

City of Lexington, Virginia



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2014

Prepared by Gary W. Swink, Finance Director

CITY OF LEXINGTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

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TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1-4
GFOA Certificate of Achievement	5
Organizational Chart	6
List of Elected and Appointed Officials	7

FINANCIAL SECTION

Independent Auditors' Report		8-10
Management's Discussion and Analysis		11-20

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	21-22
Statement of Activities	2	23
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ...	6	27
Statement of Net Position - Proprietary Fund	7	28
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	8	29
Statement of Cash Flows - Proprietary Fund.....	9	30
Statement of Fiduciary Net Position - Fiduciary Funds.....	10	31
Statement of Changes in Fiduciary Net Position	11	32
Notes to the Financial Statements		33-77
Required Supplementary Information:		
Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund.....	12	78
Notes to the Budgetary Comparison Schedules.....		79
Schedule of Pension and OPEB Funding Progress.....	13	80

**CITY OF LEXINGTON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION: (Continued)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual:		
Capital Projects Fund	14	81
Discretely Presented Component Unit - School Board:		
Balance Sheet	15	82
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16	83
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	17	84
Discretely Presented Nonmajor Component Units:		
Combining Balance Sheet	18	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	19	86
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	20	87-88
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	89-96
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	97-101

STATISTICAL SECTION:

	<u>Table</u>	<u>Page</u>
Financial Trends:		
Net Position by Component	1	102
Changes in Net Position	2	103-105
Governmental Activities Tax Revenues by Source	3	106
Fund Balances of Governmental Funds	4	107
Changes in Fund Balances of Governmental Funds	5	108-109
General Governmental Expenditures by Function	6	110
General Governmental Revenues by Source	7	111
Revenue Capacity:		
Assessed Value and Estimated Actual Value of Taxable Property	8	112
Property Tax Rates	9	113
Principal Taxpayers	10	114
Property Tax Levies and Collections	11	115

**CITY OF LEXINGTON, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION: (CONTINUED)

	<u>Table</u>	<u>Page</u>
Debt Capacity:		
Ratios of Outstanding Debt by Type.....	12	116
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	13	117
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	14	118
Direct and Overlapping Government Activities Debt	15	119
Computation of Legal Debt Margin	16	120
Demographic and Economic Information:		
Demographic and Economic Statistics	17	121
Principal Employers.....	18	122
Operating Information:		
Full-time Equivalent City Government Employees by Function	19	123
Operating Indicators by Function	20	124
Capital Asset Statistics by Function	21	125
Other Statistical Information:		
Schedule of Joint Services Contract Billing	22	126

COMPLIANCE SECTION

	<u>Page</u>
Compliance:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	127-128
Schedule of Findings and Responses	129

INTRODUCTORY SECTION



November 30, 2014

The Honorable Mayor, Members of City Council and
Citizens of the City of Lexington, Virginia

State law requires that every local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

Management 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.

Robinson, Farmer, Cox Associates, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Lexington's financial statements for the year ended June 30, 2014. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet requirements of the Federal Single Audit Act of 1984 and the Single Audit Amendments of 1996, and the related OMB Circular A-133. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD & A) immediately follow 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.

Profile of the government

Lexington was incorporated as a town in 1841 and became a City on January 1, 1966. Lexington is located in the Shenandoah Valley of Virginia near the intersection of two major interstates, I-81 and I-64, and is the home of two of Virginia's highly respected education institutions, Washington and Lee University and Virginia Military Institute. The historic core of the City is a Nationally Registered Historic District. The Virginia Horse Center, a facility with permanent stabling for the 750 horses, is located three miles from Lexington.

The City of Lexington operates under the mayor-council form of government. Policy making and legislative authority are vested in the governing council (Council) consisting of the mayor and six other members, all of whom are elected at large. Council members serve four-year terms, with three members elected every two years. The mayor is elected for a four-year term. The council appoints Lexington's City Manager, who in turn appoints its department heads.

The City of Lexington provides a full range of services, including police and fire protection; emergency medical response and transport services; refuse collection; snow and leaf removal; traffic control; on-and-off street parking; building inspections; licenses and permits; the construction and maintenance of streets and other infrastructure; and recreational and cultural activities. In conjunction with other agencies within the City library and transit services are provided. Water distribution services and wastewater collection services are provided by the City. The water treatment plant and wastewater treatment plant, both owned by the Maury Service Authority (MSA) are operated as departments of the City under a contractual relationship. The water and wastewater functions are included as an integral part of the City of Lexington's financial statement. The City operates an independent school system; therefore, the financial results of the school system are reported as a separate component unit. City Council appoints a five-member School Board to administer the City school operations, which consist of an elementary and a middle school. Secondary education is provided jointly by Rockbridge County and the City through a contractual agreement.

This report includes three other separate component units. Component units are legally separate units for which the primary government is financially accountable. The Rockbridge Area Recreation Organization (RARO) provides recreational activities, is supported financially by Rockbridge County and the City, and operates under a seven-member board of directors.

The Rockbridge Regional Public Safety Communications Center (Central Dispatch) provides E-911 dispatch for fire, rescue, and police services in Rockbridge County, the City of Lexington, the City of Buena Vista, and for VMI. Central Dispatch is managed and operated by a five-member independent regional board, including the City Managers of Lexington and Buena Vista, the Rockbridge County Administrator, the Sheriff of Rockbridge County/City of Lexington, and one additional member appointed by the Rockbridge County of Supervisors.

The third separate component unit is the Lexington and Rockbridge Area Tourism (Tourism) program, which serves the City of Lexington, the City of Buena Vista, and Rockbridge County. The regional tourism operation serves under an executive director that is appointed by an independent seven-member board. The regional board of directors includes two members appointed by each of the jurisdictions (one of which must be from a tourism related industry) for two year terms. One remaining member is appointed from a tourism related business by the six jurisdictional members for a two-year term. The City serves as the fiscal agent for RARO, Central Dispatch, and Tourism.

Services of the Rockbridge Regional Jail, Rockbridge Regional Library, Rockbridge Area Social Services, Rockbridge Area Network Authority, Regional Transit System, Maury Service Authority, and Central Shenandoah Juvenile Detention Home have not met the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

Local Economy

The City of Lexington is the county seat of Rockbridge County, a rural area located in the Shenandoah Valley region of Virginia. Its historic significance, including the fact that Lexington is the burial site of both General Robert E. Lee and General "Stonewall" Jackson, and its natural beauties are two attributes that make Lexington a tourist destination. This fact and the location of the two colleges in Lexington are closely linked with the City's economy.

Lexington and Rockbridge County entered a Revenue Sharing Agreement in 1986 wherein Lexington is precluded from extending its boundaries through annexation in exchange for a sharing of a portion of revenues realized by the County from economic growth. The annual payment to the City provides a source of revenue, with growth potential, to supplement revenues realized from property taxation.

Unemployment has remained relatively high since 2008. Other indicators of economic activity (sales taxes, meal taxes, and lodging taxes) exhibited improvement during fiscal year 2014. Fees for building permits indicated strong construction activity during the year.

A relatively high percentage of the City's real property assessment (51%) is tax-exempt. This high level of tax-exempt property presents the City challenges in raising revenues sufficient to cover obligations.

Major Initiatives During the Past Year

During fiscal year 2014 the City issued \$11,615,000 in general obligation bonds through the Virginia Public School Authority to finance the construction of a replacement elementary school. At year end, construction of the school had not yet begun, even though construction planning and bond financing were complete.

Major initiatives during the year included emergency response preparation, financial software upgrade, regional jail capital repairs, and planning for a regional 911 dispatch radio systems upgrade.

Future Plans

Lexington has major capital and infrastructure needs which will need to be addressed in the future. City Council annually adopts a five-year Capital Improvement Plan in order to prepare to meet these needs. Capital projects estimated to cost \$15.75 million over the next five years include sidewalk, municipal facility improvements, water and wastewater utility improvements, storm water management improvements, recreational parks improvements, and a new elementary school.

Relevant Financial Policies

Lexington maintains strict budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the general fund, capital projects fund, enterprise fund and the separate school component unit, are included in the annual appropriated budget. The level of budgetary

control (this is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund except for the four legally separate discretely presented component units. The governing body of each of these component units approves, recommends and controls the annual appropriations made for their respective budgets. City Council approves annual appropriations and quarterly amends appropriations for all funds except for the Central Dispatch, RARO, and the Regional Tourism component units.

The City of Lexington has a policy requiring the minimum levels of unassigned fund balance in the General Fund at each fiscal year end to be at least 20% of general operating revenues. At June 30, 2014, the unassigned fund balance exceeded the required minimum by approximately \$4.0 million. At June 30, 2013, the unassigned fund balance exceeded the required minimum by \$2.9 million.

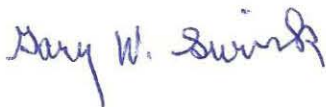
Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lexington for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the twentieth consecutive year that the government has achieved 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 for Excellence in Financial Reporting 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 Programs's requirement, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the skill, effort, and dedication of the staffs of the Finance Department, Commissioner of Revenue, and the Office of the Treasurer. I wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Appreciation is also extended to the staff of Robinson, Farmer, Cox, Associates. Lastly, I would like to thank the Mayor, members of the City Council, and the rest of City administration for support for maintaining high standards of professionalism in the management of the City's finances.

Respectfully submitted,



Gary Swink
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Lexington
Virginia**

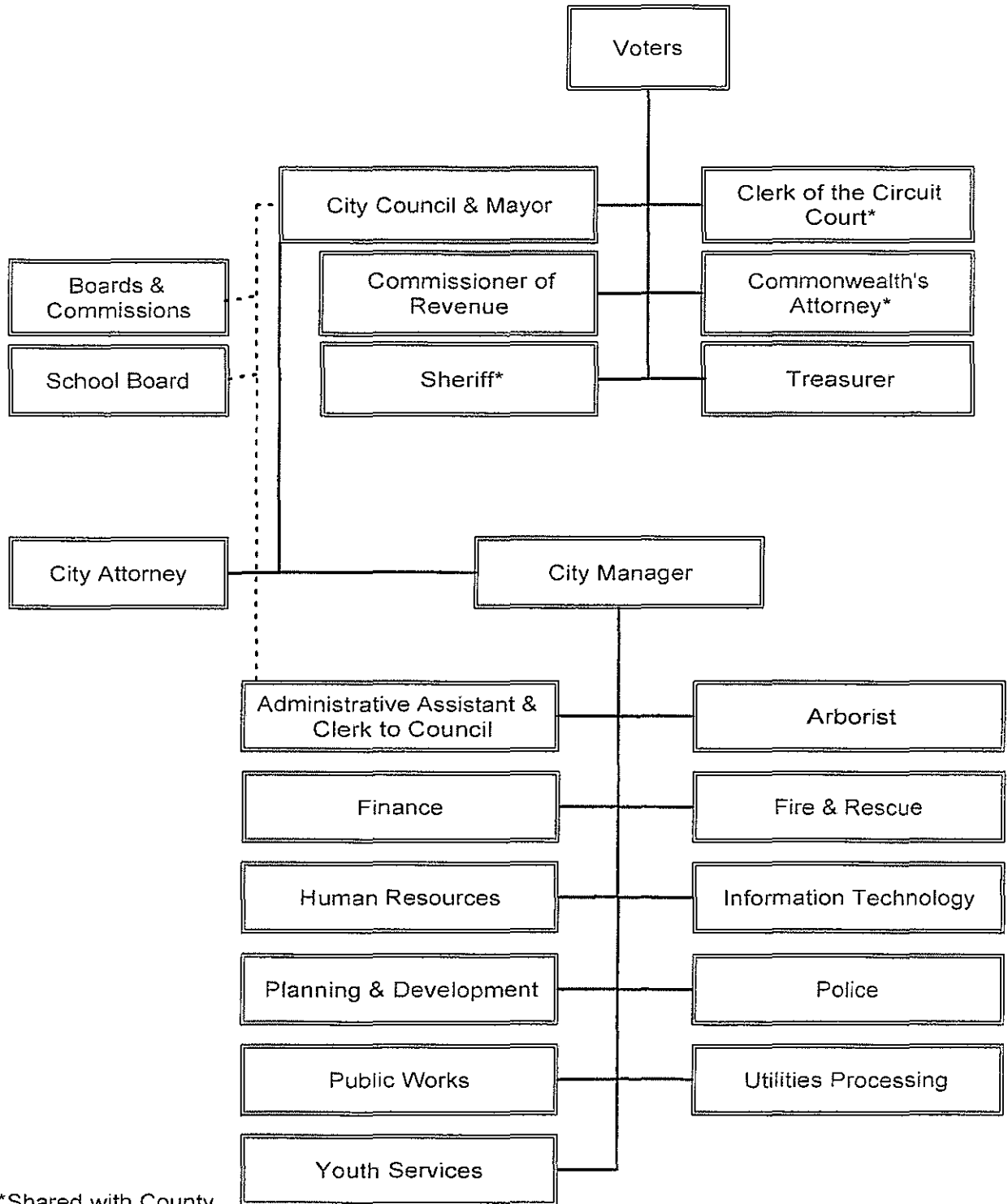
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF LEXINGTON

Organizational Chart



*Shared with County

..... Appointing authority only

CITY OF LEXINGTON, VIRGINIA

CITY COUNCIL

Marilyn Alexander Mary P. Harvey-Halseth George R. Pryde	Mimi Elrod, Mayor	Frank W. Friedman Camille Wright Miller Charles "Chuck" Smith
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CITY SCHOOL BOARD

Richard Cruze, Jr., Vice Chair Leonard Stewart	Leslie Straughan, Chair	Owen Collins Jeannie VanNess
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OTHER OFFICIALS

City Manager	T. Jon Ellestad
City Treasurer	Pat DeLaney
Commissioner of Revenue	Karen T. Roundy
Finance Director.....	Gary W. Swink
City Attorney.....	Laurence A. Mann
Chief of Police	Alfred S. Thomas
Fire and Rescue Chief	Ty Dickerson
Director of Planning and Development	Terrence Harrington
Director of Utilities Processing.....	Richard Allen
Director of Public Works	Michael Kennedy
Superintendent of Schools	Daniel E. Lyons

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of
the City Council
Lexington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lexington, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof 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 the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress, on pages 12-21, 68-69, and 70, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lexington, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2014, on our consideration of City of Lexington, Virginia'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lexington, Virginia's internal control over financial reporting and compliance.

Robinson, Faimer, Co. Associates
Blacksburg, Virginia
November 28, 2014

Management's Discussion and Analysis

As management of the City of Lexington, we offer readers of the City of Lexington's financial statements this narrative overview and analysis of the financial activities of the City of Lexington for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

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 most recent fiscal year by \$25,191,666 (*net position*). A total of \$11,504,429 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the unassigned fund balance for the general fund is \$7,157,866 or 46% of total general fund expenditures for \$15,533,755 in the year ended June 30, 2014.
- The City of Lexington's total outstanding debt increased by \$10,627,703 during the current fiscal year because \$11,615,000 of general obligation bonds were issued for the construction of a new elementary school.

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. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lexington's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City of Lexington that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, judicial administration, public safety, highways and streets, sanitation, parks, cemeteries, health and welfare, education, recreation and cultural and community development. The business-type activity of the City is a water and sewer operation managed for the Maury Service Authority with the City responsible for water and sewer distribution to its customers.

The government-wide financial statements include not only the City of Lexington itself (known as the *primary government*), but also a legally separate school district, a regional tourism program, a central dispatch operation, and joint recreation activities. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

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 other state and local governments, uses a fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Lexington maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, the cemetery trust fund, and the discretely presented

component School Board unit, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lexington adopts an annual appropriated budget for its general fund, school fund, and capital projects fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget.

Proprietary Funds

The City of Lexington maintains one proprietary fund. *An enterprise fund* is used to report the functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise fund to account for its water and sewer utility fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the City's water and sewer services.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* in the statistical section.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lexington, assets exceeded liabilities by \$25,191,666 at the close of the most recent fiscal year. Information on net position over the last ten years may be found in Table I of the statistical section of this report.

A portion of the City's net position reflects its unrestricted net position of \$11,504,429. The City's investment in capital assets (e.g., land, buildings, improvements, machinery, equipment, infrastructure, and construction in progress), less any related debt used to acquire those assets that are still outstanding, was \$11,958,747. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's governmental activities net position increased \$478,047 for the fiscal year ending June 30, 2014. This increase is attributable primarily to increased revenues and effective control of expenditures.

**City of Lexington's Summary Statement of Net Position
as of June 30, 2014 and 2013
(In Thousands)**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total Primary Gov't</u>		<u>School Board Component Unit</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current & other assets	\$ 25,084	\$ 13,010	\$ 2,901	\$ 2,608	\$ 27,985	\$ 15,618	\$ 1,009	\$ 1,535
Capital assets	<u>27,616</u>	<u>27,535</u>	<u>2,869</u>	<u>2,659</u>	<u>30,485</u>	<u>30,194</u>	<u>1,379</u>	<u>1,710</u>
Total assets	<u>\$ 52,700</u>	<u>\$ 40,545</u>	<u>\$ 5,770</u>	<u>\$ 5,267</u>	<u>\$ 58,470</u>	<u>\$ 45,812</u>	<u>\$ 2,388</u>	<u>\$ 3,245</u>
Deferred charge on refunding	\$ 1,614	\$ 1,688	\$ —	\$ —	\$ 1,614	\$ 1,688	\$ —	\$ —
Long-term liabilities outstanding	\$ 32,885	\$ 21,806	\$ 58	\$ 62	\$ 32,943	\$ 21,868	\$ 108	\$ 118
Other liabilities	<u>1,480</u>	<u>1,344</u>	<u>143</u>	<u>127</u>	<u>1,623</u>	<u>1,471</u>	<u>508</u>	<u>547</u>
Total liabilities	<u>\$ 34,365</u>	<u>\$ 23,150</u>	<u>\$ 201</u>	<u>\$ 189</u>	<u>\$ 34,566</u>	<u>\$ 23,339</u>	<u>\$ 616</u>	<u>\$ 665</u>
Deferred inflows of resources	\$ 327	\$ 6	\$ —	\$ —	\$ 327	\$ 6	\$ —	\$ —
Net position:								
Net Investment in capital assets	\$ 9,090	\$ 7,496	\$ 2,869	\$ 2,659	\$ 11,959	\$ 10,155	\$ 1,378	\$ 1,710
Restricted	1,728	1,576	—	—	1,728	1,576	—	—
Unrestricted	<u>8,804</u>	<u>10,005</u>	<u>2,700</u>	<u>2,419</u>	<u>11,504</u>	<u>12,424</u>	<u>394</u>	<u>870</u>
Total net position	<u>\$ 19,622</u>	<u>\$ 19,077</u>	<u>\$ 5,569</u>	<u>\$ 5,078</u>	<u>\$ 25,191</u>	<u>\$ 24,155</u>	<u>\$ 1,772</u>	<u>\$ 2,580</u>

An additional portion of the City's primary government net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the primary government's *unrestricted net position* (\$11,504,429) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City's primary government is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental Activities

Governmental activities for the City's primary government represent 78% of the City's net position. Over the past fiscal year, the City revenues and expenses for both governmental and business-type activities as well as the School Board component units are as follows:

**City of Lexington's Changes in Net Position
as of June 30, 2014 and 2013
(In Thousands)**

	<u>Governmental</u> <u>activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u> <u>Primary Gov't</u>		<u>School Board</u> <u>Component Unit</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:								
Program Revenues:								
Chgs. for svcs. \$	1,242	\$ 1,375	\$ 5,611	\$ 5,605	\$ 6,853	\$ 6,980	\$ 223	\$ 246
Operating grants and contributions	1,732	1,608	---	10	1,732	1,596	2,837	2,882
Capital grants and contributions	13	93	—	—	13	93	—	—
General revenues:								
Property taxes	5,371	5,384	—	—	5,371	5,384	—	—
Other taxes	3,145	3,121	—	—	3,145	3,121	—	—
Grants and contributions not restricted to specific programs	924	688	—	—	924	710	—	—
Other	3,019	2,639	—	—	3,019	2,639	2,459	2,721
Transfers	-212	120	212	-120	---	---	---	---
Total revenues	<u>\$ 15,234</u>	<u>\$ 15,028</u>	<u>\$ 5,823</u>	<u>\$ 5,495</u>	<u>\$ 21,057</u>	<u>\$ 20,523</u>	<u>\$ 5,519</u>	<u>\$ 5,849</u>
Expenses:								
General Gov't.	\$ 2,155	\$ 1,202	\$ —	\$ —	\$ 2,155	\$ 1,202	\$ —	\$ —
Judicial Admin.	299	285	—	—	299	285	—	—
Public Safety	3,491	2,945	—	—	3,491	2,945	—	—
Public Works	3,567	3,210	—	—	3,567	3,210	—	—
Health & Welfare	816	680	—	—	816	680	—	—
Education	2,368	2,873	—	—	2,368	2,873	6,327	6,094
Parks, Rec. & Cultural	745	572	—	—	745	572	—	—
Community Development	718	782	—	—	718	782	—	—
Nondepartmental	—	—	—	—	—	—	—	—
Interest on Debt	597	734	—	—	597	734	—	—
Water & Sewer Utility	—	—	5,333	5,251	5,333	5,251	—	—
Total expenses	<u>\$ 14,756</u>	<u>\$ 13,283</u>	<u>\$ 5,333</u>	<u>\$ 5,251</u>	<u>\$ 20,089</u>	<u>\$ 18,534</u>	<u>\$ 6,327</u>	<u>\$ 6,094</u>
Changes in net position	478	1,745	490	244	968	1,989	-808	-245
Net position beginning of year	*19,144	*17,333	5,079	4,835	*24,223	*22,168	*2,580	2,875
Net position end of year	<u>\$ 19,622</u>	<u>\$ 19,078</u>	<u>\$ 5,569</u>	<u>\$ 5,079</u>	<u>\$ 25,191</u>	<u>\$ 24,157</u>	<u>\$ 1,772</u>	<u>\$ 2,630</u>
* Restated								

Governmental Revenues

- Property tax collections were up 10% or \$523,934. City Council raised the real estate tax rate of \$0.78/\$100 of assessed value to \$0.82/\$100 of assessed value to support the FY 14 budgetary needs. The tax rate on personal property remained at \$4.25/\$100 value. Real estate property values were reassessed late in FY 14, resulting in nearly a ten percent reduction in assessed value, which will be reflected in FY 15 taxes.
- Other local taxes only increased by .8%, or \$24,079. Business license taxes declined by 4.4%, while restaurant food taxes increased by 4% and hotel and motel room taxes increased by 3%. Local sales taxes were nearly flat.
- Revenues from the use of money and property declined by \$43,210.
- Grants and contributions not restricted to specific programs increased by \$235,893.
- Payments from the School Board to the Capital Fund in FY 14 related to the elementary school project was \$435,129.
- The City's major governmental sources of revenue are as follows:

	<u>Amount</u>	<u>Percent of Total Revenue</u>
General property taxes	\$ 5,777,828	36%
Other local taxes	3,145,038	19%
Charges for services	968,960	6%
Miscellaneous	2,323,138	14%
Recovered costs	415,066	3%
Intergovernmental	3,104,358	19%

Governmental Expenses

- The general governmental expenses include \$326,997 in equipment replacement costs. Additionally, \$959,281 was expended for capital projects. A major portion of these expenditures were for architect's fees for the new elementary school. Also, expenditures associated with a residential CDBG housing project were \$153,121.
- Wages and associated benefits increased expenditures for most functions of government.
- General government administration expenses increased by 11.6% Part of the increase was attributable to an upgrade in computerized financial software.
- Judicial administration expenditures increased by 4.9%, mainly due to costs of the regional court services.
- Public safety costs increased by 23%, with a significant portion of the increase related to staffing costs for fire and rescue services.
- Public works costs increased by 13.6%. Bridge repair costs, solid waste disposal costs, and wage increases drove the cost increases in this category.
- Expenditures in the education category increased by 9%.
- Costs for parks, recreation, and cultural activities increased by 2.8%.
- Community development expenditures declined by 8.7%.
- Debt service increased by \$58,205.

