

City of Lexington, Virginia



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2020

Prepared by Jake Adams, Finance Director

CITY OF LEXINGTON, VIRGINIA

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INTRODUCTORY SECTION

Lexington Virginia



300 E. Washington Street
Lexington, VA 24450

November 15, 2020

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, 2020.

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, 2020. 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 statement. Refuse disposal services are provided by the Blue Ridge Resource Authority (BRRA). 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 Agency 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 an agency 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.

Unemployment reported for the City and the surrounding localities has increased significantly during fiscal year 2020 due to the impacts of the COVID-19 pandemic. Economic activity, as measured by sales taxes, increased significantly during fiscal year 2020 by 9.1%, due to strong collections in spite of the pandemic. Meals taxes, another measure of economic activity, decreased, however, by 8.6% compared to the prior year. Lodging tax collections experienced a sharp decline of 23.3%.

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 2020, 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 \$20.9 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 agency 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, 2020, the unassigned fund balance exceeded the required minimum by approximately \$6.4 million. At June 30, 2019, the unassigned fund balance exceeded the required minimum by \$5.4 million.

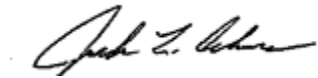
Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lexington for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the twenty-sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting 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,

A handwritten signature in black ink, appearing to read "Jake Adams", written in a cursive style.

Jake Adams
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

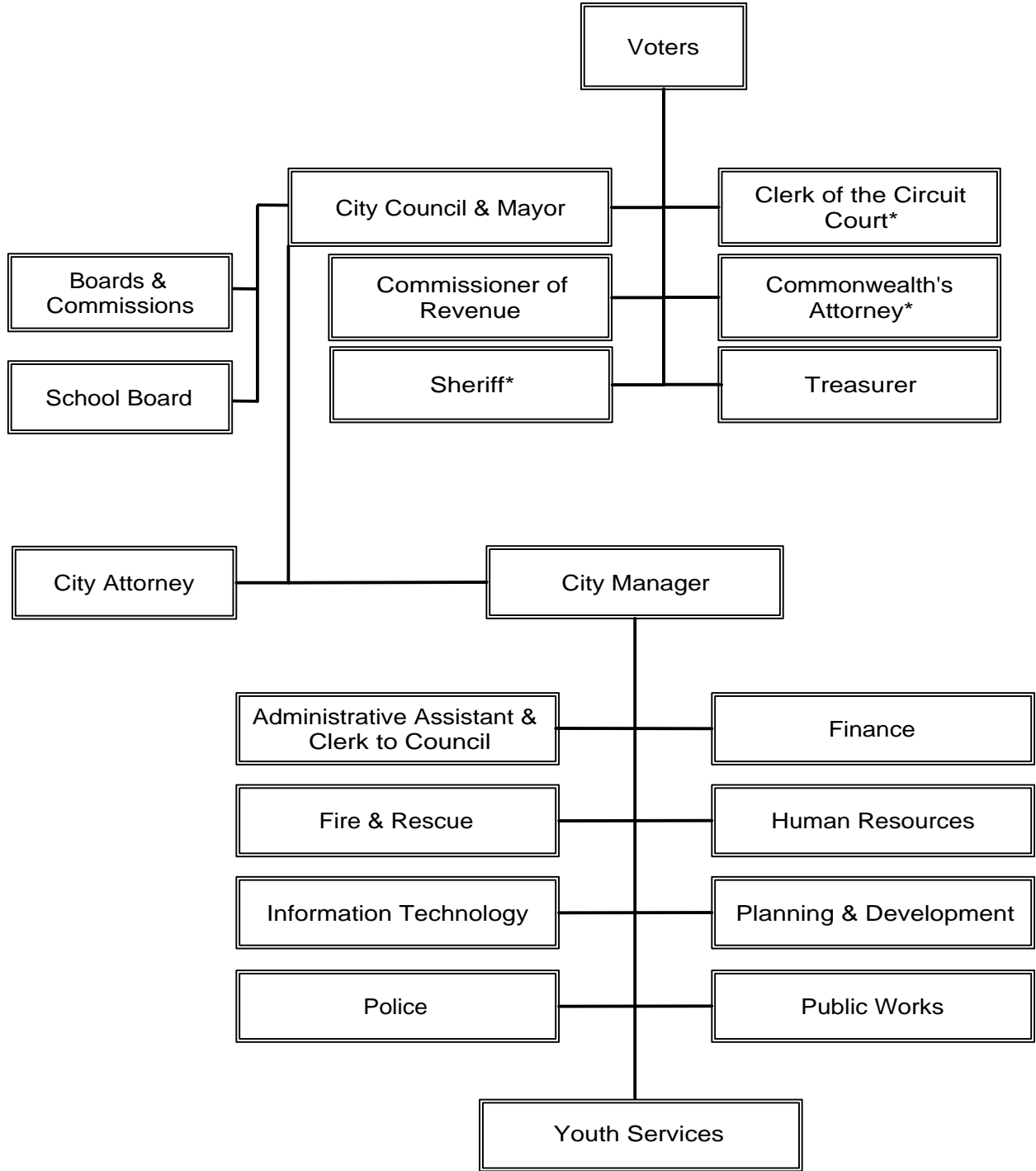
June 30, 2019

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		Michele F. Hentz
Dennis W. Ayers		David G. Sigler
Charles "Chuck" Smith		Leslie C. Straughan

CITY SCHOOL BOARD

	Timothy Diette, Chair	
Owen Collins		Tammy Dunn, Vice Chair
Mollie Fox		Glenn Sullivan

OTHER OFFICIALS

City Manager	James M. Halasz
City Treasurer	Pat DeLaney
Commissioner of Revenue	Karen T. Roundy
Finance Director.....	Jake Adams
City Attorney.....	Jared Jenkins
Chief of Police	Samuel Roman, Jr.
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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding, on pages 12-21, 107-108, and 109-122, 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 other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020, 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, Jarmer, Cox, Associates

Blacksburg, Virginia
October 16, 2020

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, 2020. 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 \$38,233,045 (*net position*). A total of \$17,042,681 (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 \$10,282,084 or 62% of total general fund expenditures of \$16,517,858 in the year ended June 30, 2020.
- The City of Lexington's total outstanding debt decreased by \$1,511,915 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 a fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

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

The City of Lexington maintains 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 \$38,233,045 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 \$17,042,681. 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 \$19,220,368. 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 \$2,534,316 for the fiscal year ending June 30, 2020. This increase is attributable primarily to effective control and reductions in expenditures due to the COVID-19 public health crisis.

City of Lexington's Summary Statement of Net Position
As of June 30, 2020 and 2019
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Gov't		School Board Component Unit	
	2020	2019	2020	2019	2020	2019	2020	2019
Current & other assets	\$ 20,872	\$ 18,934	\$ 5,377	\$ 6,224	\$ 26,249	\$ 25,158	\$ 1,962	\$ 1,888
Capital assets	37,652	38,041	9,207	8,646	46,859	46,687	834	910
Total assets	<u>\$ 58,524</u>	<u>\$ 56,975</u>	<u>\$ 14,584</u>	<u>\$ 14,870</u>	<u>\$ 73,108</u>	<u>\$ 71,845</u>	<u>\$ 2,796</u>	<u>\$ 2,798</u>
Deferred outflows or resources	\$ 2,173	\$ 1,909	\$ 78	\$ 38	\$ 2,251	\$ 1,947	\$ 1,384	\$ 770
Long-term liabilities outstanding	27,959	28,725	5,334	5,477	33,293	34,202	5,901	5,234
Other liabilities	1,790	1,386	833	1,094	2,623	2,480	373	346
Total liabilities	<u>\$ 29,749</u>	<u>\$ 30,111</u>	<u>\$ 6,167</u>	<u>\$ 6,571</u>	<u>\$ 35,916</u>	<u>\$ 36,682</u>	<u>\$ 6,274</u>	<u>\$ 5,580</u>
Deferred inflows of resources	\$ 1,041	\$ 1,400	\$ 169	\$ 335	\$ 1,210	\$ 1,735	\$ 488	\$ 532
Net position:								
Net investment in capital assets	15,083	14,210	4,137	4,360	19,220	18,570	777	840
Restricted	1,970	1,933	-	998	1,970	2,931	-	-
Unrestricted	12,854	11,230	4,189	2,644	17,043	13,874	(3,359)	(3,383)
Total net position	<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>\$ (2,582)</u>	<u>\$ (2,543)</u>

A portion of the City's primary government net position (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* (\$17,042,681) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental Activities

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

City of Lexington's Changes in Net Position as of June 30, 2020 and 2019 (In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Gov't		School Board Component Unit	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues:								
Program Revenues:								
Chgs. for svcs	\$ 832	\$ 1,116	\$ 4,807	\$ 4,639	\$ 5,639	\$ 5,755	\$ 223	\$ 218
Operating grants and contributions	1,872	2,187	-	-	1,872	2,187	3,990	3,985
Capital grants and contributions	-	-	-	146	-	146	-	-
General Revenues:								
Property taxes	7,262	7,000	-	-	7,262	7,000	-	-
Other taxes	4,269	4,362	-	-	4,269	4,362	-	-
Grants and contributions not restricted to specific programs	863	874	-	-	863	874	-	-
Other	3,085	3,192	13	27	3,098	3,219	3,092	3,074
Total revenues	<u>\$ 18,183</u>	<u>\$ 18,731</u>	<u>\$ 4,820</u>	<u>\$ 4,812</u>	<u>\$ 23,003</u>	<u>\$ 23,543</u>	<u>\$ 7,305</u>	<u>\$ 7,277</u>
Expenses:								
General Gov't.	\$ 1,401	\$ 1,306	\$ -	\$ -	\$ 1,401	\$ 1,306	\$ -	\$ -
Judicial Admin.	351	365	-	-	351	365	-	-
Public Safety	3,935	3,541	-	-	3,935	3,541	-	-
Public Works	3,279	3,739	-	-	3,279	3,739	-	-
Health & Welfare	1,369	1,496	-	-	1,369	1,496	-	-
Education	3,085	3,072	-	-	3,085	3,072	7,344	7,069
Parks, Rec. & Cultural	769	727	-	-	769	727	-	-
Community Development	823	781	-	-	823	781	-	-
Interest on Debt	807	804	-	-	807	804	-	-
Water & Sewer Utility	-	-	4,327	3,884	4,327	3,884	-	-
Total Expenses	<u>\$ 15,819</u>	<u>\$ 15,831</u>	<u>\$ 4,327</u>	<u>\$ 3,884</u>	<u>\$ 20,146</u>	<u>\$ 19,715</u>	<u>\$ 7,344</u>	<u>\$ 7,069</u>
Changes in net position before transfers	\$ 2,364	\$ 2,900	\$ 493	\$ 928	\$ 2,857	\$ 3,828	\$ (39)	\$ 208
Transfers	170	69	(170)	(69)	-	-	-	-
Changes in net position	<u>\$ 2,534</u>	<u>\$ 2,969</u>	<u>\$ 323</u>	<u>\$ 859</u>	<u>\$ 2,857</u>	<u>\$ 3,828</u>	<u>\$ (39)</u>	<u>\$ 208</u>
Net position beginning of year	<u>27,373</u>	<u>24,404</u>	<u>8,002</u>	<u>7,143</u>	<u>35,375</u>	<u>31,547</u>	<u>(2,543)</u>	<u>(2,751)</u>
Net position end of year	<u>\$ 29,907</u>	<u>\$ 27,373</u>	<u>\$ 8,325</u>	<u>\$ 8,002</u>	<u>\$ 38,232</u>	<u>\$ 35,375</u>	<u>\$ (2,582)</u>	<u>\$ (2,543)</u>

Governmental Revenues

- Property tax collections were up 3.73%, or \$261,464. The real estate tax rate increased from \$1.035 to \$1.06 per \$100 of assessed value. The tax rate on personal property remained at \$4.25/\$100 value.
- Other local taxes decreased by \$93,119, or 2.1%. Local sales taxes increased by \$97,324 or 9.1%. Restaurant food taxes decreased by 8.8% and hotel and motel taxes decreased by 23.2% due to the economic downturn as a result of COVID-19. Business, professional, and occupation licenses increased by \$104,816, or 15.7%.
- Revenues from the use of money and property decreased by \$141,612 as a result of lower interest rates.
- The City's major governmental sources of revenue are as follows:

	<u>Amount</u>	<u>Percent of Total Revenue</u>
General property taxes	\$ 7,304,081	39%
Other local taxes	4,269,121	23%
Charges for services	710,648	4%
Miscellaneous	2,655,939	14%
Recovered costs	647,111	3%
Intergovernmental	2,655,703	14%

Governmental Expenses

- The general governmental expenses decreased by \$342,987 or 2%.
- Public safety expenses increased by \$296,109, or 7%.
- Public Works expenses decreased by \$609,137, or 17%.
- Health and welfare costs decreased by \$132,041, or 13%, primarily as a result of lower public assistance costs.
- Community development costs decreased by \$69,177 or 9%.

Business-Type Activities

The increase in net position for business-type activities was \$323,306, or 4% from the prior fiscal year, with an end of the year balance of \$8,325,647.

Other significant items to note Include:

- A \$120,000 loan repayment was transferred to the General Fund.
- Significant capital projects were untaken to replace water and sewer lines.

Financial Analysis of the City's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,725,912, an increase of \$1,637,645 in comparison with the prior year. A total of \$1,728,170 is committed for the City's future equipment replacement purchases. The City committed fire department funds totaling \$126,348 to be used exclusively for the specific needs of the fire and rescue department, subject to City Council's appropriation. A total of \$401,002 is assigned for the carryover of committed projects not completed as of June 30, 2020 in the General Fund. A total of \$3,217,135 is committed for capital project needs. A total of \$10,282,084 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, 2020.

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 \$10,282,084, an increase of \$977,984 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 62% or approximately seven (7) 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, 2020 was \$3,217,135, a decrease of \$141,293.

The permanent fund balance increased by \$36,699 for the year to \$1,969,996 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 \$4,188,652, an increase of \$1,544,406 in comparison with the prior year.

General Fund Budgetary Highlights

Differences between the original budget of \$18,954,226 and the final amended budget of \$19,637,409 reflects an increase in appropriation of \$683,183. Items of significance that are worthy to note are as follows:

- City Council carried over from FY 19 to FY 20 \$2,952,798 for ongoing projects or activities that could not be completed by June 30, 2019. Large amounts carried over for capital projects were for park improvements, storm water drainage projects, bridge improvements, and facility improvements.

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	\$ 7,219,000	\$7,304,081	\$ 85,081
Other local taxes	4,313,550	4,269,121	(44,429)
Charges for services	710,414	710,648	234
Miscellaneous	2,607,444	2,655,939	48,495
Recovered costs	798,540	647,111	(151,429)
Intergovernmental	3,213,193	2,655,703	(557,490)

Actual expenditures were \$1,668,257 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, 2020 amounts to \$46,858,768 (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 0.37%.

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

Component Units

	Governmental Activities		Business-type Activities		Total Primary Gov't		School Board Component Unit	
	2020	2019	2020	2019	2020	2019	2020	2019
Land	\$ 2,707	\$ 2,707	\$ -	\$ -	\$ 2,707	\$ 2,707	\$ 359	\$ 359
Buildings	26,623	27,355	-	-	26,623	27,355	177	222
Improvements other than buildings	677	767	22	23	699	790	94	107
Infrastructure	4,561	3,984	8,414	5,313	12,975	9,297	-	-
Machinery & Equip.	2,797	2,998	488	583	3,285	3,581	204	222
Construction in Progress	287	230	283	2,727	570	2,957	-	-
Totals	<u>\$ 37,652</u>	<u>\$ 38,041</u>	<u>\$ 9,207</u>	<u>\$ 8,646</u>	<u>\$ 46,859</u>	<u>\$ 46,687</u>	<u>\$ 834</u>	<u>\$ 910</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**

	<u>2020</u>	<u>2019</u>
Governmental activities	\$ 23,346,024	\$ 24,707,939
Business-type activities	<u>4,540,000</u>	<u>4,690,000</u>
TOTAL	<u>\$ 27,886,024</u>	<u>\$ 29,397,939</u>

The City's total general obligation debt decreased by \$1,511,912, or 5.1% 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 \$59,462,700 which is significantly in excess of the City's outstanding general obligation debt.

