

City of Lexington, Virginia



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2021

Prepared by Jennifer Bell, Finance Director

CITY OF LEXINGTON, VIRGINIA

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INTRODUCTORY SECTION

Lexington Virginia

300 E. Washington Street
Lexington, VA 24450

October 13, 2021

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, 2021.

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 unmodified (“clean”) opinion on the City of Lexington’s financial statements for the year ended June 30, 2021. 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 Uniform Guidance. 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 follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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 are owned and operated by the Maury Service Authority (MSA). In fiscal years prior to 2017, these plants were operated under contract by the City and were included as an integral part of the City of Lexington's financial statements. Refuse disposal services are provided by the Blue Ridge Resource Authority (BRRRA). 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.

The City's Industrial Development Authority is reported as a component unit. The Authority is authorized to be a conduit for tax exempt financing for various eligible purposes within the community. The Authority operates under the guidance of seven directors appointed by City Council.

This report includes three separate entities which are reported as Custodial Funds. The Rockbridge Regional Public Safety Communications Center (Central Dispatch) provides E-911 dispatch services for fire, rescue, and police services in Rockbridge County, the cities of Lexington and Buena Vista, and for Virginia Military Institute. 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 Board of Supervisors.

The second separate entity 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 which is appointed by an independent seven-member board. The regional board of directors includes one member appointed by each of the jurisdictions for two-year terms. Four remaining members are appointed by the three jurisdictional members for two-year terms. Two of these appointees must be from a tourism related business. The City serves as the fiscal agent for RARO, Central Dispatch, and Tourism.

The City serves as the fiscal agent for the Rockbridge Area Recreation Organization (RARO), which provides recreational activities for and is supported by the County of Rockbridge and the Cities of Lexington and Buena Vista. RARO operates under a seven-member board of

directors. The financial activities of RARO are reported as a custodial fund, and additionally, is reported in a separate audit report.

Services of the Rockbridge Regional Jail, Rockbridge Regional Library, Rockbridge Area Social Services, Rockbridge Area Network Authority, Regional Transit System, Maury Service Authority, Blue Ridge Resource 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.

Economic activity, as measured by sales, meals, and lodging taxes, rebounded significantly during fiscal year 2021 finishing ahead of fiscal year 2020 by 7.7%, 7.5%, and 10.6%, respectively.

An extremely high percentage of the City’s real property assessment (64%) 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

A major initiative began during fiscal year 2017 to replace and update the City’s sewer and water distribution lines. During fiscal year 2021, the City undertook a number of water and sewer projects, as well as street reconstruction and pavement projects.

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. Planned capital projects over the next five years are estimated to cost \$38.4 million and include water and wastewater utility improvements, storm water management improvements, bridge repairs, street improvements and improvements to municipal facilities and parks.

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, equipment replacement 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 custodial funds. The governing body of each of these component units approves 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 agency funds.

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, 2021, the unassigned fund balance exceeded the required minimum by approximately \$8.4 million. At June 30, 2020, the unassigned fund balance exceeded the required minimum by \$6.5 million.

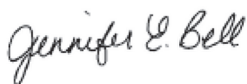
Awards and Acknowledgments

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 annual comprehensive financial report (the "Annual Report") for the fiscal year ended June 30, 2020. This was the twenty-seventh 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 Annual Report 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 Annual Report continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program'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 sincerely thank all government departments for their assistance in providing the data necessary to develop this report. Appreciation is also extended to the staff of Robinson, Farmer, Cox Associates. Lastly, I extend my thanks to the Mayor, members of the City Council, the City Manager, and the rest of the City administration for their support and high standards of professionalism and ethics in the management of the City's finances.

Respectfully submitted,



Jennifer E. Bell
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

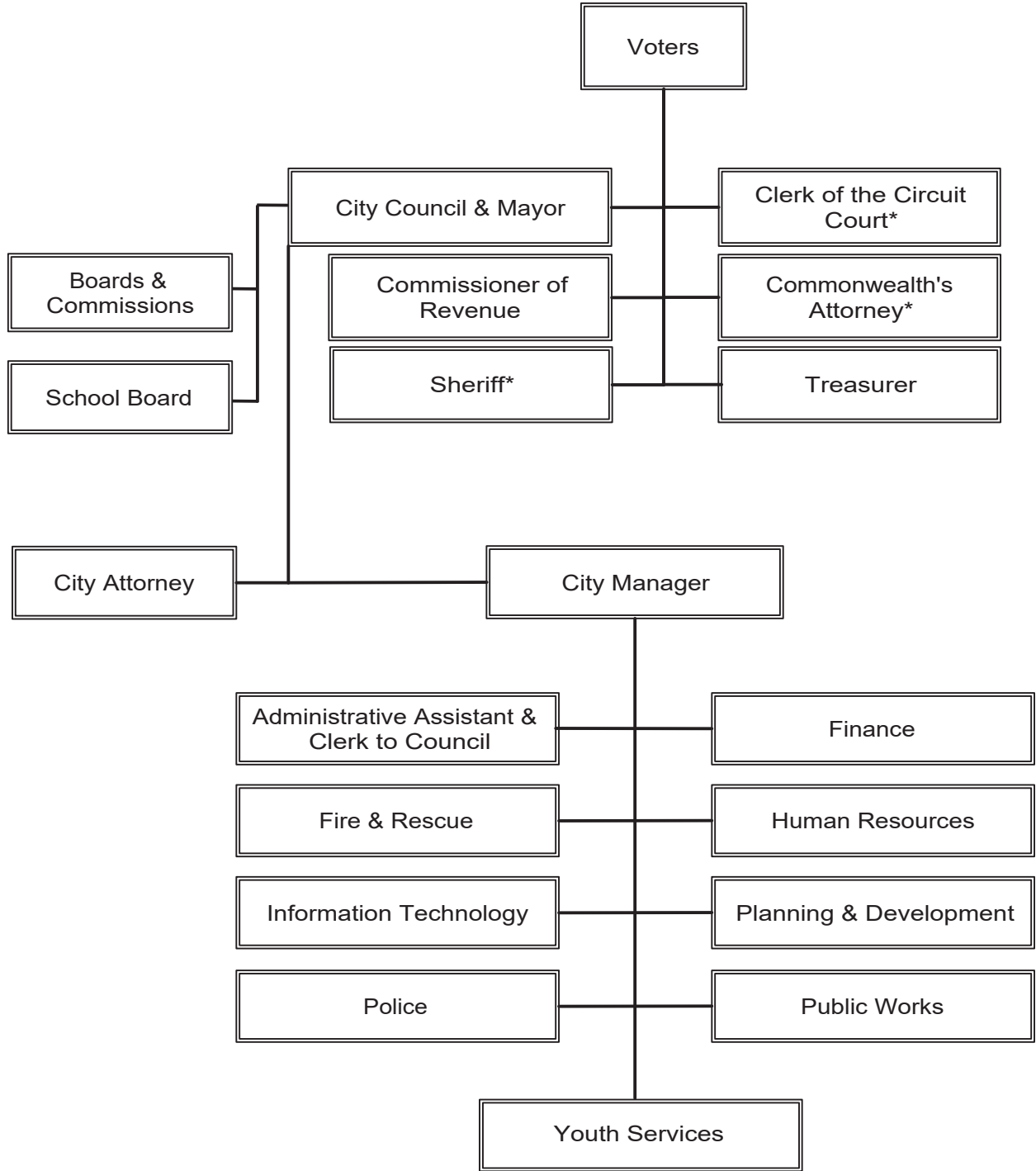
June 30, 2020

Christopher P. Morill

Executive Director/CEO

CITY OF LEXINGTON

Organizational Chart



*Shared with County

CITY OF LEXINGTON, VIRGINIA

CITY COUNCIL

| | | |
|-----------------------|--------------------------|---------------------|
| | Frank W. Friedman, Mayor | |
| Marilyn E. Alexander | | J. Charles Aligood |
| Dennis W. Ayers | | David G. Sigler |
| Charles “Chuck” Smith | | Leslie C. Straughan |

CITY SCHOOL BOARD

| | | |
|------------------|-----------------------|------------------------|
| | Timothy Diette, Chair | |
| Michael Saunders | | Tammy Dunn, Vice Chair |
| Mollie Fox | | Katie Shester |

OTHER OFFICIALS

| | |
|--------------------------------------------|-----------------|
| City Manager | James M. Halasz |
| City Treasurer | Pat DeLaney |
| Commissioner of Revenue | Karen T. Roundy |
| Finance Director..... | Jennifer Bell |
| City Attorney..... | Jared Jenkins |
| Chief of Police | Angela Greene |
| Fire and Rescue Chief | Ty Dickerson |
| Director of Planning and Development | Arne Glaeser |
| Director of Public Works | Jeff Martone |
| Superintendent of Schools | Rebecca Walters |

FINANCIAL SECTION



Independent Auditors' Report

**To the Honorable Members of
the City Council
City of 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, 2021, 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, 2021, 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.

Change in Accounting Principle

As described in Note 27 to the financial statements, in 2021, the City adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 27 to the financial statements, in 2021, the City restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

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 related to pension and OPEB funding, on pages 12-21, 109-110, and 111-124, 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.

Supplementary and 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were 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 and the schedule of expenditures of federal awards are 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 October 13, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Lexington, Virginia's 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, Jarmon, Cox, Associates

Blacksburg, Virginia
October 13, 2021

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, 2021. 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 \$41,976,098 (*net position*). A total of \$19,944,521 (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 \$12,504,385 or 72% of total general fund expenditures of \$17,282,171 in the year ended June 30, 2021.
- The City of Lexington's total outstanding debt decreased by \$609,598 during the current fiscal year due to repayment of outstanding bond principal.

Overview of the Financial Statements

This discussion and analysis is 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 water distribution and sewer collection for its customers. Water and wastewater treatment services are purchased from the Maury Service Authority.

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, and the Industrial Development Authority. 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 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 six 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, and the cemetery trust fund, all of which are considered to be major funds, as well as the discretely presented component units- School Board and IDA. Data from the

equipment replacement fund is aggregated in the presentation with the general fund.

The City of Lexington adopts an annual appropriated budget for its general fund, school fund, equipment replacement 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,976,098 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 \$19,944,521. 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 \$19,722,926. 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 \$3,131,929 for the fiscal year ending June 30, 2021. In large part, this is due to the receipt of funds under various grant programs related to combatting the effects of the Global Pandemic.

City of Lexington's Summary Statement of Net Position
As of June 30, 2021 and 2020
(In Thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Gov't | | School Board Component Unit | |
|-----------------------------------|----------------------------|------------------|-----------------------------|------------------|------------------------|------------------|--------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current & other assets | \$ 28,042 | \$ 20,872 | \$ 5,620 | \$ 5,377 | \$ 33,662 | \$ 26,249 | \$ 2,102 | \$ 1,962 |
| Capital assets | 36,651 | 37,652 | 9,342 | 9,207 | 45,993 | 46,859 | 757 | 834 |
| Total assets | <u>\$ 64,693</u> | <u>\$ 58,524</u> | <u>\$ 14,962</u> | <u>\$ 14,584</u> | <u>\$ 79,655</u> | <u>\$ 73,108</u> | <u>\$ 2,859</u> | <u>\$ 2,796</u> |
| Deferred outflows or resources | \$ 2,485 | \$ 2,173 | \$ 121 | \$ 78 | \$ 2,606 | \$ 2,251 | \$ 1,794 | \$ 1,384 |
| Long-term liabilities outstanding | 27,573 | 27,959 | 5,195 | 5,334 | 32,768 | 33,293 | 6,534 | 5,901 |
| Other liabilities | 5,875 | 1,790 | 940 | 833 | 6,815 | 2,623 | 361 | 373 |
| Total liabilities | <u>\$ 33,448</u> | <u>\$ 29,749</u> | <u>\$ 6,135</u> | <u>\$ 6,167</u> | <u>\$ 39,583</u> | <u>\$ 35,916</u> | <u>\$ 6,895</u> | <u>\$ 6,274</u> |
| Deferred inflows of resources | \$ 690 | \$ 1,041 | \$ 12 | \$ 169 | \$ 702 | \$ 1,210 | \$ 384 | \$ 488 |
| Net position: | | | | | | | | |
| Net Investment in capital assets | 15,228 | 15,083 | 4,494 | 4,137 | 19,722 | 19,220 | 713 | 777 |
| Restricted | 2,309 | 1,970 | - | - | 2,309 | 1,970 | - | - |
| Unrestricted | 15,502 | 12,854 | 4,443 | 4,189 | 19,945 | 17,043 | (3,340) | (3,359) |
| Total net position | <u>\$ 33,039</u> | <u>\$ 29,907</u> | <u>\$ 8,937</u> | <u>\$ 8,326</u> | <u>\$ 41,976</u> | <u>\$ 38,233</u> | <u>\$ (2,627)</u> | <u>\$ (2,582)</u> |

A portion of the City's primary government net position (5.5 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* (\$19,944,521) 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 79% 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, 2021 and 2020 (In Thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Gov't | | School Board Component Unit | |
|-----------------------------------------------------------------------|----------------------------|------------------|-----------------------------|-----------------|------------------------|------------------|--------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | | | |
| Program Revenues: | | | | | | | | |
| Chgs. for svcs | \$ 883 | \$ 832 | \$ 5,409 | \$ 4,807 | \$ 6,292 | \$ 5,639 | \$ 167 | \$ 223 |
| Operating grants and contributions | 2,919 | 1,872 | - | - | 2,919 | 1,872 | 4,483 | 3,990 |
| Capital grants and contributions | - | - | - | - | - | - | - | - |
| General Revenues: | | | | | | | | |
| Property taxes | 7,438 | 7,262 | - | - | 7,438 | 7,262 | - | - |
| Other taxes | 4,491 | 4,269 | - | - | 4,491 | 4,269 | - | - |
| Grants and contributions not restricted to specific programs | 823 | 863 | - | - | 823 | 863 | - | - |
| Other | 3,330 | 3,085 | 10 | 13 | 3,340 | 3,098 | 3,129 | 3,092 |
| Total revenues | <u>\$ 19,884</u> | <u>\$ 18,183</u> | <u>\$ 5,419</u> | <u>\$ 4,820</u> | <u>\$ 25,303</u> | <u>\$ 23,003</u> | <u>\$ 7,779</u> | <u>\$ 7,305</u> |
| Expenses: | | | | | | | | |
| General Gov't. | \$ 1,458 | \$ 1,401 | \$ - | \$ - | \$ 1,458 | \$ 1,401 | \$ - | \$ - |
| Judicial Admin. | 329 | 351 | - | - | 329 | 351 | - | - |
| Public Safety | 4,088 | 3,935 | - | - | 4,088 | 3,935 | - | - |
| Public Works | 3,832 | 3,279 | - | - | 3,832 | 3,279 | - | - |
| Health & Welfare | 1,449 | 1,369 | - | - | 1,449 | 1,369 | - | - |
| Education | 3,244 | 3,085 | - | - | 3,244 | 3,085 | 7,876 | 7,344 |
| Parks, Rec. & Cultural | 794 | 769 | - | - | 794 | 769 | - | - |
| Community Development | 746 | 823 | - | - | 746 | 823 | - | - |
| Interest on Debt | 697 | 807 | - | - | 697 | 807 | - | - |
| Water & Sewer Utility | - | - | 4,924 | 4,327 | 4,924 | 4,327 | - | - |
| Total Expenses | <u>\$ 16,637</u> | <u>\$ 15,819</u> | <u>\$ 4,924</u> | <u>\$ 4,327</u> | <u>\$ 21,561</u> | <u>\$ 20,146</u> | <u>\$ 7,876</u> | <u>\$ 7,344</u> |
| Changes in net position before transfers | \$ 3,247 | \$ 2,364 | \$ 495 | \$ 493 | \$ 3,742 | \$ 2,857 | \$ (97) | \$ (39) |
| Transfers | (115) | 170 | 115 | (170) | - | - | - | - |
| Changes in net position | <u>\$ 3,132</u> | <u>\$ 2,534</u> | <u>\$ 610</u> | <u>\$ 323</u> | <u>\$ 3,742</u> | <u>\$ 2,857</u> | <u>\$ (97)</u> | <u>\$ (39)</u> |
| Net position beginning of year | <u>29,907</u> | <u>27,373</u> | <u>8,326</u> | <u>8,002</u> | <u>38,233</u> | <u>35,375</u> | <u>(2,530)</u> | <u>(2,543)</u> |
| Net position end of year | <u>\$ 33,039</u> | <u>\$ 29,907</u> | <u>\$ 8,936</u> | <u>\$ 8,325</u> | <u>\$ 41,975</u> | <u>\$ 38,232</u> | <u>\$ (2,627)</u> | <u>\$ (2,582)</u> |

Governmental Revenues

- Property tax collections were up 1.08%, or \$79,159. The real estate tax rate remained steady at \$1.06 per \$100 of assessed value. The tax rate on personal property remained at \$4.25/\$100 value.
- Other local taxes increased by \$222,144 or 5.20%. Local sales taxes increased by \$89,470 or 7.7%. Restaurant food taxes increased by 7.5%, or \$103,174 and hotel and motel taxes increased by 10.6% or \$45,468 as the City began to see signs of recovery from the pandemic. Business, professional, and occupation licenses decreased by \$77,568, or 10.0%.
- Revenues from the use of money and property increased by only \$12,585 as interest rates remained low.
- The City's major governmental sources of revenue are as follows:

| | <u>Amount</u> | <u>Percent of Total Revenue</u> |
|------------------------|---------------|-------------------------------------|
| General property taxes | \$ 7,383,240 | 37% |
| Other local taxes | 4,491,265 | 23% |
| Charges for services | 708,959 | 4% |
| Miscellaneous | 2,835,403 | 14% |
| Recovered costs | 720,456 | 4% |
| Intergovernmental | 3,742,464 | 19% |

Governmental Expenses

- The general governmental expenses increased by \$56,239 or 4% due to purchases of fixed assets.
- Public safety expenses increased by \$153,672 or 4% due to purchases of fixed assets.
- Public Works expenses increased by \$553,070 or 17% due to fixed asset purchases.
- Health and welfare costs increased by \$79,996, or 5.8% due to an increased demand for services.
- Community development costs decreased by \$77,493 or 9% due to reduced costs related to planning and development.

Business-Type Activities

The increase in net position for business-type activities was \$611,124, or 7% from the prior fiscal year, with an end of the year balance of \$8,936,771.

Other significant items to note Include:

- A \$120,000 loan repayment was transferred to the General Fund as well as a \$65,000 contribution to the Equipment Replacement Fund.
- Significant capital projects were under way to replace water and sewer lines.

Financial Analysis of the City's Funds

As noted earlier, the City uses 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 a particular use.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,730,498, an increase of \$3,004,586 in comparison with the prior year. A total of \$1,828,377 is committed for the City's future equipment replacement purchases. The City committed fire department funds totaling \$236,988 to be used exclusively for the specific needs of the fire and rescue department, subject to City Council's appropriation. A total of \$76,733 is assigned for the carryover of committed projects not completed as of June 30, 2021 in the General Fund. A total of \$3,769,169 is committed for capital project needs. A total of \$12,504,385 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, 2021.

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 \$12,504,385, an increase of \$2,222,301 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 72% or approximately eight (8) months 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, 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, 2021 was \$3,769,169, an increase of \$552,034.

The permanent fund balance increased by \$338,655 for the year to \$2,308,651 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 \$4,442,489, an increase of \$253,837 in comparison with the prior year.

**General Fund
Budgetary Highlights**

Differences between the original budget of \$17,171,582 and the final amended budget of \$18,925,511 reflects an increase in appropriation of \$1,753,929.

Final Budget Compared to Actual Results

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

| | Estimated Revenues | Actual Revenues | Difference |
|------------------------|-----------------------|--------------------|------------|
| General property taxes | \$ 6,992,875 | \$ 7,383,240 | \$ 390,365 |
| Other local taxes | 3,135,900 | 4,491,265 | 1,355,365 |
| Charges for services | 734,770 | 708,959 | (25,811) |
| Miscellaneous | 2,616,253 | 2,835,403 | 219,150 |
| Recovered costs | 860,542 | 720,456 | (140,086) |
| Intergovernmental | 2,498,262 | 3,742,464 | 1,244,202 |

Actual expenditures were \$574,740 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, 2021 amounts to \$45,992,713 (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 1.85%.

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

| | Primary Government | | | | | | Component Unit | |
|--------------------------|-------------------------|------------------|--------------------------|-----------------|---------------------|------------------|-----------------------------|---------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Gov't | | School Board Component Unit | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 2,707 | \$ 2,707 | \$ - | \$ - | \$ 2,707 | \$ 2,707 | \$ 359 | \$ 359 |
| Buildings | 25,879 | 26,623 | - | - | 25,879 | 26,623 | 139 | 177 |
| Improvements | | | | | | | | |
| other than buildings | 752 | 677 | 21 | 22 | 773 | 699 | 81 | 94 |
| Infrastructure | 4,350 | 4,561 | 8,138 | 8,414 | 12,488 | 12,975 | - | - |
| Machinery & Equip. | 2,710 | 2,797 | 581 | 488 | 3,291 | 3,285 | 178 | 204 |
| Construction in Progress | 252 | 287 | 602 | 283 | 854 | 570 | - | - |
| Totals | <u>\$ 36,650</u> | <u>\$ 37,652</u> | <u>\$ 9,342</u> | <u>\$ 9,207</u> | <u>\$ 45,992</u> | <u>\$ 46,859</u> | <u>\$ 757</u> | <u>\$ 834</u> |

Additional information on the City of Lexington's capital assets can be found in Note 13 to the financial statements.

Long-term debt

City of Lexington's Outstanding Debt General Obligation Bonds

| | 2021 | 2020 |
|--------------------------|----------------------|----------------------|
| Governmental activities | \$ 22,896,426 | \$ 23,346,024 |
| Business-type activities | 4,380,000 | 4,540,000 |
| TOTAL | <u>\$ 27,276,426</u> | <u>\$ 27,886,024</u> |

The City's total general obligation debt decreased by \$609,598, or 2.2% 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 \$59,785,700 which is significantly in excess of the City's outstanding general obligation debt.

Revenue Bonds

In FY 2021, the City repaid \$160,000 of revenue bond principal used to finance water and sewer projects.

Additional information on the City of Lexington's long-term debt can be found in Notes 8 and 9 to the financial statements. Also, additional information can be found in the statistical section under Tables 12 through 17.

Economic Factors and Next Year's Budgets and Rates

As of June 2021, the unemployment rate for the City of Lexington and the surrounding County was 6.5%. This is an increase from the previous year, which was also an increase over the year before that, largely attributed to the economic impacts of COVID-19.

Sixty-four percent of the City's assessed real estate values are tax exempt. No change in the real property, personal property, meals, or transient occupancy taxes rates were implemented in support of the FY 2022 Budget. Funding of \$530,000 for future capital expenditures is included in the Budget.

The water and sewer utility fund rates were increased by approximately 5.5% for the 2022 budget due to continuing cost increases by the Maury Service Authority for treating raw water and wastewater and to support budgeted water and sewer capital improvements.

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, 300 E. Washington Street, City of Lexington, Virginia 24450.

