

# City of Lexington, Virginia



## ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2025

Prepared by Jennifer Bell, Finance Director

**CITY OF LEXINGTON, VIRGINIA**

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ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2025**

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## **INTRODUCTORY SECTION**

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# Lexington Virginia

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300 E. Washington Street  
Lexington, VA 24450

November 19, 2025

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, 2025.

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, 2025. 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 750 horses, is located three miles from Lexington.

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

The City of Lexington provides a full range of services, including police and fire protection; emergency medical response and transport services; refuse collection; snow and leaf removal; traffic control; on-and-off street parking; building inspections; licenses and permits; the construction and maintenance of streets and other infrastructure; and recreational and cultural activities. In conjunction with other agencies within the City, library and transit services are provided. Water distribution services and wastewater collection services are provided by the City. The water treatment plant and wastewater treatment plant are owned and operated by the Maury Service Authority (MSA). In fiscal years prior to 2017, these plants were operated under contract by the City and were included as an integral part of the City of Lexington's financial statements. Refuse disposal services are provided by the Blue Ridge Resource Authority (BRRA). The City operates an independent school system; therefore, the financial results of the school system are reported as a separate component unit. The Lexington City School Board is comprised of five individuals to administer the City school operations, which consist of an elementary and middle school. School Board members were previously appointed by City Council. On November 8, 2022, the City voted to amend the policy and establish the seats as elected positions effective with the November 5, 2024 election. Secondary education is provided jointly by Rockbridge County and the City through a contractual agreement.

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

This report includes three separate entities which are reported as Custodial Funds. The Rockbridge Regional Public Safety Communications Center (Central Dispatch) provides E-911 dispatch services for fire, rescue, and police services in Rockbridge County, the cities of Lexington and Buena Vista, and for Virginia Military Institute. Central Dispatch is managed and operated by a five-member independent regional board, including the City Managers of Lexington and Buena Vista, the Rockbridge County Administrator, the Sheriff of Rockbridge County/City of Lexington, and one additional member appointed by the Rockbridge County Board of Supervisors.

The second separate entity is the Lexington and Rockbridge Area Tourism (Tourism) program, which serves the City of Lexington, the City of Buena Vista, and Rockbridge County. The regional tourism operation serves under an executive director which is appointed by an independent seven-member board. The regional board of directors includes one member appointed by each of the jurisdictions for two-year terms. Four remaining members are appointed by the three jurisdictional members for two-year terms. Two of these appointees must be from a tourism-related business.

The City serves as the fiscal agent for the Rockbridge Area Recreation Organization (RARO), which provides recreational activities for and is supported by the County of Rockbridge and the Cities of Lexington and Buena Vista. RARO operates under a seven-member board of directors. The financial activities of RARO are reported as a custodial fund, and additionally, is reported in a separate audit report.

The City serves as the fiscal agent for RARO, Central Dispatch, and Tourism.

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

## *Local Economy*

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

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

Economic activity, as measured by sales, meals, and lodging taxes, was strong during fiscal year 2025 although finishing relatively flat as compared to fiscal years 2024 and 2023. Sales and meals tax collections were 0.76% and 1.53% ahead, respectively. While lodging taxes finished behind by 0.63%.

An extremely high percentage of the City’s real property assessment (66%) 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*

The City undertook a number of water and sewer projects, street reconstruction/pavement projects, and initiated several designs for storm water drainage and detention improvement structures during fiscal year 2025. In addition, the City replaced the backstops at Brewbaker Park. The City also engaged Davenport as Financial Advisor to assist the City in obtaining a credit rating and issuing general obligation public improvement bonds for several large projects. On March 25, 2025, credit ratings from Moody’s (“Aa2”) and S&P (“AA”) in hand, the City closed on a \$21,120,000 bond issuance. These funds will renovate City Hall, provide upgrades to water, sewer, and stormwater infrastructure, and build a 17,299 square foot building to house the Rockbridge Area Department of Social Services. The City of Lexington is fiscal agent for this project.

During fiscal year 2025, the City finalized and adopted a Stormwater Fee to be effective in fiscal year 2026. The fee will be set at \$0.30 per Equivalent Dwelling Unit (EDU) for the first year. EDU is defined as 250 square feet of impervious surface.

## *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 over \$35 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 funds and the separate school component unit, are included in the annual appropriated budget. The level of budgetary control (this is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund except for the custodial funds. The governing body of each of these component units approves and controls the annual appropriations made for their respective budgets. City Council approves annual appropriations and quarterly amends appropriations for all funds except for the custodial funds.

The City of Lexington updated its Fund Balance policy in fiscal year 2024, increasing the minimum levels of unassigned fund balance in the General Fund at each fiscal year end from 20% to 40% of general operating revenues. On June 30, 2025, the unassigned fund balance exceeded the required minimum by approximately \$5.6 million. On June 30, 2024, the unassigned fund balance exceeded the required minimum by \$3.4 million. In fiscal year 2024, the City created a Capital Reserve fund to use for debt service for upcoming projects. At the end of the current fiscal year, the balance in this account was \$5.6 million.

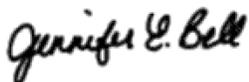
### *Awards and Acknowledgments*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lexington for its annual comprehensive financial report (the "Annual Report") for the fiscal year ended June 30, 2024. This was the thirty first consecutive year that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized Annual Report that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current Annual Report continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirement, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Jennifer E. Bell  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Lexington  
Virginia**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

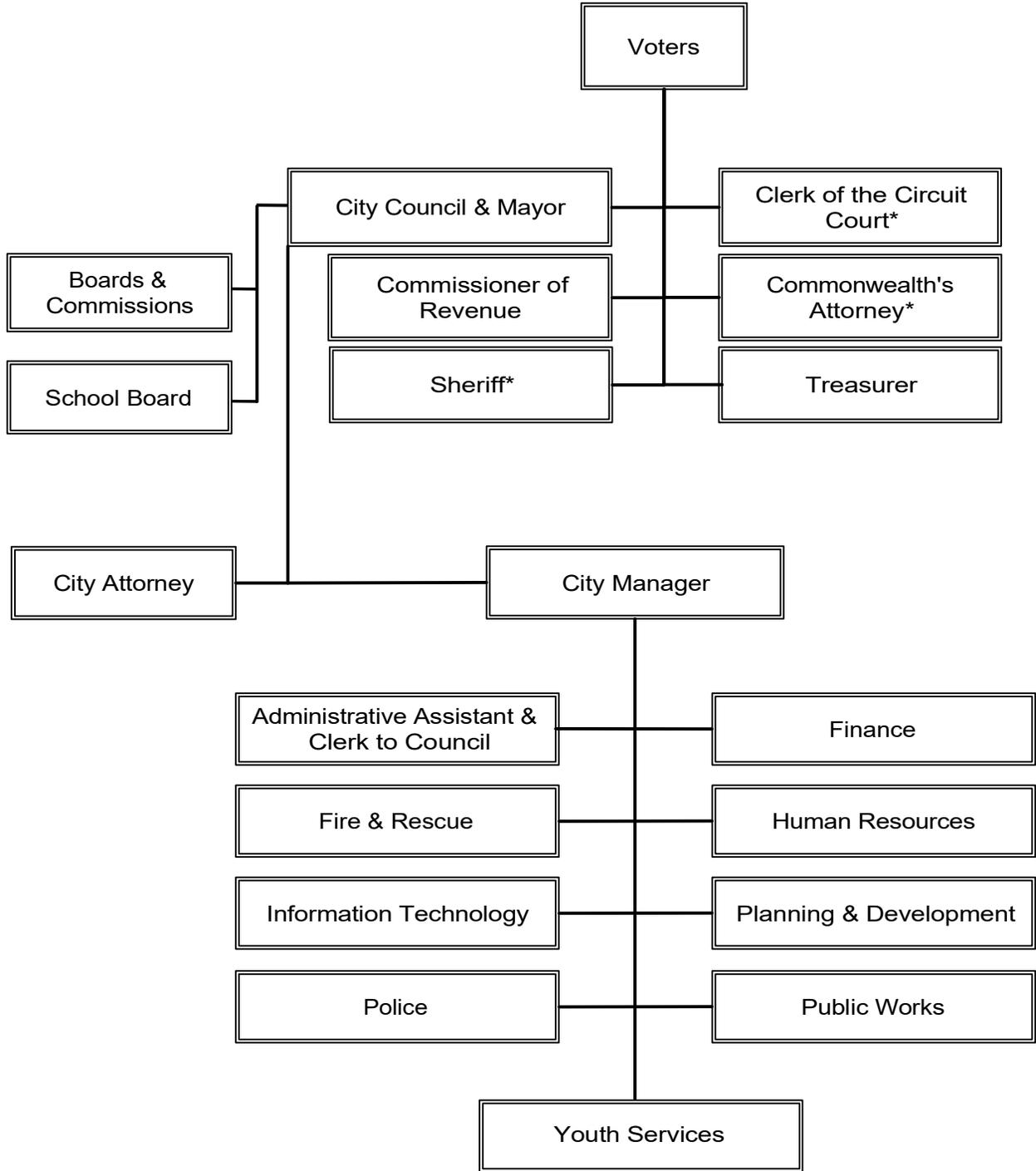
June 30, 2024

*Christopher P. Morill*

Executive Director/CEO

# CITY OF LEXINGTON

## Organizational Chart



\*Shared with County

# CITY OF LEXINGTON, VIRGINIA

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## CITY COUNCIL

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Marilyn E. Alexander, Vice Mayor	Frank W. Friedman, Mayor	John P. Driscoll
Nick Betts		David G. Sigler
Charles "Chuck" Smith		Leslie C. Straughan

## CITY SCHOOL BOARD

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Kasey Potter	Tammy Dunn, Chair	LaTonya Douglas
Katie Masey		Katie Shester

## OTHER OFFICIALS

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City Manager .....	Tom Carroll
City Treasurer .....	Pat DeLaney
Commissioner of Revenue .....	Karen T. Roundy
Finance Director .....	Jennifer Bell
City Attorney .....	Jeremy Carroll
Chief of Police.....	Angela Greene
Fire and Rescue Chief .....	Ty Dickerson
Director of Planning and Development .....	Arne Glaeser
Director of Public Works .....	Patrick Madigan
Superintendent of Schools .....	Rebecca Walters

## **FINANCIAL SECTION**



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**Independent Auditors' Report**

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

**Report on the Audit of the Financial Statements**

***Opinions***

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 the City of Lexington, Virginia, as of and for the year ended June 30, 2025, 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.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Lexington, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Change in Accounting Principle***

As described in Note 26 to the financial statements, in 2025, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Lexington, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Lexington, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Lexington, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2025, 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 City of Lexington, Virginia's internal control over financial reporting and compliance.

*Robinson, Jarrett, Cox, Associates*

Blacksburg, Virginia  
November 19, 2025

## 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, 2025. 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 \$72,944,445
- (*net position*). A total of \$25,329,089 (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 \$15,529,681 or 64% of total general fund expenditures of \$23,700,174 in the year ended June 30, 2025.
- The City of Lexington's total outstanding debt increased by \$19,756,355 during the current fiscal year due to an issuance of \$21,120,000 in general obligation public improvement bonds.

### 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 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 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 Economic Development Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lexington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 three individual governmental funds and two discretely presented component units. 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 two proprietary funds. 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 funds to account for its water and sewer utility fund and its stormwater 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 and stormwater 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 \$72,944,445 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 \$25,329,089. 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 \$29,276,325. 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 \$2,284,679 for the fiscal year ending June 30, 2025. This is much smaller than the \$6,524,911 increase in net position for the year ended June 30, 2024. Fiscal year 2024 saw a one-time revenue recognition of over \$4.4 million in ARPA grant funding. Fiscal year 2025, however, did perform better than budget in several revenue categories such as Recovered Costs and Revenue from the Use of Monday and Property, among others.

**City of Lexington's Summary Statement of Net Position**  
**As of June 30, 2025 and 2024**  
**(In Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Gov't		School Board Component Unit	
	2025	2024	2025	2024	2025	2024	2025	2024
Current & other assets	\$ 53,007	\$ 37,190	\$ 16,814	\$ 10,092	\$ 69,821	\$ 47,282	\$ 3,151	\$ 3,023
Capital assets	41,914	39,712	16,525	16,512	58,439	56,224	555	605
Total assets	<u>\$ 94,921</u>	<u>\$ 76,902</u>	<u>\$ 33,339</u>	<u>\$ 26,604</u>	<u>\$ 128,260</u>	<u>\$ 103,506</u>	<u>\$ 3,706</u>	<u>\$ 3,628</u>
Deferred outflows or resources	\$ 1,815	\$ 1,836	\$ 100	\$ 92	\$ 1,915	\$ 1,928	\$ 1,595	\$ 1,461
Long-term liabilities outstanding	37,339	22,307	14,245	9,520	51,584	31,827	4,423	4,816
Other liabilities	2,793	2,254	1,306	1,088	4,099	3,342	550	672
Total liabilities	<u>\$ 40,132</u>	<u>\$ 24,561</u>	<u>\$ 15,551</u>	<u>\$ 10,608</u>	<u>\$ 55,683</u>	<u>\$ 35,169</u>	<u>\$ 4,973</u>	<u>\$ 5,488</u>
Deferred inflows of resources	\$ 1,485	\$ 1,343	\$ 62	\$ 54	\$ 1,547	\$ 1,397	\$ 867	\$ 581
Net position:								
Net investment in capital assets	21,387	20,747	7,890	7,927	29,277	28,674	556	606
Restricted	18,339	3,665	-	-	18,339	3,665	342	307
Unrestricted	15,393	28,422	9,936	8,106	25,329	36,528	(1,437)	(1,893)
Total net position	<u>\$ 55,119</u>	<u>\$ 52,834</u>	<u>\$ 17,826</u>	<u>\$ 16,033</u>	<u>\$ 72,945</u>	<u>\$ 68,867</u>	<u>\$ (539)</u>	<u>\$ (980)</u>

A portion of the City's primary government net position (25.1 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* (\$39,839,061) 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 76% 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, 2025 and 2024 (In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Gov't		School Board Component Unit	
	2025	2024	2025	2024	2025	2024	2025	2024
Revenues:								
Program Revenues:								
Chgs. for svcs	\$ 1,242	\$ 1,353	\$ 8,000	\$ 7,008	\$ 9,242	\$ 8,361	\$ 348	\$ 331
Operating grants and contributions	2,770	7,123	-	-	2,770	7,123	5,858	5,433
Capital grants and contributions	-	-	-	-	-	-	-	-
General Revenues:								
Property taxes	7,973	7,913	-	-	7,973	7,913	-	-
Other taxes	5,695	5,641	-	-	5,695	5,642	-	-
Grants and contributions not restricted to specific programs								
	794	795	-	-	794	795	-	-
Other	5,370	5,470	576	353	5,946	5,822	3,764	3,510
Total revenues	<u>\$ 23,844</u>	<u>\$ 28,295</u>	<u>\$ 8,576</u>	<u>\$ 7,361</u>	<u>\$ 32,420</u>	<u>\$ 35,656</u>	<u>\$ 9,970</u>	<u>\$ 9,274</u>
Expenses:								
General Gov't.	\$ 2,465	\$ 1,755	\$ -	\$ -	\$ 2,465	\$ 1,755	\$ -	\$ -
Judicial Admin.	431	366	-	-	431	366	-	-
Public Safety	4,852	4,890	-	-	4,852	4,890	-	-
Public Works	4,699	3,568	-	-	4,699	3,568	-	-
Health & Welfare	1,609	2,304	-	-	1,609	2,304	-	-
Education	4,249	3,490	-	-	4,249	3,490	9,530	9,032
Parks, Rec. & Cultural	993	1,258	-	-	993	1,258	-	-
Community Development	987	793	-	-	987	793	-	-
Interest on Debt	1,269	536	-	-	1,269	536	-	-
Water & Sewer								
Utility	-	-	6,788	5,523	6,788	5,523	-	-
Total Expenses	<u>\$ 21,554</u>	<u>\$ 18,960</u>	<u>\$ 6,788</u>	<u>\$ 5,523</u>	<u>\$ 28,342</u>	<u>\$ 24,483</u>	<u>\$ 9,530</u>	<u>\$ 9,032</u>
Changes in net position								
before transfers	\$ 2,290	\$ 9,335	\$ 1,788	\$ 1,838	\$ 4,078	\$ 11,173	\$ 440	\$ 242
Transfers	(4)	(2,812)	4	2,812	0	-	-	-
Changes in net position	<u>\$ 2,286</u>	<u>\$ 6,523</u>	<u>\$ 1,792</u>	<u>\$ 4,650</u>	<u>\$ 4,078</u>	<u>\$ 11,173</u>	<u>\$ 440</u>	<u>\$ 242</u>
Net position beginning of year	52,832	46,309	16,035	11,385	68,867	57,694	(980)	(1,222)
Net position end of year	<u>\$ 55,118</u>	<u>\$ 52,832</u>	<u>\$ 17,827</u>	<u>\$ 16,035</u>	<u>\$ 72,945</u>	<u>\$ 68,867</u>	<u>\$ (540)</u>	<u>\$ (980)</u>

**Governmental Revenues**

- Property tax collections were up 0.21%, or \$16,482. The real estate tax rate for FY25 remained \$0.92 per \$100 of assessed value. The tax rate on personal property remained \$4.25/\$100 value.
- Other local taxes increased by \$58,868 or 1.05%. Local sales taxes increased by \$2,638 or 0.19%. Restaurant food taxes increased by 1.53%, or \$30,204 and transient occupancy taxes decreased by -0.63% or \$5,084. Consumer spending within the City remained largely flat in fiscal year 2025 as compared to the prior year.
- Revenues from the use of money and property decreased by \$69,053 as interest rates remained steady throughout fiscal year 2025 with only one rate cut in December of 2024.
- The City’s major governmental sources of revenue are as follows:

	Amount	Percent of Total Revenue
General property taxes	\$ 7,888,320	33%
Other local taxes	5,665,801	24%
Intergovernmental	2,897,402	12%
Miscellaneous	3,475,906	14%
Revenue from the use of money and property	1,723,100	7%
Charges for services	956,317	4%
Recovered costs	1,183,698	5%
Permits, privilege fees, and regulatory licenses	227,995	1%
Fines and forfeitures	57,921	0%

**Governmental Expenses**

- The general governmental administration expenses increased by \$710,256 or 40%. This is a combination of salary increases, new software for the Commissioner of the Revenue, issuance of a lease and other costs associated with swing space needed for City staff during the renovation of City Hall.
- Public Works expenses increased by \$1,131,239 or 32%. This is because several paving projects were able to be completed during the fiscal year and Public Works took delivery of a new trash truck and bulk pickup truck.
- Education expenses increased by \$759,365 or 22% as certain grant funding ended and the costs were picked up by the City.
- Interest on debt increased by \$732,625 or 137% as a result of the 2025 general obligation public improvement bond issuance.

## Business-Type Activities

The increase in net position for business-type activities was \$1,792,474 or 11.18% from the prior fiscal year, with an end of the year balance of \$17,825,620.

Significant contributors to this increase are:

- A Memorandum of Understanding was executed by the City and its two institutions of higher learning, Washington & Lee University and Virginia Military Institute, which allows the City to bill for water usage from a master meter at each institution. This allows the City to recover its costs for water that previously went unmetered due to leaks in the infrastructure on the two campuses.
- The fund also benefited almost \$500,000 from interest earnings on its investment accounts during the year.
- Liabilities increased in fiscal year 2025 after issuing approximately \$4.7 million in infrastructure bonds as part of the City's overall 2025 general obligation public improvement bond issuance.

## Financial Analysis of the City's Funds

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

### Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$48,794,773, an increase of \$15,449,667 in comparison with the prior year. This is due, in large part to the City's \$21,120,000 Series 2025 general obligation public improvement bonds issuance during the year. A total of \$3,375,118 is committed for the City's future equipment replacement purchases. The City committed fire department funds totaling \$275,567 to be used exclusively for the specific needs of the fire and rescue department, subject to City Council's appropriation. A total of \$1,187,006 is assigned for the carryover of committed projects not completed as of June 30, 2025 in the General Fund. A total of \$5,600,000 is assigned to a Capital Reserve fund to be used for future debt service payments. The ending fund balance in the capital projects fund is \$6,097,230. Of this amount, \$4,886,429 is committed for capital project needs and \$1,210,801 is restricted specifically for school construction. A total of \$15,529,681 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, 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, 2025.