Revenue Bonds

In FY 2020, the City repaid \$150,000 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 2020, the unemployment rate for the City of Lexington and the surrounding County was 4.2%. This is a significant increase from the previous year, 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 2021 Budget. The FY 2021 Budget has programmed \$282,000 of unassigned fund balance in the General Fund and \$144,000 in the School Fund, sourced from anticipated FY 2020 budgetary surplus amounts, to cover FY 2021 expenditures. Funding of \$735,000 for future capital expenditures is included in the Budget.

The water and sewer utility fund rates were increased by approximately 8% for the 2021 budget due to significant 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, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
ASSETS					
Cash and cash equivalents	\$ 1,565,474	\$ 535,671	\$ 2,101,145	\$ 189,069	\$ 20,805
Investments	14,657,814	4,200,000	18,857,814	1,400,000	150,000
Receivables (net of allowance for uncollectibles):					
Taxes receivable	827,112	-	827,112	-	-
Accounts receivable	255,663	641,369	897,032	-	-
Due from other governmental units	312,257	-	312,257	188,190	-
Due from others	512,206	-	512,206	-	-
Long-term receivable	770,580	-	770,580	-	-
Prepaid items	1,177	-	1,177	-	-
Restricted assets:					
Permanently restricted:					
Cash and cash equivalents	64,841	-	64,841	-	-
Investments	1,905,155	-	1,905,155	-	-
Net Pension asset	-	-	-	184,647	-
Capital assets (net of accumulated depreciation):					
Land	2,707,160	-	2,707,160	359,494	-
Buildings	26,623,106	-	26,623,106	177,682	-
Improvements other than buildings	676,750	21,500	698,250	93,981	-
Machinery and equipment	2,797,271	487,636	3,284,907	203,265	-
Infrastructure	4,560,425	8,414,370	12,974,795	-	-
Construction in progress	287,246	283,304	570,550	-	-
Total assets	<u>\$ 58,524,237</u>	<u>\$ 14,583,850</u>	<u>\$ 73,108,087</u>	<u>\$ 2,796,328</u>	<u>\$ 170,805</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	\$ 1,177,194	\$ -	\$ 1,177,194	\$ -	\$ -
Pension related items	895,297	72,202	967,499	1,210,226	-
OPEB related items	100,714	6,059	106,773	173,275	-
Total deferred outflows of resources	<u>\$ 2,173,205</u>	<u>\$ 78,261</u>	<u>\$ 2,251,466</u>	<u>\$ 1,383,501</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 209,922	\$ 663,873	\$ 873,795	\$ 39,836	\$ -
Payroll liabilities	275,240	2,694	277,934	55,366	-
Contracts payable	-	-	-	242,562	-
Accrued interest payable	264,920	52,863	317,783	-	-
Unearned revenue	-	-	-	34,600	-
Deposits held in escrow	1,335	113,525	114,860	-	-
Unearned grant revenue	1,038,906	-	1,038,906	-	-
Long-term liabilities:					
Due within one year	1,548,384	221,859	1,770,243	35,866	-
Due in more than one year	26,410,831	5,112,481	31,523,312	5,865,513	-
Total liabilities	<u>\$ 29,749,538</u>	<u>\$ 6,167,295</u>	<u>\$ 35,916,833</u>	<u>\$ 6,273,743</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 511,998	\$ -	\$ 511,998	\$ -	\$ -
Pension related items	469,259	164,690	633,949	439,019	-
OPEB related items	59,249	4,479	63,728	49,175	-
Total deferred inflows of resources	<u>\$ 1,040,506</u>	<u>\$ 169,169</u>	<u>\$ 1,209,675</u>	<u>\$ 488,194</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 15,083,373	\$ 4,136,995	\$ 19,220,368	\$ 777,212	\$ -
Restricted:					
Nonexpendable - perpetual cemetery care	1,969,996	-	1,969,996	-	-
Unrestricted (deficit)	12,854,029	4,188,652	17,042,681	(3,359,320)	170,805
Total net position	<u>\$ 29,907,398</u>	<u>\$ 8,325,647</u>	<u>\$ 38,233,045</u>	<u>\$ (2,582,108)</u>	<u>\$ 170,805</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, 2020

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	Total	School Board	Development Authority	Industrial		
PRIMARY GOVERNMENT:											
Governmental activities:											
General government administration	\$ 1,401,344	\$ 76,525	\$ 264,159	\$ -	\$ (1,060,660)	\$ -	\$ -	\$ -	\$ -	\$ -	
Judicial administration	351,291	53,101	86,933	-	(211,257)	-	-	-	-	-	
Public safety	3,934,667	395,305	623,998	-	(2,915,364)	-	-	-	-	-	
Public works	3,278,473	265,073	587,510	-	(2,425,890)	-	-	-	-	-	
Health and welfare	1,369,384	2,142	304,456	-	(1,062,786)	-	-	-	-	-	
Education	3,084,562	-	-	-	(3,084,562)	-	-	-	-	-	
Parks, recreation, and cultural	769,113	40,118	4,500	-	(724,495)	-	-	-	-	-	
Community development	823,246	-	-	-	(823,246)	-	-	-	-	-	
Interest on long-term debt	806,647	-	-	-	(806,647)	-	-	-	-	-	
Total governmental activities	\$ 15,818,727	\$ 832,264	\$ 1,871,556	\$ -	\$ (13,114,907)	\$ -	\$ -	\$ -	\$ -	\$ -	
Business-type activities:											
Utility Fund	\$ 4,326,627	\$ 4,807,281	\$ -	\$ -	\$ -	\$ 480,654	\$ -	\$ -	\$ -	\$ -	
Total primary government	\$ 20,145,354	\$ 5,639,545	\$ 1,871,556	\$ -	\$ (13,114,907)	\$ 480,654	\$ -	\$ -	\$ -	\$ -	
COMPONENT UNITS:											
School Board	\$ 7,344,401	\$ 222,845	\$ 3,990,288	\$ -	\$ -	\$ -	\$ (3,131,268)	\$ -	\$ -	\$ -	
Industrial Development Authority	222,478	-	-	-	-	-	-	(222,478)	-	-	
Total component units	\$ 7,566,879	\$ 222,845	\$ 3,990,288	\$ -	\$ -	\$ -	\$ (3,131,268)	\$ (222,478)	\$ -	\$ -	
General revenues:											
General property taxes				\$ 7,261,929	\$ -	\$ 7,261,929	\$ -	\$ -	\$ -	\$ -	
Other local taxes:											
Local sales and use taxes				1,163,539	-	1,163,539	-	-	-	-	
Consumers' utility taxes				304,773	-	304,773	-	-	-	-	
Business license taxes				773,912	-	773,912	-	-	-	-	
Restaurant food taxes				1,370,215	-	1,370,215	-	-	-	-	
Hotel and motel room taxes				427,321	-	427,321	-	-	-	-	
Other local taxes				229,361	-	229,361	-	-	-	-	
Unrestricted revenues from use of money and property				429,165	8,143	437,308	4,082	-	-	-	
Miscellaneous				725,301	4,829	730,130	3,825	5,000	-	-	
Revenue sharing payments				1,930,638	-	1,930,638	-	-	-	-	
Payments from the City of Lexington/School Board				862,749	-	862,749	3,084,562	200,625	-	-	
Grants and contributions not restricted to specific programs				170,320	(170,320)	-	-	-	-	-	
Transfers											
Total general revenues and transfers	\$ 15,649,223	\$ (157,348)	\$ 15,491,875	\$ -	\$ 3,092,469	\$ 205,625	\$ -	\$ -	\$ -	\$ -	
Change in net position	\$ 2,534,316	\$ 323,306	\$ 2,857,622	\$ -	\$ (38,799)	\$ (16,853)	\$ -	\$ -	\$ -	\$ -	
Net position - beginning	\$ 27,373,082	\$ 8,002,341	\$ 35,375,423	\$ -	\$ (2,543,309)	\$ 187,658	\$ -	\$ -	\$ -	\$ -	
Net position - ending	\$ 29,907,398	\$ 8,325,647	\$ 38,233,045	\$ -	\$ (2,582,108)	\$ 170,805	\$ -	\$ -	\$ -	\$ -	

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

City of Lexington, Virginia
Balance Sheet
Governmental Funds
June 30, 2020

	General	Capital Projects	Permanent	Total
ASSETS				
Cash and cash equivalents	\$ 1,565,474	\$ -	\$ -	\$ 1,565,474
Investments	11,157,814	3,500,000	-	14,657,814
Receivables (net of allowance for uncollectibles):				
Taxes receivable	827,112	-	-	827,112
Accounts receivable	255,663	-	-	255,663
Due from other funds	271,387	-	-	271,387
Due from other governmental units	312,257	-	-	312,257
Due from others	512,206	-	-	512,206
Long-term receivable	770,580	-	-	770,580
Prepaid items	1,177	-	-	1,177
Restricted assets:				
Cash and cash equivalents	-	-	64,841	64,841
Investments	-	-	1,905,155	1,905,155
Total assets	\$ 15,673,670	\$ 3,500,000	\$ 1,969,996	\$ 21,143,666
LIABILITIES				
Accounts payable	\$ 199,444	\$ 10,478	\$ -	\$ 209,922
Payroll liabilities	275,240	-	-	275,240
Due to other funds	-	271,387	-	271,387
Deposits held in escrow	335	1,000	-	1,335
Unearned grant revenue	1,038,906	-	-	1,038,906
Total liabilities	\$ 1,513,925	\$ 282,865	\$ -	\$ 1,796,790
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 850,384	\$ -	\$ -	\$ 850,384
Unavailable revenue - long-term receivable	770,580	-	-	770,580
Total deferred inflows of resources	\$ 1,620,964	\$ -	\$ -	\$ 1,620,964
FUND BALANCES				
Nonspendable	\$ 1,177	\$ -	\$ 180,562	\$ 181,739
Restricted	-	-	1,789,434	1,789,434
Committed	1,854,518	3,217,135	-	5,071,653
Assigned	401,002	-	-	401,002
Unassigned	10,282,084	-	-	10,282,084
Total fund balances	\$ 12,538,781	\$ 3,217,135	\$ 1,969,996	\$ 17,725,912
Total liabilities, deferred inflows of resources and fund balances	\$ 15,673,670	\$ 3,500,000	\$ 1,969,996	\$ 21,143,666

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, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	17,725,912
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	2,707,160	
Buildings		26,623,106	
Improvements other than buildings		676,750	
Infrastructure		4,560,425	
Machinery and equipment		2,797,271	
Construction in progress		287,246	37,651,958

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

Unavailable revenue - property taxes	\$	338,386	
Unavailable revenue - long-term receivable		770,580	1,108,966

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	\$	1,177,194	
Pension related items		895,297	
OPEB related items		100,714	2,173,205

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	\$	(23,346,024)	
Accrued interest payable		(264,920)	
Net OPEB liabilities		(401,758)	
Net pension liability		(2,581,145)	
Unamortized bond premium		(1,340,592)	
Unamortized bond discount		22,759	
Compensated absences		(312,455)	(28,224,135)

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

Pension related items	\$	(469,259)	
OPEB related items		(59,249)	(528,508)

Net position of governmental activities		\$	29,907,398
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The notes to the financial statements are an integral part of this statement.

City of Lexington, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	Capital Projects	Permanent	Total
REVENUES				
General property taxes	\$ 7,304,081	\$ -	\$ -	\$ 7,304,081
Other local taxes	4,269,121	-	-	4,269,121
Permits, privilege fees, and regulatory licenses	68,515	-	-	68,515
Fines and forfeitures	53,101	-	-	53,101
Revenue from the use of money and property	371,058	-	58,107	429,165
Charges for services	710,648	-	-	710,648
Miscellaneous	2,655,939	-	-	2,655,939
Recovered costs	647,111	-	-	647,111
Intergovernmental	2,655,703	78,602	-	2,734,305
Total revenues	<u>\$ 18,735,277</u>	<u>\$ 78,602</u>	<u>\$ 58,107</u>	<u>\$ 18,871,986</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,415,727	\$ 7,570	\$ -	\$ 1,423,297
Judicial administration	351,291	-	-	351,291
Public safety	4,312,498	-	-	4,312,498
Public works	2,946,776	699,742	-	3,646,518
Health and welfare	860,866	-	-	860,866
Education	3,084,562	-	-	3,084,562
Parks, recreation, and cultural	538,818	135,583	43,908	718,309
Community development	819,468	-	-	819,468
Nondepartmental	4,887	-	-	4,887
Debt service:				
Principal retirement	1,361,915	-	-	1,361,915
Interest and other fiscal charges	821,050	-	-	821,050
Total expenditures	<u>\$ 16,517,858</u>	<u>\$ 842,895</u>	<u>\$ 43,908</u>	<u>\$ 17,404,661</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,217,419</u>	<u>\$ (764,293)</u>	<u>\$ 14,199</u>	<u>\$ 1,467,325</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 185,000	\$ 623,000	\$ 22,500	\$ 830,500
Transfers out	(660,180)	-	-	(660,180)
Total other financing sources (uses)	<u>\$ (475,180)</u>	<u>\$ 623,000</u>	<u>\$ 22,500</u>	<u>\$ 170,320</u>
Net change in fund balances	\$ 1,742,239	\$ (141,293)	\$ 36,699	\$ 1,637,645
Fund balances - beginning	10,796,542	3,358,428	1,933,297	16,088,267
Fund balances - ending	<u>\$ 12,538,781</u>	<u>\$ 3,217,135</u>	<u>\$ 1,969,996</u>	<u>\$ 17,725,912</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, 2020

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

Net change in fund balances - total governmental funds \$ 1,637,645

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	\$ 1,219,937	
Depreciation expense	(1,608,494)	(388,557)

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

Property taxes	\$ (42,152)	
Long-term receivable	(87,873)	(130,025)

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.

