	<u>\$ 46,601,958</u>	<u>\$ 48,650,289</u>	<u>\$ 49,189,170</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>	<u>\$ 46,987,256</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 72,749,493	\$ 72,325,495	\$ 71,753,949	\$ 78,643,928	\$ 80,684,537	\$ 81,274,231	\$ 84,208,432	\$ 85,923,171	\$ 87,427,567	\$ 88,722,117
Restricted	-	-	-	859,681	2,054,315	42,836	-	-	-	-
Unrestricted	18,283,773	19,759,452	21,496,152	18,083,754	19,604,510	22,944,440	21,587,378	22,372,358	25,170,883	27,313,675
<b>Total business-type activities net position</b>	<u>\$ 91,033,266</u>	<u>\$ 92,084,947</u>	<u>\$ 93,250,101</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>	<u>\$116,035,792</u>
<b>Primary government</b>										
Net investment in capital assets	\$110,636,930	\$111,967,684	\$111,956,394	\$118,492,508	\$121,013,392	\$121,918,787	\$125,347,684	\$126,902,667	\$127,943,138	\$128,685,394
Restricted	322,603	1,151,767	1,765,878	3,248,492	5,690,174	4,517,556	2,688,766	2,129,153	3,085,267	3,766,473
Unrestricted	26,675,691	27,615,785	28,716,999	25,097,467	25,936,725	29,716,515	27,192,332	28,550,761	29,793,294	30,571,181
<b>Total primary government net position</b>	<u>\$137,635,224</u>	<u>\$140,735,236</u>	<u>\$142,439,271</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>	<u>\$163,023,048</u>



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

**Table 2**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General government	\$ 3,562,621	\$ 3,982,654	\$ 3,878,300	\$ 3,945,210	\$ 3,285,107	\$ 3,438,520	\$ 4,130,112	\$ 4,178,911	\$ 4,780,061	\$ 4,617,011
Public safety	8,381,387	8,645,626	8,862,033	9,364,136	9,152,311	9,607,070	10,384,670	9,981,953	10,390,718	9,728,760
Highways and streets	2,561,363	2,271,953	2,943,346	2,445,706	2,396,046	2,467,267	2,744,783	3,134,934	3,125,174	2,826,265
Sanitation	1,848,482	1,839,097	1,882,576	1,928,807	1,807,085	1,858,518	1,804,492	1,806,731	1,983,755	1,625,203
Culture and recreation	1,524,152	1,281,742	1,279,509	1,385,687	1,297,564	1,391,684	1,397,814	1,527,273	1,532,975	1,575,688
Economic and physical development	181,063	297,992	608,643	876,947	1,800,659	1,342,633	2,752,101	184,060	143,139	73,939
Interest on long-term debt	142,780	131,727	113,678	115,381	107,918	202,506	167,568	153,788	141,426	183,188
Total governmental activities expenses	<u>18,201,848</u>	<u>18,450,791</u>	<u>19,568,085</u>	<u>20,061,874</u>	<u>19,846,690</u>	<u>20,308,198</u>	<u>23,381,540</u>	<u>20,967,650</u>	<u>22,097,248</u>	<u>20,630,054</u>
Business-type activities:										
Electric	41,906,467	41,740,621	42,269,534	42,046,335	42,490,374	45,943,820	47,049,771	48,425,865	52,221,251	51,399,095
Water and Wastewater	6,640,862	7,139,058	6,967,468	7,327,038	7,411,514	7,929,297	7,953,182	7,698,833	8,441,895	7,788,441
Natural Gas	22,459,026	17,050,881	16,906,600	16,535,695	13,380,334	12,338,924	9,543,636	9,797,266	11,407,325	10,347,419
Golf	926,174	862,536	861,937	1,043,915	718,431	756,527	810,830	1,037,258	809,312	815,233
Total business-type activities expenses	<u>71,932,529</u>	<u>66,793,096</u>	<u>67,005,539</u>	<u>66,952,983</u>	<u>64,000,653</u>	<u>66,968,568</u>	<u>65,357,419</u>	<u>66,959,222</u>	<u>72,879,783</u>	<u>70,350,188</u>
Total primary government expenses	<u>\$ 90,134,377</u>	<u>\$ 85,243,887</u>	<u>\$ 86,573,624</u>	<u>\$ 87,014,857</u>	<u>\$ 83,847,343</u>	<u>\$ 87,276,766</u>	<u>\$ 88,738,959</u>	<u>\$ 87,926,872</u>	<u>\$ 94,977,031</u>	<u>\$ 90,980,242</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 5,118	\$ 105,067	\$ 39,986	\$ 69,939	\$ 4,619	\$ 4,641	\$ 55,617	\$ 152,683	\$ 241,521	\$ 88,413
Public safety	192,203	258,992	253,017	210,025	208,693	293,066	222,367	293,915	194,359	305,823
Highways and streets	15,110	10,637	1,312	1,134	5,021	4,328	3,620	12,110	4,406	2,009
Sanitation	707,655	760,686	759,317	754,188	764,636	811,013	815,666	809,692	924,808	1,169,368
Culture and recreation	113,582	97,501	104,630	104,400	108,502	115,575	93,521	98,914	84,643	85,667
Economic and physical development	12,254	10,907	10,836	24,720	140,156	91,347	167,840	175,741	170,481	232,908
Operating grants and contributions	1,027,163	1,897,340	2,037,338	2,308,606	3,386,141	2,793,823	1,807,962	1,151,258	1,049,845	830,907
Capital grants and contributions	1,001,303	1,290,766	211,992	290,836	281,898	1,635,126	1,563,195	946,861	714,152	25,000
Total governmental activities program revenues	<u>3,074,388</u>	<u>4,431,896</u>	<u>3,418,428</u>	<u>3,763,848</u>	<u>4,899,666</u>	<u>5,748,919</u>	<u>4,729,788</u>	<u>3,641,174</u>	<u>3,384,215</u>	<u>2,740,095</u>
Business-type activities:										
Charges for services:										
Electric	42,966,388	42,332,221	43,393,859	42,874,197	45,846,264	48,164,096	47,654,094	50,204,074	54,209,465	54,027,183
Water and Wastewater	6,946,893	7,629,073	7,436,083	7,830,098	7,941,919	8,502,090	8,733,673	8,707,334	9,012,258	8,946,524
Natural Gas	23,368,471	18,089,668	18,143,797	18,297,321	15,379,486	13,997,277	10,659,045	11,859,814	14,347,360	12,999,357
Golf	636,464	692,181	740,537	743,712	639,855	589,319	749,128	780,138	646,750	648,358
Operating grants and contributions	-	-	132,059	47,754	-	-	45,776	20,344	614,114	46,368
Capital grants and contributions	2,834,177	676,535	109,736	3,486,650	1,218,659	-	1,469,210	352,407	633,527	-
Total business-type activities program revenues	<u>76,752,393</u>	<u>69,419,678</u>	<u>69,956,071</u>	<u>73,279,732</u>	<u>71,026,183</u>	<u>71,252,782</u>	<u>69,310,926</u>	<u>71,924,111</u>	<u>79,463,474</u>	<u>76,667,790</u>
Total primary government program revenues	<u>\$ 79,826,781</u>	<u>\$ 73,851,574</u>	<u>\$ 73,374,499</u>	<u>\$ 77,043,580</u>	<u>\$ 75,925,849</u>	<u>\$ 77,001,701</u>	<u>\$ 74,040,714</u>	<u>\$ 75,565,285</u>	<u>\$ 82,847,689</u>	<u>\$ 79,407,885</u>