Basic Financial Statements

City of Lexington, Virginia
Statement of Net Position
June 30, 2021

| | Primary Government | | | Component Units | |
|----------------------------------------------------|----------------------|----------------------|----------------------|-----------------------|--------------------------|
| | Governmental | Business-type | Total | School | Industrial |
| | Activities | Activities | | Board | Development Authority |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,384,931 | \$ 1,142,573 | \$ 3,527,504 | \$ 329,407 | \$ 38,915 |
| Investments | 19,938,993 | 4,200,000 | 24,138,993 | 1,400,000 | 150,000 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes receivable | 912,486 | - | 912,486 | - | - |
| Accounts receivable | 275,843 | 830,346 | 1,106,189 | - | - |
| Internal balances | 552,885 | (552,885) | - | - | - |
| Due from component unit | 18,062 | - | 18,062 | - | - |
| Due from other governmental units | 361,041 | - | 361,041 | 181,104 | - |
| Due from others | 601,142 | - | 601,142 | - | - |
| Long-term receivable | 682,539 | - | 682,539 | - | - |
| Prepaid items | 6,195 | - | 6,195 | - | - |
| Restricted assets: | | | | | |
| Permanently restricted: | | | | | |
| Cash and cash equivalents | 93,336 | - | 93,336 | - | - |
| Investments | 2,215,315 | - | 2,215,315 | - | - |
| Net Pension asset | - | - | - | 191,885 | - |
| Capital assets (net of accumulated depreciation): | | | | | |
| Land | 2,707,160 | - | 2,707,160 | 359,494 | - |
| Buildings | 25,879,153 | - | 25,879,153 | 138,619 | - |
| Improvements other than buildings | 752,639 | 20,472 | 773,111 | 80,867 | - |
| Machinery and equipment | 2,709,670 | 581,243 | 3,290,913 | 178,440 | - |
| Infrastructure | 4,349,779 | 8,137,910 | 12,487,689 | - | - |
| Construction in progress | 252,074 | 602,613 | 854,687 | - | - |
| Total assets | <u>\$ 64,693,243</u> | <u>\$ 14,962,272</u> | <u>\$ 79,655,515</u> | <u>\$ 2,859,816</u> | <u>\$ 188,915</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred charge on refunding | \$ 1,107,501 | \$ - | \$ 1,107,501 | \$ - | \$ - |
| Pension related items | 1,263,957 | 115,138 | 1,379,095 | 1,587,427 | - |
| OPEB related items | 113,301 | 6,290 | 119,591 | 206,087 | - |
| Total deferred outflows of resources | <u>\$ 2,484,759</u> | <u>\$ 121,428</u> | <u>\$ 2,606,187</u> | <u>\$ 1,793,514</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 234,632 | \$ 768,229 | \$ 1,002,861 | \$ 12,631 | \$ - |
| Payroll liabilities | 286,962 | 2,925 | 289,887 | 46,741 | - |
| Contracts payable | - | - | - | 244,091 | - |
| Accrued interest payable | 208,877 | 50,969 | 259,846 | - | - |
| Due to primary government | - | - | - | 18,062 | - |
| Unearned revenue | - | - | - | 39,660 | - |
| Deposits held in escrow | 1,395 | 117,936 | 119,331 | - | - |
| Unearned grant revenue | 5,143,616 | - | 5,143,616 | - | - |
| Long-term liabilities: | | | | | |
| Due within one year | 1,166,948 | 223,741 | 1,390,689 | 39,251 | - |
| Due in more than one year | 26,405,870 | 4,971,375 | 31,377,245 | 6,495,545 | - |
| Total liabilities | <u>\$ 33,448,300</u> | <u>\$ 6,135,175</u> | <u>\$ 39,583,475</u> | <u>\$ 6,895,981</u> | <u>\$ -</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred revenue - property taxes | \$ 570,017 | \$ - | \$ 570,017 | \$ - | \$ - |
| Pension related items | 66,283 | 8,783 | 75,066 | 324,631 | - |
| OPEB related items | 54,075 | 2,971 | 57,046 | 59,804 | - |
| Total deferred inflows of resources | <u>\$ 690,375</u> | <u>\$ 11,754</u> | <u>\$ 702,129</u> | <u>\$ 384,435</u> | <u>\$ -</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | \$ 15,228,644 | \$ 4,494,282 | \$ 19,722,926 | \$ 713,723 | \$ - |
| Restricted: | | | | | |
| Nonexpendable - perpetual cemetery care | 2,308,651 | - | 2,308,651 | - | - |
| Unrestricted (deficit) | 15,502,032 | 4,442,489 | 19,944,521 | (3,340,809) | 188,915 |
| Total net position | <u>\$ 33,039,327</u> | <u>\$ 8,936,771</u> | <u>\$ 41,976,098</u> | <u>\$ (2,627,086)</u> | <u>\$ 188,915</u> |

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, 2021

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------------------------------|---------------------------------------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|--------------|----------------------------------|-----------------|------------------------------------|----------------------------------|----------------|------|------|------|------|------|------|------|------|------|--------------|
| | Program Revenues | | | Primary Government | | | | Component Units | | | | | | | | | | | | | |
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | School Board | Industrial Development Authority | Expenses | Operating Grants and Contributions | Capital Grants and Contributions | Total | | | | | | | | | | |
| PRIMARY GOVERNMENT: | | | | | | | | | | | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | | | | | | | | | | | |
| General government administration | \$ 1,457,583 | \$ 72,977 | \$ 195,061 | \$ - | \$ (1,189,545) | \$ - | \$ - | \$ (1,189,545) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Judicial administration | 328,851 | 43,577 | 81,046 | - | (204,228) | - | - | (204,228) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Public safety | 4,088,339 | 451,588 | 1,302,571 | - | (2,334,180) | - | - | (2,334,180) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Public works | 3,831,543 | 294,170 | 942,416 | - | (2,594,957) | - | - | (2,594,957) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Health and welfare | 1,449,380 | 3,267 | 397,932 | - | (1,048,181) | - | - | (1,048,181) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Education | 3,244,008 | - | - | - | (3,244,008) | - | - | (3,244,008) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Parks, recreation, and cultural | 794,316 | 17,729 | - | - | (776,587) | - | - | (776,587) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Community development | 745,753 | - | - | - | (745,753) | - | - | (745,753) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest on long-term debt | 697,299 | - | - | - | (697,299) | - | - | (697,299) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total governmental activities | \$ 16,637,072 | \$ 883,308 | \$ 2,919,026 | \$ - | \$ (12,834,738) | \$ - | \$ - | \$ (12,834,738) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Business-type activities: | | | | | | | | | | | | | | | | | | | | | |
| Utility Fund | \$ 4,923,509 | \$ 5,409,092 | \$ - | \$ - | \$ - | \$ 485,583 | \$ 485,583 | \$ 485,583 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total primary government | \$ 21,560,581 | \$ 6,292,400 | \$ 2,919,026 | \$ - | \$ (12,834,738) | \$ 485,583 | \$ 485,583 | \$ (12,349,155) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| COMPONENT UNITS: | | | | | | | | | | | | | | | | | | | | | |
| School Board | \$ 7,875,835 | \$ 166,824 | \$ 4,482,707 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Industrial Development Authority | 401,248 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (401,248) |
| Total component units | \$ 8,277,083 | \$ 166,824 | \$ 4,482,707 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (401,248) |
| General revenues: | | | | | | | | | | | | | | | | | | | | | |
| General property taxes | | | | | \$ 7,437,963 | \$ - | \$ - | \$ 7,437,963 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other local taxes: | | | | | | | | | | | | | | | | | | | | | |
| Local sales and use taxes | | | | | 1,253,009 | - | - | 1,253,009 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Consumers' utility taxes | | | | | 305,658 | - | - | 305,658 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Business license taxes | | | | | 696,344 | - | - | 696,344 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Restaurant food taxes | | | | | 1,473,389 | - | - | 1,473,389 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Hotel and motel room taxes | | | | | 472,789 | - | - | 472,789 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other local taxes | | | | | 290,076 | - | - | 290,076 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unrestricted revenues from use of money and property | | | | | 441,750 | - | - | 441,750 | - | - | 2,309 | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | | | | | 911,607 | - | - | 911,607 | - | - | - | - | - | - | - | - | - | - | - | - | 21,340 |
| Revenue sharing payments | | | | | 1,923,796 | - | - | 1,923,796 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Payments from the City of Lexington/School Board | | | | | 52,000 | - | - | 52,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Grants and contributions not restricted to specific programs | | | | | 823,438 | - | - | 823,438 | - | - | 3,126,751 | - | - | - | - | - | - | - | - | - | 398,018 |
| Transfers | | | | | (115,152) | - | - | (115,152) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total general revenues and transfers | | | | | \$ 15,966,667 | \$ 125,541 | \$ 16,092,208 | \$ 16,092,208 | \$ - | \$ - | \$ 3,126,751 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in net position | | | | | \$ 3,131,929 | \$ 611,124 | \$ 3,743,053 | \$ 3,743,053 | \$ - | \$ - | \$ (97,244) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net position - beginning, as restated | | | | | \$ 29,907,398 | \$ 8,325,647 | \$ 38,233,045 | \$ 38,233,045 | \$ - | \$ - | \$ (2,529,842) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net position - ending | | | | | \$ 33,039,327 | \$ 8,936,771 | \$ 41,976,098 | \$ 41,976,098 | \$ - | \$ - | \$ (2,627,086) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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

City of Lexington, Virginia
Balance Sheet
Governmental Funds
June 30, 2021

| | General | Capital Projects | Permanent | Total |
|---------------------------------------------------------------------------|----------------------|---------------------|---------------------|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,075,912 | \$ 309,019 | \$ - | \$ 2,384,931 |
| Investments | 16,438,993 | 3,500,000 | - | 19,938,993 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 912,486 | - | - | 912,486 |
| Accounts receivable | 275,843 | - | - | 275,843 |
| Due from other funds | 577,435 | - | - | 577,435 |
| Due from component unit | 18,062 | - | - | 18,062 |
| Due from other governmental units | 361,041 | - | - | 361,041 |
| Due from others | 601,142 | - | - | 601,142 |
| Long-term receivable | 682,539 | - | - | 682,539 |
| Prepaid items | 6,195 | - | - | 6,195 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | - | 93,336 | 93,336 |
| Investments | - | - | 2,215,315 | 2,215,315 |
| Total assets | \$ 21,949,648 | \$ 3,809,019 | \$ 2,308,651 | \$ 28,067,318 |
| LIABILITIES | | | | |
| Accounts payable | \$ 216,282 | \$ 18,350 | \$ - | \$ 234,632 |
| Payroll liabilities | 286,962 | - | - | 286,962 |
| Due to other funds | 4,050 | 20,500 | - | 24,550 |
| Deposits held in escrow | 395 | 1,000 | - | 1,395 |
| Unearned grant revenue | 5,143,616 | - | - | 5,143,616 |
| Total liabilities | \$ 5,651,305 | \$ 39,850 | \$ - | \$ 5,691,155 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | \$ 963,126 | \$ - | \$ - | \$ 963,126 |
| Unavailable revenue - long-term receivable | 682,539 | - | - | 682,539 |
| Total deferred inflows of resources | \$ 1,645,665 | \$ - | \$ - | \$ 1,645,665 |
| FUND BALANCES | | | | |
| Nonspendable | \$ 6,195 | \$ - | \$ 180,562 | \$ 186,757 |
| Restricted | - | - | 2,128,089 | 2,128,089 |
| Committed | 2,065,365 | 3,769,169 | - | 5,834,534 |
| Assigned | 76,733 | - | - | 76,733 |
| Unassigned | 12,504,385 | - | - | 12,504,385 |
| Total fund balances | \$ 14,652,678 | \$ 3,769,169 | \$ 2,308,651 | \$ 20,730,498 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 21,949,648 | \$ 3,809,019 | \$ 2,308,651 | \$ 28,067,318 |

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, 2021

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

| | | |
|------------------------------------------------------------------------|----|------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ | 20,730,498 |
|------------------------------------------------------------------------|----|------------|

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

| | | | |
|-----------------------------------|----|------------|------------|
| Land | \$ | 2,707,160 | |
| Buildings | | 25,879,153 | |
| Improvements other than buildings | | 752,639 | |
| Infrastructure | | 4,349,779 | |
| Machinery and equipment | | 2,709,670 | |
| Construction in progress | | 252,074 | 36,650,475 |

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

| | | | |
|--------------------------------------------|----|---------|-----------|
| Unavailable revenue - property taxes | \$ | 393,109 | |
| Unavailable revenue - long-term receivable | | 682,539 | 1,075,648 |

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

| | | | |
|------------------------------|----|-----------|-----------|
| Deferred charge on refunding | \$ | 1,107,501 | |
| Pension related items | | 1,263,957 | |
| OPEB related items | | 113,301 | 2,484,759 |

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 | \$ | (22,896,426) | |
| Accrued interest payable | | (208,877) | |
| Net OPEB liabilities | | (396,022) | |
| Net pension liability | | (3,533,342) | |
| Unamortized bond premium | | (464,299) | |
| Unamortized bond discount | | 18,207 | |
| Compensated absences | | (300,936) | (27,781,695) |

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

| | | | |
|-----------------------|----|----------|-----------|
| Pension related items | \$ | (66,283) | |
| OPEB related items | | (54,075) | (120,358) |

| | | | |
|-----------------------------------------|----|------------|--|
| Net position of governmental activities | \$ | 33,039,327 | |
|-----------------------------------------|----|------------|--|

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, 2021

| | General | Capital Projects | Permanent | Total |
|--------------------------------------------------------------|----------------------|---------------------|---------------------|----------------------|
| REVENUES | | | | |
| General property taxes | \$ 7,383,240 | \$ - | \$ - | \$ 7,383,240 |
| Other local taxes | 4,491,265 | - | - | 4,491,265 |
| Permits, privilege fees, and regulatory licenses | 130,772 | - | - | 130,772 |
| Fines and forfeitures | 43,577 | - | - | 43,577 |
| Revenue from the use of money and property | 101,627 | - | 340,123 | 441,750 |
| Charges for services | 708,959 | - | - | 708,959 |
| Miscellaneous | 2,835,403 | - | - | 2,835,403 |
| Recovered costs | 720,456 | - | - | 720,456 |
| Intergovernmental | 3,742,464 | 52,000 | - | 3,794,464 |
| Total revenues | <u>\$ 20,157,763</u> | <u>\$ 52,000</u> | <u>\$ 340,123</u> | <u>\$ 20,549,886</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,436,441 | \$ - | \$ - | \$ 1,436,441 |
| Judicial administration | 328,851 | - | - | 328,851 |
| Public safety | 4,484,385 | 11,290 | - | 4,495,675 |
| Public works | 3,369,608 | 145,842 | - | 3,515,450 |
| Health and welfare | 939,737 | - | - | 939,737 |
| Education | 3,178,751 | 65,257 | - | 3,244,008 |
| Parks, recreation, and cultural | 645,744 | 12,577 | 29,963 | 688,284 |
| Community development | 739,212 | - | - | 739,212 |
| Nondepartmental | 37,502 | - | - | 37,502 |
| Debt service: | | | | |
| Principal retirement | 1,394,598 | - | - | 1,394,598 |
| Interest and other fiscal charges | 611,158 | - | - | 611,158 |
| Bond Issuance Costs | 116,184 | - | - | 116,184 |
| Total expenditures | <u>\$ 17,282,171</u> | <u>\$ 234,966</u> | <u>\$ 29,963</u> | <u>\$ 17,547,100</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 2,875,592</u> | <u>\$ (182,966)</u> | <u>\$ 310,160</u> | <u>\$ 3,002,786</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 185,000 | \$ 735,000 | \$ 28,495 | \$ 948,495 |
| Transfers out | (1,063,647) | - | - | (1,063,647) |
| Issuance of refunding bonds | 7,965,000 | - | - | 7,965,000 |
| Payment to refunded bonds escrow agent | (7,848,048) | - | - | (7,848,048) |
| Total other financing sources (uses) | <u>\$ (761,695)</u> | <u>\$ 735,000</u> | <u>\$ 28,495</u> | <u>\$ 1,800</u> |
| Net change in fund balances | \$ 2,113,897 | \$ 552,034 | \$ 338,655 | \$ 3,004,586 |
| Fund balances - beginning | 12,538,781 | 3,217,135 | 1,969,996 | 17,725,912 |
| Fund balances - ending | <u>\$ 14,652,678</u> | <u>\$ 3,769,169</u> | <u>\$ 2,308,651</u> | <u>\$ 20,730,498</u> |

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

City of Lexington, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds \$ 3,004,586

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 depreciation exceeded capital outlays in the current period.

| | | |
|----------------------|-------------|-----------|
| Capital outlays | \$ 664,487 | |
| Depreciation expense | (1,630,627) | (966,140) |
| | | |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (35,343)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|----------------------|-----------|----------|
| Property taxes | \$ 54,723 | |
| Long-term receivable | (88,041) | (33,318) |
| | | |

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 | \$ (7,965,000) | |
| Principal repayments: | | |
| General obligation bonds | 1,394,598 | |
| Payment to escrow agent for refunding of general obligation bonds | 7,020,000 | 449,598 |
| | | |

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.

| | | |
|----------------------------------------------|-----------|---------|
| Change in compensated absences | \$ 11,519 | |
| Change in accrued interest payable | 56,043 | |
| Changes in pension related items | (180,561) | |
| Changes in OPEB related items | 23,497 | |
| Amortization of deferred charge on refunding | (69,693) | |
| Amortization of bond discount | (4,552) | |
| Amortization of bond premium | 876,293 | 712,546 |
| | | |

Change in net position of governmental activities \$ 3,131,929

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, 2021

| | Enterprise Fund | Utility Fund |
|----------------------------------------------------------|--------------------|-----------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,142,573 | |
| Investments | 4,200,000 | |
| Accounts receivable, net of allowance for uncollectibles | 830,346 | |
| Due from other funds | 1,810 | |
| Total current assets | \$ 6,174,729 | |
| Noncurrent assets: | | |
| Capital assets: | | |
| Buildings | \$ 113,405 | |
| Less accumulated depreciation | (113,405) | |
| Improvements other than buildings | 77,717 | |
| Less accumulated depreciation | (57,245) | |
| Machinery and equipment | 1,456,297 | |
| Less accumulated depreciation | (875,054) | |
| Infrastructure | 10,741,394 | |
| Less accumulated depreciation | (2,603,484) | |
| Construction in progress | 602,613 | |
| Total capital assets | \$ 9,342,238 | |
| Total noncurrent assets | \$ 9,342,238 | |
| Total assets | \$ 15,516,967 | |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related items | \$ 115,138 | |
| OPEB related items | 6,290 | |
| Total deferred outflows of resources | \$ 121,428 | |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | \$ 768,229 | |
| Payroll liabilities | 2,925 | |
| Accrued interest payable | 50,969 | |
| Due to other funds | 554,695 | |
| Deposits held in escrow | 117,936 | |
| Bonds payable - current portion | 223,741 | |
| Total current liabilities | \$ 1,718,495 | |
| Noncurrent liabilities: | | |
| Bonds payable - net of current portion | \$ 4,624,215 | |
| Net pension liability | 319,851 | |
| Net OPEB liability | 27,309 | |
| Total noncurrent liabilities | \$ 4,971,375 | |
| Total liabilities | \$ 6,689,870 | |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related items | \$ 8,783 | |
| OPEB related items | 2,971 | |
| Total deferred outflows of resources | \$ 11,754 | |
| NET POSITION | | |
| Net investment in capital assets | \$ 4,494,282 | |
| Unrestricted | 4,442,489 | |
| Total net position | \$ 8,936,771 | |

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, 2021

| | Enterprise Fund |
|-----------------------------------------|--------------------|
| | Utility Fund |
| OPERATING REVENUES | |
| Charges for services: | |
| Water and sewer revenues | \$ 5,409,092 |
| Miscellaneous | 10,389 |
| Total operating revenues | \$ 5,419,481 |
| OPERATING EXPENSES | |
| Administration | \$ 291,286 |
| Water treatment plant | 1,409 |
| Water distribution | 1,233,386 |
| Water storage | 79 |
| Wastewater collection | 2,537,962 |
| Inflow and infiltration | 9,704 |
| Public works personnel | 59,067 |
| Public works labor pool | 74 |
| Internal services | 252,762 |
| Depreciation | 390,407 |
| Total operating expenses | \$ 4,776,136 |
| Operating income (loss) | \$ 643,345 |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest expense | \$ (147,373) |
| Total nonoperating revenues (expenses) | \$ (147,373) |
| Income before transfers | \$ 495,972 |
| Transfers in | \$ 300,152 |
| Transfers out | (185,000) |
| Change in net position | \$ 611,124 |
| Net position - beginning | 8,325,647 |
| Net position - ending | \$ 8,936,771 |

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, 2021

| | Enterprise Fund |
|---------------------------------------------------------------------------------------------------------------|--------------------|
| | Utility Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 5,234,915 |
| Payments to suppliers | (3,871,903) |
| Payments to and for employees | (527,186) |
| Net cash provided by (used for) by operating activities | \$ 835,826 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers (to) from other funds | \$ 668,037 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of capital assets | \$ (525,835) |
| Principal payments on bonds | (160,000) |
| Interest payments | (211,126) |
| Net cash provided by (used for) capital and related financing activities | \$ (896,961) |
| Net increase (decrease) in cash and cash equivalents | \$ 606,902 |
| Cash and cash equivalents - beginning | 535,671 |
| Cash and cash equivalents - ending | \$ 1,142,573 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ 643,345 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation | \$ 390,407 |
| (Increase) decrease in accounts receivable | (188,977) |
| (Increase) decrease in deferred outflows of resources | (43,167) |
| Increase (decrease) in accounts payable | 104,356 |
| Increase (decrease) in payroll liabilities | 231 |
| Increase (decrease) in net OPEB liability | (564) |
| Increase (decrease) in deferred inflows of resources | (157,415) |
| Increase (decrease) in net pension liability | 83,199 |
| Increase (decrease) deposits held in escrow | 4,411 |
| Total adjustments | \$ 192,481 |
| Net cash provided by (used for) operating activities | \$ 835,826 |

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, 2021

| | <u>OPEB Trust</u> | <u>Custodial Funds</u> |
|-------------------------------------------------------------------------|-------------------|------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 243,278 | \$ 889,335 |
| Total assets | <u>\$ 243,278</u> | <u>\$ 889,335</u> |
| LIABILITIES | | |
| Accrued liabilities | \$ - | \$ 166,385 |
| Total liabilities | <u>\$ -</u> | <u>\$ 166,385</u> |
| NET POSITION | | |
| Restricted for: | | |
| Net position restricted for postemployment benefits other than pensions | \$ 243,278 | \$ - |
| Central Dispatch operations | - | 138,732 |
| RARO operations | - | 21,489 |
| Regional Tourism operations | - | 562,729 |
| Total net position | <u>\$ 243,278</u> | <u>\$ 722,950</u> |

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

City of Lexington, Virginia
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2021

| | <u>OPEB Trust</u> | <u>Custodial Funds</u> |
|---------------------------------------------------|--------------------------|--------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ 53,862 | \$ - |
| Other governments | - | 2,612,054 |
| Participant fees | - | 6,720 |
| Miscellaneous | - | 13,354 |
| Total contributions | <u>\$ 53,862</u> | <u>\$ 2,632,128</u> |
| Investment income: | | |
| Net increase in fair value of investments | \$ 55,995 | \$ - |
| Interest and dividends | 336 | - |
| Investment expense | (713) | - |
| Net investment income | <u>\$ 55,618</u> | <u>\$ -</u> |
| Total additions | <u>\$ 109,480</u> | <u>\$ 2,632,128</u> |
| DEDUCTIONS | | |
| Benefit payments | \$ 53,862 | \$ - |
| Personnel charges | - | 1,651,519 |
| Advertising | - | 184,378 |
| Supplies | - | 95,373 |
| Buildngs and equipment charges | - | 317,624 |
| Professional services | - | 130,857 |
| Other | - | 231,641 |
| Total deductions | <u>\$ 53,862</u> | <u>\$ 2,611,392</u> |
| Net increase (decrease) in fiduciary net position | <u>\$ 55,618</u> | <u>\$ 20,736</u> |
| Net position, beginning - as restated | <u>\$ 187,660</u> | <u>\$ 702,214</u> |
| Net position, ending | <u><u>\$ 243,278</u></u> | <u><u>\$ 722,950</u></u> |

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

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 Annual Comprehensive 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 Annual Comprehensive Financial Report.

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, Rockbridge Area Recreation Organization, Central Dispatch, Regional Tourism, 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 City of Lexington and the County of Rockbridge participate in the Blue Ridge Resource Authority which operates a regional landfill. The Authority is governed by a committee comprised of seven members appointed by the participating jurisdictions. City Council appoints two members and has control over the budget and financing of the Authority only to the extent of representation by the members 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 (governmental 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 and fiduciary 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 when they have been earned and 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 principal and interest expenditures on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's fiduciary funds are 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 and Custodial Funds) account for assets held by the City in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. The OPEB Trust Fund is one of the fiduciary funds of the City. The Central Dispatch Fund, Regional Area Recreation Organization (RARO), and Regional Tourism (custodial funds) are other fiduciary funds of the City. All of the fiduciary funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

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

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

The School Board reports the following major fund types:

The *School Operating Fund* is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from appropriations from the County and state and federal grants.

The *School Activity Fund* is a special revenue fund and accounts for and reports all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from any and all activities of the individual schools.

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.

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.

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

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

1. Cash and cash equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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). All other outstanding balances between funds are reported as "advances 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.

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 of supplies are reported at cost while inventories held for resale 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.

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

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

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 \$86,360 and \$39,915 for property taxes and utility billings, respectively, on June 30, 2021.

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.

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 acquisition 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 |
| Structures, lines, and accessories | 20 - 40 |
| Machinery and equipment | 2 - 20 |
| Infrastructure | 50 |

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 unit - IDA Fund, 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 36 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 Balance

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, 2021 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 Balance (Continued)

Restricted - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;

Committed - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;

Assigned - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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).

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

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

12. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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 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. Pensions

For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's and School Board's Retirement Plans and the additions to/deductions from the City's and School Board's Retirement Plans' fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

15. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. 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 has multiple items that qualify for reporting in this category. One item 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. The other item is comprised of certain items related to the measurement of the net pension asset/liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset/liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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 multiple items that qualify 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. Another items relates to receivable amounts that are long-term in nature which are reported as unavailable revenue. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 2-Stewardship, Compliance, and Accountability:

A. Excess of expenditures over appropriations

For the year ended June 30, 2021, the School Fund had expenditures in excess of appropriations. Appropriations are not required for the permanent fund; therefore, none have been reported in the schedules.

B. Deficit fund balance

At June 30, 2021, there were no funds with deficit fund balance.

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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), 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 2021 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, 2021 were held in the City's name by the City's custodial bank; except \$58,826 of U.S. Treasuries, \$663,806 of Mutual Fund Bonds, and \$1,088,465 of Common Stocks 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.

Note 3-Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2021 were rated by Standard and Poor'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 |
| Local Government Investment Pool | \$ 25,588,993 |

Concentration of Credit Risk

At June 30, 2021, 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: | | | |
| Diamond Hill Corp Credit Fund | \$ 89,534 | Upon demand | None |
| Ishares 0-5 Year High Yield Corp Bon | 89,633 | Upon demand | None |
| Pimco Fds Invt Grade Corp | 72,328 | Upon demand | None |
| Vanguard Total Market Index Fund | 196,520 | Upon demand | None |
| Western Asset Core Plus | 215,791 | Upon demand | None |
| Local Government Investment Pool | 25,588,993 | Upon demand | None |

Investment Maturities (in years)

| Investment Type | Fair Value | Less Than 1 Year |
|----------------------------------|---------------|------------------|
| Local Government Investment Pool | \$ 25,588,993 | \$ 25,588,993 |

Note 3-Deposits and Investments: (Continued)

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

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pools rest with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Note 4-Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The City has the following recurring fair value measurements as of June 30, 2021:

| Investment | 6/30/2021 | Fair Value Measurement Using | | |
|--------------------|------------|-------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Mutual Funds Bonds | \$ 663,806 | \$ 663,806 | \$ - | \$ - |
| Common Stocks | 1,088,465 | 1,088,465 | - | - |
| U.S. Treasuries | 58,826 | 58,826 | - | - |

Note 5-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>Commonwealth of Virginia:</u> | | |
| Local sales tax | \$ 226,038 | \$ - |
| Communications sales and use tax | 36,917 | - |
| State sales tax | - | 82,650 |
| Categorical aid-shared expenses | 12,330 | - |
| Non-categorical aid | - | 32,287 |
| Virginia public assistance funds | 1,894 | - |
| Children's services act | 83,862 | - |
| <u>Federal Government:</u> | | |
| School grants | - | 66,167 |
| Totals | <u>\$ 361,041</u> | <u>\$ 181,104</u> |

Note 6-Interfund Transfers and Balances:

Interfund transfers for the fiscal year ended June 30, 2021 consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|----------------------------|---------------------|----------------------|
| <u>Primary Government:</u> | | |
| General Fund | \$ 185,000 | \$ 1,063,647 |
| Capital Projects Fund | 735,000 | - |
| Cemetery Fund | 28,495 | - |
| Utility Fund | 300,152 | 185,000 |
| <u>Component Unit:</u> | | |
| School Operating Fund | - | 20,841 |
| School Activity Fund | 20,841 | - |
| Total | <u>\$ 1,269,488</u> | <u>\$ 1,269,488</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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 6-Interfund Transfers and Balances: (Continued)

Interfund balances for the fiscal year ended June 30, 2021 consisted of the following:

| <u>Fund</u> | <u>Due From</u> | <u>Due To</u> |
|-----------------------|-------------------|-------------------|
| Primary Government: | | |
| General Fund | \$ 595,497 | \$ 4,050 |
| Capital Projects Fund | - | 20,500 |
| Utility Fund | 1,810 | 554,695 |
| Component Unit: | | |
| School Board | - | 18,062 |
| Total | <u>\$ 597,307</u> | <u>\$ 597,307</u> |

Internal balances represent amounts due to/from funds as a function of pooled cash allocations.