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 \$15,529,681, an increase of \$2,410,739 in comparison with the prior year. The increase is largely due to the issuance of \$21,120,000 in general obligation public improvement bonds. 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 64% or approximately eight (8) months of total general fund expenditures and other uses of financing sources.

The City annually updates a five-year capital improvement plan and appropriates the funds necessary to

support the ensuing fiscal year’s capital projects. Capital projects for the water and sewer enterprise fund and the separate component units of the school, regional tourism, and recreation organization funds are appropriated within each respective fund. However, the City capital projects dependent upon general fund financial resources are appropriated in a separate capital project governmental fund.

At the end of the current fiscal year, the committed fund balance of the capital projects fund, including carryover commitments for June 30, 2025, was \$4,886,429. An additional \$1,210,801 is restricted for school construction. Overall fund balance decreased by \$568,298 as the City had planned to use fund balance in fiscal year 2025 to offset certain project costs.

The permanent fund balance increased by \$147,576 for the year to \$2,477,038 due to investment returns.

**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 \$9,956,463, an increase of \$1,850,601 in comparison with the prior year. Interest earnings and an increase in revenue over the prior year account for this.

In fiscal year 2025, the City created a Stormwater Utility Fund. The fee is to be enacted in fiscal year 2026. As part of Lexington’s 2025 Series bond issuance, \$1,419,600 was included for stormwater projects to be completed in FY 2026.

**General Fund  
Budgetary Highlights**

Differences between the original budget of \$22,782,899 and the final amended budget of \$22,926,094 reflects an increase in appropriation of \$143,195. This was to account for revenues not anticipated until after the budget was adopted including \$50,000 in Community Development Block Grant Funding and \$93,195 in funding for the Lexington Combined Juvenile Community Crime Control Act Program.

*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	\$ 7,966,522	\$ 7,888,320	\$ (78,202)
Other local taxes	5,640,024	5,665,801	25,777
Charges for services	815,871	956,317	140,446
Miscellaneous	3,350,217	3,475,906	125,689
Recovered costs	851,500	1,183,698	332,198
Intergovernmental	2,898,910	2,897,402	(1,508)
Revenue from the use of money and property	1,195,400	1,723,100	527,700
Permits, privilege fees, and regulatory licenses	123,800	227,995	104,195

The \$527,700 increase within Revenue from the use of money and property is attributable to the Federal

Reserve enacting only one rate cut FY2025. The County Revenue Sharing and Joint Services Agreement for Fire & Rescue were also higher than budgeted. Actual expenditures were \$262,523 less than budgeted for the year. Although many areas were under budget, the cost of issuance on the public improvement bonds was not part of the original budget.

**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, 2025 amounts to \$58,995,057 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and infrastructure. The increase in capital assets for the current fiscal year was 3.8%.

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

	<b>Primary Government</b>						<b>Component Unit</b>	
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Gov't</u>		<u>School Board Component Unit</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Land	\$ 3,726	\$ 3,726	\$ -	\$ -	\$ 3,726	\$ 3,726	\$ 359	\$ 359
Buildings	22,800	23,511	-	-	22,800	23,511	88	100
Improvements other than buildings	553	443	5,601	5,747	6,154	6,190	28	41
Infrastructure	6,844	7,084	7,869	8,161	14,713	15,245	-	-
Machinery & Equip.	4,333	4,198	563	505	4,895	4,703	80	105
Right to Use Lease Asset	189	-	-	-	189	-	-	-
Construction in Progress	3,470	750	2,492	2,099	5,962	2,849	-	-
<b>Totals</b>	<u>\$ 41,914</u>	<u>\$ 39,712</u>	<u>\$ 16,525</u>	<u>\$ 16,512</u>	<u>\$ 58,439</u>	<u>\$ 56,224</u>	<u>\$ 556</u>	<u>\$ 605</u>

Additional information on the City of Lexington’s capital assets can be found in Note 12 to the financial statements.

**Long-term debt**

**City of Lexington's Outstanding Debt  
General Obligation Bonds**

	<u>2025</u>	<u>2024</u>
Governmental activities	\$ 37,338,817	\$ 22,307,137
Business-type activities	14,244,890	9,520,215
<b>TOTAL</b>	<u>\$ 51,583,707</u>	<u>\$ 31,827,352</u>

The City’s total general obligation debt decreased by \$19,756,355, or 62% 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 \$68,332,690 which is in excess of the City’s outstanding general obligation debt.

## **Revenue Bonds**

In FY 2025, the City repaid \$375,000 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 2025, the unemployment rate for the City of Lexington and the surrounding County was 6.6%. This is a 0.8% increase from the previous year.

Sixty-six percent of the City's assessed real estate values are tax exempt. Based on the results of the real estate tax assessment, the real estate tax rate was recommended to be fixed at \$0.92 per \$100 of assessed value for FY26. Personal property tax rates shall be \$4.25 per \$100 valuation from January 1, 2025, through December 31, 2025. Tax relief shall be provided in accordance with Section 366-3D of the City Code. The Personal Property Tax Relief Act (PPTRA) shall be calculated at 44% of the first \$20,000 in value of each such qualifying vehicle in order to use all available state PPTRA relief for January 1, 2025 through December 31, 2026. No change in the meals or transient occupancy taxes rates were implemented in support of the FY 2026 Budget. Funding of \$1,000,000 for future capital expenditures is included in the FY 2026 Budget.

The water and sewer utility fund rates were unchanged in the FY 2026 budget.

## **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.

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## **Basic Financial Statements**

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City of Lexington, Virginia  
Statement of Net Position  
June 30, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,420,804	\$ 2,418,714	\$ 11,839,518	\$ 2,664,732	\$ 322,099
Investments	23,210,768	7,600,000	30,810,768	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,309,737	-	1,309,737	-	-
Accounts receivable	462,716	1,297,615	1,760,331	71	-
Due from other governmental units	1,299,564	-	1,299,564	143,469	-
Long-term receivable	307,339	-	307,339	-	-
Prepaid items	8,579	-	8,579	-	-
Restricted assets:					
Cash and cash equivalents	15,042,784	5,496,646	20,539,430	-	-
Investments	1,944,226	-	1,944,226	-	-
Net Pension asset	-	-	-	341,733	-
Capital assets not being depreciated	7,195,847	2,492,441	9,688,288	359,494	-
Capital assets, net of accumulated depreciation	34,718,300	14,032,879	48,751,179	196,096	-
Total assets	<u>\$ 94,920,664</u>	<u>\$ 33,338,295</u>	<u>\$ 128,258,959</u>	<u>\$ 3,705,595</u>	<u>\$ 322,099</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	\$ 744,893	\$ -	\$ 744,893	\$ -	\$ -
Pension related items	957,527	93,923	1,051,450	1,283,442	-
OPEB related items	112,325	6,236	118,561	311,481	-
Total deferred outflows of resources	<u>\$ 1,814,745</u>	<u>\$ 100,159</u>	<u>\$ 1,914,904</u>	<u>\$ 1,594,923</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 885,478	\$ 1,021,215	\$ 1,906,693	\$ 163,390	\$ 6,657
Payroll liabilities	272,786	14,539	287,325	304,250	-
Accrued interest payable	355,796	134,054	489,850	-	-
Unearned revenue	1,277,445	-	1,277,445	82,732	-
Deposits held in escrow	1,515	136,524	138,039	-	-
Long-term liabilities:					
Due within one year	2,225,061	549,825	2,774,886	31,764	-
Due in more than one year	35,113,756	13,695,065	48,808,821	4,391,364	-
Total liabilities	<u>\$ 40,131,837</u>	<u>\$ 15,551,222</u>	<u>\$ 55,683,059</u>	<u>\$ 4,973,500</u>	<u>\$ 6,657</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	\$ 790,233	\$ -	\$ 790,233	\$ -	\$ -
Pension related items	620,200	58,206	678,406	728,937	-
OPEB related items	74,314	3,406	77,720	137,973	-
Total deferred inflows of resources	<u>\$ 1,484,747</u>	<u>\$ 61,612</u>	<u>\$ 1,546,359</u>	<u>\$ 866,910</u>	<u>\$ -</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 21,386,702	\$ 7,889,623	\$ 29,276,325	\$ 555,590	\$ -
Restricted:					
Net pension asset	-	-	-	341,733	-
Non-expendable - perpetual cemetery care	180,562	-	180,562	-	-
Expendable - perpetual cemetery care	2,296,476	-	2,296,476	-	-
School construction	1,210,801	-	1,210,801	-	-
Opioid settlement	141,220	-	141,220	-	-
Unspent bond proceeds	14,509,972	-	14,509,972	-	-
Unrestricted (deficit)	15,393,092	9,935,997	25,329,089	(1,437,215)	315,442
Total net position	<u>\$ 55,118,825</u>	<u>\$ 17,825,620</u>	<u>\$ 72,944,445</u>	<u>\$ (539,892)</u>	<u>\$ 315,442</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, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position										
	Program Revenues				Primary Government			Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority		
<b>PRIMARY GOVERNMENT:</b>											
Governmental activities:											
General government administration	\$ 2,465,183	\$ 109,706	\$ 284,288	\$ -	\$ (2,071,189)	\$ -	\$ (2,071,189)	\$ -	\$ -	\$ -	
Judicial administration	430,882	57,921	3,810	-	(369,151)	-	(369,151)	-	-	-	
Public safety	4,852,064	706,894	459,107	-	(3,686,063)	-	(3,686,063)	-	-	-	
Public works	4,698,844	339,502	1,267,259	-	(3,092,083)	-	(3,092,083)	-	-	-	
Health and welfare	1,609,163	1,756	750,619	-	(856,788)	-	(856,788)	-	-	-	
Education	4,249,072	-	-	-	(4,249,072)	-	(4,249,072)	-	-	-	
Parks, recreation, and cultural	993,673	26,454	4,500	-	(962,719)	-	(962,719)	-	-	-	
Community development	986,608	-	-	-	(986,608)	-	(986,608)	-	-	-	
Interest on long-term debt	1,269,004	-	-	-	(1,269,004)	-	(1,269,004)	-	-	-	
Total governmental activities	\$ 21,554,493	\$ 1,242,233	\$ 2,769,583	\$ -	\$ (17,542,677)	\$ -	\$ (17,542,677)	\$ -	\$ -	\$ -	
Business-type activities:											
Utility Fund	\$ 6,787,695	\$ 7,999,963	\$ -	\$ -	\$ -	\$ 1,212,268	\$ 1,212,268	\$ -	\$ -	\$ -	
Total business-type activities	\$ 6,787,695	\$ 7,999,963	\$ -	\$ -	\$ -	\$ 1,212,268	\$ 1,212,268	\$ -	\$ -	\$ -	
Total primary government	\$ 28,342,188	\$ 9,242,196	\$ 2,769,583	\$ -	\$ (17,542,677)	\$ -	\$ (16,330,409)	\$ -	\$ -	\$ -	
<b>COMPONENT UNITS:</b>											
School Board	\$ 9,530,301	\$ 347,869	\$ 5,858,419	\$ -	\$ -	\$ -	\$ -	\$ (3,324,013)	\$ -	\$ -	
Economic Development Authority	267,604	-	-	-	-	-	-	-	-	(267,604)	
Total component units	\$ 9,797,905	\$ 347,869	\$ 5,858,419	\$ -	\$ -	\$ -	\$ -	\$ (3,324,013)	\$ -	\$ (267,604)	
General revenues:											
General property taxes		\$ 7,973,314	\$ -	\$ -	\$ -	\$ -	\$ 7,973,314	\$ -	\$ -	\$ -	
Other local taxes:											
Local sales and use taxes		1,399,055	-	-	-	-	1,399,055	-	-	-	
Consumers' utility taxes		313,135	-	-	-	-	313,135	-	-	-	
Cigarette taxes		41,250	-	-	-	-	41,250	-	-	-	
Business license taxes		808,267	-	-	-	-	808,267	-	-	-	
Restaurant food taxes		1,999,277	-	-	-	-	1,999,277	-	-	-	
Hotel and motel room taxes		795,662	-	-	-	-	795,662	-	-	-	
Other local taxes		338,594	-	-	-	-	338,594	-	-	-	
Unrestricted revenues from use of money		1,909,022	490,724	-	490,724	2,399,746	14,016	-	-	-	
Miscellaneous		860,740	85,223	-	945,963	11,138	38,460	-	-	-	
Revenue sharing payments		2,599,414	-	-	-	2,599,414	-	-	-	-	
Payments from the City of Lexington/School Board		793,885	-	-	-	793,885	3,739,063	267,206	-	-	
Grants and contributions not restricted to specific programs		(4,259)	4,259	-	-	-	-	-	-	-	
Transfers		19,827,356	580,206	20,407,562	-	20,407,562	3,764,217	305,666	-	-	
Total general revenues and transfers		\$ 2,284,679	\$ 1,792,474	\$ 4,077,153		\$ 440,204	\$ 38,062				
Change in net position		\$ 52,834,146	\$ 16,033,146	\$ 68,867,292		\$ (980,096)	\$ 277,380				
Net position - beginning		\$ 55,118,825	\$ 17,825,620	\$ 72,944,445		\$ (539,892)	\$ 315,442				
Net position - ending		\$ 55,118,825	\$ 17,825,620	\$ 72,944,445		\$ (539,892)	\$ 315,442				

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

City of Lexington, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2025

	General	Capital Projects	Permanent	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,067,981	\$ 6,352,823	\$ -	\$ 9,420,804
Investments	23,210,768	-	-	23,210,768
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,309,737	-	-	1,309,737
Accounts receivable	462,716	-	-	462,716
Due from other governmental units	1,299,564	-	-	1,299,564
Long-term receivable	307,339	-	-	307,339
Prepaid items	8,579	-	-	8,579
Restricted assets:				
Cash and cash equivalents	14,509,972	-	532,812	15,042,784
Investments	-	-	1,944,226	1,944,226
Total assets	<u>\$ 44,176,656</u>	<u>\$ 6,352,823</u>	<u>\$ 2,477,038</u>	<u>\$ 53,006,517</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 631,972	\$ 253,506	\$ -	\$ 885,478
Payroll liabilities	271,699	1,087	-	272,786
Deposits held in escrow	515	1,000	-	1,515
Unearned revenue	1,277,445	-	-	1,277,445
Total liabilities	<u>\$ 2,181,631</u>	<u>\$ 255,593</u>	<u>\$ -</u>	<u>\$ 2,437,224</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 1,330,543	\$ -	\$ -	\$ 1,330,543
Unavailable revenue - long-term receivable	307,339	-	-	307,339
Unavailable revenue - opioid settlement	136,638	-	-	136,638
Total deferred inflows of resources	<u>\$ 1,774,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,774,520</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 8,579	\$ -	\$ 180,562	\$ 189,141
Restricted	14,514,554	1,210,801	2,296,476	18,021,831
Committed	3,650,685	4,886,429	-	8,537,114
Assigned	6,787,006	-	-	6,787,006
Unassigned	15,259,681	-	-	15,259,681
Total fund balances	<u>\$ 40,220,505</u>	<u>\$ 6,097,230</u>	<u>\$ 2,477,038</u>	<u>\$ 48,794,773</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 44,176,656</u>	<u>\$ 6,352,823</u>	<u>\$ 2,477,038</u>	<u>\$ 53,006,517</u>

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

City of Lexington, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Position  
 June 30, 2025

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	48,794,773
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets not depreciated	\$	7,195,847
Capital assets being depreciated		34,718,300
		41,914,147
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	\$	540,310
Unavailable revenue - long-term receivable		307,339
Unavailable revenue - opioid settlement		136,638
		984,287
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	\$	744,893
Pension related items		957,527
OPEB related items		112,325
		1,814,745
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	\$	(33,012,588)
Loan payable		(1,350,440)
Accrued interest payable		(355,796)
Lease liabilities		(191,216)
Net OPEB liabilities		(279,370)
Net pension liability		(1,010,853)
Unamortized bond premium		(1,084,798)
Compensated absences		(409,552)
		(37,694,613)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(620,200)
OPEB related items		(74,314)
		(694,514)
Net position of governmental activities	\$	55,118,825

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, 2025

	General	Capital Projects	Permanent	Total
<b>REVENUES</b>				
General property taxes	\$ 7,888,320	\$ -	\$ -	\$ 7,888,320
Other local taxes	5,665,801	29,439	-	5,695,240
Permits, privilege fees, and regulatory licenses	227,995	-	-	227,995
Fines and forfeitures	57,921	-	-	57,921
Revenue from the use of money and property	1,723,100	-	185,922	1,909,022
Charges for services	956,317	-	-	956,317
Miscellaneous	3,475,906	-	-	3,475,906
Recovered costs	1,183,698	-	-	1,183,698
Intergovernmental	2,897,402	666,066	-	3,563,468
Total revenues	<u>\$ 24,076,460</u>	<u>\$ 695,505</u>	<u>\$ 185,922</u>	<u>\$ 24,957,887</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,231,731	\$ 1,586,598	\$ -	\$ 3,818,329
Judicial administration	430,882	-	-	430,882
Public safety	5,545,853	156,256	-	5,702,109
Public works	4,091,342	854,471	-	4,945,813
Health and welfare	3,111,762	-	-	3,111,762
Education	3,739,063	-	-	3,739,063
Parks, recreation, and cultural	678,061	429,641	59,339	1,167,041
Community development	945,215	-	-	945,215
Nondepartmental	2,205	-	-	2,205
Debt service:				
Principal retirement	1,926,261	-	-	1,926,261
Interest and other fiscal charges	484,495	-	-	484,495
Bond issuance cost	513,304	-	-	513,304
Total expenditures	<u>\$ 23,700,174</u>	<u>\$ 3,026,966</u>	<u>\$ 59,339</u>	<u>\$ 26,786,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 376,286</u>	<u>\$ (2,331,461)</u>	<u>\$ 126,583</u>	<u>\$ (1,828,592)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 17,150	\$ 1,763,163	\$ 20,993	\$ 1,801,306
Transfers out	(1,805,565)	-	-	(1,805,565)
Issuance of lease liability	256,587	-	-	256,587
Issuance of bonds payable	17,025,931	-	-	17,025,931
Total other financing sources (uses)	<u>\$ 15,494,103</u>	<u>\$ 1,763,163</u>	<u>\$ 20,993</u>	<u>\$ 17,278,259</u>
Net change in fund balances	\$ 15,870,389	\$ (568,298)	\$ 147,576	\$ 15,449,667
Fund balances - beginning	24,350,116	6,665,528	2,329,462	33,345,106
Fund balances - ending	<u>\$ 40,220,505</u>	<u>\$ 6,097,230</u>	<u>\$ 2,477,038</u>	<u>\$ 48,794,773</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, 2025

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

Net change in fund balances - total governmental funds \$ 15,449,667

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. These are the details of items supporting this adjustment:

Capital outlays	\$ 4,109,741	
Depreciation expense	(1,908,240)	2,201,501

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

Property taxes	\$ 84,994	
Long-term receivable	(97,388)	
Opioid settlement	(15,752)	(28,146)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:

Issuance of bonds payable	\$ (17,025,931)	
Issuance of lease liabilities	(256,587)	

Principal repayments:

General obligation bonds	1,705,733	
Lease liabilities	65,371	
Loan payable	155,157	(15,356,257)

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	\$ (41,493)	
Change in accrued interest payable	(181,290)	
Changes in pension related items	308,210	
Changes in OPEB related items	22,402	
Amortization of deferred charge on refunding	(104,354)	
Amortization of bond discount	(4,551)	
Amortization of bond premium	18,990	17,914