Business-Type Activities

The increase in net position for business-type activities was \$490,458, or 9.7% from the prior fiscal year, with an end of the year balance of \$5,568,975.

Other Significant Items to Note Include:

- A \$120,000 loan repayment was transferred to the general fund.
- Charges for water and sewer services decreased by .6% despite a rate increase of 3%.
- Revenues for contractual operation of the water and wastewater plants increased by \$35,298, or 1.9%.
- Expenses increased by 1.6% over the prior year.
- Transfer of assets to the business-type activities were \$332,619.

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular use.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,899,902, an increase of \$11,956,616 in comparison with the prior year. The increase in fund balance is due solely to proceeds from the issuance of general obligation bonds. A total of \$578,140 is committed for the City's future General Fund equipment replacement purchases. The City committed fire department funds totaling \$88,855 and first aid funds totaling \$85,080 to be used exclusively for the specific needs of the fire and rescue department, subject to City Council's appropriation. A total of \$251,578 is assigned for the carryover of committed projects not completed as of June 30, 2014 in the General Fund. A total of \$999,423 is committed for other capital project needs. A total of \$7,157,866 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been approved for cemetery maintenance or other miscellaneous ongoing projects not completed as of June 30, 2014.

The general fund is the chief operating fund of the City of Lexington. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,157,866, an increase of \$1,340,472 in comparison with the prior year. As a measure of the adequacy of this fund balance, it may be useful to compare unassigned fund balance, to total fund expenditures and other uses of financing sources. The unassigned fund balance represents 50% or approximately six (6) months worth of total general fund expenditures and other uses of financing sources.

The City annually updates a five-year capital improvement plan and appropriates the funds necessary to support the ensuing fiscal year's capital projects. Capital projects for the water and sewer enterprise fund and the separate component units of the school, central dispatch, regional tourism, and recreation organization funds are appropriated within each respective fund. However, the City capital projects dependent upon general fund financial resources are appropriated in a separate capital project governmental fund.

At the end of the current fiscal year, the committed fund balance of the capital projects fund, including carryover commitments for June 30, 2014 was \$999,423, an increase of \$17,371. Even though expenditures for the year were substantially more than fund revenues, the fund balance changed little due to transfers from the School Fund.

The permanent fund balance increased by \$152,372 for the year to \$1,728,490 as a result of investment results.

Proprietary Funds

The City's *proprietary fund* provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the utility fund (water and sewer services) at the end of the year amounted to \$2,700,076, an increase of \$281,091 or 12% in comparison with the prior year. Other factors concerning the finances of the proprietary fund have already been addressed in the discussion of the City's business-type activities.

Governmental Fund Budgetary Highlights

Differences between the original budget of \$15,081,709 and the final amended budget of \$19,181,410 reflects an increase in appropriation for \$4,099,701. Items of significance that are worthy to note are as follows:

- City Council carried over from FY 13 to FY 14 \$2,945,061 for ongoing projects or activities that could not be completed by June 30, 2013. Much of the carryover totaling \$1,837,198 is for capital projects related to parks and recreation improvements, public works infrastructure improvements, and public facility improvements. Another large carryover amount of \$593,278 was earmarked for bridge repairs.
- Other significant budget amendments included:
 - » \$86,890 for capital improvements at the regional jail
 - » \$425,000 additional appropriation for the design of an elementary school
 - » \$50,000 for an operating loan for a regional broadband service
 - » an additional \$200,000 appropriation for a low to moderate income housing development
 - » an appropriation of \$76,272 from a grant for police equipment
 - » an additional appropriation of \$143,712 for public assistance expenditures

Final Budget Compared to Actual Results

The most significant differences between estimated revenues and actual revenues were as follows:

	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
General Property Taxes	\$ 5,388,600	\$ 5,777,828	\$ 389,228
Licenses and Permits	56,800	186,917	130,117
Miscellaneous	2,175,301	2,271,668	96,361
Intergovernmental	2,962,486	2,610,676	-351,810

Actual expenditures were \$469,378 less than budgeted for the year.

Capital Asset and Debt Administration

Capital assets

The City's investments in capital assets for its governmental, (including schools) and business-type activities as of June 30, 2014 amounts to \$31,863,251 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and infrastructure. The decrease in capital assets for the current fiscal year was .1%.

**City of Lexington's Capital Assets
(net of depreciation in thousands)**

	<u>Primary Government</u>				<u>Component Units</u>			
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total Primary Gov't</u>		<u>School Board Component Unit</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 2,912	\$ 2,912	\$ —	\$ —	\$ 2,912	\$ 2,912	\$ 5	\$ 5
Buildings	17,106	17,270	—	—	17,106	17,270	1,341	1,660
Improvements other than buildings	812	854	28	29	840	883	—	—
Infrastructure	3,303	2,727	2,622	2,399	5,925	5,126	—	—
Machinery & Equip.	2,592	2,084	197	231	2,789	2,315	33	45
Construction in Progress	891	1,688	23	—	914	1,688	---	---
Totals	<u>\$ 27,616</u>	<u>\$ 27,535</u>	<u>\$ 2,870</u>	<u>\$ 2,659</u>	<u>\$ 30,486</u>	<u>\$30,194</u>	<u>\$ 1,379</u>	<u>\$ 1,710</u>

Additional information on the City of Lexington's capital assets can be found in Note 11 to the financial statements.

Long-term debt

City of Lexington's Outstanding Debt General Obligation Bonds

	<u>2014</u>	<u>2013</u>
Governmental activities	\$ 30,805,796	\$ 20,178,095
Business-type activities	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 30,805,796</u>	<u>\$ 20,178,095</u>

The City's total general obligation debt increased by \$10,627,701 or 53% during the current fiscal year. State statutes' limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City of Lexington is \$58,608,000 which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City of Lexington's long-term debt can be found in Note 7 and 8 to the financial statements. Also, additional information can be found in the statistical section under Tables 12 through 15.

Economic Factors and Next Year's Budgets and Rates

As of June 2014, the unemployment rate for the City of Lexington was 11.3%. This exceeds both the national and state unemployment rates.

As a result of debt service on the newly issued bonds, increased operating expenses, and a 10% reduction in assessed real property values, real estate tax rates for FY 2015 were increased by 24%, or \$.20/\$100 value. Neither the City's nor the School's budgets anticipates using any fund balance to meet FY 2015 expenditures.

The water and sewer utility fund rates were increased 5% for the 2015 budget year.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City of Lexington's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Office of the Finance Director, P. O. Box 922, City of Lexington, Virginia 24450.

Basic Financial Statements

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,462,216	\$ 60,102	\$ 3,522,318
Investments	17,416,962	2,200,000	19,616,962
Receivables (net of allowance for uncollectibles):			
Taxes receivable	677,646	-	677,646
Accounts receivable	422,400	604,926	1,027,326
Internal balances	(429,744)	35,825	(393,919)
Due from other governmental units	1,802,892	-	1,802,892
Prepaid items	3,829	-	3,829
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	-	-
Permanently restricted:			
Cash and cash equivalents	387,722	-	387,722
Investments	1,340,768	-	1,340,768
Net OPEB asset	-	-	-
Capital assets (net of accumulated depreciation):			
Land	2,912,496	-	2,912,496
Buildings	17,105,610	-	17,105,610
Improvements other than buildings	812,220	27,667	839,887
Machinery and equipment	2,592,127	196,722	2,788,849
Infrastructure	3,302,622	2,621,848	5,924,470
Construction in progress	890,691	22,662	913,353
Total assets	<u>\$ 52,700,457</u>	<u>\$ 5,769,752</u>	<u>\$ 58,470,209</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 1,614,516	\$ -	\$ 1,614,516
LIABILITIES			
Accounts payable	\$ 872,462	\$ 73,121	\$ 945,583
Payroll liabilities	222,490	35,825	258,315
Cash overdraft	-	-	-
Contracts payable	-	-	-
Accrued interest payable	43,125	-	43,125
Unearned revenue	-	-	-
Deposits held in escrow	1,000	33,600	34,600
Unearned grant revenue	341,002	-	341,002
Long-term liabilities:			
Due within one year	1,122,075	5,823	1,127,898
Due in more than one year	31,763,042	52,408	31,815,450
Total liabilities	<u>\$ 34,365,196</u>	<u>\$ 200,777</u>	<u>\$ 34,565,973</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 327,086	\$ -	\$ 327,086
NET POSITION			
Net investment in capital assets	\$ 9,089,848	\$ 2,868,899	\$ 11,958,747
Restricted:			
Pickeral memorial	-	-	-
Perpetual cemetery care	1,728,490	-	1,728,490
Unrestricted (deficit)	8,804,353	2,700,076	11,504,429
Total net position	<u>\$ 19,622,691</u>	<u>\$ 5,568,975</u>	<u>\$ 25,191,666</u>

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

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

	Component Units				
	School Board	Central Dispatch	Rockbridge Area Recreation Organization	Regional Tourism	Industrial Development Authority
ASSETS					
Cash and cash equivalents	\$ 392,747	\$ 86,524	\$ -	\$ 351,928	\$ 98,675
Investments	-	-	-	-	260,000
Receivables (net of allowance for uncollectibles):					
Taxes receivable	-	-	-	-	-
Accounts receivable	63	601	38,493	520	-
Internal balances	359,108	20,018	7,191	7,602	-
Due from other governmental units	211,895	-	-	-	-
Prepaid items	-	-	-	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	-	-	13,372	-	-
Permanently restricted:					
Cash and cash equivalents	-	-	-	-	-
Investments	-	-	-	-	-
Net OPEB asset	45,512	-	-	-	-
Capital assets (net of accumulated depreciation):					
Land	4,550	-	-	-	-
Buildings	1,341,169	-	-	-	-
Improvements other than buildings	-	5,958	-	-	-
Machinery and equipment	32,867	542,543	11,726	10,823	-
Infrastructure	-	-	-	-	-
Construction in progress	-	17,544	-	-	-
Total assets	\$ 2,387,911	\$ 673,188	\$ 70,782	\$ 370,873	\$ 358,675
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ 61,962	\$ 29,888	\$ 5,906	\$ 26,359	\$ -
Payroll liabilities	37,565	20,018	7,191	7,602	-
Cash overdraft	-	-	24,603	-	-
Contracts payable	363,962	-	-	-	-
Accrued interest payable	-	-	-	-	-
Unearned revenue	44,015	-	-	-	-
Deposits held in escrow	-	-	-	-	-
Unearned grant revenue	-	-	-	-	-
Long-term liabilities:					
Due within one year	10,805	3,306	1,733	1,478	-
Due in more than one year	97,245	29,757	15,600	13,305	-
Total liabilities	\$ 615,554	\$ 82,969	\$ 55,033	\$ 48,744	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 1,378,586	\$ 566,045	\$ 11,726	\$ 10,823	\$ -
Restricted:					
Pickeral memorial	-	-	13,372	-	-
Perpetual cemetery care	-	-	-	-	-
Unrestricted (deficit)	393,771	24,174	(9,349)	311,306	358,675
Total net position	\$ 1,772,357	\$ 590,219	\$ 15,749	\$ 322,129	\$ 358,675

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

City of Lexington, Virginia
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Primary Government			Component Units				
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total	School Board	Central Dispatch	Rockbridge Area Recreation Organization	Regional Tourism	Industrial Development Authority
			Grants and Contributions	Grants and Contributions								
PRIMARY GOVERNMENT:												
Governmental activities:												
General government administration	\$ 2,154,814	\$ 65,748	\$ 158,622	\$ -	\$ (1,930,444)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	298,767	86,086	149,598	-	(63,083)	-	-	-	-	-	-	-
Public safety	3,491,242	605,901	237,978	-	(2,647,363)	-	-	-	-	-	-	-
Public works	3,566,625	400,070	905,868	-	(2,260,687)	-	-	-	-	-	-	-
Health and welfare	816,166	8,215	229,452	-	(578,499)	-	-	-	-	-	-	-
Education	2,368,559	-	-	-	(2,368,559)	-	-	-	-	-	-	-
Parks, recreation, and cultural	745,254	75,943	5,000	-	(664,311)	-	-	-	-	-	-	-
Community development	718,208	-	45,933	13,105	(659,170)	-	-	-	-	-	-	-
Interest on long-term debt	596,852	-	-	-	(596,852)	-	-	-	-	-	-	-
Total governmental activities	\$ 14,756,487	\$ 1,241,963	\$ 1,732,451	\$ 13,105	\$ (11,768,968)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities:												
Utility Fund	\$ 5,333,322	\$ 5,611,161	\$ -	\$ -	\$ -	\$ 277,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total primary government	\$ 20,089,809	\$ 6,853,124	\$ 1,732,451	\$ 13,105	\$ (11,768,968)	\$ 277,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COMPONENT UNITS:												
SCHOOL BOARD	\$ 6,326,742	\$ 222,754	\$ 2,837,316	\$ -	\$ -	\$ -	\$ (3,266,672)	\$ -	\$ -	\$ -	\$ -	\$ -
Central Dispatch	293,870	-	146,866	-	-	-	(147,004)	-	-	-	-	-
Rockbridge Area Recreation Organization	205,555	103,006	-	-	-	-	-	-	-	(102,549)	-	-
Regional Tourism	281,264	5,788	2,100	-	-	-	-	-	-	-	(273,376)	-
Industrial Development Authority	-	-	-	-	-	-	-	-	-	-	-	-
Total component units	\$ 7,107,431	\$ 331,548	\$ 2,986,282	\$ -	\$ -	\$ -	\$ (3,266,672)	\$ (147,004)	\$ (102,549)	\$ (273,376)	\$ -	\$ -
General revenues:												
General property taxes	\$ 5,371,497	\$ -	\$ -	\$ -	\$ 5,371,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes:												
Local sales and use taxes	860,344	-	-	-	860,344	-	-	-	-	-	-	-
Consumers' utility taxes	312,675	-	-	-	312,675	-	-	-	-	-	-	-
Business license taxes	603,382	-	-	-	603,382	-	-	-	-	-	-	-
Restaurant food taxes	927,288	-	-	-	927,288	-	-	-	-	-	-	-
Hotel and motel room taxes	254,137	-	-	-	254,137	-	-	-	-	-	-	-
Other local taxes	187,212	-	-	-	187,212	-	-	-	-	-	-	-
Unrestricted revenues from use of money and property	261,159	-	-	-	261,159	-	3,819	695	14	14	9,635	-
Miscellaneous	580,253	-	-	-	580,253	-	3,246	1,715	37,367	239	-	-
Revenue sharing payments	1,742,885	-	-	-	1,742,885	-	-	-	-	-	-	-
Payments from the City of Lexington/School Board	435,129	-	-	-	435,129	-	2,452,266	234,112	69,957	200,709	-	-
Grants and contributions not restricted to specific programs	923,673	-	-	-	923,673	-	-	-	-	-	-	-
Transfers	(212,619)	-	-	-	212,619	-	-	-	-	-	-	-
Total general revenues and transfers	\$ 12,247,015	\$ 212,619	\$ 12,459,634	\$ -	\$ 12,459,634	\$ -	\$ 2,459,331	\$ 236,522	\$ 107,338	\$ 200,948	\$ 9,635	\$ -
Change in net position	\$ 478,047	\$ 490,458	\$ 968,505	\$ -	\$ 968,505	\$ -	\$ (807,341)	\$ 89,518	\$ 4,789	\$ (72,428)	\$ 9,635	\$ -
Net position - beginning, as restated	19,144,644	5,078,517	24,223,161	-	24,223,161	-	2,579,698	500,701	10,960	394,557	3,49,040	-
Net position - ending	\$ 19,622,691	\$ 5,568,975	\$ 25,191,666	\$ -	\$ 25,191,666	\$ -	\$ 1,772,357	\$ 590,219	\$ 15,749	\$ 322,129	\$ 358,675	\$ -

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

City of Lexington, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	General	Capital Projects	Permanent	Total
ASSETS				
Cash and cash equivalents	\$ 2,472,899	\$ 989,317	\$ -	\$ 3,462,216
Investments	17,416,962	-	-	17,416,962
Receivables (net of allowance for uncollectibles):				
Taxes receivable	677,646	-	-	677,646
Accounts receivable	416,424	5,976	-	422,400
Due from other funds	32,630	4,278	-	36,908
Due from other governmental units	1,779,469	23,423	-	1,802,892
Prepaid items	3,829	-	-	3,829
Restricted assets:				
Permanently restricted:				
Cash and cash equivalents	-	-	387,722	387,722
Investments	-	-	1,340,768	1,340,768
Total assets	<u>\$ 22,799,859</u>	<u>\$ 1,022,994</u>	<u>\$ 1,728,490</u>	<u>\$ 25,551,343</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 854,169	\$ 18,293	\$ -	\$ 872,462
Payroll liabilities	218,212	4,278	-	222,490
Due to other funds	466,652	-	-	466,652
Deposits held in escrow	-	1,000	-	1,000
Unearned grant revenue	341,002	-	-	341,002
Total liabilities	<u>\$ 1,880,035</u>	<u>\$ 23,571</u>	<u>\$ -</u>	<u>\$ 1,903,606</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>\$ 747,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 747,835</u>
Fund balances:				
Nonspendable	\$ 3,829	\$ -	\$ 180,562	\$ 184,391
Restricted	12,006,641	-	1,547,928	13,554,569
Committed	752,075	999,423	-	1,751,498
Assigned	251,578	-	-	251,578
Unassigned	7,157,866	-	-	7,157,866
Total fund balances	<u>\$ 20,171,989</u>	<u>\$ 999,423</u>	<u>\$ 1,728,490</u>	<u>\$ 22,899,902</u>
Total liabilities and fund balances	<u>\$ 22,799,859</u>	<u>\$ 1,022,994</u>	<u>\$ 1,728,490</u>	<u>\$ 25,551,343</u>

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

City of Lexington, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 22,899,902
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 2,912,496	
Buildings	17,105,610	
Improvements other than buildings	812,220	
Infrastructure	3,302,622	
Machinery and equipment	2,592,127	
Construction in progress	890,691	27,615,766

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	420,749
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (30,805,796)	
Accrued interest payable	(43,125)	
Net OPEB obligation	(36,053)	
Deferred charge on refunding	1,614,516	
Unamortized bond premium	(1,821,948)	
Unamortized bond discount	50,071	
Compensated absences	(271,391)	(31,313,726)

Net position of governmental activities	\$ 19,622,691
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The notes to the financial statements are an integral part of this statement.