Note 7-Long-Term Receivable:

The City entered into an agreement with the Counties of Rockbridge and Buena Vista, whereby debt was issued in the City's name for the regional jail. Each locality is responsible for a percentage of the debt payments as they become due each year. As of June 30, 2021, the outstanding balance of the debt was \$813,186 and the long-term receivable balance was \$682,539.

Note 8-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, 2021:

| | <u>Beginning Balance</u> | <u>Increases/ Issuances</u> | <u>Decreases/ Retirements</u> | <u>Ending Balance</u> |
|-----------------------------------|------------------------------|---------------------------------|-----------------------------------|---------------------------|
| General Obligation Bonds | \$ 22,427,946 | \$ 7,965,000 | \$ (8,309,706) | \$ 22,083,240 |
| Less: Discount on Issuance | (22,759) | - | 4,552 | (18,207) |
| Plus: Premiums on Issuance | 1,340,592 | - | (876,293) | 464,299 |
| Direct Borrowings and Placements: | | | | |
| General Obligation Bonds | 918,078 | - | (104,892) | 813,186 |
| Net OPEB Liabilities | 401,758 | 140,605 | (146,341) | 396,022 |
| Net Pension Liability | 2,581,145 | 1,899,905 | (947,708) | 3,533,342 |
| Compensated Absences | 312,455 | 63,715 | (75,234) | 300,936 |
| Total | <u>\$ 27,959,215</u> | <u>\$ 10,069,225</u> | <u>\$ (10,455,622)</u> | <u>\$ 27,572,818</u> |

CITY OF LEXINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 8-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 | | Direct Borrowings and Placements - General Obligation Bonds | |
|-------------------------|--------------------------|--------------|-------------------------------------------------------------|-----------|
| | Principal | Interest | Principal | Interest |
| 2022 | \$ 969,704 | \$ 513,583 | \$ 107,572 | \$ 20,777 |
| 2023 | 1,524,704 | 484,938 | 110,320 | 18,028 |
| 2024 | 1,559,704 | 444,945 | 113,097 | 15,251 |
| 2025 | 1,589,704 | 411,527 | 116,029 | 12,320 |
| 2026 | 1,614,704 | 390,075 | 118,993 | 9,356 |
| 2027-2031 | 6,044,720 | 1,630,040 | 247,175 | 9,521 |
| 2032-2036 | 6,150,000 | 915,755 | - | - |
| 2037-2041 | 2,630,000 | 197,504 | - | - |
| Totals | \$ 22,083,240 | \$ 4,988,367 | \$ 813,186 | \$ 85,253 |

Details of long-term obligations:

| | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|-----------------------------------|----------------|------------|---------------------|--------------------------|---------------------------------|----------------------------|
| Direct Borrowings and Placements: | | | | | | |
| General Obligation Bond | 2.52% | 4/12/2013 | 2028 | \$ 1,582,209 | \$ 813,186 | \$ 107,572 |
| General Obligation Bond | 0.00% | 11/13/2009 | 2026 | 8,410,000 | \$ 2,968,240 | \$ 494,704 |
| VPSA Bond | 0.00% | 7/8/2010 | 2027 | 1,525,000 | 540,000 | 90,000 |
| General Obligation Bond (1) | 2.01-4.83% | 6/5/2013 | 2035 | 9,545,000 | 810,000 | - |
| VPSA Bond | 2.675-5.05% | 5/15/2014 | 2040 | 11,615,000 | 9,800,000 | 360,000 |
| VRA Refunding Bond 2020C | 0.394-2.298% | 11/18/2020 | 2036 | 7,965,000 | 7,965,000 | 25,000 |
| Subtotal General Obligation Bonds | | | | | \$ 22,083,240 | \$ 969,704 |
| Plus: Premium on Issuance | | | | | 464,299 | 18,990 |
| Less: Discount on Issuance | | | | | (18,207) | (4,552) |
| Total General Obligation Bonds | | | | | \$ 23,342,518 | \$ 1,091,714 |
| Other Obligations: | | | | | | |
| Compensated Absences | n/a | n/a | n/a | n/a | \$ 300,936 | \$ 75,234 |
| Net OPEB Liabilities | n/a | n/a | n/a | n/a | 396,022 | - |
| Net Pension Liability | n/a | n/a | n/a | n/a | 3,533,342 | - |
| Total Other Obligations | | | | | \$ 4,230,300 | \$ 75,234 |
| Total Long-term Obligations | | | | | \$ 27,572,818 | \$ 1,166,948 |

(1) In the event of default of this general obligation bond, the lender may declare the entire unpaid principal and interest as due and payable.

Compensated absences and the pension and OPEB liabilities are liquidated by the City's general fund.

The City is subject to a legal debt limit of 10% of the assessed value of real estate which totaled \$57,572,990 at June 30, 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 8-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (Continued)

The City issued a refunding lease revenue bond to refinance multiple debt issuances in the amount of \$7,965,000 with an interest rate of 1.974683%. The net proceeds were used to pay off the VFPF 2013A bonds. The refinancing reduced total debt service payment over the next 15 years by \$645,918 and results in an economic gain (difference between the present values on the old and the new debt) of \$628,356.

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, 2021:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|-----------------------------------|----------------------|-------------------|---------------------|---------------------|
| Direct Borrowings and Placements: | | | | |
| General Obligation Bonds | \$ 4,540,000 | \$ - | \$ (160,000) | \$ 4,380,000 |
| Plus: Premium on Issuance | 529,815 | | (61,859) | 467,956 |
| Net Pension Liability | 236,652 | 171,987 | (88,788) | 319,851 |
| Net OPEB Liability | 27,873 | 9,302 | (9,866) | 27,309 |
| | <u>\$ 5,334,340</u> | <u>\$ 181,289</u> | <u>\$ (320,513)</u> | <u>\$ 5,195,116</u> |
| Total | <u>\$ 5,334,340</u> | <u>\$ 181,289</u> | <u>\$ (320,513)</u> | <u>\$ 5,195,116</u> |

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

| Year Ending June 30, | Direct Borrowings and Placements | |
|-------------------------|----------------------------------|---------------------|
| | General Obligation Bonds | |
| | Principal | Interest |
| 2022 | \$ 165,000 | \$ 203,046 |
| 2023 | 175,000 | 194,333 |
| 2024 | 185,000 | 185,109 |
| 2025 | 195,000 | 175,371 |
| 2026 | 200,000 | 165,249 |
| 2027-2031 | 1,195,000 | 654,175 |
| 2032-2036 | 1,525,000 | 323,778 |
| 2037 | 740,000 | 39,598 |
| Totals | <u>\$ 4,380,000</u> | <u>\$ 1,940,659</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 8-Long-Term Obligations: (Continued)

Primary Government-Business-type Activities Indebtedness: (Continued)

Details of long-term obligations:

| | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Balance Business-type Activities | Amount Due Within One Year |
|-----------------------------------|-------------------|---------------|---------------------------|--------------------------------|----------------------------------------|----------------------------------|
| Direct Borrowings and Placements: | | | | | | |
| General Obligation Bonds: | | | | | | |
| General Obligation Bond | 4.125%-5.125% | 11/18/2016 | 2037 | \$ 2,180,000 | \$ 1,900,000 | \$ 80,000 |
| General Obligation Bond | 4.125%-5.125% | 11/14/2018 | 2039 | 2,645,000 | 2,480,000 | 85,000 |
| | | | | | <u>\$ 4,380,000</u> | <u>\$ 165,000</u> |
| Plus: Premium on Issuance | | | | | \$ 467,956 | \$ 58,741 |
| Total General Obligation Bonds | | | | | <u>\$ 4,847,956</u> | <u>\$ 223,741</u> |
| Other Obligations: | | | | | | |
| Net Pension Liability | n/a | n/a | n/a | n/a | \$ 319,851 | \$ - |
| Net OPEB Liability | n/a | n/a | n/a | n/a | 27,309 | - |
| Total Other Obligations | | | | | <u>\$ 347,160</u> | <u>\$ -</u> |
| Total Long-term Obligations | | | | | <u>\$ 5,195,116</u> | <u>\$ 223,741</u> |

The pension and OPEB liabilities are liquidated by the utility fund.

In the event of default, the lender may declare the entire unpaid principal and interest on the general obligation bonds as due and payable. The general obligation bonds also have requirements that net revenues available for debt service will equal at least 115% of the amount required during the current fiscal year to pay the principal and interest of all parity bonds. The City is in compliance with the aforementioned covenant.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 9-Long-Term Obligations-Component Unit:

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, 2021.

| | Beginning Balance | Increases | Decreases | Ending Balance |
|-----------------------|----------------------|---------------------|-----------------------|---------------------|
| Capital Lease | \$ 57,210 | \$ - | \$ (13,513) | \$ 43,697 |
| Compensated Absences | 89,410 | 36,714 | (25,225) | 100,899 |
| Net Pension Liability | 4,853,617 | 2,149,530 | (1,526,994) | 5,476,153 |
| Net OPEB Liabilities | 901,142 | 229,127 | (216,222) | 914,047 |
| Total | \$ 5,901,379 | \$ 2,415,371 | \$ (1,781,954) | \$ 6,534,796 |

Details of long-term obligations:

| | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|------------------------------------|-------------------|---------------|---------------------------|--------------------------------|---------------------------------------|----------------------------------|
| Other Obligations: | | | | | | |
| Capital Lease | 3.80% | 5/8/2017 | 2024 | \$ 97,766 | \$ 43,697 | \$ 14,026 |
| Compensated Absences | n/a | n/a | n/a | n/a | 100,899 | 25,225 |
| Net Pension Liability | n/a | n/a | n/a | n/a | 5,476,153 | - |
| Net OPEB Liabilities | n/a | n/a | n/a | n/a | 914,047 | - |
| Total Long-term Obligations | | | | | \$ 6,534,796 | \$ 39,251 |

Compensated absences and the pension and OPEB liabilities are liquidated by the School Operating Fund.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 10-Capital Lease:

The School Board entered into a lease agreement for the acquisition of school buses. The costs of the assets acquired through the capital lease are as follows:

| | |
|--------------------------------|------------------|
| Equipment | \$ 97,766 |
| Less: Accumulated Depreciation | <u>(46,846)</u> |
| Net | <u>\$ 50,920</u> |

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2021, are as follows:

| <u>Year Ending June 30,</u> | <u>Capital Lease</u> |
|----------------------------------------|----------------------|
| 2022 | \$ 15,687 |
| 2023 | 15,686 |
| 2024 | <u>15,686</u> |
| Subtotal | \$ 47,059 |
| Less, amounts representing interest | <u>(3,362)</u> |
| Present Value of Lease Agreements | <u>\$ 43,697</u> |

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Note 11-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the City and (nonprofessional) employees of the public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through the City of Lexington, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

Note 11-Pension Plan: (Continued)

Benefit Structures (Continued)

- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Note 11-Pension Plan: (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The City's contractually required employer contribution rate for the year ended June 30, 2021 was 12.63% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$472,545 and \$412,191 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

At June 30, 2021, the City reported a liability of \$3,853,193 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. In order to allocate the net pension liability to all employers included in the plan, the City is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2020 and June 30, 2019 were used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2020 and 2019, the City's proportion was 78.8502% and 80.7397%, respectively.

Note 11-Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City’s Retirement Plan and the Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

| | |
|---------------------------------------|----------------------------------------------------------------------|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 5.35% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation* |

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% if rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 11-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

| | |
|---------------------------------------|----------------------------------------------------------------------|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 4.75% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation* |

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Note 11-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related
 Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Note 11-Pension Plan: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class (Strategy)</u> | <u>Long-Term Target Asset Allocation</u> | <u>Arithmetic Long-term Expected Rate of Return</u> | <u>Weighted Average Long-term Expected Rate of Return*</u> |
|--------------------------------------|------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP - Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | <u>100.00%</u> | | <u>4.64%</u> |
| | | Inflation | <u>2.50%</u> |
| | | *Expected arithmetic nominal return | <u>7.14%</u> |

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled from the FY2020 actuarial valuations provide a median return of 6.81%.

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Note 11-Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2020 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|----------------------------------------------------------------------|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| City’s proportionate share of the City’s Net Pension Liability | \$ 6,508,215 | \$ 3,853,193 | \$ 1,627,385 |

Note 11-Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City recognized pension expense of \$537,514. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience | \$ 112,125 | \$ 23,969 |
| Change in assumptions | 221,644 | - |
| Net difference between projected and actual earnings on pension plan investments | 572,781 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 51,097 |
| Employer contributions subsequent to the measurement date | 472,545 | - |
| Total | <u>\$ 1,379,095</u> | <u>\$ 75,066</u> |

\$472,545 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | |
|---------------------------|------------|
| 2022 | \$ 218,042 |
| 2023 | 247,878 |
| 2024 | 181,378 |
| 2025 | 184,186 |

Note 11-Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Nonprofessional)

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Component Unit School Board (Nonprofessional)</u> |
|----------------------------------------------------------------------|---------------------------------------------------------------------|
| Inactive members or their beneficiaries currently receiving benefits | 10 |
| Inactive members: | |
| Vested inactive members | 1 |
| Non-vested inactive members | 0 |
| Inactive members active elsewhere in VRS | 1 |
| Total inactive members | <u>2</u> |
| Active members | <u>0</u> |
| Total covered employees | <u><u>12</u></u> |

Contributions

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2021 was 0.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$0.00 and \$0.00 for the years ended June 30, 2021 and June 30, 2020, respectively, as there are currently no active members in the plan.

Note 11-Pension Plan: (Continued)**Component Unit School Board (Nonprofessional)*****Net Pension Asset***

The net pension liability asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Component Unit School Board's (nonprofessional) net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Changes in Net Pension Liability (Asset)

| | Component School Board (Nonprofessional) | | |
|------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------|------------------------------------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2019 | \$ 317,112 | \$ 501,759 | \$ (184,647) |
| Changes for the year: | | | |
| Interest | \$ 20,518 | \$ - | \$ 20,518 |
| Differences between expected and actual experience | (18,652) | - | (18,652) |
| Net investment income | - | 9,453 | (9,453) |
| Benefit payments, including refunds of employee contributions | (26,286) | (26,286) | - |
| Administrative expenses | - | (338) | 338 |
| Other changes | - | (11) | 11 |
| Net changes | \$ (24,420) | \$ (17,182) | \$ (7,238) |
| Balances at June 30, 2020 | \$ 292,692 | \$ 484,577 | \$ (191,885) |

Note 11-Pension Plan: (Continued)

Component Unit School Board (Nonprofessional)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the Component Unit School Board’s (nonprofessional) net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|--------------------------------------------------------------------------------|--------------------|-------------------------|--------------------|
| | <u>1% Decrease</u> | <u>Current Discount</u> | <u>1% Increase</u> |
| | <u>(5.75%)</u> | <u>(6.75%)</u> | <u>(7.75%)</u> |
| Component Unit School Board (Nonprofessional) Net Pension Liability (Asset) | \$ (168,482) | \$ (191,885) | \$ (212,402) |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the Component Unit School Board (nonprofessional) recognized pension expense of \$(25,707). At June 30, 2021, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Component Unit School Board (Nonprofessional) | |
|----------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Net difference between projected and actual earnings on pension plan investments | \$ <u>14,260</u> | \$ <u>-</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | Component Unit School Board (Nonprofessional) |
|---------------------------|-----------------------------------------------|
| 2022 | \$ (154) |
| 2023 | 4,624 |
| 2024 | 5,085 |
| 2025 | 4,705 |

Note 11-Pension Plan: (Continued)

Component Unit School Board (Professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$542,378 and \$507,503 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$5,476,153 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.03760% as compared to 0.03688% at June 30, 2019.

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Note 11-Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2021, the school division recognized pension expense of \$683,931. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Component Unit School Board (Professional) | |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| | <u> </u> | <u> </u> |
| Differences between expected and actual experience | \$ - | \$ 320,987 |
| Change in assumptions | 373,816 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 240,451 | 3,644 |
| Net difference between projected and actual earnings on pension plan investments | 416,522 | - |
| Employer contributions subsequent to the measurement date | <u>542,378</u> | <u>-</u> |
| Total | <u>\$ 1,573,167</u> | <u>\$ 324,631</u> |

Note 11-Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$542,378 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | <u>Component Unit School Board (Professional)</u> |
|---------------------------|---------------------------------------------------|
| 2022 | \$ 80,431 |
| 2023 | 215,329 |
| 2024 | 238,772 |
| 2025 | 173,941 |
| 2026 | (2,315) |

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

| | |
|---------------------------------------|----------------------------------------------------------------------|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.50% - 5.95% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation* |

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Note 11-Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

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Note 11-Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (expressed in thousands):

| | | <u>Teacher Employee Retirement Plan</u> |
|-----------------------------------------------------------------------------------|----|---------------------------------------------|
| Total Pension Liability | \$ | 51,001,855 |
| Plan Fiduciary Net Position | | 36,449,229 |
| Employers’ Net Pension Liability (Asset) | \$ | <u>14,552,626</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 71.47% |

The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

Sensitivity of the School Division’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | <u>Rate</u> | | |
|---------------------------------------------------------------------------------------------------------------|--------------------|-------------------------|--------------------|
| | <u>1% Decrease</u> | <u>Current Discount</u> | <u>1% Increase</u> |
| | <u>(5.75%)</u> | <u>(6.75%)</u> | <u>(7.75%)</u> |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability | \$ 8,034,746 | \$ 5,476,153 | \$ 3,359,873 |

Note 11-Pension Plan: (Continued)

Component Unit School Board (Professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

| | Primary Government | | | | Component Unit School Board | | | |
|------------------------------|---------------------|------------------|-------------------------------|-------------------|-----------------------------|-------------------|-------------------------------|-------------------|
| | Deferred Outflows | Deferred Inflows | Net Pension Liability (Asset) | Pension Expense | Deferred Outflows | Deferred Inflows | Net Pension Liability (Asset) | Pension Expense |
| VRS Pension Plans: | | | | | | | | |
| Primary Government | \$ 1,379,095 | \$ 75,066 | \$ 3,853,193 | \$ 537,514 | \$ - | \$ - | \$ - | \$ - |
| School Board Nonprofessional | - | - | - | - | 14,260 | - | (191,885) | (25,707) |
| School Board Professional | - | - | - | - | 1,573,167 | 324,631 | 5,476,153 | 683,931 |
| Totals | <u>\$ 1,379,095</u> | <u>\$ 75,066</u> | <u>\$ 3,853,193</u> | <u>\$ 537,514</u> | <u>\$ 1,587,427</u> | <u>\$ 324,631</u> | <u>\$ 5,284,268</u> | <u>\$ 658,224</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 12-Unearned and Deferred/Unavailable Revenue:

Unearned and deferred/unavailable revenue represent 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. Under the accrual basis, assessments for future periods are deferred. These amounts consist of the following:

Unearned Revenue:

Primary Government:

Unearned Grants - Grant revenue collected by the City for various purposes that has not met the revenue criteria totaled \$5,143,616.

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 \$39,660.

Deferred/Unavailable Revenue - Primary Government:

| | Government-wide | |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------|
| | Statements | |
| | <u>Governmental Activities</u> | <u>Balance Sheet</u> |
| | | <u>Governmental Funds</u> |
| Unavailable long-term receivable | \$ - | \$ 682,539 |
| Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures | - | 393,109 |
| Tax assessments due after June 30 | 489,563 | 489,563 |
| Prepaid property taxes due after June 30 but paid in advance by taxpayers | 80,454 | 80,454 |
| Total | \$ 570,017 | \$ 1,645,665 |

CITY OF LEXINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 13-Capital Assets:

Capital asset activity for the year ended June 30, 2021 was as follows:

Primary Government:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------------------|------------------------|-----------------------|---------------------|------------------------|
| <i>Governmental Activities:</i> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,707,160 | \$ - | \$ - | \$ 2,707,160 |
| Construction in progress | 287,246 | 151,756 | (186,928) | 252,074 |
| Total capital assets not being depreciated | <u>\$ 2,994,406</u> | <u>\$ 151,756</u> | <u>\$ (186,928)</u> | <u>\$ 2,959,234</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 33,561,418 | \$ 11,290 | \$ - | \$ 33,572,708 |
| Improvements other than buildings | 1,825,768 | 175,638 | - | 2,001,406 |
| Infrastructure | 7,977,692 | - | - | 7,977,692 |
| Machinery and equipment | 8,056,162 | 512,731 | (185,427) | 8,383,466 |
| Total capital assets being depreciated | <u>\$ 51,421,040</u> | <u>\$ 699,659</u> | <u>\$ (185,427)</u> | <u>\$ 51,935,272</u> |
| Accumulated depreciation: | | | | |
| Buildings | \$ (6,938,312) | \$ (755,243) | \$ - | \$ (7,693,555) |
| Improvements other than buildings | (1,149,018) | (99,749) | - | (1,248,767) |
| Infrastructure | (3,417,267) | (210,646) | - | (3,627,913) |
| Machinery and equipment | (5,258,891) | (564,989) | 150,084 | (5,673,796) |
| Total accumulated depreciation | <u>\$ (16,763,488)</u> | <u>\$ (1,630,627)</u> | <u>\$ 150,084</u> | <u>\$ (18,244,031)</u> |
| Total capital assets being depreciated, net | <u>\$ 34,657,552</u> | <u>\$ (930,968)</u> | <u>\$ (35,343)</u> | <u>\$ 33,691,241</u> |
| Governmental activities capital assets, net | <u>\$ 37,651,958</u> | <u>\$ (779,212)</u> | <u>\$ (222,271)</u> | <u>\$ 36,650,475</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 13-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 | \$ 283,304 | \$ 319,309 | \$ - | \$ 602,613 |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 113,405 | \$ - | \$ - | \$ 113,405 |
| Improvements other than buildings | 77,717 | - | - | 77,717 |
| Infrastructure | 10,741,394 | - | - | 10,741,394 |
| Machinery and equipment | 1,249,771 | 206,526 | - | 1,456,297 |
| Total capital assets being depreciated | <u>\$12,182,287</u> | <u>\$ 206,526</u> | <u>\$ -</u> | <u>\$ 12,388,813</u> |
| Accumulated depreciation: | | | | |
| Buildings | \$ (113,405) | \$ - | \$ - | \$ (113,405) |
| Improvements other than buildings | (56,217) | (1,028) | - | (57,245) |
| Infrastructure | (2,327,024) | (276,460) | - | (2,603,484) |
| Machinery and equipment | (762,135) | (112,919) | - | (875,054) |
| Total accumulated depreciation | <u>\$ (3,258,781)</u> | <u>\$ (390,407)</u> | <u>\$ -</u> | <u>\$ (3,649,188)</u> |
| Total capital assets being depreciated, net | <u>\$ 8,923,506</u> | <u>\$ (183,881)</u> | <u>\$ -</u> | <u>\$ 8,739,625</u> |
| Business-type activities capital assets, net | <u>\$ 9,206,810</u> | <u>\$ 135,428</u> | <u>\$ -</u> | <u>\$ 9,342,238</u> |

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Note 13-Capital Assets: (Continued)

Primary Government: (Continued)

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

| | |
|--------------------------------------------------------|--------------------------------|
| Governmental activities: | |
| General government administration | \$ 21,346 |
| Public safety | 381,093 |
| Public works | 612,768 |
| Education | 510,073 |
| Parks, recreation, and cultural | 103,645 |
| Community development | <u>1,702</u> |
| Total depreciation expense-governmental activities | <u><u>\$ 1,630,627</u></u> |
| Business-type activities: | |
| Utility Fund | <u><u>\$ 390,407</u></u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 13-Capital Assets: (Continued)

Discretely Presented Component Unit - School Board:

Capital asset activity for the School Board for the year ended June 30, 2021 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------------------|-----------------------|--------------------|-------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 359,494 | \$ - | \$ - | \$ 359,494 |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 1,271,364 | \$ - | \$ - | \$ 1,271,364 |
| Improvements other than buildings | 131,136 | - | - | 131,136 |
| Machinery and equipment | 343,596 | - | - | 343,596 |
| Total capital assets being depreciated | <u>\$ 1,746,096</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,746,096</u> |
| Accumulated depreciation: | | | | |
| Buildings | \$ (1,093,682) | \$ (39,063) | \$ - | \$(1,132,745) |
| Improvements other than buildings | (37,155) | (13,114) | - | (50,269) |
| Machinery and equipment | (140,331) | (24,825) | - | (165,156) |
| Total accumulated depreciation | <u>\$ (1,271,168)</u> | <u>\$ (77,002)</u> | <u>\$ -</u> | <u>\$(1,348,170)</u> |
| Total capital assets being depreciated, net | <u>\$ 474,928</u> | <u>\$ (77,002)</u> | <u>\$ -</u> | <u>\$ 397,926</u> |
| School board capital assets, net | <u>\$ 834,422</u> | <u>\$ (77,002)</u> | <u>\$ -</u> | <u>\$ 757,420</u> |

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

| | |
|-----------|------------------|
| Education | <u>\$ 77,002</u> |
|-----------|------------------|

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 14-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 15-Contingent Liabilities:

The City has guaranteed debt issued by the Maury Service Authority (MSA) for the construction and upgrades of its current wastewater treatment plant. The MSA's debt totaled \$3,230,086 as of June 30, 2021 and is scheduled to be completely retired by June of 2031. The City paid \$161,504 to the MSA in FY 21 for half of the debt service; the County of Rockbridge pays an equal assessment. An annual assessment of \$161,504 per year is scheduled through fiscal year ending June 30, 2031.

Note 16-Surety Bonds:

Primary Government:

| | |
|----------------------------------------------------|------------|
| <u>Virginia Municipal Liability Pool - Surety:</u> | |
| Pat DeLaney, Treasurer | \$ 200,000 |
| Wanda Floyd, Deputy Treasurer | 200,000 |
| Karen T. Roundy, Commissioner of Revenue | 200,000 |
| Angela Greene, Chief of Police | 200,000 |

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Note 17-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. During fiscal year 2021, the City paid the MSA \$3,231,324 for bulk purchases of water and sewer services, as well as a \$161,504 assessment for debt service.

Blue Ridge Resource Authority: The City of Lexington, along with other localities, participates in the Blue Ridge Resource Authority, 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 2021 was \$61.50/ton and \$59.50/ton for refuse disposal for commercial and citizen and municipal customers, respectively, at the landfill.

Rockbridge County High School: Rockbridge County owns and operates the Rockbridge County High School. Students residing in both the City and the County attend the consolidated school. The City paid the County a portion of construction costs of the school and pays an annual student tuition cost equal to the percentage of City students attending the school multiplied by operating costs. The City paid the County of Rockbridge \$1,622,904 for high school student tuition in 2021.