Change in net position of governmental activities \$ 2,284,679

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, 2025

	Enterprise Funds		
	Utility Fund	Stormwater	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,418,714	\$ -	\$ 2,418,714
Investments	7,600,000	-	7,600,000
Accounts receivable, net of allowance for uncollectibles	1,297,615	-	1,297,615
Total current assets	<u>\$ 11,316,329</u>	<u>\$ -</u>	<u>\$ 11,316,329</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents - unspent bond proceeds	\$ 3,979,402	\$ 1,517,244	\$ 5,496,646
Capital assets:			
Capital assets not being depreciated	\$ 2,492,441	\$ -	\$ 2,492,441
Capital assets, net of accumulated depreciation	14,032,879	-	14,032,879
Total capital assets	<u>\$ 16,525,320</u>	<u>\$ -</u>	<u>\$ 16,525,320</u>
Total noncurrent assets	<u>\$ 20,504,722</u>	<u>\$ 1,517,244</u>	<u>\$ 22,021,966</u>
Total assets	<u>\$ 31,821,051</u>	<u>\$ 1,517,244</u>	<u>\$ 33,338,295</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 93,923	\$ -	\$ 93,923
OPEB related items	6,236	-	6,236
Total deferred outflows of resources	<u>\$ 100,159</u>	<u>\$ -</u>	<u>\$ 100,159</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,018,258	2,957	\$ 1,021,215
Payroll liabilities	14,539	-	14,539
Accrued interest payable	116,545	17,509	134,054
Deposits held in escrow	136,524	-	136,524
Bonds payable - current portion	536,448	13,377	549,825
Total current liabilities	<u>\$ 1,822,314</u>	<u>\$ 33,843</u>	<u>\$ 1,856,157</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 12,049,239	1,533,279	\$ 13,582,518
Net pension liability	93,316	-	93,316
Net OPEB liability	19,231	-	19,231
Total noncurrent liabilities	<u>\$ 12,161,786</u>	<u>\$ 1,533,279</u>	<u>\$ 13,695,065</u>
Total liabilities	<u>\$ 13,984,100</u>	<u>\$ 1,567,122</u>	<u>\$ 15,551,222</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	\$ 58,206	\$ -	\$ 58,206
OPEB related items	3,406	-	3,406
Total deferred outflows of resources	<u>\$ 61,612</u>	<u>\$ -</u>	<u>\$ 61,612</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 7,919,035	\$ (29,412)	\$ 7,889,623
Unrestricted	9,956,463	(20,466)	9,935,997
Total net position	<u>\$ 17,875,498</u>	<u>\$ (49,878)</u>	<u>\$ 17,825,620</u>

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, 2025

	Enterprise Funds		
	Utility Fund	Stormwater	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Water and sewer revenues	\$ 7,999,963	\$ -	\$ 7,999,963
Miscellaneous	85,223	-	85,223
Total operating revenues	<u>\$ 8,085,186</u>	<u>\$ -</u>	<u>\$ 8,085,186</u>
<b>OPERATING EXPENSES</b>			
Administration	\$ 495,063	\$ 7,957	\$ 503,020
Water treatment plant	1,386	-	1,386
Water distribution	1,878,046	-	1,878,046
Wastewater collection	2,794,360	-	2,794,360
Water meter replacement	5,728	-	5,728
Public works personnel	98,767	-	98,767
I & I reduction projects	2,707	-	2,707
Moore's Creek Dam	47,270	-	47,270
Public works labor pool	359	-	359
Diamond Area water & sewer	102,242	-	102,242
Jackson Ave Area water & sewer	18,220	-	18,220
Internal services	350,601	-	350,601
Depreciation	564,307	-	564,307
Total operating expenses	<u>\$ 6,359,056</u>	<u>\$ 7,957</u>	<u>\$ 6,367,013</u>
Operating income (loss)	<u>\$ 1,726,130</u>	<u>\$ (7,957)</u>	<u>\$ 1,718,173</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	\$ 473,612	\$ 17,112	\$ 490,724
Interest expense	(356,649)	(64,033)	(420,682)
Total nonoperating revenues (expenses)	<u>\$ 116,963</u>	<u>\$ (46,921)</u>	<u>\$ 70,042</u>
Income before transfers and capital contributions	<u>\$ 1,843,093</u>	<u>\$ (54,878)</u>	<u>\$ 1,788,215</u>
Transfers out	\$ (17,150)	\$ -	\$ (17,150)
Transfers in	16,409	5,000	21,409
Change in net position	<u>\$ 1,842,352</u>	<u>\$ (49,878)</u>	<u>\$ 1,792,474</u>
Net position - beginning	16,033,146	-	16,033,146
Net position - ending	<u>\$ 17,875,498</u>	<u>\$ (49,878)</u>	<u>\$ 17,825,620</u>

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, 2025

	Enterprise Funds		
	Utility Fund	Stormwater	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 7,824,809	\$ -	\$ 7,824,809
Payments to suppliers	(4,894,658)	(5,000)	(4,899,658)
Payments to and for employees	(768,370)	-	(768,370)
Net cash provided by (used for) by operating activities	<u>\$ 2,161,781</u>	<u>\$ (5,000)</u>	<u>\$ 2,156,781</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers (to) from other funds	\$ (741)	\$ 5,000	\$ 4,259
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	\$ (577,498)	\$ -	\$ (577,498)
Principal payments on bonds	(375,000)	-	(375,000)
Issuance of bonds payable	3,711,975	1,546,656	5,258,631
Interest payments	(444,206)	(46,524)	(490,730)
Net cash provided by (used for) capital and related financing activities	<u>\$ 2,315,271</u>	<u>\$ 1,500,132</u>	<u>\$ 3,815,403</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale (purchase) of investments	\$ 1,288,998	\$ -	\$ 1,288,998
Interest and dividends received	473,612	17,112	490,724
Net cash provided by (used for) investing activities	<u>\$ 1,762,610</u>	<u>\$ 17,112</u>	<u>\$ 1,779,722</u>
Net increase (decrease) in cash and cash equivalents	\$ 6,238,921	\$ 1,517,244	\$ 7,756,165
Cash and cash equivalents - beginning	159,195	-	159,195
Cash and cash equivalents - ending	<u>\$ 6,398,116</u>	<u>\$ 1,517,244</u>	<u>\$ 7,915,360</u>
Cash and cash equivalents:			
Unrestricted	\$ 2,418,714	\$ -	\$ 2,418,714
Restricted	3,979,402	1,517,244	5,496,646
Total	<u>\$ 6,398,116</u>	<u>\$ 1,517,244</u>	<u>\$ 7,915,360</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 1,726,130	\$ (7,957)	\$ 1,718,173
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 564,307	\$ -	\$ 564,307
(Increase) decrease in accounts receivable	(254,127)	-	(254,127)
(Increase) decrease in deferred outflows of resources	(8,642)	-	(8,642)
Increase (decrease) in accounts payable	162,018	2,957	164,975
Increase (decrease) in payroll liabilities	4,817	-	4,817
Increase (decrease) in net OPEB liability	(1,621)	-	(1,621)
Increase (decrease) in deferred inflows of resources	7,353	-	7,353
Increase (decrease) in net pension liability	(32,204)	-	(32,204)
Increase (decrease) deposits held in escrow	(6,250)	-	(6,250)
Total adjustments	<u>\$ 435,651</u>	<u>\$ 2,957</u>	<u>\$ 438,608</u>
Net cash provided by (used for) operating activities	<u>\$ 2,161,781</u>	<u>\$ (5,000)</u>	<u>\$ 2,156,781</u>

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, 2025

	<u>OPEB Trust</u>	<u>Custodial Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 280,005	\$ 1,134,345
Accounts receivable	-	24,581
Prepaid items	-	9,000
Total assets	<u>\$ 280,005</u>	<u>\$ 1,167,926</u>
<b>LIABILITIES</b>		
Accrued liabilities	\$ -	\$ 202,144
Total liabilities	<u>\$ -</u>	<u>\$ 202,144</u>
<b>NET POSITION</b>		
Restricted for:		
Net position restricted for postemployment benefits other than pensions	\$ 280,005	\$ -
Central Dispatch operations	-	232,710
RARO operations	-	53,292
Regional Tourism operations	-	679,780
Total net position	<u>\$ 280,005</u>	<u>\$ 965,782</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, 2025

	<u>OPEB Trust</u>	<u>Custodial Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 78,987	\$ -
Other governments	-	4,038,331
Participant fees	-	152,105
Miscellaneous	-	66,816
Total contributions	<u>\$ 78,987</u>	<u>\$ 4,257,252</u>
Investment income:		
Net increase in fair value of investments	\$ 22,391	\$ -
Interest and dividends	372	-
Investment expense	(512)	-
Net investment income	<u>\$ 22,251</u>	<u>\$ -</u>
Total additions	<u>\$ 101,238</u>	<u>\$ 4,257,252</u>
<b>DEDUCTIONS</b>		
Benefit payments	\$ 78,987	\$ -
Personnel charges	-	2,320,453
Advertising	-	195,116
Supplies	-	227,148
Buildings and equipment charges	-	871,681
Professional services	-	280,288
Other	-	374,520
Total deductions	<u>\$ 78,987</u>	<u>\$ 4,269,206</u>
Net increase (decrease) in fiduciary net position	<u>\$ 22,251</u>	<u>\$ (11,954)</u>
Net position, beginning	\$ 257,754	\$ 977,736
Net position, ending	<u>\$ 280,005</u>	<u>\$ 965,782</u>

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

**Note 1-Summary of Significant Accounting Policies:**

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

A. Financial Reporting Entity

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

Blended component units - None

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

*School Board* - The Lexington City School Board operates the elementary and secondary public schools in the City. School Board members were previously appointed by City Council. On November 8, 2022, The City voted to amend the policy and establish those seats as elected positions effective with the November 5, 2024 election. The School Board is fiscally dependent upon the City because the City approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements; therefore, all of the School Board's financial information is presented within this Annual Comprehensive Financial Report.

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

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations -

The Rockbridge Regional Library, Rockbridge County Regional Jail Commission, Rockbridge Area Community Services Board, Rockbridge Social Services Board, Rockbridge Area Network Authority, Regional Transit System, Shenandoah Valley Juvenile Detention Home Commission, Rockbridge Area Regional EDA, 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*.

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.

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

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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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.

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

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

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 *Utility Fund* accounts for and reports the City's sewage collection and treatment system and a water treatment plant and distribution system. The City works with Maury Service Authority who operates the system on a day-to-day basis.

The *Stormwater Fund* accounts for and reports the activities of the City's stormwater system, which includes improvements to the rain and runoff collection systems.

The government reports the following fiduciary funds:

Fiduciary Funds (Trust and Custodial Funds) account for assets held by the City in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. The OPEB Trust Fund is one of the fiduciary funds of the City. The Central Dispatch Fund, Regional Area Recreation Organization (RARO), and Regional Tourism (custodial funds) are other fiduciary funds of the City. The City is the fiscal agent for these Organizations and has control over the underlying assets, which are each comprised of different revenue streams. 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.

The School Board reports the following major fund types:

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

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

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

**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.

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 5<sup>th</sup> and December 5<sup>th</sup>. Personal property taxes are pro-rated. The City bills and collects its own property taxes.

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

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

4. 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.

5. 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 \$94,075 and \$39,915 for property taxes and utility billings, respectively, on June 30, 2025.

6. 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.

7. 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.

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
Lease buildings	20
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)

8. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

*Vacation*

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

*Sick Leave*

The City's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

9. 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.

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

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

10. 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, 2024 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).

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. A fund balance commitment, which does not lapse at year-end, 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)

11. 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.

12. 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.

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

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

12. Component Unit - School Board Capital Asset and Debt Presentation (Continued)

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.

13. Pensions

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

14. Other Postemployment Benefits (OPEB)

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

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets 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 resulted from the difference between 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 pension and OPEB. For more detailed information on these items, reference the related notes.

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

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

15. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets 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 and opioid settlement receivables are reported in the governmental funds balance sheet. The property tax amount is comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. Another items relates to receivable amounts that are long-term in nature which are reported as unavailable revenue. In addition, certain items related to pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

16. Leases and Subscription-Based IT Arrangements

The City leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

*Lessee*

The City recognizes lease liabilities and intangible right-to-use lease assets (lease asset) with an initial value of \$5,000, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

*Key Estimates and Judgments*

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability.

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

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

16. Leases (Continued)

The City monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

**Note 2-Stewardship, Compliance, and Accountability:**

A. Excess of expenditures over appropriations

For the year ended June 30, 2025, the Permanent Fund had expenditures in excess of appropriations.

B. Deficit net position

At June 30, 2025, the component unit School Board and the Stormwater Fund reported deficit net position.

**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 & 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 2025 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, 2025 were held in the City's name by the City's custodial bank; except \$3,165,676 of U.S. Treasuries, \$21,169,007 of Treasury Bills, \$786,496 of Mutual Fund Bonds, and \$1,088,122 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, 2025 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor’s rating scale.

**City's Rated Debt Investments' Values**

Rated Debt Investments	Fair Quality Ratings	
	AAAm	
Local Government Investment Pool	\$	8,860,955
SNAP		20,006,618
VML/VACo Investment Pool		10,181,262

Concentration of Credit Risk

At June 30, 2025, 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
<b>Mutual Fund Bonds:</b>			
Brandy Wineglobal Corporate Credit FD	\$ 92,753	Upon demand	None
Dodge & Cox Income FD	163,223	Upon demand	None
Ishares 0-5 Year High Yield Corp Bond	115,486	Upon demand	None
Pimco Income FD	95,953	Upon demand	None
Pimco Investment Grade Credit Bond	95,876	Upon demand	None
Principal Spectrum Preferred and Capital Securities	94,653	Upon demand	None
Vanguard Total Market Index Fund	128,552	Upon demand	None
Local Government Investment Pool	8,860,955	Upon demand	None
SNAP	20,006,618	Upon demand	None
VML/VACo Investment Pool	10,181,262	Upon demand	None

**Investment Maturities (in years)**

Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 8,860,955	\$ 8,860,955
SNAP	20,006,618	20,006,618
VML/VACo Investment Pool	10,181,262	10,181,262
<b>Totals</b>	<b>\$ 39,048,835</b>	<b>\$ 39,048,835</b>

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.

**Note 3-Deposits and Investments: (Continued)**

External Investment Pools

The value of the positions in the external investment pools (Local Government Investment Pool) and (State Non-Arbitrage Pool) are the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pools rest with the Virginia State Treasury. LGIP and SNAP are 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, 2025:

Investment	6/30/2025	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	\$ 671,010	\$ 671,010	\$ -	\$ -
Mutual Fund - Equity	802,262	802,262	-	-
Money Market Funds	69,608	69,608	-	-
U.S. Treasuries	3,096,068	3,096,068	-	-
Treasury Bills	21,169,007	21,169,007	-	-
Exchange Traded Funds (EFT)	401,346	401,346	-	-

**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>Local Governments:</u>		
Rockbridge County	\$ 872,407	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	214,209	-
Communications sales and use tax	33,291	-
State sales tax	-	105,899
Categorical aid-shared expenses	16,896	-
Virginia public assistance funds	5,427	-
Children's services act	157,334	-
<u>Federal Government:</u>		
School grants	-	37,570
Other categorical	-	-
Totals	<u>\$ 1,299,564</u>	<u>\$ 143,469</u>

**Note 6-Interfund Transfers and Balances:**

Interfund transfers for the fiscal year ended June 30, 2025 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Primary Government:</u>		
General Fund	\$ 17,150	\$ 1,805,565
Capital Projects Fund	1,763,163	-
Cemetery Fund	20,993	-
Utility Fund	16,409	17,150
Stormwater Fund	5,000	-
<u>Component Unit:</u>		
School Operating Fund	-	18,653
School Activity Fund	18,653	-
Total	<u>\$ 1,841,368</u>	<u>\$ 1,841,368</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.

There were no interfund balances for the fiscal year ended June 30, 2025.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

**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, 2025, the outstanding balance of the debt was \$366,168 and the long-term receivable balance was \$307,339.

During 2025, the City entered into an agreement with the Counties of Rockbridge and Buena Vista, whereby debt was issued in the City’s name for a regional DSS building. DSS will pay rent to the City and the remainder of the balance will be apportioned to each locality once the building is complete.

**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, 2025:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
General Obligation Bonds	\$ 18,029,124	\$ -	\$ (1,589,704)	\$ 16,439,420
Less: Discount on Issuance	(4,551)	-	4,551	-
Plus: Premiums on Issuance	284,857	818,931	(18,990)	1,084,798
Direct Borrowings and Placements:				
General Obligation Bonds	482,197	16,207,000	(116,029)	16,573,168
Loan Payable	1,505,597	-	(155,157)	1,350,440
Lease Liabilities	-	256,587	(65,371)	191,216
Net OPEB Liabilities	304,053	131,248	(155,931)	279,370
Net Pension Liability	1,337,801	2,546,381	(2,873,329)	1,010,853
Compensated Absences *	368,059	41,493	-	409,552
Total	<u>\$ 22,307,137</u>	<u>\$ 20,001,640</u>	<u>\$ (4,969,960)</u>	<u>\$ 37,338,817</u>

\* The change in the compensated absences liability is presented as a net change.

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

Year Ending June 30,	General Obligation Bonds		Direct Borrowings and Placements		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,614,704	\$ 390,075	\$ 279,577	\$ 701,583	\$ 101,650	\$ 4,357
2027	1,634,716	371,776	288,235	773,774	89,566	1,244
2028	1,065,000	350,964	795,951	764,852	-	-
2029	1,090,000	327,920	699,848	730,690	-	-
2030	1,120,000	302,939	736,770	698,369	-	-
2031-2035	5,990,000	1,078,682	3,673,963	2,967,669	-	-
2036-2040	3,925,000	312,018	4,074,770	2,061,750	-	-
2041-2045	-	-	5,030,155	1,088,444	-	-
2046-2050	-	-	2,344,339	288,688	-	-
Totals	<u>\$ 16,439,420</u>	<u>\$ 3,134,374</u>	<u>\$ 17,923,608</u>	<u>\$ 10,075,819</u>	<u>\$ 191,216</u>	<u>\$ 5,601</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

**Note 8-Long-Term Obligations: (Continued)**

**Primary Government - Governmental Activities Indebtedness: (Continued)**

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<b>Direct Borrowings and Placements:</b>						
General Obligation Bond	2.52%	4/12/2013	2028	\$ 1,582,209	\$ 366,168	\$ 118,993
Loan Payable (1)	3.47%	12/22/2022	2033	1,732,000	1,350,440	160,584
General Obligation Bond	5 or 4%	3/12/2025	2050	6,262,000	6,262,000	-
General Obligation Bond	5 or 4%	3/12/2025	2050	9,945,000	9,945,000	-
Subtotal Direct Borrowings and Placements					<u>\$ 17,923,608</u>	<u>\$ 279,577</u>
General Obligation Bond	0.00%	11/13/2009	2026	\$ 8,410,000	\$ 989,420	\$ 494,704
VPSA Bond	0.00%	7/8/2010	2027	1,525,000	180,000	90,000
VPSA Bond	2.675-5.05%	5/15/2014	2040	11,615,000	8,245,000	435,000
VRA Refunding Bond 2020C	0.394-2.298%	11/18/2020	2036	7,965,000	7,025,000	595,000
Subtotal General Obligation Bonds					<u>\$ 16,439,420</u>	<u>\$ 1,614,704</u>
Plus: Premium on Issuance					\$ 1,084,798	\$ 126,742
Total General Obligation Bonds					<u>\$ 35,447,826</u>	<u>\$ 2,021,023</u>
<b>Lease Liabilities:</b>						
539 E Nelson (City Hall Swing Space)	300.00%	11/1/2024	2027	\$ 256,587	\$ 191,216	\$ 101,650
<b>Other Obligations:</b>						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 409,552	\$ 102,388
Net OPEB Liabilities	n/a	n/a	n/a	n/a	279,370	-
Net Pension Liability	n/a	n/a	n/a	n/a	1,010,853	-
Total Other Obligations					<u>\$ 1,699,775</u>	<u>\$ 102,388</u>
Total Long-term Obligations					<u>\$ 37,338,817</u>	<u>\$ 2,225,061</u>

(1) Secured by the underlying equipment for which the loan was issued.

For the governmental activities, net OPEB liability and net pension liability are generally liquidated by the General Fund.