Principal repayments:

General obligation bonds		1,361,915
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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	\$ (5,533)	
Change in accrued interest payable	12,116	
Changes in pension related items	15,046	
Changes in OPEB related items	29,422	
Amortization of deferred charge on refunding	(73,387)	
Amortization of bond discount	(4,552)	
Amortization of bond premium	80,226	53,338

Change in net position of governmental activities		<u>\$ 2,534,316</u>
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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, 2020

	Enterprise Fund
	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 535,671
Investments	4,200,000
Accounts receivable, net of allowance for uncollectibles	641,369
Total current assets	\$ 5,377,040
Noncurrent assets:	
Capital assets:	
Buildings	\$ 113,405
Less accumulated depreciation	(113,405)
Improvements other than buildings	77,717
Less accumulated depreciation	(56,217)
Machinery and equipment	1,249,771
Less accumulated depreciation	(762,135)
Infrastructure	10,741,394
Less accumulated depreciation	(2,327,024)
Construction in progress	283,304
Total capital assets	\$ 9,206,810
Total noncurrent assets	\$ 9,206,810
Total assets	\$ 14,583,850
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 72,202
OPEB related items	6,059
Total deferred outflows of resources	\$ 78,261
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 663,873
Payroll liabilities	2,694
Accrued interest payable	52,863
Deposits held in escrow	113,525
Bonds payable - current portion	221,859
Total current liabilities	\$ 1,054,814
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 4,847,956
Net pension liability	236,652
Net OPEB liability	27,873
Total noncurrent liabilities	\$ 5,112,481
Total liabilities	\$ 6,167,295
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 164,690
OPEB related items	4,479
Total deferred outflows of resources	\$ 169,169
NET POSITION	
Net investment in capital assets	\$ 4,136,995
Unrestricted	4,188,652
Total net position	\$ 8,325,647

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, 2020

	Enterprise Fund
	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer revenues	\$ 4,807,281
Miscellaneous	4,829
Total operating revenues	\$ 4,812,110
OPERATING EXPENSES	
Administration	\$ 246,616
Water treatment plant	1,922
Water distribution	1,347,447
Water storage	144
Wastewater collection	1,931,074
Public works personnel	51,110
Meter reading replacement	1,662
Main Street water line	143
Enfield area sewer improvements	782
Diamond area water and sewer	1,031
Miscellaneous	3,863
Internal services	249,155
Taylor St. Water Line Imp	665
Taylor St. Wastewater	30
Depreciation	338,420
Total operating expenses	\$ 4,174,064
Operating income (loss)	\$ 638,046
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 8,143
Interest expense	(152,563)
Total nonoperating revenues (expenses)	\$ (144,420)
Income before transfers	\$ 493,626
Transfers in	\$ 14,680
Transfers out	(185,000)
Change in net position	\$ 323,306
Total net position - beginning	8,002,341
Total net position - ending	\$ 8,325,647

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, 2020

	Enterprise Fund
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,850,328
Payments to suppliers	(3,749,709)
Payments to and for employees	(505,895)
Net cash provided by (used for) by operating activities	\$ 594,724
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (185,000)
Transfers from other funds	14,680
Contributions from other governments	146,225
Net cash provided by (used for) by noncapital financing activities	\$ (24,095)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (899,419)
Principal payments on bonds	(150,000)
Interest payments	(218,444)
Net cash provided by (used for) capital and related financing activities	\$ (1,267,863)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 8,143
Net increase (decrease) in cash and cash equivalents	\$ (689,091)
Cash and cash equivalents - beginning, including restricted cash of \$998,137	1,224,762
Cash and cash equivalents - ending	\$ 535,671
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 638,046
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 338,420
(Increase) decrease in accounts receivable	11,828
(Increase) decrease in deferred outflows of resources	(39,899)
Increase (decrease) in accounts payable	(288,496)
Increase (decrease) in payroll liabilities	2,694
Increase (decrease) in net OPEB liability	(130)
Increase (decrease) in deferred inflows of resources	(165,554)
Increase (decrease) in net pension liability	71,425
Increase (decrease) deposits held in escrow	26,390
Total adjustments	\$ (43,322)
Net cash provided by (used for) operating activities	\$ 594,724

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, 2020

	<u>OPEB Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 187,660	\$ 863,366
Accounts receivable	-	8,045
Total assets	<u>\$ 187,660</u>	<u>\$ 871,411</u>
LIABILITIES		
Accrued liabilities	\$ -	\$ 179,197
Amount held for others - Central Dispatch	-	182,265
Amount held for others - RARO	-	21,544
Amount held for others - Regional Tourism	-	488,405
Total liabilities	<u>\$ -</u>	<u>\$ 871,411</u>
NET POSITION		
Net position restricted for postemployment benefits other than pensions	\$ 187,660	\$ -
Total net position	<u>\$ 187,660</u>	<u>\$ -</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, 2020

	OPEB Trust
ADDITIONS	
Contributions:	
Employer	\$ 73,216
Investment income:	
Net increase in fair value of investments	\$ 5,303
Interest and dividends	276
Investment expense	(702)
Net investment income	\$ 4,877
Total additions	\$ 78,093
DEDUCTIONS	
Benefit payments	\$ 73,216
Net increase in net position	\$ 4,877
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	
Beginning of year	\$ 182,783
End of year	\$ 187,660

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 Comprehensive Annual Financial Report.

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

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 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 Agency Funds) account for assets held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The OPEB Trust Fund is one of the fiduciary funds of the City. The Central Dispatch Fund, Regional Area Recreation Organization (RARO), and Regional Tourism (agency 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.

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

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

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

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

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

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

1. 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.

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

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

3. Property Taxes

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

4. Inventory

Inventories 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.

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 \$78,245 and \$39,915 for property taxes and utility billings, respectively, on June 30, 2020.

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, 2020 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' net fiduciary 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' net fiduciary 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. Another items relates to receivable amounts that are long-term in nature which are reported as unavailable revenue. 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. 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, 2020, the City did not have any expenditures in excess of appropriations. Appropriations are not required for the permanent fund; therefore, none have been reported in the schedules.

B. Deficit fund equity

At June 30, 2020, there were no funds with deficit fund equity.

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 2020 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, 2020 were held in the City's name by the City's custodial bank; except \$59,458 of U.S. Treasuries, \$717,310 of Mutual Fund Bonds, and \$724,167 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, 2020 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	\$ 20,307,814

Concentration of Credit Risk

At June 30, 2020, 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:			
Neuberger Berman High Income Bond Fund	\$ 72,107	Upon demand	None
Pimco Fds Invt Grade Corp	124,015	Upon demand	None
Vanguard Total Market Index Fund	346,193	Upon demand	None
Western Asset Core Plus	174,995	Upon demand	None
Local Government Investment Pool	20,307,814	Upon demand	None

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 20,307,814	\$ 20,307,814

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, 2020:

Investment	6/30/2020	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	\$717,310	\$ 717,310	\$ -	\$ -
Common Stocks	724,167	724,167	-	-
U.S. Treasuries	59,458	59,458	-	-

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	\$ 182,834	\$ -
Communications sales and use tax	44,173	-
State sales tax	-	67,161
Categorical aid-shared expenses	12,330	-
Other categorical aid	33,890	-
Non-categorical aid	-	82,033
Virginia public assistance funds	3,894	-
Children's services act	35,136	-
<u>Federal Government:</u>		
School grants	-	38,996
Totals	<u>\$ 312,257</u>	<u>\$ 188,190</u>

Note 6-Interfund Transfers and Balances:

Interfund transfers for the fiscal year ended June 30, 2020 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Primary Government:</u>		
General Fund	\$ 185,000	\$ 660,180
Capital Projects Fund	623,000	-
Cemetery Fund	22,500	-
Utility Fund	14,680	185,000
Total	<u>\$ 845,180</u>	<u>\$ 845,180</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, 2020

Note 6-Interfund Transfers and Balances: (Continued)

Interfund balances for the fiscal year ended June 30, 2020 consisted of the following:

Fund	Due From	Due To
Primary Government:		
General Fund	\$ 271,387	\$ -
Capital Projects Fund	-	271,387
Total	<u>\$ 271,387</u>	<u>\$ 271,387</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, 2020, the outstanding balance of the debt was \$918,078 and the long-term receivable balance was \$770,580.

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, 2020:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
General Obligation Bonds	\$ 23,687,652	\$ -	\$(1,259,706)	\$ 22,427,946
Less: Discount on Issuance	(27,311)	-	4,552	(22,759)
Plus: Premiums on Issuance	1,420,818	-	(80,226)	1,340,592
Direct Borrowings and Placements:				
General Obligation Bonds	1,020,287	-	(102,209)	918,078
Net OPEB Liabilities	409,517	126,869	(134,628)	401,758
Net Pension Liability	1,906,936	2,374,299	(1,700,090)	2,581,145
Compensated Absences	306,922	83,647	(78,114)	312,455
Total	<u>\$ 28,724,821</u>	<u>\$2,584,815</u>	<u>\$(3,350,421)</u>	<u>\$ 27,959,215</u>

CITY OF LEXINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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		General Obligation Bonds - Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2021	\$ 1,289,704	\$ 715,262	\$ 104,892	\$ 23,457
2022	1,324,704	683,596	107,572	20,777
2023	1,359,704	650,202	110,320	18,028
2024	1,394,704	611,076	113,097	15,251
2025	1,434,704	571,240	116,029	12,320
2026-2030	5,944,426	2,334,301	366,168	18,877
2031-2035	5,760,000	1,317,486	-	-
2036-2040	3,920,000	318,759	-	-
Totals	\$ 22,427,946	\$ 7,201,922	\$ 918,078	\$ 108,710

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	\$ 918,078	\$ 104,892
General Obligation Bond	0.00%	11/13/2009	2026	8,410,000	3,462,946	494,704
VPSA Bond	0.00%	7/8/2010	2027	1,525,000	630,000	90,000
General Obligation Bond (1)	2.01-4.83%	6/5/2013	2035	9,545,000	8,195,000	365,000
VPSA Bond	2.675-5.05%	5/15/2014	2040	11,615,000	10,140,000	340,000
Subtotal General Obligation Bonds					\$ 22,427,946	\$ 1,289,704
Plus: Premium on Issuance					\$ 1,340,592	\$ 80,226
Less: Discount on Issuance					(22,759)	(4,552)
Total General Obligation Bonds					\$ 24,663,857	\$ 1,470,270
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 312,455	\$ 78,114
Net OPEB Liabilities	n/a	n/a	n/a	n/a	401,758	-
Net Pension Liability	n/a	n/a	n/a	n/a	2,581,145	-
Total Other Obligations					\$ 3,295,358	\$ 78,114
Total Long-term Obligations					\$ 27,959,215	\$ 1,548,384

(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 \$56,989,120 at June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 8-Long-Term Obligations: (Continued)

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, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Direct Borrowings and Placements:				
General Obligation Bonds	\$ 4,690,000	\$ -	\$ (150,000)	\$ 4,540,000
Plus: Premium on Issuance	593,990	-	(64,175)	529,815
Net Pension Liability	165,227	227,298	(155,873)	236,652
Net OPEB Liability	28,003	9,452	(9,582)	27,873
 Total	 <u>\$ 5,477,220</u>	 <u>\$ 236,750</u>	 <u>\$ (379,630)</u>	 <u>\$ 5,334,340</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
2021	\$ 160,000	\$ 211,125
2022	165,000	203,046
2023	175,000	194,333
2024	185,000	185,109
2025	195,000	175,371
2026-2030	1,130,000	713,753
2031-2035	1,460,000	392,120
2036-2037	1,070,000	76,927
 Totals	 <u>\$ 4,540,000</u>	 <u>\$ 2,151,784</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

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	\$ 1,975,000	\$ 75,000
General Obligation Bond	4.125%-5.125%	11/14/2018	2039	2,645,000	2,565,000	85,000
					<u>\$ 4,540,000</u>	<u>\$ 160,000</u>
Plus: Premium on Issuance					<u>\$ 529,815</u>	<u>\$ 61,859</u>
Total General Obligation Bonds					<u>\$ 5,069,815</u>	<u>\$ 221,859</u>
Other Obligations:						
Net Pension Liability	n/a	n/a	n/a	n/a	\$ 236,652	\$ -
Net OPEB Liability	n/a	n/a	n/a	n/a	27,873	-
Total Other Obligations					<u>\$ 264,525</u>	<u>\$ -</u>
Total Long-term Obligations					<u><u>\$ 5,334,340</u></u>	<u><u>\$ 221,859</u></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, 2020

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, 2020.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Lease	\$ 70,228	\$ -	\$ (13,018)	\$ 57,210
Compensated Absences	80,722	31,041	(22,353)	89,410
Net Pension Liability	4,188,000	1,742,202	(1,076,585)	4,853,617
Net OPEB Liabilities	895,343	182,705	(176,906)	901,142
Total	\$ 5,234,293	\$ 1,955,948	\$ (1,288,862)	\$ 5,901,379

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	\$ 57,210	\$ 13,513
Compensated Absences	n/a	n/a	n/a	n/a	89,410	22,353
Net Pension Liability	n/a	n/a	n/a	n/a	4,853,617	-
Net OPEB Liabilities	n/a	n/a	n/a	n/a	901,142	-
Total Long-term Obligations					\$ 5,901,379	\$ 35,866

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, 2020

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	(34,626)
Net	<u>\$ 63,140</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2021	\$ 15,687
2022	15,687
2023	15,687
2024	15,686
Subtotal	<u>\$ 62,747</u>
Less, amounts representing interest	<u>\$ (5,537)</u>
Present Value of Lease Agreements	<u>\$ 57,210</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 hired 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 hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 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 hired 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, 2020 was 10.73% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$412,191 and \$409,125 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

At June 30, 2020, the City reported a liability of \$2,817,797 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 and June 30, 2018 were used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2019 and 2018, the City's proportion was 80.7397% and 79.8557%, 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, 2018, 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, 2019.

Inflation	2.5%
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 market 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, 2018 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, 2018, 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, 2019.

Inflation	2.5%
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 market 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, 2018 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>Target 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%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. 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%. 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.

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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, 2019, 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, 2019, 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, 2019 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	\$ 5,534,501	\$ 2,817,797	\$ 639,638

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, 2020, the City recognized pension expense of \$259,544. 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, 2020, 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	\$ 37,696	\$ 306,524
Change in assumptions	414,377	21,596
Net difference between projected and actual earnings on pension plan investments	-	158,189
Changes in proportion and differences between employer contributions and proportionate share of contributions	103,235	147,640
Employer contributions subsequent to the measurement date	412,191	-
Total	<u>\$ 967,499</u>	<u>\$ 633,949</u>

\$412,191 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, 2021. 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>	
2021	\$ (130,870)
2022	3,180
2023	35,374
2024	13,675

Note 11-Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	11
Inactive members:	
Vested inactive members	1
Non-vested inactive members	0
Inactive members active elsewhere in VRS	2
Total inactive members	<u>3</u>
Active members	<u>0</u>
Total covered employees	<u><u>14</u></u>

Contributions

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2020 was 0.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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, 2020 and June 30, 2019, 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, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

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, 2018	\$ 311,972	\$ 503,527	\$ (191,555)
Changes for the year:			
Interest	\$ 20,664	\$ -	\$ 20,664
Changes in assumptions	6,071	-	6,071
Differences between expected and actual experience	11,962	-	11,962
Net investment income	-	32,154	(32,154)
Benefit payments, including refunds of employee contributions	(33,557)	(33,557)	-
Administrative expenses	-	(345)	345
Other changes	-	(20)	20
Net changes	\$ 5,140	\$ (1,768)	\$ 6,908
Balances at June 30, 2019	\$ 317,112	\$ 501,759	\$ (184,647)

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>(5.75%)</u>	<u>Current Discount</u> <u>(6.75%)</u>	<u>1% Increase</u> <u>(7.75%)</u>
Component Unit School Board (Nonprofessional)			
Net Pension Liability (Asset)	\$ (157,196)	\$ (184,647)	\$ (206,989)

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

For the year ended June 30, 2020, the Component Unit School Board (nonprofessional) recognized pension expense of \$7,650. At June 30, 2020, 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	\$ -	\$ 4,209

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 (Nonprofessional)</u>
2021	\$ 345
2022	(4,857)
2023	(79)
2024	382

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, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$507,073 and \$472,576 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$4,853,617 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.03688% as compared to 0.03561% at June 30, 2018.