Note 18-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 542 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 2021, the City received \$1,923,796 from the County representing the revenue sharing payment under this agreement.

Note 19-Litigation:

At June 30, 2021 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 20-Other Postemployment Benefits - Health Insurance:

Plan Description

In addition to the pension benefits described in Note 11, the City administers a cost-sharing defined benefit healthcare plan, the Lexington Post-Retirement Medical Plan (LPRMP). 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 LPRMP does not issue a publicly available financial report.

| | Primary Government | Component Unit School Board |
|--------------------------------------|-----------------------|--------------------------------|
| Total active employees with coverage | 102 | 53 |
| Total retirees with coverage | 3 | 3 |
| Total | <u>105</u> | <u>56</u> |

Plan Administration

Investments for the LPRMP are the responsibility of the LPRMP Board.

Benefits Provided

Postemployment benefits are provided to eligible retirees to include healthcare and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan.

Contributions

The LPRMP Board establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The LPRMP Board 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 LPRMP Board. For full-time employees, the City currently contributes between 67.2% and 90.0% and the School Board contributes between 33.7% and 97.6% toward the cost of medical and vision premiums. For fiscal year 2021, the City and School Board contributed \$19,266 and \$34,596, respectively, in total for current premiums and prefunding amounts. Plan members receiving benefits contributed \$31,908 and \$13,865 towards health and vision plans, for the City and School Board, respectively.

For retirees of the City and School Board, 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 Health Insurance 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.

Note 20-Other Postemployment Benefits - Health Insurance: (Continued)

Investment policy

The City of Lexington’s OPEB Trust is invested in and administered by the Virginia Pooled OPEB Trust, which establishes the allocation of invested assets. The following was the asset allocation as of June 30, 2021:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|--------------------|--------------------------|
| Domestic Equity | 54.60% |
| Internation Equity | 13.68% |
| Fixed Income | 22.12% |
| Real Estate | 8.94% |
| Cash | 0.66% |
| | <u>100.0%</u> |

Concentrations

The Trust does not hold investments in any one organization that represents five percent or more of the OPEB Trust’s Fiduciary Net Position.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.64%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the City and School Board reported liabilities of \$94,531 and \$169,744, respectively, for their proportionate share of the Net OPEB Liability. The Net OPEB Liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2021 and rolled forward to that date. At June 30, 2021, the City and School Board’s proportion was 35.77% and 64.23%, respectively.

For the year ended June 30, 2021, the City and School Board recognized OPEB expense of \$16,975 and \$26,547, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 20-Other Postemployment Benefits - Health Insurance: (Continued)

Net OPEB Liabilities, OPEB Expense, Deferred Outflow of Resources and Deferred Inflows of Resources (Continued)

At June 30, 2021, the City and School Board reported for the following deferred outflows of resources and deferred inflows of resources related to the LPRMP OPEB from the following sources:

| | City | | School Board | |
|---------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 34,224 | \$ 2,484 | \$ 61,455 | \$ 4,461 |
| Change in assumptions | 2,858 | 6,000 | 5,132 | 10,773 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 7,275 | 1,436 | 1,436 | 7,275 |
| Net difference between projected and actual earnings on pension plan investments | - | 11,354 | - | 20,387 |
| Total | \$ 44,357 | \$ 21,274 | \$ 68,023 | \$ 42,896 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the LPRMP OPEB will be recognized in OPEB expense in future reporting periods as follows:

| Fiscal Year Ended June 30 | City | School Board |
|---------------------------|----------|--------------|
| 2022 | \$ 4,500 | \$ 4,144 |
| 2023 | 4,919 | 4,894 |
| 2024 | 4,753 | 4,600 |
| 2025 | 4,185 | 3,581 |
| 2026 | 1,856 | 2,089 |
| Therafter | 2,870 | 5,819 |

Schedule of Investment Returns

Last Ten Fiscal Years

| | Annual Money-Weighted Rate of Return Net of Investment |
|-----------|--------------------------------------------------------|
| 6/30/2017 | 12.28% |
| 6/30/2018 | 9.14% |
| 6/30/2019 | 4.19% |
| 6/30/2020 | 2.67% |
| 6/30/2021 | 29.64% |

The chart is intended to show information for 10 years. More data will be added as it becomes available.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 20-Other Postemployment Benefits - Health Insurance: (Continued)

Actuarial Assumptions

The total OPEB liability was determined based on July 1, 2021 valuation data rolled forward to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|-----------------------------------------------------------------------------------------------------------|
| Inflation | 2.50% |
| Salary Increases | 2.50% |
| Investment rate of return | 5.50% |
| Healthcare cost trend rates | 4.90% for 2021, increasing to 5.20% in 2030, and decreasing incrementally to 4.00% in 2075 and thereafter |

Mortality rates were based on the PubT.H-2010 Mortality Table (general and teacher, headcount-weighted), fully generational, projected using Scale MP-2020 and base year 2010.

The actuarial assumptions used in the June 30, 2021 valuation were based on July 1, 2021 valuation data. The methods, assumptions, and participant data used can be found in the July 1, 2021 actuarial valuation report.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 (see the discussion of LPRMP's investment policy) are summarized in the following table:

| <u>Asset Class</u> | <u>Long Term Expected Rate of Real Geometric Return</u> |
|-------------------------|-----------------------------------------------------------------|
| Domestic Equity | 4.0% |
| International Equity | 4.4% |
| Fixed Income | 1.0% |
| Diversified Hedge Funds | 1.7% |
| Real Estate | 2.9% |

Discount Rate

The discount rate used to measure the total OPEB liability was 5.5 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 20-Other Postemployment Benefits - Health Insurance: (Continued)

Discount rate (Continued)

The long term expected rate of return on assets has stayed consistent with prior year at 5.5%. The long term expected real rate of return by asset class was based on a survey of several investment firms. The rate was determined based on the following analysis:

| Asset Class | Current Allocation | Long Term Expected Rate of Real Geometric Return | Weighted Average |
|-------------------------------------------------|--------------------|-----------------------------------------------------------|---------------------|
| Domestic Equity | 40.0% | 4.0% | 1.6% |
| International Equity | 20.0% | 4.4% | 0.9% |
| Fixed Income | 20.0% | 1.0% | 0.2% |
| Diversified Hedge Funds | 10.0% | 1.7% | 0.2% |
| Real Estate | 10.0% | 2.9% | 0.3% |
| Total | 100.0% | | 3.2% |
| Inflation Used for Health Care Trend Assumption | | | 2.3% |
| Rate of Return | | | 5.5% |

Sensitivity of the Employer’s Proportionate Share of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability of the City and School Board, as well as what the City’s and School Board’s net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.50%) or one-percentage-point higher (6.50%) than the current discount rate:

| | Discount Rate | | |
|-----------------------------------------------------------------------|------------------------|-----------------------------|------------------------|
| | 1% Decrease (4.50%) | Current Discount (5.50%) | 1% Increase (6.50%) |
| City’s proportionate share of the LPRMP Net OPEB Liability | \$ 102,718 | \$ 94,531 | \$ 86,550 |
| School Board’s proportionate share of the LPRMP Net OPEB Liability | \$ 184,444 | \$ 169,744 | \$155,413 |

Note 20-Other Postemployment Benefits - Health Insurance: (Continued)

Sensitivity of the Employer’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City and School Board, as well as what the City's and School Board’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

| | Healthcare Costs | | |
|-----------------------------------------------------------------------|------------------------|-----------------------|------------------------|
| | 1% Decrease (2.80%) | Trend Rate (3.80%) | 1% Increase (4.80%) |
| City's proportionate share of the LPRMP Net OPEB Liability | \$ 83,416 | \$ 94,531 | \$107,088 |
| School Board's proportionate share of the LPRMP Net OPEB Liability | \$ 149,786 | \$ 169,744 | \$192,291 |

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Note 21—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Note 21—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the City were \$21,383 and \$20,797 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions to the GLI Plan from the School Board were \$17,935 and \$16,844 for the years ended June 30, 2021 and June 30, 2020, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2021, the City and the Component Unit-School Board (professional) reported a liability of \$328,800 and \$262,675, respectively, for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the City's proportion was 0.02500% as compared to 0.02526% at June 30, 2019. At June 30, 2020, the Component-Unit School Board's (professional) proportion was 0.01570% as compared to 0.01560% at June 30, 2019.

For the year ended June 30, 2021, the City and Component Unit-School Board (professional) recognized GLI OPEB expense of \$6,054 and \$13,157, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 21—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB (Continued)

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | City | | Component Unit-School Board (Professional) | |
|-----------------------------------------------------------------------------------|--------------------------------|-------------------------------|--------------------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 21,090 | \$ 2,953 | \$ 16,848 | \$ 2,360 |
| Net difference between projected and actual earnings on GLI OPEB plan investments | 9,877 | - | 7,891 | - |
| Change in assumptions | 16,444 | 6,865 | 13,137 | 5,485 |
| Changes in proportionate share | 6,440 | 25,954 | 10,185 | - |
| Employer contributions subsequent to the measurement date | 21,383 | - | 17,935 | - |
| Total | \$ 75,234 | \$ 35,772 | \$ 65,996 | \$ 7,845 |

\$21,383 and \$17,935 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date from the City and Component Unit-School Board (professional), respectively, will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | City | Component Unit-School Board (Professional) |
|--------------------|------------|--------------------------------------------|
| 2022 | \$ (1,532) | \$ 7,097 |
| 2023 | 1,257 | 9,325 |
| 2024 | 7,410 | 10,619 |
| 2025 | 9,292 | 10,101 |
| 2026 | 1,580 | 2,849 |
| Thereafter | 72 | 225 |

Note 21—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

| | |
|----------------------------------------|---------------------------------------------------------|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Teachers | 3.50%-5.95% |
| Locality - General employees | 3.50%-5.35% |
| Locality - Hazardous Duty employees | 3.50%-4.75% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation* |

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

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Note 21—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Note 21—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Note 21—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Increased disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 60.00% to 70.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Note 21—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

| | | GLI OPEB Plan |
|--------------------------------------------------------------------------------|----|--------------------------|
| | | <hr/> |
| Total GLI OPEB Liability | \$ | 3,523,937 |
| Plan Fiduciary Net Position | | 1,855,102 |
| GLI Net OPEB Liability (Asset) | \$ | <u>1,668,835</u> |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 52.64% |

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

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Note 21—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System’s investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|--------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP - Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 7.14% |

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Note 21—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|--------------------------------------------------------------------------------|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Proportionate share of the Group Life Insurance Plan Net OPEB Liability: | | | |
| City | \$ 432,232 | \$ 328,800 | \$ 244,802 |
| Component Unit-School Board (Professional) | \$ 345,306 | \$ 262,675 | \$ 195,570 |

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 22—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Note 22—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$40,187 and \$38,840 for the years ended June 30, 2021 and June 30, 2020, respectively.

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2021, the school division reported a liability of \$481,628 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC was 0.03690% as compared to 0.03646% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC OPEB expense of \$43,774. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

Note 22—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB: (Continued)

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 6,432 |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | 2,134 | - |
| Change in assumptions | 9,521 | 2,631 |
| Change in proportionate share | 20,226 | - |
| Employer contributions subsequent to the measurement date | <u>40,187</u> | <u>-</u> |
| Total | <u>\$ 72,068</u> | <u>\$ 9,063</u> |

\$40,187 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

| | | |
|------------|----|-------|
| 2022 | \$ | 4,332 |
| 2023 | | 4,544 |
| 2024 | | 4,473 |
| 2025 | | 4,151 |
| 2026 | | 3,367 |
| Thereafter | | 1,951 |

Note 22—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

| | |
|----------------------------------------|------------------------------------------------------------|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Teacher employees | 3.50%-5.95% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation* |

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

Note 22—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

| | <u>Teacher Employee HIC OPEB Plan</u> |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Total Teacher Employee HIC OPEB Liability | \$ 1,448,676 |
| Plan Fiduciary Net Position | 144,160 |
| Teacher Employee Net HIC OPEB Liability (Asset) | <u>\$ 1,304,516</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | 9.95% |

The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Note 22—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class (Strategy)</u> | <u>Long-Term Target Asset Allocation</u> | <u>Arithmetic Long-term Expected Rate of Return</u> | <u>Weighted Average Long-term Expected Rate of Return*</u> |
|--------------------------------------|------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP - Private Investmnet Partnership | 3.00% | 6.49% | 0.19% |
| Total | <u>100.00%</u> | | <u>4.64%</u> |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | <u>7.14%</u> |

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Note 22—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | Rate | | |
|--------------------------------------------------------------------------------------------------------|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability | \$ 539,132 | \$ 481,628 | \$ 432,753 |

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 23-Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The City has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the City to VRSA. VRSA assumes all liability for the City’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The City’s LODA coverage is fully covered or “insured” through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The City’s LODA premium for the year ended June 30, 2021 was \$32,898.

Note 24-Aggregate OPEB Information:

| | Primary Government | | | | Component Unit School Board | | | |
|--------------------------------------|--------------------|------------------|--------------------|--------------|-----------------------------|------------------|--------------------|--------------|
| | Deferred Outflows | Deferred Inflows | Net OPEB Liability | OPEB Expense | Deferred Outflows | Deferred Inflows | Net OPEB Liability | OPEB Expense |
| VRS OPEB Plans: | | | | | | | | |
| Group Life Insurance Plan: | | | | | | | | |
| City | \$ 75,234 | \$ 35,772 | \$ 328,800 | \$ 6,054 | \$ - | \$ - | \$ - | \$ - |
| School Board Professional | - | - | - | - | 65,996 | 7,845 | 262,675 | 13,157 |
| Teacher Health Insurance Credit Plan | - | - | - | - | 72,068 | 9,063 | 481,628 | 43,774 |
| City Stand-Alone Plan | 44,357 | 21,274 | 94,531 | 16,975 | - | - | - | - |
| School Stand-Alone Plan | - | - | - | - | 68,023 | 42,896 | 169,744 | 26,547 |
| Totals | \$ 119,591 | \$ 57,046 | \$ 423,331 | \$ 23,029 | \$ 206,087 | \$ 59,804 | \$ 914,047 | \$ 83,478 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 25-Fund Balance Classifications:

Fund balance classifications for the primary government are as follows:

| | General Fund | Capital Projects Fund | Permanent Fund |
|-------------------------|----------------------|--------------------------|---------------------|
| Nonspendable: | | | |
| Prepays | \$ 6,195 | \$ - | \$ - |
| Corpus | - | - | 180,562 |
| Total Nonspendable | <u>\$ 6,195</u> | <u>\$ -</u> | <u>\$ 180,562</u> |
| Restricted: | | | |
| Perpetual cemetery care | \$ - | \$ - | \$ 2,128,089 |
| Committed: | | | |
| Fire | \$ 236,988 | \$ - | \$ - |
| Equipment replacement | 1,828,377 | - | - |
| Capital projects | - | 3,769,169 | - |
| Total Committed | <u>\$ 2,065,365</u> | <u>\$ 3,769,169</u> | <u>\$ -</u> |
| Assigned: | | | |
| Carryovers | \$ 76,733 | \$ - | \$ - |
| Unassigned | | | |
| | <u>\$ 12,504,385</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Fund Balance | <u>\$ 14,652,678</u> | <u>\$ 3,769,169</u> | <u>\$ 2,308,651</u> |

Fund balance classifications for the component units are as follows:

| | School Operating Fund | School Activity Fund | Industrial Development Authority |
|-----------------------|--------------------------|-------------------------|----------------------------------------|
| Committed: | | | |
| Special revenue funds | \$ 1,500,715 | \$ 48,611 | \$ 188,915 |

Note 26-Subsequent Events:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the City, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the City is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The City received total CRF funding of \$1,299,270. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$115,290. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. The City did not report any unspent CRF funds as unearned revenue as of June 30.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 30, 2021, the City received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$4,585,823 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 27-Adoption of Accounting Principle:

The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during the fiscal year ended June 30, 2021. This Statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purpose and how those activities should be reported.

| | Fund Balance | | Net Position | | |
|-----------------------------------------|------------------|------------------|------------------|-----------|------------------|
| | Component Unit - | Component Unit - | Custodial Funds | | |
| | School Board | School Board | Central Dispatch | RARO | Regional Tourism |
| Beginning balance, as previously stated | \$ 1,404,895 | \$ (2,582,108) | \$ - | \$ - | \$ - |
| Implementation of GASB 84 | 52,266 | 52,266 | 182,265 | 21,544 | 498,405 |
| Beginning balance, as restated | \$ 1,457,161 | \$ (2,529,842) | \$ 182,265 | \$ 21,544 | \$ 498,405 |

Note 28-Upcoming Pronouncements:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Note 28-Upcoming Pronouncements: (Continued)

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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, 2021

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|-----------------------------------------------------------|------------------|----------------|-------------------|---------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES | | | | |
| General property taxes | \$ 6,992,875 | \$ 6,992,875 | \$ 7,383,240 | \$ 390,365 |
| Other local taxes | 3,135,900 | 3,135,900 | 4,491,265 | 1,355,365 |
| Permits, privilege fees, and regulatory licenses | 67,400 | 67,400 | 130,772 | 63,372 |
| Fines and forfeitures | 57,650 | 57,650 | 43,577 | (14,073) |
| Revenue from the use of money and property | 289,340 | 289,340 | 101,627 | (187,713) |
| Charges for services | 734,770 | 734,770 | 708,959 | (25,811) |
| Miscellaneous | 2,573,786 | 2,616,253 | 2,835,403 | 219,150 |
| Recovered costs | 860,542 | 860,542 | 720,456 | (140,086) |
| Intergovernmental: | | | | |
| Commonwealth | 2,491,512 | 2,491,512 | 2,698,906 | 207,394 |
| Federal | 6,750 | 6,750 | 1,043,558 | 1,036,808 |
| Total revenues | \$ 17,210,525 | \$ 17,252,992 | \$ 20,157,763 | \$ 2,904,771 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,391,815 | \$ 1,443,470 | \$ 1,436,441 | \$ 7,029 |
| Judicial administration | 355,916 | 357,416 | 328,851 | 28,565 |
| Public safety | 4,226,270 | 4,720,433 | 4,484,385 | 236,048 |
| Public works | 3,136,738 | 3,517,355 | 3,369,608 | 147,747 |
| Health and welfare | 1,011,041 | 1,012,041 | 939,737 | 72,304 |
| Education | 3,060,547 | 3,178,751 | 3,178,751 | - |
| Parks, recreation, and cultural | 434,692 | 694,619 | 645,744 | 48,875 |
| Community development | 650,236 | 780,599 | 739,212 | 41,387 |
| Nondepartmental | 13,264 | 13,264 | 37,502 | (24,238) |
| Debt service: | | | | |
| Principal retirement | 1,394,598 | 1,394,598 | 1,394,598 | - |
| Interest and other fiscal charges | 625,462 | 625,462 | 611,158 | 14,304 |
| Bond issuance costs | 118,903 | 118,903 | 116,184 | 2,719 |
| Total expenditures | \$ 16,419,482 | \$ 17,856,911 | \$ 17,282,171 | \$ 574,740 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 791,043 | \$ (603,919) | \$ 2,875,592 | \$ 3,479,511 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 185,000 | \$ 185,000 | \$ 185,000 | \$ - |
| Transfers out | (752,100) | (1,068,600) | (1,063,647) | 4,953 |
| Issuance of refunding bonds | - | - | 7,965,000 | 7,965,000 |
| Payment to refunded bonds escrow agent | - | - | (7,848,048) | (7,848,048) |
| Total other financing sources (uses) | \$ (567,100) | \$ (883,600) | \$ (761,695) | \$ 121,905 |
| Net change in fund balances | \$ 223,943 | \$ (1,487,519) | \$ 2,113,897 | \$ 3,601,416 |
| Fund balances - beginning | (223,943) | 1,487,519 | 12,538,781 | 11,051,262 |
| Fund balances - ending | \$ - | \$ - | \$ 14,652,678 | \$ 14,652,678 |

**REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2021**

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.
9. 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 Employer's Proportionate Share of the Net Pension Liability (Asset)
 Pension Plans
 For the Measurement Dates of June 30, 2014 through June 30, 2020

| Date (1) | Proportion of the Net Pension Liability (Asset) (NPLA) (2) | Proportionate Share of the NPLA (3) | Covered Payroll (4) | Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6) |
|---------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------|---------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Primary Government - City Retirement Plan | | | | | |
| 2020 | 78.8502% | \$ 3,853,193 | \$ 4,128,976 | 93.32% | 101.31% |
| 2019 | 80.7397% | 2,817,797 | 3,944,658 | 71.43% | 97.16% |
| 2018 | 79.8557% | 2,072,163 | 4,023,170 | 51.51% | 90.19% |
| 2017 | 81.3379% | 2,877,592 | 3,884,004 | 74.09% | 86.55% |
| 2016 | 84.0663% | 4,361,811 | 4,274,309 | 102.05% | 80.00% |
| 2015 | 83.4641% | 3,563,259 | 4,312,572 | 82.62% | 82.87% |
| 2014 | 83.4641% | 3,610,518 | 4,326,786 | 83.45% | 83.25% |
| Component Unit School Board (professional) | | | | | |
| 2020 | 0.03760% | \$ 5,476,153 | \$ 3,236,628 | 169.19% | 71.47% |
| 2019 | 0.03688% | 4,853,617 | 3,057,892 | 158.72% | 73.51% |
| 2018 | 0.03561% | 4,188,000 | 2,835,144 | 147.72% | 74.81% |
| 2017 | 0.03517% | 4,325,000 | 2,774,517 | 155.88% | 72.92% |
| 2016 | 0.03438% | 4,818,000 | 2,619,420 | 183.93% | 68.28% |
| 2015 | 0.03474% | 4,372,000 | 2,586,134 | 169.06% | 70.68% |
| 2014 | 0.03517% | 4,250,000 | 2,585,154 | 164.40% | 70.88% |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

City of Lexington, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2020

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-----------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | | | |
| Interest | \$ 20,518 | \$ 20,664 | \$ 21,153 | \$ 21,652 | \$ 22,411 | \$ 21,938 | \$ 22,650 |
| Differences between expected and actual experience | (18,652) | 11,962 | - | 1,154 | (1,766) | 16,718 | - |
| Changes of assumptions | - | 6,071 | 4,587 | 1,754 | - | - | - |
| Benefit payments | (26,286) | (33,557) | (31,896) | (31,498) | (31,460) | (32,349) | (33,291) |
| Net change in total pension liability | \$ (24,420) | \$ 5,140 | \$ (6,156) | \$ (6,938) | \$ (10,815) | \$ 6,307 | \$ (10,641) |
| Total pension liability - beginning | 317,112 | 311,972 | 318,128 | 325,066 | 335,881 | 329,574 | 340,215 |
| Total pension liability - ending (a) | \$ 292,692 | \$ 317,112 | \$ 311,972 | \$ 318,128 | \$ 325,066 | \$ 335,881 | \$ 329,574 |
| Plan fiduciary net position | | | | | | | |
| Contributions - employee | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 12,850 | \$ - |
| Net investment income | 9,453 | 32,154 | 36,150 | 56,045 | 7,854 | 22,550 | 70,087 |
| Benefit payments | (26,286) | (33,557) | (31,896) | (31,498) | (31,460) | (32,349) | (33,291) |
| Administrator charges | (338) | (345) | (332) | (348) | (325) | (326) | (402) |
| Other | (11) | (20) | (31) | (49) | (4) | (4) | 4 |
| Net change in plan fiduciary net position | \$ (17,182) | \$ (1,768) | \$ 3,891 | \$ 24,150 | \$ (23,935) | \$ 2,721 | \$ 36,398 |
| Plan fiduciary net position - beginning | 501,759 | 503,527 | 499,636 | 475,486 | 499,421 | 496,700 | 460,302 |
| Plan fiduciary net position - ending (b) | \$ 484,577 | \$ 501,759 | \$ 503,527 | \$ 499,636 | \$ 475,486 | \$ 499,421 | \$ 496,700 |
| School Division's net pension liability (asset) - ending (a) - (b) | \$ (191,885) | \$ (184,647) | \$ (191,555) | \$ (181,508) | \$ (150,420) | \$ (163,540) | \$ (167,126) |
| Plan fiduciary net position as a percentage of the total pension liability | 165.56% | 158.23% | 161.40% | 157.06% | 146.27% | 148.69% | 150.71% |
| Covered payroll (1) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| School Division's net pension liability as a percentage of covered payroll | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

(1) There are no active employees on the component unit school board's nonprofessional VRS plan.

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

City of Lexington, Virginia
Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2012 through June 30, 2021

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|---------------------------------------------------------|
| Primary Government | | | | | |
| 2021 | \$ 472,545 | \$ 472,545 | \$ - | \$ 3,937,022 | 12.00% |
| 2020 | 412,191 | 412,191 | - | 4,128,976 | 9.98% |
| 2019 | 409,125 | 409,125 | - | 3,944,658 | 10.37% |
| 2018 | 471,254 | 471,254 | - | 4,023,170 | 11.71% |
| 2017 | 451,906 | 451,906 | - | 3,884,004 | 11.64% |
| 2016 | 575,760 | 575,760 | - | 4,274,309 | 13.47% |
| 2015 | 581,632 | 581,632 | - | 4,312,572 | 13.49% |
| Component Unit School Board (Professional) | | | | | |
| 2021 | \$ 542,378 | \$ 542,378 | \$ - | \$ 3,321,276 | 16.33% |
| 2020 | 507,503 | 507,503 | - | 3,236,628 | 15.68% |
| 2019 | 472,576 | 472,576 | - | 3,057,892 | 15.45% |
| 2018 | 455,833 | 455,833 | - | 2,835,144 | 16.08% |
| 2017 | 400,198 | 400,198 | - | 2,774,517 | 14.42% |
| 2016 | 365,738 | 365,738 | - | 2,619,420 | 13.96% |
| 2015 | 373,732 | 373,732 | - | 2,586,134 | 14.45% |
| 2014 | 301,429 | 301,429 | - | 2,585,154 | 11.66% |
| 2013 | 298,490 | 298,490 | - | 2,559,949 | 11.66% |
| 2012 | 152,921 | 152,921 | - | 2,415,814 | 6.33% |

(a) There have not been active employees on the component unit school board nonprofessional plan since 2011. Therefore, data after this time period is not presented.

Schedule is intended to show information for 10 years. Because the primary government participates with various employers and their information is presented on the cost-sharing basis beginning in 2015, data prior to this period is not available. However, information will be presented as it becomes available.