City of Lexington, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General	Capital Projects	Permanent	Total
REVENUES				
General property taxes	\$ 5,777,828	\$ -	\$ -	\$ 5,777,828
Other local taxes	3,145,038	-	-	3,145,038
Permits, privilege fees, and regulatory licenses	186,917	-	-	186,917
Fines and forfeitures	86,086	-	-	86,086
Revenue from the use of money and property	108,632	-	152,527	261,159
Charges for services	968,960	-	-	968,960
Miscellaneous	2,271,668	51,470	-	2,323,138
Recovered costs	415,066	-	-	415,066
Intergovernmental:				
Local government	-	435,129	-	435,129
Commonwealth	2,605,748	-	-	2,605,748
Federal	4,928	58,553	-	63,481
Total revenues	<u>\$ 15,570,871</u>	<u>\$ 545,152</u>	<u>\$ 152,527</u>	<u>\$ 16,268,550</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,404,385	\$ 691,488	\$ -	\$ 2,095,873
Judicial administration	298,767	-	-	298,767
Public safety	3,827,628	-	-	3,827,628
Public works	3,211,306	79,820	-	3,291,126
Health and welfare	815,818	-	-	815,818
Education	2,887,395	-	-	2,887,395
Parks, recreation, and cultural	460,226	34,852	28,655	523,733
Community development	713,941	153,121	-	867,062
Nondepartmental	346,841	-	-	346,841
Debt service:				
Principal retirement	987,299	-	-	987,299
Interest and other fiscal charges	449,760	-	-	449,760
Bond Issuance Costs	130,389	-	-	130,389
Total expenditures	<u>\$ 15,533,755</u>	<u>\$ 959,281</u>	<u>\$ 28,655</u>	<u>\$ 16,521,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 37,116</u>	<u>\$ (414,129)</u>	<u>\$ 123,872</u>	<u>\$ (253,141)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 120,000	\$ 431,500	\$ 28,500	\$ 580,000
Transfers out	(460,000)	-	-	(460,000)
Issuance of general obligation bonds	11,615,000	-	-	11,615,000
Premium on issuance	474,757	-	-	474,757
Total other financing sources (uses)	<u>\$ 11,749,757</u>	<u>\$ 431,500</u>	<u>\$ 28,500</u>	<u>\$ 12,209,757</u>
Net change in fund balances	\$ 11,786,873	\$ 17,371	\$ 152,372	\$ 11,956,616
Fund balances - beginning, as restated	8,385,116	982,052	1,576,118	10,943,286
Fund balances - ending	<u>\$ 20,171,989</u>	<u>\$ 999,423</u>	<u>\$ 1,728,490</u>	<u>\$ 22,899,902</u>

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

City of Lexington, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 11,956,616

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 the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,388,580	
Transfer of asset to component unit	(332,619)	
Depreciation expenses	(943,890)	112,071

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (31,425)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unearned property taxes is reported as revenues in the governmental funds. (406,331)

The issuance of long-term debt (e.g. bonds, leases) 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, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:		
Issuance of general obligation debt	\$ (11,615,000)	
Plus: premium on issuance	(474,757)	
Principal repayments:		
General obligation bonds	987,299	(11,102,458)

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.

Decrease (increase) in compensated absences	\$ (30,268)	
Decrease (increase) in net OPEB obligation	(3,455)	
Amortization of deferred charge on refunding	(73,387)	
Amortization of bond discount	(4,552)	
Amortization of bond premium	61,236	(50,426)

Change in net position of governmental activities \$ 478,047

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

City of Lexington, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2014

	Enterprise Fund
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 60,102
Investments	2,200,000
Accounts receivable, net of allowance for uncollectibles	604,926
Due from other funds	35,825
Total current assets	\$ 2,900,853
Noncurrent assets:	
Capital assets:	
Buildings	\$ 113,405
Less accumulated depreciation	(113,405)
Improvements other than buildings	77,717
Less accumulated depreciation	(50,050)
Machinery and equipment	574,080
Less accumulated depreciation	(377,358)
Infrastructure	4,740,419
Accumulated depreciation	(2,118,571)
Construction in progress	22,662
Total capital assets	\$ 2,868,899
Total noncurrent assets	\$ 2,868,899
Total assets	\$ 5,769,752
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 73,121
Payroll liabilities	35,825
Compensated absences-current portion	5,823
Deposits held in escrow	33,600
Total current liabilities	\$ 148,369
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 52,408
Total noncurrent liabilities	\$ 52,408
Total liabilities	\$ 200,777
NET POSITION	
Investment in capital assets	\$ 2,868,899
Unrestricted	2,700,076
Total net position	\$ 5,568,975

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

City of Lexington, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	Enterprise Fund
	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 5,610,841
Miscellaneous	320
Total operating revenues	\$ 5,611,161
OPERATING EXPENSES	
Administration	\$ 124,105
Water treatment plant	628,932
Water treatment	7,573
Water distribution	964,401
Wastewater collection	1,992,009
MSA - Wastewater plant	1,159,980
Inflow and infiltration	21,010
Public Works Personnel	55,213
Miscellaneous	3,382
Internal services	230,802
Depreciation	145,915
Total operating expenses	\$ 5,333,322
Operating income (loss)	\$ 277,839
Income before transfers	\$ 277,839
Transfers in	332,619
Transfers out	(120,000)
Change in net position	\$ 490,458
Total net position - beginning	5,078,517
Total net position - ending	\$ 5,568,975

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

City of Lexington, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

	Enterprise Fund
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 5,489,674
Payments to suppliers	(3,662,796)
Payments to and for employees	(1,508,481)
Net cash provided by (used for) by operating activities	\$ 318,397
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (155,826)
Net cash provided by (used for) by noncapital financing activities	\$ (155,826)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (22,662)
Net cash provided by (used for) by capital and related financing activities	\$ (22,662)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	\$ (100,000)
Net cash provided by (used for) investing activities	\$ (100,000)
Net increase (decrease) in cash and cash equivalents	\$ 39,909
Cash and cash equivalents - beginning	20,193
Cash and cash equivalents - ending	\$ 60,102
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 277,839
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 145,915
(Increase) decrease in accounts receivable	(117,269)
Increase (decrease) in compensated absences	(4,053)
Increase (decrease) in accounts payable	4,919
Increase (decrease) in payroll liabilities	15,264
Increase (decrease) deposits held in escrow	(4,218)
Total adjustments	\$ 40,558
Net cash provided by (used for) by operating activities	\$ 318,397

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

City of Lexington, Virginia
 Statement of Fiduciary Net Position - Fiduciary Funds
 June 30, 2014

	OPEB Trust
ASSETS	
Cash and cash equivalents	\$ 127,100
Receivables:	
Contributions	15,000
Total assets	\$ 142,100
 NET POSITION	
Assets held in trust for OPEB benefits	\$ 142,100

City of Lexington, Virginia
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

	OPEB Trust
ADDITIONS	
Contributions:	
Employer	\$ 15,000
Total contributions	\$ 15,000
Investment earnings:	
Net increase in the fair market value of investments	\$ 26,081
Total investment earnings	\$ 26,081
Total additions	\$ 41,081
DEDUCTIONS	
Total deductions	\$ -
Change in net position	\$ 41,081
Net position - beginning	101,019
Net position - ending	\$ 142,100

CITY OF LEXINGTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1-Summary of Significant Accounting Policies:

The financial statements of the City of Lexington, Virginia conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The City of Lexington, Virginia (government) is a municipal corporation governed by an elected seven-member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the City's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City.

School Board - The Lexington City School Board operates the elementary and secondary public schools in the City. School Board members are appointed by City Council. The School Board is fiscally dependent upon the City because the City approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements; therefore all of the School Board's financial information is presented within this Comprehensive Annual Financial Report.

Central Dispatch - The Central Dispatch provides emergency response dispatch for the City of Lexington, the City of Buena Vista, and the County of Rockbridge Fire and Rescue departments and the Cities of Lexington, Buena Vista, and Virginia Military Institute Police departments. The City has determined this to be a component unit based on the opinion that its exclusion would render the basic financial statements misleading. The City does not exercise direct control over Central Dispatch's board or its annual budget, but does serve as fiscal agent. An annual budget is adopted for the Central Dispatch fund which accounts for the general operations of the emergency response dispatch activities. Financing is provided by funds from the Virginia Wireless Board Grant, as well as appropriations from the City of Lexington, the City of Buena Vista, the County of Rockbridge, and Virginia Military Institute. Central Dispatch consists of a governmental fund type and has been presented as a nonmajor component unit in this financial report. Central Dispatch does not issue separate financial statements. All of Central Dispatch's financial information is presented within this Comprehensive Annual Financial Report.

Note 1-Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Rockbridge Area Recreation Organization - The Rockbridge Area Recreation Organization (RARO) was formed by the City of Lexington and the County of Rockbridge to provide recreational activities for area youth. The Lexington City Council does not appoint any RARO Board Members. The City has significant influence over RARO's budget matters but does not exercise direct control over its board or annual budget. The City also serves as RARO's fiscal agent. The City has determined this to be a component unit because its exclusion would render the basic financial statements misleading. Financing is provided by appropriation from the City's General Fund by City Council. The City then bills the County of Rockbridge for the County's share of RARO's operations; this revenue is shown as a recovered cost in the General Fund of the City. RARO consists of a governmental fund type and has been presented as a nonmajor component unit in this financial report. RARO does not issue separate financial statements. All of RARO's financial information is presented within this Comprehensive Annual Financial Report.

Regional Tourism - Regional Tourism serves to promote tourism in the Cities of Lexington and Buena Vista and the County of Rockbridge. The City of Lexington appoints two of the seven members to the governing board of Regional Tourism. The City does not exercise direct control over the Regional Tourism's board or its annual budget, but does serve as fiscal agent. The City has determined this to be a component unit because its exclusion would render the basic financial statements misleading. Regional Tourism is presented as a governmental fund type. Financing is provided by specific allocations from the state government, as well as appropriations from the Cities of Lexington and Buena Vista and the County of Rockbridge. Regional Tourism has been presented as a nonmajor component unit within this financial report. Regional Tourism does not issue separate financial statements. All of Regional Tourism's financial information is presented within this Comprehensive Annual Financial Report.

Industrial Development Authority - Industrial Development Authority serves to promote industry and develop trade by inducing enterprises to locate and remain in Virginia. The City of Lexington appoints the seven directors to the governing board of the Authority. The City does not exercise direct control over the board or its annual budget, but does serve as fiscal agent. The City has determined this to be a component unit because its exclusion would render the basic financial statements misleading. The Authority is presented as a governmental fund type and has been presented as a nonmajor component unit in this financial report. The Authority does not issue separate financial statements. All of the Authority's financial information is presented within this Comprehensive Annual Report.

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Note 1-Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations -

The Rockbridge Regional Library, Rockbridge County Regional Jail Commission, Rockbridge Area Community Services Board, Rockbridge Social Services Board, Rockbridge Area Network Authority, Regional Transit System, Shenandoah Valley Juvenile Detention Home Commission, Rockbridge Area Regional IDA, and the Maury Service Authority are considered intergovernmental (joint) ventures and, therefore, their operations are not included in the City's financial report. The Cities of Lexington and Buena Vista and the County of Rockbridge provide financial support and appoint their governing Boards, in which is vested the administration and control over operations.

The Cities of Lexington and Buena Vista and the County of Rockbridge participate in the Solid Waste Authority of Rockbridge County which operates a regional landfill. The Authority is governed by a committee comprised of five members appointed by the participating jurisdictions. City Council appoints one member and has control over the budget and financing of the Authority only to the extent of representation by the committee member appointed; therefore, the Authority's operations are not included in this financial report.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Note 1-Summary of Significant Accounting Policies: (Continued)

B. Government-wide and fund financial statements (Continued)

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's fiduciary fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for and reported in other funds.

The *Capital Projects Fund* accounts for and reports financial resources that are restricted, committed or assigned to expenditure for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The *Cemetery Trust Fund* (Permanent Fund) accounts for and reports resources that are restricted such that only earnings may be used for purposes that support the reporting government's programs (i.e. for the benefit of the government or its citizens). The Cemetery Trust Fund accounts for investments and related earnings which are used to offset the cost of City cemeteries.

The government reports the following major proprietary funds:

The City operates a sewage collection and treatment system and a water treatment plant and distribution system. The activities of the system are accounted for in the Utility Fund.

The government reports the following fiduciary funds:

Fiduciary Funds (Trust Funds) account for asset held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The OPEB Trust Fund is the only fiduciary fund of the City. The fund utilizes the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

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

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund 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 system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(Continued)

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 5th and December 5th. Personal property taxes are pro-rated. The City bills and collects its own property taxes.

4. Inventory

Inventories are stated at the lower of cost or market using the specific identification method. The only significant governmental fund-type inventory is the inventory of rehabilitated properties in the General Fund. The costs of these properties are recorded as expenditures when purchased. Changes in inventory amounts are offset directly to fund balance.

5. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

6. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$64,183 at June 30, 2014 and is comprised solely of property taxes.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(Continued)

8. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental, business-type activities and discretely presented component unit columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Infrastructure, buildings, improvements and construction projects in excess of \$20,000 per project are added to the City's capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

Property, plant, equipment, and infrastructure of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Improvements other than buildings	10 - 15
Machinery and equipment	2 - 20
Infrastructure	50

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Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(Continued)

9. Compensated Absences

Employees accumulate vacation and sick leave hours for subsequent use. In the governmental funds, compensated absences for vacation leave are reported only if matured (unused, reimbursable leave, still outstanding following an employee's termination, resignation, death, or retirement). In the primary government and the discretely presented nonmajor component units - Central Dispatch, RARO, and Regional Tourism, an employee can accumulate from 24 to 42 days of vacation, based on years of service, and unlimited sick leave. Compensated absences are accrued when incurred in governmental and proprietary funds and reported as a fund liability. In the discretely presented component unit - school board, an employee can accumulate up to 28 days of vacation and 200 days of sick leave. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation or retirement. Compensated absences that are expected to be liquidated with expendable available resources are reported as expenditures and fund liabilities of the governmental fund that will pay it.

10. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

11. Fund equity

The City reports fund balance in accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. The classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used. The City of Lexington, Virginia evaluated its funds at June 30, 2014 and classified fund balance into the following five categories:

Nonspendable - amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory or are required to be maintained intact (corpus of a permanent fund).

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(Continued)

11. Fund equity (Continued)

Restricted -amounts that are restricted by external parties such as creditors or imposed by grants, law or legislation.

Committed -amounts that have been committed can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that 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.

Assigned -amounts that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The City of Lexington, Virginia considers this level of authority to be the City Council or any Committee granted such authority by the City Council.

Unassigned -amounts that have no restrictions placed upon them; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance / resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

12. Net Position

Net Position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(Continued)

13. Component Unit - School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement to its capital assets. That responsibility lies with the local governing body who issues the debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Position, this scenario presents a dilemma for the primary government. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net position of the primary government. The corresponding capital assets are reported as assets of the Component Unit - School Board (title holder), thereby increasing its net position.

During the 2002 Virginia General Assembly session, the legislature amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. The legislation also allows local governments to elect not to acquire a tenancy in common by adopting a resolution to that effect.

The City concluded that, while joint tenancy would resolve a deficit in the primary government's net position, the continual computation process that would be required to allocate principal, interest, asset amount, and depreciation between the City and the School Board would be cumbersome and not provide any added benefit to the financial statements. Therefore, City Council adopted a resolution declining tenancy in common for current and future obligations.

14. 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(Continued)

14. Deferred Outflows/Inflows of Resources (Continued)

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

15. Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Note 2-Stewardship, Compliance, and Accountability:

A. Excess of expenditures over appropriations

For the year ended June 30, 2014, the City did not have any expenditures in excess of appropriations. Appropriations are not required for the permanent fund; therefore, none have been reported in the schedules.

B. Deficit fund equity

At June 30, 2014, there were no funds with deficit fund equity.

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Note 3-Deposits and Investments:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has an investment policy which limits the City’s exposure to credit risk of investments. The City did not purchase any investments in 2014 that are outside the cemetery trust fund established to invest perpetual care funds for two cemeteries owned by the City. The City’s investments at June 30, 2014 were held in the City’s name by the City’s custodial bank; except \$35,887 of U.S. Treasuries, \$540,168 of Mutual Fund Bonds, and \$657,492 of Common Stocks, and \$107,220 of Other Funds where the underlying securities were uninsured and held by the investment’s counterparty’s trust department or agent but not in the name of the City. The Local Government Investment Pool (LGIP) is not exposed to custodial credit risk because its existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities

The City’s rated debt investments as of June 30, 2014 were rated by Moody’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

City’s Rated Debt Investments’ Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
LGIP	\$ 7,610,321
SNAP	12,006,641

Note 3-Deposits and Investments: (Continued)

Concentration of Credit Risk

At June 30, 2014, the City did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk

Investment Type	Fair Value	Maturity Date	Call Options
Mutual Fund Bonds:			
Doubleline FDS TR Total Return	\$ 91,209	Upon demand	None
Eaton Vance Mut FDS TR	32,299	Upon demand	None
Goldman Sachs TR Local Emerging Mkts	27,341	Upon demand	None
Ishares TR Barclays 3-7 yr	78,439	Upon demand	None
Osterweis Strategic Income Fund	32,423	Upon demand	None
Pimco Fds Emerging Local Bd	27,507	Upon demand	None
Pimco Fds Invt Grade Corp	79,849	Upon demand	None
Pimco 1-5 Year US Tips Index ETF	52,499	Upon demand	None
Vanguard Mtg Backed Secs Index	65,897	Upon demand	None
Western Asset Mortgage Backed	52,706	Upon demand	None
LGIP	7,610,321	Upon demand	None
SNAP	12,006,641	Upon demand	None

The City’s investment policy encourages City officials to invest in funds that limit the City’s credit risk, custodial credit risk, and interest rate risk.

External Investment Pools

State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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CITY OF LEXINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 4-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>	<u>Component Unit- School Board</u>
<u>Rockbridge County:</u>		
General Fund	\$ 269,405	\$ -
Portion of jail debt	1,024,898	-
<u>City of Buena Vista:</u>		
Portion of jail debt	229,589	-
<u>Commonwealth of Virginia:</u>		
Local sales tax	157,026	-
Communications sales and use tax	54,495	-
State sales tax	-	57,757
Categorical aid-shared expenses	11,976	-
Other categorical aid	3,148	122,521
Non-categorical aid	4,645	-
Virginia public assistance funds	24,287	-
<u>Federal Government:</u>		
Categorical aid	23,423	-
School grants	-	31,617
Totals	<u>\$ 1,802,892</u>	<u>\$ 211,895</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 5-Interfund/Component Unit Obligations:

Interfund/Component Unit Obligations for the fiscal year ended June 30, 2014 consisted of the following:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 466,652	\$ 32,630
Capital Projects Fund	-	4,278
	<u>\$ 466,652</u>	<u>\$ 36,908</u>
Total Primary Government		
Proprietary Fund:		
Utility Fund	\$ -	\$ 35,825
	<u>\$ -</u>	<u>\$ 35,825</u>
Major Component Unit:		
School Operating Fund	\$ 32,630	\$ 391,738
	<u>\$ 32,630</u>	<u>\$ 391,738</u>
Nonmajor Component Unit:		
Central Dispatch Fund	\$ -	\$ 20,018
Regional Tourism Fund	-	7,602
Rockbridge Area Recreation Organization Fund	-	7,191
	<u>\$ -</u>	<u>\$ 34,811</u>
Total Nonmajor Component Unit		

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 6-Interfund/Component Unit Transfer:

Interfund transfers for the fiscal year ended June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 120,000	\$ 792,619
Capital Projects Fund	431,500	-
Cemetery Fund	28,500	-
Utility Fund	332,619	120,000
Total	<u>\$ 912,619</u>	<u>\$ 912,619</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2014.

	<u>Balance July 1, 2013</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2014</u>
General Obligation Bonds	\$ 20,178,095	\$ 11,615,000	\$ (987,299)	\$ 30,805,796
Less: Discount on Issuance	(54,623)	-	4,552	(50,071)
Plus: Premiums on Issuance	1,408,427	474,757	(61,236)	1,821,948
Net OPEB Obligation	32,598	18,341	(14,886)	36,053
Compensated Absences	241,123	30,268	-	271,391
Total	<u>\$ 21,805,620</u>	<u>\$ 12,138,366</u>	<u>\$ (1,058,869)</u>	<u>\$ 32,885,117</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 964,865	\$ 867,567
2016	1,242,070	976,042
2017	1,264,529	950,757
2018	1,296,951	923,025
2019	1,329,436	890,455
2020-2024	7,166,610	3,917,976
2025-2029	6,831,335	2,786,334
2030-2034	5,550,000	1,539,854
2035-2039	4,465,000	476,966
2040	695,000	12,762
Totals	<u>\$ 30,805,796</u>	<u>\$ 13,341,738</u>

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CITY OF LEXINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
General Obligation Bond	4.00%	1/5/2006	2015	\$ 12,000,000	\$ 590,000	\$ 290,000
General Obligation Bond	0.00%	11/13/2009	2026	8,410,000	6,431,180	494,704
VPSA Bond	0.00%	7/8/2010	2027	1,530,000	1,170,000	90,000
General Obligation Bond	2.01-4.83%	6/5/2013	2035	9,545,000	9,505,000	-
General Obligation Bond	2.52%	4/12/2013	2028	1,582,209	1,494,616	90,161
VPSA Bond	2.675-5.05%	5/15/2014	2040	11,615,000	11,615,000	-
Subtotal General Obligation Bonds					<u>\$ 30,805,796</u>	<u>\$ 964,865</u>
Plus: Premium on Issuance					\$ 1,821,948	\$ 134,623
Less: Discount on Issuance					(50,071)	(4,552)
Total General Obligation Bonds					<u>\$ 32,577,673</u>	<u>\$ 1,094,936</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 271,391	\$ 27,139
Net OPEB Obligation	n/a	n/a	n/a	n/a	36,053	-
Total Other Obligations					<u>\$ 307,444</u>	<u>\$ 27,139</u>
Total Long-term Obligations					<u>\$ 32,885,117</u>	<u>\$ 1,122,075</u>

Compensated absences are liquidated by the City's general fund.