*Continued on next page.*

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

**Table 2**  
*continued*

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (expense)/revenue										
Governmental activities	\$ (15,127,460)	\$ (14,018,895)	\$ (16,149,657)	\$ (16,298,026)	\$ (14,947,024)	\$ (14,559,279)	\$ (18,651,752)	\$ (17,326,476)	\$ (18,713,033)	\$ (17,889,959)
Business-type activities	4,819,864	2,626,582	2,950,532	6,326,749	7,025,530	4,284,214	3,953,507	4,964,889	6,583,691	6,317,602
Total primary government net expense	<u>\$ (10,307,596)</u>	<u>\$ (11,392,313)</u>	<u>\$ (13,199,125)</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>	<u>\$ (11,572,357)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 7,149,147	\$ 7,241,276	\$ 7,957,391	\$ 8,327,270	\$ 8,337,761	\$ 8,228,253	\$ 8,149,184	\$ 9,047,127	\$ 9,433,618	\$ 9,355,556
Other taxes	443,559	363,883	242,835	219,068	239,920	259,127	264,890	265,420	265,561	314,466
Unrestricted intergovernmental revenues	5,090,991	5,516,762	5,594,711	5,300,642	4,948,859	5,246,060	5,230,900	5,328,292	5,600,504	6,066,951
Unrestricted investment earnings	374,033	490,959	385,688	184,698	76,502	55,897	52,586	31,238	27,417	27,756
Transfers	2,469,440	2,454,346	2,507,913	2,328,282	2,389,807	2,452,971	2,495,813	2,508,479	2,322,130	2,229,769
Total governmental activities	<u>15,527,170</u>	<u>16,067,226</u>	<u>16,688,538</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>	<u>17,994,498</u>
Business-type activities:										
Unrestricted investment earnings	626,720	879,445	722,535	338,795	120,276	86,902	76,609	43,309	41,360	44,803
Transfers	(2,469,440)	(2,454,346)	(2,507,913)	(2,328,282)	(2,389,807)	(2,452,971)	(2,495,813)	(2,508,479)	(2,322,130)	(2,229,769)
Total business-type activities	<u>(1,842,720)</u>	<u>(1,574,901)</u>	<u>(1,785,378)</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>(2,184,966)</u>
Total primary government	<u>\$ 13,684,450</u>	<u>\$ 14,492,325</u>	<u>\$ 14,903,160</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>	<u>\$ 15,809,532</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 399,710	\$ 2,048,331	\$ 538,881	\$ 61,934	\$ 1,045,825	\$ 1,683,029	\$ (2,458,379)	\$ (145,920)	\$ (1,063,803)	\$ 104,539
Business-type activities	2,977,144	1,051,681	1,165,154	4,337,262	4,755,999	1,918,145	1,534,303	2,499,719	4,302,921	4,132,636
Total primary government	<u>\$ 3,376,854</u>	<u>\$ 3,100,012</u>	<u>\$ 1,704,035</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>	<u>\$ 4,237,175</u>

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

**Table 3**

	Fiscal Year									
	2006	2007	2008	2009	2010 (1)	2011	2012	2013	2014	2015
General Fund										
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,521	\$ 67,597	\$ 58,814	\$ 12,698	\$ 3,920
Spendable:										
Restricted	-	-	-	-	-	1,813,519	1,321,691	1,040,399	2,428,451	3,315,217
Committed	-	-	-	-	-	12,224	10,230	15,105	15,939	13,902
Assigned	-	-	-	-	-	734,440	768,000	975,954	1,017,376	1,292,822
Unassigned	-	-	-	-	-	4,886,011	5,486,866	6,068,607	5,176,348	4,744,018
Reserved	1,139,392	1,129,203	1,162,239	1,029,879	1,069,845	-	-	-	-	-
Unreserved	6,473,344	5,546,400	5,218,503	5,042,756	5,361,106	-	-	-	-	-
Total General Fund	<u>\$ 7,612,736</u>	<u>\$ 6,675,603</u>	<u>\$ 6,380,742</u>	<u>\$ 6,072,635</u>	<u>\$ 6,430,951</u>	<u>\$ 7,521,715</u>	<u>\$ 7,654,384</u>	<u>\$ 8,158,879</u>	<u>\$ 8,650,812</u>	<u>\$ 9,369,879</u>
All other governmental funds										
Spendable:										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,661,201	\$ 1,367,075	\$ 1,088,754	\$ 656,816	\$ 1,523,329
Committed	-	-	-	-	-	492,367	257,460	273,971	290,250	267,921
Unassigned	-	-	-	-	-	(69,997)	(33,090)	(46,525)	(14)	(227,371)
Reserved	357,812	496,389	177,011	185,036	2,063,191	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	281,729	1,106,899	1,660,698	2,196,734	1,520,766	-	-	-	-	-
Capital projects fund	13,180	211,712	319,362	558,867	415,970	-	-	-	-	-
Total all other governmental funds	<u>\$ 652,721</u>	<u>\$ 1,815,000</u>	<u>\$ 2,157,071</u>	<u>\$ 2,940,637</u>	<u>\$ 3,999,927</u>	<u>\$ 3,083,571</u>	<u>\$ 1,591,445</u>	<u>\$ 1,316,200</u>	<u>\$ 947,052</u>	<u>\$ 1,563,879</u>

Note:  
(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.

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

**Table 4**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Ad valorem taxes	\$ 7,043,243	\$ 7,104,130	\$ 7,766,698	\$ 8,090,264	\$ 8,153,287	\$ 8,064,247	\$ 7,984,145	\$ 8,925,727	\$ 9,390,723	\$ 9,362,764
Special ad valorem taxes	79,817	81,410	96,367	99,849	91,022	101,669	99,678	93,791	94,355	97,777
Other taxes and licenses	443,559	363,883	242,835	219,068	239,920	259,127	264,890	264,915	264,000	316,532
Unrestricted intergovernmental	5,072,931	5,447,419	5,604,276	5,296,221	4,981,131	5,245,141	5,153,753	5,268,973	6,157,526	6,061,070
Restricted intergovernmental	1,925,551	1,966,855	2,155,195	2,499,575	3,481,105	4,203,869	3,217,560	2,072,489	1,496,082	864,602
Permits and fees	159,090	199,570	178,377	148,021	124,296	202,391	165,203	183,454	168,223	225,193
Sales and services	864,093	894,261	904,818	885,299	995,061	1,032,606	1,030,119	1,039,346	1,116,132	1,391,418
Investment earnings	325,409	446,583	359,333	188,523	70,980	43,925	37,827	22,357	18,763	19,054
Miscellaneous	184,548	144,385	143,720	156,081	232,828	257,416	284,120	233,561	157,656	230,437
Total revenues	<u>16,098,241</u>	<u>16,648,496</u>	<u>17,451,619</u>	<u>17,582,901</u>	<u>18,369,630</u>	<u>19,410,391</u>	<u>18,237,295</u>	<u>18,104,613</u>	<u>18,863,460</u>	<u>18,568,847</u>
<b>Expenditures</b>										
General government	3,207,276	3,670,790	3,566,424	3,719,754	3,333,760	3,277,885	3,396,522	3,742,625	4,343,856	4,408,748
Public safety	8,070,865	8,325,443	8,493,778	8,831,973	9,041,507	9,156,333	9,324,691	9,290,324	9,727,623	9,531,599
Highways and streets	1,623,834	1,322,942	1,612,903	1,460,317	1,476,652	1,353,163	1,534,439	1,904,926	1,927,307	1,679,984
Sanitation	1,660,347	1,712,193	1,680,173	1,743,489	1,693,636	1,737,312	1,690,560	1,685,761	1,894,698	1,675,820
Culture and recreation	1,379,854	1,126,123	1,129,999	1,216,642	1,207,474	1,247,196	1,191,084	1,357,739	1,408,890	1,472,250
Economic and physical development	181,063	297,992	563,953	921,637	1,800,659	1,342,633	1,878,884	265,183	223,608	194,250
Capital outlay	468,738	427,734	809,477	1,234,366	524,594	489,233	1,165,404	591,277	1,099,879	441,262
Construction in progress	1,439,985	1,434,628	1,733,304	524,101	1,581,272	2,325,755	1,671,529	973,349	511,556	2,058,881
Debt service:										
Principal	686,041	734,128	688,393	668,291	546,252	506,221	580,635	540,183	586,744	623,053
Interest and other charges	142,780	131,727	113,678	115,381	107,918	193,820	167,568	153,788	141,426	154,414
Bond issuance cost	-	-	-	-	-	25,686	-	-	-	-
Arbitrage rebate	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>18,860,783</u>	<u>19,183,700</u>	<u>20,392,082</u>	<u>20,435,951</u>	<u>21,313,724</u>	<u>21,655,237</u>	<u>22,601,316</u>	<u>20,505,155</u>	<u>21,865,587</u>	<u>22,240,261</u>
Excess of revenues over (under) expenditures	(2,762,542)	(2,535,204)	(2,940,463)	(2,853,050)	(2,944,094)	(2,244,846)	(4,364,021)	(2,400,542)	(3,002,127)	(3,671,414)