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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, 2020, the school division recognized pension expense of \$547,479. 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, 2020, 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	\$ -	\$ 310,798
Change in assumptions	480,622	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	222,101	17,438
Net difference between projected and actual earnings on pension plan investments	-	106,574
Employer contributions subsequent to the measurement date	<u>507,503</u>	<u>-</u>
Total	<u>\$ 1,210,226</u>	<u>\$ 434,810</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)

\$507,503 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, 2021. 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>
2021	\$ 45,598
2022	(38,838)
2023	93,283
2024	115,929
2025	51,941

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.5%
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 market 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, 2018 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, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	49,683,336
Plan Fiduciary Net Position		36,522,769
Employers' Net Pension Liability (Asset)	\$	<u>13,160,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		
		73.51%

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	<u>\$ 7,306,803</u>	<u>\$ 4,853,617</u>	<u>\$ 2,825,287</u>

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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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	\$ 967,499	\$ 633,949	\$ 2,817,797	\$ 259,544	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	-	4,209	(184,647)	7,650
School Board Professional	-	-	-	-	1,210,226	434,810	4,853,617	547,479
Totals	\$ 967,499	\$ 633,949	\$ 2,817,797	\$ 259,544	\$ 1,210,226	\$ 439,019	\$ 4,668,970	\$ 555,129

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

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 \$1,038,906.

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 \$34,600.

Deferred/Unavailable Revenue - Primary Government:

	Government-wide	
	Statements	
	<u>Governmental Activities</u>	<u>Balance Sheet</u>
		<u>Governmental Funds</u>
Unavailable long-term receivable	\$ -	\$ 770,580
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	-	338,386
Tax assessments due after June 30	420,149	420,149
Prepaid property taxes due after June 30 but paid in advance by taxpayers	91,849	91,849
Total	\$ 511,998	\$ 1,620,964

CITY OF LEXINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 13-Capital Assets:

Capital asset activity for the year ended June 30, 2020 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	229,974	721,111	(663,839)	287,246
Total capital assets not being depreciated	<u>\$ 2,937,134</u>	<u>\$ 721,111</u>	<u>\$ (663,839)</u>	<u>\$ 2,994,406</u>
Capital assets, being depreciated:				
Buildings	\$ 33,536,918	\$ 24,500	\$ -	\$ 33,561,418
Improvements other than buildings	1,825,768	-	-	1,825,768
Infrastructure	7,197,536	780,156	-	7,977,692
Machinery and equipment	7,854,577	358,009	(156,424)	8,056,162
Total capital assets being depreciated	<u>\$ 50,414,799</u>	<u>\$ 1,162,665</u>	<u>\$ (156,424)</u>	<u>\$ 51,421,040</u>
Accumulated depreciation:				
Buildings	\$ (6,182,150)	\$ (756,162)	\$ -	\$ (6,938,312)
Improvements other than buildings	(1,058,645)	(90,373)	-	(1,149,018)
Infrastructure	(3,213,642)	(203,625)	-	(3,417,267)
Machinery and equipment	(4,856,981)	(558,334)	156,424	(5,258,891)
Total accumulated depreciation	<u>\$ (15,311,418)</u>	<u>\$ (1,608,494)</u>	<u>\$ 156,424</u>	<u>\$ (16,763,488)</u>
Total capital assets being depreciated, net	<u>\$ 35,103,381</u>	<u>\$ (445,829)</u>	<u>\$ -</u>	<u>\$ 34,657,552</u>
Governmental activities capital assets, net	<u>\$ 38,040,515</u>	<u>\$ 275,282</u>	<u>\$ (663,839)</u>	<u>\$ 37,651,958</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

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	\$ 2,727,204	\$ 891,849	\$ (3,335,749)	\$ 283,304
Capital assets, being depreciated:				
Buildings	\$ 113,405	\$ -	\$ -	\$ 113,405
Improvements other than buildings	77,717	-	-	77,717
Infrastructure	7,406,427	3,334,967	-	10,741,394
Machinery and equipment	1,243,664	8,352	(2,245)	1,249,771
Total capital assets being depreciated	<u>\$ 8,841,213</u>	<u>\$3,343,319</u>	<u>\$ (2,245)</u>	<u>\$ 12,182,287</u>
Accumulated depreciation:				
Buildings	\$ (113,405)	\$ -	\$ -	\$ (113,405)
Improvements other than buildings	(55,189)	(1,028)	-	(56,217)
Infrastructure	(2,093,510)	(233,514)	-	(2,327,024)
Machinery and equipment	(660,502)	(103,878)	2,245	(762,135)
Total accumulated depreciation	<u>\$(2,922,606)</u>	<u>\$ (338,420)</u>	<u>\$ 2,245</u>	<u>\$ (3,258,781)</u>
Total capital assets being depreciated, net	<u>\$ 5,918,607</u>	<u>\$3,004,899</u>	<u>\$ -</u>	<u>\$ 8,923,506</u>
Business-type activities capital assets, net	<u><u>\$ 8,645,811</u></u>	<u><u>\$3,896,748</u></u>	<u><u>\$ (3,335,749)</u></u>	<u><u>\$ 9,206,810</u></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	\$ 16,019
Public safety	392,971
Public works	587,561
Education	510,073
Parks, recreation, and culture	100,168
Community development	<u>1,702</u>
Total depreciation expense-governmental activities	<u><u>\$ 1,608,494</u></u>
Business-type activities:	
Water and Sewer Fund	<u><u>\$ 338,420</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

Note 13-Capital Assets: (Continued)

Discretely Presented Component Unit - School Board:

Capital asset activity for the School Board for the year ended June 30, 2020 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	348,562	-	(4,966)	343,596
Total capital assets being depreciated	<u>\$ 1,751,062</u>	<u>\$ -</u>	<u>\$ (4,966)</u>	<u>\$ 1,746,096</u>
Accumulated depreciation:				
Buildings	\$ (1,049,336)	\$ (44,346)	\$ -	\$(1,093,682)
Improvements other than buildings	(24,042)	(13,113)	-	(37,155)
Machinery and equipment	(126,771)	(18,526)	4,966	(140,331)
Total accumulated depreciation	<u>\$ (1,200,149)</u>	<u>\$ (75,985)</u>	<u>\$ 4,966</u>	<u>\$(1,271,168)</u>
Total capital assets being depreciated, net	<u>\$ 550,913</u>	<u>\$ (75,985)</u>	<u>\$ -</u>	<u>\$ 474,928</u>
School board capital assets, net	<u>\$ 910,407</u>	<u>\$ (75,985)</u>	<u>\$ -</u>	<u>\$ 834,422</u>

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

Education	<u>\$ 75,985</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

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 total \$3,553,094 as of June 30, 2020 and is scheduled to be completely retired by June of 2031. The City paid \$161,504 to the MSA in FY 20 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
S. Roman, 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 2020, the City paid the MSA \$2,775,214 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 2020 was \$56.50/ton and \$54.50/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 \$1,570,311 for high school student tuition in 2020.

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 2020, the City received \$1,930,638 from the County representing the revenue sharing payment under this agreement.

Note 19-Litigation:

At June 30, 2020 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

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	101	52
Total retirees with coverage	3	3
Total	<u>104</u>	<u>55</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 2020, the City and School Board contributed \$26,731, and \$46,485, respectively, in total for current premiums and prefunding amounts. Plan members receiving benefits contributed \$38,988 and \$16,986 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, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	39.0%
Internation Equity	19.0%
Fixed Income	24.0%
Diversified Hedge Funds	9.0%
Real Estate	9.0%
	<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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.67%. 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, 2020, the City and School Board reported liabilities of \$97,753 and \$169,992, respectively, for their proportionate share of the Net OPEB Liability. The Net OPEB Liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 1, 2019 and rolled forward to that date. At June 30, 2020 and June 30, 2019, the City and School Board’s proportion was 36.51% and 63.49%, respectively.

For the year ended June 30, 2020, the City and School Board recognized OPEB expense of \$17,827 and \$26,487, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020

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, 2020, 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	\$ 21,386	\$ 3,043	\$ 37,191	\$ 5,291
Change in assumptions	2,138	7,349	3,717	12,779
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,922	-	-	8,922
Net difference between projected and actual earnings on pension plan investments	1,959	-	3,411	-
Total	\$ <u>34,405</u>	\$ <u>10,392</u>	\$ <u>44,319</u>	\$ <u>26,992</u>

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%

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

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
2021	\$ 4,940	\$ 4,076
2022	4,939	4,077
2023	5,365	4,820
2024	5,195	4,530
2025	4,622	3,518
Therafter	(1,048)	(3,694)

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

Actuarial Assumptions

The total OPEB liability was determined based on June 1, 2019 valuation data rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary Increases	2.50%
Investment rate of return	5.50%
Healthcare cost trend rates	3.80% for 2020, increasing to 6.00% in 2030, and decreasing incrementally to 4.00% in 2090 and thereafter

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2020 valuation were based on June 1, 2019 valuation data. The methods, assumptions, and participant data used can be found in the June 1, 2019 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, 2020 (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 been decreased from 7.5% to 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	\$ 105,607	\$ 97,753	\$ 90,082
School Board’s proportionate share of the LPRMP Net OPEB Liability	\$ 183,649	\$ 169,992	\$156,651

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	\$ 85,501	\$ 97,753	\$111,517
School Board's proportionate share of the LPRMP Net OPEB Liability	\$ 148,686	\$ 169,992	\$193,926

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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 \$8,463 as of June 30, 2020.

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 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$20,797 and \$20,783 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to the GLI Plan from the School Board were \$16,844 and \$15,611 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the City and the Component Unit-School Board (professional) reported a liability of \$331,878 and \$253,853, respectively, for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the City's proportion was 0.02526% as compared to 0.02610% at June 30, 2018. At June 30, 2019, the Component-Unit School Board's (professional) proportion was 0.01560% as compared to 0.01513% at June 30, 2018.

For the year ended June 30, 2020, the City and Component Unit-School Board (professional) recognized GLI OPEB expense of \$1,224 and \$8,402, 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, 2020

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, 2020, 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	\$ 22,072	\$ 4,304	\$ 16,883	\$ 3,294
Net difference between projected and actual earnings on GLI OPEB plan investments	-	6,817	-	5,214
Change in assumptions	20,953	10,007	16,027	7,655
Changes in proportion	8,546	32,208	10,923	-
Employer contributions subsequent to the measurement date	20,797	-	16,844	-
Total	\$ 72,368	\$ 53,336	\$ 60,677	\$ 16,163

\$20,797 and \$16,844 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, 2021. 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)
2021	\$ (5,271)	\$ 3,433
2022	(5,271)	3,434
2023	(2,382)	5,642
2024	3,946	6,918
2025	5,875	6,399
Thereafter	1,338	1,844

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, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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 market 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, 2018 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, 2018 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)

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, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net OPEB Liability (Asset)	\$	1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		
		52.00%

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)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. 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%. 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.

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, 2019, 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, 2019 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	\$ 435,996	\$ 331,878	\$ 247,441
Component Unit-School Board (Professional)	\$ 333,493	\$ 253,853	\$ 189,268

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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 with at least 15 years of service credit, 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, 2020 was 1.20% 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, 2017. 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 \$38,840 and \$36,695 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the school division reported a liability of \$477,297 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, 2019 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, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC was 0.03646% as compared to 0.03541% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC OPEB expense of \$42,497. 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, 2020, 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	\$ -	\$ 2,703
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	30	-
Change in assumptions	11,109	3,317
Change in proportion	18,300	-
Employer contributions subsequent to the measurement date	<u>38,840</u>	<u>-</u>
Total	<u>\$ 68,279</u>	<u>\$ 6,020</u>

\$38,840 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, 2021. 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

2021	\$	3,667
2022		3,667
2023		3,876
2024		3,806
2025		3,481
Thereafter		4,922

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, 2018, 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, 2019.

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 market 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, 2018 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, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
	<u> </u>
Total Teacher Employee HIC OPEB Liability	\$ 1,438,114
Plan Fiduciary Net Position	129,016
Teacher Employee Net HIC OPEB Liability (Asset)	<u>\$ 1,309,098</u>
 Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	 8.97%

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investmnet Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. 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%. 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.

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, 2019, 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, 2019 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	\$ 534,176	\$ 477,297	\$ 428,978

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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020

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 VML. VML 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 VML. This is built into the LODA coverage cost presented in the annual renewals. The City’s LODA premium for the year ended June 30, 2020 was \$32,713.

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 Program:								
City	\$ 72,368	\$ 53,336	\$ 331,878	\$ 1,224	\$ -	\$ -	\$ -	\$ -
School Board Professional	-	-	-	-	60,677	16,163	253,853	8,402
Teacher Health Insurance Credit Program	-	-	-	-	68,279	6,020	477,297	42,497
City Stand-Alone Plan	34,405	10,392	97,753	17,827	-	-	-	-
School Stand-Alone Plan	-	-	-	-	44,319	26,992	169,992	26,487
Totals	\$ 106,773	\$ 63,728	\$ 429,631	\$ 19,051	\$ 173,275	\$ 49,175	\$ 901,142	\$ 77,386

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Note 25-Fund Balance Classifications:

Fund balance classifications for the primary government are as follows:

	General Fund	Capital Projects Fund	Permanent Fund
Nonspendable:			
Prepays	\$ 1,177	\$ -	\$ -
Corpus	-	-	180,562
Total Nonspendable	<u>\$ 1,177</u>	<u>\$ -</u>	<u>\$ 180,562</u>
Restricted:			
Perpetual cemetery care	\$ -	\$ -	\$ 1,789,434
Committed:			
Fire	\$ 126,348	\$ -	\$ -
Equipment replacement	1,728,170	-	-
Capital projects	-	3,217,135	-
Total Committed	<u>\$ 1,854,518</u>	<u>\$ 3,217,135</u>	<u>\$ -</u>
Assigned:			
Carryovers	\$ 401,002	\$ -	\$ -
Unassigned	<u>\$ 10,282,084</u>	<u>\$ -</u>	<u>\$ -</u>
Total Fund Balance	<u><u>\$ 12,538,781</u></u>	<u><u>\$ 3,217,135</u></u>	<u><u>\$ 1,969,996</u></u>

Fund balance classifications for the component units are as follows:

	School Board	Industrial Development Authority
Committed:		
Special revenue funds	\$ 1,404,895	\$ 170,805
Total Fund Balance	<u><u>\$ 1,404,895</u></u>	<u><u>\$ 170,805</u></u>

Note 26-Subsequent Events:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. City of Lexington, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. City of Lexington, Virginia, received the second round of CRF funds in the amount of \$649,635 on August 5, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

Note 27-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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.

Note 27-Upcoming Pronouncements: (Continued)

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. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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.

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.

Note 27-Upcoming Pronouncements: (Continued)

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.

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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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 7,219,000	\$ 7,219,000	\$ 7,304,081	\$ 85,081
Other local taxes	4,313,550	4,313,550	4,269,121	(44,429)
Permits, privilege fees, and regulatory licenses	64,700	64,700	68,515	3,815
Fines and forfeitures	52,000	52,000	53,101	1,101
Revenue from the use of money and property	420,465	420,465	371,058	(49,407)
Charges for services	708,820	710,414	710,648	234
Miscellaneous	2,607,444	2,607,444	2,655,939	48,495
Recovered costs	775,638	798,540	647,111	(151,429)
Intergovernmental:				
Commonwealth	3,064,517	3,088,517	2,190,464	(898,053)
Federal	18,500	124,676	465,239	340,563
Total revenues	\$ 19,244,634	\$ 19,399,306	\$ 18,735,277	\$ (664,029)
EXPENDITURES				
Current:				
General government administration	\$ 1,452,339	\$ 1,464,892	\$ 1,415,727	\$ 49,165
Judicial administration	359,346	359,346	351,291	8,055
Public safety	4,316,435	4,470,805	4,312,498	158,307
Public works	3,743,612	4,135,096	2,946,776	1,188,320
Health and welfare	1,048,658	1,063,658	860,866	202,792
Education	3,084,562	3,084,562	3,084,562	-
Parks, recreation, and cultural	532,766	532,766	538,818	(6,052)
Community development	794,719	894,311	819,468	74,843
Nondepartmental	7,120	7,120	4,887	2,233
Debt service:				
Principal retirement	1,390,569	1,390,569	1,361,915	28,654
Interest and other fiscal charges	782,990	782,990	821,050	(38,060)
Total expenditures	\$ 17,513,116	\$ 18,186,115	\$ 16,517,858	\$ 1,668,257
Excess (deficiency) of revenues over (under) expenditures	\$ 1,731,518	\$ 1,213,191	\$ 2,217,419	\$ 1,004,228
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 185,000	\$ 185,000	\$ 185,000	\$ -
Transfers out	(1,441,110)	(1,451,294)	(660,180)	791,114
Total other financing sources (uses)	\$ (1,256,110)	\$ (1,266,294)	\$ (475,180)	\$ 791,114
Net change in fund balances	\$ 475,408	\$ (53,103)	\$ 1,742,239	\$ 1,795,342
Fund balances - beginning	(475,408)	53,103	10,796,542	10,743,439
Fund balances - ending	\$ -	\$ -	\$ 12,538,781	\$ 12,538,781

**REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2020**

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, 2019

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					
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)					
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, 2019

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

(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, 2011 through June 30, 2020

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					
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 (nonprofessional) (a)					
2011	\$ -	\$ -	-	\$ 72,812	0.00%
Component Unit School Board (professional)					
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%
2011	89,914	89,914	-	2,287,888	3.93%

(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.

