

**Popular Annual Financial Report  
To the Community**  
For the Fiscal Year ended on June 30, 2022  
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*The City of Lexington proudly presents Popular Annual Financial Report [PAFR]. The purpose of this report is to inform the community of the City's financial activity in a simple and easy-to-read format for the fiscal year ending June 30, 2022.*

*These highlights are based on the City's 2022 Comprehensive Annual Financial Report [CAFR], a more inclusive and audited document.*

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**ABOUT THIS REPORT**

The City of Lexington reports financial year-end results in the Comprehensive Annual Financial Report (CAFR).

The Popular Annual Financial Report (PAFR) is an unaudited report that summarizes the most significant data from the 2022 CAFR and is consistent with the Generally Accepted Accounting Principles.

For a complete review of the City's financial position for FY 2022, consult the 2022 CAFR available on the City's website at <http://lexingtonva.gov> or from the Finance Department at 540-462-3731.

**2022 Compensation Study and Resulting Adjustments**



[The Compensation Study and Pay Adjustments were the Highlight of FY2022](#)

The Fiscal Year 2022 saw a significant shortage of labor that was a direct result of the COVID-19 pandemic. Prior to the pandemic, labor was relatively inexpensive and plentiful. But as the pandemic lingered on, the labor shortage created pressure on wages. Because of the increased wages other employers were willing to pay, the City talent began to be hired out and offered higher-paying positions. As a result, the City lost a total of 31 full-time employees in 2020 and 2021, especially in the Public Works and Police Departments.

In late 2021, the City commissioned the Berkley Group out of Bridgewater to complete a comprehensive compensation study for all City positions. The study compared the City of Lexington against 14 regional companies and municipalities. The results showed that, overall, the City employees' pay was 11% lower than the market average. Based on these findings, the City adjusted pay for 56% of the City positions to make their wages more competitive. The pay adjustments added about \$550,000 to the payroll in FY23, which were well-received by City employees and have helped the City considerably to hire and retain talent. Additionally, morale is much higher and those that work for the City seem to be very happy in their work. However, as inflationary pressures continue with no sign of slowing, the City anticipates that they will need to complete another compensation study in FY 25.

# Infrastructure and Improvements in Lexington

The City of Lexington made a series of improvements throughout the community. Several of these noteworthy improvements are described below.

## Diamond Hill Water and Sewage Project

The Diamond Hill Water and Sewer Project included the installation of roughly 7,746 linear feet water main. Total water replacement costed \$2.385 million dollars, with \$1.5 million being spent in FY22. The project also included the installation of approximately 10,419 feet of sewer mains and associated manholes, cleanouts, and appurtenances with a cost of \$3.495 million dollars. The project area is roughly 53 acres bounded by E Washington St., N. Randolph St., Diamond St., and S. Lewis St.



## Evergreen Cemetery Entrance Improvements

Approximately **\$25,0000** was spent on this project in FY 22. Two years ago, when the city council voted to rename Stonewall Jackson Cemetery Oak Grove, leaders focused attention on Evergreen, the city's historic African American cemetery. Improvements included reconstruction of the entrance gate and landscaping. "The entire community needs to understand and recognize the different aspects of the community both today and historically." said the City Manager Mr. Jim Halasz.

## Crest Rise at Moors Creek Dam

The City raised the crest of the Dam because of climatology changes and new standards mandated by the Virginia Department of Conservation and Recreation. The department regulates and administers dam operational certificates to analyze the Dam with the Probable Maximum Precipitation (PMP). The project was based on a November 2015 study by the State of Virginia. This project was completed by the Lexington Public Works staff at a cost of about \$65,000.



## Improvements to the Fire Department

A new Aerial Tower Truck will soon become a reality. In April 2022, specifications were completed and signed, and a purchase order for the replacement ladder truck was finalized at a cost of \$1.7 million. Existing unit will be 25 years old upon replacement.