The City is subject to a legal debt limit of 10% of the assessed value of real estate which totaled \$68,332,690 at June 30, 2025.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

**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, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance
Direct Borrowings and Placements:				
General Obligation Bonds	\$ 8,655,000	\$ 4,913,000	\$ (375,000)	\$ 13,193,000
Plus: Premium on Issuance	718,843	345,631	(125,131)	939,343
Net Pension Liability	125,520	234,539	(266,743)	93,316
Net OPEB Liability	20,852	7,808	(9,429)	19,231
Total	<u>\$ 9,520,215</u>	<u>\$ 5,500,978</u>	<u>\$ (776,303)</u>	<u>\$ 14,244,890</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
2026	\$ 390,000	\$ 508,331
2027	410,000	512,340
2028	591,205	490,560
2029	623,183	459,807
2030	652,488	427,559
2031-2035	3,780,385	1,625,763
2036-2040	3,845,228	854,692
2041-2045	2,189,843	344,139
2046-2050	710,668	87,512
Totals	<u>\$ 13,193,000</u>	<u>\$ 5,310,703</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

**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	\$ 1,550,000	\$ 95,000
General Obligation Bond	4.125%-5.125%	11/14/2018	2039	2,645,000	2,110,000	105,000
General Obligation Bond	2.036%-5.125%	8/4/2021	2042	5,310,000	4,620,000	190,000
General Obligation Bond	5 or 4%	3/12/2025	2050	3,468,000	3,468,000	-
General Obligation Bond	5 or 4%	3/12/2025	2050	1,445,000	1,445,000	-
					<u>\$ 13,193,000</u>	<u>\$ 390,000</u>
Plus: Premium on Issuance					\$ 939,343	\$ 159,825
Total General Obligation Bonds					<u>\$ 14,132,343</u>	<u>\$ 549,825</u>
Other Obligations:						
Net Pension Liability	n/a	n/a	n/a	n/a	\$ 93,316	\$ -
Net OPEB Liability	n/a	n/a	n/a	n/a	19,231	-
Total Other Obligations					<u>\$ 112,547</u>	<u>\$ -</u>
Total Long-term Obligations					<u>\$ 14,244,890</u>	<u>\$ 549,825</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, 2025

**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, 2025.

	Beginning Balance	Increases	Decreases	Ending Balance
Compensated Absences *	\$ 136,337	\$ -	\$ (9,283)	\$ 127,054
Net Pension Liability	3,843,770	1,552,416	(1,954,936)	3,441,250
Net OPEB Liabilities	835,636	353,142	(333,954)	854,824
 Total	 <u>\$ 4,815,743</u>	 <u>\$ 1,905,558</u>	 <u>\$ (2,298,173)</u>	 <u>\$ 4,423,128</u>

\* The change in the compensated absences liability is presented as a net change.

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:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 127,054	\$ 31,764
Net Pension Liability	n/a	n/a	n/a	n/a	3,441,250	-
Net OPEB Liabilities	n/a	n/a	n/a	n/a	854,824	-
 Total Other Obligations					 <u>\$ 4,423,128</u>	 <u>\$ 31,764</u>
 Total Long-term Obligations					 <u>\$ 4,423,128</u>	 <u>\$ 31,764</u>

For the governmental activities, net OPEB liability and net pension liability are generally liquidated by the School Operating Fund.

**Note 10-Pension Plan:**

***Plan Description***

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

***Benefit Structures***

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Note 10-Pension Plan: (Continued)**

***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.

***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, 2025 was 11.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$639,984 and \$569,550 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$27,746 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$32,326 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$2,774,632 for the year ended June 30, 2025.

**Note 10-Pension Plan: (Continued)**

**Net Pension Liability**

At June 30, 2025, the City reported a liability of \$1,104,169 for its proportionate share of the net pension liability. The City’s net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024 and June 30, 2023 were used as a basis for allocation to determine the City’s proportionate share of the net pension liability. At June 30, 2024 and 2023, the City’s proportion was 80.0298% and 79.7992%, respectively.

**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, 2023, 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, 2024.

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

**Mortality rates:**

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**Note 10-Pension Plan: (Continued)**

**Actuarial Assumptions - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**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, 2023, 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, 2024.

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

**Note 10-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:
  - Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement:
  - Pub-2010 Amount Weighted Safety Healthy Retiree rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement:
  - Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors:
  - Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years
- Mortality Improvement:
  - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Note 10-Pension Plan: (Continued)**

**Long-Term Expected Rate of Return**

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
		Expected arithmetic nominal return**	<u>7.07%</u>

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

\*\*On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

**Note 10-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. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. Through the fiscal year ended June 30, 2024, 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, 2024 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	\$ 4,284,125	\$ 1,104,169	\$ (1,533,420)

**Note 10-Pension Plan: (Continued)**

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

For the year ended June 30, 2025, the City recognized pension expense of \$298,883. 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, 2025, 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	\$ 402,180	\$ -
Net difference between projected and actual earnings on pension plan investments	-	678,406
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,286	-
Employer contributions subsequent to the measurement date	639,984	-
Total	<u>\$ 1,051,450</u>	<u>\$ 678,406</u>

\$639,984 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, 2026. 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>	
2026	\$ (267,051)
2027	273,191
2028	(129,935)
2029	(143,145)

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Note 10-Pension Plan: (Continued)**

**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, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Component Unit School Board (Nonprofessional)</b>
Inactive members or their beneficiaries currently receiving benefits	6
Inactive members:	
Vested inactive members	1
Non-vested inactive members	0
Inactive members active elsewhere in VRS	0
Total inactive members	1
Active members	0
Total covered employees	7

***Contributions***

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2025 was 0.00% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 and \$0 for the years ended June 30, 2025 and June 30, 2024, respectively, as there are currently no active members in the plan.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$0 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$0 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$0 for the year ended June 30, 2025, as there are currently no active members in the plan.

**Note 10-Pension Plan: (Continued)**

**Component Unit School Board (Nonprofessional) (Continued)**

***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, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

***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, 2023	\$ 270,411	\$ 577,001	\$ (306,590)
Changes for the year:			
Interest	\$ 17,302	\$ -	\$ 17,302
Differences between expected and actual experience	2,134	-	2,134
Net investment income	-	54,952	(54,952)
Benefit payments, including refunds of employee contributions	(28,173)	(28,173)	-
Administrative expenses	-	(384)	384
Other changes	-	11	(11)
Net changes	<u>\$ (8,737)</u>	<u>\$ 26,406</u>	<u>\$ (35,143)</u>
Balances at June 30, 2024	<u>\$ 261,674</u>	<u>\$ 603,407</u>	<u>\$ (341,733)</u>

**Note 10-Pension Plan: (Continued)**

**Component Unit School Board (Nonprofessional) (Continued)**

***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		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board (Nonprofessional) Net Pension Liability (Asset)	\$ (322,499)	\$ (341,733)	\$ (358,699)

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

For the year ended June 30, 2025, the Component Unit School Board (nonprofessional) recognized pension expense of \$(28,294). At June 30, 2025, 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)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 16,511

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:

Year ended June 30	Component Unit School Board (Nonprofessional)
2026	\$ (14,822)
2027	4,777
2028	(3,071)
2029	(3,395)

**Note 10-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, 2025, was 14.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2031. 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 \$570,747 and \$618,333 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$14,801 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$29,857 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$1,480,057 for the year ended June 30, 2025.

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

At June 30, 2025, the school division reported a liability of \$3,441,250 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division's proportion was 0.03666% as compared to 0.03803% at June 30, 2023.

For the year ended June 30, 2025, the school division recognized pension expense of \$360,889. 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. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

**Note 10-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)***

At June 30, 2025, 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
Differences between expected and actual experience	\$ 597,008	\$ 70,858
Change in assumptions	62,463	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	53,224	167,878
Net difference between projected and actual earnings on pension plan investments	-	473,690
Employer contributions subsequent to the measurement date	570,747	-
Total	\$ 1,283,442	\$ 712,426

\$570,747 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, 2026. 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:

Year ended June 30	Component Unit School Board (Professional)
2026	\$ (222,845)
2027	259,788
2028	23,588
2029	(60,262)

**Note 10-Pension Plan: (Continued)**

**Component Unit School Board (Professional) (Continued)**

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

**Mortality rates:**

**Pre-Retirement:**

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

**Post-Retirement:**

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

**Post-Disablement:**

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

**Mortality Improvement:**

Rates projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**Note 10-Pension Plan: (Continued)**

**Component Unit School Board (Professional) (Continued)**

**Actuarial Assumptions (Continued)**

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

**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, 2024, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 60,622,260
Plan Fiduciary Net Position	51,235,326
Employers' Net Pension Liability (Asset)	<u>\$ 9,386,934</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.52%
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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.

**Note 10-Pension Plan: (Continued)**

**Component Unit School Board (Professional) (Continued)**

***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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 6,393,168	\$ 3,441,250	\$ 1,023,723

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Primary Government and Component Unit School Board**

***Aggregate Pension Information***

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,051,450	\$ 678,406	\$ 1,104,169	\$ 298,883	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	-	16,511	(341,733)	(28,294)
School Board Professional	-	-	-	-	1,283,442	712,426	3,441,250	360,889
Totals	<u>\$ 1,051,450</u>	<u>\$ 678,406</u>	<u>\$ 1,104,169</u>	<u>\$ 298,883</u>	<u>\$ 1,283,442</u>	<u>\$ 728,937</u>	<u>\$ 3,099,517</u>	<u>\$ 332,595</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

**Note 11-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 \$1,443,511.

Discretely Presented Component Unit - School Board:

Unearned Revenue - Tuition revenue collected by the City for students from other localities to attend Lexington City Schools and grant revenue that have not met the revenue criteria totaled \$33,390 and \$49,342, respectively.

Deferred/Unavailable Revenue - Primary Government:

	<u>Government-wide</u> <u>Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Long-term portion of opioid settlement receivable that is not available for funding of current expenditures	\$ -	\$ 136,638
Unavailable long-term receivable	-	8,546,418
Property taxes:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	-	540,310
Tax assessments due after June 30	679,222	679,222
Prepaid property taxes due after June 30 but paid in advance by taxpayers	111,011	111,011
Total property taxes	\$ 790,233	\$ 1,330,543
Total	\$ 790,233	\$ 10,013,599

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

**Note 12-Capital Assets:**

Capital asset activity for the year ended June 30, 2025 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 3,725,858	\$ -	\$ -	\$ 3,725,858
Construction in progress	750,483	2,719,506	-	3,469,989
Total capital assets not being depreciated	<u>\$ 4,476,341</u>	<u>\$ 2,719,506</u>	<u>\$ -</u>	<u>\$ 7,195,847</u>
Capital assets, being depreciated:				
Buildings	\$ 32,961,909	\$ -	\$ -	\$ 32,961,909
Lease building	-	256,587	-	256,587
Improvements other than buildings	2,001,406	198,260	-	2,199,666
Infrastructure	11,429,437	71,256	-	11,500,693
Machinery and equipment	10,600,754	864,132	(504,282)	10,960,604
Total capital assets being depreciated	<u>\$ 56,993,506</u>	<u>\$ 1,390,235</u>	<u>\$ (504,282)</u>	<u>\$ 57,879,459</u>
Accumulated depreciation:				
Buildings	\$ (9,450,971)	\$ (710,524)	\$ -	\$ (10,161,495)
Lease building	-	(67,953)	-	(67,953)
Improvements other than buildings	(1,557,669)	(89,338)	-	(1,647,007)
Infrastructure	(4,345,512)	(311,504)	-	(4,657,016)
Machinery and equipment	(6,403,049)	(728,921)	504,282	(6,627,688)
Total accumulated depreciation	<u>\$ (21,757,201)</u>	<u>\$ (1,908,240)</u>	<u>\$ 504,282</u>	<u>\$ (23,161,159)</u>
Total capital assets being depreciated, net	<u>\$ 35,236,305</u>	<u>\$ (518,005)</u>	<u>\$ -</u>	<u>\$ 34,718,300</u>
Governmental activities capital assets, net	<u><u>\$ 39,712,646</u></u>	<u><u>\$ 2,201,501</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,914,147</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

**Note 12-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	\$ 2,099,219	\$ 450,633	\$ (57,411)	\$ 2,492,441
Capital assets, being depreciated:				
Improvements other than buildings	\$ 5,880,377	\$ -	\$ -	\$ 5,880,377
Infrastructure	11,600,421	-	-	11,600,421
Machinery and equipment	1,531,334	184,276	-	1,715,610
Total capital assets being depreciated	<u>\$ 19,012,132</u>	<u>\$ 184,276</u>	<u>\$ -</u>	<u>\$ 19,196,408</u>
Accumulated depreciation:				
Improvements other than buildings	\$ (132,862)	\$ (146,094)	\$ -	\$ (278,956)
Infrastructure	(3,440,015)	(291,496)	-	(3,731,511)
Machinery and equipment	(1,026,345)	(126,717)	-	(1,153,062)
Total accumulated depreciation	<u>\$ (4,599,222)</u>	<u>\$ (564,307)</u>	<u>\$ -</u>	<u>\$ (5,163,529)</u>
Total capital assets being depreciated, net	<u>\$ 14,412,910</u>	<u>\$ (380,031)</u>	<u>\$ -</u>	<u>\$ 14,032,879</u>
Business-type activities capital assets, net	<u>\$ 16,512,129</u>	<u>\$ 70,602</u>	<u>\$ (57,411)</u>	<u>\$ 16,525,320</u>

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

Governmental activities:	
General government administration	\$ 80,116
Public safety	471,018
Public works	731,536
Education	510,009
Parks, recreation, and cultural	65,585
Community development	49,976
Total depreciation expense-governmental activities	<u>\$ 1,908,240</u>
Business-type activities:	
Utility Fund	<u>\$ 564,307</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

**Note 12-Capital Assets: (Continued)**

Discretely Presented Component Unit - School Board:

Capital asset activity for the School Board for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 359,494	\$ -	\$ -	\$ 359,494
Capital assets, being depreciated:				
Buildings	\$ 1,271,364	\$ -	\$ -	\$ 1,271,364
Improvements other than buildings	131,136	-	-	131,136
Machinery and equipment	343,596	-	-	343,596
Total capital assets being depreciated	<u>\$ 1,746,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,746,096</u>
Accumulated depreciation:				
Buildings	\$ (1,170,680)	\$ (12,645)	\$ -	\$ (1,183,325)
Improvements other than buildings	(89,610)	(13,114)	-	(102,724)
Machinery and equipment	(239,476)	(24,475)	-	(263,951)
Total accumulated depreciation	<u>\$ (1,499,766)</u>	<u>\$ (50,234)</u>	<u>\$ -</u>	<u>\$ (1,550,000)</u>
Total capital assets being depreciated, net	<u>\$ 246,330</u>	<u>\$ (50,234)</u>	<u>\$ -</u>	<u>\$ 196,096</u>
School board capital assets, net	<u>\$ 605,824</u>	<u>\$ (50,234)</u>	<u>\$ -</u>	<u>\$ 555,590</u>

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

Education	<u>\$ 50,234</u>
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**Note 13-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 Risk Sharing Association (VRSA). 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 VRSA 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 14-Contingent Liabilities:**

The City has guaranteed debt issued by the Maury Service Authority (MSA) for the construction and upgrades of its current wastewater treatment plant. The MSA's debt totaled \$1,938,051 as of June 30, 2025 and is scheduled to be completely retired by June of 2031. The City paid \$161,504 to the MSA in FY 25 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 15-Surety Bonds:**

Primary Government:

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

**Note 16-Service Contracts:**

Maury Service Authority: The Maury Service Authority (MSA) provides water filtration and potable water to the City and to Rockbridge County, which in turn sell these same services to their respective residents. During fiscal year 2025, the City paid the MSA \$3,903,128 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 2025 was \$61.50/ton, \$59.50/ton, and \$74.38/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 \$1,719,915 for high school student tuition in 2025.

**Note 17-Annexation/Revenue Sharing:**

In 1983, the City filed a petition with the Virginia Commission on Local Government to annex 6.8 square miles of land in the County of Rockbridge adjoining the City. The proposed annexation would have increased the City's size by approximately 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 2025, the City received \$2,599,414 from the County representing the revenue sharing payment under this agreement.

**Note 18-Litigation:**

At June 30, 2025, there were no significant matters of litigation pending involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to the City.

**Note 19-Other Postemployment Benefits - Health Insurance:**

Plan Description

In addition to the pension benefits described in Note 10, 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 may change the terms of the Plan at any time. The LPRMP does not issue a publicly available financial report.

	Primary Government	Component Unit School Board
Total active employees with coverage	100	55
Total retirees with coverage	3	6
Total	<u>103</u>	<u>61</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. Retirees of the City pay 100% of the premium, there is no employer subsidy provided. Retirees of the School Board pay the VRS Healthcare Credit plus the additional difference between the current employee premium and the employer subsidy at retirement, if any. The amount is fixed at retirement and no employer subsidy is provided for dependents. The current School Board subsidy provided ranges from \$582.36 to \$727.36 depending on their retirement date. For fiscal year 2025, the City and School Board contributed \$16,469 and \$62,518, respectively, in total on a pay-as-you-go basis.

**Note 19-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, 2025:

<u>Asset Class</u>	<u>Allocation</u>
Domestic Equity	32.63%
Fixed Income	21.05%
International Equity	17.91%
Real Estate	11.12%
Private Equity	10.00%
Long/Short Equity	6.43%
Cash	0.86%
	<u>100.00%</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, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 5.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

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

Net OPEB Liability

The net OPEB liability (NOL) for the 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, 2025 NOL amounts for the plan are as follows (amounts expressed in thousands):

	OPEB Plan	
	City	School Board
Total OPEB Liability	\$ 203,754	\$ 417,002
Plan Fiduciary Net Position	132,707	147,298
Net OPEB Liability (Asset)	\$ 71,047	\$ 269,704
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	65.13%	35.32%

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

At June 30, 2025, the City and School Board reported liabilities of \$71,047 and \$269,704, respectively, for their proportionate share of the Net OPEB Liability. The total OPEB liability is based on June 1, 2025 and January 1, 2025 valuation data, for the City and School Board respectively, rolled forward to June 30, 2025. At June 30, 2025, the City and School Board’s proportion was 20.85% and 79.15%, respectively.

For the year ended June 30, 2025, the City and School Board recognized OPEB expense of \$11,878 and \$62,950, respectively.

At June 30, 2025, 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	\$ 42,970	\$ 3,348	\$ 163,125	\$ 12,710
Change in assumptions	1,039	9,991	3,939	37,930
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,356	23,708	23,708	3,356
Net difference between projected and actual earnings on OPEB plan investments	-	370	-	1,403
Total	\$ 47,365	\$ 37,417	\$ 190,772	\$ 55,399

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

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

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
2026	\$ 3,523	\$ 35,856
2027	2,303	34,513
2028	901	28,001
2029	2,149	18,938
2030	1,072	18,065

Schedule of Investment Returns

**Last Ten Fiscal Years**

Annual Money-Weighted Rate of Return Net of Investment Expense	
6/30/2017	12.28%
6/30/2018	9.14%
6/30/2019	4.19%
6/30/2020	2.67%
6/30/2021	29.64%
6/30/2022	-9.52%
6/30/2023	7.26%
6/30/2024	9.36%
6/30/2025	5.38%

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

Actuarial Assumptions

The total OPEB liability was determined based on June 1, 2025 and January 1, 2025 valuation data, for the City and School Board respectively, rolled forward to June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary Increases	2.60%
Investment rate of return	5.50%
Healthcare cost trend rates	7.50% for 2024, decreasing to 7.00% in 2025, and decreasing incrementally to 4.04% in 2075 and thereafter

Mortality rates were based on the PubT.H-2010 Mortality Table (general and teacher, headcount-weighted), fully generational, projected using Scale MP-2021 and base year 2010.

The actuarial assumptions used in the June 30, 2025 valuation were based on July 1, 2025 and December 1, 2025 valuation data, for the City and School Board respectively. The methods, assumptions, and participant data used can be found in the June 1, 2025 and January 1, 2025, for the City and School Board respectively, actuarial valuation report.

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

Actuarial Assumptions (Continued)

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, 2025 (see the discussion of LPRMP's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>
Core Plus	16.00%
Liquid Absolute Return	4.00%
U.S. Large Cap Equity	21.00%
U.S. Small Cap Equity	10.00%
International Developed Equity	13.00%
Emerging Market Equity	5.00%
Long/Short Equity	6.00%
Private Equity	10.00%
Core Real Estate	10.00%
Opportunistic Real Estate	5.00%
	<u>100.00%</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5 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 19-Other Postemployment Benefits - Health Insurance: (Continued)**

Discount Rate (Continued)

The long term expected rate of return on assets was updated to 7.5%. 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	Target Asset Allocation	Long Term	Long Term	Long Term
		Arithmetic Average Nominal Return (1)	Arithmetic Average Real Return (2)	Arithmetic Average Weighted Average Real Return
Core Plus	16.00%	5.58%	2.83%	0.45%
Liquid Absolute Return	4.00%	7.00%	4.25%	0.17%
U.S. Large Cap Equity	21.00%	9.95%	7.20%	1.51%
U.S. Small Cap Equity	10.00%	11.34%	8.59%	0.86%
International Developed Equit	13.00%	10.72%	7.97%	1.04%
Emerging Market Equity	5.00%	11.99%	9.24%	0.46%
Long/Short Equity	6.00%	8.14%	5.39%	0.32%
Private Equity	10.00%	13.26%	10.51%	1.05%
Core Real Estate	10.00%	9.20%	6.45%	0.65%
Opportunistic Real Estate	5.00%	12.20%	9.45%	0.47%
Total	100.00%			6.95%
Inflation				2.75%
Expected arithmetic nominal return				9.70%

(1) Long-Term Arithmetic Average Nominal Return is the average return assumption for any given year derived from long-term risk premiums and a long-term average risk-free rate.