Current year contributions are from City records and prior year contributions are from the VRS actuarial valuation performed each year.

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
Pension Plans
For the Year Ended June 30, 2020

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, 2018, 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, 2020

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 22,117	\$ 20,748	\$ 20,780	\$ 20,000
Interest	25,975	22,109	24,170	26,000
Differences between expected and actual experience	(9,723)	82,009	-	-
Changes in assumptions	(23,483)	8,197	-	-
Benefit payments	(73,216)	(57,561)	(80,717)	(70,000)
Net change in total OPEB liability	\$ (58,330)	\$ 75,502	\$ (35,767)	\$ (24,000)
Total OPEB liability - beginning	513,735	438,233	474,000	498,000
Total OPEB liability - ending (a)	\$ 455,405	\$ 513,735	\$ 438,233	\$ 474,000
Plan fiduciary net position				
Contributions - employer	\$ 73,216	\$ 57,561	\$ 80,717	\$ 70,000
Net investment income	4,877	7,355	14,691	17,576
Benefit payments	(73,216)	(57,561)	(80,717)	(70,000)
Net change in plan fiduciary net position	\$ 4,877	\$ 7,355	\$ 14,691	\$ 17,576
Plan fiduciary net position - beginning	182,783	175,428	160,737	143,161
Plan fiduciary net position - ending (b)	\$ 187,660	\$ 182,783	\$ 175,428	\$ 160,737
City's net OPEB liability - ending (a) - (b)	\$ 267,745	\$ 330,952	\$ 262,805	\$ 313,263
Plan fiduciary net position as a percentage of the total OPEB liability	41.21%	35.58%	40.03%	33.91%
Covered payroll	\$ 8,350,563	\$ 7,997,624	\$ 7,781,386	\$ 7,394,172
City's net OPEB liability as a percentage of covered payroll	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 two 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, 2020

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					
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					
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, 2020

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:					
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:					
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, 2019
Asset valuation method	Market Value of Assets
Inflation	2.30 percent
Healthcare cost trend rates	Based on Society of Actuaries Long Term Medical Trend Model, as updated September 2016. The pre-65 medical trend was increased to reflect the impact of the Cadillac Tax mandated by the Affordable Care Act. The rate in 2019 is 5.40%, increasing to 6.00% in 2030 and decreasing incrementally to 4.00% in 2090 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 RP-2000 Healthy Annuitant Mortality Table. In prior years, those assumptions were based on the 1994 Group Annuity Mortality Table.

City of Lexington, Virginia
 Schedule of Investment Returns
 Health Insurance - LPRMP
 For the Years Ended June 30, 2017 through June 30, 2020

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	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 three 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, 2019

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					
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)					
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, 2011 through June 30, 2020

<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					
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)					
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%
2011	6,406	6,406	-	2,287,888	0.28%

Schedule is intended to show information for 10 years. The Primary Government participates in the Group Life Insurance Program 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, 2020

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, 2018 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, 2019

Date	Employer's Proportion of the Net HIC OPEB Liability	Employer's Proportionate Share of the Net HIC OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
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, 2011 through June 30, 2020

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)
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%
2011	13,727	13,727	-	2,287,888	0.60%

CITY OF LEXINGTON, VIRGINIA
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2020

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, 2018 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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Commonwealth	\$ -	\$ -	\$ 78,602	\$ 78,602
EXPENDITURES				
Current:				
General government administration	\$ -	\$ 3,900	\$ 7,570	\$ (3,670)
Public works	858,138	3,466,202	699,742	2,766,460
Education	30,000	134,333	-	134,333
Parks, recreation, and cultural	135,000	239,842	135,583	104,259
Total expenditures	<u>\$ 1,023,138</u>	<u>\$ 3,844,277</u>	<u>\$ 842,895</u>	<u>\$ 3,001,382</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,023,138)</u>	<u>\$ (3,844,277)</u>	<u>\$ (764,293)</u>	<u>\$ 3,079,984</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,100,000	\$ 1,110,000	\$ 623,000	\$ (487,000)
Net change in fund balances	\$ 76,862	\$ (2,734,277)	\$ (141,293)	\$ 2,592,984
Fund balances - beginning	(76,862)	2,734,277	3,358,428	624,151
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,217,135</u>	<u>\$ 3,217,135</u>

City of Lexington, Virginia
Combining Statement of Fiduciary Net Position - Agency Funds
June 30, 2020

	Agency Funds			Total
	Central Dispatch	RARO	Regional Tourism	
ASSETS				
Cash and cash equivalents	\$ 342,774	\$ 29,802	\$ 490,790	\$ 863,366
Accounts receivable	699	7,346	-	8,045
Total assets	<u>\$ 343,473</u>	<u>\$ 37,148</u>	<u>\$ 490,790</u>	<u>\$ 871,411</u>
LIABILITIES				
Accrued liabilities	\$ 161,208	\$ 15,604	\$ 2,385	\$ 179,197
Amount held for others - Central Dispatch	182,265	-	-	182,265
Amount held for others - RARO	-	21,544	-	21,544
Amount held for others - Regional Tourism	-	-	488,405	488,405
Total liabilities	<u>\$ 343,473</u>	<u>\$ 37,148</u>	<u>\$ 490,790</u>	<u>\$ 871,411</u>

City of Lexington, Virginia
Agency Funds
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Combined Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 853,127	\$ 2,812,150	\$ 2,801,911	\$ 863,366
Accounts receivable	32,441	-	24,396	8,045
Total assets	<u>\$ 885,568</u>	<u>\$ 2,812,150</u>	<u>\$ 2,826,307</u>	<u>\$ 871,411</u>
LIABILITIES				
Accounts payable	\$ 297,740	\$ 2,862,565	\$ 2,981,108	\$ 179,197
Amount held for others - Central Dispatch	62,317	119,948	-	182,265
Amount held for others - RARO	61,952	-	40,408	21,544
Amount held for others - Regional Tourism	463,559	24,846	-	488,405
Total liabilities	<u>\$ 885,568</u>	<u>\$ 3,007,359</u>	<u>\$ 3,021,516</u>	<u>\$ 871,411</u>
Central Dispatch				
ASSETS				
Cash and cash equivalents	\$ 295,744	\$ 1,611,236	\$ 1,564,206	\$ 342,774
Accounts receivable	9,404	-	8,705	699
Total assets	<u>\$ 305,148</u>	<u>\$ 1,611,236</u>	<u>\$ 1,572,911</u>	<u>\$ 343,473</u>
LIABILITIES				
Accrued liabilities	\$ 242,831	\$ 1,643,791	\$ 1,725,414	\$ 161,208
Amount held for others - Central Dispatch	62,317	119,948	-	182,265
Total liabilities	<u>\$ 305,148</u>	<u>\$ 1,763,739</u>	<u>\$ 1,725,414</u>	<u>\$ 343,473</u>
RARO				
ASSETS				
Cash and cash equivalents	\$ 79,366	\$ 438,263	\$ 487,827	\$ 29,802
Accounts receivable	22,037	-	14,691	7,346
Total assets	<u>\$ 101,403</u>	<u>\$ 438,263</u>	<u>\$ 502,518</u>	<u>\$ 37,148</u>
LIABILITIES				
Accrued liabilities	\$ 39,451	\$ 479,584	\$ 503,431	\$ 15,604
Amount held for others - RARO	61,952	-	40,408	21,544
Total liabilities	<u>\$ 101,403</u>	<u>\$ 479,584</u>	<u>\$ 543,839</u>	<u>\$ 37,148</u>
Regional Tourism				
ASSETS				
Cash and cash equivalents	\$ 478,017	\$ 762,651	\$ 749,878	\$ 490,790
Accounts receivable	1,000	-	1,000	-
Total assets	<u>\$ 479,017</u>	<u>\$ 762,651</u>	<u>\$ 750,878</u>	<u>\$ 490,790</u>
LIABILITIES				
Accrued liabilities	\$ 15,458	\$ 739,190	\$ 752,263	\$ 2,385
Amount held for others - Regional Tourism	463,559	24,846	-	488,405
Total liabilities	<u>\$ 479,017</u>	<u>\$ 764,036</u>	<u>\$ 752,263</u>	<u>\$ 490,790</u>

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUNDS

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

City of Lexington, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2020

		School Operating Fund
ASSETS		
Cash and cash equivalents	\$	189,069
Investments		1,400,000
Due from other governmental units		188,190
Total assets	\$	1,777,259
LIABILITIES		
Accounts payable	\$	39,836
Payroll liabilities		55,366
Contracts payable		242,562
Unearned revenue		34,600
Total liabilities	\$	372,364
FUND BALANCES		
Committed	\$	1,404,895
Total fund balances	\$	1,404,895
Total liabilities and fund balances	\$	1,777,259

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

Total fund balances per above	\$	1,404,895
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	359,494
Buildings		177,682
Improvements other than buildings		93,981
Machinery and equipment		203,265
		834,422

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

Net pension asset		184,647
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$	1,210,226
OPEB related items		173,275
		1,383,501

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

Compensated absences	\$	(89,410)
Capital lease		(57,210)
Net pension liability		(4,853,617)
Net OPEB liabilities		(901,142)
		(5,901,379)

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

Pension related items	\$	(439,019)
OPEB related items		(49,175)
		(488,194)

Net position of governmental activities	\$	(2,582,108)
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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, 2020

	<u>School Operating Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 4,082
Charges for services	222,845
Miscellaneous	3,825
Recovered costs	14,102
Intergovernmental:	
Local government	3,084,562
Commonwealth	3,715,817
Federal	274,471
Total revenues	<u>\$ 7,319,704</u>
EXPENDITURES	
Current:	
Education	\$ 7,249,048
Debt service:	
Principal retirement	13,018
Interest and other fiscal charges	2,669
Total expenditures	<u>\$ 7,264,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 54,969</u>
Net change in fund balances	\$ 54,969
Fund balances - beginning	1,349,926
Fund balances - ending	<u>\$ 1,404,895</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	\$ 54,969
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	(75,985)
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	13,018
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	\$ (8,688)
Change in pension related items	(47,427)
Change in OPEB related items	25,314
Change in net position of governmental activities	<u>\$ (38,799)</u>

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, 2020

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 4,600	\$ 4,600	\$ 4,082	\$ (518)
Charges for services	207,000	207,000	222,845	15,845
Miscellaneous	500	500	3,825	3,325
Recovered costs	2,800	2,800	14,102	11,302
Intergovernmental:				
Local government	3,084,562	3,084,562	3,084,562	-
Commonwealth	3,751,067	3,751,067	3,715,817	(35,250)
Federal	301,346	301,346	274,471	(26,875)
Total revenues	<u>\$ 7,351,875</u>	<u>\$ 7,351,875</u>	<u>\$ 7,319,704</u>	<u>\$ (32,171)</u>
EXPENDITURES				
Current:				
Education	\$ 7,336,187	\$ 7,388,187	\$ 7,249,048	\$ 139,139
Debt service:				
Principal retirement	13,019	13,019	13,018	1
Interest and other fiscal charges	2,669	2,669	2,669	-
Total expenditures	<u>\$ 7,351,875</u>	<u>\$ 7,403,875</u>	<u>\$ 7,264,735</u>	<u>\$ 139,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (52,000)</u>	<u>\$ 54,969</u>	<u>\$ 106,969</u>
Net change in fund balances	\$ -	\$ (52,000)	\$ 54,969	\$ 106,969
Fund balances - beginning	-	52,000	1,349,926	1,297,926
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,404,895</u>	<u>\$ 1,404,895</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 develop trade by inducing enterprises to locate and remain in Virginia.

City of Lexington, Virginia
Balance Sheet
Discretely Presented Nonmajor Component Unit
June 30, 2020

	<u>Industrial Development Authority</u>
ASSETS	
Cash and cash equivalents	\$ 20,805
Investments	150,000
Total assets	<u>\$ 170,805</u>
FUND BALANCES	
Committed	<u>\$ 170,805</u>
Total fund balances	<u>\$ 170,805</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, 2020

	<u>Industrial Development Authority</u>
REVENUES	
Miscellaneous	\$ 5,000
Intergovernmental:	
Local government	200,625
Total revenues	<u>\$ 205,625</u>
EXPENDITURES	
Current:	
Parks, recreation, and cultural	\$ 200,625
Community development	21,853
Total expenditures	<u>\$ 222,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (16,853)</u>
Net change in fund balances	\$ (16,853)
Fund balances - beginning	187,658
Fund balances - ending	<u><u>\$ 170,805</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, 2020

	Industrial Development Authority			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 5,000	\$ 5,000
Intergovernmental:				
Local government	-	-	200,625	200,625
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,625</u>	<u>\$ 205,625</u>
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ -	\$ -	\$ 200,625	\$ (200,625)
Community development	-	-	21,853	(21,853)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,478</u>	<u>\$ (222,478)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,853)</u>	<u>\$ (16,853)</u>
Net change in fund balances	\$ -	\$ -	\$ (16,853)	\$ (16,853)
Fund balances - beginning	-	-	187,658	187,658
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 170,805</u></u>	<u><u>\$ 170,805</u></u>

Supporting Schedules

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 6,046,000	\$ 6,046,000	\$ 6,104,300	\$ 58,300
Real and personal public service corporation taxes	210,000	210,000	210,414	414
Personal property taxes	912,000	912,000	888,638	(23,362)
Penalties	30,000	30,000	50,975	20,975
Interest	21,000	21,000	49,754	28,754
Total general property taxes	<u>\$ 7,219,000</u>	<u>\$ 7,219,000</u>	<u>\$ 7,304,081</u>	<u>\$ 85,081</u>
Other local taxes:				
Local sales and use taxes	\$ 1,084,700	\$ 1,084,700	\$ 1,163,539	\$ 78,839
Consumers' utility taxes	310,000	310,000	304,773	(5,227)
Consumption taxes	23,000	23,000	24,895	1,895
Business license taxes	675,000	675,000	773,912	98,912
Bank stock taxes	140,000	140,000	126,245	(13,755)
Taxes on recordation and wills	55,850	55,850	78,221	22,371
Hotel and motel room taxes	535,000	535,000	427,321	(107,679)
Restaurant food taxes	1,490,000	1,490,000	1,370,215	(119,785)
Total other local taxes	<u>\$ 4,313,550</u>	<u>\$ 4,313,550</u>	<u>\$ 4,269,121</u>	<u>\$ (44,429)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,300	\$ 6,300	\$ 5,373	\$ (927)
Building permits	50,000	50,000	52,139	2,139
Excavation permits	2,400	2,400	1,728	(672)
Permits and other licenses	6,000	6,000	9,275	3,275
Total permits, privilege fees, and regulatory licenses	<u>\$ 64,700</u>	<u>\$ 64,700</u>	<u>\$ 68,515</u>	<u>\$ 3,815</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 33,000	\$ 33,000	\$ 21,411	\$ (11,589)
Parking fines	10,000	10,000	25,710	15,710
Courthouse fees	9,000	9,000	5,817	(3,183)
Asset Forfeiture	-	-	163	163
Total fines and forfeitures	<u>\$ 52,000</u>	<u>\$ 52,000</u>	<u>\$ 53,101</u>	<u>\$ 1,101</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 374,715	\$ 374,715	\$ 332,308	\$ (42,407)
Revenue from use of property	45,750	45,750	38,750	(7,000)
Total revenue from use of money and property	<u>\$ 420,465</u>	<u>\$ 420,465</u>	<u>\$ 371,058</u>	<u>\$ (49,407)</u>
Charges for services:				
Charges for finance	\$ 75,000	\$ 75,000	\$ 76,300	\$ 1,300
Charges for public safety	10,320	11,914	15,145	3,231
Charges for youth services	13,000	13,000	2,142	(10,858)
Charges for public works	7,000	7,000	7,354	354
Charges for grave openings	45,000	45,000	39,899	(5,101)
Charges for rescue services	343,000	343,000	311,645	(31,355)
Charges for burial spaces	25,000	25,000	45,000	20,000