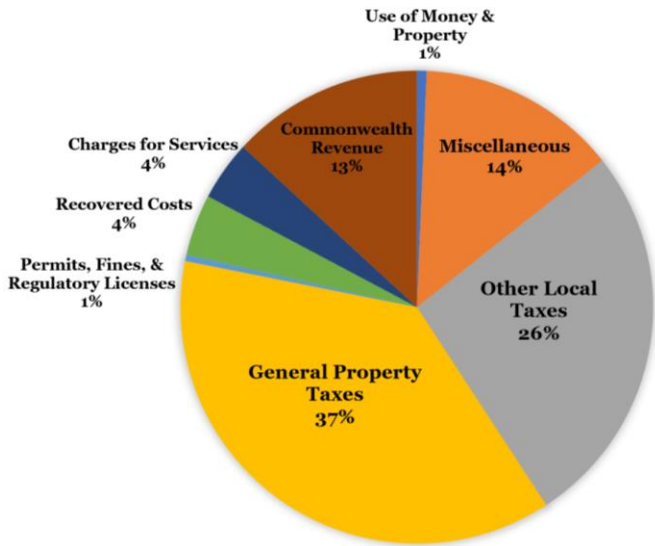
Additionally, matching grants from the Community Health Foundation and Virginia Office of EMS totaling \$126,000 provided the replacement of cardiac monitors on all three ambulances.



# General Fund

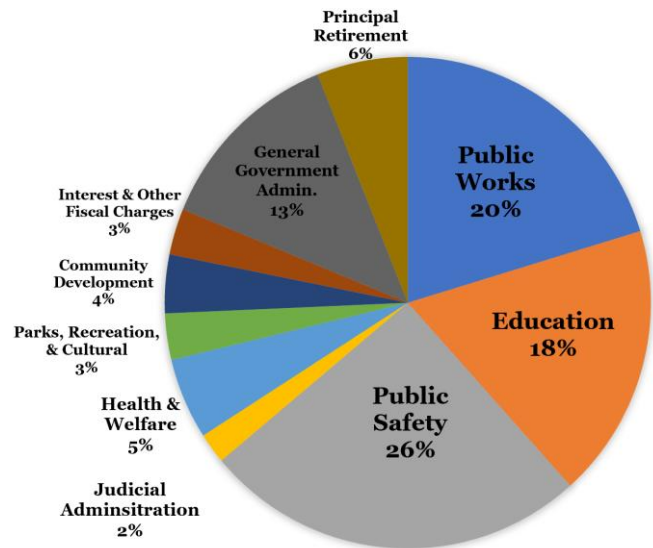
## General Fund Revenue

Total: \$20,332,113



## General Fund Expenditures

Total: \$17,813,198



The General Fund is one of the largest funds for Lexington’s operation. The General Fund accounts for day-to-day general revenues such as property and local taxes, permits, fines, and recovered costs. It also includes intergovernmental transfers from the Commonwealth of Virginia and The Federal Government. The General Fund Revenues totaled \$20,332,113 in FY22, a decrease from the final budgeted amount of \$20,882,950.

In the Fiscal Year 2022, most of Lexington’s expenditure split between Public Safety (26%), Education (18%), and Public Works (20%). The total expenditure was \$17,813,198, which was lower than the final approved budget of \$18,233,733. This was due to a decrease in public safety, non-departmental, and community development expenditures.

## Capital Projects Fund

### Capital Projects Revenue

		<u>Revenue</u>	-
<b>Total Revenue</b>	-	<u>Expenditure</u>	\$367,600
		<u>Excess</u>	<b>(\$367,600)</b>
<b>Capital Projects Expenditure</b>		<u>Transfer In</u>	\$1,105,000
Current	\$367,600	<u>Excess</u>	\$737,400
Public Works	\$294,104	<u>Beginning Fund Balance</u>	\$3,769,169
Education	-		
Parks, Recreation & Cultural	\$24,911	<u>Ending Fund</u>	\$4,506,569
Public Safety	\$48,585		
General Government Administration	-		