Primary Government-Business-type Activities Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2014.

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Compensated Absences	\$ 62,284	\$ -	\$ (4,053)	\$ 58,231

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 7-Long-Term Obligations: (Continued)

Primary Government-Business-type Activities Indebtedness:

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Business-type Activities</u>	<u>Amount Due Within One Year</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 58,231	\$ 5,823

Compensated absences are liquidated by the Utility Fund.

Note 8-Long-Term Obligations-Component Units:

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2014.

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Compensated Absences	\$ 118,028	\$ -	\$ (9,978)	\$ 108,050

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 108,050	\$ 10,805

Compensated absences are liquidated by the School Operating Fund.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 8-Long-Term Obligations-Component Units: (Continued)

Discretely Presented Nonmajor Component Units:

The following is a summary of long-term obligation transactions of the Nonmajor Component Units for the year ended June 30, 2014.

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Compensated Absences	\$ 62,356	\$ 2,823	\$ -	\$ 65,179

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 65,179	\$ 6,517

Compensated absences are liquidated by the nonmajor component unit which reports the liability.

Note 9- Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
 Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
 Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

- Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Note 9- Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan’s effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Note 9- Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

15. Exceptions to COLA Effective Dates - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. Disability Coverage - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Note 9- Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.

Note 9- Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

1. Plan Overview (Continued)

- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

2. Eligible Members - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

3. *Non-Eligible Members - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Note 9- Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. **Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Note 9- Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

7. Vesting (Continued)

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

8. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

9. Average Final Compensation - Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

10. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

11. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

12. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

14. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2-Refer to Section 13.

Defined Contribution Component - Not Applicable.

15. Eligibility - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 14.

16. Exceptions to COLA Effective Dates - Refer to VRS Plan 1 and VRS Plan 2-Section 15.

17. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 9- Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

18. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City of Lexington, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City of Lexington, Virginia’s contribution rate for the fiscal year ended 2014 was 12.61% of annual covered payroll.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 9- Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal year 2014, the City of Lexington, Virginia’s annual pension cost of \$653,703 was equal to the City of Lexington, Virginia’s required and actual contributions.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
City	6/30/2014	\$ 653,703	100.00%	\$ -
	6/30/2013	619,851	100.00%	-
	6/30/2012	456,692	100.00%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50 % to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City of Lexington, Virginia’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City of Lexington, Virginia’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2013, the most recent actuarial valuation date, the plan was 72.14% funded. The actuarial accrued liability for benefits was \$22,813,563, and the actuarial value of assets was \$16,457,576, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,355,987. The covered payroll (annual payroll of active employees covered by the plan) was \$4,920,786, and ratio of the UAAL to the covered payroll was 129.17%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 9- Pension Plan: (Continued)

E. Discretely Presented Component Unit School Board - Professional Employees:

Plan Description

The Lexington City School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/2013-annual-report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$301,429, \$298,490, and \$152,921 for the fiscal years ended 2014, 2013, and 2012, respectively. Employer contributions represented 11.66%, 11.66%, and 6.33%, of covered payroll for the fiscal years ended 2014, 2013, and 2012, respectively.

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Note 10-Unearned and Deferred/Unavailable Revenue:

Unearned and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Primary Government:

Unearned Grants - Grant revenue collected by the City for various purposes that has not met the revenue criteria totaled \$341,002.

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$747,835 at June 30, 2014.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$83,833.

Discretely Presented Component Unit - School Board:

Unearned Revenue - Tuition revenue collected by the City for students from other localities to attend Lexington City Schools that has not met the revenue criteria totaled \$44,015.

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CITY OF LEXINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 11-Capital Assets:

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 2,912,496	\$ -	\$ -	\$ 2,912,496
Construction in progress	1,688,041	1,119,440	(1,916,790)	890,691
Total capital assets not being depreciated	<u>\$ 4,600,537</u>	<u>\$ 1,119,440</u>	<u>\$ (1,916,790)</u>	<u>\$ 3,803,187</u>
Capital assets, being depreciated:				
Buildings	\$ 20,115,268	\$ 264,964	\$ (160,676)	\$ 20,219,556
Improvements other than buildings	1,450,285	33,872	-	1,484,157
Infrastructure	5,089,552	684,031	-	5,773,583
Machinery and equipment	5,790,258	870,444	(305,500)	6,355,202
Total capital assets being depreciated	<u>\$ 32,445,363</u>	<u>\$ 1,853,311</u>	<u>\$ (466,176)</u>	<u>\$ 33,832,498</u>
Accumulated depreciation:				
Buildings	\$ (2,845,837)	\$ (409,766)	\$ 141,657	\$ (3,113,946)
Improvements other than buildings	(596,551)	(75,386)	-	(671,937)
Infrastructure	(2,362,466)	(108,495)	-	(2,470,961)
Machinery and equipment	(3,705,926)	(350,243)	293,094	(3,763,075)
Total accumulated depreciation	<u>\$ (9,510,780)</u>	<u>\$ (943,890)</u>	<u>\$ 434,751</u>	<u>\$ (10,019,919)</u>
Total capital assets being depreciated, net	<u>\$ 22,934,583</u>	<u>\$ 909,421</u>	<u>\$ (31,425)</u>	<u>\$ 23,812,579</u>
Governmental activities capital assets, net	<u>\$ 27,535,120</u>	<u>\$ 2,028,861</u>	<u>\$ (1,948,215)</u>	<u>\$ 27,615,766</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 11-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities:</i>				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 22,662	\$ -	\$ 22,662
Capital assets, being depreciated:				
Buildings	\$ 113,405	\$ -	\$ -	\$ 113,405
Improvements other than buildings	77,717	-	-	77,717
Infrastructure	4,407,800	332,619	-	4,740,419
Machinery and equipment	574,080	-	-	574,080
Total capital assets being depreciated	<u>\$ 5,173,002</u>	<u>\$ 332,619</u>	<u>\$ -</u>	<u>\$ 5,505,621</u>
Accumulated depreciation:				
Buildings	\$ (113,405)	\$ -	\$ -	\$ (113,405)
Improvements other than buildings	(49,024)	(1,026)	-	(50,050)
Infrastructure	(2,008,302)	(110,269)	-	(2,118,571)
Machinery and equipment	(342,738)	(34,620)	-	(377,358)
Total accumulated depreciation	<u>\$ (2,513,469)</u>	<u>\$ (145,915)</u>	<u>\$ -</u>	<u>\$ (2,659,384)</u>
Total capital assets being depreciated, net	<u>\$ 2,659,533</u>	<u>\$ 186,704</u>	<u>\$ -</u>	<u>\$ 2,846,237</u>
Business-type activities capital assets, net	<u>\$ 2,659,533</u>	<u>\$ 209,366</u>	<u>\$ -</u>	<u>\$ 2,868,899</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government administration	\$ 24,909
Public safety	295,463
Public works	357,768
Education	150,088
Parks, recreation, and culture	113,967
Community development	1,695
Total depreciation expense-governmental activities	<u>\$ 943,890</u>
Business-type activities:	
Water and Sewer Fund	<u>\$ 145,915</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 11-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,550	\$ -	\$ -	\$ 4,550
Total capital assets not being depreciated	<u>\$ 4,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,550</u>
Capital assets, being depreciated:				
Buildings	\$ 4,357,610	\$ -	\$ -	\$ 4,357,610
Machinery and equipment	236,660	-	-	236,660
Total capital assets being depreciated	<u>\$ 4,594,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,594,270</u>
Accumulated depreciation:				
Buildings	\$ (2,697,209)	\$ (319,232)	\$ -	\$ (3,016,441)
Machinery and equipment	(191,744)	(12,049)	-	(203,793)
Total accumulated depreciation	<u>\$ (2,888,953)</u>	<u>\$ (331,281)</u>	<u>\$ -</u>	<u>\$ (3,220,234)</u>
Total capital assets being depreciated, net	<u>\$ 1,705,317</u>	<u>\$ (331,281)</u>	<u>\$ -</u>	<u>\$ 1,374,036</u>
School board capital assets, net	<u>\$ 1,709,867</u>	<u>\$ (331,281)</u>	<u>\$ -</u>	<u>\$ 1,378,586</u>

Discretely Presented Component Unit - School Board: (Continued)

Depreciation expense was charged to functions of the Discretely Presented Component Unit - School Board as follows:

Education	<u>\$331,281</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 11-Capital Assets: (Continued)

Discretely Presented Component Units - Nonmajor:

Capital asset activity for the Nonmajor Component Units for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 17,544	\$ -	\$ 17,544
Capital assets, being depreciated:				
Improvements other than buildings - Central Dispatch	\$ -	\$ 6,500	\$ -	\$ 6,500
Machinery and equipment - Central Dispatch	892,805	225,177	-	1,117,982
Machinery and equipment - RARO	41,233	-	-	41,233
Machinery and equipment - Regional Tourism	29,490	-	-	29,490
Total capital assets being depreciated	<u>\$ 963,528</u>	<u>\$ 231,677</u>	<u>\$ -</u>	<u>\$ 1,195,205</u>
Accumulated depreciation:				
Improvements other than buildings - Central Dispatch	\$ -	\$ (542)	\$ -	\$ (542)
Machinery and equipment - Central Dispatch	(472,695)	(102,744)	-	(575,439)
Machinery and equipment - RARO	(25,536)	(3,971)	-	(29,507)
Machinery and equipment - Regional Tourism	(16,121)	(2,546)	-	(18,667)
Total accumulated depreciation	<u>\$ (514,352)</u>	<u>\$ (109,803)</u>	<u>\$ -</u>	<u>\$ (624,155)</u>
Total capital assets being depreciated, net	<u>\$ 449,176</u>	<u>\$ 121,874</u>	<u>\$ -</u>	<u>\$ 571,050</u>
Nonmajor component unit capital assets, net	<u>\$ 449,176</u>	<u>\$ 139,418</u>	<u>\$ -</u>	<u>\$ 588,594</u>

Depreciation expense was charged to functions of the Nonmajor Component Units as follows:

Public safety	\$ 103,286
Parks, recreation, and cultural	3,971
Community development	<u>2,546</u>
Total depreciation expense-nonmajor component units	<u>\$ 109,803</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12-Risk Management:

The City and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City and its component unit - School Board participate with other localities in a public entity risk pool for their coverage of general liability and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The City and its component unit - School Board pay the Virginia Municipal Group contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The City and its component unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13-Contingent Liabilities:

The City has guaranteed debt issued by the Maury Service Authority (MSA) for the construction and recent upgrades of its current wastewater treatment plant. The MSA's debt totaled \$9,372,424 as of June 30, 2014, and is scheduled to be completely retired by June of 2031. The City paid \$704,330 to the MSA in FY14 for half of the debt service; the County of Rockbridge pays an equal assessment. An annual assessment of \$704,330 per year is scheduled thru fiscal year ending June 30, 2018. The annual assessment will be reduced to \$161,504 for fiscal year ending June 30, 2019 thru June 30, 2031.

Note 14-Commitments:

At year end, the City had the Route 11 bridge repair project underway, which is presented in the financial statements as construction in progress. Contract amount for the project is \$625,736 with \$228,302 outstanding at June 30, 2014.

Note 15-Surety Bonds:

Primary Government:

Virginia Municipal Liability Pool - Surety:

Pat DeLaney, Treasurer	\$	200,000
Wanda Floyd, Deputy Treasurer		200,000
Karen T. Roundy, Commissioner of Revenue		200,000
Alfred Thomas, Chief of Police		200,000

Note 16-Service Contracts:

Maury Service Authority: The Maury Service Authority (MSA) provides water filtration and potable water to the City and to Rockbridge County, which in turn sell these same services to their respective residents. The City manages and operates the two plants under separate contractual agreements with the MSA, and charges the MSA for administrative costs plus an agreed upon fee for services. The City bills the MSA quarterly for actual operating costs plus 5.0% for water treatment plant administrative costs and 5.0% for wastewater treatment plant administrative costs.

In fiscal year 2014, the City paid the MSA \$1,852,568 for bulk purchases of water and sewer services, as well as a \$704,330 assessment for debt service. The City also received \$1,877,036 from the MSA under the operating agreements described above.

Solid Waste Authority of Rockbridge County: The City of Lexington, along with other localities, participates in the Solid Waste Authority of Rockbridge County, which operates a regional landfill. Each participating jurisdiction is responsible through tipping fees for its proportionate share of operating costs. Each jurisdiction, after consultation with the committee, will determine tipping fees to be charged to waste generators within their jurisdiction. The tipping fee charged in 2014 was \$24/ton for refuse disposal at the landfill.

Rockbridge County High School: Rockbridge County owns and operates the Rockbridge County High School. Students residing in both the City and County attend the consolidated school. The City paid the County a portion of construction costs of the school and pays an annual per student tuition cost equal to the percentage of City students attending the school multiplied by operating costs. The City paid the County of Rockbridge \$1,125,000 for high school student tuition in 2014.

Note 17-Annexation/Revenue Sharing:

In 1983, the City filed a petition with the Virginia Commission on Local Government to annex 6.8 square miles of land in the County of Rockbridge adjoining the City. The proposed annexation would have increased the City's size by approximately 842 residents and would have increased its tax base. Negotiations between the City and the County, in an effort to resolve the annexation issues, resulted in a revenue sharing agreement between the two jurisdictions. The voters of the County of Rockbridge in a special referendum approved the agreement on March 6, 1986, and both governing bodies have passed an ordinance adopting the agreement. During fiscal year 2014, the City received \$1,742,885 from the County representing the revenue sharing payment under this agreement.

Note 18-Litigation:

At June 30, 2014 there were no significant matters of litigation pending involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to the City.

Note 19-Other Postemployment Benefits - Health Insurance:

A. Plan Description

The Lexington Post-Retirement Medical Plan (LPRMP) is a single-employer defined benefit healthcare plan administered by the City. LPRMP provides health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for immediate retirement benefits under VRS, which requires that the employee be age 50 with 10 years of service or permanently, totally disabled and injured in the line of duty. Additionally, the employee must be of full-time status in VRS and must be covered by the active plan at the time of retirement or disability. The benefit provisions, including employer and employee contributions, are governed by City Council and can be amended through City Council action. The LPRMP does not issue a publicly available financial report.

B. Funding Policy

The Lexington City Government establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year, whether it will be partially funded or fully funded in the upcoming fiscal year. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. For fiscal year 2014, the City contributed \$81,563 in total for current premiums and prefunding amounts.

For retirees of the City, 100 percent of premiums for both the employee and spouse are the responsibility of the retiree. Coverage under the plan ceases when the employee reaches age 65. For retirees of the School Board, the retiree pays the VRS Healthcare Credit plus the additional difference between the current Employee Premium and the Employer Subsidy at retirement, if any, for the retiree and 100 percent of premiums for a spouse. Coverage ceases at age 65 of the participant.

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Note 19-Other Postemployment Benefits - Health Insurance: (Continued)

B. Funding Policy (Continued)

The City’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (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 costs 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:

	City	School Board	Total
Annual required contribution	\$ 17,963	\$ 56,255	\$ 74,218
Interest on net OPEB obligation	2,445	(2,602)	(157)
Adjustment to annual required contribution	(2,067)	2,200	133
Annual OPEB cost (expense)	18,341	55,853	74,194
Contributions made	(14,886)	(66,677)	(81,563)
Increase in net OPEB obligation	3,455	(10,824)	(7,369)
Net OPEB obligation - beginning of year	32,598	(34,688)	(2,090)
Net OPEB obligation (asset) - end of year	\$ 36,053	\$ (45,512)	\$ (9,459)

C. Annual OPEB Cost and Net OPEB Obligation

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 18,341	81%	\$ 36,053
6/30/2013	17,836	201%	32,598
6/30/2012	19,732	27%	50,650

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Note 19-Other Postemployment Benefits - Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2014	\$ 55,853	119%	\$ (45,512)
6/30/2013	49,494	273%	(34,688)
6/30/2012	54,473	96%	51,026

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 13.87% funded. The actuarial accrued liability (AAL) for benefits was \$817,506, and the actuarial value of assets was \$113,351, resulting in an unfunded actuarial accrued liability (UAAL) of \$704,155. The covered payroll (annual payroll of active employees covered by the plan) was \$4,920,786, and ratio of the UAAL to the covered payroll was 14.31%.

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 the healthcare cost trend. 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan 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 of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.50% investment rate of return per annum and an inflation rate of 2.50%. An annual healthcare cost trend rate of 8.00% initially, reduced by decrements of 0.5% until an ultimate rate of 5% is reached. The UAAL is being amortized as a level percentage of projected payroll over the remaining amortization period, which at June 30, 2013, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 20-Fund Balance Classifications:

Fund balance classifications for the primary government are as follows:

	General Fund	Capital Projects Fund	Permanent Fund
Nonspendable			
Prepays	\$ 3,829	\$ -	\$ -
Corpus	-	-	180,562
Total Nonspendable	<u>\$ 3,829</u>	<u>\$ -</u>	<u>\$ 180,562</u>
Restricted:			
School Construction	\$ 12,006,641	\$ -	\$ -
Perpetual cemetery care	-	-	1,547,928
Total Restricted	<u>\$ 12,006,641</u>	<u>\$ -</u>	<u>\$ 1,547,928</u>
Committed:			
First aid	\$ 85,080	\$ -	\$ -
Fire	88,855	-	-
Equipment replacement	578,140	-	-
Capital projects	-	999,423	-
Total Committed	<u>\$ 752,075</u>	<u>\$ 999,423</u>	<u>\$ -</u>
Assigned:			
Carryovers	\$ 251,578	\$ -	\$ -
Unassigned	<u>\$ 7,157,866</u>	<u>\$ -</u>	<u>\$ -</u>
Total Fund Balance	<u>\$ 20,171,989</u>	<u>\$ 999,423</u>	<u>\$ 1,728,490</u>

Fund balance classifications for the component units are as follows:

	School Board	Central Dispatch	Rockbridge Area Recreation Organization	Regional Tourism	Industrial Development Authority
Restricted:					
Pickeral memorial	\$ -	\$ -	\$ 13,372	\$ -	\$ -
Committed:					
Equipment replacement	\$ -	\$ 57,237	\$ 7,709	\$ -	\$ -
Special revenue funds	456,309	-	275	326,089	358,675
Total Committed	<u>\$ 456,309</u>	<u>\$ 57,237</u>	<u>\$ 7,984</u>	<u>\$ 326,089</u>	<u>\$ 358,675</u>
Total Fund Balance	<u>\$ 456,309</u>	<u>\$ 57,237</u>	<u>\$ 21,356</u>	<u>\$ 326,089</u>	<u>\$ 358,675</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 21-Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The City has not determined the impact of this pronouncement on its financial statements.

Note 22-Restatement of Beginning Fund Balance/Net Position:

	<u>General Fund</u>
Fund Balance at 7/1/13, as previously reported	\$ 8,318,116
Record prior year receivable	<u>67,000</u>
Fund Balance at 7/1/13, as restated	<u>\$ 8,385,116</u>
Net Position at 7/1/13, as previously reported	\$ 19,077,644
Fund Balance restatement above	<u>67,000</u>
Fund Balance at 7/1/13, as restated	<u>\$ 19,144,644</u>

Required Supplementary Information

City of Lexington, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 5,388,600	\$ 5,388,600	\$ 5,777,828	\$ 389,228
Other local taxes	3,111,000	3,111,000	3,145,038	34,038
Permits, privilege fees, and regulatory licenses	56,800	56,800	186,917	130,117
Fines and forfeitures	97,500	97,500	86,086	(11,414)
Revenue from the use of money and property	89,425	89,425	108,632	19,207
Charges for services	970,949	982,449	968,960	(13,489)
Miscellaneous	2,171,162	2,175,307	2,271,668	96,361
Recovered costs	360,049	379,152	415,066	35,914
Intergovernmental:				
Commonwealth	2,192,521	2,927,636	2,605,748	(321,888)
Federal	34,850	34,850	4,928	(29,922)
Total revenues	\$ 14,472,856	\$ 15,242,719	\$ 15,570,871	\$ 328,152
EXPENDITURES				
Current:				
General government administration	\$ 1,445,403	\$ 1,460,548	\$ 1,404,385	\$ 56,163
Judicial administration	299,195	299,195	298,767	428
Public safety	3,340,697	3,608,187	3,827,628	(219,441)
Public works	3,110,304	3,782,399	3,211,306	571,093
Health and welfare	686,515	830,227	815,818	14,409
Education	2,887,395	2,887,395	2,887,395	-
Parks, recreation, and cultural	463,650	467,650	460,226	7,424
Community development	699,391	821,289	713,941	107,348
Nondepartmental	256,220	433,304	346,841	86,463
Debt service:				
Principal retirement	950,273	950,273	987,299	(37,026)
Interest and other fiscal charges	462,666	462,666	449,760	12,906
Bond issuance costs	-	-	130,389	(130,389)
Total expenditures	\$ 14,601,709	\$ 16,003,133	\$ 15,533,755	\$ 469,378
Excess (deficiency) of revenues over (under) expenditures	\$ (128,853)	\$ (760,414)	\$ 37,116	\$ 797,530
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
Transfers out	(248,500)	(460,000)	(460,000)	-
Issuance of general obligation bonds	-	-	11,615,000	11,615,000
Premium on general obligation bonds	-	-	474,757	474,757
Total other financing sources (uses)	\$ (128,500)	\$ (340,000)	\$ 11,749,757	\$ 12,089,757
Net change in fund balances	\$ (257,353)	\$ (1,100,414)	\$ 11,786,873	\$ 12,887,287
Fund balances - beginning, as restated	257,353	1,100,414	8,385,116	7,284,702
Fund balances - ending	\$ -	\$ -	\$ 20,171,989	\$ 20,171,989

**REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2014**

Note 1-Stewardship, Compliance, and Accountability:

A. Budgetary information

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: the General Fund, the Capital Projects Fund, the Water and Sewer Utility Fund, and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the City Council can revise the appropriation for each function level or division of expenditures. The City Manager is authorized to transfer budgeted amounts between departments of a function level of expenditures. The School Board is authorized to transfer budgeted amounts within the departments at the function level of a school system category of expense.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and the General Capital Projects Fund. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. The City commits fund balances for certain designated ongoing projects at fiscal year end. Appropriations are then made in the first quarter budget amendments of the following year for the commitment. Appropriations lapse on June 30, for all City units. The City's practice is to appropriate Capital Projects by project. Several supplemental appropriations were necessary during this fiscal year.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.
10. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the City's accounting system.