(2) Long-Term Arithmetic Average Real Return is the Long-Term Arithmetic Average Nominal Return minus an average annual inflation rate of 2.75%.

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

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 (6.50%) or one-percentage-point higher (7.50%) than the current discount rate:

	Discount Rate		
	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
City's proportionate share of the LPRMP Net OPEB Liability	\$ 77,875	\$ 71,047	\$ 64,680
School Board's proportionate share of the LPRMP Net OPEB Liability	\$ 295,627	\$ 269,704	\$ 245,535

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 (3.04%)	Trend Rate (4.04%)	1% Increase (5.04%)
City's proportionate share of the LPRMP Net OPEB Liability	\$ 65,600	\$ 71,047	\$ 77,101
School Board's proportionate share of the LPRMP Net OPEB Liability	\$ 249,028	\$ 269,704	\$ 292,687

**Note 20-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, seatbelt 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 \$9,532 as of June 30, 2025.

**Note 20-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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% 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, 2025, was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$25,647 and \$28,271 for the years ended June 30, 2025 and June 30, 2024, respectively. Contributions to the GLI Plan from the School Board were \$18,934 and \$20,920 for the years ended June 30, 2025 and June 30, 2024, 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, 2025, the City and the Component Unit-School Board (professional) reported a liability of \$227,554 and \$168,393, respectively, for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 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, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the City's proportion was 0.02039% as compared to 0.02027% at June 30, 2023. At June 30, 2024, the Component-Unit School Board's (professional) proportion was 0.01509% as compared to 0.01579% at June 30, 2023.

For the year ended June 30, 2025, the City and Component Unit-School Board (professional) recognized GLI OPEB expense of \$4,902 and \$4,505, 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, 2025

**Note 20-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, 2025, 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	\$ 35,891	\$ 5,558	\$ 26,559	\$ 4,113
Net difference between projected and actual earnings on GLI OPEB plan investments	-	19,181	-	14,194
Change in assumptions	1,297	11,277	960	8,345
Changes in proportionate share	8,361	4,287	4,733	12,509
Employer contributions subsequent to the measurement date	25,647	-	18,934	-
Total	<u>\$ 71,196</u>	<u>\$ 40,303</u>	<u>\$ 51,186</u>	<u>\$ 39,161</u>

\$25,647 and \$18,934 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, 2026. 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)
2026	\$ (10,284)	\$ (7,806)
2027	4,851	2,003
2028	2,792	(1,590)
2029	4,235	(868)
2030	3,652	1,352

**Note 20-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, 2023, 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, 2024. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

**Mortality Rates - Teachers**

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**Note 20-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

**Mortality Improvement Scale:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**Note 20-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

**Mortality Improvement Scale:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**Note 20-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**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, 2024, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$ 4,196,055
Plan Fiduciary Net Position	3,080,133
GLI Net OPEB Liability (Asset)	<u>\$ 1,115,922</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%

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.

**Note 20-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

\*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

\*\*On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

**Note 20-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 and 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, 2024, 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 113% of the actuarially determined contribution rate. From July 1, 2024 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	\$ 353,876	\$ 227,554	\$ 125,505
Component Unit-School Board (Professional)	\$ 261,872	\$ 168,393	\$ 92,873

**GLI Plan Fiduciary Net Position**

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 21-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):**

***Plan Description***

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

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

***Eligible Employees***

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

***Benefit Amounts***

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

***HIC Plan Notes***

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

***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, 2025 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$48,600 and \$46,751 for the years ended June 30, 2025 and June 30, 2024, respectively.

**Note 21-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***

At June 30, 2025, the school division reported a liability of \$416,727 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, 2024 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, 2023 and rolled forward to the measurement date of June 30, 2024. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division’s proportion of the VRS Teacher Employee HIC was 0.03606% as compared to 0.03730% at June 30, 2023.

For the year ended June 30, 2025, the school division recognized VRS Teacher Employee HIC OPEB expense of \$33,583. 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 proportionate share and differences between actual and expected contributions.

At June 30, 2025, 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	\$ -	\$ 19,744
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,482
Change in assumptions	7,179	-
Change in proportionate share and differences between actual and expected contributions	13,744	22,187
Employer contributions subsequent to the measurement date	<u>48,600</u>	<u>-</u>
Total	<u>\$ 69,523</u>	<u>\$ 43,413</u>

**Note 21-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)***

\$48,600 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, 2026. 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:

<u>Year Ended June 30</u>		
2026	\$	(2,222)
2027		(1,741)
2028		(4,645)
2029		(6,018)
2030		(5,278)
Thereafter		(2,586)

***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, 2023, 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, 2024.

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

**Note 21-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Teachers**

**Pre-Retirement:**

Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males

**Post-Retirement:**

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

**Post-Disablement:**

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

**Mortality Improvement Scale:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

**Note 21-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***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, 2024, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee HIC OPEB Plan</u>
Total Teacher Employee HIC OPEB Liability	\$	1,478,105
Plan Fiduciary Net Position		<u>322,457</u>
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u><u>1,155,648</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		
		21.82%

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 21-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)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

\*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

\*\*On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation, at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

**Note 21-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, 2024, 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, 2024 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	\$ 473,922	\$ 416,727	\$ 368,248

**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 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-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, 2025

**Note 22-Line of Duty Act (LODA) (OPEB Benefits):**

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The City’s LODA coverage is fully covered or “insured” through VRSA. This is built into the LODA coverage cost presented in the annual renewals. The City’s LODA premium for the year ended June 30, 2025 was \$54,683.

**Note 23-Aggregate OPEB Information:**

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Plan:								
City	\$ 71,196	\$ 40,303	\$ 227,554	\$ 4,902	\$ -	\$ -	\$ -	\$ -
School Board Professional	-	-	-	-	51,186	39,161	168,393	4,505
Teacher Health Insurance Credit Plan	-	-	-	-	69,523	43,413	416,727	33,583
City Stand-Alone Plan	47,365	37,417	71,047	11,878	-	-	-	-
School Stand-Alone Plan	-	-	-	-	190,772	55,399	269,704	62,950
Totals	\$ 118,561	\$ 77,720	\$ 298,601	\$ 16,780	\$ 311,481	\$ 137,973	\$ 854,824	\$ 101,038

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2025

**Note 24-Fund Balance Classifications:**

Fund balance classifications for the primary government are as follows:

	General Fund	Capital Projects Fund	Permanent Fund
<b>Nonspendable:</b>			
Prepays	\$ 8,579	\$ -	\$ -
Corpus	-	-	180,562
<b>Total Nonspendable</b>	<b>\$ 8,579</b>	<b>\$ -</b>	<b>\$ 180,562</b>
<b>Restricted:</b>			
Perpetual cemetery care	\$ -	\$ -	\$ 2,296,476
Opioid abatement	4,582	-	-
School Construction	-	1,210,801	-
Unspent bond proceeds	14,509,972	-	-
<b>Total Restricted</b>	<b>\$ 14,514,554</b>	<b>\$ 1,210,801</b>	<b>\$ 2,296,476</b>
<b>Committed:</b>			
Fire	\$ 275,567	\$ -	\$ -
Equipment replacement	3,375,118	-	-
Capital projects	-	4,886,429	-
<b>Total Committed</b>	<b>\$ 3,650,685</b>	<b>\$ 4,886,429</b>	<b>\$ -</b>
<b>Assigned:</b>			
Carryovers	\$ 687,006	\$ -	\$ -
Capital reserve funds	5,600,000	-	-
Sprinkler program reserves	250,000		
Homeowner helper reserves	250,000		
<b>Total Assigned</b>	<b>\$ 6,787,006</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Unassigned</b>	<b>\$ 15,259,681</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Fund Balance</b>	<b>\$ 40,220,505</b>	<b>\$ 6,097,230</b>	<b>\$ 2,477,038</b>

Fund balance classifications for the component units are as follows:

	School Operating Fund	School Activity Fund	Economic Development Authority
<b>Committed:</b>			
Special revenue funds	\$ 2,191,103	\$ 66,797	\$ 315,442
<b>Total Fund Balance</b>	<b>\$ 2,191,103</b>	<b>\$ 66,797</b>	<b>\$ 315,442</b>

**Note 25-Commitments and Contingencies:**

The City was involved in major construction projects during the fiscal year as presented below:

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at year end</u>	<u>Accounts and Retainage Payable</u>
City Hall Improvements	\$ 620,404	\$ 91,655	\$ -
City Hall Improvements	5,742,147	5,130,276	228,858
Rockbridge DSS Project	8,068,780	7,282,437	280,578

**Note 26-Adoption of Accounting Principles:**

During the current year, the City implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the City now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. Since the impact of the change in accounting principle was not significant, there was no restatement of beginning balances.

**Note 27-Upcoming Pronouncements:**

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, effective for fiscal years beginning after June 15, 2025.

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

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## Required Supplementary Information

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City of Lexington, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 7,966,522	\$ 7,966,522	\$ 7,888,320	\$ (78,202)
Other local taxes	5,640,024	5,640,024	5,665,801	25,777
Permits, privilege fees, and regulatory licenses	123,800	123,800	227,995	104,195
Fines and forfeitures	66,700	66,700	57,921	(8,779)
Revenue from the use of money and property	1,195,400	1,195,400	1,723,100	527,700
Charges for services	807,900	815,871	956,317	140,446
Miscellaneous	3,350,217	3,350,217	3,475,906	125,689
Recovered costs	851,500	851,500	1,183,698	332,198
Intergovernmental:				
Commonwealth	2,713,686	2,848,910	2,758,545	(90,365)
Federal	50,000	50,000	138,857	88,857
Total revenues	\$ 22,765,749	\$ 22,908,944	\$ 24,076,460	\$ 1,167,516
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,104,947	\$ 2,047,417	\$ 2,231,731	\$ (184,314)
Judicial administration	379,230	526,467	430,882	95,585
Public safety	5,619,265	5,863,720	5,545,853	317,867
Public works	4,203,083	4,869,075	4,091,342	777,733
Health and welfare	1,418,698	3,050,076	3,111,762	(61,686)
Education	3,739,063	3,768,781	3,739,063	29,718
Parks, recreation, and cultural	212,479	203,213	678,061	(474,848)
Community development	1,200,968	1,214,880	945,215	269,665
Nondepartmental	35,600	2,205	2,205	-
Debt service:				
Principal retirement	1,931,141	1,931,141	1,926,261	4,880
Interest and other fiscal charges	485,722	485,722	484,495	1,227
Bond issuance cost	-	-	513,304	(513,304)
Total expenditures	\$ 21,330,196	\$ 23,962,697	\$ 23,700,174	\$ 262,523
Excess (deficiency) of revenues over (under) expenditures	\$ 1,435,553	\$ (1,053,753)	\$ 376,286	\$ 1,430,039
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 17,150	\$ 17,150	\$ 17,150	\$ -
Transfers out	(1,452,703)	(1,419,153)	(1,805,565)	(386,412)
Issuance of lease liability	-	-	256,587	256,587
Issuance of bonds payable	-	-	17,025,931	17,025,931
Total other financing sources (uses)	\$ (1,435,553)	\$ (1,402,003)	\$ 15,494,103	\$ 16,896,106
Net change in fund balances	\$ -	\$ (2,455,756)	\$ 15,870,389	\$ 18,326,145
Fund balances - beginning	-	2,455,756	24,350,116	21,894,360
Fund balances - ending	\$ -	\$ -	\$ 40,220,505	\$ 40,220,505

**REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE BUDGETARY COMPARISON SCHEDULES  
JUNE 30, 2025**

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**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, 2015 through June 30, 2024**

Date (1)	Employer's Proportion of the Net Pension Liability (Asset) (NPLA) (2)	Employer's Proportionate Share of the NPLA (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the NPLA as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset) (6)
<b>Primary Government - City Retirement Plan</b>					
2024	80.0298%	\$ 1,104,169	\$ 5,227,327	21.12%	95.89%
2023	79.7992%	1,463,321	4,762,606	30.73%	94.30%
2022	78.5837%	853,359	4,221,735	20.21%	102.40%
2021	79.0815%	308,469	3,937,022	7.84%	80.92%
2020	78.8502%	3,853,193	4,128,976	93.32%	101.31%
2019	80.7397%	2,817,797	3,944,658	71.43%	97.16%
2018	79.8557%	2,072,163	4,023,170	51.51%	90.19%
2017	81.3379%	2,877,592	3,884,004	74.09%	86.55%
2016	84.0663%	4,361,811	4,274,309	102.05%	80.00%
2015	83.4641%	3,563,259	4,312,572	82.62%	82.87%
<b>Component Unit School Board (professional)</b>					
2024	0.03666%	\$ 3,441,250	\$ 3,863,721	89.07%	84.52%
2023	0.03803%	3,843,770	3,719,006	103.35%	82.45%
2022	0.03900%	3,711,129	3,567,883	104.01%	82.61%
2021	0.03834%	2,976,372	3,321,276	89.62%	85.46%
2020	0.03760%	5,476,153	3,236,628	169.19%	71.47%
2019	0.03688%	4,853,617	3,057,892	158.72%	73.51%
2018	0.03561%	4,188,000	2,835,144	147.72%	74.81%
2017	0.03517%	4,325,000	2,774,517	155.88%	72.92%
2016	0.03438%	4,818,000	2,619,420	183.93%	68.28%
2015	0.03474%	4,372,000	2,586,134	169.06%	70.68%

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, 2015 through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>										
Interest	\$ 17,302	\$ 18,286	\$ 18,859	\$ 18,936	\$ 20,518	\$ 20,664	\$ 21,153	\$ 21,652	\$ 22,411	\$ 21,938
Differences between expected and actual experience	2,134	(6,836)	(3,548)	(10,883)	(18,652)	11,962	-	1,154	(1,766)	16,718
Assumption changes	-	-	-	14,820	-	6,071	4,587	1,754	-	-
Benefit payments	(28,173)	(23,876)	(23,725)	(24,314)	(26,286)	(33,557)	(31,896)	(31,498)	(31,460)	(32,349)
<b>Net change in total pension liability</b>	<b>\$(8,737)</b>	<b>\$(12,426)</b>	<b>\$(8,414)</b>	<b>\$(1,441)</b>	<b>\$(24,420)</b>	<b>\$5,140</b>	<b>\$(6,156)</b>	<b>\$(6,938)</b>	<b>\$(10,815)</b>	<b>\$6,307</b>
Total pension liability - beginning	270,411	282,837	291,251	292,692	317,112	311,972	318,128	325,066	335,881	329,574
<b>Total pension liability - ending (a)</b>	<b>\$ 261,674</b>	<b>\$ 270,411</b>	<b>\$ 282,837</b>	<b>\$ 291,251</b>	<b>\$ 292,692</b>	<b>\$ 317,112</b>	<b>\$ 311,972</b>	<b>\$ 318,128</b>	<b>\$ 325,066</b>	<b>\$ 335,881</b>
<b>Plan fiduciary net position</b>										
Contributions - employee	\$ 54,952	35,739	(239)	129,881	9,453	32,154	36,150	56,045	7,854	22,550
Net investment income	(28,173)	(23,876)	(23,725)	(24,314)	(26,286)	(33,557)	(31,896)	(31,498)	(31,460)	(32,349)
Benefit payments	(384)	(369)	(373)	(338)	(338)	(345)	(332)	(348)	(325)	(326)
Administrator charges	11	13	13	12	(11)	(20)	(31)	(49)	(4)	(4)
Other	26,406	11,507	(24,324)	105,241	(17,182)	(1,768)	3,891	24,150	(23,935)	2,721
<b>Net change in plan fiduciary net position</b>	<b>\$ 577,001</b>	<b>\$ 565,494</b>	<b>\$ 589,818</b>	<b>\$ 484,577</b>	<b>\$ 501,759</b>	<b>\$ 503,527</b>	<b>\$ 499,636</b>	<b>\$ 475,486</b>	<b>\$ 499,421</b>	<b>\$ 496,700</b>
Plan fiduciary net position - beginning	603,407	577,001	565,494	589,818	484,577	501,759	503,527	499,636	475,486	499,421
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 341,733</b>	<b>\$ 306,590</b>	<b>\$ 282,657</b>	<b>\$ 298,567</b>	<b>\$ 191,885</b>	<b>\$ 184,647</b>	<b>\$ 191,555</b>	<b>\$ 181,508</b>	<b>\$ 150,420</b>	<b>\$ (163,540)</b>
<b>School Division's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 230.59%</b>	<b>213.38%</b>	<b>199.94%</b>	<b>202.51%</b>	<b>165.56%</b>	<b>158.23%</b>	<b>161.40%</b>	<b>157.06%</b>	<b>146.27%</b>	<b>148.69%</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>										
Covered payroll (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>100.00%</b>									

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

**City of Lexington, Virginia**  
**Schedule of Employer Contributions**  
**Pension Plans**  
For the Years Ended June 30, 2016 through June 30, 2025

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)
<b>Primary Government</b>					
2025	\$ 639,984	\$ 639,984	\$ -	\$ 5,458,720	11.72%
2024	569,550	569,550	-	5,227,327	10.90%
2023	527,397	527,397	-	4,762,606	11.07%
2022	502,431	502,431	-	4,221,735	11.90%
2021	472,545	472,545	-	3,937,022	12.00%
2020	412,191	412,191	-	4,128,976	9.98%
2019	409,125	409,125	-	3,944,658	10.37%
2018	471,254	471,254	-	4,023,170	11.71%
2017	451,906	451,906	-	3,884,004	11.64%
2016	575,760	575,760	-	4,274,309	13.47%
<b>Component Unit School Board (Professional)</b>					
2025	\$ 570,747	\$ 570,747	\$ -	\$ 4,016,517	14.21%
2024	618,333	618,333	-	3,863,721	16.00%
2023	599,219	599,219	-	3,719,006	16.11%
2022	579,109	579,109	-	3,567,883	16.23%
2021	542,378	542,378	-	3,321,276	16.33%
2020	507,503	507,503	-	3,236,628	15.68%
2019	472,576	472,576	-	3,057,892	15.45%
2018	455,833	455,833	-	2,835,144	16.08%
2017	400,198	400,198	-	2,774,517	14.42%
2016	365,738	365,738	-	2,619,420	13.96%

\* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

**City of Lexington, Virginia**  
Notes to Required Supplementary Information  
Pension Plans  
For the Year Ended June 30, 2025

**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, 2023, valuations were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

**CITY OF LEXINGTON, VIRGINIA**  
 Schedule of Changes in the City's Net OPEB Liability and Related Ratios  
 Health Insurance - LPRMP  
 For the Years Ended June 30, 2017 through June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB liability</b>									
Service cost	\$ 23,159	\$ 22,275	\$ 24,908	\$ 23,951	\$ 21,725	\$ 22,117	\$ 20,748	\$ 20,780	\$ 20,000
Interest	27,802	28,391	24,293	25,685	23,474	25,975	22,109	24,170	26,000
Differences between expected and actual experience	168,289	15,226	78,862	(34,230)	56,954	(9,723)	82,009	-	-
Changes in assumptions	(53,482)	-	7,752	-	3,857	(23,483)	8,197	-	-
Benefit payments	(78,987)	(81,012)	(62,749)	(46,930)	(53,862)	(73,216)	(57,561)	(80,717)	(70,000)
Net change in total OPEB liability	\$ 86,781	\$ (15,120)	\$ 73,066	\$ (31,524)	\$ 52,148	\$ (58,330)	\$ 75,502	\$ (35,767)	\$ (24,000)
Total OPEB liability - beginning	533,975	549,095	476,029	507,553	455,405	513,735	438,233	474,000	498,000
Total OPEB liability - ending (a)	\$ 620,756	\$ 533,975	\$ 549,095	\$ 476,029	\$ 507,553	\$ 455,405	\$ 513,735	\$ 438,233	\$ 474,000
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 78,987	\$ 81,012	\$ 62,749	\$ 46,930	\$ 53,862	\$ 73,216	\$ 57,561	\$ 80,717	\$ 70,000
Net investment income	22,251	21,641	15,991	(23,156)	55,618	4,877	7,355	14,691	17,576
Benefit payments	(78,987)	(81,012)	(62,749)	(46,930)	(53,862)	(73,216)	(57,561)	(80,717)	(70,000)
Net change in plan fiduciary net position	\$ 22,251	\$ 21,641	\$ 15,991	\$ (23,156)	\$ 55,618	\$ 4,877	\$ 7,355	\$ 14,691	\$ 17,576
Plan fiduciary net position - beginning	257,754	236,113	220,122	243,278	187,660	182,783	175,428	160,737	143,161
Plan fiduciary net position - ending (b)	\$ 280,005	\$ 257,754	\$ 236,113	\$ 220,122	\$ 243,278	\$ 187,660	\$ 182,783	\$ 175,428	\$ 160,737
<b>City's net OPEB liability - ending (a) - (b)</b>	\$ 340,751	\$ 276,221	\$ 312,982	\$ 255,907	\$ 264,275	\$ 267,745	\$ 330,952	\$ 262,805	\$ 313,263
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	45.11%	48.27%	43.00%	46.24%	47.93%	41.21%	35.58%	40.03%	33.91%
<b>Covered-employee payroll</b>	\$ 10,879,757	\$ 10,395,447	\$ 9,779,565	\$ 8,940,161	\$ 8,314,316	\$ 8,350,563	\$ 7,997,624	\$ 7,781,386	\$ 7,394,172
<b>City's net OPEB liability as a percentage of covered-employee payroll</b>	3.13%	2.66%	3.20%	2.86%	3.18%	3.21%	4.14%	3.38%	4.24%