City of Lexington, Virginia
Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2021

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2019, valuations were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

All Others (Non 10 Largest) - Hazardous Duty:

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Component Unit School Board - Professional Employees

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

CITY OF LEXINGTON, VIRGINIA
 Schedule of Changes in the City's Net OPEB Liability and Related Ratios
 For the Years Ended June 30, 2017 through June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--------------------------------------------------------------------------------|-------------------|--------------------|-------------------|--------------------|--------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 21,725 | \$ 22,117 | \$ 20,748 | \$ 20,780 | \$ 20,000 |
| Interest | 23,474 | 25,975 | 22,109 | 24,170 | 26,000 |
| Differences between expected and actual experience | 56,954 | (9,723) | 82,009 | - | - |
| Changes in assumptions | 3,857 | (23,483) | 8,197 | - | - |
| Benefit payments | (53,862) | (73,216) | (57,561) | (80,717) | (70,000) |
| Net change in total OPEB liability | <u>\$ 52,148</u> | <u>\$ (58,330)</u> | <u>\$ 75,502</u> | <u>\$ (35,767)</u> | <u>\$ (24,000)</u> |
| Total OPEB liability - beginning | <u>455,405</u> | <u>513,735</u> | <u>438,233</u> | <u>474,000</u> | <u>498,000</u> |
| Total OPEB liability - ending (a) | <u>\$ 507,553</u> | <u>\$ 455,405</u> | <u>\$ 513,735</u> | <u>\$ 438,233</u> | <u>\$ 474,000</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 53,862 | \$ 73,216 | \$ 57,561 | \$ 80,717 | \$ 70,000 |
| Net investment income | 55,618 | 4,877 | 7,355 | 14,691 | 17,576 |
| Benefit payments | (53,862) | (73,216) | (57,561) | (80,717) | (70,000) |
| Net change in plan fiduciary net position | <u>\$ 55,618</u> | <u>\$ 4,877</u> | <u>\$ 7,355</u> | <u>\$ 14,691</u> | <u>\$ 17,576</u> |
| Plan fiduciary net position - beginning | <u>187,660</u> | <u>182,783</u> | <u>175,428</u> | <u>160,737</u> | <u>143,161</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 243,278</u> | <u>\$ 187,660</u> | <u>\$ 182,783</u> | <u>\$ 175,428</u> | <u>\$ 160,737</u> |
| City's net OPEB liability - ending (a) - (b) | \$ 264,275 | \$ 267,745 | \$ 330,952 | \$ 262,805 | \$ 313,263 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 47.93% | 41.21% | 35.58% | 40.03% | 33.91% |
| Covered-employee payroll | \$ 8,314,316 | \$ 8,350,563 | \$ 7,997,624 | \$ 7,781,386 | \$ 7,394,172 |
| City's net OPEB liability as a percentage of covered payroll | 3.18% | 3.21% | 4.14% | 3.38% | 4.24% |

This schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, only five years are available. Additional years will be included as they become available.

City of Lexington, Virginia
 Schedule of City's Share of Net OPEB Liability
 Health Insurance - LPRMP
 For the Years Ended June 30, 2017 through June 30, 2021

| Date (1) | Employer's Proportion of the Net OPEB Liability (2) | Employer's Proportionate Share of the Net OPEB Liability (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total OPEB Liability (6) |
|-----------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Primary Government | | | | | |
| 2021 | 35.77% | \$ 94,531 | \$ 4,993,040 | 1.89% | 47.93% |
| 2020 | 36.51% | 97,753 | 5,113,935 | 1.91% | 41.21% |
| 2019 | 34.63% | 114,609 | 4,939,732 | 2.32% | 35.58% |
| 2018 | 33.32% | 87,567 | 4,946,242 | 1.77% | 40.03% |
| 2017 | 33.32% | 104,379 | 4,619,654 | 2.26% | 33.91% |
| Component Unit School Board | | | | | |
| 2021 | 64.23% | \$ 169,744 | \$ 3,321,276 | 5.11% | 47.93% |
| 2020 | 63.49% | 169,992 | 3,236,628 | 5.25% | 41.21% |
| 2019 | 65.37% | 216,343 | 3,057,892 | 7.07% | 35.58% |
| 2018 | 66.68% | 175,238 | 2,835,144 | 6.18% | 40.03% |
| 2017 | 66.68% | 208,884 | 2,774,518 | 7.53% | 33.91% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

City of Lexington, Virginia
 Schedule of Employer Contributions
 Health Insurance - LPRMP
 For the Years Ended June 30, 2017 through June 30, 2021

| Date | Actuarially Determined Contribution | Contributions in Relation to Actuarially Required Contribution | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|---------------|-------------------------------------------|----------------------------------------------------------------------------|----------------------------------------|--------------------------------|--------------------------------------------------------------|
| City: | | | | | |
| 2021 | \$ 19,266 | \$ 19,266 | \$ - | \$ 4,993,040 | 0.39% |
| 2020 | 26,731 | 26,731 | - | 5,113,935 | 0.52% |
| 2019 | 19,933 | 19,933 | - | 4,939,732 | 0.40% |
| 2018 | 26,895 | 26,895 | - | 4,946,242 | 0.54% |
| 2017 | 12,000 | 13,000 | (1,000) | 4,619,654 | 0.28% |
| School Board: | | | | | |
| 2021 | \$ 34,596 | \$ 34,596 | \$ - | \$ 3,321,276 | 1.04% |
| 2020 | 46,485 | 46,485 | - | 3,236,628 | 1.44% |
| 2019 | 37,628 | 37,628 | - | 3,057,892 | 1.23% |
| 2018 | 53,822 | 53,822 | - | 2,835,144 | 1.90% |
| 2017 | 25,000 | 54,000 | (29,000) | 2,774,518 | 1.95% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percent |
| Amortization period | Closed, 30 years as of July 1, 2021 |
| Asset valuation method | Market Value of Assets |
| Inflation | 2.50 percent |
| Healthcare cost trend rates | Based on Society of Actuaries Long-Run Medical Cost Trend Model, as updated September 2019. The rate in 2021 is 4.90%, increasing to 5.2% in 2030 and decreasing incrementally to 4.00% in 2075 and thereafter. |
| Salary increases | 2.50 percent |
| Investment rate of return | 5.50 percent |
| Retirement age | Expected retirement ages of general employees were adjusted to more closely reflect actual experience. |
| Mortality | Assumed life expectancies were adjusted as a result of adopting the PubT.H-2010 Mortality Table (general and teacher, headcount-weighted), Fully Generational, Projected using Scale MP-2020 and base year 2010. |

City of Lexington, Virginia
 Schedule of Investment Returns
 Health Insurance - LPRMP
 For the Years Ended June 30, 2017 through June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-----------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 29.64% | 2.67% | 4.19% | 9.14% | 12.28% |

This schedule is intended to show information for 10 years. Since 2017 is the first year for this presentation, only five years are available. Additional years will be included as they become available.

City of Lexington, Virginia
 Schedule of City's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|---------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Primary Government | | | | | |
| 2020 | 0.02500% \$ | 328,800 \$ | 4,128,976 | 7.96% | 52.64% |
| 2019 | 0.02526% | 331,878 | 3,996,831 | 8.30% | 52.00% |
| 2018 | 0.02610% | 322,911 | 4,023,170 | 8.03% | 51.22% |
| 2017 | 0.02517% | 318,612 | 3,884,004 | 8.20% | 48.86% |
| Component Unit School Board (professional) | | | | | |
| 2020 | 0.01570% \$ | 262,675 \$ | 3,236,628 | 8.12% | 52.64% |
| 2019 | 0.01560% | 253,853 | 3,057,892 | 8.30% | 52.00% |
| 2018 | 0.01513% | 230,000 | 2,835,144 | 8.11% | 51.22% |
| 2017 | 0.01504% | 227,000 | 2,774,517 | 8.18% | 48.86% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

City of Lexington, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2012 through June 30, 2021

| <u>Date</u> | <u>Contractually Required Contribution (1)</u> | <u>Contributions in Relation to Contractually Required Contribution (2)</u> | <u>Contribution Deficiency (Excess) (3)</u> | <u>Employer's Covered Payroll (4)</u> | <u>Contributions as a % of Covered Payroll (5)</u> |
|---------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------------|
| Primary Government | | | | | |
| 2021 | \$ 21,383 | \$ 21,383 | - | \$ 3,959,425 | 0.54% |
| 2020 | 20,797 | 20,797 | - | 4,128,976 | 0.50% |
| 2019 | 20,783 | 20,783 | - | 3,996,831 | 0.52% |
| 2018 | 20,989 | 20,989 | - | 4,023,170 | 0.52% |
| 2017 | 20,292 | 20,292 | - | 3,884,004 | 0.52% |
| Component Unit School Board (professional) | | | | | |
| 2021 | \$ 17,935 | \$ 17,935 | - | \$ 3,321,276 | 0.54% |
| 2020 | 16,844 | 16,844 | - | 3,236,628 | 0.52% |
| 2019 | 15,611 | 15,611 | - | 3,057,892 | 0.51% |
| 2018 | 14,805 | 14,805 | - | 2,835,144 | 0.52% |
| 2017 | 14,427 | 14,427 | - | 2,774,517 | 0.52% |
| 2016 | 12,675 | 12,675 | - | 2,619,420 | 0.48% |
| 2015 | 12,413 | 12,413 | - | 2,586,134 | 0.48% |
| 2014 | 12,409 | 12,409 | - | 2,585,154 | 0.48% |
| 2013 | 12,288 | 12,288 | - | 2,559,949 | 0.48% |
| 2012 | 6,776 | 6,776 | - | 2,415,814 | 0.28% |

Schedule is intended to show information for 10 years. The Primary Government participates in the Group Life Insurance Plan on a cost-sharing basis; therefore, information prior to 2017 is not available. Additional information will be presented as it becomes available.

City of Lexington, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2021

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Non-Largest Ten Locality Employers - General Employees

| | |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Non-Largest Ten Locality Employers - Hazardous Duty Employees

| | |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

CITY OF LEXINGTON, VIRGINIA
 Schedule of City School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

| Date (1) | Employer's Proportion of the Net HIC OPEB Liability (2) | Employer's Proportionate Share of the Net HIC OPEB Liability (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6) |
|-------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| 2020 | 0.03690% | \$ 481,628 | \$ 3,236,628 | 14.88% | 9.95% |
| 2019 | 0.03646% | 477,297 | 3,057,892 | 15.61% | 8.97% |
| 2018 | 0.03541% | 449,000 | 2,835,144 | 15.84% | 8.08% |
| 2017 | 0.35160% | 446,000 | 2,774,517 | 16.07% | 7.04% |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

CITY OF LEXINGTON, VIRGINIA
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|-------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------------|
| 2021 | \$ 40,187 | \$ 40,187 | \$ - | \$ 3,321,276 | 1.21% |
| 2020 | 38,840 | 38,840 | - | 3,236,628 | 1.20% |
| 2019 | 36,695 | 36,695 | - | 3,057,892 | 1.20% |
| 2018 | 34,872 | 34,872 | - | 2,835,144 | 1.23% |
| 2017 | 30,797 | 30,797 | - | 2,774,517 | 1.11% |
| 2016 | 27,767 | 27,767 | - | 2,619,420 | 1.06% |
| 2015 | 27,473 | 27,473 | - | 2,586,134 | 1.06% |
| 2014 | 27,473 | 27,473 | - | 2,585,154 | 1.06% |
| 2013 | 28,415 | 28,415 | - | 2,559,949 | 1.11% |
| 2012 | 14,495 | 14,495 | - | 2,415,814 | 0.60% |

CITY OF LEXINGTON, VIRGINIA
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

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, 2021

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------------------------------|------------------|--------------|-------------------|-----------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Local government | \$ 52,000 | \$ 52,000 | \$ 52,000 | \$ - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | \$ 30,000 | \$ 30,000 | \$ 11,290 | \$ 18,710 |
| Public works | 35,000 | 241,214 | 145,842 | 95,372 |
| Education | 52,000 | 52,000 | 65,257 | (13,257) |
| Parks, recreation, and cultural | 15,000 | 28,213 | 12,577 | 15,636 |
| Total expenditures | \$ 132,000 | \$ 351,427 | \$ 234,966 | \$ 116,461 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (80,000) | \$ (299,427) | \$ (182,966) | \$ 116,461 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 735,000 | \$ 735,000 | \$ 735,000 | \$ - |
| Net change in fund balances | \$ 655,000 | \$ 435,573 | \$ 552,034 | \$ 116,461 |
| Fund balances - beginning | (655,000) | (435,573) | 3,217,135 | 3,652,708 |
| Fund balances - ending | \$ - | \$ - | \$ 3,769,169 | \$ 3,769,169 |

City of Lexington, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2021

| | Central Dispatch | RARO | Regional Tourism | Total Custodial Funds |
|-----------------------------|-------------------|------------------|-------------------|--------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 231,582 | \$ 88,738 | \$ 569,015 | \$ 889,335 |
| Total assets | <u>\$ 231,582</u> | <u>\$ 88,738</u> | <u>\$ 569,015</u> | <u>\$ 889,335</u> |
| LIABILITIES | | | | |
| Accrued liabilities | \$ 92,850 | \$ 67,249 | \$ 6,286 | \$ 166,385 |
| Total liabilities | <u>\$ 92,850</u> | <u>\$ 67,249</u> | <u>\$ 6,286</u> | <u>\$ 166,385</u> |
| NET POSITION | | | | |
| Restricted for: | | | | |
| Central Dispatch operations | \$ 138,732 | \$ - | \$ - | \$ 138,732 |
| RARO operations | - | 21,489 | - | 21,489 |
| Regional Tourism operations | - | - | 562,729 | 562,729 |
| Total net position | <u>\$ 138,732</u> | <u>\$ 21,489</u> | <u>\$ 562,729</u> | <u>\$ 722,950</u> |

City of Lexington, Virginia
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Year Ended June 30, 2021

| | Central Dispatch | RARO | Regional Tourism | Total Custodial Funds |
|---------------------------------------------------|---------------------|-------------------|-------------------|--------------------------|
| ADDITIONS | | | | |
| Contributions: | | | | |
| Other governments | \$ 1,594,384 | \$ 288,707 | \$ 728,963 | \$ 2,612,054 |
| Participant fees | - | 6,720 | - | 6,720 |
| Miscellaneous | - | 2,515 | 10,839 | 13,354 |
| Total contributions | <u>\$ 1,594,384</u> | <u>\$ 297,942</u> | <u>\$ 739,802</u> | <u>\$ 2,632,128</u> |
| DEDUCTIONS | | | | |
| Personnel charges | \$ 1,149,019 | \$ 234,001 | \$ 268,499 | \$ 1,651,519 |
| Advertising | - | - | 184,378 | 184,378 |
| Supplies | 52,532 | 32,066 | 10,775 | 95,373 |
| Buildings and equipment charges | 256,811 | 10,987 | 49,826 | 317,624 |
| Professional services | 50,148 | - | 80,709 | 130,857 |
| Other | 129,407 | 20,943 | 81,291 | 231,641 |
| Total deductions | <u>\$ 1,637,917</u> | <u>\$ 297,997</u> | <u>\$ 675,478</u> | <u>\$ 2,611,392</u> |
| Net increase (decrease) in fiduciary net position | \$ (43,533) | \$ (55) | \$ 64,324 | \$ 20,736 |
| Net position, beginning - as restated | 182,265 | 21,544 | 498,405 | 702,214 |
| Net position, ending | <u>\$ 138,732</u> | <u>\$ 21,489</u> | <u>\$ 562,729</u> | <u>\$ 722,950</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.

School Activity Fund - The School Activity Fund accounts for and reports the operations of the individual schools.

City of Lexington, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2021

| | School Operating Fund | School Activity Fund | Total |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 280,796 | \$ 48,611 | \$ 329,407 |
| Investments | 1,400,000 | - | 1,400,000 |
| Due from other governmental units | 181,104 | - | 181,104 |
| Total assets | <u>\$ 1,861,900</u> | <u>\$ 48,611</u> | <u>\$ 1,910,511</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 12,631 | \$ - | \$ 12,631 |
| Payroll liabilities | 46,741 | - | 46,741 |
| Contracts payable | 244,091 | - | 244,091 |
| Due to primary government | 18,062 | - | 18,062 |
| Unearned revenue | 39,660 | - | 39,660 |
| Total liabilities | <u>\$ 361,185</u> | <u>\$ -</u> | <u>\$ 361,185</u> |
| FUND BALANCES | | | |
| Committed | \$ 1,500,715 | \$ 48,611 | \$ 1,549,326 |
| Total fund balances | <u>\$ 1,500,715</u> | <u>\$ 48,611</u> | <u>\$ 1,549,326</u> |
| Total liabilities and fund balances | <u>\$ 1,861,900</u> | <u>\$ 48,611</u> | <u>\$ 1,910,511</u> |
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | | | |
| Total fund balances per above | | | \$ 1,549,326 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | |
| Land | | \$ 359,494 | |
| Buildings | | 138,619 | |
| Improvements other than buildings | | 80,867 | |
| Machinery and equipment | | <u>178,440</u> | 757,420 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | | |
| Net pension asset | | | 191,885 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | | |
| Pension related items | | \$ 1,587,427 | |
| OPEB related items | | <u>206,087</u> | 1,793,514 |
| Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| Compensated absences | | \$ (100,899) | |
| Capital lease | | (43,697) | |
| Net pension liability | | (5,476,153) | |
| Net OPEB liabilities | | <u>(914,047)</u> | (6,534,796) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| Pension related items | | \$ (324,631) | |
| OPEB related items | | <u>(59,804)</u> | (384,435) |
| Net position of governmental activities | | | <u>\$ (2,627,086)</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, 2021

| | School Operating Fund | School Activity Fund* | Total |
|-----------------------------------------------------------|-----------------------------|-----------------------------|---------------------|
| REVENUES | | | |
| Revenue from the use of money and property | \$ 2,309 | \$ - | \$ 2,309 |
| Charges for services | 150,964 | 15,860 | 166,824 |
| Intergovernmental | 7,661,458 | - | 7,661,458 |
| Total revenues | <u>\$ 7,814,731</u> | <u>\$ 15,860</u> | <u>\$ 7,830,591</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Education | \$ 7,630,383 | \$ 40,356 | \$ 7,670,739 |
| Debt service: | | | |
| Principal retirement | 13,513 | - | 13,513 |
| Interest and other fiscal charges | 2,174 | - | 2,174 |
| Total expenditures | <u>\$ 7,646,070</u> | <u>\$ 40,356</u> | <u>\$ 7,686,426</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 168,661</u> | <u>\$ (24,496)</u> | <u>\$ 144,165</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ - | \$ 20,841 | \$ 20,841 |
| Transfers out | (20,841) | - | (20,841) |
| Contribution to primary government | (52,000) | - | (52,000) |
| Total other financing sources and uses | <u>\$ (72,841)</u> | <u>\$ 20,841</u> | <u>\$ (52,000)</u> |
| Net change in fund balances | \$ 95,820 | \$ (3,655) | \$ 92,165 |
| Fund balances - beginning, as restated | 1,404,895 | 52,266 | 1,457,161 |
| Fund balances - ending | <u>\$ 1,500,715</u> | <u>\$ 48,611</u> | <u>\$ 1,549,326</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 | \$ 92,165 |
| 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 depreciation exceeded capital outlays in the current period. | |
| Depreciation expense | (77,002) |
| 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | |
| Principal repayments: | |
| Capital lease | 13,513 |
| 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. | |
| Change in compensated absences | \$ (11,489) |
| Change in pension related items | (123,709) |
| Change in OPEB related items | 9,278 |
| Change in net position of governmental activities | <u>\$ (97,244)</u> |

* The School Activity Fund does not require a legally adopted budget.

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, 2021

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------------------|-----------------------|---------------------|---------------------|---------------------------------------------------------|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 6,150 | \$ 6,150 | \$ 2,309 | \$ (3,841) |
| Charges for services | 214,000 | 214,000 | 150,964 | (63,036) |
| Miscellaneous | 500 | 500 | - | (500) |
| Recovered costs | 3,000 | 3,000 | - | (3,000) |
| Intergovernmental | 7,168,730 | 7,286,934 | 7,661,458 | 374,524 |
| Total revenues | <u>\$ 7,392,380</u> | <u>\$ 7,510,584</u> | <u>\$ 7,814,731</u> | <u>\$ 304,147</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 7,468,693 | \$ 7,595,656 | \$ 7,630,383 | \$ (34,727) |
| Debt service: | | | | |
| Principal retirement | 13,513 | 13,513 | 13,513 | - |
| Interest and other fiscal charges | 2,174 | 2,174 | 2,174 | - |
| Total expenditures | <u>\$ 7,484,380</u> | <u>\$ 7,611,343</u> | <u>\$ 7,646,070</u> | <u>\$ (34,727)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (92,000)</u> | <u>\$ (100,759)</u> | <u>\$ 168,661</u> | <u>\$ 269,420</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ - | \$ - | \$ (20,841) | \$ (20,841) |
| Contribution to primary government | (52,000) | (52,000) | (52,000) | - |
| Total other financing sources and uses | <u>\$ (52,000)</u> | <u>\$ (52,000)</u> | <u>\$ (72,841)</u> | <u>\$ (20,841)</u> |
| Net change in fund balances | \$ (144,000) | \$ (152,759) | \$ 95,820 | \$ 248,579 |
| Fund balances - beginning | 144,000 | 152,759 | 1,404,895 | 1,252,136 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,500,715</u> | <u>\$ 1,500,715</u> |

DISCRETELY PRESENTED NONMAJOR COMPONENT UNIT

NON MAJOR GOVERNMENTAL FUND

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

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

City of Lexington, Virginia
 Balance Sheet
 Discretely Presented Nonmajor Component Unit
 June 30, 2021

| | <u>Industrial Development Authority</u> |
|---------------------------|-------------------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 38,915 |
| Investments | 150,000 |
| Total assets | <u>\$ 188,915</u> |
| FUND BALANCES | |
| Committed | <u>\$ 188,915</u> |
| Total fund balances | <u>\$ 188,915</u> |

City of Lexington, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Nonmajor Component Unit
For the Year Ended June 30, 2021

| | <u>Industrial Development Authority</u> |
|--------------------------------------------------------------|-------------------------------------------------|
| REVENUES | |
| Miscellaneous | \$ 21,340 |
| Intergovernmental | 398,018 |
| Total revenues | <u>\$ 419,358</u> |
| EXPENDITURES | |
| Current: | |
| Parks, recreation, and cultural | \$ 138,091 |
| Community development | 263,157 |
| Total expenditures | <u>\$ 401,248</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 18,110</u> |
| Net change in fund balances | \$ 18,110 |
| Fund balances - beginning | 170,805 |
| Fund balances - ending | <u><u>\$ 188,915</u></u> |

City of Lexington, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Nonmajor Component Unit
 For the Year Ended June 30, 2021

| | Industrial Development Authority | | | |
|-----------------------------------------------------------|----------------------------------|-------------|-------------------|----------------------------------------|
| | Budgeted Amounts | | | Variance with |
| | Original | Final | Actual | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Miscellaneous | \$ - | \$ - | \$ 21,340 | \$ 21,340 |
| Intergovernmental | - | - | 398,018 | 398,018 |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 419,358</u> | <u>\$ 419,358</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Parks, recreation, and cultural | \$ - | \$ - | \$ 138,091 | \$ (138,091) |
| Community development | - | - | 263,157 | (263,157) |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 401,248</u> | <u>\$ (401,248)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,110</u> | <u>\$ 18,110</u> |
| Net change in fund balances | \$ - | \$ - | \$ 18,110 | \$ 18,110 |
| Fund balances - beginning | - | - | 170,805 | 170,805 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 188,915</u> | <u>\$ 188,915</u> |

Supporting Schedules

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

| 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 | \$ 5,871,625 | \$ 5,871,625 | \$ 6,033,417 | \$ 161,792 |
| Real and personal public service corporation taxes | 210,000 | 210,000 | 214,056 | 4,056 |
| Personal property taxes | 843,750 | 843,750 | 1,062,838 | 219,088 |
| Penalties | 36,000 | 36,000 | 44,502 | 8,502 |
| Interest | 31,500 | 31,500 | 28,427 | (3,073) |
| Total general property taxes | <u>\$ 6,992,875</u> | <u>\$ 6,992,875</u> | <u>\$ 7,383,240</u> | <u>\$ 390,365</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 870,000 | \$ 870,000 | \$ 1,253,009 | \$ 383,009 |
| Consumers' utility taxes | 311,000 | 311,000 | 305,658 | (5,342) |
| Consumption taxes | 23,000 | 23,000 | 25,851 | 2,851 |
| Business license taxes | 375,000 | 375,000 | 696,344 | 321,344 |
| Bank stock taxes | 175,000 | 175,000 | 165,592 | (9,408) |
| Taxes on recordation and wills | 58,000 | 58,000 | 98,633 | 40,633 |
| Hotel and motel room taxes | 355,500 | 355,500 | 472,789 | 117,289 |
| Restaurant food taxes | 968,400 | 968,400 | 1,473,389 | 504,989 |
| Total other local taxes | <u>\$ 3,135,900</u> | <u>\$ 3,135,900</u> | <u>\$ 4,491,265</u> | <u>\$ 1,355,365</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 6,000 | \$ 6,000 | \$ 4,923 | \$ (1,077) |
| Building permits | 50,000 | 50,000 | 118,258 | 68,258 |
| Excavation permits | 2,400 | 2,400 | 1,716 | (684) |
| Permits and other licenses | 9,000 | 9,000 | 5,875 | (3,125) |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 67,400</u> | <u>\$ 67,400</u> | <u>\$ 130,772</u> | <u>\$ 63,372</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 31,650 | \$ 31,650 | \$ 26,786 | \$ (4,864) |
| Parking fines | 20,000 | 20,000 | 12,250 | (7,750) |
| Courthouse fees | 6,000 | 6,000 | 4,541 | (1,459) |
| Total fines and forfeitures | <u>\$ 57,650</u> | <u>\$ 57,650</u> | <u>\$ 43,577</u> | <u>\$ (14,073)</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 252,040 | \$ 252,040 | \$ 59,670 | \$ (192,370) |
| Revenue from use of property | 37,300 | 37,300 | 41,957 | 4,657 |
| Total revenue from use of money and property | <u>\$ 289,340</u> | <u>\$ 289,340</u> | <u>\$ 101,627</u> | <u>\$ (187,713)</u> |
| Charges for services: | | | | |
| Charges for finance | \$ 75,000 | \$ 75,000 | \$ 72,977 | \$ (2,023) |
| Charges for public safety | 13,470 | 13,470 | 2,770 | (10,700) |
| Charges for youth services | 14,000 | 14,000 | 3,267 | (10,733) |
| Charges for public works | 11,000 | 11,000 | 15,914 | 4,914 |
| Charges for grave openings | 49,500 | 49,500 | 41,378 | (8,122) |
| Charges for rescue services | 345,000 | 345,000 | 318,046 | (26,954) |
| Charges for burial spaces | 34,200 | 34,200 | 56,990 | 22,790 |