City of Lexington, Virginia
 Schedule of Pension and OPEB Funding Progress
 June 30, 2014

Primary Government:

City Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 16,457,576	\$ 22,813,563	\$ 6,355,987	72.14%	\$ 4,920,786	129.17%
6/30/2012	15,931,495	22,279,887	6,348,392	71.51%	4,822,409	131.64%
6/30/2011	16,058,891	21,434,004	5,375,113	74.92%	4,256,042	126.29%

Discretely Presented Component Unit - School Board:

Non-professional Employees Retirement Plan*:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 478,429	\$ 377,652	\$ (100,777)	126.69%	\$ 50,732	-198.65%

* As of fiscal year 2013 the non-professional employees have been absorbed by the City's plan.

Primary Government and Discretely Presented Component Unit - School Board:

Post-Retirement Medical Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2013	\$ 113,351	\$ 817,506	\$ 704,155	13.87%	\$ 4,920,786	14.31%
7/1/2010	-	857,800	857,800	0.00%	4,822,409	17.79%
7/1/2008	-	976,200	976,200	0.00%	4,306,774	22.67%

Other Supplementary Information

CAPITAL PROJECTS FUND

MAJOR GOVERNMENTAL FUNDS

Capital Projects Fund - This fund is used to account for and report the acquisition, construction, and renovation of major capital facilities and other capital assets. These expenditures are financed from grants, the proceeds of certain City general obligation bonds, and from City general resources.

City of Lexington, Virginia
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ 14,450	\$ 51,470	\$ 37,020
Intergovernmental:				
Local government	-	435,129	435,129	-
Federal	-	-	58,553	58,553
Total revenues	<u>\$ -</u>	<u>\$ 449,579</u>	<u>\$ 545,152</u>	<u>\$ 95,573</u>
EXPENDITURES				
Current:				
General government administration	\$ 121,500	\$ 1,456,729	\$ 691,488	\$ 765,241
Public works	100,000	480,261	79,820	400,441
Parks, recreation, and cultural	10,000	467,182	34,852	432,330
Community development	-	314,105	153,121	160,984
Total expenditures	<u>\$ 231,500</u>	<u>\$ 2,718,277</u>	<u>\$ 959,281</u>	<u>\$ 1,758,996</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (231,500)</u>	<u>\$ (2,268,698)</u>	<u>\$ (414,129)</u>	<u>\$ 1,854,569</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 231,500	\$ 431,500	\$ 431,500	\$ -
Total other financing sources uses	<u>\$ 231,500</u>	<u>\$ 431,500</u>	<u>\$ 431,500</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (1,837,198)	\$ 17,371	\$ 1,854,569
Fund balances - beginning	-	-	982,052	982,052
Fund balances - ending	<u>\$ -</u>	<u>\$ (1,837,198)</u>	<u>\$ 999,423</u>	<u>\$ 2,836,621</u>

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund accounts for and reports the operations of the City's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

City of Lexington, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 392,747
Receivables (net of allowance for uncollectibles):	
Accounts receivable	63
Due from other funds	391,738
Due from other governmental units	211,895
Total assets	<u>\$ 996,443</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 61,962
Payroll liabilities	37,565
Contracts payable	363,962
Due to other funds	32,630
Deferred revenue	44,015
Total liabilities	<u>\$ 540,134</u>
Fund balances:	
Committed	\$ 456,309
Total fund balances	<u>\$ 456,309</u>
Total liabilities and fund balances	<u>\$ 996,443</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 456,309
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 4,550
Buildings	1,341,169
Machinery and equipment	<u>32,867</u>
	1,378,586
The net OPEB asset is not an available resource and, therefore, is not reported in the funds.	
	45,512
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(108,050)
Net position of governmental activities	<u>\$ 1,772,357</u>

City of Lexington, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 3,819
Charges for services	222,754
Miscellaneous	3,246
Recovered costs	12,622
Intergovernmental:	
Local government	2,452,266
Commonwealth	2,599,268
Federal	238,048
Total revenues	\$ 5,532,023
EXPENDITURES	
Current:	
Education	\$ 6,028,885
Total expenditures	\$ 6,028,885
Excess (deficiency) of revenues over (under) expenditures	\$ (496,862)
Net change in fund balances	\$ (496,862)
Fund balances - beginning	953,171
Fund balances - ending	\$ 456,309
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (496,862)
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 depreciation exceeded capital outlays in the current period.	
Depreciation expenses	(331,281)
OPEB costs are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.	10,824
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.	
Decrease (increase) in compensated absences	9,978
Change in net position of governmental activities	\$ (838,766)

City of Lexington, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2014

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 4,600	\$ 4,600	\$ 3,819	\$ (781)
Charges for services	250,000	250,000	222,754	(27,246)
Miscellaneous	600	1,971	3,246	1,275
Recovered costs	10,000	10,000	12,622	2,622
Intergovernmental:				
Local government	2,942,395	2,452,266	2,452,266	-
Commonwealth	2,683,096	2,683,096	2,599,268	(83,828)
Federal	213,932	257,840	238,048	(19,792)
Total revenues	<u>\$ 6,104,623</u>	<u>\$ 5,659,773</u>	<u>\$ 5,532,023</u>	<u>\$ (127,750)</u>
EXPENDITURES				
Current:				
Education	\$ 6,213,818	\$ 6,537,615	\$ 6,028,885	\$ 508,730
Total expenditures	<u>\$ 6,213,818</u>	<u>\$ 6,537,615</u>	<u>\$ 6,028,885</u>	<u>\$ 508,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (109,195)</u>	<u>\$ (877,842)</u>	<u>\$ (496,862)</u>	<u>\$ 380,980</u>
Net change in fund balances	\$ (109,195)	\$ (877,842)	\$ (496,862)	\$ 380,980
Fund balances - beginning	-	-	953,171	953,171
Fund balances - ending	<u>\$ (109,195)</u>	<u>\$ (877,842)</u>	<u>\$ 456,309</u>	<u>\$ 1,334,151</u>

DISCRETELY PRESENTED NONMAJOR COMPONENT UNITS

NON MAJOR GOVERNMENTAL FUNDS

The following discretely presented component units have been determined by the management of the City of Lexington to be nonmajor.

Central Dispatch - This component unit consists of a single General Fund which accounts for the general operations of the Central Dispatch emergency response services. Financing is provided by specific allocations from the state as well as appropriations from the primary government, the City of Buena Vista, the County of Rockbridge, and Virginia Military Institute.

Rockbridge Area Recreation Organization (RARO) - This component unit consists of a single General Fund which accounts for recreational activities provided to area youth and adults. Financing is provided by appropriations from the primary government and the County of Rockbridge.

Regional Tourism - This component unit consists of a single General Fund which accounts for the promotion of tourism in the area. Financing is provided by specific allocations from the state as well as appropriations from the primary government, the City of Buena Vista, and the County of Rockbridge.

Industrial Development Authority - This component unit consists of a single General Fund which accounts for the promotion of industry and develop trade by inducing enterprises to locate and remain in Virginia.

City of Lexington, Virginia
Combining Balance Sheet
Discretely Presented Nonmajor Component Units
June 30, 2014

	Central Dispatch Fund	Rockbridge Area Recreation Organization Fund	Regional Tourism Fund	Industrial Development Authority	Total
ASSETS					
Cash and cash equivalents	\$ 86,524	\$ -	\$ 351,928	\$ 98,675	\$ 537,127
Investments				260,000	260,000
Receivables (net of allowance for uncollectibles):					
Accounts receivable	601	38,493	520	-	39,614
Due from other funds	20,018	7,191	7,602	-	34,811
Restricted assets:					
Cash and cash equivalents	-	13,372	-	-	13,372
Total assets	\$ 107,143	\$ 59,056	\$ 360,050	\$ 358,675	\$ 884,924
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 29,888	\$ 5,906	\$ 26,359	\$ -	\$ 62,153
Payroll liabilities	20,018	7,191	7,602	-	34,811
Reconciled overdraft	-	24,603	-	-	24,603
Total liabilities	\$ 49,906	\$ 37,700	\$ 33,961	\$ -	\$ 121,567
Fund balances:					
Restricted	\$ -	\$ 13,372	\$ -	\$ -	\$ 13,372
Committed	57,237	7,984	326,089	358,675	749,985
Total fund balances	\$ 57,237	\$ 21,356	\$ 326,089	\$ 358,675	\$ 763,357
Total liabilities and fund balances	\$ 107,143	\$ 59,056	\$ 360,050	\$ 358,675	\$ 884,924

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above \$ 763,357

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

Improvements other than buildings	\$ 5,958	
Machinery and equipment	565,092	
Construction in progress	17,544	588,594

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences		(65,179)
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Net position of governmental activities		<u>\$ 1,286,772</u>
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City of Lexington, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Nonmajor Component Units
For the Year Ended June 30, 2014

	Rockbridge Area				Total
	Central Dispatch Fund	Recreation Organization Fund	Regional Tourism Fund	Industrial Development Authority	
REVENUES					
Revenue from the use of money and property	\$ 695	\$ 14	\$ -	\$ 9,635	\$ 10,344
Charges for services	-	103,006	5,788	-	108,794
Miscellaneous	1,715	37,367	239	-	39,321
Recovered costs	964,620	258,339	411,199	12,100	1,646,258
Intergovernmental:					
Local government	234,112	69,957	200,709	-	504,778
Commonwealth	146,866	-	2,100	-	148,966
Total revenues	<u>\$ 1,348,008</u>	<u>\$ 468,683</u>	<u>\$ 620,035</u>	<u>\$ 21,735</u>	<u>\$ 2,458,461</u>
EXPENDITURES					
Current:					
Public safety	\$ 1,395,008	\$ -	\$ -	\$ -	\$ 1,395,008
Parks, recreation, and cultural	-	468,670	-	-	468,670
Community development	-	-	687,764	12,100	699,864
Total expenditures	<u>\$ 1,395,008</u>	<u>\$ 468,670</u>	<u>\$ 687,764</u>	<u>\$ 12,100</u>	<u>\$ 2,563,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (47,000)</u>	<u>\$ 13</u>	<u>\$ (67,729)</u>	<u>\$ 9,635</u>	<u>\$ (105,081)</u>
Net change in fund balances	\$ (47,000)	\$ 13	\$ (67,729)	\$ 9,635	\$ (105,081)
Fund balances - beginning	104,237	21,343	393,818	349,040	868,438
Fund balances - ending	<u>\$ 57,237</u>	<u>\$ 21,356</u>	<u>\$ 326,089</u>	<u>\$ 358,675</u>	<u>\$ 763,357</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ (105,081)

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 capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 249,221	
Depreciation expenses	<u>(109,803)</u>	139,418

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.

Decrease (increase) in compensated absences		(2,823)
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Change in net position of governmental activities		<u>\$ 31,514</u>
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City of Lexington, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Nonmajor Component Units
 For the Year Ended June 30, 2014

	Central Dispatch Fund				Rockbridge Area Recreation Organization (RARO)			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ 500	\$ 500	\$ 695	\$ 195	\$ -	\$ -	\$ 14	\$ 14
Charges for services	-	-	-	-	123,266	123,266	103,006	(20,260)
Miscellaneous	100	100	1,715	1,615	29,213	29,213	37,367	8,154
Recovered costs	1,043,450	972,281	964,620	(7,661)	252,511	252,511	258,339	5,828
Intergovernmental:								
Local government	235,972	235,972	234,112	(1,860)	84,171	84,171	69,957	(14,214)
Commonwealth	105,279	176,448	146,866	(29,582)	-	-	-	-
Total revenues	\$ 1,385,301	\$ 1,385,301	\$ 1,348,008	\$ (37,293)	\$ 489,161	\$ 489,161	\$ 468,683	\$ (20,478)
EXPENDITURES								
Current:								
Public safety	\$ 1,385,301	\$ 1,482,301	\$ 1,395,008	\$ 87,293	\$ -	\$ -	\$ -	\$ -
Parks, recreation, and cultural	-	-	-	-	489,161	489,161	468,670	20,491
Community development	-	-	-	-	-	-	-	-
Total expenditures	\$ 1,385,301	\$ 1,482,301	\$ 1,395,008	\$ 87,293	\$ 489,161	\$ 489,161	\$ 468,670	\$ 20,491
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (97,000)	\$ (47,000)	\$ 50,000	\$ -	\$ -	\$ 13	\$ 13
Net change in fund balances	\$ -	\$ (97,000)	\$ (47,000)	\$ 50,000	\$ -	\$ -	\$ 13	\$ 13
Fund balances - beginning	-	-	104,237	104,237	-	-	21,343	21,343
Fund balances - ending	\$ -	\$ (97,000)	\$ 57,237	\$ 154,237	\$ -	\$ -	\$ 21,356	\$ 21,356

City of Lexington, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Nonmajor Component Units
For the Year Ended June 30, 2014

	Regional Tourism				Industrial Development Authority			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,635	\$ 9,635
Charges for services	3,200	3,200	5,788	2,588	-	-	-	-
Miscellaneous	6,200	6,200	239	(5,961)	-	-	-	-
Recovered costs	411,199	411,199	411,199	-	-	-	12,100	12,100
Intergovernmental:								
Local government	200,709	200,709	200,709	-	-	-	-	-
Commonwealth	-	-	2,100	2,100	-	-	-	-
Total revenues	\$ 621,308	\$ 621,308	\$ 620,035	\$ (1,273)	\$ -	\$ -	\$ 21,735	\$ 21,735
EXPENDITURES								
Current:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parks, recreation, and cultural	-	-	-	-	-	-	-	-
Community development	621,308	672,308	687,764	(15,456)	-	-	12,100	(12,100)
Total expenditures	\$ 621,308	\$ 672,308	\$ 687,764	\$ (15,456)	\$ -	\$ -	\$ 12,100	\$ (12,100)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (51,000)	\$ (67,729)	\$ (16,729)	\$ -	\$ -	\$ 9,635	\$ 9,635
Net change in fund balances	\$ -	\$ (51,000)	\$ (67,729)	\$ (16,729)	\$ -	\$ -	\$ 9,635	\$ 9,635
Fund balances - beginning	-	-	393,818	393,818	-	-	349,040	349,040
Fund balances - ending	\$ -	\$ (51,000)	\$ 326,089	\$ 377,089	\$ -	\$ -	\$ 358,675	\$ 358,675

Supporting Schedules

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,597,000	\$ 4,597,000	\$ 4,818,466	\$ 221,466
Real and personal public service corporation taxes	140,000	140,000	144,130	4,130
Personal property taxes	595,400	595,400	714,609	119,209
Penalties	32,500	32,500	46,312	13,812
Interest	23,700	23,700	54,311	30,611
Total general property taxes	\$ 5,388,600	\$ 5,388,600	\$ 5,777,828	\$ 389,228
Other local taxes:				
Local sales and use taxes	\$ 876,000	\$ 876,000	\$ 860,344	\$ (15,656)
Consumers' utility taxes	285,000	285,000	312,675	27,675
Consumption taxes	26,000	26,000	27,050	1,050
Business license taxes	580,000	580,000	603,382	23,382
Bank stock taxes	106,000	106,000	113,372	7,372
Taxes on recordation and wills	50,000	50,000	46,790	(3,210)
Hotel and motel room taxes	260,000	260,000	254,137	(5,863)
Restaurant food taxes	928,000	928,000	927,288	(712)
Total other local taxes	\$ 3,111,000	\$ 3,111,000	\$ 3,145,038	\$ 34,038
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,700	\$ 5,700	\$ 5,173	\$ (527)
Building permits	48,000	48,000	172,438	124,438
Excavation permits	-	-	3,412	3,412
Hunting and fishing permits	100	100	62	(38)
Permits and other licenses	3,000	3,000	5,832	2,832
Total permits, privilege fees, and regulatory licenses	\$ 56,800	\$ 56,800	\$ 186,917	\$ 130,117
Fines and forfeitures:				
Court fines and forfeitures	\$ 48,700	\$ 48,700	\$ 34,662	\$ (14,038)
Parking fines	40,000	40,000	40,040	40
Courthouse fees	8,800	8,800	11,384	2,584
Total fines and forfeitures	\$ 97,500	\$ 97,500	\$ 86,086	\$ (11,414)
Revenue from use of money and property:				
Revenue from use of money	\$ 52,125	\$ 52,125	\$ 53,610	\$ 1,485
Revenue from use of property	37,300	37,300	55,022	17,722
Total revenue from use of money and property	\$ 89,425	\$ 89,425	\$ 108,632	\$ 19,207
Charges for services:				
Charges for finance	\$ 65,000	\$ 65,000	\$ 62,138	\$ (2,862)
Charges for public safety	16,121	16,121	12,392	(3,729)
Charges for youth services	9,800	9,800	8,215	(1,585)
Charges for public works	42,000	42,000	52,174	10,174
Charges for grave openings	31,700	31,700	43,950	12,250

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for rescue services	\$ 435,000	\$ 435,000	\$ 406,592	\$ (28,408)
Charges for burial spaces	22,000	33,500	57,000	23,500
Charges for recreation	73,100	73,100	66,253	(6,847)
Charges for sanitation and waste removal	138,610	138,610	138,520	(90)
Charges for landfill fees	128,428	128,428	108,426	(20,002)
Charges for community activity support	6,100	6,100	7,200	1,100
Charges for farmer's market	2,940	2,940	2,490	(450)
Charges for other services	150	150	3,610	3,460
Total charges for services	\$ 970,949	\$ 982,449	\$ 968,960	\$ (13,489)
Miscellaneous revenue:				
Miscellaneous	\$ 449,412	\$ 453,557	\$ 528,783	\$ 75,226
County revenue sharing	1,721,750	1,721,750	1,742,885	21,135
Total miscellaneous revenue	\$ 2,171,162	\$ 2,175,307	\$ 2,271,668	\$ 96,361
Recovered costs:				
Joint services fire and rescue	\$ 230,000	\$ 230,000	\$ 258,596	\$ 28,596
Joint services jail	128,349	128,349	128,349	-
Parking Garage	1,700	1,700	1,304	(396)
Insurance	-	19,103	22,994	3,891
Other recovered costs	-	-	3,823	3,823
Total recovered costs	\$ 360,049	\$ 379,152	\$ 415,066	\$ 35,914
Total revenue from local sources	\$ 12,245,485	\$ 12,280,233	\$ 12,960,195	\$ 679,962
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 100	\$ 100	\$ 72	\$ (28)
Mobile home titling tax	-	-	90	90
Motor vehicle rental tax	2,800	2,800	3,195	395
State recordation tax	14,000	14,000	14,656	656
Communications tax	333,000	333,000	323,397	(9,603)
Personal property tax relief funds	581,200	581,200	581,419	219
Other noncategorical aid	900	900	844	(56)
Total noncategorical aid	\$ 932,000	\$ 932,000	\$ 923,673	\$ (8,327)
Categorical aid:				
Shared expenses:				
Law enforcement	\$ 191,200	\$ 191,200	\$ 191,280	\$ 80
Commissioner of revenue	73,731	73,731	73,696	(35)
Treasurer	58,323	58,323	57,504	(819)
Registrar/electoral board	29,200	29,200	27,422	(1,778)
Total shared expenses	\$ 352,454	\$ 352,454	\$ 349,902	\$ (2,552)