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 City's Share of Net OPEB Liability  
Health Insurance - LPRMP  
For the Years Ended June 30, 2017 through June 30, 2025

Date (1)	Employer's Proportion of the Net OPEB Liability (2)	Employer's Proportionate Share of the Net OPEB Liability (3)	Employer's Covered Employee Payroll (4)	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability (6)
Primary Government					
2025	20.85%	\$ 71,047	\$ 6,863,240	1.04%	45.11%
2024	29.62%	81,816	6,531,726	1.25%	48.27%
2023	27.77%	86,915	6,060,559	1.43%	43.00%
2022	35.68%	91,307	5,372,278	1.70%	46.24%
2021	35.77%	94,531	4,993,040	1.89%	47.93%
2020	36.51%	97,753	5,113,935	1.91%	41.21%
2019	34.63%	114,609	4,939,732	2.32%	35.58%
2018	33.32%	87,567	4,946,242	1.77%	40.03%
2017	33.32%	104,379	4,619,654	2.26%	33.91%
Component Unit School Board					
2025	79.15%	\$ 269,704	\$ 4,016,517	6.71%	45.11%
2024	70.38%	194,405	3,863,721	5.03%	48.27%
2023	72.23%	226,067	3,719,006	6.08%	43.00%
2022	64.32%	164,600	3,567,883	4.61%	46.24%
2021	64.23%	169,744	3,321,276	5.11%	47.93%
2020	63.49%	169,992	3,236,628	5.25%	41.21%
2019	65.37%	216,343	3,057,892	7.07%	35.58%
2018	66.68%	175,238	2,835,144	6.18%	40.03%
2017	66.68%	208,884	2,774,518	7.53%	33.91%

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

**City of Lexington, Virginia**  
Schedule of Employer Contributions  
Health Insurance - LPRMP  
For the Years Ended June 30, 2017 through June 30, 2025

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:					
2025	\$ 16,469	\$ 16,469	\$ -	\$ 6,863,240	0.24%
2024	23,996	23,996	-	6,531,726	0.37%
2023	17,425	17,425	-	6,060,559	0.29%
2022	16,745	16,745	-	5,372,278	0.31%
2021	19,266	19,266	-	4,993,040	0.39%
2020	26,731	26,731	-	5,113,935	0.52%
2019	19,933	19,933	-	4,939,732	0.40%
2018	26,895	26,895	-	4,946,242	0.54%
2017	12,000	13,000	(1,000)	4,619,654	0.28%
School Board:					
2025	\$ 62,518	\$ 62,518	\$ -	\$ 4,016,517	1.56%
2024	57,016	57,016	-	3,863,721	1.48%
2023	45,324	45,324	-	3,719,006	1.22%
2022	30,185	30,185	-	3,567,883	0.85%
2021	34,596	34,596	-	3,321,276	1.04%
2020	46,485	46,485	-	3,236,628	1.44%
2019	37,628	37,628	-	3,057,892	1.23%
2018	53,822	53,822	-	2,835,144	1.90%
2017	25,000	54,000	(29,000)	2,774,518	1.95%

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

**Notes to Schedule**

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

## Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period	Closed, 30 years as of July 1, 2021
Asset valuation method	Fair Value of Assets
Inflation	2.60 percent
Healthcare cost trend rates	Based on Society of Actuaries Long-Run Medical Cost Trend Model. The rate in 2024 is 7.50%, increasing to 7.00% in 2025 and decreasing incrementally to 4.04% in 2075 and thereafter.
Salary increases	2.60 percent
Investment rate of return	7.50 percent
Retirement age	Expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	Assumed life expectancies were adjusted as a result of adopting the PubT.H-2010 Mortality Table (general and teacher, headcount-weighted), Fully Generational, Projected using Scale MP-2021 and base year 2010.

City of Lexington, Virginia  
 Schedule of Investment Returns  
 Health Insurance - LPRMP

For the Years Ended June 30, 2017 through June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	5.38%	9.36%	7.26%	-9.52%	29.64%	2.67%	4.19%	9.14%	12.28%

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 City's Share of Net OPEB Liability  
 Group Life Insurance (GLI) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2024

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)
<b>Primary Government</b>					
2024	0.02039%	\$ 227,554	\$ 5,235,428	4.35%	73.41%
2023	0.02027%	243,089	4,773,789	5.09%	69.30%
2022	0.01917%	231,352	4,179,348	5.54%	67.21%
2021	0.01922%	223,276	3,959,425	5.64%	67.45%
2020	0.02500%	328,800	4,128,976	7.96%	52.64%
2019	0.02526%	331,878	3,996,831	8.30%	52.00%
2018	0.02610%	322,911	4,023,170	8.03%	51.22%
2017	0.02517%	318,612	3,884,004	8.20%	48.86%
<b>Component Unit School Board (professional)</b>					
2024	0.01509%	\$ 168,393	\$ 3,874,159	4.35%	73.41%
2023	0.01579%	189,372	3,719,006	5.09%	69.30%
2022	0.01640%	197,472	3,567,883	5.53%	67.21%
2021	0.01610%	187,215	3,321,276	5.64%	67.45%
2020	0.01570%	262,675	3,236,628	8.12%	52.64%
2019	0.01560%	253,853	3,057,892	8.30%	52.00%
2018	0.01513%	230,000	2,835,144	8.11%	51.22%
2017	0.01504%	227,000	2,774,517	8.18%	48.86%

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

**City of Lexington, Virginia**  
**Schedule of Employer Contributions**  
**Group Life Insurance (GLI) Plan**  
For the Years Ended June 30, 2016 through June 30, 2025

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)
<b>Primary Government</b>					
2025	\$ 25,647	\$ 25,647	-	\$ 5,456,880	0.47%
2024	28,271	28,271	-	5,235,428	0.54%
2023	25,778	25,778	-	4,773,789	0.54%
2022	22,568	22,568	-	4,179,348	0.54%
2021	21,383	21,383	-	3,959,425	0.54%
2020	20,797	20,797	-	4,128,976	0.50%
2019	20,783	20,783	-	3,996,831	0.52%
2018	20,989	20,989	-	4,023,170	0.52%
2017	20,292	20,292	-	3,884,004	0.52%
<b>Component Unit School Board (professional)</b>					
2025	\$ 18,934	\$ 18,934	-	\$ 4,028,509	0.47%
2024	20,920	20,920	-	3,874,159	0.54%
2023	20,083	20,083	-	3,719,006	0.54%
2022	19,267	19,267	-	3,567,883	0.54%
2021	17,935	17,935	-	3,321,276	0.54%
2020	16,844	16,844	-	3,236,628	0.52%
2019	15,611	15,611	-	3,057,892	0.51%
2018	14,805	14,805	-	2,835,144	0.52%
2017	14,427	14,427	-	2,774,517	0.52%
2016	12,675	12,675	-	2,619,420	0.48%

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

**City of Lexington, Virginia**  
 Notes to Required Supplementary Information  
 Group Life Insurance (GLI) Plan  
 For the Year Ended June 30, 2025

**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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**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, 2024

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2024	0.03606% \$	416,727 \$	3,863,721	10.79%	21.82%
2023	0.03730%	451,859	3,719,006	12.15%	17.90%
2022	0.03828%	478,135	3,567,883	13.40%	15.08%
2021	0.03755%	481,980	3,321,276	14.51%	13.15%
2020	0.03690%	481,628	3,236,628	14.88%	9.95%
2019	0.03646%	477,297	3,057,892	15.61%	8.97%
2018	0.03541%	449,000	2,835,144	15.84%	8.08%
2017	0.35160%	446,000	2,774,517	16.07%	7.04%

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

**CITY OF LEXINGTON, VIRGINIA**  
 Schedule of Employer Contributions  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Years Ended June 30, 2016 through June 30, 2025

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)
2025	\$ 48,600	\$ 48,600	-	\$ 4,016,517	1.21%
2024	46,751	46,751	-	3,863,721	1.21%
2023	45,000	45,000	-	3,719,006	1.21%
2022	43,171	43,171	-	3,567,883	1.21%
2021	40,187	40,187	-	3,321,276	1.21%
2020	38,840	38,840	-	3,236,628	1.20%
2019	36,695	36,695	-	3,057,892	1.20%
2018	34,872	34,872	-	2,835,144	1.23%
2017	30,797	30,797	-	2,774,517	1.11%
2016	27,767	27,767	-	2,619,420	1.06%

**CITY OF LEXINGTON, VIRGINIA**  
 Notes to Required Supplementary Information  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Year Ended June 30, 2025

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**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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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## **Other Supplementary Information**

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## **CAPITAL PROJECTS FUND**

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### **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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ -	\$ -	\$ 29,439	\$ 29,439
Intergovernmental:				
Commonwealth	-	-	666,066	666,066
Total revenues	\$ -	\$ -	\$ 695,505	\$ 695,505
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 6,320,608	\$ 7,437,063	\$ 1,586,598	\$ 5,850,465
Public safety	254,235	254,235	156,256	97,979
Public works	1,670,000	2,761,413	854,471	1,906,942
Parks, recreation, and cultural	623,000	743,226	429,641	313,585
Total expenditures	\$ 8,867,843	\$ 11,195,937	\$ 3,026,966	\$ 8,168,971
Excess (deficiency) of revenues over (under) expenditures	\$ (8,867,843)	\$ (11,195,937)	\$ (2,331,461)	\$ 8,864,476
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,432,703	\$ 1,399,153	\$ 1,763,163	\$ 364,010
Net change in fund balances	\$ (7,435,140)	\$ (9,796,784)	\$ (568,298)	\$ 9,228,486
Fund balances - beginning	7,435,140	9,796,784	6,665,528	(3,131,256)
Fund balances - ending	\$ -	\$ -	\$ 6,097,230	\$ 6,097,230

## PERMANENT FUND

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### MAJOR GOVERNMENTAL FUNDS

Cemetery Trust Fund - This 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.

City of Lexington, Virginia  
 Permanent Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 185,922	\$ 185,922
Total revenues	\$ -	\$ -	\$ 185,922	\$ 185,922
<b>EXPENDITURES</b>				
Current:				
Parks, recreation, and cultural	\$ -	\$ -	\$ 59,339	\$ (59,339)
Total expenditures	\$ -	\$ -	\$ 59,339	\$ (59,339)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 126,583	\$ 126,583
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 20,993	\$ 20,993
Net change in fund balances	\$ -	\$ -	\$ 147,576	\$ 147,576
Fund balances - beginning	-	-	2,329,462	2,329,462
Fund balances - ending	\$ -	\$ -	\$ 2,477,038	\$ 2,477,038

City of Lexington, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds - Custodial Funds  
June 30, 2025

	Central Dispatch	RARO	Regional Tourism	Total Custodial Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 398,724	\$ 48,974	\$ 686,647	\$ 1,134,345
Accounts receivable	-	24,581	-	24,581
Prepaid items	-	-	9,000	9,000
Total assets	<u>\$ 398,724</u>	<u>\$ 73,555</u>	<u>\$ 695,647</u>	<u>\$ 1,167,926</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 166,014	\$ 20,263	\$ 15,867	\$ 202,144
Total liabilities	<u>\$ 166,014</u>	<u>\$ 20,263</u>	<u>\$ 15,867</u>	<u>\$ 202,144</u>
<b>NET POSITION</b>				
Restricted for:				
Central Dispatch operations	\$ 232,710	\$ -	\$ -	\$ 232,710
RARO operations	-	53,292	-	53,292
Regional Tourism operations	-	-	679,780	679,780
Total net position	<u>\$ 232,710</u>	<u>\$ 53,292</u>	<u>\$ 679,780</u>	<u>\$ 965,782</u>

City of Lexington, Virginia  
Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds - Custodial Funds  
For the Year Ended June 30, 2025

	Central Dispatch	RARO	Regional Tourism	Total Custodial Funds
<b>ADDITIONS</b>				
Contributions:				
Other governments	\$ 2,318,441	\$ 593,365	\$ 1,126,525	\$ 4,038,331
Participant fees	67,864	84,241	-	152,105
Miscellaneous	-	28,709	38,107	66,816
Total contributions	<u>\$ 2,386,305</u>	<u>\$ 706,315</u>	<u>\$ 1,164,632</u>	<u>\$ 4,257,252</u>
<b>DEDUCTIONS</b>				
Personnel charges	\$ 1,408,343	\$ 557,905	\$ 354,205	\$ 2,320,453
Advertising	-	-	195,116	195,116
Supplies	140,728	75,864	10,556	227,148
Buildings and equipment charges	813,113	753	57,815	871,681
Professional services	15,334	-	264,954	280,288
Other	206,182	51,292	117,046	374,520
Total deductions	<u>\$ 2,583,700</u>	<u>\$ 685,814</u>	<u>\$ 999,692</u>	<u>\$ 4,269,206</u>
Net increase (decrease) in fiduciary net position	\$ (197,395)	\$ 20,501	\$ 164,940	\$ (11,954)
Net position, beginning	430,105	32,791	514,840	977,736
Net position, ending	<u>\$ 232,710</u>	<u>\$ 53,292</u>	<u>\$ 679,780</u>	<u>\$ 965,782</u>

## **DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

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### **MAJOR GOVERNMENTAL FUNDS**

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

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

City of Lexington, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2025

	School Operating Fund	School Activity Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,597,935	\$ 66,797	\$ 2,664,732
Receivables (net of allowance for uncollectibles):			
Accounts receivable	71	-	71
Due from other governmental units	143,469	-	143,469
Total assets	<u>\$ 2,741,475</u>	<u>\$ 66,797</u>	<u>\$ 2,808,272</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 163,390	\$ -	\$ 163,390
Payroll liabilities	304,250	-	304,250
Unearned revenue	82,732	-	82,732
Total liabilities	<u>\$ 550,372</u>	<u>\$ -</u>	<u>\$ 550,372</u>
<b>FUND BALANCES</b>			
Committed	\$ 2,191,103	\$ 66,797	\$ 2,257,900
Total fund balances	<u>\$ 2,191,103</u>	<u>\$ 66,797</u>	<u>\$ 2,257,900</u>
Total liabilities and fund balances	<u>\$ 2,741,475</u>	<u>\$ 66,797</u>	<u>\$ 2,808,272</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above			\$ 2,257,900
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets not depreciated		\$ 359,494	
Capital assets being depreciated		<u>196,096</u>	555,590
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Net pension asset			341,733
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items		\$ 1,283,442	
OPEB related items		<u>311,481</u>	1,594,923
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences		\$ (127,054)	
Net pension liability		<u>(3,441,250)</u>	
Net OPEB liabilities		<u>(854,824)</u>	(4,423,128)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items		\$ (728,937)	
OPEB related items		<u>(137,973)</u>	(866,910)
Net position of governmental activities			<u>\$ (539,892)</u>

City of Lexington, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2025

	School Operating Fund	School Activity Fund*	Total
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 14,016	\$ -	\$ 14,016
Charges for services	260,291	87,578	347,869
Miscellaneous	11,138	-	11,138
Recovered costs	21,667	-	21,667
Intergovernmental	9,597,482	-	9,597,482
Total revenues	<u>\$ 9,904,594</u>	<u>\$ 87,578</u>	<u>\$ 9,992,172</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 9,674,581	\$ 103,600	\$ 9,778,181
Total expenditures	<u>\$ 9,674,581</u>	<u>\$ 103,600</u>	<u>\$ 9,778,181</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 230,013	\$ (16,022)	\$ 213,991
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 18,653	\$ 18,653
Transfers out	(18,653)	-	(18,653)
Total other financing sources and uses	<u>\$ (18,653)</u>	<u>\$ 18,653</u>	<u>\$ -</u>
Net change in fund balances	\$ 211,360	\$ 2,631	\$ 213,991
Fund balances - beginning	1,979,743	64,166	2,043,909
Fund balances - ending	<u>\$ 2,191,103</u>	<u>\$ 66,797</u>	<u>\$ 2,257,900</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	\$ 213,991
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. These are the details of items supporting this adjustment:	
Depreciation expense	(50,234)
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	\$ 9,283
Change in pension related items	238,150
Change in OPEB related items	29,014
Change in net position of governmental activities	<u>\$ 440,204</u>

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

City of Lexington, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2025

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 14,016	\$ 14,016
Charges for services	251,850	251,850	260,291	8,441
Miscellaneous	12,300	12,300	11,138	(1,162)
Recovered costs	-	-	21,667	21,667
Intergovernmental	9,258,601	9,288,319	9,597,482	309,163
Total revenues	<u>\$ 9,522,751</u>	<u>\$ 9,552,469</u>	<u>\$ 9,904,594</u>	<u>\$ 352,125</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 9,454,242	\$ 9,644,904	\$ 9,674,581	\$ (29,677)
Debt service:				
Principal retirement	110,673	4,700	-	(4,700)
Total expenditures	<u>\$ 9,564,915</u>	<u>\$ 9,649,604</u>	<u>\$ 9,674,581</u>	<u>\$ (34,377)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (42,164)</u>	<u>\$ (97,135)</u>	<u>\$ 230,013</u>	<u>\$ 317,748</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (18,653)	\$ (18,653)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,653)</u>	<u>\$ (18,653)</u>
Net change in fund balances	\$ (42,164)	\$ (97,135)	\$ 211,360	\$ 299,095
Fund balances - beginning	42,164	97,135	1,979,743	1,882,608
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,191,103</u>	<u>\$ 2,181,703</u>

**DISCRETELY PRESENTED NONMAJOR COMPONENT UNIT**

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**NON MAJOR GOVERNMENTAL FUND**

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

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

City of Lexington, Virginia  
 Balance Sheet  
 Discretely Presented Nonmajor Component Unit  
 June 30, 2025

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	Economic Development Authority
<b>ASSETS</b>	
Cash and cash equivalents	\$ 322,099
Total assets	\$ 322,099
<b>LIABILITIES</b>	
Accounts payable	\$ 6,657
Total liabilities	\$ 6,657
<b>FUND BALANCES</b>	
Committed	\$ 315,442
Total fund balances	\$ 315,442

City of Lexington, Virginia  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Discretely Presented Nonmajor Component Unit  
 For the Year Ended June 30, 2025

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	<u>Economic Development Authority</u>
<b>REVENUES</b>	
Miscellaneous	\$ 38,460
Intergovernmental	267,206
Total revenues	<u>\$ 305,666</u>
 <b>EXPENDITURES</b>	
Current:	
Parks, recreation, and cultural	\$ 267,604
Total expenditures	<u>\$ 267,604</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>\$ 38,062</u>
 Net change in fund balances	 \$ 38,062
Fund balances - beginning	277,380
Fund balances - ending	<u><u>\$ 315,442</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, 2025

	Economic Development Authority			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 38,460	\$ 38,460
Intergovernmental	-	-	267,206	267,206
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,666</u>	<u>\$ 305,666</u>
<b>EXPENDITURES</b>				
Current:				
Parks, recreation, and cultural	\$ -	\$ -	\$ 267,604	\$ (267,604)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,604</u>	<u>\$ (267,604)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,062</u>	<u>\$ 38,062</u>
Net change in fund balances	\$ -	\$ -	\$ 38,062	\$ 38,062
Fund balances - beginning	-	-	277,380	277,380
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,442</u>	<u>\$ 315,442</u>