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

| 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 sanitation and waste removal | \$ 162,800 | \$ 162,800 | \$ 169,981 | \$ 7,181 |
| Charges for landfill fees | 8,800 | 8,800 | 9,907 | 1,107 |
| Charges for community activity support | 9,000 | 9,000 | 4,455 | (4,545) |
| Charges for farmer's market | 12,000 | 12,000 | 13,274 | 1,274 |
| Total charges for services | <u>\$ 734,770</u> | <u>\$ 734,770</u> | <u>\$ 708,959</u> | <u>\$ (25,811)</u> |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 693,144 | \$ 735,611 | \$ 911,607 | \$ 175,996 |
| County revenue sharing | 1,880,642 | 1,880,642 | 1,923,796 | 43,154 |
| Total miscellaneous | <u>\$ 2,573,786</u> | <u>\$ 2,616,253</u> | <u>\$ 2,835,403</u> | <u>\$ 219,150</u> |
| Recovered costs: | | | | |
| Joint services fire and rescue | \$ 738,860 | \$ 738,860 | \$ 585,066 | \$ (153,794) |
| Joint services jail | 109,682 | 109,682 | 109,681 | (1) |
| Parking Garage | 2,000 | 2,000 | 1,769 | (231) |
| Insurance | 10,000 | 10,000 | 22,977 | 12,977 |
| Other recovered costs | - | - | 963 | 963 |
| Total recovered costs | <u>\$ 860,542</u> | <u>\$ 860,542</u> | <u>\$ 720,456</u> | <u>\$ (140,086)</u> |
| Total revenue from local sources | <u>\$ 14,712,263</u> | <u>\$ 14,754,730</u> | <u>\$ 16,415,299</u> | <u>\$ 1,660,569</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Motor vehicle carriers' tax | \$ 180 | \$ 180 | \$ 225 | \$ 45 |
| Mobile home titling tax | 67 | 67 | - | (67) |
| Motor vehicle rental tax | 5,850 | 5,850 | 1,991 | (3,859) |
| State recordation tax | 10,400 | 10,400 | - | (10,400) |
| Communications tax | 228,600 | 228,600 | 236,245 | 7,645 |
| Game of skills | - | - | 3,168 | 3,168 |
| Personal property tax relief funds | 581,419 | 581,419 | 581,419 | - |
| Other noncategorical aid | 405 | 405 | 390 | (15) |
| Total noncategorical aid | <u>\$ 826,921</u> | <u>\$ 826,921</u> | <u>\$ 823,438</u> | <u>\$ (3,483)</u> |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Law enforcement | \$ 196,020 | \$ 196,020 | \$ 223,487 | \$ 27,467 |
| Commissioner of revenue | 78,166 | 78,166 | 79,443 | 1,277 |
| Treasurer | 57,595 | 57,595 | 62,417 | 4,822 |
| Registrar/electoral board | 33,075 | 33,075 | 37,593 | 4,518 |
| Total shared expenses | <u>\$ 364,856</u> | <u>\$ 364,856</u> | <u>\$ 402,940</u> | <u>\$ 38,084</u> |

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

| 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 | \$ 795,000 | \$ 795,000 | \$ 942,416 | \$ 147,416 |
| Welfare payments | 17,658 | 17,658 | 25,648 | 7,990 |
| Comprehensive services | 393,372 | 393,372 | 367,389 | (25,983) |
| VJCCCA grant | 64,845 | 64,845 | 80,025 | 15,180 |
| Fire program grant | 23,760 | 23,760 | 35,351 | 11,591 |
| Four for life | 4,100 | 4,100 | - | (4,100) |
| Forfeited asset sharing | - | - | 2,069 | 2,069 |
| Department of forestry grant | - | - | 3,001 | 3,001 |
| Department of justice grants | 1,000 | 1,000 | 1,021 | 21 |
| Other categorical aid | - | - | 15,608 | 15,608 |
| Total other categorical aid | <u>\$ 1,299,735</u> | <u>\$ 1,299,735</u> | <u>\$ 1,472,528</u> | <u>\$ 172,793</u> |
| Total categorical aid | <u>\$ 1,664,591</u> | <u>\$ 1,664,591</u> | <u>\$ 1,875,468</u> | <u>\$ 210,877</u> |
| Total revenue from the Commonwealth | <u>\$ 2,491,512</u> | <u>\$ 2,491,512</u> | <u>\$ 2,698,906</u> | <u>\$ 207,394</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Federal Public Assistance | \$ - | \$ - | \$ 4,895 | \$ 4,895 |
| Emergency management grant | 6,750 | 6,750 | 15,000 | 8,250 |
| DMV grant | - | - | 4,316 | 4,316 |
| CARES act | - | - | 1,019,347 | 1,019,347 |
| Total categorical aid | <u>\$ 6,750</u> | <u>\$ 6,750</u> | <u>\$ 1,043,558</u> | <u>\$ 1,036,808</u> |
| Total revenue from the federal government | <u>\$ 6,750</u> | <u>\$ 6,750</u> | <u>\$ 1,043,558</u> | <u>\$ 1,036,808</u> |
| Total General Fund | <u><u>\$ 17,210,525</u></u> | <u><u>\$ 17,252,992</u></u> | <u><u>\$ 20,157,763</u></u> | <u><u>\$ 2,904,771</u></u> |
| Capital Projects Fund: | | | | |
| Intergovernmental: | | | | |
| Revenue from local governments: | | | | |
| Contribution from City of Lexington, Virginia - School Board | \$ 52,000 | \$ 52,000 | \$ 52,000 | \$ - |
| Total Capital Projects Fund | <u>\$ 52,000</u> | <u>\$ 52,000</u> | <u>\$ 52,000</u> | <u>\$ -</u> |
| Permanent Fund | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 340,123 | \$ 340,123 |
| Total Primary Government | <u><u>\$ 17,262,525</u></u> | <u><u>\$ 17,304,992</u></u> | <u><u>\$ 20,549,886</u></u> | <u><u>\$ 3,244,894</u></u> |

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------------|---------------------|---------------------|---------------------|-----------------------------------------------------------|
| Discretely Presented Component Units: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ 1,550 | \$ 1,550 | \$ 1,609 | \$ 59 |
| Revenue from the use of property | 4,600 | 4,600 | 700 | (3,900) |
| Total revenue from use of money and property | <u>\$ 6,150</u> | <u>\$ 6,150</u> | <u>\$ 2,309</u> | <u>\$ (3,841)</u> |
| Charges for services: | | | | |
| Cafeteria sales | \$ 56,000 | \$ 56,000 | \$ 4,254 | \$ (51,746) |
| Tuition and payments from other divisions | 158,000 | 158,000 | 146,710 | (11,290) |
| Total charges for services | <u>\$ 214,000</u> | <u>\$ 214,000</u> | <u>\$ 150,964</u> | <u>\$ (63,036)</u> |
| Miscellaneous: | | | | |
| Other miscellaneous | \$ 500 | \$ 500 | - | \$ (500) |
| Recovered costs: | | | | |
| Other recovered costs | \$ 3,000 | \$ 3,000 | - | \$ (3,000) |
| Total revenue from local sources | <u>\$ 223,650</u> | <u>\$ 223,650</u> | <u>\$ 153,273</u> | <u>\$ (70,377)</u> |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from City of Lexington, Virginia | \$ 3,060,547 | \$ 3,178,751 | \$ 3,178,751 | - |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 544,470 | \$ 544,470 | \$ 735,358 | \$ 190,888 |
| Basic school aid | 2,054,673 | 2,054,673 | 1,887,121 | (167,552) |
| Gifted and talented | 20,341 | 20,341 | 18,896 | (1,445) |
| Remedial education | 43,474 | 43,474 | 40,385 | (3,089) |
| Special education | 265,662 | 265,662 | 237,496 | (28,166) |
| Textbook payment | 42,864 | 42,864 | 39,819 | (3,045) |
| Vocational standards of quality payments | 45,070 | 45,070 | 41,868 | (3,202) |
| Social security fringe benefits | 126,435 | 126,435 | 117,451 | (8,984) |
| Retirement fringe benefits | 294,749 | 294,749 | 273,806 | (20,943) |
| Group life insurance instructional | 8,775 | 8,775 | 8,151 | (624) |
| State lottery payments | 200,000 | 200,000 | 200,000 | - |
| Early reading intervention | 4,323 | 4,323 | 4,323 | - |
| Homebound education | 129 | 129 | 292 | 163 |
| At risk payments | 28,547 | 28,547 | 26,537 | (2,010) |
| Mentor teacher program | 211 | 211 | 225 | 14 |
| National Board Certified | 5,000 | 5,000 | 5,000 | - |
| Technology | 102,000 | 102,000 | 32,287 | (69,713) |
| School food | 1,799 | 1,799 | 1,650 | (149) |
| School construction | - | - | 278,201 | 278,201 |
| English as a second language | 15,270 | 15,270 | 15,270 | - |
| Other state funds | 7,461 | 7,461 | 7,461 | - |
| Total categorical aid | <u>\$ 3,811,253</u> | <u>\$ 3,811,253</u> | <u>\$ 3,971,597</u> | <u>\$ 160,344</u> |
| Total revenue from the Commonwealth | <u>\$ 3,811,253</u> | <u>\$ 3,811,253</u> | <u>\$ 3,971,597</u> | <u>\$ 160,344</u> |

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

| 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 federal government: | | | | |
| Categorical aid: | | | | |
| Title I | \$ 65,930 | \$ 65,930 | \$ 61,778 | \$ (4,152) |
| Title VI-B - Special education | 144,000 | 144,000 | 133,612 | (10,388) |
| National School lunch program | 62,000 | 62,000 | 129,949 | 67,949 |
| Title IV, part A | 10,000 | 10,000 | 9,000 | (1,000) |
| Title II, part D | 12,000 | 12,000 | 8,766 | (3,234) |
| Title III | 3,000 | 3,000 | 1,421 | (1,579) |
| CARES funding | - | - | 166,584 | 166,584 |
| Total categorical aid | <u>\$ 296,930</u> | <u>\$ 296,930</u> | <u>\$ 511,110</u> | <u>\$ 214,180</u> |
| Total revenue from the federal government | <u>\$ 296,930</u> | <u>\$ 296,930</u> | <u>\$ 511,110</u> | <u>\$ 214,180</u> |
| Total School Operating Fund | <u>\$ 7,392,380</u> | <u>\$ 7,510,584</u> | <u>\$ 7,814,731</u> | <u>\$ 304,147</u> |
| Industrial Development Authority: | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous: | | | | |
| Other miscellaneous | \$ - | \$ - | \$ 21,340 | \$ 21,340 |
| Total revenue from local sources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 21,340</u> | <u>\$ 21,340</u> |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from City of Lexington, Virginia | \$ - | \$ - | \$ 398,018 | \$ 398,018 |
| Total Industrial Development Authority | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 419,358</u> | <u>\$ 419,358</u> |

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

| 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 | \$ 69,398 | \$ 69,398 | \$ 63,518 | \$ 5,880 |
| General and financial administration: | | | | |
| City manager | \$ 233,411 | \$ 235,411 | \$ 222,289 | \$ 13,122 |
| Director of finance | 221,741 | 224,741 | 227,239 | (2,498) |
| City attorney | 106,150 | 106,150 | 108,410 | (2,260) |
| Commissioner of revenue | 246,641 | 249,641 | 246,624 | 3,017 |
| Assessment board | 3,000 | 6,000 | 3,540 | 2,460 |
| Treasurer | 137,524 | 141,324 | 131,854 | 9,470 |
| Human Resources | 90,365 | 91,365 | 107,291 | (15,926) |
| Information technology | 192,901 | 211,401 | 202,114 | 9,287 |
| Total general and financial administration | <u>\$ 1,231,733</u> | <u>\$ 1,266,033</u> | <u>\$ 1,249,361</u> | <u>\$ 16,672</u> |
| Board of elections: | | | | |
| Electoral board and officials | \$ 90,684 | \$ 108,039 | \$ 123,562 | \$ (15,523) |
| Total general government administration | <u>\$ 1,391,815</u> | <u>\$ 1,443,470</u> | <u>\$ 1,436,441</u> | <u>\$ 7,029</u> |
| Judicial administration: | | | | |
| Courts: | | | | |
| Judicial services | \$ 276,050 | \$ 276,050 | \$ 281,813 | \$ (5,763) |
| VJCCA services | 79,866 | 81,366 | 47,038 | 34,328 |
| Total judicial administration | <u>\$ 355,916</u> | <u>\$ 357,416</u> | <u>\$ 328,851</u> | <u>\$ 28,565</u> |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police department | \$ 1,805,292 | \$ 1,875,045 | \$ 1,782,651 | \$ 92,394 |
| Contributions to Central Dispatch | 403,778 | 403,778 | 394,231 | 9,547 |
| Total law enforcement and traffic control | <u>\$ 2,209,070</u> | <u>\$ 2,278,823</u> | <u>\$ 2,176,882</u> | <u>\$ 101,941</u> |
| Fire and rescue services: | | | | |
| Fire department | \$ 1,828,458 | \$ 2,177,846 | \$ 2,030,691 | \$ 147,155 |
| Fire department - reserve activity | 23,000 | 33,000 | 19,108 | 13,892 |
| Emergency management | 7,500 | 72,522 | 113,638 | (41,116) |
| Total fire and rescue services | <u>\$ 1,858,958</u> | <u>\$ 2,283,368</u> | <u>\$ 2,163,437</u> | <u>\$ 119,931</u> |
| Correction and detention: | | | | |
| Juvenile probation and detention | \$ 144,242 | \$ 144,242 | \$ 130,066 | \$ 14,176 |
| Special services | 14,000 | 14,000 | 14,000 | - |
| Total correction and detention | <u>\$ 158,242</u> | <u>\$ 158,242</u> | <u>\$ 144,066</u> | <u>\$ 14,176</u> |
| Total public safety | <u>\$ 4,226,270</u> | <u>\$ 4,720,433</u> | <u>\$ 4,484,385</u> | <u>\$ 236,048</u> |

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

| 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 | \$ 299,205 | \$ 513,859 | \$ 344,390 | \$ 169,469 |
| Public works labor pool | 252,347 | 282,347 | 259,844 | 22,503 |
| Equipment operations | 342,159 | 342,159 | 430,911 | (88,752) |
| Pavement Maintenance | 473,521 | 473,521 | 524,876 | (51,355) |
| Drainage Maintenance | 35,207 | 35,207 | 29,679 | 5,528 |
| Snow Removal | 44,940 | 44,940 | 58,263 | (13,323) |
| Traffic | 202,108 | 202,108 | 197,045 | 5,063 |
| Parking Garage | 16,979 | 16,979 | 17,867 | (888) |
| Community activity support | 45,572 | 45,572 | 37,009 | 8,563 |
| Right of way improvements | 1,951 | 1,951 | - | 1,951 |
| Public works administration | 287,086 | 287,666 | 277,103 | 10,563 |
| Total maintenance of highways, streets, bridges and sidewalks | <u>\$ 2,001,075</u> | <u>\$ 2,246,309</u> | <u>\$ 2,176,987</u> | <u>\$ 69,322</u> |
| Sanitation and waste removal: | | | | |
| Solid waste management | \$ 589,094 | \$ 596,094 | \$ 575,619 | \$ 20,475 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 196,267 | \$ 308,650 | \$ 286,240 | \$ 22,410 |
| Park maintenance | 140,324 | 140,324 | 133,248 | 7,076 |
| Cemeteries maintenance | 111,506 | 126,506 | 124,117 | 2,389 |
| Dam maintenance | 11,587 | 11,587 | 21,895 | (10,308) |
| Brushy Hills maintenance | 1,000 | 1,000 | - | 1,000 |
| City Arborist | 85,885 | 86,885 | 51,502 | 35,383 |
| Total maintenance of general buildings and grounds | <u>\$ 546,569</u> | <u>\$ 674,952</u> | <u>\$ 617,002</u> | <u>\$ 57,950</u> |
| Total public works | <u>\$ 3,136,738</u> | <u>\$ 3,517,355</u> | <u>\$ 3,369,608</u> | <u>\$ 147,747</u> |
| Health and welfare: | | | | |
| Health: | | | | |
| Health and welfare | \$ 930,018 | \$ 930,018 | \$ 872,506 | \$ 57,512 |
| Youth services administration | 81,023 | 82,023 | 67,231 | 14,792 |
| Total health and welfare | <u>\$ 1,011,041</u> | <u>\$ 1,012,041</u> | <u>\$ 939,737</u> | <u>\$ 72,304</u> |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to City School Board - component unit | \$ 3,060,547 | \$ 3,178,751 | \$ 3,178,751 | - |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Leisure services contributions | \$ 243,351 | \$ 243,351 | \$ 229,179 | \$ 14,172 |
| Municipal swimming pool | 24,700 | 24,700 | 18,547 | 6,153 |
| Contribution to IDA - component unit | 166,641 | 426,568 | 398,018 | 28,550 |
| Total parks, recreation, and cultural | <u>\$ 434,692</u> | <u>\$ 694,619</u> | <u>\$ 645,744</u> | <u>\$ 48,875</u> |

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

| 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 | \$ 288,020 | \$ 290,820 | \$ 292,302 | \$ (1,482) |
| Housing program | 35 | 35 | 25 | 10 |
| Community development contributions | 362,181 | 489,744 | 446,885 | 42,859 |
| Total community development | <u>\$ 650,236</u> | <u>\$ 780,599</u> | <u>\$ 739,212</u> | <u>\$ 41,387</u> |
| Nondepartmental: | | | | |
| Nondepartmental | \$ 13,264 | \$ 13,264 | \$ 37,502 | \$ (24,238) |
| Debt service: | | | | |
| Principal retirement | \$ 1,394,598 | \$ 1,394,598 | \$ 1,394,598 | \$ - |
| Interest and other fiscal charges | 625,462 | 625,462 | 611,158 | 14,304 |
| Bond issuance costs | 118,903 | 118,903 | 116,184 | 2,719 |
| Total debt service | <u>\$ 2,138,963</u> | <u>\$ 2,138,963</u> | <u>\$ 2,121,940</u> | <u>\$ 17,023</u> |
| Total General Fund | <u>\$ 16,419,482</u> | <u>\$ 17,856,911</u> | <u>\$ 17,282,171</u> | <u>\$ 574,740</u> |
| Capital Projects Fund: | | | | |
| Public safety: | | | | |
| Fire and rescue services: | | | | |
| Fire department equipment | \$ 30,000 | \$ 30,000 | \$ 11,290 | \$ 18,710 |
| Public works: | | | | |
| Maintenance of highways, streets, bridges and sidewalks: | | | | |
| Miscellaneous storm drainage projects | \$ - | \$ 68,369 | \$ 36,394 | \$ 31,975 |
| Public works complex | - | 128,845 | 91,496 | 37,349 |
| Dam maintenance | - | 9,000 | - | 9,000 |
| Sidewalks | 35,000 | 35,000 | 17,952 | 17,048 |
| Total public works | <u>\$ 35,000</u> | <u>\$ 241,214</u> | <u>\$ 145,842</u> | <u>\$ 95,372</u> |
| Education: | | | | |
| Capital projects: | | | | |
| High school capital projects | \$ 52,000 | \$ 52,000 | \$ 65,257 | \$ (13,257) |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Jordan's point park | \$ - | \$ 13,213 | \$ 12,577 | \$ 636 |
| Swimming pool | 15,000 | 15,000 | - | 15,000 |
| Total parks and recreation | <u>\$ 15,000</u> | <u>\$ 28,213</u> | <u>\$ 12,577</u> | <u>\$ 15,636</u> |
| Total Capital Projects Fund | <u>\$ 132,000</u> | <u>\$ 351,427</u> | <u>\$ 234,966</u> | <u>\$ 116,461</u> |

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

| Fund, Function, Activity and Element | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|----------------------------------------------------------|----------------------|----------------------|----------------------|-----------------------------------------------------------|
| Primary Government: (Continued) | | | | |
| Permanent Fund: | | | | |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Cemetery | \$ - | \$ - | \$ 29,963 | \$ (29,963) |
| Total Primary Government | <u>\$ 16,551,482</u> | <u>\$ 18,208,338</u> | <u>\$ 17,547,100</u> | <u>\$ 661,238</u> |
| Discretely Presented Component Units: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Administration, attendance, and health | \$ 532,889 | \$ 532,889 | \$ 528,062 | \$ 4,827 |
| Instruction costs: | | | | |
| Classroom instruction | \$ 6,102,504 | \$ 6,102,504 | \$ 5,961,381 | \$ 141,123 |
| School food services: | | | | |
| Administration of school food program | \$ 199,485 | \$ 199,485 | \$ 191,209 | \$ 8,276 |
| Operating costs: | | | | |
| Operation and maintenance of school plant | \$ 633,815 | \$ 679,574 | \$ 919,183 | \$ (239,609) |
| School emergency management | - | 81,204 | 30,548 | 50,656 |
| Total operating costs | <u>\$ 633,815</u> | <u>\$ 760,778</u> | <u>\$ 949,731</u> | <u>\$ (188,953)</u> |
| Total education | <u>\$ 7,468,693</u> | <u>\$ 7,595,656</u> | <u>\$ 7,630,383</u> | <u>\$ (34,727)</u> |
| Debt service: | | | | |
| Principal retirement | \$ 13,513 | \$ 13,513 | \$ 13,513 | \$ - |
| Interest and other fiscal charges | 2,174 | 2,174 | 2,174 | - |
| Total debt service | <u>\$ 15,687</u> | <u>\$ 15,687</u> | <u>\$ 15,687</u> | <u>\$ -</u> |
| Total School Operating Fund | <u>\$ 7,484,380</u> | <u>\$ 7,611,343</u> | <u>\$ 7,646,070</u> | <u>\$ (34,727)</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 7,484,380</u> | <u>\$ 7,611,343</u> | <u>\$ 7,646,070</u> | <u>\$ (34,727)</u> |
| Industrial Development Authority: | | | | |
| Parks, recreation, and cultural: | | | | |
| Leisure services contributions | \$ - | \$ - | \$ 138,091 | \$ (138,091) |
| Community development: | | | | |
| Economic development | \$ - | \$ - | \$ 263,157 | \$ (263,157) |
| Total Industrial Development Authority | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 401,248</u> | <u>\$ (401,248)</u> |

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Lexington, Virginia's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| Contents | Page |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i> | 143 |
| Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i> | 153 |
| Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i> | 157 |
| Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i> | 163 |
| Operating Information <i>These shedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i> | 165 |

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

Table 1

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

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 7,401 | \$ 7,464 | \$ 9,090 | \$ 10,004 | \$ 11,283 | \$ 12,687 | \$ 13,200 | \$ 14,210 | \$ 15,083 | \$ 15,229 |
| Restricted for perpetual care | 1,403 | 1,576 | 1,729 | 1,724 | 1,700 | 1,809 | 1,853 | 1,933 | 1,970 | 2,309 |
| Unrestricted | 8,880 | 10,038 | 8,804 | 7,099 | 8,656 | 8,062 | 9,352 | 11,230 | 12,854 | 15,502 |
| Total governmental activities net position | \$ 17,684 | \$ 19,078 | \$ 19,623 | \$ 18,827 | \$ 21,639 | \$ 22,558 | \$ 24,405 | \$ 27,373 | \$ 29,907 | \$ 33,040 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 2,769 | \$ 2,660 | \$ 2,869 | \$ 3,207 | \$ 3,283 | \$ 3,092 | \$ 3,394 | \$ 4,360 | \$ 4,137 | \$ 4,494 |
| Restricted for debt service | - | - | - | - | - | - | 189 | 998 | - | - |
| Unrestricted | 2,066 | 2,419 | 2,700 | 1,817 | 2,626 | 3,284 | 3,560 | 2,644 | 4,189 | 4,442 |
| Total business-type activities | \$ 4,835 | \$ 5,079 | \$ 5,569 | \$ 5,024 | \$ 5,909 | \$ 6,376 | \$ 7,143 | \$ 8,002 | \$ 8,326 | \$ 8,936 |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | \$ 10,170 | \$ 10,124 | \$ 11,959 | \$ 13,211 | \$ 14,566 | \$ 15,779 | \$ 16,594 | \$ 18,570 | \$ 19,220 | \$ 19,723 |
| Restricted | 1,403 | 1,576 | 1,729 | 1,724 | 1,700 | 1,809 | 2,042 | 2,931 | 1,970 | 2,309 |
| Unrestricted | 10,946 | 12,457 | 11,504 | 8,916 | 11,282 | 11,346 | 12,912 | 13,874 | 17,043 | 19,944 |
| Total primary government net position | \$ 22,519 | \$ 24,157 | \$ 25,192 | \$ 23,851 | \$ 27,548 | \$ 28,934 | \$ 31,548 | \$ 35,375 | \$ 38,233 | \$ 41,976 |

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

| | Fiscal Year | | | | | | | | | |
|----------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government administration | \$ 1,394 | \$ 1,203 | \$ 2,155 | \$ 1,250 | \$ 1,124 | \$ 1,394 | \$ 1,360 | \$ 1,306 | \$ 1,401 | \$ 1,458 |
| Judicial administration | 254 | 285 | 299 | 310 | 353 | 334 | 343 | 365 | 351 | 329 |
| Public Safety | 2,739 | 2,945 | 3,491 | 3,211 | 3,141 | 3,483 | 3,574 | 3,541 | 3,935 | 4,088 |
| Public Works | 2,564 | 3,210 | 3,566 | 3,515 | 3,153 | 3,807 | 4,435 | 3,739 | 3,278 | 3,832 |
| Health and welfare | 736 | 680 | 816 | 667 | 510 | 713 | 835 | 1,496 | 1,369 | 1,449 |
| Education | 2,559 | 2,873 | 2,369 | 3,191 | 3,230 | 4,452 | 3,683 | 3,072 | 3,085 | 3,244 |
| Parks, recreation and cultural | 589 | 572 | 745 | 645 | 725 | 694 | 800 | 727 | 769 | 795 |
| Community development | 1,108 | 782 | 718 | 726 | 713 | 1,059 | 652 | 782 | 824 | 746 |
| Interest on long-term debt | 563 | 734 | 597 | 870 | 889 | 865 | 898 | 804 | 807 | 697 |
| Total governmental activities expenses | \$ 12,506 | \$ 13,284 | \$ 14,756 | \$ 14,385 | \$ 13,838 | \$ 16,801 | \$ 16,580 | \$ 15,832 | \$ 15,819 | \$ 16,638 |
| Business-type activities: | | | | | | | | | | |
| Utility fund | \$ 5,254 | \$ 5,252 | \$ 5,333 | \$ 5,280 | \$ 5,443 | \$ 4,153 | \$ 3,678 | \$ 3,884 | \$ 4,327 | \$ 4,923 |
| Total business-type activities | \$ 5,254 | \$ 5,252 | \$ 5,333 | \$ 5,280 | \$ 5,443 | \$ 4,153 | \$ 3,678 | \$ 3,884 | \$ 4,327 | \$ 4,923 |
| Total primary government expenses | \$ 17,760 | \$ 18,536 | \$ 20,089 | \$ 19,665 | \$ 19,281 | \$ 20,954 | \$ 20,258 | \$ 19,716 | \$ 20,146 | \$ 21,561 |

