



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

DATE: November 19, 2025

MEMORANDUM TO: Tom Carroll, City Manager
City of Lexington

FROM: Robinson, Farmer, Cox Associates

REGARDING: Audit for the Year Ended June 30, 2025

In planning and performing our audit of the financial statements of City of Lexington, Virginia for the year ended June 30, 2025, we considered the City's internal control structure to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated November 19, 2025, on the financial statements of the City of Lexington, Virginia. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

City

Urban Highway Maintenance Reporting

Reporting is due to the state by March 15 of the following year. It appears that the 2024 report was not submitted until April 30, 2025. We recommend that management strive to meet the UHM reporting deadline going forward.

Payroll Withholding Accounts

We noted that an entry appears to have posted incorrectly between Medical Insurance Payable and Federal W/H Payable during the year and was not correct, leaving the balances in each account under/overstated. We recommend that the payroll withholding accounts be reviewed routinely to ensure that they are balancing close to zero as anticipated throughout the year and at year end.

Bank Reconciliations

The reconciliation provided for audit did not agree to the trial balances provided. It appears that while working on the reconciliation, adjustments were noted that needed to be reflected in the ledger. The reconciliation should be updated once adjustments are posted and the amounts reflected in the reconciliation should agree to the updated trial balance. The reconciliation should be reviewed and tied out by another individual to ensure accuracy of same.

Appropriations and Budget

During review, we noted that the budget per the accounting system did not reflect final appropriations included in Ordinance 2025-07. We recommend that the system budget be updated to reflect the most up-to-date budget information for proper controls over expenditures. Additionally, we noted that there is no budget or related appropriations for the Cemetery or IDA Funds. In accordance with Code section 15.2-2506, we recommend that a budget be appropriated annually for all funds expended during the year.

Written Policies for Federal Programs

The Uniform Guidance requires that the entity have certain written policies to ensure compliance related to federal programs. We were unable to obtain copies of same during the audit. We recommend that management adopt written policies/procedures as required and provide same for audit purposes.

Audit Adjustments and Schedules

We noted differences between schedules provided for audit and the related amounts reported per the trial balance. For example, accrued revenues per the schedule provided did not agree to the total reported in the ledger. As a result of this and other audit procedures performed, adjustments were proposed as part of the audit process. We recommend that management review the adjustments and incorporate them into next year's trial balances as presented for audit where applicable. We also recommend that management prepare a tie-out for the balance sheet accounts on all trial balances to the underlying worksheets/subledger reports provided to ensure that the trial balances provided for audit appropriately reflect the totals reported on supporting documentation.