*Continued on next page.*

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

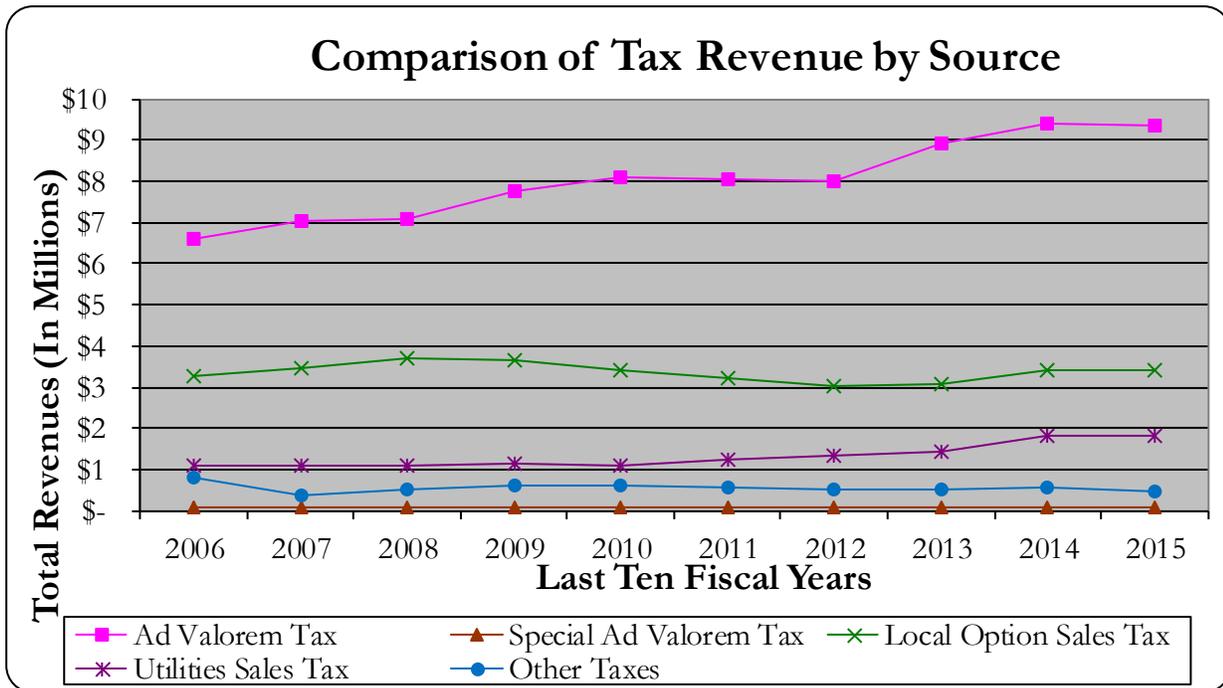
**Table 4**  
*continued*

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Other financing sources (uses)</b>										
Installment purchase debt issued	\$ 328,948	\$ 215,252	\$ 401,138	\$ 907,970	\$ 1,900,000	\$ -	\$ 460,402	\$ -	\$ 582,807	\$ 2,410,000
Transfers from other funds	2,931,434	4,204,697	3,959,652	3,402,404	4,008,046	3,254,381	3,116,815	2,854,724	2,998,881	3,147,907
Transfers to other funds	(461,994)	(1,658,585)	(1,373,788)	(981,400)	(1,547,449)	(779,870)	(573,266)	(223,650)	(456,674)	(568,584)
Refunding bonds issued	-	-	-	-	-	1,184,031	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	18,607
Redemption of bonds	-	-	-	-	-	(1,150,000)	-	-	-	-
Total other financing sources (uses)	<u>2,798,388</u>	<u>2,761,364</u>	<u>2,987,002</u>	<u>3,328,974</u>	<u>4,360,597</u>	<u>2,508,542</u>	<u>3,003,951</u>	<u>2,631,074</u>	<u>3,125,014</u>	<u>5,007,930</u>
Net change in fund balances	<u>\$ 35,846</u>	<u>\$ 226,160</u>	<u>\$ 46,539</u>	<u>\$ 475,924</u>	<u>\$ 1,416,503</u>	<u>\$ 263,696</u>	<u>\$ (1,360,070)</u>	<u>\$ 230,532</u>	<u>\$ 122,887</u>	<u>\$ 1,336,516</u>
Debt service as a percentage of noncapital expenditures	4.9%	5.0%	4.5%	4.2%	3.4%	3.9%	3.8%	3.7%	3.6%	3.9%
Debt service as a percentage of total expenditures	4.4%	4.5%	3.9%	3.8%	3.1%	3.4%	3.3%	3.4%	3.3%	3.5%
Capital outlay as a percentage of total expenditures	10.1%	9.7%	12.5%	8.6%	9.9%	13.0%	12.6%	7.6%	7.4%	11.2%

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

**Table 5**

Fiscal Year	Ad Valorem Tax	Special Ad Valorem Tax	Local Option Sales Tax	Utilities Sales Tax	Other Taxes	Total Taxes
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
2015	9,362,764	97,777	3,424,361	1,838,078	459,841	15,182,821



Notes:

Other taxes include piped natural gas sales 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**