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Street maintenance	\$ 630,698	\$ 1,242,536	\$ 905,868	\$ (336,668)
Welfare payments	178,000	207,452	228,388	20,936
Comprehensive services	72,044	72,044	72,054	10
Fire program grant	18,825	36,239	34,229	(2,010)
Four for life	3,500	3,500	3,835	335
Forfeited asset sharing	-	139	139	-
Arts grant	5,000	5,000	5,000	-
DOF grant	-	-	485	485
DMV grant	-	-	5,913	5,913
Attorney general grant	-	76,272	76,262	(10)
Total other categorical aid	<u>\$ 908,067</u>	<u>\$ 1,643,182</u>	<u>\$ 1,332,173</u>	<u>\$ (311,009)</u>
Total categorical aid	<u>\$ 1,260,521</u>	<u>\$ 1,995,636</u>	<u>\$ 1,682,075</u>	<u>\$ (313,561)</u>
Total revenue from the Commonwealth	<u>\$ 2,192,521</u>	<u>\$ 2,927,636</u>	<u>\$ 2,605,748</u>	<u>\$ (321,888)</u>
Revenue from the federal government:				
Categorical aid:				
Federal Public Assistance	\$ 22,000	\$ 22,000	\$ 1,064	\$ (20,936)
Department of motor vehicles grant	7,500	7,500	2,582	(4,918)
Department of justice grants	1,350	1,350	1,282	(68)
Criminal justice services grant	4,000	4,000	-	(4,000)
Total categorical aid	<u>\$ 34,850</u>	<u>\$ 34,850</u>	<u>\$ 4,928</u>	<u>\$ (29,922)</u>
Total revenue from the federal government	<u>\$ 34,850</u>	<u>\$ 34,850</u>	<u>\$ 4,928</u>	<u>\$ (29,922)</u>
Total General Fund	<u>\$ 14,472,856</u>	<u>\$ 15,242,719</u>	<u>\$ 15,570,871</u>	<u>\$ 328,152</u>
Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 14,450	\$ 51,470	\$ 37,020
Revenue from local governments:				
Contribution from City of Lexington, Virginia - School Board	\$ -	\$ 435,129	\$ 435,129	\$ -
Total revenue from local sources	<u>\$ -</u>	<u>\$ 449,579</u>	<u>\$ 486,599</u>	<u>\$ 37,020</u>

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
TEA - 21 grant	\$ -	\$ -	\$ 13,105	\$ 13,105
CDBG	-	-	45,448	45,448
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,553</u>	<u>\$ 58,553</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,553</u>	<u>\$ 58,553</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 449,579</u>	<u>\$ 545,152</u>	<u>\$ 95,573</u>
Permanent Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 152,527	\$ 152,527
Total Permanent Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,527</u>	<u>\$ 152,527</u>
Total Primary Government	<u>\$ 14,472,856</u>	<u>\$ 15,692,298</u>	<u>\$ 16,268,550</u>	<u>\$ 576,252</u>
Discretely Presented Component Units:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 300	\$ 300	\$ 219	\$ (81)
Revenue from the use of property	4,300	4,300	3,600	(700)
Total revenue from use of money and property	<u>\$ 4,600</u>	<u>\$ 4,600</u>	<u>\$ 3,819</u>	<u>\$ (781)</u>
Charges for services:				
Cafeteria sales	\$ 70,000	\$ 70,000	\$ 49,519	\$ (20,481)
Tuition and payments from other divisions	180,000	180,000	173,235	(6,765)
Total charges for services	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 222,754</u>	<u>\$ (27,246)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 600	\$ 1,971	\$ 3,246	\$ 1,275
Recovered costs:				
Other recovered costs	\$ 10,000	\$ 10,000	\$ 12,622	\$ 2,622
Total revenue from local sources	<u>\$ 265,200</u>	<u>\$ 266,571</u>	<u>\$ 242,441</u>	<u>\$ (24,130)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Lexington, Virginia	<u>\$ 2,942,395</u>	<u>\$ 2,452,266</u>	<u>\$ 2,452,266</u>	<u>\$ -</u>

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Units: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 433,061	\$ 433,061	\$ 441,787	\$ 8,726
Basic school aid	1,531,721	1,531,721	1,461,291	(70,430)
Remedial summer education	15,425	15,425	15,191	(234)
Gifted and talented	15,364	15,364	14,702	(662)
Remedial education	22,193	22,193	21,237	(956)
Compensation Supplement	-	-	33,220	33,220
Special education	161,835	161,835	153,523	(8,312)
Textbook payment	30,636	30,636	29,316	(1,320)
Regional programs	6,826	6,826	8,546	1,720
Social security fringe benefits	92,867	92,867	88,694	(4,173)
Retirement fringe benefits	155,006	155,006	147,044	(7,962)
Group life insurance instructional	5,804	5,804	5,554	(250)
Early reading intervention	6,171	6,171	7,713	1,542
Homebound education	-	-	185	185
At risk payments	8,735	8,735	8,368	(367)
School food	1,552	1,552	1,457	(95)
Technology	102,000	102,000	102,000	-
Vocational education	29,704	29,704	28,425	(1,279)
Mentor teacher program	-	-	227	227
English as a second language	9,133	9,133	7,954	(1,179)
Comp Index Hold Harmless	34,729	34,729	-	(34,729)
National Board Certified	-	-	2,500	2,500
Other state funds	20,334	20,334	20,334	-
Total categorical aid	<u>\$ 2,683,096</u>	<u>\$ 2,683,096</u>	<u>\$ 2,599,268</u>	<u>\$ (83,828)</u>
Total revenue from the Commonwealth	<u>\$ 2,683,096</u>	<u>\$ 2,683,096</u>	<u>\$ 2,599,268</u>	<u>\$ (83,828)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 51,096	\$ 48,415	\$ 44,122	\$ (4,293)
Title VI-B - Special education, grants to states	115,291	127,186	110,068	(17,118)
National School lunch program	35,000	35,000	47,837	12,837
Title II, part A	-	31,079	17,162	(13,917)
Title III, part A	-	3,615	2,896	(719)
Headstart	12,545	12,545	15,963	3,418
Total categorical aid	<u>\$ 213,932</u>	<u>\$ 257,840</u>	<u>\$ 238,048</u>	<u>\$ (19,792)</u>
Total revenue from the federal government	<u>\$ 213,932</u>	<u>\$ 257,840</u>	<u>\$ 238,048</u>	<u>\$ (19,792)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 6,104,623</u>	<u>\$ 5,659,773</u>	<u>\$ 5,532,023</u>	<u>\$ (127,750)</u>

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Units: (Continued)				
Nonmajor Funds:				
Central Dispatch Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 500	\$ 500	\$ 695	\$ 195
Miscellaneous revenue:				
Other miscellaneous	\$ 100	\$ 100	\$ 1,715	\$ 1,615
Recovered costs:				
City of Buena Vista	\$ 215,432	\$ 215,432	\$ 213,734	\$ (1,698)
County of Rockbridge	779,930	708,761	703,176	(5,585)
VMI	48,088	48,088	47,710	(378)
Total recovered costs	\$ 1,043,450	\$ 972,281	\$ 964,620	\$ (7,661)
Total revenue from local sources	\$ 1,044,050	\$ 972,881	\$ 967,030	\$ (5,851)
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Lexington, Virginia	\$ 235,972	\$ 235,972	\$ 234,112	\$ (1,860)
Revenue from the Commonwealth:				
Categorical aid:				
Virginia wireless	\$ 105,279	\$ 105,279	\$ 97,862	\$ (7,417)
Compensation board	-	71,169	49,004	(22,165)
Total categorical aid	105,279	176,448	146,866	(29,582)
Total revenue from the Commonwealth	105,279	176,448	146,866	(29,582)
Total Central Dispatch Fund	\$ 1,385,301	\$ 1,385,301	\$ 1,348,008	\$ (37,293)
Rockbridge Area Recreation Organization (RARO):				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 14	\$ 14
Charges for services:				
Charges for programs	\$ 123,266	\$ 123,266	\$ 103,006	\$ (20,260)
Miscellaneous revenue:				
Other miscellaneous	\$ 29,213	\$ 29,213	\$ 37,367	\$ 8,154
Recovered costs:				
County of Rockbridge	\$ 252,511	\$ 252,511	\$ 258,339	\$ 5,828
Total revenue from local sources	\$ 404,990	\$ 404,990	\$ 398,726	\$ (6,264)

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Units: (Continued)				
Nonmajor Funds: (Continued)				
Rockbridge Area Recreation Organization (RARO): (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Lexington, Virginia	\$ 84,171	\$ 84,171	\$ 69,957	\$ (14,214)
Total Rockbridge Area Recreation Organization (RARO)	<u>\$ 489,161</u>	<u>\$ 489,161</u>	<u>\$ 468,683</u>	<u>\$ (20,478)</u>
Regional Tourism:				
Revenue from local sources:				
Charges for services:				
Charges for tours	\$ 3,200	\$ 3,200	\$ 1,678	\$ (1,522)
Other charges for services	-	-	4,110	4,110
Total charges for services	<u>\$ 3,200</u>	<u>\$ 3,200</u>	<u>\$ 5,788</u>	<u>\$ 2,588</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 6,200	\$ 6,200	\$ 239	\$ (5,961)
Recovered costs:				
City of Buena Vista	\$ 41,216	\$ 41,216	\$ 41,216	\$ -
County of Rockbridge	369,983	369,983	369,983	-
Total recovered costs	<u>\$ 411,199</u>	<u>\$ 411,199</u>	<u>\$ 411,199</u>	<u>\$ -</u>
Total revenue from local sources	<u>\$ 420,599</u>	<u>\$ 420,599</u>	<u>\$ 417,226</u>	<u>\$ (3,373)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Lexington, Virginia	\$ 200,709	\$ 200,709	\$ 200,709	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ -	\$ -	\$ 2,100	\$ 2,100
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,100</u>	<u>\$ 2,100</u>
Total Regional Tourism	<u>\$ 621,308</u>	<u>\$ 621,308</u>	<u>\$ 620,035</u>	<u>\$ (1,273)</u>

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Units: (Continued)				
Nonmajor Funds: (Continued)				
Industrial Development Authority:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 9,635	\$ 9,635
Recovered costs:				
R E Lee hotel parking lot	\$ -	\$ -	\$ 12,100	\$ 12,100
Total revenue from local sources	\$ -	\$ -	\$ 21,735	\$ 21,735
Total Industrial Development Authority	\$ -	\$ -	\$ 21,735	\$ 21,735
Total Nonmajor Component Units	\$ 2,495,770	\$ 2,495,770	\$ 2,458,461	\$ (37,309)

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
City council	\$ 52,064	\$ 52,209	\$ 50,545	\$ 1,664
General and financial administration:				
City manager	\$ 200,724	\$ 200,724	\$ 185,010	\$ 15,714
Director of finance	359,555	359,555	361,044	(1,489)
City attorney	92,572	92,572	96,701	(4,129)
Commissioner of revenue	236,776	236,776	238,033	(1,257)
Assessment board	52,150	52,150	36,999	15,151
Treasurer	179,402	179,402	165,226	14,176
Human Resources	70,385	70,385	63,008	7,377
Information technology	145,131	160,131	154,319	5,812
Total general and financial administration	<u>\$ 1,336,695</u>	<u>\$ 1,351,695</u>	<u>\$ 1,300,340</u>	<u>\$ 51,355</u>
Board of elections:				
Electoral board and officials	\$ 56,644	\$ 56,644	\$ 53,500	\$ 3,144
Total general government administration	<u>\$ 1,445,403</u>	<u>\$ 1,460,548</u>	<u>\$ 1,404,385</u>	<u>\$ 56,163</u>
Judicial administration:				
Courts:				
Judicial services	\$ 219,180	\$ 219,180	\$ 221,729	\$ (2,549)
VJCCCA services	80,015	80,015	77,038	2,977
Total judicial administration	<u>\$ 299,195</u>	<u>\$ 299,195</u>	<u>\$ 298,767</u>	<u>\$ 428</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,637,750	\$ 1,728,087	\$ 1,556,788	\$ 171,299
Contributions to Central dispatch - component unit	310,972	310,972	241,430	69,542
Total law enforcement and traffic control	<u>\$ 1,948,722</u>	<u>\$ 2,039,059</u>	<u>\$ 1,798,218</u>	<u>\$ 240,841</u>
Fire and rescue services:				
Fire department	\$ 1,196,774	\$ 1,126,531	\$ 1,113,972	\$ 12,559
Fire department - reserve activity	12,200	12,200	4,769	7,431
Rescue services - reserve activity	-	160,506	100,900	59,606
Total fire and rescue services	<u>\$ 1,208,974</u>	<u>\$ 1,299,237</u>	<u>\$ 1,219,641</u>	<u>\$ 79,596</u>
Correction and detention:				
Juvenile probation and detention	\$ 100,420	\$ 187,310	\$ 157,803	\$ 29,507
Special services	82,581	82,581	81,259	1,322
Contributions to rockbridge regional jail	-	-	570,707	(570,707)
Total correction and detention	<u>\$ 183,001</u>	<u>\$ 269,891</u>	<u>\$ 809,769</u>	<u>\$ (539,878)</u>
Total public safety	<u>\$ 3,340,697</u>	<u>\$ 3,608,187</u>	<u>\$ 3,827,628</u>	<u>\$ (219,441)</u>

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 423,258	\$ 1,096,596	\$ 821,326	\$ 275,270
Public works labor pool	247,169	247,169	124,325	122,844
Equipment operations	263,841	263,841	286,516	(22,675)
Pavement Maintenance	233,886	177,386	60,387	116,999
Drain Maintenance	55,494	55,494	52,100	3,394
Snow Removal	51,424	51,424	75,550	(24,126)
Traffic	217,016	217,016	237,348	(20,332)
Parking Garage	13,019	13,019	13,211	(192)
Emergency Need	2,300	2,300	-	2,300
Community activity support	65,547	65,804	49,339	16,465
Public works administration	155,828	155,828	161,314	(5,486)
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 1,728,782</u>	<u>\$ 2,345,877</u>	<u>\$ 1,881,416</u>	<u>\$ 464,461</u>
Sanitation and waste removal:				
Solid waste management	\$ 921,011	\$ 921,011	\$ 843,293	\$ 77,718
Maintenance of general buildings and grounds:				
General properties	\$ 126,714	\$ 126,714	\$ 123,725	\$ 2,989
Park maintenance	208,205	263,205	232,248	30,957
Cemeteries maintenance	125,592	125,592	130,624	(5,032)
Total maintenance of general buildings and grounds	<u>\$ 460,511</u>	<u>\$ 515,511</u>	<u>\$ 486,597</u>	<u>\$ 28,914</u>
Total public works	<u>\$ 3,110,304</u>	<u>\$ 3,782,399</u>	<u>\$ 3,211,306</u>	<u>\$ 571,093</u>
Health and welfare:				
Health:				
Health and welfare	\$ 611,858	\$ 755,570	\$ 743,989	\$ 11,581
Youth services administration	74,657	74,657	71,829	2,828
Total health and welfare	<u>\$ 686,515</u>	<u>\$ 830,227</u>	<u>\$ 815,818</u>	<u>\$ 14,409</u>
Education:				
Other instructional costs:				
Contribution to City School Board - component unit	\$ 2,887,395	\$ 2,887,395	\$ 2,887,395	-
Parks, recreation, and cultural:				
Parks and recreation:				
Leisure services contributions	\$ 256,643	\$ 256,643	\$ 260,657	\$ (4,014)
Municipal swimming pool	122,836	126,836	129,612	(2,776)
Contribution to RARO - component unit	84,171	84,171	69,957	14,214
Total parks, recreation, and cultural	<u>\$ 463,650</u>	<u>\$ 467,650</u>	<u>\$ 460,226</u>	<u>\$ 7,424</u>

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning and development	\$ 144,385	\$ 152,029	\$ 117,400	\$ 34,629
Housing program	3,900	3,900	2,152	1,748
City Arborist	33,524	33,524	33,882	(358)
Community development contributions	316,873	413,471	359,798	53,673
Water quality management	-	17,656	-	17,656
Contribution to regional tourism - component unit	200,709	200,709	200,709	-
Total community development	<u>\$ 699,391</u>	<u>\$ 821,289</u>	<u>\$ 713,941</u>	<u>\$ 107,348</u>
Nondepartmental:				
Nondepartmental	\$ 256,220	\$ 433,304	\$ 346,841	\$ 86,463
Debt service:				
Principal retirement	\$ 950,273	\$ 950,273	\$ 987,299	\$ (37,026)
Interest and other fiscal charges	462,666	462,666	449,760	12,906
Bond issuance costs	-	-	130,389	(130,389)
Total debt service	<u>\$ 1,412,939</u>	<u>\$ 1,412,939</u>	<u>\$ 1,567,448</u>	<u>\$ (154,509)</u>
Total General Fund	<u>\$ 14,601,709</u>	<u>\$ 16,003,133</u>	<u>\$ 15,533,755</u>	<u>\$ 469,378</u>
Capital Projects Fund:				
General government administration:				
General and financial administration:				
City hall improvements	\$ -	\$ 333,000	\$ 3,500	\$ 329,500
WES-Replace	100,000	1,025,229	672,379	352,850
Hopkins green improvement	21,500	21,500	15,609	5,891
Energy efficient project	-	77,000	-	77,000
Total general and financial administration	<u>\$ 121,500</u>	<u>\$ 1,456,729</u>	<u>\$ 691,488</u>	<u>\$ 765,241</u>
Total general government administration	<u>\$ 121,500</u>	<u>\$ 1,456,729</u>	<u>\$ 691,488</u>	<u>\$ 765,241</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Courthouse square lot improvement	\$ -	\$ 20,000	\$ -	\$ 20,000
Randolph street utility line	-	302,865	32,976	269,889
Miscellaneous access improvements	5,000	5,000	-	5,000
Moore street drainage improvements	-	24,250	-	24,250
Miscellaneous storm drainage projects	75,000	75,000	-	75,000
Nelson street bridge	20,000	53,146	46,844	6,302
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 100,000</u>	<u>\$ 480,261</u>	<u>\$ 79,820</u>	<u>\$ 400,441</u>
Total public works	<u>\$ 100,000</u>	<u>\$ 480,261</u>	<u>\$ 79,820</u>	<u>\$ 400,441</u>

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Brewbaker field	\$ -	\$ 10,000	\$ 2,200	\$ 7,800
Jordan's point park	-	9,545	10,160	(615)
Jordan's point park trail connection	-	399,792	-	399,792
Skateboard park	-	13,170	12,930	240
Sarah's run footbridge	-	24,675	-	24,675
Swimming pool	10,000	10,000	9,562	438
Total parks and recreation	<u>\$ 10,000</u>	<u>\$ 467,182</u>	<u>\$ 34,852</u>	<u>\$ 432,330</u>
Total parks, recreation, and cultural	<u>\$ 10,000</u>	<u>\$ 467,182</u>	<u>\$ 34,852</u>	<u>\$ 432,330</u>
Community development				
Planning and community development				
Thompson's knoll housing project	\$ -	\$ 314,105	\$ 153,121	160,984
Total community development	<u>\$ -</u>	<u>\$ 314,105</u>	<u>\$ 153,121</u>	<u>\$ 160,984</u>
Total Capital Projects Fund	<u>\$ 231,500</u>	<u>\$ 2,718,277</u>	<u>\$ 959,281</u>	<u>\$ 1,758,996</u>
Permanent Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Cemetery	\$ -	\$ -	\$ 28,655	\$ (28,655)
Total Permanent Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,655</u>	<u>\$ (28,655)</u>
Total Primary Government	<u>\$ 14,833,209</u>	<u>\$ 18,721,410</u>	<u>\$ 16,521,691</u>	<u>\$ 2,199,719</u>
Discretely Presented Component Units:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance, & health	\$ 425,827	\$ 425,827	\$ 420,379	\$ 5,448
Instruction costs:				
Classroom instruction	\$ 5,071,341	\$ 5,395,138	\$ 4,922,006	\$ 473,132
OPEB contribution	2,300	2,300	-	2,300
Total instruction costs	<u>5,073,641</u>	<u>5,397,438</u>	<u>4,922,006</u>	<u>475,432</u>

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Units: (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
School food services:				
Administration of school food program	\$ 178,180	\$ 178,180	\$ 155,531	\$ 22,649
Operating costs:				
Operation and maintenance of school plant	\$ 536,170	\$ 536,170	\$ 530,969	\$ 5,201
Total education	\$ 6,213,818	\$ 6,537,615	\$ 6,028,885	\$ 508,730
Total Discretely Presented Component Unit - School Board	\$ 6,213,818	\$ 6,537,615	\$ 6,028,885	\$ 508,730
Nonmajor Funds:				
Central Dispatch Fund:				
Public safety:				
Law enforcement and traffic control:				
Central dispatch	\$ 1,385,301	\$ 1,482,301	\$ 1,395,008	\$ 87,293
Total Central Dispatch Fund	\$ 1,385,301	\$ 1,482,301	\$ 1,395,008	\$ 87,293
Rockbridge Area Recreation Organization (RARO):				
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 317,272	\$ 317,272	\$ 310,464	\$ 6,808
Programs	171,889	171,889	158,206	13,683
Total parks and recreation	\$ 489,161	\$ 489,161	\$ 468,670	\$ 20,491
Total Rockbridge Area Recreation Organization (RARO)	\$ 489,161	\$ 489,161	\$ 468,670	\$ 20,491
Regional Tourism:				
Community development:				
Planning and community development:				
Tourism	\$ 621,308	\$ 672,308	\$ 687,764	\$ (15,456)
Total Regional Tourism	\$ 621,308	\$ 672,308	\$ 687,764	\$ (15,456)
Industrial Development Authority:				
Community development:				
Economic development	\$ -	\$ -	\$ 12,100	\$ (12,100)
Total Industrial Development Authority	\$ -	\$ -	\$ 12,100	\$ (12,100)
Total Discretely Presented Component Units - Nonmajor Funds	\$ 2,495,770	\$ 2,643,770	\$ 2,563,542	\$ 80,228