## **STATISTICAL SECTION**

## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
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>	126
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	136
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>	140
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>	146
Operating Information <i>These schedules 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>	148

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

Table 1

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Governmental activities</b>										
Net investment in capital assets	\$ 11,283	\$ 12,687	\$ 13,200	\$ 14,210	\$ 15,083	\$ 15,229	\$ 15,302	\$ 18,885	\$ 20,747	\$ 21,387
Restricted for perpetual care	1,700	1,809	1,853	1,933	1,970	2,309	1,867	2,150	2,329	2,477
Restricted for school construction	-	-	-	-	-	-	-	-	1,184	1,211
Restricted for opioid settlement	-	-	-	-	-	-	-	-	152	141
Restricted for unspent bond proceeds	-	-	-	-	-	-	-	-	-	14,510
Unrestricted	8,656	8,062	9,352	11,230	12,854	15,502	18,345	25,274	28,422	15,393
<b>Total governmental activities net position</b>	<b>\$ 21,639</b>	<b>\$ 22,558</b>	<b>\$ 24,405</b>	<b>\$ 27,373</b>	<b>\$ 29,907</b>	<b>\$ 33,040</b>	<b>\$ 35,514</b>	<b>\$ 46,309</b>	<b>\$ 52,834</b>	<b>\$ 55,119</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 3,283	\$ 3,092	\$ 3,394	\$ 4,360	\$ 4,137	\$ 4,494	\$ 5,287	\$ 6,108	\$ 7,927	\$ 7,889
Restricted for debt service	-	-	189	998	-	-	-	-	-	-
Unrestricted	2,626	3,284	3,560	2,644	4,189	4,442	4,907	5,277	8,106	9,936
<b>Total business-type activities</b>	<b>\$ 5,909</b>	<b>\$ 6,376</b>	<b>\$ 7,143</b>	<b>\$ 8,002</b>	<b>\$ 8,326</b>	<b>\$ 8,936</b>	<b>\$ 10,194</b>	<b>\$ 11,385</b>	<b>\$ 16,033</b>	<b>\$ 17,825</b>
<b>Primary Government</b>										
Net investment in capital assets	\$ 14,566	\$ 15,779	\$ 16,594	\$ 18,570	\$ 19,220	\$ 19,723	\$ 20,589	\$ 24,993	\$ 28,674	\$ 29,276
Restricted	1,700	1,809	2,042	2,931	1,970	2,309	1,867	2,150	3,665	18,339
Unrestricted	11,282	11,346	12,912	13,874	17,043	19,944	23,252	30,551	36,528	25,329
<b>Total primary government net position</b>	<b>\$ 27,548</b>	<b>\$ 28,934</b>	<b>\$ 31,548</b>	<b>\$ 35,375</b>	<b>\$ 38,233</b>	<b>\$ 41,976</b>	<b>\$ 45,708</b>	<b>\$ 57,694</b>	<b>\$ 68,867</b>	<b>\$ 72,944</b>

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Expenses</b>										
Governmental activities:										
General government administration	\$ 1,124	\$ 1,394	\$ 1,360	\$ 1,306	\$ 1,401	\$ 1,458	\$ 1,551	\$ 2,010	\$ 1,754	\$ 2,464
Judicial administration	353	334	343	365	351	329	358	319	366	431
Public Safety	3,141	3,483	3,574	3,541	3,935	4,088	3,889	4,001	4,890	4,852
Public Works	3,153	3,807	4,435	3,739	3,278	3,832	4,144	3,701	3,568	4,699
Health and welfare	510	713	835	1,496	1,369	1,449	1,462	1,207	2,304	1,609
Education	3,230	4,452	3,683	3,072	3,085	3,244	3,217	3,462	3,490	4,249
Parks, recreation and cultural	725	694	800	727	769	795	674	775	1,258	994
Community development	713	1,059	652	782	824	746	678	749	793	987
Interest on long-term debt	889	865	898	804	807	697	565	556	536	1,269
Total governmental activities expenses	\$ 13,838	\$ 16,801	\$ 16,580	\$ 15,832	\$ 15,819	\$ 16,638	\$ 16,538	\$ 16,780	\$ 18,959	\$ 21,554
Business-type activities:										
Utility fund	\$ 5,443	\$ 4,153	\$ 3,678	\$ 3,884	\$ 4,327	\$ 4,923	\$ 5,184	\$ 5,422	\$ 5,523	\$ 6,788
Total business-type activities	\$ 5,443	\$ 4,153	\$ 3,678	\$ 3,884	\$ 4,327	\$ 4,923	\$ 5,184	\$ 5,422	\$ 5,523	\$ 6,788
Total primary government expenses	\$ 19,281	\$ 20,954	\$ 20,258	\$ 19,716	\$ 20,146	\$ 21,561	\$ 21,722	\$ 22,202	\$ 24,482	\$ 28,342

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 71	\$ 70	\$ 75	\$ 73	\$ 77	\$ 73	\$ 102	\$ 95	\$ 95	\$ 110
Judicial administration	58	64	72	56	53	44	67	63	44	58
Public Safety	412	489	497	687	395	452	512	604	921	707
Public Works	583	514	359	266	265	294	273	236	267	339
Health and welfare	11	11	12	13	2	3	4	8	5	2
Parks, recreation and cultural	83	94	40	21	40	18	23	19	21	26
Operating grants and contributions	1,158	1,647	2,527	2,187	1,872	2,919	1,885	6,560	7,123	2,770
Capital grants and contributions	26	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	\$ 2,402	\$ 2,889	\$ 3,582	\$ 3,303	\$ 2,704	\$ 3,803	\$ 2,866	\$ 7,585	\$ 8,476	\$ 4,012
Business-type activities:										
Charges for services:										
Utility fund	\$ 6,376	\$ 4,571	\$ 4,610	\$ 4,639	\$ 4,807	\$ 5,409	\$ 5,943	\$ 6,291	\$ 7,008	\$ 8,000
Capital grants and contributions	130	94	76	146	-	-	-	-	-	-
Total business-type activities program revenues	\$ 6,506	\$ 4,665	\$ 4,686	\$ 4,785	\$ 4,807	\$ 5,409	\$ 5,943	\$ 6,291	\$ 7,008	\$ 8,000
Total primary government program revenues	\$ 8,908	\$ 7,554	\$ 8,268	\$ 8,088	\$ 7,511	\$ 9,212	\$ 8,809	\$ 13,876	\$ 15,484	\$ 12,012
Net (expense)/revenue:	\$ (11,436)	\$ (13,912)	\$ (12,998)	\$ (12,529)	\$ (13,115)	\$ (12,835)	\$ (13,672)	\$ (9,195)	\$ (10,483)	\$ (17,542)
Governmental activities	1,063	512	1,008	901	480	486	759	869	1,485	1,212
Business-type activities	\$ (10,373)	\$ (13,400)	\$ (11,990)	\$ (11,628)	\$ (12,635)	\$ (12,349)	\$ (12,913)	\$ (8,326)	\$ (8,998)	\$ (16,330)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 6,621	\$ 6,754	\$ 7,007	\$ 7,001	\$ 7,262	\$ 7,438	\$ 7,536	\$ 7,683	\$ 7,913	\$ 7,973
Local sales and use taxes	1,041	1,015	1,062	1,066	1,164	1,253	1,364	1,391	1,396	1,399
Taxes on recordation and wills	54	58	56	50	78	99	133	70	61	72

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>General Revenues and Other Changes in Net Position (Continued)</b>										
Governmental activities: (Continued)										
Taxes: (Continued)										
Consumer utility taxes	\$ 310	\$ 308	\$ 311	\$ 313	\$ 305	\$ 306	\$ 312	\$ 305	\$ 322	\$ 313
Cigarette taxes	-	-	-	-	-	-	55	64	53	41
Business licenses taxes	717	698	582	669	774	696	766	819	774	808
Restaurant food taxes	1,461	1,461	1,467	1,502	1,370	1,473	1,821	1,984	1,969	1,999
Hotel and motel room taxes	491	535	540	557	427	473	702	802	801	796
Other local taxes	137	147	167	205	151	191	189	188	266	267
Unrestricted grants and contributions	911	903	891	874	863	823	827	808	795	794
Unrestricted revenues from use of money and property	148	282	371	571	429	442	(94)	1,620	2,012	1,909
Payments from the City of Lexington School Board	75	-	-	-	-	52	-	1,149	-	-
Miscellaneous	2,518	2,505	2,590	2,620	2,656	2,835	2,767	3,162	3,458	3,460
Transfers	178	56	175	69	170	(115)	(487)	(235)	(2,812)	(4)
Gain on sale of assets	-	109	-	-	-	-	437	-	-	-
<b>Total governmental activities</b>	<b>\$ 14,662</b>	<b>\$ 14,831</b>	<b>\$ 15,219</b>	<b>\$ 15,497</b>	<b>\$ 15,649</b>	<b>\$ 15,966</b>	<b>\$ 16,328</b>	<b>\$ 19,810</b>	<b>\$ 17,008</b>	<b>\$ 19,827</b>
Business-type activities:										
Unrestricted revenues from use of money and property	\$ -	\$ 12	\$ 17	\$ 26	\$ 8	\$ -	\$ 11	\$ 72	\$ 353	\$ 491
Miscellaneous	-	-	-	2	4	10	-	14	-	85
Transfers	(178)	(56)	(175)	(69)	(170)	115	488	235	2,812	4
<b>Total business-type activities</b>	<b>\$ (178)</b>	<b>\$ (44)</b>	<b>\$ (158)</b>	<b>\$ (41)</b>	<b>\$ (158)</b>	<b>\$ 125</b>	<b>\$ 499</b>	<b>\$ 321</b>	<b>\$ 3,165</b>	<b>\$ 580</b>
<b>Total primary government</b>	<b>\$ 14,484</b>	<b>\$ 14,787</b>	<b>\$ 15,061</b>	<b>\$ 15,456</b>	<b>\$ 15,491</b>	<b>\$ 16,091</b>	<b>\$ 16,827</b>	<b>\$ 20,131</b>	<b>\$ 20,173</b>	<b>\$ 20,407</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 3,226	\$ 919	\$ 2,221	\$ 2,968	\$ 2,534	\$ 3,131	\$ 2,656	\$ 10,615	\$ 6,525	\$ 2,285
Business-type activities	885	468	850	860	322	611	1,258	1,190	4,650	1,792
<b>Total primary government</b>	<b>\$ 4,111</b>	<b>\$ 1,387</b>	<b>\$ 3,071</b>	<b>\$ 3,828</b>	<b>\$ 2,856</b>	<b>\$ 3,742</b>	<b>\$ 3,914</b>	<b>\$ 11,805</b>	<b>\$ 11,175</b>	<b>\$ 4,077</b>

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
2024-25	\$ 7,888,320	\$ 1,399,055	\$ 313,135	\$ 808,267	\$ 209,002	\$ 71,886	\$ 795,662	\$ 1,999,277	\$ 69,517	\$ 13,554,121
2023-24	7,871,838	1,396,417	322,431	733,684	204,549	61,026	800,746	1,969,073	79,007	13,438,771
2022-23	7,650,189	1,391,331	304,524	819,177	163,785	70,455	801,766	1,983,662	87,563	13,272,452
2021-22	7,548,106	1,363,789	311,970	765,579	162,412	133,337	702,285	1,821,361	81,659	12,890,498
2020-21	7,383,240	1,253,009	305,658	696,344	165,592	98,633	472,789	1,473,389	25,851	11,874,505
2019-20	7,304,081	1,163,539	304,773	773,912	126,245	78,221	427,321	1,370,215	24,895	11,573,202
2018-19	7,019,304	1,066,215	312,896	669,096	178,951	50,037	556,930	1,501,613	26,502	11,381,544
2017-18	6,966,499	1,061,956	310,540	581,873	139,703	56,353	539,706	1,467,863	26,551	11,151,044
2016-17	6,708,542	1,014,689	308,358	697,889	120,778	57,619	534,588	1,462,273	26,562	10,931,298
2015-16	6,680,922	1,041,144	309,542	716,749	112,371	53,594	490,754	1,461,197	25,420	10,891,693

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

Table 4

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>General Fund</b>										
Nonspendable	\$ 117,557	\$ 754	\$ 1,446	\$ 1,292	\$ 1,177	\$ 6,195	\$ 5,880	\$ 1,903	\$ 2,487	\$ 8,579
Restricted	2,227,751	-	-	-	-	-	-	-	-	14,514,554
Committed	896,379	920,126	1,099,665	1,365,940	1,854,518	2,065,365	3,165,763	3,329,241	3,922,768	3,650,685
Assigned	336,982	342,177	227,520	125,210	401,002	76,733	429,184	492,234	7,575,919	6,787,006
Unassigned	7,924,727	7,672,653	8,625,068	9,304,100	10,282,084	12,504,385	12,738,990	16,977,628	12,848,942	15,259,681
<b>Total general fund</b>	<b>\$ 11,503,396</b>	<b>\$ 8,935,710</b>	<b>\$ 9,953,699</b>	<b>\$ 10,796,542</b>	<b>\$ 12,538,781</b>	<b>\$ 14,652,678</b>	<b>\$ 16,339,817</b>	<b>\$ 20,801,006</b>	<b>\$ 24,350,116</b>	<b>\$ 40,220,505</b>
<b>All other governmental funds</b>										
Nonspendable										
Permanent Fund	\$ 180,562	\$ 180,562	\$ 180,562	\$ 180,562	\$ 180,562	\$ 18,056	\$ 180,562	\$ 180,562	\$ 180,562	\$ 180,562
Restricted										
Permanent Fund	1,519,090	1,628,592	1,672,764	1,752,735	1,789,434	2,128,089	1,866,906	1,969,237	2,148,900	2,296,476
Capital Projects	-	-	-	-	-	-	-	-	1,183,658	1,210,801
Committed										
Capital Projects	350,843	2,317,171	2,794,787	3,358,428	3,217,135	3,769,169	4,506,569	6,287,963	5,481,870	4,886,429
<b>Total all other governmental funds</b>	<b>\$ 2,050,495</b>	<b>\$ 4,126,325</b>	<b>\$ 4,648,113</b>	<b>\$ 5,291,725</b>	<b>\$ 5,187,131</b>	<b>\$ 5,915,314</b>	<b>\$ 6,554,037</b>	<b>\$ 8,437,762</b>	<b>\$ 8,994,990</b>	<b>\$ 8,574,268</b>

**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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenues</b>										
General property taxes	\$ 6,681	\$ 6,709	\$ 6,966	\$ 7,019	\$ 7,304	\$ 7,383	\$ 7,548	\$ 7,650	\$ 7,872	\$ 7,888
Other local taxes	4,211	4,223	4,185	4,362	4,269	4,491	5,342	5,622	5,641	5,695
Licenses and permits	62	129	144	321	69	131	89	216	430	228
Fines and forfeitures	59	64	72	56	53	44	67	63	44	58
Use of money & property	148	282	371	571	429	442	(95)	1,620	2,012	1,909
Charges for services	1,097	1,048	838	738	711	709	826	746	879	956
Miscellaneous	2,518	2,506	2,591	2,621	2,656	2,835	2,767	3,162	3,305	3,476
Recovered costs	476	539	543	617	647	721	848	1,177	795	1,185
Intergovernmental	2,170	2,550	3,417	3,061	2,734	3,794	2,712	8,517	7,918	3,563
<b>Total revenues</b>	<b>\$ 17,422</b>	<b>\$ 18,050</b>	<b>\$ 19,127</b>	<b>\$ 19,366</b>	<b>\$ 18,872</b>	<b>\$ 20,550</b>	<b>\$ 20,104</b>	<b>\$ 28,773</b>	<b>\$ 28,896</b>	<b>\$ 24,958</b>
<b>Expenditures</b>										
General government administration	\$ 1,200	\$ 1,321	\$ 1,339	\$ 1,397	\$ 1,415	\$ 1,394	\$ 1,613	\$ 1,428	\$ 1,812	\$ 2,433
Judicial administration	353	333	342	365	351	329	358	319	366	431
Public safety	3,320	3,589	3,736	3,889	4,092	4,216	4,417	4,655	5,228	5,433
Public works	2,917	3,410	3,996	3,310	2,704	3,173	3,698	3,272	2,844	4,022
Health and Welfare	510	711	838	993	861	940	953	1,039	1,795	1,814
Education	3,033	3,056	3,173	3,072	3,085	3,244	3,217	3,462	3,490	3,739
Parks, recreation and cultural	594	578	637	628	669	688	575	678	1,116	934
Community development	725	1,059	650	791	819	739	686	769	801	945
Nondepartmental	459	371	40	22	5	38	-	705	28	2
Capital outlay(1)	8,786	2,354	868	1,336	1,220	664	1,086	5,350	2,168	4,110
Debt service:										
Principal	1,242	1,265	1,297	1,329	1,362	1,395	1,077	1,712	1,823	1,926
Interest	901	875	848	817	821	611	541	536	522	484
Bond Issuance Costs	-	-	-	-	-	116	-	-	-	513
<b>Total Expenditures</b>	<b>\$ 24,040</b>	<b>\$ 18,922</b>	<b>\$ 17,764</b>	<b>\$ 17,949</b>	<b>\$ 17,404</b>	<b>\$ 17,547</b>	<b>\$ 18,221</b>	<b>\$ 23,925</b>	<b>\$ 21,993</b>	<b>\$ 26,786</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ (6,618)</b>	<b>\$ (872)</b>	<b>\$ 1,363</b>	<b>\$ 1,417</b>	<b>\$ 1,468</b>	<b>\$ 3,003</b>	<b>\$ 1,883</b>	<b>\$ 4,848</b>	<b>\$ 6,903</b>	<b>\$ (1,828)</b>

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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Other financing sources (uses)</b>										
Transfers in	\$ 8,070	\$ 4,421	\$ 1,260	\$ 1,820	\$ 831	\$ 948	\$ 1,300	\$ 3,452	\$ 1,414	\$ 1,801
Transfers out	(7,892)	(4,365)	(1,085)	(1,751)	(660)	(1,064)	(1,714)	(3,687)	(4,226)	(1,806)
Proceeds from issuance of debt	-	-	-	-	-	7,965	-	1,732	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	(7,848)	-	-	-	-
Issuance of lease liability	-	-	-	-	-	-	-	-	-	257
Issuance of bonds payable	-	-	-	-	-	-	-	-	-	17,026
Sale of capital assets	-	325	-	-	-	-	695	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ 178</b>	<b>\$ 381</b>	<b>\$ 175</b>	<b>\$ 69</b>	<b>\$ 171</b>	<b>\$ 1</b>	<b>\$ 281</b>	<b>\$ 1,497</b>	<b>\$ (2,797)</b>	<b>\$ 17,278</b>
<b>Net change in fund balances</b>	<b>\$ (6,440)</b>	<b>\$ (491)</b>	<b>\$ 1,538</b>	<b>\$ 1,486</b>	<b>\$ 1,639</b>	<b>\$ 3,004</b>	<b>\$ 2,164</b>	<b>\$ 6,345</b>	<b>\$ 4,106</b>	<b>\$ 15,450</b>
Debt service as a percentage of noncapital expenditures	14.0%	12.9%	12.7%	12.9%	13.5%	12.0%	9.4%	12.1%	11.8%	10.9%

(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
2024-25	\$ 2,231,731	\$ 430,882	\$ 5,545,853	\$ 4,091,342	\$ 3,111,762	\$ 13,517,244	\$ 737,798	\$ 945,215	\$ 3,029,171	\$ 2,924,060	\$ 36,565,058
2023-24	2,017,395	365,512	5,377,048	3,533,597	1,795,375	12,688,281	656,138	800,838	1,612,613	2,360,638	31,207,435
2022-23	1,749,432	319,450	6,708,674	3,517,254	1,038,612	12,238,501	655,962	768,720	4,607,067	2,262,820	33,866,492
2021-22	2,271,606	357,646	4,553,032	3,614,609	952,934	11,406,133	582,534	686,191	367,600	1,634,017	26,426,302
2020-21	1,436,441	328,851	4,484,385	3,369,608	939,737	10,849,490	415,780	1,002,369	272,468	2,137,627	25,236,756
2019-20	1,415,727	351,291	4,312,498	2,946,776	860,866	7,249,048	582,726	841,321	847,782	2,198,652	21,606,687
2018-19	1,396,331	364,687	4,016,389	3,555,913	992,907	7,221,742	592,712	806,550	1,068,371	2,162,478	22,178,080
2017-18	1,339,253	341,750	3,937,377	4,237,716	837,591	7,028,340	578,974	750,073	634,509	2,145,242	21,830,825
2016-17	1,320,899	333,424	3,589,118	3,409,724	711,236	6,695,174	577,713	1,137,737	2,725,544	2,139,917	22,640,486
2015-16	1,200,460	353,210	3,319,963	2,917,207	509,789	6,248,459	594,051	788,618	9,245,806	2,142,662	27,320,225