**Table 6**

Description	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues:										
Charges for service	\$ 40,997,905	\$ 40,464,262	\$ 41,531,324	\$ 40,973,741	\$ 43,062,906	\$ 46,290,133	\$ 45,851,593	\$ 48,347,174	\$ 51,924,474	\$ 53,405,203
Other operating revenues	1,648,666	1,546,542	1,698,630	1,578,812	1,536,246	1,483,538	1,534,910	1,574,156	2,396,323	273,825
<b>Total operating revenues</b>	<b>42,646,571</b>	<b>42,010,804</b>	<b>43,229,954</b>	<b>42,552,553</b>	<b>44,599,152</b>	<b>47,773,671</b>	<b>47,386,503</b>	<b>49,921,330</b>	<b>54,320,797</b>	<b>53,679,028</b>
Operating expenses:										
Salaries and benefits	1,216,449	1,381,745	1,400,668	1,661,301	1,579,835	1,608,301	1,357,152	1,372,491	1,466,247	1,302,963
Operating expenses	5,333,330	5,690,968	5,185,465	5,342,448	4,395,926	4,523,644	4,501,733	4,824,251	6,098,297	4,286,391
Purchases of power for resale	33,718,191	32,914,969	33,826,763	33,298,694	34,652,715	38,272,708	39,655,108	40,755,523	43,138,820	44,364,741
Depreciation	1,107,163	1,149,253	1,106,735	1,055,389	994,135	956,883	916,110	922,514	949,226	956,873
<b>Total operating expenses</b>	<b>41,375,133</b>	<b>41,136,935</b>	<b>41,519,631</b>	<b>41,357,832</b>	<b>41,622,611</b>	<b>45,361,536</b>	<b>46,430,103</b>	<b>47,874,779</b>	<b>51,652,590</b>	<b>50,910,968</b>
<b>Operating income (loss)</b>	<b>1,271,438</b>	<b>873,869</b>	<b>1,710,323</b>	<b>1,194,721</b>	<b>2,976,541</b>	<b>2,412,135</b>	<b>956,400</b>	<b>2,046,551</b>	<b>2,668,207</b>	<b>2,768,060</b>
Non-operating revenues (expenses):										
Investment earnings	325,782	355,989	327,019	162,886	52,119	37,686	34,225	19,060	16,136	16,907
Interest and other charges	(195,743)	(178,512)	(234,244)	(283,311)	(257,198)	(221,224)	(188,937)	(170,698)	(152,401)	(189,818)
Other	-	(3,283)	4,417	(34,930)	(366,487)	(23,887)	(57,571)	(48,761)	61,532	(15,964)
<b>Total non-operating revenues (expenses)</b>	<b>130,039</b>	<b>174,194</b>	<b>97,192</b>	<b>(155,355)</b>	<b>(571,566)</b>	<b>(207,425)</b>	<b>(212,283)</b>	<b>(200,399)</b>	<b>(74,733)</b>	<b>(188,875)</b>
<b>Income before transfers</b>	<b>1,401,477</b>	<b>1,048,063</b>	<b>1,807,515</b>	<b>1,039,366</b>	<b>2,404,975</b>	<b>2,204,710</b>	<b>744,117</b>	<b>1,846,152</b>	<b>2,593,474</b>	<b>2,579,185</b>
<b>Transfers from (to) other funds</b>	<b>(1,802,840)</b>	<b>(401,989)</b>	<b>(3,623,938)</b>	<b>(1,681,671)</b>	<b>(1,759,742)</b>	<b>(1,310,393)</b>	<b>(634,423)</b>	<b>(1,338,781)</b>	<b>(520,204)</b>	<b>(2,774,154)</b>
<b>Change in net position</b>	<b>\$ (401,363)</b>	<b>\$ 646,074</b>	<b>\$ (1,816,423)</b>	<b>\$ (642,305)</b>	<b>\$ 645,233</b>	<b>\$ 894,317</b>	<b>\$ 109,694</b>	<b>\$ 507,371</b>	<b>\$ 2,073,270</b>	<b>\$ (194,969)</b>

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

**Table 7**

Description	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues:										
Water charges for service	\$ 2,954,700	\$ 3,265,697	\$ 3,259,876	\$ 3,308,617	\$ 3,351,254	\$ 3,636,646	\$ 3,747,972	\$ 3,660,282	\$ 3,802,987	\$ 3,889,062
Wastewater charges for service	3,507,581	3,849,221	3,651,528	3,882,808	4,059,854	4,402,055	4,604,890	4,641,615	4,711,660	4,644,177
Other operating revenues	189,794	176,064	219,877	235,233	249,903	184,610	150,721	166,534	209,105	177,518
<b>Total operating revenues</b>	<b>6,652,075</b>	<b>7,290,982</b>	<b>7,131,281</b>	<b>7,426,658</b>	<b>7,661,011</b>	<b>8,223,311</b>	<b>8,503,583</b>	<b>8,468,431</b>	<b>8,723,752</b>	<b>8,710,757</b>
Operating expenses:										
Water plant	1,234,730	1,384,293	1,311,156	1,440,449	1,429,152	1,534,200	1,474,732	1,411,184	1,679,113	1,610,139
Waste treatment plant	1,544,578	1,684,495	1,734,286	1,896,536	2,019,671	2,090,429	2,223,004	2,129,017	2,369,950	2,194,026
Water and wastewater	2,335,780	2,368,365	2,294,778	2,508,762	2,561,648	2,688,509	2,588,725	2,613,371	2,805,339	2,482,718
Depreciation	1,011,274	1,093,612	1,090,384	1,106,790	1,157,368	1,170,159	1,197,166	1,225,251	1,260,606	1,291,217
<b>Total operating expenses</b>	<b>6,126,362</b>	<b>6,530,765</b>	<b>6,430,604</b>	<b>6,952,537</b>	<b>7,167,839</b>	<b>7,483,297</b>	<b>7,483,627</b>	<b>7,378,823</b>	<b>8,115,008</b>	<b>7,578,100</b>
<b>Operating income (loss)</b>	<b>525,713</b>	<b>760,217</b>	<b>700,677</b>	<b>474,121</b>	<b>493,172</b>	<b>740,014</b>	<b>1,019,956</b>	<b>1,089,608</b>	<b>608,744</b>	<b>1,132,657</b>
Non-operating revenues (expenses):										
Investment earnings	105,431	139,905	130,483	72,152	25,796	18,139	18,283	11,507	11,693	12,480
Interest and other charges	(374,359)	(347,751)	(321,296)	(293,744)	(271,477)	(250,483)	(185,947)	(162,232)	(139,249)	(124,747)
Other	7,261	(62,952)	17,561	(9,871)	4,185	(115,055)	(43,970)	258	(1,069)	(17,379)
<b>Total non-operating revenues (expenses)</b>	<b>(261,667)</b>	<b>(270,798)</b>	<b>(173,252)</b>	<b>(231,463)</b>	<b>(241,496)</b>	<b>(347,399)</b>	<b>(211,634)</b>	<b>(150,467)</b>	<b>(128,625)</b>	<b>(129,646)</b>
<b>Income before contributions and transfers</b>	<b>264,046</b>	<b>489,419</b>	<b>527,425</b>	<b>242,658</b>	<b>251,676</b>	<b>392,615</b>	<b>808,322</b>	<b>939,141</b>	<b>480,119</b>	<b>1,003,011</b>
Capital contributions	2,834,177	676,535	69,574	3,486,650	1,218,659	-	1,461,439	82,471	633,527	-
Transfers from (to) other funds	(618,814)	(719,124)	(680,874)	(132,033)	(533,631)	(737,295)	(1,293,919)	(778,351)	(511,795)	226,397
<b>Change in net position</b>	<b>\$ 2,479,409</b>	<b>\$ 446,830</b>	<b>\$ (83,875)</b>	<b>\$ 3,597,275</b>	<b>\$ 936,704</b>	<b>\$ (344,680)</b>	<b>\$ 975,842</b>	<b>\$ 243,261</b>	<b>\$ 601,851</b>	<b>\$ 1,229,408</b>