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

| | Fiscal Year | | | | | | | | | |
|-----------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government administration | \$ 61 | \$ 65 | \$ 66 | \$ 71 | \$ 71 | \$ 70 | \$ 75 | \$ 73 | \$ 77 | \$ 73 |
| Judicial administration | 103 | 108 | 86 | 82 | 58 | 64 | 72 | 56 | 53 | 44 |
| Public Safety | 462 | 730 | 606 | 498 | 412 | 489 | 497 | 687 | 395 | 452 |
| Public Works | 429 | 384 | 400 | 519 | 583 | 514 | 359 | 266 | 265 | 294 |
| Health and welfare | 8 | 8 | 8 | 9 | 11 | 11 | 12 | 13 | 2 | 3 |
| Parks, recreation and cultural | 88 | 81 | 76 | 80 | 83 | 94 | 40 | 21 | 40 | 18 |
| Operating grants and contributions | 1,003 | 1,608 | 1,732 | 1,490 | 1,158 | 1,647 | 2,527 | 2,187 | 1,872 | 2,919 |
| Capital grants and contributions | 9 | 93 | 13 | 150 | 26 | - | - | - | - | - |
| Total governmental activities program revenues | \$ 2,163 | \$ 3,077 | \$ 2,987 | \$ 2,899 | \$ 2,402 | \$ 2,889 | \$ 3,582 | \$ 3,303 | \$ 2,704 | \$ 3,803 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Utility fund | \$ 5,649 | \$ 5,605 | \$ 5,611 | \$ 5,790 | \$ 6,376 | \$ 4,571 | \$ 4,610 | \$ 4,639 | \$ 4,807 | \$ 5,409 |
| Capital grants and contributions | - | 10 | - | - | 130 | 94 | 76 | 146 | - | - |
| Total business-type activities program revenues | \$ 5,649 | \$ 5,615 | \$ 5,611 | \$ 5,790 | \$ 6,506 | \$ 4,665 | \$ 4,686 | \$ 4,785 | \$ 4,807 | \$ 5,409 |
| Total primary government program revenues | \$ 7,812 | \$ 8,692 | \$ 8,598 | \$ 8,689 | \$ 8,908 | \$ 7,554 | \$ 8,268 | \$ 8,088 | \$ 7,511 | \$ 9,212 |
| Net (expense)/revenue: | | | | | | | | | | |
| Governmental activities | \$ (10,343) | \$ (10,207) | \$ (11,769) | \$ (11,486) | \$ (11,436) | \$ (13,912) | \$ (12,998) | \$ (12,529) | \$ (13,115) | \$ (12,835) |
| Business-type activities | 395 | 363 | 278 | 510 | 1,063 | 512 | 1,008 | 901 | 480 | 486 |
| Total primary government net expense | \$ (9,948) | \$ (9,844) | \$ (11,491) | \$ (10,976) | \$ (10,373) | \$ (13,400) | \$ (11,990) | \$ (11,628) | \$ (12,635) | \$ (12,349) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 4,770 | \$ 5,384 | \$ 5,372 | \$ 6,434 | \$ 6,621 | \$ 6,754 | \$ 7,007 | \$ 7,001 | \$ 7,262 | \$ 7,438 |
| Local sales and use taxes | 818 | 852 | 860 | 1,009 | 1,041 | 1,015 | 1,062 | 1,066 | 1,164 | 1,253 |
| Taxes on recordation and wills | 44 | 60 | 47 | 30 | 54 | 58 | 56 | 50 | 78 | 99 |

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

| | Fiscal Year | | | | | | | | | |
|-----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| General Revenues and Other Changes in Net Position (Continued) | | | | | | | | | | |
| Governmental activities: (Continued) | | | | | | | | | | |
| Taxes: (Continued) | | | | | | | | | | |
| Consumer utility taxes | \$ 305 | \$ 309 | \$ 313 | \$ 315 | \$ 310 | \$ 308 | \$ 311 | \$ 313 | \$ 305 | \$ 306 |
| Business licenses taxes | 548 | 631 | 603 | 640 | 717 | 698 | 582 | 669 | 774 | 696 |
| Restaurant food taxes | 709 | 890 | 927 | 1,074 | 1,461 | 1,461 | 1,467 | 1,502 | 1,370 | 1,473 |
| Hotel and motel room taxes | 233 | 246 | 254 | 382 | 491 | 535 | 540 | 557 | 427 | 473 |
| Other local taxes | 134 | 133 | 141 | 151 | 137 | 147 | 167 | 205 | 151 | 191 |
| Unrestricted grants and contributions | 1,181 | 688 | 924 | 914 | 911 | 903 | 891 | 874 | 863 | 823 |
| Unrestricted revenues from use of money and property | 144 | 304 | 261 | 112 | 148 | 282 | 371 | 571 | 429 | 442 |
| Payments from the City of Lexington School Board | - | - | 435 | 149 | 75 | - | - | - | - | 52 |
| Miscellaneous | 2,185 | 2,335 | 2,323 | 2,474 | 2,518 | 2,505 | 2,590 | 2,620 | 2,656 | 2,835 |
| Transfers | (1,200) | 120 | (213) | 148 | 178 | 56 | 175 | 69 | 170 | (115) |
| Gain on sale of assets | - | - | - | - | - | 109 | - | - | - | - |
| Total governmental activities | \$ 9,871 | \$ 11,952 | \$ 12,247 | \$ 13,832 | \$ 14,662 | \$ 14,831 | \$ 15,219 | \$ 15,497 | \$ 15,649 | \$ 15,966 |
| Business-type activities: | | | | | | | | | | |
| Unrestricted revenues from use of money and property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 12 | \$ 17 | \$ 26 | \$ 8 | \$ - |
| Miscellaneous | - | - | - | - | - | - | - | 2 | 4 | 10 |
| Transfers | 1,200 | (120) | 213 | (148) | (178) | (56) | (175) | (69) | (170) | 115 |
| Total business-type activities | \$ 1,200 | \$ (120) | \$ 213 | \$ (148) | \$ (178) | \$ (44) | \$ (158) | \$ (41) | \$ (158) | \$ 125 |
| Total primary government | \$ 11,071 | \$ 11,832 | \$ 12,460 | \$ 13,684 | \$ 14,484 | \$ 14,787 | \$ 15,061 | \$ 15,456 | \$ 15,491 | \$ 16,091 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ (472) | \$ 1,745 | \$ 478 | \$ 2,346 | \$ 3,226 | \$ 919 | \$ 2,221 | \$ 2,968 | \$ 2,534 | \$ 3,131 |
| Business-type activities | 1,595 | 243 | 491 | 362 | 885 | 468 | 850 | 860 | 322 | 611 |
| Total primary government | \$ 1,123 | \$ 1,988 | \$ 969 | \$ 2,708 | \$ 4,111 | \$ 1,387 | \$ 3,071 | \$ 3,828 | \$ 2,856 | \$ 3,742 |

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 | Bank Stock Tax | Recordation and Wills Tax | Hotel & Motel Room Tax | Restaurant Food Tax | Other Local Tax (1) | Total |
|-------------|--------------|-------------------------|--------------------------|----------------------|----------------|---------------------------|------------------------|---------------------|---------------------|---------------|
| 2020-21 | \$ 7,383,240 | \$ 1,253,009 | \$ 305,658 | \$ 696,344 | \$ 165,592 | \$ 98,633 | \$ 472,789 | \$ 1,473,389 | \$ 25,851 | \$ 11,874,505 |
| 2019-20 | 7,304,081 | 1,163,539 | 304,773 | 773,912 | 126,245 | 78,221 | 427,321 | 1,370,215 | 24,895 | 11,573,202 |
| 2018-19 | 7,019,304 | 1,066,215 | 312,896 | 669,096 | 178,951 | 50,037 | 556,930 | 1,501,613 | 26,502 | 11,381,544 |
| 2017-18 | 6,966,499 | 1,061,956 | 310,540 | 581,873 | 139,703 | 56,353 | 539,706 | 1,467,863 | 26,551 | 11,151,044 |
| 2016-17 | 6,708,542 | 1,014,689 | 308,358 | 697,889 | 120,778 | 57,619 | 534,588 | 1,462,273 | 26,562 | 10,931,298 |
| 2015-16 | 6,680,922 | 1,041,144 | 309,542 | 716,749 | 112,371 | 53,594 | 490,754 | 1,461,197 | 25,420 | 10,891,693 |
| 2014-15 | 6,480,784 | 1,008,580 | 314,963 | 640,123 | 124,082 | 30,455 | 381,953 | 1,073,777 | 26,913 | 10,081,630 |
| 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 |

(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.

Table 4

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

| | Fiscal Year | | | | | | | | | |
|-------------------------------------------|---------------------|---------------------|----------------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 147,003 | \$ 61,688 | \$ 3,829 | \$ 3,943 | \$ 117,557 | \$ 754 | \$ 1,446 | \$ 1,292 | \$ 1,177 | \$ 6,195 |
| Restricted | - | 1,493,396 | 12,006,641 | 9,556,723 | 2,227,751 | - | - | - | - | - |
| Committed | 1,392,938 | 775,143 | 752,075 | 757,277 | 896,379 | 920,126 | 1,099,665 | 1,365,940 | 1,854,518 | 2,065,365 |
| Assigned | 409,701 | 170,495 | 251,578 | 203,763 | 336,982 | 342,177 | 227,520 | 125,210 | 401,002 | 76,733 |
| Unassigned | 5,080,601 | 5,817,394 | 7,157,866 | 8,122,812 | 7,924,727 | 7,672,653 | 8,625,068 | 9,304,100 | 10,282,084 | 12,504,385 |
| Total general fund | \$ 7,030,243 | \$ 8,318,116 | \$ 20,171,989 | \$ 18,644,518 | \$ 11,503,396 | \$ 8,935,710 | \$ 9,953,699 | \$ 10,796,542 | \$ 12,538,781 | \$ 14,652,678 |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | | | | | | | | | | |
| Permanent Fund | \$ 180,562 | \$ 180,562 | \$ 180,562 | \$ 180,562 | \$ 180,562 | \$ 180,562 | \$ 180,562 | \$ 180,562 | \$ 180,562 | \$ 180,562 |
| Restricted | | | | | | | | | | |
| Permanent Fund | 1,221,878 | 1,395,556 | 1,547,928 | 1,543,894 | 1,519,090 | 1,628,592 | 1,672,764 | 1,752,735 | 1,789,434 | 2,128,089 |
| Committed | | | | | | | | | | |
| Capital Projects | 1,132,511 | 982,052 | 999,423 | 1,008,306 | 350,843 | 2,317,171 | 2,794,787 | 3,358,428 | 3,217,135 | 3,769,169 |
| Total all other governmental funds | \$ 2,534,951 | \$ 2,558,170 | \$ 2,727,913 | \$ 2,732,762 | \$ 2,050,495 | \$ 4,126,325 | \$ 4,648,113 | \$ 5,291,725 | \$ 5,187,131 | \$ 6,077,820 |

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 | | | | | | | | | |
|------------------------------------------------------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Revenues | | | | | | | | | | |
| General property taxes | \$ 4,807 | \$ 5,254 | \$ 5,778 | \$ 6,481 | \$ 6,681 | \$ 6,709 | \$ 6,966 | \$ 7,019 | \$ 7,304 | \$ 7,383 |
| Other local taxes | 2,792 | 3,121 | 3,145 | 3,601 | 4,211 | 4,223 | 4,185 | 4,362 | 4,269 | 4,491 |
| Licenses and permits | 94 | 255 | 187 | 82 | 62 | 129 | 144 | 321 | 69 | 131 |
| Fines and forfeitures | 103 | 108 | 86 | 82 | 59 | 64 | 72 | 56 | 53 | 44 |
| Use of money & property | 144 | 304 | 261 | 112 | 148 | 282 | 371 | 571 | 429 | 442 |
| Charges for services | 954 | 1,013 | 969 | 1,096 | 1,097 | 1,048 | 838 | 738 | 711 | 709 |
| Miscellaneous | 2,185 | 2,335 | 2,323 | 2,474 | 2,518 | 2,506 | 2,591 | 2,621 | 2,656 | 2,835 |
| Recovered costs | 221 | 235 | 415 | 433 | 476 | 539 | 543 | 617 | 647 | 721 |
| Intergovernmental | 2,193 | 2,388 | 3,105 | 2,703 | 2,170 | 2,550 | 3,417 | 3,061 | 2,734 | 3,794 |
| Total revenues | \$ 13,493 | \$ 15,013 | \$ 16,269 | \$ 17,064 | \$ 17,422 | \$ 18,050 | \$ 19,127 | \$ 19,366 | \$ 18,872 | \$ 20,550 |
| Expenditures | | | | | | | | | | |
| General government administration | \$ 1,364 | \$ 1,258 | \$ 2,096 | \$ 1,289 | \$ 1,200 | \$ 1,321 | \$ 1,339 | \$ 1,397 | \$ 1,415 | \$ 1,394 |
| Judicial administration | 256 | 285 | 299 | 310 | 353 | 333 | 342 | 365 | 351 | 329 |
| Public safety | 2,715 | 3,111 | 3,799 | 3,375 | 3,320 | 3,589 | 3,736 | 3,889 | 4,092 | 4,216 |
| Public works | 2,224 | 2,917 | 3,134 | 3,184 | 2,917 | 3,410 | 3,996 | 3,310 | 2,704 | 3,173 |
| Health and Welfare | 736 | 680 | 816 | 669 | 510 | 711 | 838 | 993 | 861 | 940 |
| Education | 2,379 | 2,711 | 2,215 | 3,012 | 3,033 | 3,056 | 3,173 | 3,072 | 3,085 | 3,244 |
| Parks, recreation and cultural | 508 | 669 | 474 | 530 | 594 | 578 | 637 | 628 | 669 | 688 |
| Community development | 1,100 | 1,579 | 714 | 737 | 725 | 1,059 | 650 | 791 | 819 | 739 |
| Nondepartmental | - | (5) | 20 | 7 | 459 | 371 | 40 | 22 | 5 | 38 |
| Capital outlay(1) | 520 | 843 | 1,388 | 3,992 | 8,786 | 2,354 | 868 | 1,336 | 1,220 | 664 |
| Debt service: | | | | | | | | | | |
| Principal | 840 | 850 | 987 | 965 | 1,242 | 1,265 | 1,297 | 1,329 | 1,362 | 1,395 |
| Interest | 495 | 529 | 450 | 664 | 901 | 875 | 848 | 817 | 821 | 611 |
| Bond Issuance Costs | - | 200 | 130 | - | - | - | - | - | - | 116 |
| Total Expenditures | \$ 13,137 | \$ 15,627 | \$ 16,522 | \$ 18,734 | \$ 24,040 | \$ 18,922 | \$ 17,764 | \$ 17,949 | \$ 17,404 | \$ 17,547 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 356 | \$ (614) | \$ (253) | \$ (1,670) | \$ (6,618) | \$ (872) | \$ 1,363 | \$ 1,417 | \$ 1,468 | \$ 3,003 |

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 | | | | | | | | | |
|---------------------------------------------|-------------------|-----------------|------------------|---------------|---------------|---------------|---------------|--------------|---------------|-------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | \$ 1,100 | \$ 540 | \$ 580 | \$ 3,474 | \$ 8,070 | \$ 4,421 | \$ 1,260 | \$ 1,820 | \$ 831 | \$ 948 |
| Transfers out | (2,300) | (420) | (460) | (3,327) | (7,892) | (4,365) | (1,085) | (1,751) | (660) | (1,064) |
| Refunding general obligation bonds issued | - | 9,545 | - | - | - | - | - | - | - | - |
| General obligation bonds issued | - | 1,582 | 11,615 | - | - | - | - | - | - | - |
| Premium on bonds issued | - | 1,408 | 475 | - | - | - | - | - | - | - |
| Proceeds from issuance of debt | - | - | - | - | - | - | - | - | - | 7,965 |
| Payment to refunded bonds escrow agent | - | (10,730) | - | - | - | - | - | - | - | (7,848) |
| Sale of capital assets | - | - | - | - | - | 325 | - | - | - | - |
| Total other financing sources (uses) | \$ (1,200) | \$ 1,925 | \$ 12,210 | \$ 147 | \$ 178 | \$ 381 | \$ 175 | \$ 69 | \$ 171 | \$ 1 |

Net change in fund balances

| | | | | | | | | | | |
|--|----------|----------|-----------|------------|------------|----------|----------|----------|----------|----------|
| | \$ (844) | \$ 1,311 | \$ 11,957 | \$ (1,523) | \$ (6,440) | \$ (491) | \$ 1,538 | \$ 1,486 | \$ 1,639 | \$ 3,004 |
|--|----------|----------|-----------|------------|------------|----------|----------|----------|----------|----------|

Debt service as a percentage of noncapital expenditures

| | | | | | | | | | | |
|--|-------|------|------|-------|-------|-------|-------|-------|-------|-------|
| | 10.6% | 9.5% | 9.6% | 11.1% | 14.0% | 12.9% | 12.7% | 12.9% | 13.5% | 12.0% |
|--|-------|------|------|-------|-------|-------|-------|-------|-------|-------|

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

Table 6

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 |
|-------------|-----------------------------------|------------|-------------------------|-------------------|--------------|--------------------|---------------|-------------------------------------|---------------------------|-------------------------------------|------------------|-------|
| | \$ | | | | | | | | | | | |
| 2020-21 | \$ 1,436,441 | \$ 328,851 | \$ 4,484,385 | \$ 3,369,608 | \$ 939,737 | \$ 10,849,490 | \$ 415,780 | \$ 1,002,369 | \$ 272,468 | \$ 2,137,627 | \$ 25,236,756 | |
| 2019-20 | 1,415,727 | 351,291 | 4,312,498 | 2,946,776 | 860,866 | 7,249,048 | 582,726 | 841,321 | 847,782 | 2,198,652 | 21,606,687 | |
| 2018-19 | 1,396,331 | 364,687 | 4,016,389 | 3,555,913 | 992,907 | 7,221,742 | 592,712 | 806,550 | 1,068,371 | 2,162,478 | 22,178,080 | |
| 2017-18 | 1,339,253 | 341,750 | 3,937,377 | 4,237,716 | 837,591 | 7,028,340 | 578,974 | 750,073 | 634,509 | 2,145,242 | 21,830,825 | |
| 2016-17 | 1,320,899 | 333,424 | 3,589,118 | 3,409,724 | 711,236 | 6,695,174 | 577,713 | 1,137,737 | 2,725,544 | 2,139,917 | 22,640,486 | |
| 2015-16 | 1,200,460 | 353,210 | 3,319,963 | 2,917,207 | 509,789 | 6,248,459 | 594,051 | 788,618 | 9,245,806 | 2,142,662 | 27,320,225 | |
| 2014-15 | 1,299,415 | 309,949 | 3,473,764 | 3,306,441 | 669,108 | 9,609,873 | 938,158 | 1,309,780 | 385,346 | 1,629,039 | 22,930,873 | |
| 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 | |

(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.

Table 7

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

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits, Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Inter-governmental (2) | Total |
|-------------|------------------------|-------------------|------------------------------|-----------------------|--------------------------------------------|----------------------|---------------|-----------------|------------------------|---------------|
| | | | | | | | | | | |
| 2020-21 | \$ 7,383,240 | \$ 4,491,265 | \$ 130,772 | \$ 43,577 | \$ 444,059 | \$ 875,783 | \$ 2,856,743 | \$ 720,456 | \$ 8,225,171 | \$ 25,171,066 |
| 2019-20 | 7,304,081 | 4,269,121 | 68,515 | 53,101 | 433,247 | 933,493 | 2,664,764 | 661,213 | 6,724,593 | 23,112,128 |
| 2018-19 | 7,019,304 | 4,362,240 | 321,327 | 55,931 | 577,823 | 956,428 | 2,679,182 | 622,159 | 7,046,291 | 23,640,685 |
| 2017-18 | 6,966,499 | 4,184,545 | 144,364 | 72,069 | 377,938 | 1,024,579 | 2,649,727 | 575,078 | 7,100,900 | 23,095,699 |
| 2016-17 | 6,708,542 | 4,222,756 | 129,414 | 63,826 | 287,607 | 1,242,144 | 2,541,432 | 550,137 | 6,146,404 | 21,892,262 |
| 2015-16 | 6,680,922 | 4,210,771 | 62,288 | 58,464 | 155,793 | 1,314,508 | 2,567,302 | 488,995 | 5,347,959 | 20,887,002 |
| 2014-15 | 6,480,784 | 3,600,846 | 82,094 | 82,296 | 117,913 | 1,433,070 | 2,523,031 | 1,136,904 | 5,728,830 | 21,185,768 |
| 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 |

(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 Ten Fiscal Years
(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 | | | | | |
| 2021 | \$ 452,593 | \$ 1,219,883 | \$ 42,717 | \$ 7,267 | \$ 1,074,619 | \$ 647,841 | \$ 13.057 | \$ 1,722,460 | 37.61% |
| 2020 | 449,694 | 1,219,552 | 38,709 | 6,463 | 1,074,619 | 639,799 | 13.275 | 1,714,418 | 37.32% |
| 2019 | 442,383 | 1,220,165 | 38,060 | 6,108 | 1,075,903 | 630,813 | 13.224 | 1,706,716 | 36.96% |
| 2018 | 412,057 | 1,062,469 | 38,342 | 6,266 | 930,038 | 589,096 | 13.469 | 1,519,134 | 38.78% |
| 2017 | 410,592 | 1,059,482 | 35,308 | 6,021 | 927,958 | 583,445 | 13.131 | 1,511,403 | 38.60% |
| 2016 | 408,387 | 1,061,175 | 37,414 | 6,374 | 927,890 | 585,460 | 13.251 | 1,513,350 | 38.69% |
| 2015 | 405,556 | 1,061,707 | 35,559 | 6,172 | 927,491 | 581,503 | 12.579 | 1,508,994 | 38.54% |
| 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% |

Source: Commissioner of Revenue

Table 9

**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 |
|-------------|-------------|-------------------|--------------|---------------------|----------------|-------------------|-----------|-------------------|
| | | | | | Real Estate | Personal Property | Total | |
| 2020-21 | \$ 1.06 | \$ 4.25 | 1.06 | \$ 4.25 | \$ 1.06 | \$ 4.25 | \$ 13.057 | |
| 2019-20 | 1.06 | 4.25 | 1.06 | 4.25 | 1.05 | 4.25 | 13.275 | |
| 2018-19 | 1.04 | 4.25 | 1.04 | 4.25 | 1.07 | 4.25 | 13.224 | |
| 2017-18 | 1.11 | 4.25 | 1.11 | 4.25 | 1.10 | 4.25 | 13.469 | |
| 2016-17 | 1.09 | 4.25 | 1.09 | 4.25 | 1.09 | 4.25 | 13.131 | |
| 2015-16 | 1.09 | 4.25 | 1.09 | 4.25 | 1.06 | 4.25 | 13.251 | |
| 2014-15 | 1.03 | 4.25 | 1.03 | 4.25 | 0.93 | 4.25 | 12.579 | |
| 2013-14 | 0.83 | 4.25 | 0.83 | 4.25 | 0.805 | 4.25 | 10.395 | |
| 2012-13 | 0.78 | 4.25 | 0.73 | 4.25 | 0.755 | 4.25 | 9.825 | |
| 2011-12 | 0.73 | 4.25 | 0.73 | 4.25 | 0.715 | 4.25 | 9.186 | |

(1) Per \$100 of assessed value.

Source: Commissioner of Revenue

Table 10

City of Lexington, Virginia
Principal Taxpayers
Current Year and 10 Years Ago

| Taxpayer Name | Fiscal year ended June 30, 2021 | | | | Fiscal year ended June 30, 2012 | | | |
|--------------------------------------|---------------------------------|------|------------------------------|-----------------------------------------|---------------------------------|------|------------------------------|-----------------------------------------|
| | Assessed Valuation | Rank | Total Assessed Valuation (1) | Percent of Total Assessed Valuation (1) | Assessed Valuation | Rank | Total Assessed Valuation (2) | Percent of Total Assessed Valuation (2) |
| Lexington Retirement Community, Inc. | | | | | | | | |
| D/B/A Kendal at Lexington | \$ 8,932,200 | 1 | 1.49% | | | | | |
| Virginia Electric & Power Co. | 7,784,168 | 2 | 1.30% | | 5,712,762 | 4 | 0.98% | |
| HI of Lexington, LLC | 7,159,800 | 3 | 1.20% | | 5,936,800 | 3 | 1.02% | |
| Columbia Gas of Va, Inc. | 5,384,268 | 4 | 0.90% | | | | | |
| Robert E Lee Properties, LLC | 4,601,800 | 5 | 0.77% | | | | | |
| Central Telephone Co. of Virginia | 4,557,200 | 6 | 0.76% | | 6,515,532 | 1 | 1.12% | |
| Rockbridge Square Associates (RBSA) | 4,467,000 | 7 | 0.75% | | 3,497,400 | 6 | 0.60% | |
| Steele Lexington, LLC | 4,074,300 | 8 | 0.68% | | | | | |
| Kroger Limited Partnership, Inc. | 3,723,200 | 9 | 0.62% | | 3,075,600 | 10 | 0.53% | |
| HCFM XXII Partnership | 3,460,500 | 10 | 0.58% | | 3,428,200 | 7 | 0.59% | |
| Summit Square Partners | | | | | 3,084,300 | 9 | 0.53% | |
| Washington & Lee University | | | | | 6,134,900 | 2 | 1.05% | |
| Walker/ Wood LC & Woods Family Trust | | | | | 3,853,700 | 5 | 0.66% | |
| Bank of Rockbridge | | | | | 3,090,700 | 8 | 0.53% | |
| | \$ 54,144,436 | | 9.05% | | \$ 44,329,894 | | 7.61% | |

(1) Total assessed valuation of real estate was \$594,627,723 as of June 30, 2020.