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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 recreation	\$ -	\$ -	\$ 23,004	\$ 23,004
Charges for sanitation and waste removal	152,500	152,500	164,111	11,611
Charges for landfill fees	14,500	14,500	8,709	(5,791)
Charges for community activity support	10,500	10,500	6,800	(3,700)
Charges for farmer's market	13,000	13,000	10,314	(2,686)
Charges for other services	-	-	225	225
Total charges for services	<u>\$ 708,820</u>	<u>\$ 710,414</u>	<u>\$ 710,648</u>	<u>\$ 234</u>
Miscellaneous:				
Miscellaneous	\$ 679,444	\$ 679,444	\$ 725,301	\$ 45,857
County revenue sharing	1,928,000	1,928,000	1,930,638	2,638
Total miscellaneous	<u>\$ 2,607,444</u>	<u>\$ 2,607,444</u>	<u>\$ 2,655,939</u>	<u>\$ 48,495</u>
Recovered costs:				
Joint services fire and rescue	\$ 654,500	\$ 654,500	\$ 505,165	\$ (149,335)
Joint services jail	109,838	109,838	109,904	66
Parking Garage	1,300	1,300	1,965	665
Insurance	10,000	32,902	26,823	(6,079)
Other recovered costs	-	-	3,254	3,254
Total recovered costs	<u>\$ 775,638</u>	<u>\$ 798,540</u>	<u>\$ 647,111</u>	<u>\$ (151,429)</u>
Total revenue from local sources	<u>\$ 16,161,617</u>	<u>\$ 16,186,113</u>	<u>\$ 16,079,574</u>	<u>\$ (106,539)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 100	\$ 100	\$ 208	\$ 108
Mobile home titling tax	75	75	-	(75)
Motor vehicle rental tax	5,000	5,000	2,499	(2,501)
State recordation tax	13,500	13,500	12,956	(544)
Communications tax	265,000	265,000	265,326	326
Personal property tax relief funds	581,419	581,419	581,419	-
Other noncategorical aid	500	500	341	(159)
Total noncategorical aid	<u>\$ 865,594</u>	<u>\$ 865,594</u>	<u>\$ 862,749</u>	<u>\$ (2,845)</u>
Categorical aid:				
Shared expenses:				
Law enforcement	\$ 204,750	\$ 204,750	\$ 212,728	\$ 7,978
Commissioner of revenue	79,170	79,170	79,148	(22)
Treasurer	62,580	62,580	62,566	(14)
Registrar/electoral board	36,042	36,042	43,906	7,864
Total shared expenses	<u>\$ 382,542</u>	<u>\$ 382,542</u>	<u>\$ 398,348</u>	<u>\$ 15,806</u>

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 800,000	\$ 800,000	\$ 508,908	\$ (291,092)
Welfare payments	44,246	44,246	28,450	(15,796)
Comprehensive services	420,754	420,754	270,540	(150,214)
VJCCCA grant	72,050	72,050	72,054	4
Fire program grant	25,000	25,000	4,545	(20,455)
Four for life	4,000	4,000	-	(4,000)
Forfeited asset sharing	-	-	1,596	1,596
Arts grant	4,500	4,500	4,500	-
Other categorical aid	445,831	469,831	38,774	(431,057)
Total other categorical aid	<u>\$ 1,816,381</u>	<u>\$ 1,840,381</u>	<u>\$ 929,367</u>	<u>\$ (911,014)</u>
Total categorical aid	<u>\$ 2,198,923</u>	<u>\$ 2,222,923</u>	<u>\$ 1,327,715</u>	<u>\$ (895,208)</u>
Total revenue from the Commonwealth	<u>\$ 3,064,517</u>	<u>\$ 3,088,517</u>	<u>\$ 2,190,464</u>	<u>\$ (898,053)</u>
Revenue from the federal government:				
Categorical aid:				
Federal Public Assistance	\$ -	\$ -	\$ 5,466	\$ 5,466
Department of justice grants	3,500	3,500	1,577	(1,923)
Criminal justice services grant	-	17,715	13,302	(4,413)
FEMA grant	-	88,461	73,496	(14,965)
Emergency management grant	7,500	7,500	25,500	18,000
DMV grant	7,500	7,500	10,655	3,155
CARES act	-	-	295,478	295,478
Other federal categorical	-	-	39,765	39,765
Total categorical aid	<u>\$ 18,500</u>	<u>\$ 124,676</u>	<u>\$ 465,239</u>	<u>\$ 340,563</u>
Total revenue from the federal government	<u>\$ 18,500</u>	<u>\$ 124,676</u>	<u>\$ 465,239</u>	<u>\$ 340,563</u>
Total General Fund	<u>\$ 19,244,634</u>	<u>\$ 19,399,306</u>	<u>\$ 18,735,277</u>	<u>\$ (664,029)</u>
Capital Projects Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Stormwater local assistance grant	\$ -	\$ -	\$ 78,602	\$ 78,602
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,602</u>	<u>\$ 78,602</u>
Permanent Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 58,107	\$ 58,107
Total Primary Government	<u>\$ 19,244,634</u>	<u>\$ 19,399,306</u>	<u>\$ 18,871,986</u>	<u>\$ (527,320)</u>

City of Lexington, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 300	\$ 300	\$ 1,682	\$ 1,382
Revenue from the use of property	4,300	4,300	2,400	(1,900)
Total revenue from use of money and property	<u>\$ 4,600</u>	<u>\$ 4,600</u>	<u>\$ 4,082</u>	<u>\$ (518)</u>
Charges for services:				
Cafeteria sales	\$ 52,000	\$ 52,000	\$ 55,189	\$ 3,189
Tuition and payments from other divisions	155,000	155,000	167,656	12,656
Total charges for services	<u>\$ 207,000</u>	<u>\$ 207,000</u>	<u>\$ 222,845</u>	<u>\$ 15,845</u>
Miscellaneous:				
Other miscellaneous	\$ 500	\$ 500	\$ 3,825	\$ 3,325
Recovered costs:				
Other recovered costs	\$ 2,800	\$ 2,800	\$ 14,102	\$ 11,302
Total revenue from local sources	<u>\$ 214,900</u>	<u>\$ 214,900</u>	<u>\$ 244,854</u>	<u>\$ 29,954</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Lexington, Virginia	\$ 3,084,562	\$ 3,084,562	\$ 3,084,562	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 661,790	\$ 661,790	\$ 658,235	\$ (3,555)
Basic school aid	1,852,960	1,852,960	1,864,364	11,404
Gifted and talented	18,463	18,463	18,618	155
Remedial education	38,080	38,080	38,400	320
Special education	282,196	282,196	261,433	(20,763)
Textbook payment	38,730	38,730	39,056	326
Vocational standards of quality payments	45,388	45,388	45,770	382
Social security fringe benefits	118,087	118,087	119,080	993
Retirement fringe benefits	260,407	260,407	262,596	2,189
Group life insurance instructional	8,078	8,078	8,146	68
State lottery payments	145,650	145,650	141,969	(3,681)
Early reading intervention	7,792	7,792	3,896	(3,896)
Homebound education	424	424	122	(302)
Salary supplement	114,887	114,887	118,375	3,488
At risk payments	25,516	25,516	25,677	161
Mentor teacher program	413	413	211	(202)
National Board Certified	5,000	5,000	5,000	-
Technology	102,000	102,000	82,034	(19,966)
School food	2,077	2,077	1,720	(357)
English as a second language	14,115	14,115	12,155	(1,960)
Other state funds	9,014	9,014	8,960	(54)
Total categorical aid	<u>\$ 3,751,067</u>	<u>\$ 3,751,067</u>	<u>\$ 3,715,817</u>	<u>\$ (35,250)</u>
Total revenue from the Commonwealth	<u>\$ 3,751,067</u>	<u>\$ 3,751,067</u>	<u>\$ 3,715,817</u>	<u>\$ (35,250)</u>

City of Lexington, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

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	\$ 60,534	\$ 60,534	\$ 62,117	\$ 1,583
Title VI-B - Special education	152,200	152,200	131,496	(20,704)
National School lunch program	62,000	62,000	60,470	(1,530)
Title IV, part A	10,000	10,000	9,775	(225)
Title II, part D	13,612	13,612	10,613	(2,999)
Title III	3,000	3,000	-	(3,000)
Total categorical aid	<u>\$ 301,346</u>	<u>\$ 301,346</u>	<u>\$ 274,471</u>	<u>\$ (26,875)</u>
Total revenue from the federal government	<u>\$ 301,346</u>	<u>\$ 301,346</u>	<u>\$ 274,471</u>	<u>\$ (26,875)</u>
Total School Operating Fund	<u><u>\$ 7,351,875</u></u>	<u><u>\$ 7,351,875</u></u>	<u><u>\$ 7,319,704</u></u>	<u><u>\$ (32,171)</u></u>
Industrial Development Authority:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 5,000	\$ 5,000
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Lexington, Virginia	\$ -	\$ -	\$ 200,625	\$ 200,625
Total Industrial Development Authority	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 205,625</u></u>	<u><u>\$ 205,625</u></u>

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 72,400	\$ 72,400	\$ 76,272	\$ (3,872)
General and financial administration:				
City manager	\$ 276,935	\$ 234,940	\$ 201,312	\$ 33,628
Director of finance	242,480	291,015	277,501	13,514
City attorney	106,150	106,150	108,670	(2,520)
Commissioner of revenue	247,080	247,080	240,091	6,989
Assessment board	3,000	3,000	1	2,999
Treasurer	132,765	132,765	135,494	(2,729)
Human Resources	99,111	99,111	90,157	8,954
Information technology	175,537	179,587	181,268	(1,681)
Total general and financial administration	<u>\$ 1,283,058</u>	<u>\$ 1,293,648</u>	<u>\$ 1,234,494</u>	<u>\$ 59,154</u>
Board of elections:				
Electoral board and officials	\$ 96,881	\$ 98,844	\$ 104,961	\$ (6,117)
Total general government administration	<u>\$ 1,452,339</u>	<u>\$ 1,464,892</u>	<u>\$ 1,415,727</u>	<u>\$ 49,165</u>
Judicial administration:				
Courts:				
Judicial services	\$ 279,896	\$ 279,896	\$ 270,332	\$ 9,564
VJCCA services	79,450	79,450	80,959	(1,509)
Total judicial administration	<u>\$ 359,346</u>	<u>\$ 359,346</u>	<u>\$ 351,291</u>	<u>\$ 8,055</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,922,740	\$ 1,968,594	\$ 1,955,392	\$ 13,202
Contributions to Central Dispatch	391,106	391,106	399,284	(8,178)
Total law enforcement and traffic control	<u>\$ 2,313,846</u>	<u>\$ 2,359,700</u>	<u>\$ 2,354,676</u>	<u>\$ 5,024</u>
Fire and rescue services:				
Fire department	\$ 1,846,488	\$ 1,955,004	\$ 1,763,972	\$ 191,032
Fire department - reserve activity	11,000	11,000	5,179	5,821
Emergency management	7,500	7,500	36,309	(28,809)
Total fire and rescue services	<u>\$ 1,864,988</u>	<u>\$ 1,973,504</u>	<u>\$ 1,805,460</u>	<u>\$ 168,044</u>
Correction and detention:				
Juvenile probation and detention	\$ 128,091	\$ 128,091	\$ 142,852	\$ (14,761)
Special services	9,510	9,510	9,510	-
Total correction and detention	<u>\$ 137,601</u>	<u>\$ 137,601</u>	<u>\$ 152,362</u>	<u>\$ (14,761)</u>
Total public safety	<u>\$ 4,316,435</u>	<u>\$ 4,470,805</u>	<u>\$ 4,312,498</u>	<u>\$ 158,307</u>

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 309,812	\$ 309,812	\$ 332,121	\$ (22,309)
Public works labor pool	255,740	255,740	183,430	72,310
Equipment operations	348,040	348,040	373,508	(25,468)
Pavement Maintenance	470,643	849,340	237,468	611,872
Drainage Maintenance	35,510	35,510	45,560	(10,050)
Snow Removal	58,790	58,790	13,061	45,729
Traffic	211,530	211,530	183,450	28,080
Parking Garage	17,674	17,674	20,152	(2,478)
Arterial Maintenance	445,831	445,831	45,441	400,390
Community activity support	49,390	49,390	28,786	20,604
Right of way improvements	1,430	1,430	-	1,430
Public works administration	270,788	221,673	244,987	(23,314)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 2,475,178</u>	<u>\$ 2,804,760</u>	<u>\$ 1,707,964</u>	<u>\$ 1,096,796</u>
Sanitation and waste removal:				
Solid waste management	\$ 633,110	\$ 633,110	\$ 655,671	\$ (22,561)
Maintenance of general buildings and grounds:				
General properties	\$ 254,446	\$ 309,848	\$ 220,189	\$ 89,659
Park maintenance	186,370	186,370	181,294	5,076
Cemeteries maintenance	124,210	124,210	122,169	2,041
Dam maintenance	17,528	17,528	24,486	(6,958)
Brushy Hills maintenance	1,000	1,000	-	1,000
Stormwater management	8,000	14,500	6,500	8,000
City Arborist	43,770	43,770	28,503	15,267
Total maintenance of general buildings and grounds	<u>\$ 635,324</u>	<u>\$ 697,226</u>	<u>\$ 583,141</u>	<u>\$ 114,085</u>
Total public works	<u>\$ 3,743,612</u>	<u>\$ 4,135,096</u>	<u>\$ 2,946,776</u>	<u>\$ 1,188,320</u>
Health and welfare:				
Health:				
Health and welfare	\$ 968,158	\$ 983,158	\$ 790,363	\$ 192,795
Youth services administration	80,500	80,500	70,503	9,997
Total health and welfare	<u>\$ 1,048,658</u>	<u>\$ 1,063,658</u>	<u>\$ 860,866</u>	<u>\$ 202,792</u>
Education:				
Other instructional costs:				
Contribution to City School Board - component unit	\$ 3,084,562	\$ 3,084,562	\$ 3,084,562	\$ -
Parks, recreation, and cultural:				
Parks and recreation:				
Leisure services contributions	\$ 274,191	\$ 274,191	\$ 279,668	\$ (5,477)
Municipal swimming pool	57,950	57,950	58,525	(575)
Contribution to IDA - component unit	200,625	200,625	200,625	-
Total parks, recreation, and cultural	<u>\$ 532,766</u>	<u>\$ 532,766</u>	<u>\$ 538,818</u>	<u>\$ (6,052)</u>