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

**Table 8**

Description	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Operating revenues:</b>										
Charges for service	\$ 23,108,897	\$ 17,808,955	\$ 17,549,217	\$ 18,046,753	\$ 14,978,660	\$ 13,751,305	\$ 10,396,960	\$ 11,599,902	\$ 13,831,625	\$ 12,692,731
Other operating revenues	83,387	88,190	424,294	106,200	57,545	34,308	19,229	19,294	248,463	46,018
<b>Total operating revenues</b>	<b>23,192,284</b>	<b>17,897,145</b>	<b>17,973,511</b>	<b>18,152,953</b>	<b>15,036,205</b>	<b>13,785,613</b>	<b>10,416,189</b>	<b>11,619,196</b>	<b>14,080,088</b>	<b>12,738,749</b>
<b>Operating expenses:</b>										
Salaries and benefits	914,023	897,001	967,950	1,152,048	1,109,352	1,279,185	992,526	1,028,218	1,111,860	1,054,521
Operating expenses	1,660,278	1,560,602	1,537,250	1,428,478	1,541,276	1,944,764	2,086,275	2,005,905	2,125,244	1,978,094
Purchases of natural gas for resale	18,923,326	13,515,181	13,264,317	12,911,586	9,811,535	8,163,925	5,385,773	5,744,010	7,116,775	6,389,183
Depreciation	597,893	594,433	584,544	524,105	527,124	540,673	544,692	573,748	584,781	561,669
<b>Total operating expenses</b>	<b>22,095,520</b>	<b>16,567,217</b>	<b>16,354,061</b>	<b>16,016,217</b>	<b>12,989,287</b>	<b>11,928,547</b>	<b>9,009,266</b>	<b>9,351,881</b>	<b>10,938,660</b>	<b>9,983,467</b>
<b>Operating income (loss)</b>	<b>1,096,764</b>	<b>1,329,928</b>	<b>1,619,450</b>	<b>2,136,736</b>	<b>2,046,918</b>	<b>1,857,066</b>	<b>1,406,923</b>	<b>2,267,315</b>	<b>3,141,428</b>	<b>2,755,282</b>
<b>Non-operating revenues (expenses):</b>										
Investment earnings	148,491	305,319	193,386	71,025	29,672	20,795	15,544	8,390	9,997	12,018
Interest and other charges	(179,804)	(218,928)	(247,214)	(218,592)	(188,973)	(224,816)	(193,196)	(174,536)	(158,855)	(176,581)
Other	1,732	(4,566)	2,734	(85,304)	58,144	(18,728)	(48,908)	(11,726)	232	(3,736)
<b>Total nonoperating revenues (expenses)</b>	<b>(29,581)</b>	<b>81,825</b>	<b>(51,094)</b>	<b>(232,871)</b>	<b>(101,157)</b>	<b>(222,749)</b>	<b>(226,560)</b>	<b>(177,872)</b>	<b>(148,626)</b>	<b>(168,299)</b>
<b>Income before contributions and transfers</b>	<b>1,067,183</b>	<b>1,411,753</b>	<b>1,568,356</b>	<b>1,903,865</b>	<b>1,945,761</b>	<b>1,634,317</b>	<b>1,180,363</b>	<b>2,089,443</b>	<b>2,992,802</b>	<b>2,586,983</b>
Capital contributions	-	-	21,292	-	-	-	7,771	269,936	-	-
Transfers from (to) other funds	(339,219)	(1,182,457)	(844,038)	(1,061,715)	(925,223)	(954,822)	(1,147,666)	(1,100,646)	(1,408,915)	(926,267)
<b>Change in net position</b>	<b>\$ 727,964</b>	<b>\$ 229,296</b>	<b>\$ 745,610</b>	<b>\$ 842,150</b>	<b>\$ 1,020,538</b>	<b>\$ 679,495</b>	<b>\$ 40,468</b>	<b>\$ 1,258,733</b>	<b>\$ 1,583,887</b>	<b>\$ 1,660,716</b>

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

**Table 9**

Description	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues:										
Charges for service	\$ 630,733	\$ 686,040	\$ 739,096	\$ 670,211	\$ 633,027	\$ 588,350	\$ 747,737	\$ 693,059	\$ 640,045	\$ 648,346
Other operating revenues	4,242	4,985	142	1	52	113	1,391	54	14,665	12
Total operating revenues	<u>634,975</u>	<u>691,025</u>	<u>739,238</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>	<u>648,358</u>
Operating expenses:										
Salaries and benefits	451,294	427,146	449,261	461,150	390,347	394,230	405,794	404,886	415,959	397,553
Operating expenses	269,433	270,935	249,958	443,798	200,440	227,501	251,578	496,014	263,149	299,005
Depreciation	98,058	97,082	96,952	98,211	98,598	99,449	101,566	101,838	100,579	100,427
Total operating expenses(loss)	<u>818,785</u>	<u>795,163</u>	<u>796,171</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>796,985</u>
Operating income (loss)	<u>(183,810)</u>	<u>(104,138)</u>	<u>(56,933)</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>	<u>(148,627)</u>
Non-operating revenues (expenses):										
Investment earnings	1,224	2,940	3,292	2,208	294	98	268	305	243	226
Interest and other charges	(70,900)	(65,544)	(60,144)	(55,331)	(53,044)	(47,421)	(41,703)	(36,312)	(32,394)	(28,129)
Other	(33,280)	(3,730)	(2,247)	73,500	6,776	(1,351)	(2,756)	87,025	-	-
Total nonoperating revenues (expenses)	<u>(102,956)</u>	<u>(66,334)</u>	<u>(59,099)</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>(27,903)</u>
Income before transfers	<u>(286,766)</u>	<u>(170,472)</u>	<u>(116,032)</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>(176,530)</u>
Transfers from (to) other funds	<u>315,000</u>	<u>206,000</u>	<u>206,000</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>263,584</u>
Change in net position	<u>\$ 28,234</u>	<u>\$ 35,528</u>	<u>\$ 89,968</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>	<u>\$ 87,054</u>

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

**Table 10**

Fiscal Year Ended June 30	Real Property		Personal Property		Less: Tax Exempt Real Property (2)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
	Residential Property (1)	Commercial Property (1)	Motor Vehicles	Other				
2006	\$ 1,082,441,873	N/A	\$ 87,593,190	\$ 250,734,013	\$ 114,052,335	\$ 1,306,716,741	\$ 0.545	\$ 1,306,716,741
2007	1,171,488,164	N/A	86,161,261	246,339,985	182,647,545	1,321,341,865	0.545	1,321,341,865
2008	1,396,679,838	N/A	92,531,307	206,481,583	221,127,540	1,474,565,188	0.535	1,474,565,188
2009	1,412,461,151	N/A	88,010,164	207,963,947	223,338,815	1,485,096,447	0.560	1,485,096,447
2010	1,451,277,854	N/A	79,339,683	201,572,196	239,962,695	1,492,227,038	0.560	1,492,227,038
2011	1,463,888,727	N/A	72,266,356	180,908,594	243,391,435	1,473,672,242	0.560	1,473,672,242
2012	1,474,504,583	N/A	67,068,941	186,351,972	254,245,830	1,473,679,666	0.560	1,473,679,666
2013	1,502,834,799	N/A	71,866,572	183,511,640	257,744,610	1,500,468,401	0.600	1,500,468,401
2014	1,492,655,112	N/A	153,730,981	193,859,721	264,380,960	1,575,864,854	0.600	1,575,864,854
2015	1,484,905,581	N/A	112,545,099	204,849,734	260,711,580	1,541,588,834	0.600	1,541,588,834

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.

**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	
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
2015	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, 2015 and June 30, 2006**

**Table 12**

Taxpayer	Type of Business	2015				2006			
		Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation
Kimberly Clark Corp. (1)	Tissue Products	\$ 83,522,002	1	\$ 501,132	5.42%	\$ 92,837,822	1	\$ 505,966	7.10%
Moran Foods Inc.	Food Distributor	24,477,434	2	146,865	1.59%	-	-	-	-
Jeld-Wen Inc.	Windows and Doors	22,814,893	3	136,889	1.48%	16,885,570	4	92,027	1.29%
Windstream	Communications	21,449,639	4	128,698	1.39%	-	-	-	-
Vitacost.com Inc.	Online Retail	19,512,027	5	117,072	1.27%	-	-	-	-
Wal-Mart	Retail	15,102,641	6	90,615	0.98%	-	-	-	-
NewBridge Bank	Banking	14,899,523	7	89,397	0.97%	12,142,921	7	66,178	0.93%
Chesapeake Printing & Packaging Co.	Printing	8,757,309	8	52,544	0.57%	10,804,231	9	58,883	0.83%
Parkdale Mills Inc.	Textiles	8,099,265	9	48,596	0.53%	9,549,097	10	52,044	0.73%
Childress Winery & Vineyards	Viniculture	7,975,196	10	47,852	0.52%	11,809,746	8	64,363	0.90%
Duracell	Batteries	-	-	-	-	49,966,141	2	272,315	3.82%
Lexington Home Brands	Furniture	-	-	-	-	37,655,031	3	205,219	2.88%
Stanley Furniture Co. Inc.	Furniture	-	-	-	-	14,684,969	5	80,033	1.12%
Diebold Southeast Mfg. Inc.	Security Delivery Systems	-	-	-	-	13,292,026	6	72,442	1.02%
<b>Total</b>		<b>\$ 226,609,929</b>		<b>\$ 1,359,660</b>	<b>14.72%</b>	<b>\$ 269,627,554</b>		<b>\$ 1,469,470</b>	<b>20.62%</b>

Source:

Davidson County Tax Department

Note:

(1) Presently Halyard Health Corp.