(2) Total assessed valuation of real estate was \$582,133,241 as of June 30, 2011.

Source: Commissioner of Revenue and Finance Department

Table 11

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

| Fiscal Year | Total Tax Levy (1, 2) | Collected within Fiscal Year of Levy | | | Collections in Subsequent Years (3) | Total Collections to Date | |
|-------------|-----------------------|--------------------------------------|---------------------------|----------------------|-------------------------------------|---------------------------|--|
| | | Current Tax Collections (1) | Percent of Levy Collected | Amount Collected (1) | | Percentage of Levy | |
| 2020-21 | \$ 8,041,180 | \$ 7,180,798 | 89.30% | \$ - | \$ 7,180,798 | 89.30% | |
| 2019-20 | 7,975,730 | 7,078,336 | 88.75% | 813,320 | 7,891,656 | 98.95% | |
| 2018-19 | 7,729,389 | 6,778,537 | 87.70% | 892,974 | 7,671,511 | 99.25% | |
| 2017-18 | 7,528,950 | 6,727,745 | 89.36% | 757,385 | 7,485,130 | 99.42% | |
| 2016-17 | 7,424,405 | 6,587,784 | 88.73% | 798,347 | 7,386,131 | 99.48% | |
| 2015-16 | 7,515,788 | 6,535,830 | 86.96% | 950,315 | 7,486,145 | 99.61% | |
| 2014-15 | 7,084,639 | 6,106,748 | 86.20% | 969,749 | 7,076,497 | 99.89% | |
| 2013-14 | 6,293,593 | 5,434,465 | 86.35% | 852,203 | 6,286,668 | 99.89% | |
| 2012-13 | 5,860,438 | 5,030,209 | 85.83% | 824,508 | 5,854,717 | 99.90% | |
| 2011-12 | 5,482,776 | 4,640,415 | 84.63% | 838,438 | 5,478,853 | 99.93% | |

(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) Collections in subsequent years includes amounts received from the state for the Personal Property Tax Relief Act.

Source: Commissioner of Revenue and Treasurer.

Table 12

City of Lexington, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | Business-Type Activities | | Total Primary Government | Percentage of Personal Income (1) | Per Capita |
|-------------|--------------------------|--|--------------------------|--|--------------------------|-----------------------------------|------------|
| | General Obligation Bonds | | General Obligation Bonds | | | | |
| 2021 | \$ 23,342,518 | | \$ 4,847,956 | | \$ 28,190,474 | (1) | \$ 3,851 |
| 2020 | 24,663,857 | | 5,069,815 | | 29,733,672 | (1) | 3,591 |
| 2019 | 26,101,446 | | 5,283,990 | | 31,385,436 | (1) | 4,036 |
| 2018 | 27,506,558 | | 2,463,845 | | 29,970,403 | (1) | 3,865 |
| 2017 | 27,334,326 | | 2,559,220 | | 29,893,546 | (1) | 4,052 |
| 2016 | 28,598,857 | | - | | 28,598,857 | 10.31% | 3,917 |
| 2015 | 29,840,929 | | - | | 29,840,929 | 10.82% | 4,027 |
| 2014 | 30,805,796 | | - | | 30,805,796 | 12.76% | 4,203 |
| 2013 | 18,595,884 | | - | | 18,595,884 | 7.28% | 2,536 |
| 2012 | 19,570,590 | | - | | 19,570,590 | 7.76% | 2,660 |

(1) Income information is unavailable.

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) | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|-------------|----------------|-----------------------------------|-----------------------|-----------------------------------|---------------------|--------------------------------------------|----------------------------|
| | | | | Debt Payable from Enterprise Fund | | | |
| 2020-21 | (5) | \$ 597,857 | \$ 28,190,474 | \$ 4,380,000 | \$ 23,810,474 | 3.98% | \$ 3,253 |
| 2019-20 | (5) | 594,627 | 29,733,672 | 4,540,000 | 25,193,672 | 4.24% | 2,980 |
| 2018-19 | (5) | 586,645 | 31,385,436 | 4,690,000 | 26,695,436 | 4.55% | 3,356 |
| 2017-18 | (5) | 544,488 | 29,970,403 | 2,115,000 | 27,855,403 | 5.12% | 3,575 |
| 2016-17 | 7,284 | 542,116 | 29,893,546 | 2,180,000 | 27,713,546 | 5.11% | 3,744 |
| 2015-16 | 7,301 | 541,672 | 28,598,857 | - | 28,598,857 | 5.28% | 3,917 |
| 2014-15 | 7,410 | 539,772 | 29,840,929 | - | 29,840,929 | 5.53% | 4,027 |
| 2013-14 | 7,329 | 586,081 | 30,805,796 | - | 30,805,796 | 5.26% | 4,203 |
| 2012-13 | 7,332 | 619,426 | 18,595,884 | - | 18,595,884 | 3.00% | 2,536 |
| 2011-12 | 7,356 | 615,200 | 19,570,590 | - | 19,570,590 | 3.18% | 2,660 |

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

(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 2012-13, the City issued \$1,582,209 in general obligation bonds to finance a renovation project at the Rockbridge Regional Jail. FY 2013-14 the City issued \$11,615,000 in general obligation bonds to finance a new elementary school.

(5) Not available.

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 |
|----------------|--------------|------------|--------------------------|------------------------------------------------------|------------------------------------------------------------------------|
| 2020-21 | \$ 1,394,598 | \$ 611,158 | \$ 2,005,756 | \$ 25,236,756 | 7.9% |
| 2019-20 | 1,361,915 | 821,050 | 2,182,965 | 21,606,687 | 10.1% |
| 2018-19 | 1,329,438 | 817,353 | 2,146,791 | 22,178,080 | 9.7% |
| 2017-18 | 1,296,953 | 848,289 | 2,145,242 | 21,830,825 | 9.8% |
| 2016-17 | 1,264,531 | 875,386 | 2,139,917 | 22,640,486 | 9.5% |
| 2015-16 | 1,242,072 | 900,590 | 2,142,662 | 27,320,225 | 7.8% |
| 2014-15 | 964,863 | 664,176 | 1,629,039 | 22,930,873 | 7.1% |
| 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% |

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

(2) Information from Table 6.

Table 15

City of Lexington, Virginia
Direct and Overlapping Governmental Activities Debt
As of June 30, 2021

| <u>Government Unit:</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Amount Applicable to Primary Government</u> |
|-----------------------------------|-----------------------------|------------------------------------------------|--------------------------------------------------------|
| None | \$ - | 0.00% | \$ - |
| City of Lexington, direct debt | | | <u>\$ 28,190,474</u> |
| Total direct and overlapping debt | | | <u>\$ 28,190,474</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, 2021, the City did not have any overlapping debt.

Source: City of Lexington, Virginia

Table 16

City of Lexington, Virginia
 Computation of Legal Debt Margin
 June 30, 2021
 (amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|-------------------------------------------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Debt limit | \$ 58,218 | \$ 58,424 | \$ 58,608 | \$ 53,977 | \$ 54,167 | \$ 54,212 | \$ 54,449 | \$ 58,665 | \$ 59,463 | \$ 59,786 |
| Total net debt applicable to limit | 19,571 | 18,596 | 30,806 | 29,841 | 28,599 | 27,334 | 26,037 | 24,708 | 24,664 | 28,190 |
| Legal debt margin | 38,647 | 39,828 | 27,802 | 24,136 | 25,568 | 26,878 | 28,412 | 33,957 | 34,799 | 31,596 |
| Total net debt applicable to the limit as a percentage of debt limit | 33.6% | 31.8% | 52.6% | 55.3% | 52.8% | 50.4% | 47.8% | 42.1% | 41.5% | 47.2% |

Legal Debt Margin Calculated for Fiscal Year 2021

| | |
|--------------------------------------------------------------------|------------|
| Assessed value | \$ 597,857 |
| Debt limit (10% of assessed value) | \$ 59,786 |
| Debt applicable to limit: | |
| General Obligation Bonds | 28,190 |
| Less: amount set aside for repayment of general obligation debt | - |
| Total net applicable to limit | \$ 28,190 |
| Legal debt margin | \$ 31,595 |

City of Lexington, Virginia
 Pledged-Revenue Coverage
 Last Ten Fiscal Years

| Fiscal Year | Water/Sewer Revenue Bonds | | | | Special Assessment Bonds | | | | |
|-------------|---------------------------|--------------------------|-----------------------|----------------------------------------|--------------------------|--------------------------------|-----------|----------|----------|
| | Water/ Sewer Charges | Less: Operating Expenses | Net Available Revenue | Debt Service (1) Principal Interest | Coverage | Special Assessment Collections | Principal | Interest | Coverage |
| 2021 | \$ 5,419,481 | \$ 4,385,729 | \$ 1,033,752 | \$ 321,504 \$ 211,126 | 1.94 | n/a | n/a | n/a | n/a |
| 2020 | 4,812,110 | 3,835,644 | 976,466 | 311,504 218,444 | 1.84 | n/a | n/a | n/a | n/a |
| 2019 | 4,640,759 | 3,358,555 | 1,282,204 | 231,504 156,301 | 3.31 | n/a | n/a | n/a | n/a |
| 2018 | 4,612,758 | 3,374,530 | 1,238,228 | 769,330 100,434 | 1.42 | n/a | n/a | n/a | n/a |

Note: The City has had no special assessment bonds activity during this period.

(1) Includes amounts paid to Maury Service Authority for a portion of debt service during the year.

Schedule is intended to show ten years of information. Debt was issued during fiscal year 2017 and no payments were made until fiscal year 2018. Additional years will be shown as the information becomes available.

Source: City financial reports

Table 18

**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) |
|----------------|----------------|-----------------------------------------------------------|--------------------------------------|--------------------------|--------------------------|
| 2020-21 | 7,320 | (5) | (5) | 634 | 6.5% |
| 2019-20 | (5) | (5) | (5) | 665 | 4.2% |
| 2018-19 | 7,432 | (5) | (5) | 659 | 2.9% |
| 2017-18 | 7,362 | 1,456,549 | 40,320 | 667 | 5.4% |
| 2016-17 | 7,284 | 1,406,907 | 38,981 | 678 | 7.1% |
| 2015-16 | 7,301 | 1,363,393 | 37,989 | 659 | 8.2% |
| 2014-15 | 7,410 | 1,348,251 | 37,210 | 651 | 8.5% |
| 2013-14 | 7,329 | 1,262,492 | 34,836 | 650 | 11.3% |
| 2012-13 | 7,332 | 1,259,937 | 34,846 | 674 | 12.8% |
| 2011-12 | 7,356 | 1,236,939 | 36,099 | 667 | 13.2% |

(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 19

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

| Employer | Fiscal year ended June 30, 2021 | | Fiscal year ended June 30, 2012 | | |
|---------------------------------------|---------------------------------|------|---------------------------------|------|---------------------------------|
| | Employment Range (A) | Rank | Employment Range | Rank | % of Total City Employees |
| Washington & Lee University | over 1000 | 1 | over 1000 | 1 | 22.8% |
| Virginia Military Institute | 500-999 | 2 | 500-999 | 2 | 13.5% |
| Carilion - Stonewall Jackson Hospital | 100-249 | 3 | 250-499 | 3 | 4.5% |
| City of Lexington | 100-249 | 4 | 100-249 | 4 | 3.8% |
| Kroger Company | 50-99 | 5 | under 500 | 6 | 1.6% |
| Lexington City School Board | 50-99 | 6 | under 500 | 7 | 1.4% |
| Heritage Hall Health Care (HCMF) | 50-99 | 7 | under 500 | 5 | 3.1% |
| McDonald's | 50-99 | 8 | | | |
| Rockbridge Farmers' Co-op | | 9 | under 500 | 9 | 1.1% |
| Rockbridge Area Social Services | | 10 | | | |
| The VMI Foundation | 50-99 | | under 500 | 8 | 1.4% |
| Rockbridge County | | | 100-249 | | 4.1% |
| Rockbridge Regional Library | | | under 500 | 10 | 1.0% |

(A) Note that the Virginia Employment Commission no longer reports employment range information. Same is presented in accordance with the previous year report, where applicable. Additionally, ranking information is no longer available and therefore the percentages of total City employees are no longer presented.

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

Table 20

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, | | | | | | | | | |
|----------------------------------------|-----------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| General government administration | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Judicial administration | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 16 | 16 | 16 | 16 | 17 | 16 | 16 | 18 | 17 | 16 |
| Civilians | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 3 | 2 | 2 |
| Parking enforcement/ animal control | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 1 | 1 |
| Fire | 9 | 9 | 10 | 11 | 11 | 16 | 17 | 17 | 17 | 16 |
| Public works | | | | | | | | | | |
| Administration & maintenance | 34 | 38 | 39 | 41 | 40 | 40 | 35 | 36 | 36 | 30 |
| Solid waste management | 10 | 10 | 10 | 8 | 8 | 8 | 8 | 9 | 9 | 6 |
| Health, Education & Welfare | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 |
| Community development | 5 | 5 | 4 | 4 | 2 | 2 | 2 | 2 | 2 | 2 |
| Leisure Services | - | - | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 |
| Utilities processing | | | | | | | | | | |
| Water treatment | 7 | 7 | 5 | 5 | 5 | 0 | 0 | 0 | 0 | 0 |
| Wastewater treatment | 11 | 12 | 11 | 11 | 10 | 0 | 0 | 0 | 0 | 0 |
| Total | 113 | 118 | 117 | 118 | 115 | 104 | 101 | 102 | 101 | 89 |

Source: Government finance department

City of Lexington, Virginia
Operating Indicators by Function
Last Ten Fiscal Years

| Function | Fiscal Year | | | | | | | | | |
|----------------------------------------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Function | | | | | | | | | | |
| General administration | | | | | | | | | | |
| Business licenses issued | 648 | 698 | 677 | 662 | 678 | 668 | 678 | 752 | 801 | 823 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Number of calls answered | 3,447 | 4,780 | 4,475 | 6,094 | 5,639 | 5,422 | 5,278 | 5,526 | 4,883 | 4,658 |
| Physical arrests | 304 | 388 | 151 | 115 | 186 | 180 | 153 | 106 | 144 | 118 |
| Parking violations | 922 | 1,548 | 1,675 | 1,801 | 1,801 | 1,158 | 725 | 942 | 851 | 532 |
| Traffic violations | 542 | 718 | 137 | 137 | 529 | 577 | 270 | 668 | 1,078 | 692 |
| Miles Patrolled | 98,021 | 151,254 | 160,996 | 161,825 | 142,480 | 132,847 | 162,158 | 122,771 | 118,560 | 107,172 |
| Fire | | | | | | | | | | |
| Number of line calls answered | 716 | 707 | 741 | 721 | 681 | 673 | 809 | 843 | 872 | 830 |
| Number of reserve calls answered | 2,220 | 2,191 | 2,099 | 2,094 | 1,704 | 1,817 | 1,820 | 1,866 | 1,769 | 2,049 |
| Inspections | 84 | 87 | 184 | 166 | 294 | 353 | 286 | 347 | 389 | 350 |
| Public works | | | | | | | | | | |
| Highways and streets | | | | | | | | | | |
| Street resurfacing (miles) | - | - | - | - | - | 21.64 | 6.50 | 5.42 | 6.40 | 3.94 |
| Sanitation and waste removal | | | | | | | | | | |
| Refuse collected (tons/day) | 10 | 10 | 10 | 9 | 8 | 9 | 8 | 9 | 20 | 19 |
| Recyclables collected (tons/day) | 6 | 12 | 10 | 7 | 6 | 7 | 6 | 4 | 0.5 | 1.5 |
| Leisure services | | | | | | | | | | |
| Culture and recreation | | | | | | | | | | |
| Athletic program Participants | 1,557 | 1,373 | 1,250 | 1,124 | 1,495 | 1,628 | 1,481 | 1,472 | 1,021 | 865 |
| Utilities processing | | | | | | | | | | |
| Water | | | | | | | | | | |
| New connections | 13 | 6 | 6 | 18 | 24 | 8 | 18 | 8 | 11 | 14 |
| Water main breaks | 29 | 32 | 30 | 40 | 29 | 30 | 50 | 23 | 34 | 33 |
| Average daily consumption (thousands of gallons) | 850 | 876 | 884 | 807 | 804 | 732 | 698 | 847 | 483 | 447 |
| Number of customers | 2,605 | 2,847 | 2,851 | 2,860 | 2,864 | 2,811 | 2,751 | 2,821 | 2,655 | 2,657 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (thousands of gallons) | 667 | 645 | 735 | 583 | 603 | (2) | (2) | (2) | (2) | (2) |
| Community development | | | | | | | | | | |
| Number of building permits | 100 | 61 | 87 | 87 | 74 | 62 | 124 | 62 | 63 | 93 |
| Building construction value (thousands) | 30,648 | 20,086 | 28,487 | 23,826 | 7,353 | 16,481 | 22,408 | 44,320 | 8,137 | 18,051 |
| Component unit - school board | | | | | | | | | | |
| Education | | | | | | | | | | |
| Students - elementary | 337 | 341 | 332 | 305 | 306 | 315 | 317 | 327 | 318 | 307 |
| Students - middle school | 186 | 189 | 174 | 187 | 187 | 204 | 200 | 172 | 170 | 174 |
| City students - joint high school | 144 | 144 | 144 | 159 | 166 | 159 | 150 | 160 | 167 | 153 |
| Teachers elementary & middle school | 50 | 50 | 50 | 50 | 50 | 49 | 50 | 50 | 49 | 46 |
| Expenditures per pupil (1) | 3,567 | 3,925 | 4,442 | 4,626 | 4,637 | 4,553 | 4,590 | 4,653 | 10,932 | 12,035 |

Source: Various city departments

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

(2) The City transferred the operation of the wastewater treatment plant to the Maury Service Authority in FY 2017.

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

Table 22

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

| Function | Fiscal Year | | | | | | | | | |
|------------------------------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 15 |
| Fire | | | | | | | | | | |
| Stations | 1 | 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 | 60 |
| Streetlights | 530 | 530 | 530 | 531 | 531 | 531 | 531 | 531 | 531 | 531 |
| Traffic signal intersections | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Parking garage | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Cemeteries Maintenance | | | | | | | | | | |
| Cemeteries | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Health, education and welfare | | | | | | | | | | |
| Hospitals | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of hospital beds | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Leisure services | | | | | | | | | | |
| Parks acreage | 40 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 |
| Parks | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Swimming Pools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| Community centers | - | - | - | - | - | - | - | - | - | - |
| Utilities processing | | | | | | | | | | |
| Water | | | | | | | | | | |
| Water mains (miles) | 30 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 |
| Fire hydrants | 268 | 270 | 270 | 270 | 270 | 270 | 270 | 270 | 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 | 4,000 |
| Sewer | | | | | | | | | | |
| Sanitary sewers (miles) | 40 | 68 | 68 | 68 | 68 | 68 | 68 | 68 | 68 | 68 |
| Storm sewers (miles) | 5 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 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 | 3,000 |
| Component unit - school board | | | | | | | | | | |
| Education | | | | | | | | | | |
| Elementary schools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Middle schools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Jointly operated high school | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Source: Various city departments

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

Table 23

City of Lexington, Virginia
 Schedule of Joint Services Contract Billing
 For the Year Ended June 30, 2021

| | Parking Garage | Fire | RARO Administration | Recreation | | | | | RARO Total | Totals |
|---------------------------------|-------------------|--------------|------------------------|---------------------|---------------------------|--------------------------|-----------------|----------|---------------|--------------|
| | | | | Youth Basketball | Little League Football | Baseball and Softball | Youth Soccer | Other | | |
| Salaries and fringe benefits | \$ 4,510 | \$ 1,179,405 | \$ 215,507 | \$ 2,147 | \$ 2,452 | \$ 10,269 | \$ 2,791 | \$ 836 | \$ 234,002 | \$ 1,417,917 |
| Contractual services | - | 72,802 | 6,490 | - | - | 2,363 | - | - | 8,853 | 81,655 |
| Other expenses | 13,357 | 248,712 | 41,698 | 398 | 3,384 | 7,266 | 1,629 | 771 | 55,146 | 317,215 |
| Totals | \$ 17,867 | \$ 1,500,919 | \$ 263,695 | \$ 2,545 | \$ 5,836 | \$ 19,898 | \$ 4,420 | \$ 1,607 | \$ 298,001 | \$ 1,816,787 |
| Less: Revenue for Operations | \$ - | \$ (493,465) | \$ (2,182) | \$ (272) | \$ (1,707) | \$ (751) | \$ (3,990) | \$ (333) | \$ (9,235) | \$ (502,700) |
| Net Expenses | \$ 17,867 | \$ 1,007,454 | \$ 261,513 | \$ 2,273 | \$ 4,129 | \$ 19,147 | \$ 430 | \$ 1,274 | \$ 288,766 | \$ 1,314,087 |
| Rockbridge County participation | 9.90% | 58.07% | 51.68% | 38.71% | 43.62% | 56.69% | 50.61% | 54.03% | 51.80% | 56.04% |
| Rockbridge County share | \$ 1,769 | \$ 585,069 | \$ 135,150 | \$ 880 | \$ 1,801 | \$ 10,854 | \$ 218 | \$ 688 | \$ 149,592 | \$ 736,429 |

COMPLIANCE SECTION



**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 Honorable Members of
the City Council
City of 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, 2021, 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 October 13, 2021.

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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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 financial statements. 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*.

City of Lexington, Virginia's Response to Finding

City of Lexington, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Lexington, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Farmer, Cox, Associates
Blacksburg, Virginia
October 13, 2021



**Independent Auditors' Report on Compliance For Each Major Program and
on Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lexington, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Lexington, Virginia's major federal programs for the year ended June 30, 2021. City of Lexington, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lexington, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lexington, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Lexington, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City of Lexington, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lexington, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lexington, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Robinson, Jarmer, Cox, Associates

Blacksburg, Virginia
October 13, 2021

City of Lexington, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2021

| Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------|-------------------------|
| Department of Agriculture: | | | |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| <i>Child Nutrition Cluster:</i> | | | |
| Summer Food Service Program for Children | 10.559 | 60302/60303 | \$ 129,949 |
| | | | |
| Department of Health and Human Services: | | | |
| Pass Through Payments: | | | |
| Department of Social Services: | | | |
| Temporary Assistance for Needy Families | 93.558 | 0400119/0400120 | \$ 50 |
| Social Services Block Grant | 93.667 | 1000120 | 4,845 |
| | | | |
| Department of Education: | | | |
| <i>Head Start Cluster:</i> | | | |
| Head Start | 93.600 | Unknown | 4,398 |
| Total Department Health and Human Services | | | <u>\$ 9,293</u> |
| | | | |
| Department of Transportation: | | | |
| Pass Through Payments: | | | |
| Department of Motor Vehicles: | | | |
| <i>Highway Safety Cluster:</i> | | | |
| National Priority Safety Programs | 20.616 | M6OT-2018-58061-8061/ M6OT-2019-59169-9169 | \$ 4,316 |
| | | | |
| Department of Homeland Security: | | | |
| Pass Through Payments: | | | |
| Department of Emergency Management: | | | |
| Emergency Management Performance Grants | 97.042 | Unknown | \$ 15,000 |
| | | | |
| Department of Treasury: | | | |
| Pass Through Payments: | | | |
| Department of Accounts: | | | |
| COVID-19 - Coronavirus Relief Fund | 21.019 | SLT0022 | \$ 1,119,082 |
| | | | |
| Election Assistance Commission: | | | |
| Pass Through Payments: | | | |
| Department of Elections: | | | |
| HAVA Election Security Grants | 90.404 | Unknown | \$ 15,555 |
| | | | |
| Department of Education: | | | |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| Supporting Effective Instruction State Grants | 84.367 | 61480 | \$ 8,766 |
| Title I - Grants to Local Educational Agencies | 84.010 | 42901 | 61,778 |
| <i>Special Education Cluster:</i> | | | |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | 62521 | \$ 3,088 |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 43071 | 126,126 |
| English Language Acquisition State Grants | 84.365 | Unknown | 1,421 |
| COVID-19 - Education Stabilization Fund | 84.425D | Unknown | 51,294 |
| Student Support and Academic Enrichment | 84.424 | Unknown | 9,000 |
| Total Department of Education | | | <u>\$ 261,473</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,554,668</u> |

See accompanying notes to the Schedule of Expenditures of Federal Awards

City of Lexington, Virginia
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

NOTE A--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Lexington, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Lexington, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Lexington, Virginia.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The City did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE C--SUBRECIPIENTS:

No awards were passed through to subrecipients.

NOTE D--OUTSTANDING BALANCE OF FEDERAL LOANS:

The City did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

NOTE E--DONATED PERSONAL PROTECTIVE EQUIPMENT (PPE) "UNAUDITED":

The City received \$1,000 in donated PPE during the year.

NOTE F--RELATIONSHIP TO THE FINANCIAL STATEMENTS:

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

| | |
|-----------------------------------------------------------|---------------------|
| Primary Government: | |
| General Fund - Intergovernmental | \$ 3,742,464 |
| Less: Revenue from the Commonwealth | (2,698,906) |
| Component Unit School Board: | |
| School Operating Fund - Intergovernmental | 7,661,458 |
| Less: Revenue from local governments | (3,178,751) |
| Less: Revenue from the Commonwealth | <u>(3,971,597)</u> |
| Total Federal Expenditures per basic financial statements | <u>\$ 1,554,668</u> |

City of Lexington, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**Section I - Summary of Auditors' Results****Financial Statements**

| | |
|---------------------------------------------------------------------------------|------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: Material weakness(es) identified? | Yes |
| Significant deficiency(ies) identified? | No |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|------------------------------------------------------------------------------------------------------------------|------------|
| Internal control over major programs: Material weaknesses identified? | No |
| Significant deficiency(ies) identified? | No |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | No |

Identification of major programs:

| <u>Federal Assistance Listing #</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------------------|-------------------------------------------|
| 21.019 | COVID-19 - Coronavirus Relief Funding |

| | |
|-----------------------------------------------------------------------------|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

City of Lexington, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**Section II - Financial Statement Findings****2021-001 (Material Weakness)**

| | |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Criteria: | Identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist. |
| Condition: | The City's financial statements required a few material adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles. |
| Cause of Condition: | Shortly after year end, the Finance Director left the City and a new Finance Director did not start immediately. The previous Finance Director assisted the City with the closing process; however, a few items were overlooked in the transition. |
| Effect of Condition: | There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the City's internal controls over financial reporting. |
| Recommendation: | Management should review the current year adjusting entries and consider same during the next fiscal year close. |
| Management's Response: | Management will consider the recommendation(s) and determine an appropriate course of action. |

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings

There are no prior audit findings.