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 372,594	\$ 449,802	\$ 410,405	\$ 39,397
Housing program	-	-	35	(35)
Community development contributions	422,125	444,509	409,028	35,481
Total community development	<u>\$ 794,719</u>	<u>\$ 894,311</u>	<u>\$ 819,468</u>	<u>\$ 74,843</u>
Nondepartmental:				
Nondepartmental	\$ 7,120	\$ 7,120	\$ 4,887	\$ 2,233
Debt service:				
Principal retirement	\$ 1,390,569	\$ 1,390,569	\$ 1,361,915	\$ 28,654
Interest and other fiscal charges	782,990	782,990	821,050	(38,060)
Total debt service	<u>\$ 2,173,559</u>	<u>\$ 2,173,559</u>	<u>\$ 2,182,965</u>	<u>\$ (9,406)</u>
Total General Fund	<u>\$ 17,513,116</u>	<u>\$ 18,186,115</u>	<u>\$ 16,517,858</u>	<u>\$ 1,668,257</u>
Capital Projects Fund:				
General government administration:				
General and financial administration:				
Phone system city hall	\$ -	\$ 3,900	\$ 7,570	\$ (3,670)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Taylor street reconstruction	\$ -	\$ 302,227	\$ 303,118	\$ (891)
Miscellaneous storm drainage projects	25,000	93,369	-	93,369
Downtown improvement	25,000	67,512	-	67,512
Bridge repairs	-	2,168,589	155,749	2,012,840
Street repavement projects	261,500	261,500	-	261,500
Barger lane bridge	138,638	138,638	116,317	22,321
Public works complex	273,000	273,000	84,142	188,858
Dam maintenance	100,000	111,535	11,485	100,050
Sidewalks	35,000	49,832	28,931	20,901
Total public works	<u>\$ 858,138</u>	<u>\$ 3,466,202</u>	<u>\$ 699,742</u>	<u>\$ 2,766,460</u>
Education:				
Capital projects:				
High school capital projects	\$ 30,000	\$ 30,000	\$ -	\$ 30,000
Safe routes to schools	-	100,000	-	100,000
Downing building improvement	-	4,333	-	4,333
Total education	<u>\$ 30,000</u>	<u>\$ 134,333</u>	<u>\$ -</u>	<u>\$ 134,333</u>

City of Lexington, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Jordan's point park	\$ 50,000	\$ 125,000	\$ 61,787	\$ 63,213
Swimming pool	35,000	35,000	-	35,000
Skateboard park	-	5,342	-	5,342
Parks and playgrounds	50,000	74,500	73,796	704
Total parks and recreation	<u>\$ 135,000</u>	<u>\$ 239,842</u>	<u>\$ 135,583</u>	<u>\$ 104,259</u>
Total Capital Projects Fund	<u>\$ 1,023,138</u>	<u>\$ 3,844,277</u>	<u>\$ 842,895</u>	<u>\$ 3,001,382</u>
Permanent Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Cemetery	\$ -	\$ -	\$ 43,908	\$ (43,908)
Total Primary Government	<u>\$ 18,536,254</u>	<u>\$ 22,030,392</u>	<u>\$ 17,404,661</u>	<u>\$ 4,625,731</u>
Discretely Presented Component Units:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance, and health	\$ 477,483	\$ 477,483	\$ 533,012	\$ (55,529)
Instruction costs:				
Classroom instruction	\$ 6,026,036	\$ 6,026,036	\$ 5,852,503	\$ 173,533
School food services:				
Administration of school food program	\$ 202,575	\$ 202,575	\$ 194,200	\$ 8,375
Operating costs:				
Operation and maintenance of school plant	\$ 630,093	\$ 682,093	\$ 667,472	\$ 14,621
School Emergency Management	-	-	1,861	(1,861)
Total operating costs	<u>\$ 630,093</u>	<u>\$ 682,093</u>	<u>\$ 669,333</u>	<u>\$ 12,760</u>
Total education	<u>\$ 7,336,187</u>	<u>\$ 7,388,187</u>	<u>\$ 7,249,048</u>	<u>\$ 139,139</u>
Debt service:				
Principal retirement	\$ 13,019	\$ 13,019	\$ 13,018	\$ 1
Interest and other fiscal charges	2,669	2,669	2,669	-
Total debt service	<u>\$ 15,688</u>	<u>\$ 15,688</u>	<u>\$ 15,687</u>	<u>\$ 1</u>
Total School Operating Fund	<u>\$ 7,351,875</u>	<u>\$ 7,403,875</u>	<u>\$ 7,264,735</u>	<u>\$ 139,140</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 7,351,875</u>	<u>\$ 7,403,875</u>	<u>\$ 7,264,735</u>	<u>\$ 139,140</u>
Industrial Development Authority:				
Parks, recreation, and cultural:				
Leisure services contributions	\$ -	\$ -	\$ 200,625	\$ (200,625)
Community development:				
Economic development	\$ -	\$ -	\$ 21,853	\$ (21,853)
Total Industrial Development Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,478</u>	<u>\$ (222,478)</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Lexington, Virginia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information 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>	141
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	151
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>	155
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>	161
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>	163

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual 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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 6,955	\$ 7,401	\$ 7,464	\$ 9,090	\$ 10,004	\$ 11,283	\$ 12,687	\$ 13,200	\$ 14,210	\$ 15,083
Restricted for perpetual care	1,479	1,403	1,576	1,729	1,724	1,700	1,809	1,853	1,933	1,970
Unrestricted	9,721	8,880	10,038	8,804	7,099	8,656	8,062	9,352	11,230	12,854
Total governmental activities net position	\$ 18,155	\$ 17,684	\$ 19,078	\$ 19,623	\$ 18,827	\$ 21,639	\$ 22,558	\$ 24,405	\$ 27,373	\$ 29,907
Business-type activities										
Net investment in capital assets	\$ 2,036	\$ 2,769	\$ 2,660	\$ 2,869	\$ 3,207	\$ 3,283	\$ 3,092	\$ 3,394	\$ 4,360	\$ 4,137
Restricted for debt service	-	-	-	-	-	-	-	189	998	-
Unrestricted	1,204	2,066	2,419	2,700	1,817	2,626	3,284	3,560	2,644	4,189
Total business-type activities	\$ 3,240	\$ 4,835	\$ 5,079	\$ 5,569	\$ 5,024	\$ 5,909	\$ 6,376	\$ 7,143	\$ 8,002	\$ 8,326
Primary Government										
Net investment in capital assets	\$ 8,991	\$ 10,170	\$ 10,124	\$ 11,959	\$ 13,211	\$ 14,566	\$ 15,779	\$ 16,594	\$ 18,570	\$ 19,220
Restricted	1,479	1,403	1,576	1,729	1,724	1,700	1,809	2,042	2,931	1,970
Unrestricted	10,925	10,946	12,457	11,504	8,916	11,282	11,346	12,912	13,874	17,043
Total primary government net position	\$ 21,395	\$ 22,519	\$ 24,157	\$ 25,192	\$ 23,851	\$ 27,548	\$ 28,934	\$ 31,548	\$ 35,375	\$ 38,233

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government administration	\$ 1,222	\$ 1,394	\$ 1,203	\$ 2,155	\$ 1,250	\$ 1,124	\$ 1,394	\$ 1,360	\$ 1,306	\$ 1,401
Judicial administration	264	254	285	299	310	353	334	343	365	351
Public Safety	2,569	2,739	2,945	3,491	3,211	3,141	3,483	3,574	3,541	3,935
Public Works	3,046	2,564	3,210	3,566	3,515	3,153	3,807	4,435	3,739	3,278
Health and welfare	751	736	680	816	667	510	713	835	1,496	1,369
Education	3,008	2,559	2,873	2,369	3,191	3,230	4,452	3,683	3,072	3,085
Parks, recreation and cultural	530	589	572	745	645	725	694	800	727	769
Community development	1,196	1,108	782	718	726	713	1,059	652	782	824
Interest on long-term debt	602	563	734	597	870	889	865	898	804	807
Total governmental activities expenses	\$ 13,188	\$ 12,506	\$ 13,284	\$ 14,756	\$ 14,385	\$ 13,838	\$ 16,801	\$ 16,580	\$ 15,832	\$ 15,819
Business-type activities:										
Utility fund	\$ 4,724	\$ 5,254	\$ 5,252	\$ 5,333	\$ 5,280	\$ 5,443	\$ 4,153	\$ 3,678	\$ 3,884	\$ 4,327
Total business-type activities	\$ 4,724	\$ 5,254	\$ 5,252	\$ 5,333	\$ 5,280	\$ 5,443	\$ 4,153	\$ 3,678	\$ 3,884	\$ 4,327
Total primary government expenses	\$ 17,912	\$ 17,760	\$ 18,536	\$ 20,089	\$ 19,665	\$ 19,281	\$ 20,954	\$ 20,258	\$ 19,716	\$ 20,146

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ 58	\$ 61	\$ 65	\$ 66	\$ 71	\$ 71	\$ 70	\$ 75	\$ 73	\$ 77
Judicial administration	104	103	108	86	82	58	64	72	56	53
Public Safety	415	462	730	606	498	412	489	497	687	395
Public Works	370	429	384	400	519	583	514	359	266	265
Health and welfare	4	8	8	8	9	11	11	12	13	2
Parks, recreation and cultural	98	88	81	76	80	83	94	40	21	40
Operating grants and contributions	1,256	1,003	1,608	1,732	1,490	1,158	1,647	2,527	2,187	1,872
Capital grants and contributions	126	9	93	13	150	26	-	-	-	-
Total governmental activities program revenues	\$ 2,431	\$ 2,163	\$ 3,077	\$ 2,987	\$ 2,899	\$ 2,402	\$ 2,889	\$ 3,582	\$ 3,303	\$ 2,704
Business-type activities:										
Charges for services:										
Utility fund	\$ 5,209	\$ 5,649	\$ 5,605	\$ 5,611	\$ 5,790	\$ 6,376	\$ 4,571	\$ 4,610	\$ 4,639	\$ 4,807
Capital grants and contributions	-	-	10	-	-	130	94	76	146	-
Total business-type activities program revenues	\$ 5,209	\$ 5,649	\$ 5,615	\$ 5,611	\$ 5,790	\$ 6,506	\$ 4,665	\$ 4,686	\$ 4,785	\$ 4,807
Total primary government program revenues	\$ 7,640	\$ 7,812	\$ 8,692	\$ 8,598	\$ 8,689	\$ 8,908	\$ 7,554	\$ 8,268	\$ 8,088	\$ 7,511
Net (expense)/revenue:										
Governmental activities	\$ (10,757)	\$ (10,343)	\$ (10,207)	\$ (11,769)	\$ (11,486)	\$ (11,436)	\$ (13,912)	\$ (12,998)	\$ (12,529)	\$ (13,115)
Business-type activities	485	395	363	278	510	1,063	512	1,008	901	480
Total primary government net expense	\$ (10,272)	\$ (9,948)	\$ (9,844)	\$ (11,491)	\$ (10,976)	\$ (10,373)	\$ (13,400)	\$ (11,990)	\$ (11,628)	\$ (12,635)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 4,309	\$ 4,770	\$ 5,384	\$ 5,372	\$ 6,434	\$ 6,621	\$ 6,754	\$ 7,007	\$ 7,001	\$ 7,262
Local sales and use taxes	786	818	852	860	1,009	1,041	1,015	1,062	1,066	1,164
Taxes on recordation and wills	50	44	60	47	30	54	58	56	50	78

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position (Continued)										
Governmental activities: (Continued)										
Taxes: (Continued)										
Consumer utility taxes	\$ 313	\$ 305	\$ 309	\$ 313	\$ 315	\$ 310	\$ 308	\$ 311	\$ 313	\$ 305
Business licenses taxes	513	548	631	603	640	717	698	582	669	774
Restaurant food taxes	645	709	890	927	1,074	1,461	1,461	1,467	1,502	1,370
Hotel and motel room taxes	217	233	246	254	382	491	535	540	557	427
Other local taxes	164	134	133	141	151	137	147	167	205	151
Unrestricted grants and contributions	938	1,181	688	924	914	911	903	891	874	863
Unrestricted revenues from use of money and property	188	144	304	261	112	148	282	371	571	429
Payments from the City of Lexington School Board	-	-	-	435	149	75	-	-	-	-
Miscellaneous	2,120	2,185	2,335	2,323	2,474	2,518	2,505	2,590	2,620	2,656
Transfers	-	(1,200)	120	(213)	148	178	56	175	69	170
Gain on sale of assets	-	-	-	-	-	-	109	-	-	-
Total governmental activities	\$ 10,243	\$ 9,871	\$ 11,952	\$ 12,247	\$ 13,832	\$ 14,662	\$ 14,831	\$ 15,219	\$ 15,497	\$ 15,649
Business-type activities:										
Unrestricted revenues from use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ 17	\$ 26	\$ 8
Miscellaneous	-	-	-	-	-	-	-	-	2	4
Transfers	-	1,200	(120)	213	(148)	(178)	(56)	(175)	(69)	(170)
Total business-type activities	\$ -	\$ 1,200	\$ (120)	\$ 213	\$ (148)	\$ (178)	\$ (44)	\$ (158)	\$ (41)	\$ (158)
Total primary government	\$ 10,243	\$ 11,071	\$ 11,832	\$ 12,460	\$ 13,684	\$ 14,484	\$ 14,787	\$ 15,061	\$ 15,456	\$ 15,491
Change in Net Position										
Governmental activities	\$ (514)	\$ (472)	\$ 1,745	\$ 478	\$ 2,346	\$ 3,226	\$ 919	\$ 2,221	\$ 2,968	\$ 2,534
Business-type activities	485	1,595	243	491	362	885	468	850	860	322
Total primary government	\$ (29)	\$ 1,123	\$ 1,988	\$ 969	\$ 2,708	\$ 4,111	\$ 1,387	\$ 3,071	\$ 3,828	\$ 2,856

Table 3

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax (1)	Business License Tax	Bank Stock Tax	Recordation and Wills Tax	Hotel & Motel Room Tax	Restaurant Food Tax	Other Local Tax (1)	Total
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
2010-11	4,400,432	785,995	312,810	513,546	136,218	50,127	217,279	644,721	27,617	7,088,745

(1) 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)

	2011 (1)	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 104,062	\$ 147,003	\$ 61,688	\$ 3,829	\$ 3,943	\$ 117,557	\$ 754	\$ 1,446	\$ 1,292	\$ 1,177
Restricted	-	-	1,493,396	12,006,641	9,556,723	2,227,751	-	-	-	-
Committed	1,205,144	1,392,938	775,143	752,075	757,277	896,379	920,126	1,099,665	1,365,940	1,854,518
Assigned	247,525	409,701	170,495	251,578	203,763	336,982	342,177	227,520	125,210	401,002
Unassigned	7,206,302	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
Total general fund	\$ 8,763,033	\$ 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
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	1,194,752	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
Committed										
Capital Projects	271,289	1,132,511	982,052	999,423	1,008,306	350,843	2,317,171	2,794,787	3,358,428	3,217,135
Total all other governmental funds	\$ 1,646,603	\$ 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