(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
2024-25	\$ 7,888,320	\$ 5,695,240	\$ 227,995	\$ 57,921	\$ 1,923,038	\$ 1,304,186	\$ 3,525,504	\$ 1,205,365	\$ 9,421,887	\$ 31,249,456
2023-24	7,871,838	5,641,469	429,561	44,483	2,027,010	1,210,453	3,348,072	810,337	13,295,137	34,678,360
2022-23	7,650,189	5,622,263	216,011	63,131	1,624,243	1,069,081	3,195,268	1,180,950	13,644,869	34,266,005
2021-22	7,548,106	5,342,392	88,553	66,947	(92,104)	1,048,730	2,793,436	884,939	7,774,300	25,455,299
2020-21	7,383,240	4,491,265	130,772	43,577	444,059	875,783	2,856,743	720,456	8,225,171	25,171,066
2019-20	7,304,081	4,269,121	68,515	53,101	433,247	933,493	2,664,764	661,213	6,724,593	23,112,128
2018-19	7,019,304	4,362,240	321,327	55,931	577,823	956,428	2,679,182	622,159	7,046,291	23,640,685
2017-18	6,966,499	4,184,545	144,364	72,069	377,938	1,024,579	2,649,727	575,078	7,100,900	23,095,699
2016-17	6,708,542	4,222,756	129,414	63,826	287,607	1,242,144	2,541,432	550,137	6,146,404	21,892,262
2015-16	6,680,922	4,210,771	62,288	58,464	155,793	1,314,508	2,567,302	488,995	5,347,959	20,887,002

(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					
2025	\$541,720	\$1,494,949	\$53,812	\$6,498	\$ 1,330,927	\$ 766,052	11.817	2,096,979	36.53%
2024	540,321	1,496,743	50,401	6,330	1,330,927	762,868	11.672	2,093,795	36.43%
2023	538,510	1,492,132	50,945	6,803	1,330,616	757,774	11.734	2,088,390	36.29%
2022	455,687	1,220,179	46,058	6,743	1,073,453	655,214	13.166	1,728,667	37.90%
2021	452,593	1,219,883	42,717	7,267	1,074,619	647,841	13.057	1,722,460	37.61%
2020	449,694	1,219,552	38,709	6,463	1,074,619	639,799	13.275	1,714,418	37.32%
2019	442,383	1,220,165	38,060	6,108	1,075,903	630,813	13.224	1,706,716	36.96%
2018	412,057	1,062,469	38,342	6,266	930,038	589,096	13.469	1,519,134	38.78%
2017	410,592	1,059,482	35,308	6,021	927,958	583,445	13.131	1,511,403	38.60%
2016	408,387	1,061,175	37,414	6,374	927,890	585,460	13.251	1,513,350	38.69%

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	
2024-25	\$ 0.92	\$ 4.25	0.92	\$ 4.25	\$ 0.92	\$ 4.25	\$ 11.817	
2023-24	0.92	4.25	0.92	4.25	0.92	4.25	11.672	
2022-23	0.92	4.25	0.92	4.25	0.99	4.25	11.734	
2021-22	1.06	4.25	1.06	4.25	1.06	4.25	13.166	
2020-21	1.06	4.25	1.06	4.25	1.06	4.25	13.057	
2019-20	1.06	4.25	1.06	4.25	1.05	4.25	13.275	
2018-19	1.04	4.25	1.04	4.25	1.07	4.25	13.224	
2017-18	1.11	4.25	1.11	4.25	1.10	4.25	13.469	
2016-17	1.09	4.25	1.09	4.25	1.09	4.25	13.131	
2015-16	1.09	4.25	1.09	4.25	1.06	4.25	13.251	

(1) Per \$100 of assessed value.  
Source: Commissioner of Revenue



Table 11

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

Fiscal Year	Total Tax Levy (1, 2)	Collected within Fiscal Year of Levy		Collections in Subsequent Years (3)	Total Collections to Date	
		Current Tax Collections (1)	Percent of Levy Collected		Amount Collected (1)	Percentage of Levy
2024-25	\$ 8,565,091	\$ 7,763,734	90.64%	-	7,763,734	90.64%
2023-24	8,474,083	7,624,544	89.97%	683,075	8,307,619	98.04%
2022-23	8,524,658	7,517,732	88.19%	873,165	8,390,897	98.43%
2021-22	8,332,686	7,288,068	87.46%	969,652	8,257,720	99.10%
2020-21	8,041,180	7,180,798	89.30%	809,594	7,990,392	99.37%
2019-20	7,975,730	7,078,336	88.75%	855,591	7,933,927	99.48%
2018-19	7,729,389	6,778,537	87.70%	918,489	7,697,026	99.58%
2017-18	7,528,950	6,727,745	89.36%	792,936	7,520,681	99.89%
2016-17	7,424,405	6,587,784	88.73%	828,690	7,416,474	99.89%
2015-16	7,515,788	6,535,830	86.96%	973,586	7,509,416	99.92%

(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			
2025	\$ 35,447,826	\$ 12,585,687	\$ 48,033,513	(1)	\$ 6,552	
2024	20,297,224	9,373,843	29,671,067	(1)	4,047	
2023	20,540,104	9,869,101	30,409,205	(1)	4,186	
2022	22,250,804	10,353,001	32,603,805	(1)	4,420	
2021	23,342,518	4,847,956	28,190,474	(1)	3,851	
2020	24,663,857	5,069,815	29,733,672	(1)	3,591	
2019	26,101,446	5,283,990	31,385,436	(1)	4,036	
2018	27,506,558	2,463,845	29,970,403	(1)	3,865	
2017	27,334,326	2,559,220	29,893,546	(1)	4,052	
2016	28,598,857	-	28,598,857	10.31%	3,917	

(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 (5)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Amounts Restricted for Debt Service (4)			
2024-25	7340	\$ 683,327	\$ 48,033,513	\$ -	\$ 35,447,826	5.19%	\$ 4,829
2023-24	7331	682,153	29,671,067	-	29,671,067	4.35%	3,842
2022-23	7264	677,670	30,409,205	-	30,409,205	4.49%	4,186
2021-22	7397	582,633	32,603,805	-	32,603,805	5.60%	4,408
2020-21	(6)	597,857	28,190,474	-	23,810,474	3.98%	3,253
2019-20	(6)	594,627	29,733,672	-	29,733,672	5.00%	2,980
2018-19	(6)	586,645	31,385,436	-	31,385,436	5.35%	3,356
2017-18	(6)	544,488	29,970,403	-	29,970,403	5.50%	3,575
2016-17	7,284	542,116	29,893,546	-	29,893,546	5.51%	3,744
2015-16	7,301	541,672	28,598,857	-	28,598,857	5.28%	3,917

(1) Weldon Cooper Center for Public Service Demographics & Workforce Group, [www.coopercenter.org](http://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) This is the amount restricted for debt service principal payments.

(5) In FY 2016-2017 the City issued \$2,180,000 in revenue bonds for water and sewer line improvements. In FY 2018-2019 the City issued \$2,645,000 in revenue bonds for utility improvements. In FY 2020-2021 the City issued \$5,310,000 in revenue bonds for utility improvements. In FY 2022-2023 the City entered into a Lease-Purchase Agreement for \$1,732,000 for the purchase of a ladder truck. In FY 2024 - 2025 the City issued \$6,262,000 in general obligation bonds to finance a renovation to City Hall. In FY 2024 - 2025 the City issued \$4,913,000 in revenue bonds for water, wastewater, and stormwater improvements.

(6) 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
2024-25	\$ 1,926,261	\$ 484,495	\$ 2,410,756	\$ 36,565,058	6.6%
2023-24	1,822,716	522,236	2,344,952	31,207,435	7.5%
2022-23	1,711,516	535,617	2,247,133	33,866,492	6.6%
2021-22	1,077,276	541,054	1,618,330	26,426,302	6.1%
2020-21	1,394,598	611,158	2,005,756	25,236,756	7.9%
2019-20	1,361,915	821,050	2,182,965	21,606,687	10.1%
2018-19	1,329,438	817,353	2,146,791	22,178,080	9.7%
2017-18	1,296,953	848,289	2,145,242	21,830,825	9.8%
2016-17	1,264,531	875,386	2,139,917	22,640,486	9.5%
2015-16	1,242,072	900,590	2,142,662	27,320,225	7.8%

(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, 2025**

<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>\$ 35,447,826</u>
Total direct and overlapping debt			<u><u>\$ 35,447,826</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, 2025, 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, 2025  
 (amounts expressed in thousands)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt limit	\$ 54,167	\$ 54,212	\$ 54,449	\$ 58,665	\$ 59,463	\$ 59,786	\$ 58,263	\$ 67,767	\$ 68,215	\$ 68,332
Total net debt applicable to limit	28,599	27,334	26,037	24,708	24,664	28,190	32,604	30,409	28,165	35,448
Legal debt margin	25,568	26,878	28,412	33,957	34,799	31,596	25,659	37,358	40,050	32,884
Total net debt applicable to the limit as a percentage of debt limit	52.8%	50.4%	47.8%	42.1%	41.5%	47.2%	56.0%	44.9%	41.3%	51.9%
<b>Legal Debt Margin Calculated for Fiscal Year 2025</b>										
Assessed value	\$ 683,327									
Debt limit (10% of assessed value)	\$ 68,333									
Debt applicable to limit:										
General Obligation Bonds	48,034									
Less: amount set aside for repayment of general obligation debt	-									
Total net applicable to limit	\$ 48,034									
Legal debt margin	\$ 20,299									

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

Fiscal Year	Water/Sewer Revenue Bonds					Special Assessment Bonds			
	Water/ Sewer Charges	Operating Expenses	Net Available Revenue	Debt Service (1)		Special Assessment Collections	Principal	Interest	Coverage
				Principal	Interest				
2025	\$ 8,085,186	\$ 5,794,749	\$ 2,290,437	\$ 500,131	\$ 444,206	n/a	n/a	n/a	n/a
2024	7,007,946	4,868,728	2,139,218	483,900	350,706	n/a	n/a	n/a	n/a
2023	6,305,202	4,807,522	1,497,680	483,900	368,644	n/a	n/a	n/a	n/a
2022	5,943,094	4,452,224	1,490,870	496,504	444,863	n/a	n/a	n/a	n/a
2021	5,419,481	4,385,729	1,033,752	321,504	211,126	n/a	n/a	n/a	n/a
2020	4,812,110	3,835,644	976,466	311,504	218,444	n/a	n/a	n/a	n/a
2019	4,640,759	3,358,555	1,282,204	231,504	156,301	n/a	n/a	n/a	n/a
2018	4,612,758	3,374,530	1,238,228	769,330	100,434	n/a	n/a	n/a	n/a

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

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

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

Source: City financial reports

Table 18

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

Fiscal Year	Population (1)	Personal Income (amounts expressed in thousands)(2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2024-25	7,340	1,883,139	51,661	665	6.6%
2023-24	7,331	1,771,823	48,356	654	5.8%
2022-23	7,264	(5)	(5)	670	4.8%
2021-22	7,397	(5)	(5)	623	4.6%
2020-21	7,397	(5)	(5)	634	6.5%
2019-20	(5)	(5)	(5)	665	4.2%
2018-19	7,432	(5)	(5)	659	2.9%
2017-18	7,362	1,456,549	40,320	667	5.4%
2016-17	7,284	1,406,907	38,981	678	7.1%
2015-16	7,301	1,363,393	37,989	659	8.2%

(1)Weldon Cooper Center for Public Service Demographics & Workforce Group, [www.coopercenter.org](http://www.coopercenter.org)

(2) Bureau of Economic Analysis, United States Department of Commerce, City of Lexington, City of Buena Vista, and Rockbridge County combined, most recent data available "CAINC30 Economic Profile."

(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, 2025		Fiscal year ended June 30, 2016		
	Employment Range (A)	Rank	Employment Range	Rank	% of Total City Employees
Washington & Lee University	over 1000	1	over 1000	1	68.3%
Virginia Military Institute	500-999	2	500-999	2	41.0%
Carilion-Stonewall Jackson Hospital	100-249	3	100-249	3	12.2%
Parkhurst Dining		4			
City of Lexington, Virginia	50-99	5	100-249	4	9.0%
Lexington City School Board	50-99	6	50-99	7	4.3%
Kroger Company	50-99	7	50-99	6	5.5%
Heritage Hall Health Care (HCMF)	50-99	8	50-99	9	3.8%
Rockbridge Area Hospice		9			
McDonald's		10			
Aramark Campus LLC			100-249	5	5.8%
UTP Services LLC			50-99	8	3.9%
The VMI Foundation			50-99	10	3.5%

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

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

Table 20

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

Function	Full-time Equivalent Employees as of June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government administration	14	14	14	14	14	14	14	14	15	15
Judicial administration	1	1	1	1	1	1	0	0	0	0
Public safety										
Police										
Officers	17	16	16	18	17	16	17	18	18	19
Civilians	3	3	4	3	2	2	3	3	2	2
Parking enforcement/ animal control	1	1	1	0	1	1	1	1	1	1
Fire	11	16	17	17	17	16	17	17	16	16
Public works										
Administration & maintenance	40	40	35	36	36	30	30	31	28	32
Solid waste management	8	8	8	9	9	6	7	7	5	7
Health, Education & Welfare	2	2	2	2	2	1	1	1	1	1
Community development	2	2	2	2	2	2	2	3	3	3
Leisure Services	1	1	1	0	0	0	0	0	0	0
Utilities processing										
Water treatment	5	0	0	0	0	0	0	0	0	0
Wastewater treatment	10	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>115</b>	<b>104</b>	<b>101</b>	<b>102</b>	<b>101</b>	<b>89</b>	<b>92</b>	<b>96</b>	<b>89</b>	<b>96</b>

Source: Government finance department

Table 21

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

Function	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General administration										
Business licenses issued	678	668	678	752	801	823	846	814	784	821
Public safety										
Police										
Number of calls answered	5,639	5,422	5,278	5,526	4,883	4,658	7,268	8,632	6,983	4,744
Physical arrests	186	180	153	106	144	118	105	211	216	126
Parking violations	1,801	1,158	725	942	851	532	940	981	657	1,790
Traffic violations	529	577	270	668	1,078	692	780	542	692	619
Miles Patrolled	142,480	132,847	162,158	122,771	118,560	107,172	150,662	134,558	223,475	198,918
Fire										
Number of line calls answered	681	673	809	843	872	830	908	810	883	897
Number of reserve calls answered	1,704	1,817	1,820	1,866	1,769	2,049	2,238	2,231	2,222	2,137
Inspections	294	353	286	347	389	350	737	390	482	550
Public works										
Highways and streets										
Street resurfacing (miles)	-	21.64	6.50	5.42	6.40	3.94	1.64	2.14	1.42	5.91
Sanitation and waste removal										
Refuse collected (tons/day)	8	9	8	9	20	19	10	10	9	10
Recyclables collected (tons/day)	6	7	6	4	0.5	1.5	0.3	0.3	0.3	0.3
Leisure services										
Culture and recreation										
Athletic program Participants	1,495	1,628	1,481	1,472	1,021	865	1,592	1,807	1,942	2,141
Utilities processing										
Water										
New connections	24	8	18	8	11	14	10	7	4	3
Water main breaks	29	30	50	23	34	33	31	14	11	21
Average daily consumption (thousands of gallons)	804	732	698	847	483	447	532	503	533	558
Number of customers	2,864	2,811	2,751	2,821	2,655	2,657	2,788	2,794	2,769	2,772
Wastewater										
Average daily sewage treatment (thousands of gallons)	603	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Community development										
Number of building permits	74	62	124	62	63	93	73	101	96	78
Building construction value (thousands)	7,353	16,481	22,408	44,320	8,137	18,051	11,361	23,774	52,540	34,258
Component unit - school board										
Education										
Students - elementary	306	315	317	327	318	307	324	327	333	344
Students - middle school	187	204	200	172	170	174	147	177	175	183
City students - joint high school	166	159	150	160	167	153	152	166	146	138
Teachers elementary & middle school	50	49	50	50	49	46	48	46	47	47
Expenditures per pupil (1)	4,637	4,553	4,590	4,653	10,932	12,035	13,095	14,709	14,089	14,704

Source: Various city departments

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

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

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

Table 22

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

Function	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	13	13	13	13	13	15	15	15	18	15
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Highways and streets										
Streets (miles)	60	60	60	60	60	60	60	60	60	60
Streetlights	531	531	531	531	531	531	531	531	531	531
Traffic signal intersections	13	13	13	13	13	13	13	13	13	13
Parking garage	1	1	1	1	1	1	1	1	1	1
Cemeteries Maintenance										
Cemeteries	2	2	2	2	2	2	2	2	2	2
Health, education and welfare										
Hospitals	1	1	1	1	1	1	1	1	1	1
Number of hospital beds	25	25	25	25	25	25	25	25	25	25
Leisure services										
Parks acreage	43	43	43	43	43	43	43	43	43	43
Parks	8	8	8	8	8	8	8	8	8	8
Swimming Pools	2	2	2	1	1	1	1	1	1	1
Community centers	-	-	-	-	-	-	-	-	-	-
Utilities processing										
Water										
Water mains (miles)	58	58	58	58	58	58	58	58	58	58
Fire hydrants	270	270	270	270	270	270	270	270	270	270
Maximum daily capacity (thousands of gallons)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Sewer										
Sanitary sewers (miles)	68	68	68	68	68	68	68	68	68	68
Storm sewers (miles)	7	7	7	7	7	7	7	7	7	7
Maximum daily treatment capacity (thousands of gallons)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Component unit - school board										
Education										
Elementary schools	1	1	1	1	1	1	1	1	1	1
Middle schools	1	1	1	1	1	1	1	1	1	1
Jointly operated high school	1	1	1	1	1	1	1	1	1	1

Source: Various city departments

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

City of Lexington, Virginia  
 Schedule of Joint Services Contract Billing  
 For the Year Ended June 30, 2025

	Parking Garage	Fire	Recreation							RARO Total	Totals
			RARO Administration	Youth Basketball	Little League Football	Baseball and Softball	Youth Soccer	Other			
Salaries and fringe benefits	\$ 5,192	\$ 1,564,058	\$ 478,792	\$ 22,793	\$ 7,693	\$ 20,049	\$ 9,048	\$ 1,786	\$ 540,160	\$ 2,109,410	
Contractual services	-	125,574	20,833	-	-	2,860	-	-	23,693	149,267	
Other expenses	16,805	240,613	61,870	11,484	7,071	37,426	6,026	5,338	129,213	386,631	
Totals	\$ 21,997	\$ 1,930,245	\$ 561,495	\$ 34,277	\$ 14,764	\$ 60,335	\$ 15,074	\$ 7,124	\$ 693,069	\$ 2,645,308	
Less: Revenue for Operations	\$ -	\$ (461,948)	\$ (14,431)	\$ (16,410)	\$ (5,284)	\$ (34,686)	\$ (12,368)	\$ (16,523)	\$ (99,701)	\$ (561,649)	
Net Expenses	\$ 21,997	\$ 1,468,297	\$ 547,064	\$ 17,867	\$ 9,480	\$ 25,649	\$ 2,706	\$ (9,399)	\$ 593,368	\$ 2,083,659	
Rockbridge County participation	9.90%	58.74%	56.42%	56.56%	58.08%	55.15%	60.68%	57.14%	56.41%	57.56%	
Rockbridge County share	\$ 2,178	\$ 862,478	\$ 308,654	\$ 10,106	\$ 5,506	\$ 14,145	\$ 1,642	\$ (5,371)	\$ 334,693	\$ 1,199,348	

## **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***

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**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 the City of Lexington, Virginia as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Lexington, Virginia's basic financial statements and have issued our report thereon dated November 19, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the City of Lexington, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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  
November 19, 2025