**City of Lexington, North Carolina**  
**Property Tax Levies and Collections - General Levy**  
**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
2006	\$ 7,105,958	\$ 6,887,873	96.93%	\$ 175,726	\$ 7,063,599	99.40%
2007	7,204,841	6,943,770	96.38%	206,917	7,150,687	99.25%
2008	7,901,129	7,566,532	95.77%	269,266	7,835,798	99.17%
2009	8,301,096	7,861,258	94.70%	361,182	8,222,440	99.05%
2010	8,372,149	7,878,645	94.11%	389,334	8,267,979	98.76%
2011	8,288,300	7,775,260	93.81%	390,358	8,165,618	98.52%
2012	8,257,246	7,720,187	93.50%	366,687	8,086,874	97.94%
2013	8,987,527	8,447,008	93.99%	339,920	8,786,928	97.77%
2014	9,477,350	9,027,238	95.25%	199,385	9,226,623	97.35%
2015	9,267,995	8,943,133	96.49%	-	8,943,133	96.49%

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	Total
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
2015	53,405,203	8,533,239	12,692,731	648,346	75,279,519

**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
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
2015	31,147,858	19,069,713	2,996,800	190,832	53,405,203

Notes:

(1) Includes Area Lights

(2) Renewable Energy Portfolio Standards

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

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

**Table 14b**

Fiscal Year	Residential	Commercial	Industrial	Total
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
2015	1,843,593	900,706	1,144,763	3,889,062

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

**Table 14c**

Fiscal Year	Residential	Commercial	Industrial	Total
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
2015	2,564,512	1,769,408	310,257	4,644,177

**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
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
2015	4,994,576	4,260,240	3,437,915	-	12,692,731

**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
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
2015	348,403	287,533	12,410	648,346

**City of Lexington, North Carolina**  
**Schedule of Top Ten Electric Customers**  
**Fiscal Year Ended June 30, 2015**

**Table 15**

Customer	Type of Business	Consumption (kWh)	Amount Billed	Percent of Total Operating Revenue
City of Lexington	Government	8,203,960	\$ 1,334,397	2.49%
Davidson County Schools	Public School System	6,616,490	1,013,669	1.89%
Lexington Memorial Hospital	Hospital	8,321,760	835,862	1.56%
Lexington City Schools	Public School System	5,412,454	706,580	1.32%
Davidson County	Government	4,505,764	591,248	1.10%
Food Lion	Grocery Store Chain	5,407,444	513,269	0.96%
Leggett & Platt, Inc.	Furniture	3,577,828	446,280	0.83%
Cardinal Container	Corrugated Fiber Boxes	4,483,506	417,310	0.78%
Wal-Mart	Retail	4,753,226	237,718	0.44%
National Wholesale Co. Inc.	Online/Catalog Retail	1,653,873	214,119	0.40%
		<u>52,936,305</u>	<u>\$ 6,310,452</u>	<u>11.77%</u>

**City of Lexington, North Carolina**  
**Schedule of Top Ten Water Customers**  
**Fiscal Year Ended June 30, 2015**

**Table 16**

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
PPG Industries	Glass Products	345,739	\$ 843,236	9.68%
Parkdale Mills Inc.	Textiles	58,330	98,976	1.14%
Halyard Health Corp. (1)	Healthcare Products	45,173	82,548	0.95%
Lexington City Schools	Public School System	13,637	39,201	0.45%
Davidson County	Government	16,216	39,032	0.45%
City of Lexington	Government	9,210	37,933	0.44%
Lexington Memorial Hospital	Hospital	19,422	32,959	0.38%
American Children's Home	Residential Care	6,934	32,231	0.37%
Cardinal Container	Corrugated Fiber Boxes	5,542	25,154	0.29%
NC Department of Public Safety	Prison	12,207	22,302	0.26%
		<u>532,410</u>	<u>\$ 1,253,572</u>	<u>14.41%</u>

Note:

(1) Formerly Kimberly-Clark Health Care

**City of Lexington, North Carolina**  
**Schedule of Top Ten Wastewater Customers**  
**Fiscal Year Ended June 30, 2015**

**Table 17**

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Davidson County Schools	Public School System	25,684	\$ 220,007	2.53%
Atrium Companies Inc.	Vinyl Windows & Doors	10,468	80,997	0.93%
Davidson County	Government	16,738	71,057	0.82%
Lexington Memorial Hospital	Hospital	19,422	64,305	0.74%
Halyard Health Corp. (1)	Healthcare Products	17,626	49,757	0.57%
Cardinal Container	Corrugated Fiber Boxes	9,301	46,817	0.54%
Brookstone Rest Home	Residential Care	5,829	43,036	0.49%
NC Department of Public Safety	Prison	12,207	42,222	0.48%
Matcore Metal Fabrication	Machine Tools	5,204	39,523	0.45%
Asco Power Technologies	Power Switches & Controls	4,705	38,489	0.44%
		<u>127,184</u>	<u>\$ 696,210</u>	<u>7.99%</u>

Note:

(1) Formerly Kimberly-Clark Health Care

**City of Lexington, North Carolina**  
**Schedule of Top Ten Natural Gas Customers**  
**Fiscal Year Ended June 30, 2015**

**Table 18**

Customer	Type of Business	Consumption (DT)	Amount Billed	Percent of Total Operating Revenue
Halyard Health Corp. (1)	Healthcare Products	151,080	\$ 993,682	7.80%
PPG Industries (2)	Glass Products	906,729	683,964	5.37%
J E Jones Lumber Company	Lumber Dry Kiln	73,884	473,747	3.72%
Matcor Metal Fabrication	Machine Tools	43,731	318,403	2.50%
Leggett & Platt, Inc.	Furniture	36,075	295,239	2.32%
Kurz Transfer Products LP	Stamping Technology	35,012	261,016	2.05%
Hanes Construction Company	Paving	33,256	216,693	1.70%
Lexington Memorial Hospital	Hospital	31,692	196,174	1.54%
JT Russell and Sons, Inc.	Asphalt Plant	26,249	166,641	1.31%
Cardinal Container	Corrugated Fiber Boxes	18,414	154,783	1.21%
		<u>1,356,122</u>	<u>\$ 3,760,342</u>	<u>29.52%</u>

Notes:

(1) Formerly Kimberly-Clark Health Care

(2) Transport only customer

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

**Table 19**

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Installment Purchases	General Obligation Bonds	Revenue Bonds	Installment Purchases			
2006	\$ 2,260,000	\$ 1,152,755	\$ 7,035,000	\$ 2,189,000	\$ 8,682,116	\$ 21,318,871	3.42%	\$ 1,019
2007	2,000,000	893,879	6,435,000	5,445,555	7,969,184	22,743,618	3.50%	1,087
2008	1,730,000	876,623	5,820,000	4,830,805	11,125,077	24,382,505	3.58%	1,153
2009	1,445,000	1,401,303	5,270,000	4,191,352	10,257,958	22,565,613	3.31%	1,056
2010	1,150,000	3,050,052	4,730,000	3,526,201	11,662,851	24,119,104	3.45%	1,126
2011	971,861	2,756,001	4,271,139	2,834,318	10,623,806	21,457,125	3.32%	1,135
2012	760,062	2,847,566	3,671,938	2,601,036	9,550,795	19,431,397	2.87%	1,033
2013	551,893	2,515,553	3,082,107	2,357,826	8,440,940	16,948,319	2.51%	910
2014	347,435	2,716,074	2,502,565	2,104,263	7,293,618	14,963,955	NA	802
2015	146,775	4,923,681	1,933,225	1,907,034	7,973,870	16,884,585	NA	901

Notes:

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

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

**City of Lexington, North Carolina**  
**Ratios of 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)
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
2015	2,080,000	-	2,080,000	0.13%	111

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, 2015**

**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	\$ 91,106,840	11.40%	<u>\$ 10,386,180</u>
Subtotal, overlapping debt			10,386,180
City of Lexington, direct debt			<u>5,070,456</u>
Total direct and overlapping debt			<u><u>\$ 15,456,636</u></u>

Source:

Davidson County debt outstanding data provided by Davidson County which includes General Obligation Bonds, Limited Obligation Bonds, Certificates of Participation, Installment Financing, 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 therefore responsible for repaying the debt

(1) The percentage applicable to City of Lexington is a ratio of the City's assessed valuation of \$1,541,588,834 divided by the County's assessed valuation of \$13,517,937,893.