STATISTICAL SECTION

Table 1

City of Lexington, Virginia
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 6,443	\$ (4,091)	\$ 9,404	\$ 11,611	\$ 6,086	\$ 7,378	\$ 6,955	\$ 7,401	\$ 7,464	\$ 9,090
Restricted	1,404	1,394	1,522	1,434	1,269	1,314	1,479	1,403	1,576	1,729
Unrestricted	7,101	18,925	7,113	4,219	7,682	9,977	9,721	8,880	10,038	8,804
Total governmental activities net position	\$ 14,948	\$ 16,228	\$ 18,039	\$ 17,264	\$ 15,037	\$ 18,669	\$ 18,155	\$ 17,684	\$ 19,078	\$ 19,623
Business-type activities										
Net investment in capital assets	\$ 1,247	\$ 1,332	\$ 1,635	\$ 1,812	\$ 1,864	\$ 1,921	\$ 2,036	\$ 2,769	\$ 2,660	\$ 2,869
Unrestricted	1,188	954	546	561	627	834	1,204	2,066	2,419	2,700
Total business-type activities	\$ 2,435	\$ 2,286	\$ 2,181	\$ 2,373	\$ 2,491	\$ 2,755	\$ 3,240	\$ 4,835	\$ 5,079	\$ 5,569
Primary Government										
Net investment in capital assets	\$ 7,690	\$ (2,759)	\$ 11,039	\$ 13,423	\$ 7,950	\$ 9,299	\$ 8,991	\$ 10,170	\$ 10,124	\$ 11,959
Restricted for perpetual care	1,404	1,394	1,522	1,434	1,269	1,314	1,479	1,403	1,576	1,729
Unrestricted	8,289	19,879	7,659	4,780	8,309	10,811	10,925	10,946	12,457	11,504
Total primary government net position	\$ 17,383	\$ 18,514	\$ 20,220	\$ 19,637	\$ 17,528	\$ 21,424	\$ 21,395	\$ 22,519	\$ 24,157	\$ 25,192

City of Lexington, Virginia
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government administration	\$ 929	\$ 1,036	\$ 1,121	\$ 1,299	\$ 1,252	\$ 1,292	\$ 1,222	\$ 1,394	\$ 1,203	\$ 2,155
Judicial administration	474	551	1,281	3,252	2,813	258	264	254	285	299
Public Safety	2,082	2,151	2,178	2,425	2,684	2,586	2,569	2,739	2,945	3,491
Public Works	2,468	2,793	2,362	3,005	3,063	2,971	3,046	2,564	3,210	3,566
Health and welfare	746	654	569	628	565	652	751	736	680	816
Education	1,758	1,806	1,893	2,187	2,553	1,874	3,008	2,559	2,873	2,369
Parks, recreation and cultural	468	529	518	672	871	600	530	589	572	745
Community development	541	558	811	759	706	716	1,196	1,108	782	718
Non-departmental	156	38	-	-	10	-	-	-	-	-
Interest on long-term debt	3	383	725	615	584	562	602	563	734	597
Total governmental activities expenses	\$ 9,625	\$ 10,499	\$ 11,458	\$ 14,842	\$ 15,101	\$ 11,511	\$ 13,188	\$ 12,506	\$ 13,284	\$ 14,756
Business-type activities:										
Utility fund	\$ 4,119	\$ 4,348	\$ 4,311	\$ 4,478	\$ 4,497	\$ 4,510	\$ 4,724	\$ 5,254	\$ 5,252	\$ 5,333
Total business-type activities	\$ 4,119	\$ 4,348	\$ 4,311	\$ 4,478	\$ 4,497	\$ 4,510	\$ 4,724	\$ 5,254	\$ 5,252	\$ 5,333
Total primary government expenses	\$ 13,744	\$ 14,847	\$ 15,769	\$ 19,320	\$ 19,598	\$ 16,021	\$ 17,912	\$ 17,760	\$ 18,536	\$ 20,089

City of Lexington, Virginia
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ 47	\$ 51	\$ 60	\$ 52	\$ 57	\$ 68	\$ 58	\$ 61	\$ 65	\$ 66
Judicial administration	61	60	-	106	124	95	104	103	108	86
Public Safety	388	318	274	386	410	465	415	462	730	606
Public Works	322	375	407	349	365	384	370	429	384	400
Health and welfare	2	2	3	3	5	4	4	8	8	8
Parks, recreation and cultural	67	73	84	93	88	97	98	88	81	76
Community development	-	-	1	2	2	-	-	-	-	-
Operating grants and contributions	1,327	1,269	1,332	1,327	1,188	1,327	1,256	1,003	1,608	1,732
Capital grants and contributions	15	44	136	100	61	120	126	9	93	13
Total governmental activities program revenues	\$ 2,229	\$ 2,192	\$ 2,297	\$ 2,418	\$ 2,300	\$ 2,560	\$ 2,431	\$ 2,163	\$ 3,077	\$ 2,987
Business-type activities:										
Charges for services:										
Utility fund	\$ 4,049	\$ 4,212	\$ 4,206	\$ 4,669	\$ 4,615	\$ 4,733	\$ 5,209	\$ 5,649	\$ 5,605	\$ 5,611
Capital grants and contributions	-	-	-	-	-	40	-	-	10	-
Total business-type activities program revenues	\$ 4,049	\$ 4,212	\$ 4,206	\$ 4,669	\$ 4,615	\$ 4,773	\$ 5,209	\$ 5,649	\$ 5,615	\$ 5,611
Total primary government program revenues	\$ 6,278	\$ 6,404	\$ 6,503	\$ 7,087	\$ 6,915	\$ 7,333	\$ 7,640	\$ 7,812	\$ 8,692	\$ 8,598
Net (expense)/revenue:										
Governmental activities	\$ (7,396)	\$ (8,307)	\$ (9,161)	\$ (12,424)	\$ (12,801)	\$ (8,951)	\$ (10,757)	\$ (10,343)	\$ (10,207)	\$ (11,769)
Business-type activities	(70)	(136)	(105)	191	118	263	485	395	363	278
Total primary government net expense	\$ (7,466)	\$ (8,443)	\$ (9,266)	\$ (12,233)	\$ (12,683)	\$ (8,688)	\$ (10,272)	\$ (9,948)	\$ (9,844)	\$ (11,491)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 3,085	\$ 3,922	\$ 3,990	\$ 4,141	\$ 4,337	\$ 4,607	\$ 4,309	\$ 4,770	\$ 5,384	\$ 5,372
Local sales and use taxes	646	710	749	795	791	773	786	818	852	860
Taxes on recordation and wills	67	70	75	61	47	49	50	44	60	47
Motor vehicle licenses taxes	65	65	64	65	63	28	-	-	-	-

City of Lexington, Virginia
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position (Continued)										
Governmental activities: (Continued)										
Taxes: (Continued)										
Consumer utility taxes	\$ 520	\$ 504	\$ 399	\$ 310	\$ 312	\$ 312	\$ 313	\$ 305	\$ 309	\$ 313
Business licenses taxes	488	528	552	608	603	534	513	548	631	603
Restaurant food taxes	553	551	580	597	634	620	645	709	890	927
Hotel and motel room taxes	175	188	203	207	204	205	217	233	246	254
Communications taxes	-	-	158	369	335	337	-	-	-	-
Other local taxes	180	195	135	66	72	141	164	134	133	141
Unrestricted grants and contributions	554	590	613	638	573	603	938	1,181	688	924
Unrestricted revenues from use of money and property	416	684	1,204	797	222	169	188	144	304	261
Payments from the City of Lexington School Board	-	-	-	-	-	-	-	-	-	435
Miscellaneous	1,451	1,568	1,999	2,995	2,382	2,279	2,120	2,185	2,335	2,323
Transfers	-	12	-	-	-	-	-	(1,200)	120	(213)
Gain on sale of assets	-	-	-	-	-	1,926	-	-	-	-
Total governmental activities	\$ 8,200	\$ 9,587	\$ 10,721	\$ 11,649	\$ 10,575	\$ 12,583	\$ 10,243	\$ 9,871	\$ 11,952	\$ 12,247
Business-type activities:										
Unrestricted revenues from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	-	(12)	-	-	-	-	-	1,200	(120)	213
Total business-type activities	\$ -	\$ (12)	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1,200	\$ (120)	\$ 213
Total primary government	\$ 8,200	\$ 9,575	\$ 10,721	\$ 11,649	\$ 10,575	\$ 12,584	\$ 10,243	\$ 11,071	\$ 11,832	\$ 12,460
Change in Net Position										
Governmental activities	\$ 804	\$ 1,280	\$ 1,560	\$ (775)	\$ (2,226)	\$ 3,632	\$ (514)	\$ (472)	\$ 1,745	\$ 478
Business-type activities	(70)	(148)	(105)	191	118	264	485	1,595	243	491
Total primary government	\$ 734	\$ 1,132	\$ 1,455	\$ (584)	\$ (2,108)	\$ 3,896	\$ (29)	\$ 1,123	\$ 1,988	\$ 969

Table 3

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax (1)	Business License Tax	Communications Sales and Use Tax (1)	Motor Vehicle License Tax	Bank Stock Tax	Recordation and Wills Tax	Hotel & Motel Room Tax	Restaurant Food Tax	Other Local Tax (1)	Total
2013-14	\$ 5,777,828	\$ 860,344	\$ 312,675	\$ 603,382	\$ -	\$ -	\$ 113,372	\$ 46,790	\$ 254,137	\$ 927,288	\$ 27,050	\$ 8,922,866
2012-13	5,253,894	852,197	308,964	631,105	-	-	107,265	59,632	245,797	889,734	26,265	8,374,853
2011-12	4,806,977	818,287	305,319	548,373	-	-	108,258	44,183	233,214	708,829	25,583	7,599,023
2010-11	4,400,432	785,995	312,810	513,546	-	-	136,218	50,127	217,279	644,721	27,617	7,088,745
2009-10	4,448,766	772,970	312,122	534,270	336,598	27,786	112,451	49,360	205,527	620,422	28,255	7,448,527
2008-09	4,438,289	791,395	312,078	602,665	335,199	62,657	44,386	46,559	204,461	633,501	27,963	7,499,153
2007-08	4,144,128	794,444	310,248	607,520	368,921	65,470	39,413	61,427	207,005	596,602	27,416	7,222,594
2006-07	3,914,166	749,153	398,743	552,145	158,198	63,592	50,363	74,877	202,549	580,080	84,681	6,828,547
2005-06	3,337,123	710,095	503,772	527,575	-	64,867	76,839	70,330	187,805	551,363	117,427	6,147,196
2004-05	3,125,624	646,198	519,509	488,447	-	65,320	55,932	67,102	174,923	552,946	123,657	5,819,658

(1) The state began a 5% communications sales and use tax on January 1, 2007. This tax was recorded as a local tax beginning in that fiscal year. Beginning in the 2010-11 fiscal year the City has been informed that the tax should be recorded as revenues from the Commonwealth. The state collects the Telephone utility taxes, local E-911 taxes, and cable television system franchise fees and redistributes .076958% of the total collections based on a pre-certified calculation of each jurisdiction's allocation percentage as reported to the State Auditor of Public Accounts for revenue collections for each fiscal year.

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

	2005	2006	2007	2008	2009	2010	2011 (1)	2012	2013	2014
General Fund										
Reserved	\$ 35,900	\$ 35,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,902,072	7,488,971	8,573,394	8,690,276	6,842,571	8,902,100	-	147,003	61,688	3,829
Nonspendable	-	-	-	-	-	-	104,062	-	1,493,396	12,006,641
Restricted	-	-	-	-	-	-	-	-	775,143	752,075
Committed	-	-	-	-	-	-	1,205,144	1,392,938	170,495	251,578
Assigned	-	-	-	-	-	-	247,525	409,701	5,817,394	7,157,866
Unassigned	-	-	-	-	-	-	7,206,302	5,080,601	-	-
Total general fund	\$ 6,937,972	\$ 7,524,871	\$ 8,573,394	\$ 8,690,276	\$ 6,842,571	\$ 8,902,100	\$ 8,763,033	\$ 7,030,243	\$ 8,318,116	\$ 20,171,989
All other governmental funds										
Reserved, reported in:										
Permanent Fund	\$ 1,404,436	\$ 1,394,353	\$ 1,521,393	\$ 1,434,253	\$ 1,268,677	\$ 1,314,149	\$ -	\$ -	\$ -	\$ -
Capital Projects	-	-	-	-	-	-	-	-	-	-
Special revenues	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Capital Projects	254,488	10,890,018	8,912,026	3,033,371	224,876	185,226	-	-	-	-
Special revenues	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Permanent Fund	-	-	-	-	-	-	180,562	180,562	180,562	180,562
Restricted	-	-	-	-	-	-	-	-	-	-
Permanent Fund	-	-	-	-	-	-	1,194,752	1,221,878	1,395,556	1,547,928
Committed	-	-	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	271,289	1,132,511	982,052	999,423
Total all other governmental funds	\$ 1,658,924	\$ 12,284,371	\$ 10,433,419	\$ 4,467,624	\$ 1,493,553	\$ 1,499,375	\$ 1,646,603	\$ 2,534,951	\$ 2,558,170	\$ 2,727,913

(1) The City implemented GASB 54 during the fiscal year ended June 30, 2011.

City of Lexington, Virginia
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years

(modified accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
General property taxes	\$ 3,126	\$ 3,337	\$ 3,914	\$ 4,144	\$ 4,438	\$ 4,449	\$ 4,400	\$ 4,807	\$ 5,254	\$ 5,778
Other local taxes	2,694	2,810	2,914	3,078	3,061	3,000	2,688	2,792	3,121	3,145
Licenses and permits	145	56	180	108	79	100	56	94	255	187
Fines and forfeitures	105	94	104	106	124	95	100	103	108	86
Use of money & property	415	684	1,204	797	222	169	188	144	304	261
Charges for services	637	729	829	777	848	918	894	954	1,013	969
Miscellaneous	1,451	1,568	1,999	2,995	2,382	2,279	2,120	2,185	2,335	2,323
Recovered costs	158	207	208	255	180	179	155	221	235	415
Intergovernmental	1,896	1,903	2,082	2,065	1,821	2,050	2,320	2,193	2,388	3,105
Total revenues	\$ 10,627	\$ 11,388	\$ 13,434	\$ 14,325	\$ 13,155	\$ 13,239	\$ 12,921	\$ 13,493	\$ 15,013	\$ 16,269
Expenditures										
General government administration	\$ 901	\$ 1,000	\$ 1,025	\$ 1,141	\$ 1,175	\$ 1,204	\$ 1,168	\$ 1,364	\$ 1,258	\$ 2,096
Judicial administration	474	551	1,385	3,252	4,389	259	266	256	285	299
Public safety	2,100	3,049	2,340	2,377	2,689	2,540	2,490	2,715	3,111	3,799
Public works	2,583	2,738	2,140	2,630	3,002	2,624	2,719	2,224	2,917	3,134
Health and Welfare	745	653	569	628	565	652	751	736	680	816
Education	1,758	1,806	1,893	1,484	2,553	1,873	2,858	2,379	2,711	2,215
Parks, recreation and cultural	474	516	487	1,310	1,539	533	448	508	669	474
Community development	537	575	768	757	697	711	1,194	1,100	1,579	714
Nondepartmental	3	38	36	193	95	-	-	-	(5)	20
Capital outlay(1)	-	313	2,164	4,794	-	8,437	1,164	520	843	1,388
Debt service:										
Principal	668	697	748	1,000	689	1,328	835	840	850	987
Interest	167	390	681	608	574	560	534	495	529	450
Bond Issuance Costs	-	-	-	-	-	115	-	-	200	130
Total Expenditures	\$ 10,410	\$ 12,326	\$ 14,236	\$ 20,174	\$ 17,967	\$ 20,836	\$ 14,427	\$ 13,137	\$ 15,627	\$ 16,522
Excess (deficiency) of revenues over (under) expenditures	\$ 217	\$ (938)	\$ (802)	\$ (5,849)	\$ (4,812)	\$ (7,597)	\$ (1,506)	\$ 356	\$ (614)	\$ (253)

City of Lexington, Virginia
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

**(modified accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other financing sources (uses)										
Transfers in	\$ 758	\$ 11,457	\$ 399	\$ 970	\$ 1,640	\$ 85	\$ 177	\$ 1,100	\$ 540	\$ 580
Transfers out	(758)	(11,445)	(399)	(970)	(1,650)	(95)	(193)	(2,300)	(420)	(460)
Refunding general obligation bonds issued	-	-	-	-	-	-	-	-	9,545	-
General obligation bonds issued	-	12,000	-	-	-	8,410	1,530	-	1,582	11,615
Premium on bonds issued	-	-	-	-	-	-	-	-	1,408	475
Discount on bonds issued	-	-	-	-	-	(787)	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-	(10,730)	-
Sale of capital assets	-	138	-	-	-	2,049	-	-	-	-
Total other financing sources (uses)	\$ -	\$ 12,150	\$ -	\$ -	\$ (10)	\$ 9,662	\$ 1,514	\$ (1,200)	\$ 1,925	\$ 12,210

Net change in fund balances \$ 2.17 \$ 11,212 \$ (802) \$ (5,849) \$ (4,822) \$ 2,065 \$ 8 \$ (844) \$ 1,311 \$ 11,957

Debt service as a percentage of noncapital expenditures 8.0% 9.0% 11.8% 10.5% 7.0% 15.4% 10.3% 10.6% 9.5% 9.6%

(1) Capital outlay has been reclassified as a separate item for calculation of debt service as a percentage of noncapital expenditures.

City of Lexington, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration		Judicial Administration	Public Safety (2)	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural (2)	Community Development (2)	Capital Outlay and Non-departmental	Debt Service (3)	Total
	\$											
2013-14	\$ 2,095,873	\$ 298,767	\$ 4,988,524	\$ 3,291,126	\$ 815,818	\$ 6,028,885	\$ 922,446	\$ 1,366,217	\$ 346,841	\$ 1,567,448	\$ 21,721,945	
2012-13	1,258,495	284,745	4,050,943	2,916,722	679,526	5,892,438	1,074,043	2,009,488	972,864	1,578,715	20,717,979	
2011-12	1,368,474	255,637	3,698,111	2,527,005	736,376	5,715,144	878,752	1,540,627	131,567	1,334,738	18,186,431	
2010-11	1,177,305	266,021	3,394,205	2,726,651	750,685	5,413,345	881,224	1,535,543	1,778,862	1,369,051	19,292,892	
2009-10	1,204,011	258,442	3,931,851	2,652,364	652,146	5,619,260	1,263,941	1,079,782	7,638,873	2,002,705	26,303,375	
2008-09	1,174,738	4,388,867	3,528,376	3,001,609	565,015	5,686,236	1,907,914	1,047,911	359,516	1,263,770	22,923,952	
2007-08	1,296,758	3,230,809	3,219,052	6,496,448	628,278	5,852,973	1,698,457	1,045,409	192,983	1,607,612	25,268,779	
2006-07	1,040,800	1,384,967	3,691,711	3,713,453	569,253	5,403,947	913,248	1,069,282	35,975	1,429,796	19,252,432	
2005-06	999,578	550,742	3,779,809	2,738,068	653,409	5,463,824	726,170	966,198	350,996	1,086,882	17,315,676	
2004-05	900,640	474,092	2,782,569	2,583,410	745,121	5,334,003	677,883	914,091	38,249	833,905	15,283,963	

(1) Includes General, Capital Projects and Permanent funds of the Primary Government and its Discretely Presented Component Units.

(2) Excludes contribution from Primary Government to Discretely Presented Component Units.

(3) Included bond issuance costs.

City of Lexington, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2013-14	\$ 5,777,828	\$ 3,145,038	\$ 186,917	\$ 86,086	\$ 275,322	\$ 1,300,508	\$ 2,365,705	\$ 2,073,946	\$ 5,655,511	\$ 20,866,861
2012-13	5,253,894	3,120,959	254,912	107,569	313,113	1,377,050	2,379,972	1,800,565	5,378,773	19,986,807
2011-12	4,806,977	2,792,046	94,381	102,896	149,060	1,311,018	2,344,704	1,677,147	5,477,318	18,755,547
2010-11	4,400,432	2,688,313	55,990	99,749	191,010	1,233,914	2,163,175	1,486,532	5,474,333	17,793,448
2009-10	4,448,766	2,999,761	100,173	95,052	172,102	1,269,175	2,309,581	1,525,785	6,066,781	18,987,176
2008-09	4,438,289	3,060,864	79,233	124,101	225,741	1,210,743	2,402,114	1,573,645	5,400,599	18,515,329
2007-08	4,144,128	3,078,466	108,095	106,274	803,145	1,133,526	3,022,196	1,492,906	5,514,358	19,403,094
2006-07	3,914,166	2,914,381	180,066	103,998	1,210,016	1,105,553	2,026,288	1,667,106	5,528,163	18,649,737
2005-06	3,337,123	2,810,073	56,033	93,712	693,539	955,631	1,582,795	1,368,560	5,551,689	16,449,155
2004-05	3,125,624	2,694,034	144,572	105,092	418,290	853,983	1,458,544	1,301,229	5,378,683	15,480,051

(1) Includes General, Capital Projects and Permanent funds of the Primary Government and its Discretely Presented Component Units.