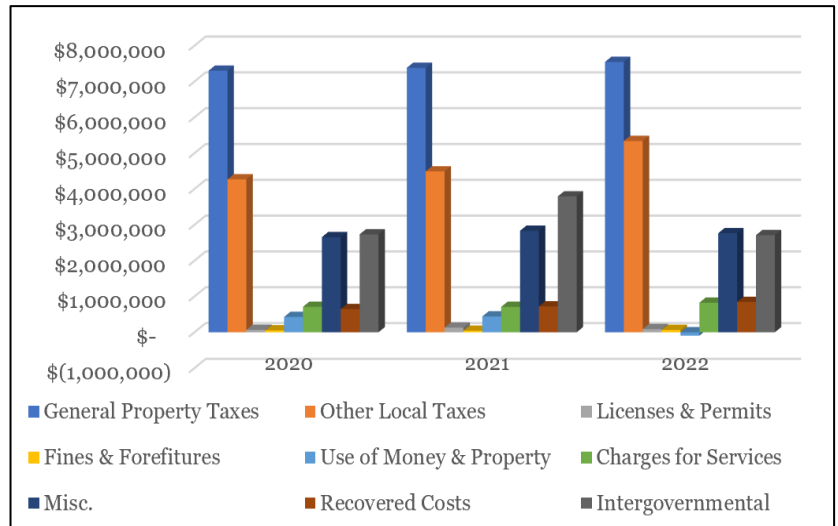
\$1,105,000 was transferred from the City’s General Fund to cover the excess expenditure of \$367,600. This brought the excess to \$737,400. Finally, the beginning Capital Projects Fund of \$3,769,169 was added and thus, the ending balance of the Capital Projects Fund was \$4,506,569.

# Governmental Revenue and Expenditure

## Revenue

Lexington’s revenue for FY 2022 was a total of \$20,104,000. This was about a 2.17% decrease from FY 2021’s revenue.

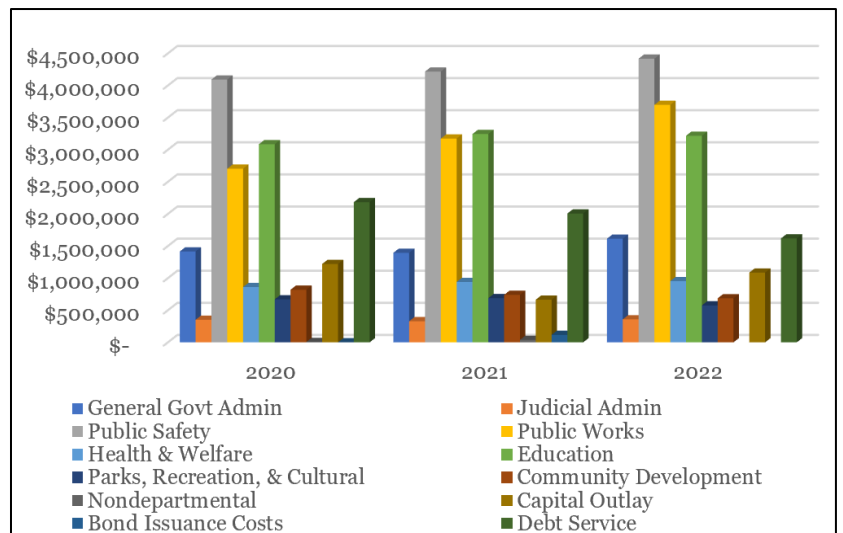
The slight decrease in revenue for the FY 2022 was mainly due to a decreased revenue in the category of “Use of Money & Property”, which includes the rents received for the use of city capital and property.



## Expenditure

Lexington’s expenditure in the FY 2022 was a total of \$18,221,000. This was about a 3.84% increase from FY 2021’s total expenditure.

The increase in expenditure was mainly due to an increase in Public Safety and Public Works spending.



## Long-Term Debt

2021 - \$27,276,426

2022 - \$33,530,414

The City’s total general obligation debt increased by \$6,253,988, or 22.92 % during the current fiscal year.

The current debt limitation for the City of Lexington is \$58,263,340, so the current long-term debt is *significantly* lower than the debt limit.