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

**Table 22**

Fiscal Year	Debt Limit	Less: Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2006	\$ 104,537,339	\$ 16,674,871	\$ 87,862,468	15.95%
2007	105,707,349	15,118,063	90,589,286	14.30%
2008	117,965,215	17,661,700	100,303,515	14.97%
2009	118,807,716	16,784,261	102,023,455	14.13%
2010	119,378,163	19,317,903	100,060,260	16.18%
2011	117,893,779	17,472,961	100,420,818	14.82%
2012	117,894,373	15,843,276	102,051,097	13.44%
2013	120,037,472	13,763,538	106,273,934	11.47%
2014	126,069,188	12,190,175	113,879,013	9.67%
2015	123,327,107	14,462,718	108,864,389	11.73%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Total Assessed Valuation	\$ 1,541,588,834
Debt limit (8 percent of total assessed value)	123,327,107
Debt applicable to limit (gross debt):	
Authorized and outstanding G.O. bonded debt	2,080,000
Outstanding debt not evidenced by bonds	12,897,551
Less: Statutory deductions for electric bonds	(514,833)
Total net debt applicable to limit	<u>14,462,718</u>
Legal debt margin available to the City under North Carolina General Statute 159-55(C).	<u>\$ 108,864,389</u>

Note:

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

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

**Table 23**

Fiscal Year	Electric Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
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
2015	53,506,539	49,954,095	3,552,444	154,684	15,399	170,083	20.89

Notes:

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

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

(2) Operating expenses exclude depreciation.

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

**Table 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	
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
2015	8,625,989	6,286,883	2,339,106	414,656	42,160	456,816	5.12

Notes:

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

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

(2) Operating expenses exclude depreciation.

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

**Table 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	
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
2015	12,677,217	9,421,798	3,255,419	197,229	86,791	284,020	11.46

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)
2006	20,918	\$ 623,294	\$ 29,797	5.8%
2007	20,927	650,097	31,065	5.8%
2008	21,149	680,871	32,194	5.7%
2009	21,378	682,279	31,915	10.4%
2010	21,420	699,920	32,676	13.0%
2011	18,900	646,720	34,218	11.4%
2012	18,816	677,846	36,025	10.3%
2013	18,628	674,483	36,208	9.2%
2014	18,655	NA	NA	7.0%
2015	18,730	NA	NA	5.6%

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 Davidson County.

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

**Table 27**

Employer	2015			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Davidson County Schools	1000+	1	1.28%+	1000+	1	1.26%+
Davidson County	500-999	2	0.64%-1.28%	500-999	3	0.63%-1.26%
Atrium Windows and Doors Inc.	500-999	3	0.64%-1.28%	1000+	2	1.26%+
Old Dominion Freight Line	500-999	4	0.64%-1.28%	NA	NA	NA
Wal-Mart Associates Inc.	500-999	5	0.64%-1.28%	500-999	5	0.63%-1.26%
Bradley Personnel Inc.	500-999	6	0.64%-1.28%	NA	NA	NA
Food Lion	500-999	7	0.64%-1.28%	250-499	13	0.32%-0.63%
Davidson County Community College	500-999	8	0.64%-1.28%	500-999	6	0.63%-1.26%
Wake Forest Baptist Health	500-999	9	0.64%-1.28%	500-999	7	0.63%-1.26%
Lexington City Schools	500-999	10	0.64%-1.28%	500-999	8	0.63%-1.26%
Jeld-Wen	250-499	11	0.32%-0.64%	500-999	10	0.63%-1.26%
PPG Industries	250-499	12	0.32%-0.64%	500-999	9	0.63%-1.26%
Thomasville City Schools	250-499	13	0.32%-0.64%	500-999	12	0.63%-1.26%
Vitacost.com, Inc.	250-499	14	0.32%-0.64%	NA	NA	NA
Asco Power Technologies LP	250-499	15	0.32%-0.64%	NA	NA	NA
Richard Childress Racing	250-499	16	0.32%-0.64%	250-499	18	0.32%-0.63%
City of Lexington	250-499	17	0.32%-0.64%	250-499	20	0.32%-0.63%
Leggett & Platt, Inc.	250-499	18	0.32%-0.64%	500-999	11	0.63%-1.26%
Lowes Home Centers Inc.	250-499	19	0.32%-0.64%	250-499	16	0.32%-0.63%
City of Thomasville	250-499	20	0.32%-0.64%	250-499	24	0.32%-0.63%
Facility Logistic Services Inc.	250-499	21	0.32%-0.64%	NA	NA	NA
United Church Homes and Services	250-499	22	0.32%-0.64%	NA	NA	NA
Pergo LLC	250-499	23	0.32%-0.64%	NA	NA	NA
Shelba D Johnson Trucking Inc.	250-499	24	0.32%-0.64%	NA	NA	NA
The Recruiting Specialist	250-499	25	0.32%-0.64%	NA	NA	NA

Source:

Employment Security Commission of North Carolina

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

**Table 28**

Function:	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	24	24	24	24	24	24	24	24	26	25
Public safety										
Police										
Officers (1)	66	66	66	67	68	68	69	65	65	64
Civilians	11	11	11	11	11	11	10	10	9	9
Fire										
Firefighters and officers	47	47	47	47	47	48	47	47	50	50
Civilians	1	1	1	1	1	-	1	1	1	1
Business & community development	7	7	7	7	6	7	7	9	9	9
Highways and streets										
Engineering	4	4	4	4	4	4	4	4	4	2
Street	16	16	16	16	15	15	15	15	15	15
Sanitation	18	18	18	18	18	18	18	18	18	17
Culture and recreation	18	18	18	18	18	18	18	18	18	18
Electric	25	25	25	25	25	24	23	23	21	23
Water & Wastewater	44	44	44	44	44	44	44	43	43	43
Natural Gas	21	21	21	21	21	22	21	21	21	20
Golf	8	8	8	6	6	5	5	5	5	5
Fleet Management	8	8	8	8	7	7	7	7	7	7
Risk Management	2	2	2	2	2	2	2	2	2	2
Utility Administration	29	29	28	27	25	24	24	24	24	24
<b>Total</b>	<b>349</b>	<b>349</b>	<b>348</b>	<b>346</b>	<b>342</b>	<b>341</b>	<b>339</b>	<b>336</b>	<b>338</b>	<b>334</b>