(2) Excludes contributions from Primary Government to Discretely Presented Component Units.

Table 8

City of Lexington, Virginia
Assessed Value and Estimated Actual Value of Taxable Property
Last Nine Fiscal Years (1)
(in thousands of dollars)

Fiscal Year Ended June 30,	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other					
2014	\$ 458,760	\$ 737,321	\$ 33,222	\$ 5,317	\$ 610,000	\$ 624,620	\$ 10.395	\$ 1,234,620	50.59%
2013	456,949	737,275	31,662	3,524	609,984	619,426	9.825	1,229,410	50.38%
2012	456,974	735,119	29,596	3,429	609,918	615,200	9.186	1,225,117	50.22%
2011	457,743	733,849	28,783	3,575	609,459	614,491	9.045	1,223,951	50.21%
2010	481,790	651,114	27,674	3,843	529,967	634,454	8.282	1,164,421	54.49%
2009	481,194	650,986	26,873	3,386	531,597	630,842	7.936	1,162,439	54.27%
2008	484,024	650,337	31,689	4,774	531,915	638,909	7.907	1,170,824	54.57%
2007	471,783	648,314	30,109	3,610	534,495	619,321	7.456	1,153,816	53.68%
2006	317,356	553,584	30,084	3,927	460,071	444,880	9.204	904,951	49.16%

(1) City began recording this information in 2006.

Source: Commissioner of Revenue

City of Lexington, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Utility			Total Direct Rate (2)
					Real Estate	Personal Property	Total	
2013-14	\$ 0.83	\$ 4.25	\$ 0.83	\$ 4.25	\$ 0.090	\$ 4.25	\$ 10.40	
2012-13	0.78	4.25	0.73	4.25	0.755	4.25	9.83	
2011-12	0.73	4.25	0.73	4.25	0.715	4.25	9.19	
2010-11	0.70	4.25	0.70	4.25	0.675	4.25	9.05	
2009-10	0.65	4.25	0.65	4.25	0.64	3.95	8.28	
2008-09	0.64	3.95	0.64	3.95	0.62	3.95	7.94	
2007-08	0.60	3.95	0.60	3.95	0.58	3.95	7.91	
2006-07	0.56	3.95	0.56	3.95	0.62	3.95	7.46	
2005-06	0.67	3.95	0.67	3.95	0.66	3.95	9.20	
2004-05	0.64	3.95	0.64	3.95	0.64	3.95	-	

(1) Per \$100 of assessed value.

(2) The City began recording this information in 2006.

Source: Commissioner of Revenue

Table 10

City of Lexington, Virginia
Principal Taxpayers
June 30, 2014

Taxpayer Name	Fiscal year ended June 30, 2014			Fiscal year ended June 30, 2005		
	Assessed Valuation	Rank	Percent of Total Assessed Valuation (1)	Assessed Valuation	Rank	Percent of Total Assessed Valuation (2)
Dominion Virginia Power	6,322,287	1	1.08%	4,082,243	4	1.03%
Central Telephone of Virginia	6,068,819	2	1.04%	8,115,957	1	2.05%
Washington and Lee University	6,019,200	3	1.03%	4,428,300	2	1.12%
HI of Lexington, LLC	5,936,800	4	1.01%	4,338,900	3	1.10%
Walker/Wood LC & Woods Family Trust	3,511,700	5	0.60%	3,204,200	6	0.81%
HCMF XXII LTD Partnership	3,428,200	6	0.58%	2,641,200	9	0.67%
Rockbridge Square Associates	3,387,800	7	0.58%	3,901,700	5	0.99%
Columbia Gas of VA	3,250,651	8	0.55%			
BB&T Bank	3,090,700	9	0.53%			
Summit Square Partners	3,084,300	10	0.53%			
Kroger Partnership				2,999,500	7	0.76%
Lexington House Associates				2,849,400	8	0.72%
Eschbach Family Trust				2,425,800	10	0.61%
	<u>\$ 44,100,457</u>		<u>7.52%</u>	<u>\$ 34,904,957</u>		<u>8.83%</u>

(1) Total assessed valuation of real estate was \$586,080,870 as of June 30, 2014.

(2) Total assessed valuation of real estate was \$395,079,200 as of June 30, 2005.

Source: Commissioner of Revenue and Finance Department

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

Fiscal Year	Total Tax Levy (1, 2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy (4)	Collections in Subsequent Years (5)	Outstanding Delinquent Taxes (1,3)	Percent of Delinquent Taxes to Tax Levy
2013-14	\$ 6,293,593	\$ 6,015,885	95.59%	\$ 242,740	\$ 6,258,625	99.44%	\$ -	\$ 832,744	13.23%
2012-13	5,860,438	5,611,621	95.75%	148,707	5,760,328	98.29%	-	798,636	13.63%
2011-12	5,482,776	5,221,615	95.24%	113,296	5,334,911	97.30%	-	711,479	12.98%
2010-11	5,259,055	4,866,471	92.54%	67,102	4,933,573	93.81%	-	699,266	13.30%
2009-10	5,089,509	4,891,228	96.10%	86,242	4,977,470	97.80%	-	711,451	13.98%
2008-09	4,842,235	4,813,870	99.41%	42,712	4,856,582	100.30%	-	632,988	13.07%
2007-08	4,822,549	4,669,876	96.83%	63,178	4,733,054	98.14%	-	734,963	15.24%
2006-07	4,434,075	4,398,602	99.20%	72,851	4,471,453	100.84%	-	662,871	14.95%
2005-06	3,936,642	3,780,352	96.03%	74,758	3,855,110	97.93%	-	568,484	14.44%
2004-05	3,787,838	3,563,524	94.08%	66,926	3,630,450	95.84%	-	458,027	12.09%

(1) Exclusive of penalties and interest.

(2) Includes original levy for real estate taxes collected on a fiscal year basis and personal property taxes collected on a calendar year basis. Also, includes supplemental levies for all tax years.

(3) Includes personal property taxes in excess of five years delinquent. Also, includes an allowance for doubtful accounts.

(4) Includes all prior year collections in addition to collections on the current levy.

(5) Beginning in fiscal year 2014-15, the City will begin reporting subsequent collections by year.

Source: Commissioner of Revenue and Treasurer.

Table 12

City of Lexington, Virginia
Ratios of Outstanding Debt by Type
Last Nine Fiscal Years (1)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (2)	Per Capita
	General Obligation Bonds	State Literary Fund Loan	General Obligation Bonds				
2014	\$ 32,577,673	\$ -	\$ -		\$ 32,577,673	-	\$ 4,202
2013	20,178,093	-	-		20,178,093	1.75%	2,743
2012	19,570,590	-	-		19,570,590	1.76%	2,779
2011	20,410,294	-	-		20,410,294	1.82%	2,899
2010	19,715,000	-	-		19,715,000	1.76%	2,800
2009	12,632,992	-	-		12,632,992	1.21%	1,752
2008	13,322,292	-	42,806		13,365,098	1.35%	1,841
2007	14,317,241	5,000	221,411		14,543,652	1.57%	2,158
2006	15,060,606	10,000	395,038		15,465,644	1.72%	2,282

(1) City began recording this information in 2006.

(2) Income information is unavailable for 2014

City of Lexington, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt (4)(5)(6)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Payable from Enterprise Fund				
2013-14	-	\$ 586,081	\$ 32,577,673	\$ -		\$ 32,577,673	5.560%	\$ 4,443
2012-13	7,332	619,426	20,178,093	-		20,178,093	3.260%	2,743
2011-12	7,356	615,200	19,570,590	-		19,570,590	3.180%	2,660
2010-11	7,197	614,491	20,410,294	-		20,410,294	3.320%	2,836
2009-10	7,042	634,453	19,715,000	-		19,715,000	3.110%	2,800
2008-09	7,282	630,842	12,632,992	-		12,632,992	2.000%	1,735
2007-08	7,211	638,909	13,365,098	42,806		13,322,292	2.090%	1,847
2006-07	7,261	619,321	14,543,660	221,411		14,322,249	2.310%	1,972
2005-06	7,206	444,880	15,465,644	395,038		15,070,606	3.390%	2,091
2004-05	7,097	445,471	4,326,780	559,080		3,767,700	0.850%	531

(1) Center for Public Service at the University of Virginia, www.coopercenter.org, Current year population not yet available.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Excludes compensated absences.

(4) FY 2005-06, City issued \$12,000,000 in general obligation debt to fund the city's share of costs for a new regional circuit court complex and parking deck.

(5) FY 2009-10, City issued \$8,410,000 in general obligation debt to fund the city's renovation and addition to the middle school capital project.

(6) FY 2010-11, City issued \$1,530,000 in general obligation bonds to complete the City's renovation and addition to the middle school capital project.

Table 14

City of Lexington, Virginia
 Ratio of Annual Debt Service Expenditures for General Bonded
 Debt to Total General Governmental Expenditures (1)
 Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
2013-14	\$ 987,297	\$ 449,762	\$ 1,437,059	\$ 21,721,945	6.6%
2012-13	849,704	529,150	1,378,854	20,717,979	6.7%
2011-12	839,704	495,034	1,334,738	18,186,431	7.3%
2010-11	834,706	534,345	1,369,051	19,292,892	7.1%
2009-10	1,327,992	533,785	1,861,777	26,303,375	7.1%
2008-09	689,358	574,412	1,263,770	22,923,952	5.5%
2007-08	999,949	607,663	1,607,612	25,268,779	6.4%
2006-07	748,365	681,431	1,429,796	19,252,432	7.4%
2005-06	697,094	389,788	1,086,882	17,315,676	6.3%
2004-05	667,609	166,296	833,905	15,283,963	5.5%

(1) Includes General, Special Revenue, Capital Projects funds of the Primary Government and the Discretely Presented Component Units.

(2) Information from Table 6.

City of Lexington, Virginia
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

Government Unit:	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to Primary Government
None	\$ -	0.00%	\$ -
City of Lexington, direct debt			<u>\$ 32,577,673</u>
Total direct and overlapping debt			<u><u>\$ 32,577,673</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This table estimates the portion of the outstanding debt of those overlapping government's that is borne by the residents and businesses of the City of Lexington. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government. At June 30, 2014, the City did not have any overlapping debt.

Source: City of Lexington, Virginia

City of Lexington, Virginia
 Computation of Legal Debt Margin
 June 30, 2014
 (amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 41,093	\$ 41,087	\$ 58,560	\$ 60,245	\$ 60,058	\$ 60,294	\$ 58,213	\$ 58,218	\$ 58,424	\$ 58,608
Total net debt applicable to limit	4,327	15,466	14,544	13,370	12,633	19,715	20,410	19,571	20,178	30,806
Legal debt margin	36,766	25,621	44,016	46,875	47,425	40,579	37,803	38,647	28,246	27,802
Total net debt applicable to the limit as a percentage of debt limit	10.5%	37.6%	24.8%	22.2%	21.0%	32.7%	35.1%	33.6%	34.5%	52.6%
Legal Debt Margin Calculated for Fiscal Year 2014										
	Assessed value									
	\$ 586,081									
	Debt limit (10% of assessed value)									
	\$ 58,608									
	Debt applicable to limit:									
	General Obligation Bonds									
	Less: amount set aside for repayment									
	of general obligation debt									
	Total net applicable to limit									
	\$ 30,806									
	Legal debt margin									
	\$ 27,802									

Table 17

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

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands)(2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)			
2013-14	-	(5) \$	-	(5) \$	-	(5)	650	11.3%
2012-13	7,332	-	(5)	-	(5)	674	12.8%	
2011-12	7,356	1,236,939	36,099	667	13.2%			
2010-11	7,197	1,153,183	32,028	621	11.8%			
2009-10	7,042	1,110,646	30,854	619	14.5%			
2008-09	7,282	1,122,581	32,617	613	12.2%			
2007-08	7,211	1,118,605	32,348	615	8.3%			
2006-07	7,261	1,041,089	29,712	646	5.4%			
2005-06	7,206	988,969	28,442	626	5.0%			
2004-05	7,097	927,803	26,936	626	5.0%			

(1)Weldon Cooper Center for Public Service Demographics & Workforce Group, www.coopercenter.org

(2) Bureau of Economic Analysis, United States Department of Commerce, City of Lexington, City of Buena Vista and Rockbridge County combined, www.bea.gov/regional/bearfacts/action.cfm

(3) Lexington City Schools.

(4) Virginia Employment Commission.

(5) Information unavailable.

Table 18

City of Lexington, Virginia
Principal Employers
Current Year and Eight Years Ago

Employer	Fiscal year ended June 30, 2014			Fiscal year ended June 30, 2006(1)		
	Employment Range	Rank	% of Total City Employees	Employment Range	Rank	% of Total City Employees
Washington & Lee University	over 1000	1	24.1%	500-999	1	19.2%
Virginia Military Institute	500-999	2	15.0%	500-999	2	12.9%
City of Lexington	100-249	3	4.1%	100-249	6	2.6%
Carilion - Stonewall Jackson Hospital	100-249	4	4.0%	250-500	3	8.8%
Aramark Campus LLC	100-249	5	2.2%			
Kroger Company	50-99	6	2.2%	50-99	8	1.6%
Lexington City Schools	50-99	7	1.8%	50-99	7	2.0%
Heritage Hall Health Care (HCMF)	50-99	8	1.5%	50-99	9	1.4%
The VMI Foundation	50-99	9	1.2%			
Rockbridge Farmers' Co-op	50-99	10	1.2%	50-99	10	1.4%
Rockbridge County				100-249	4	3.4%
Virginia Department of Transportation				100-249	5	3.0%

Source: Virginia Employment Commission, Labor Market & Demographic Analysis.

(1) Information for 2004 and 2005 is not available.

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

Function	Full-time Equivalent Employees as of June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government administration	14	14	14	14	14	14	14	14	14	14
Judicial administration	-	-	-	-	-	-	1	1	1	1
Public safety										
Police										
Officers	15	15	15	16	16	16	16	16	16	16
Civilians	2	2	2	2	2	3	3	3	3	3
Parking enforcement/ animal control	1	1	1	1	1	1	1	1	1	1
Fire	-	-	-	-	-	1	1	9	9	10
Public works										
Administration & maintenance	35	36	36	36	36	35	35	34	38	39
Solid waste management	11	11	11	11	11	12	10	10	10	10
Health, Education & Welfare	2	2	2	2	2	2	2	2	2	2
Community development	5	5	5	5	5	5	5	5	5	4
Leisure Services	-	-	-	-	-	-	-	-	-	1
Utilities processing										
Water treatment	7	7	7	7	7	7	7	7	7	5
Wastewater treatment	9	10	10	10	10	10	11	11	12	11
Total	101	103	103	104	104	106	106	113	118	117

Source: Government finance department

City of Lexington, Virginia
Operating Indicators by Function
Last Nine Fiscal Years (1)

Function	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
General administration									
Business licenses issued	653	669	662	617	616	640	648	698	677
Public safety									
Police									
Number of calls answered	5,568	6,163	4,580	5,446	3,815	3,899	3,447	4,780	4,475
Physical arrests	247	350	346	350	334	447	304	388	151
Parking violations	2,036	1,818	1,217	1,502	1,908	680	922	1,548	1,675
Traffic violations	953	1,191	923	1,145	800	862	542	718	482
Miles Patrolled	165,332	166,629	125,240	112,217	115,676	151,441	98,021	151,254	160,996
Fire									
Number of line calls answered	524	629	732	704	649	686	716	707	741
Number of reserve calls answered (2)	-	-	-	-	-	2,168	2,220	2,191	2,099
Inspections	83	123	138	146	136	129	84	87	184
Public works									
Highways and streets									
Street resurfacing (miles)	2	1	2	2	1	1	-	-	-
Sanitation and waste removal									
Refuse collected (tons/day)	11	11	14	12	10	9	10	10	10
Recyclables collected (tons/day)	5	4	6	6	7	8	6	12	10
Leisure services									
Culture and recreation									
Athletic program Participants	1,356	1,618	1,536	1,498	1,499	1,453	1,557	1,373	1,250
Utilities processing									
Water									
New connections	8	12	8	9	4	7	13	6	6
Water main breaks	34	42	46	30	19	23	29	32	30
Average daily consumption (thousands of gallons)	898	889	921	903	875	788	850	876	884
Number of customers	2,716	2,698	2,702	2,743	2,762	2,765	2,605	2,847	2,851
Wastewater									
Average daily sewage treatment (thousands of gallons)	677	764	583	608	732	631	667	645	735
Community development									
Number of building permits	84	87	98	83	55	57	100	61	87
Building construction value (thousands)	4,032	30,914	18,520	12,858	14,703	7,263	30,648	20,086	28,487
Component unit - school board									
Education									
Students - elementary	287	313	310	308	318	318	337	341	332
Students - middle school	182	179	180	176	178	170	186	189	174
City students - joint high school	157	154	125	129	123	133	144	144	144
Teachers elementary & middle school	56	50	50	50	50	50	50	50	50
Expenditures per pupil (3)	3,609	3,708	4,300	4,480	4,783	3,814	3,567	3,925	4,442

Source: Various city departments

(1) The City began compiling this information in 2006.

(2) The City began compiling the number of reserve calls answered in 2011.

(3) The City began paying for school debt service costs in General Fund in 2011.

Note: Indicators are not available for the judicial administration function.

Table 21

City of Lexington, Virginia
Capital Asset Statistics by Function
Last Nine Fiscal Years (1)

Function	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety									
Police									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	10	12	12	12	13	13	13	13	13
Fire									
Stations	1	1	1	1	1	1	1	1	1
Public works									
Highways and streets									
Streets (miles)	60	60	60	60	60	60	60	60	60
Streetlights	516	527	527	529	530	530	530	530	530
Traffic signal intersections	12	12	12	12	12	12	13	13	13
Parking garage	-	-	-	1	1	1	1	1	1
Cemeteries Maintenance									
Cemeteries	2	2	2	2	2	2	2	2	2
Health, education and welfare									
Hospitals	1	1	1	1	1	1	1	1	1
Number of hospital beds	25	25	25	25	25	25	25	25	25
Leisure services									
Parks acreage	37	37	37	37	40	40	40	43	43
Parks	8	8	8	8	8	8	8	8	8
Swimming Pools	1	1	2	2	2	2	2	2	2
Community centers	1	1	1	1	-	-	-	-	-
Utilities processing									
Water									
Water mains (miles)	30	30	30	30	30	30	30	58	58
Fire hydrants	266	268	268	268	268	268	268	270	270
Maximum daily capacity (thousands of gallons)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Sewer									
Sanitary sewers (miles)	40	40	40	40	40	40	40	68	68
Storm sewers (miles)	5	5	5	5	5	5	5	7	7
Maximum daily treatment capacity (thousands of gallons)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Component unit - school board									
Education									
Elementary schools	1	1	1	1	1	1	1	1	1
Middle schools	1	1	1	1	1	1	1	1	1
Jointly operated high school	1	1	1	1	1	1	1	1	1

Source: Various city departments

(1) The city began compiling this information in 2006.

Note: Indicators are not available for the general government, judicial administration and community development functions.

City of Lexington, Virginia
 Schedule of Joint Services Contract Billing
 For the Year Ended June 30, 2014

	Parking Garage	Fire	RARO Administration	Recreation					RARO Total	Totals
				Youth Basketball	Little League Football	Baseball and Softball	Youth Soccer	Other		
Salaries and fringe benefits	\$ 4,677	\$ 546,701	\$ 270,324	\$ 12,734	\$ 6,064	\$ 10,204	\$ 2,498	\$ 3,582	\$ 305,406	\$ 856,784
Contractual services	-	102,059	11,598	-	-	-	-	-	11,598	113,657
Other expenses	8,498	249,077	28,542	806	634	9,663	1,095	3,217	43,957	301,532
Totals	\$ 13,175	\$ 897,837	\$ 310,464	\$ 13,540	\$ 6,698	\$ 19,867	\$ 3,593	\$ 6,799	\$ 360,961	\$ 1,271,973
Less: Revenue for Operations	\$ -	\$ (406,592)	\$ (7,311)	\$ (4,825)	\$ (3,135)	\$ (10,045)	\$ (3,240)	\$ (4,110)	\$ (32,666)	\$ (439,258)
Net Expenses	\$ 13,175	\$ 491,245	\$ 303,153	\$ 8,715	\$ 3,563	\$ 9,822	\$ 353	\$ 2,689	\$ 328,295	\$ 832,715
Rockbridge County participation	9.90%	52.64%	78.56%	77.27%	83.16%	83.88%	75.07%	73.67%	78.69%	62.23%
Rockbridge County share	\$ 1,304	\$ 258,596	\$ 238,157	\$ 6,734	\$ 2,963	\$ 8,239	\$ 265	\$ 1,981	\$ 258,339	\$ 518,239

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the City Council
City of Lexington, Virginia
Lexington, Virginia

We have audited, in accordance with the 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 the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lexington, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Lexington, Virginia's basic financial statements, and have issued our report thereon dated November 28, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lexington, Virginia'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 City of Lexington, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lexington, Virginia'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit 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 City of Lexington, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance 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.

Robinson, Faimer, Co. Associates
Blacksburg, Virginia
November 28, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies)?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Status of Prior Audit Findings and Responses

There are no financial statement findings.