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

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

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
General property taxes	\$ 4,400	\$ 4,807	\$ 5,254	\$ 5,778	\$ 6,481	\$ 6,681	\$ 6,709	\$ 6,966	\$ 7,019	\$ 7,304
Other local taxes	2,688	2,792	3,121	3,145	3,601	4,211	4,223	4,185	4,362	4,269
Licenses and permits	56	94	255	187	82	62	129	144	321	69
Fines and forfeitures	100	103	108	86	82	59	64	72	56	53
Use of money & property	188	144	304	261	112	148	282	371	571	429
Charges for services	894	954	1,013	969	1,096	1,097	1,048	838	738	711
Miscellaneous	2,120	2,185	2,335	2,323	2,474	2,518	2,506	2,591	2,621	2,656
Recovered costs	155	221	235	415	433	476	539	543	617	647
Intergovernmental	2,320	2,193	2,388	3,105	2,703	2,170	2,550	3,417	3,061	2,734
Total revenues	\$ 12,921	\$ 13,493	\$ 15,013	\$ 16,269	\$ 17,064	\$ 17,422	\$ 18,050	\$ 19,127	\$ 19,366	\$ 18,872
Expenditures										
General government administration	\$ 1,168	\$ 1,364	\$ 1,258	\$ 2,096	\$ 1,289	\$ 1,200	\$ 1,321	\$ 1,339	\$ 1,397	\$ 1,415
Judicial administration	266	256	285	299	310	353	333	342	365	351
Public safety	2,490	2,715	3,111	3,799	3,375	3,320	3,589	3,736	3,889	4,092
Public works	2,719	2,224	2,917	3,134	3,184	2,917	3,410	3,996	3,310	2,704
Health and Welfare	751	736	680	816	669	510	711	838	993	861
Education	2,858	2,379	2,711	2,215	3,012	3,033	3,056	3,173	3,072	3,085
Parks, recreation and cultural	448	508	669	474	530	594	578	637	628	669
Community development	1,194	1,100	1,579	714	737	725	1,059	650	791	819
Nondepartmental	-	-	(5)	20	7	459	371	40	22	5
Capital outlay(1)	1,164	520	843	1,388	3,992	8,786	2,354	868	1,336	1,220
Debt service:										
Principal	835	840	850	987	965	1,242	1,265	1,297	1,329	1,362
Interest	534	495	529	450	664	901	875	848	817	821
Bond Issuance Costs	-	-	200	130	-	-	-	-	-	-
Total Expenditures	\$ 14,427	\$ 13,137	\$ 15,627	\$ 16,522	\$ 18,734	\$ 24,040	\$ 18,922	\$ 17,764	\$ 17,949	\$ 17,404
Excess (deficiency) of revenues over (under) expenditures	\$ (1,506)	\$ 356	\$ (614)	\$ (253)	\$ (1,670)	\$ (6,618)	\$ (872)	\$ 1,363	\$ 1,417	\$ 1,468

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Other financing sources (uses)										
Transfers in	\$ 177	\$ 1,100	\$ 540	\$ 580	\$ 3,474	\$ 8,070	\$ 4,421	\$ 1,260	\$ 1,820	\$ 831
Transfers out	(193)	(2,300)	(420)	(460)	(3,327)	(7,892)	(4,365)	(1,085)	(1,751)	(660)
Refunding general obligation bonds issued	-	-	9,545	-	-	-	-	-	-	-
General obligation bonds issued	1,530	-	1,582	11,615	-	-	-	-	-	-
Premium on bonds issued	-	-	1,408	475	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	(10,730)	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	325	-	-	-
Total other financing sources (uses)	\$ 1,514	\$ (1,200)	\$ 1,925	\$ 12,210	\$ 147	\$ 178	\$ 381	\$ 175	\$ 69	\$ 171
Net change in fund balances	\$ 8	\$ (844)	\$ 1,311	\$ 11,957	\$ (1,523)	\$ (6,440)	\$ (491)	\$ 1,538	\$ 1,486	\$ 1,639
Debt service as a percentage of noncapital expenditures	10.3%	10.6%	9.5%	9.6%	11.1%	14.0%	12.9%	12.7%	12.9%	13.5%

(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
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
2010-11	1,177,305	266,021	3,394,205	2,726,651	750,685	5,413,345	881,224	1,535,543	1,778,862	1,369,051	19,292,892

(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, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
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
2010-11	4,400,432	2,688,313	55,990	99,749	191,010	1,233,914	2,163,175	1,486,532	5,474,333	17,793,448

(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						
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%	
2011	457,743	733,849	28,783	3,575	609,459	614,491	9.045	1,223,951	50.21%	

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	
2019-20	\$ 1.06	\$ 4.25	\$ 1.06	\$ 4.25	\$ 1.048	\$ 4.25	\$ 13.275	
2018-19	1.035	4.25	1.035	4.25	1.073	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	
2010-11	0.70	4.25	0.70	4.25	0.675	4.25	9.045	

(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, 2020			Fiscal year ended June 30, 2011		
	Assessed Valuation	Rank	Percent of Total Assessed Valuation (1)	Assessed Valuation	Rank	Percent of Total Assessed Valuation (2)
Virginia Electric & Power Co.	\$ 7,510,741	1	1.26%	\$ 5,154,624	4	0.89%
HI of Lexington, LLC	7,159,800	2	1.20%	5,978,300	3	1.03%
Columbia Gas of Va, Inc	5,198,999	3	0.87%			
Central Telephone Co. of Virginia	4,555,487	4	0.77%	6,354,520	2	1.09%
Rockbridge Square Associates	4,467,000	5	0.75%	3,497,400	6	0.60%
Robert E Lee Properties LLC	4,457,300	6	0.75%			
Kroger Limited Partnership, Inc.	3,723,200	7	0.63%	3,075,600	9	0.53%
HCFM XXII Partnership	3,460,500	8	0.58%	3,428,200	7	0.59%
Summit Square Partners	3,387,900	9	0.57%	3,084,300	8	0.53%
BB & T Bank	3,034,700	10	0.51%			
Washington & Lee University				6,559,100	1	1.13%
Walker/ Wood LC & Woods Family Trust				3,853,700	5	0.66%
Weatherburn Development, LLC				2,964,700	10	0.51%
	<u>\$ 46,955,627</u>		<u>7.90%</u>	<u>\$ 43,950,444</u>		<u>7.55%</u>

(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	Percent of Levy Collected		Amount Collected (1)	Percentage of Levy
2019-20	\$ 7,975,730	\$ 7,078,336	88.75%	\$ -	\$ 7,078,336	88.75%	
2018-19	7,729,389	6,778,537	87.70%	748,815	7,527,352	97.39%	
2017-18	7,528,950	6,727,745	89.36%	713,083	7,440,828	98.83%	
2016-17	7,424,405	6,587,784	88.73%	775,566	7,363,350	99.18%	
2015-16	7,515,788	6,535,830	86.96%	934,583	7,470,413	99.40%	
2014-15	7,084,639	6,106,748	86.20%	944,282	7,051,030	99.53%	
2013-14	6,293,593	5,434,465	86.35%	831,040	6,265,505	99.55%	
2012-13	5,860,438	5,030,209	85.83%	823,304	5,853,513	99.88%	
2011-12	5,482,776	4,640,415	84.63%	836,640	5,477,055	99.90%	
2010-11	5,259,055	4,285,272	81.48%	969,860	5,255,132	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	General Obligation Bonds	General Obligation Bonds			
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		
2011	20,410,294	-	20,410,294	8.85%	2,836		

(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				
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
2010-11	7,197	614,491	20,410,294	-		20,410,294	3.32%	2,836

(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 2009-10, City issued \$8,410,000 in general obligation debt to fund the City's renovation and addition to the middle school capital project. FY 2010-11, City issued \$1,530,000 in general obligation bonds to complete the city's renovation and addition to the middle school capital project. FY 2012-13, City issued \$9,545,000 in general obligation bonds to refinance \$9,670,000 of the bonds issued in FY 2005-06 for the circuit court complex. 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
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%
2010-11	834,706	534,345	1,369,051	19,292,892	7.1%

(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, 2020

<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>\$ 24,663,857</u>
Total direct and overlapping debt			<u><u>\$ 24,663,857</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This table estimates the portion of the outstanding debt of those overlapping government's that is borne by the residents and businesses of the City of Lexington. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government. At June 30, 2020, 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, 2020
 (amounts expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 58,213	\$ 58,218	\$ 58,424	\$ 58,608	\$ 53,977	\$ 54,167	\$ 54,212	\$ 54,449	\$ 58,665	\$ 59,463
Total net debt applicable to limit	20,410	19,571	18,596	30,806	29,841	28,599	27,334	26,037	24,708	24,664
Legal debt margin	37,803	38,647	39,828	27,802	24,136	25,568	26,878	28,412	33,957	34,799
Total net debt applicable to the limit as a percentage of debt limit	35.1%	33.6%	31.8%	52.6%	55.3%	52.8%	50.4%	47.8%	42.1%	41.5%

Legal Debt Margin Calculated for Fiscal Year 2020	
Assessed value	\$ 594,627
Debt limit (10% of assessed value)	\$ 59,463
Debt applicable to limit:	
General Obligation Bonds	29,734
Less: amount set aside for repayment of general obligation debt	-
Total net applicable to limit	29,734
Legal debt margin	\$ 29,729

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
2020	\$ 4,812,110	\$ 3,835,644	\$ 976,466	\$ 311,504	\$ 218,444	1.84	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
2018	4,612,758	3,374,530	1,238,228	769,330	100,434	1.42	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)
2019-20	(5)	(5)	(5)	665	4.2%
2018-19	(5)	(5)	(5)	659	2.9%
2017-18	(5)	(5)	(5)	667	5.4%
2016-17	7,284	(5)	(5)	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%
2010-11	7,197	1,153,183	32,028	621	11.8%

(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, 2020		Fiscal year ended June 30, 2011		% of Total City Employees
	Employment Range (A)	Rank	Employment Range	Rank	
Washington & Lee University	over 1000	1	over 1000	1	23.6%
Virginia Military Institute	500-999	2	500-999	2	13.6%
Carilion - Stonewall Jackson Hospital	100-249	3	250-499	3	4.7%
City of Lexington	100-249	4	100-249	5	3.1%
Kroger Company	50-99	5	50-99	7	1.6%
Lexington City School Board	50-99	6	50-99	6	1.9%
Heritage Hall Health Care (HCMF)	50-99	7	50-99	9	1.4%
The VMI Foundation	50-99	8	50-99	8	1.5%
McDonald's	50-99	9			
Georges Inn LLC	20-49	10			
Rockbridge County			100-249	4	4.1%
Rockbridge Farmers' Co-op			20-49	10	1.0%

(A) Note that the Virginia Employment Commission currently only permits the publishing of ranges for employee numbers; 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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	16	17	16	16	18	17
Civilians	3	3	3	3	3	3	3	4	3	2
Parking enforcement/ animal control	1	1	1	1	1	1	1	1	0	1
Fire	1	9	9	10	11	11	16	17	17	17
Public works										
Administration & maintenance	35	34	38	39	41	40	40	35	36	36
Solid waste management	10	10	10	10	8	8	8	8	9	9
Health, Education & Welfare	2	2	2	2	2	2	2	2	2	2
Community development	5	5	5	4	4	2	2	2	2	2
Leisure Services	-	-	-	1	1	1	1	1	0	0
Utilities processing										
Water treatment	7	7	7	5	5	5	0	0	0	0
Wastewater treatment	11	11	12	11	11	10	0	0	0	0
Total	106	113	118	117	118	115	104	101	102	101

Source: Government finance department

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

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function										
General administration										
Business licenses issued	640	648	698	677	662	678	668	678	752	801
Public safety										
Police										
Number of calls answered	3,899	3,447	4,780	4,475	6,094	5,639	5,422	5,278	5,526	4,883
Physical arrests	447	304	388	151	115	186	180	153	106	144
Parking violations	680	922	1,548	1,675	1,801	1,801	1,158	725	942	851
Traffic violations	862	542	718		137	529	577	270	668	1,078
Miles Patrolled	151,441	98,021	151,254	160,996	161,825	142,480	132,847	162,158	122,771	118,560
Fire										
Number of line calls answered	686	716	707	741	721	681	673	809	843	872
Number of reserve calls answered (1)	2,168	2,220	2,191	2,099	2,094	1,704	1,817	1,820	1,866	1,769
Inspections	129	84	87	184	166	294	353	286	347	389
Public works										
Highways and streets										
Street resurfacing (miles)	1.00	-	-	-	-	-	21.64	6.50	5.42	6.40
Sanitation and waste removal										
Refuse collected (tons/day)	9	10	10	10	9	8	9	8	9	20
Recyclables collected (tons/day)	8	6	12	10	7	6	7	6	4	0.5
Leisure services										
Culture and recreation										
Athletic program Participants	1,453	1,557	1,373	1,250	1,124	1,495	1,628	1,481	1,472	1,021
Utilities processing										
Water										
New connections	7	13	6	6	18	24	8	18	8	11
Water main breaks	23	29	32	30	40	29	30	50	23	34
Average daily consumption (thousands of gallons)	788	850	876	884	807	804	732	698	847	483
Number of customers	2,765	2,605	2,847	2,851	2,860	2,864	2,811	2,751	2,821	2,655
Wastewater										
Average daily sewage treatment (thousands of gallons)	631	667	645	735	583	603	(3)	(3)	(3)	(3)
Community development										
Number of building permits	57	100	61	87	87	74	62	124	62	63
Building construction value (thousands)	7,263	30,648	20,086	28,487	23,826	7,353	16,481	22,408	44,320	8,137
Component unit - school board										
Education										
Students - elementary	318	337	341	332	305	306	315	317	327	318
Students - middle school	170	186	189	174	187	187	204	200	172	170
City students - joint high school	133	144	144	144	159	166	159	150	160	167
Teachers elementary & middle school	50	50	50	50	50	50	49	50	50	49
Expenditures per pupil (2)	3,814	3,567	3,925	4,442	4,626	4,637	4,553	4,590	4,653	10,932

Source: Various city departments

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

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

(3) 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	13
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	530	531	531	531	531	531	531
Traffic signal intersections	12	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	40	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	2	1	1
Community centers	-	-	-	-	-	-	-	-	-	-
Utilities processing										
Water										
Water mains (miles)	30	30	58	58	58	58	58	58	58	58
Fire hydrants	268	268	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	40	68	68	68	68	68	68	68	68
Storm sewers (miles)	5	5	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, 2020

	Parking Garage	Fire	RARO Administration	Recreation					RARO Total	Totals
				Youth Basketball	Little League Football	Baseball and Softball	Youth Soccer	Other		
Salaries and fringe benefits	\$ 2,043	\$ 1,001,515	\$ 323,506	\$ 16,367	\$ 9,216	\$ 5,299	\$ 1,398	\$ -	\$ 355,786	\$ 1,359,344
Contractual services	124	81,182	10,258	-	-	1,754	-	920	12,932	94,238
Other expenses	17,686	183,031	77,837	1,927	7,534	1,590	857	3,421	93,166	293,883
Totals	\$ 19,853	\$ 1,265,728	\$ 411,601	\$ 18,294	\$ 16,750	\$ 8,643	\$ 2,255	\$ 4,341	\$ 461,884	\$ 1,747,465
Less: Revenue for Operations	\$ -	\$ (319,283)	\$ (43,306)	\$ (4,816)	\$ (1,327)	\$ (2,376)	\$ (2,922)	\$ (2,850)	\$ (57,597)	\$ (376,880)
Net Expenses	\$ 19,853	\$ 946,445	\$ 368,295	\$ 13,478	\$ 15,423	\$ 6,267	\$ (667)	\$ 1,491	\$ 404,287	\$ 1,370,585
Rockbridge County participation	9.90%	53.38%	56.68%	51.47%	55.44%	53.87%	56.88%	65.76%	56.45%	53.65%
Rockbridge County share	\$ 1,965	\$ 505,165	\$ 208,750	\$ 6,937	\$ 8,551	\$ 3,376	\$ (379)	\$ 980	\$ 228,214	\$ 735,345

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, 2020, 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 16, 2020.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lexington, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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, Jarmon, Cox, Associates

Blacksburg, Virginia
October 16, 2020