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**

**Table 29**

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary Government:										
Public safety										
Police										
Physical arrests	4,313	4,251	3,845	3,689	3,477	3,465	3,552	3,242	2,532	3,132
Parking tickets	2,434	2,413	2,118	1,650	1,548	1,568	1,152	1,320	1,656	1,644
Calls for service	60,398	58,398	56,860	60,714	57,039	57,377	55,545	53,312	47,125	45,421
Citations	4,342	4,574	4,274	4,466	3,793	4,485	4,131	2,866	1,603	1,083
Fire										
Number of calls answered	1,141	1,108	1,109	1,106	1,044	1,148	1,048	1,013	1,181	1,181
Inspections	335	113	207	268	337	629	1,232	739	831	789
Business & community development										
Number of minimum housing inspections	2,891	2,904	2,825	2,763	2,632	2,650	2,513	2,600	2,494	1,977
Number of building inspections	1,774	2,590	2,120	1,775	1,425	1,613	1,663	1,318	1,582	2,456
Number of nuisance complaints	904	945	737	674	1,089	2,789	2,534	2,405	2,405	2,048
Highways and streets										
Street resurfacing (miles)	-	3.15	3.74	2.40	2.40	0.11	7.38	5.76	4.12	3.67
Feet of sidewalk replaced/repared	1,285	2,272	2,631	1,691	2,095	814	1,142	990	384	527
Sanitation										
Refuse collected (tons/year)	7,846	8,668	8,270	7,785	7,850	7,520	7,125	6,590	7,036	6,884
Recyclables collected (tons/year)	291	347	377	357	385	540	505	580	568	634
Yard waste collected (tons/year)	NA	NA	NA	4,478	4,600	4,510	4,350	4,550	7,151 (3)	3,965
Culture and recreation										
Athletic program enrollment	1,045	1,191	1,043	1,203	1,087	809	844	905	1,185	1,072
Park reservations	253	256	284	295	317	317	397	357	342	394
Pool admissions	5,157	5,149	5,238	5,523	4,007	3,531	2,366	4,609	3,295	9,322 (4)
Recreational program enrollment	377	405	511	398	394	349	1,076	1,135	523	948

*Continued on next page.*

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

**Table 29**  
*continued*

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Electric										
kWh sold	425,357,371	413,869,167	421,787,331 (1)	402,228,635	407,199,181	416,417,763	387,548,920	393,249,951	396,264,183	392,223,306
Number of customers	18,461	18,477	18,536	18,154 (2)	18,118	18,362	18,352	18,331	18,445	18,515
Water										
ccf sold	1,280,320	1,254,704	1,242,648	1,168,340	1,097,607	1,180,032	1,171,646	1,110,310	1,173,260	1,203,730
Number of customers	8,371	8,350	8,334	8,338	8,277	8,269	8,219	8,257	8,252	8,272
Wastewater										
ccf sold	956,426	936,410	900,333	856,751	862,024	846,465	830,295	822,187	824,727	810,697
Number of customers	7,994	8,039	8,036	7,963	7,937	7,940	7,922	7,954	7,988	8,022
Natural gas										
dt sold	2,415,434	2,266,762	2,136,715	2,056,501	1,885,217	2,023,133	1,812,816	2,034,937	2,125,609	2,232,249
Number of customers	8,760	8,696	8,845	8,949	8,934	8,948	8,940	9,054	9,093	9,224
Golf course										
Rounds sold	29,376	31,055	34,193	30,467	28,340	27,094	33,637	30,808	28,574	28,429
Number of passholders	125	102	102	92	88	87	103	110	100	94

Source:  
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) Increase due to winter storm damage that occurred in March 2014.
  - (4) Increase due to the opening of the new Lexington Aquatic Park in June 2015

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

**Table 30**

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary Government:										
General Government										
Motor pool vehicles	2	2	2	2	3	2	83	85	86	80
Motor pool equipment	0	23	25	42	40	41	47	48	49	51
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	70	67	76	72	74	74	75	72	71	70
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Fire trucks	8	8	7	8	8	7	8	9	8	8
Highways and streets										
Streets (miles)	123.3	125.1	124.9	125.0	125.4	125.4	125.5	125.3	125.3	125.3
Sanitation										
Collection trucks and equipment	28	26	27	28	29	28	23	25	25	22
Culture and recreation										
Parks	16	17	17	16	18	18	19	20	20	20
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	15	15	15	15	15	15	15	15	15	15
Basketball courts	12	12	12	12	12	12	12	13	13	13
Athletic fields	9	9	9	8	8	8	8	8	8	8
Walking, jogging and hiking trails (miles)	2.37	2.37	2.37	2.04	2.04	2.13	2.46	2.46	2.46	2.46
Business-type activities:										
Electric										
Distribution lines (miles)	NA	494	494	494	494	494	616	616	616	620
Number of distribution stations	10	10	10	11	11	11	11	11	11	11
Number of delivery stations	2	2	2	2	2	2	2	2	2	2
Water and Wastewater										
Water lines (miles)	187.0	187.0	187.0	187.0	187.0	187.0	192.0	192.0	192.0	192.0
Wastewater lines (miles)	196.0	202.0	202.0	212.0	212.0	212.0	212.0	214.0	216.0	216.0
Maximum daily treatment capacity water (millions of gallons)	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Maximum daily treatment capacity sewer (millions of gallons)	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Natural Gas										
Distribution lines (miles)	533	550	591	606	623	645	664	674	673	704

Source:  
Various city departments and city capital asset records.

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



# **COMPLIANCE SECTION**



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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2015, 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 14, 2015. 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 of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 14, 2015

# 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, 2015. The City of Lexington's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management's Responsibility**

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

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

Our responsibility is to express an opinion on compliance for each of the City of Lexington's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *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, 2015.

## Report on Internal Control Over Compliance

Management of the City of Lexington is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City of Lexington's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with 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 14, 2015

**City of Lexington, North Carolina**  
**Schedule of Findings, Responses, and Questioned Costs**  
**For the Year Ended June 30, 2015**

**Exhibit I-1**

**Part 1. Findings, Responses, 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	_x_ No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	_x_ None reported
Noncompliance material to financial statements noted?	___ Yes	_x_ No

**State Awards**

Internal control over major State programs:		
Material weakness(es) identified?	___ Yes	_x_ No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	_x_ None reported
Type of auditor's report issued on compliance for major State programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	___ Yes	_x_ No
Identification of major State programs:		
<u>Program Name</u>		
Street-Aid Allocation (Powell Bill)		

**Section II. Findings Related to the Audit of the Basic Financial Statements**

None

**Section III. Findings, Responses, and Questioned Costs Related to the Audit of State Awards**

The audit did not detect any findings or questioned costs as it relates to State Awards

**Part 2. Summary Schedule of Prior Year Audit Findings**

None reported

**City of Lexington, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2015**

**Exhibit I-2**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Federal (Direct & Pass- through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Grants</b>					
<b>Cash Programs</b>					
<i>U.S. Department of Housing and Urban Development</i>					
Passed-through N.C. Department of Commerce					
CDBG - State-Administered CDBG Cluster					
Scattered Site Housing Program	14.228	12-C-2436	\$ 15,845	\$ -	\$ -
<i>U.S. Department of Justice</i>					
Direct Programs					
Bulletproof Vest Partnership Program	16.607	2013BUBX13065274	787	-	787
Bulletproof Vest Partnership Program	16.607	2014BUBX14072639	1,052	-	1,052
Federal Equitable Sharing Program	16.922	NC0290100	236,427	-	-
<i>U.S. Department of Treasury</i>					
Direct Programs					
Federal Equitable Sharing Program	21.000	NC0290100	4,945	-	-
Total assistance - federal programs			<u>259,056</u>	<u>-</u>	<u>1,839</u>
<b>State Grants</b>					
<b>Cash Programs</b>					
<i>N.C. Department of Transportation</i>					
Direct Program					
Powell Bill, DOT-4		32570	-	589,449	-
<i>N.C. Department of Revenue</i>					
Direct Program					
Unauthorized Substance Tax			-	31,439	-
Total assistance - state programs			<u>-</u>	<u>620,888</u>	<u>-</u>
Total assistance			<u>\$ 259,056</u>	<u>\$ 620,888</u>	<u>\$ 1,839</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.