

PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED FEBRUARY 6, 2026

Rating: See "Rating" herein.
Moody's Investors Service, Inc.: Aaa

New Issue

In the opinion of Troutman Pepper Locke LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be included in computing the alternative minimum taxable income of individuals. However, interest on the Bonds will be included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

**TOWN OF LEXINGTON, MASSACHUSETTS
\$25,370,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2026 BONDS**

DATED
Date of Delivery

DUE
February 1
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000, or any integral multiple thereof. (See "THE BONDS - Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable February 1 of the years in which the Bonds mature. Interest on the Bonds will be payable February 1 and August 1, commencing August 1, 2026, until maturity or redemption prior to maturity. Principal and semiannual interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, Boston, Massachusetts, or its successor as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds will not be subject to redemption prior to their stated maturity dates.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid and binding general obligations of the Town of Lexington, Massachusetts (the "Town") and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of principal and interest payments the Town has not voted to exempt from that limit.

MATURITIES, AMOUNTS*, RATES, PRICES OR YIELDS AND CUSIPS

Due February 1	Principal Amount*	Interest Rate	Price or Yield	CUSIP 529284
2027	\$ 2,670,000		%	%
2028	2,665,000			
2029	2,660,000			
2030	2,650,000			
2031	2,565,000			
2032	2,465,000			
2033	2,450,000			
2034	2,440,000			
2035	2,435,000			
2036	2,370,000			

THE BONDS ARE BEING OFFERED FOR SALE AT 11:00 A.M. (EASTERN TIME) ON WEDNESDAY, FEBRUARY 18, 2026, AT HILLTOP SECURITIES INC., 54 CANAL STREET, 3RD FLOOR, BOSTON, MASSACHUSETTS VIA PARITY IN THE MANNER SET FORTH IN THE NOTICE OF SALE. REFERENCE IS MADE TO THE NOTICE OF SALE DATED FEBRUARY 6, 2026 FOR THE CONDITIONS OF SUCH SALE.

The Bonds are offered subject to the final approving opinion of Troutman Pepper Locke LLP, Boston, Massachusetts, Bond Counsel, and to certain other conditions referred to herein and in the Notice of Sale. Hilltop Securities Inc., Boston, Massachusetts has acted as Municipal Advisor to the Town with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about February 26, 2026, against payment to the Town in federal funds.

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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The information and expressions of opinion in this Preliminary Official Statement are subject to change without notice. Neither the delivery of this Preliminary Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Preliminary Official Statement.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale:	Wednesday, February 18, 2026, 11:00 A.M. (Eastern Time).
Location of Sale:	Hilltop Securities Inc., 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	Town of Lexington, Massachusetts.
Issue:	\$25,370,000* General Obligation Municipal Purpose Loan of 2026 Bonds, see "THE BONDS Book-Entry Transfer System" herein.
Preliminary Official Statement Dated:	February 6, 2026.
Dated Date of the Bonds:	As of their date of delivery.
Principal Due:	Serially February 1, 2027 through February 1, 2036 as detailed herein.
Interest Payable:	Semi-annually February 1 and August 1, commencing August 1, 2026.
Purpose and Authority:	The Bonds are authorized by the Town for various municipal purposes under provisions of the Massachusetts General Laws as detailed herein.
Redemption:	The Bonds will not be subject to redemption prior to their stated maturity dates.
Security:	The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of principal and interest payments the Town has not voted to exempt from that limit.
Credit Rating:	Moody's Investors Service, Inc. has assigned a rating of Aaa to the Bonds.
Bond Insurance:	The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date. <u>BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$170,000.</u>
Tax Exemption:	Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."
Bank Qualification:	The Bonds will <u>not</u> be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent:	U.S. Bank Trust Company, National Association, Boston, Massachusetts.
Legal Opinion:	Troutman Pepper Locke LLP, Boston, Massachusetts.
Municipal Advisor:	Hilltop Securities Inc., Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about February 26, 2026, against payment in federal funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to: Mr. Arnold Lovering, Treasurer, Town of Lexington, Massachusetts, (781) 698-4600 or Lisa Driscoll, Senior Vice President, Hilltop Securities Inc., Boston, Massachusetts, (617) 619-4405.

*Preliminary, subject to change.

NOTICE OF SALE

**TOWN OF LEXINGTON, MASSACHUSETTS
\$25,370,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2026 BONDS**

The Town of Lexington, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, February 18, 2026, for the purchase of the following described General Obligation Municipal Purpose Loan of 2026 Bonds of the Town (the "Bonds"):

\$25,370,000* General Obligation Municipal Purpose Loan of 2026 Bonds payable February 1 of the years and in the amounts as follows:

Due February 1	Principal Amount*
2027	\$ 2,670,000
2028	2,665,000
2029	2,660,000
2030	2,650,000
2031	2,565,000
2032	2,465,000
2033	2,450,000
2034	2,440,000
2035	2,435,000
2036	2,370,000

*Preliminary, subject to change.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on February 1 of the years in which the Bonds mature. Interest will be payable on February 1 and August 1, until maturity or redemption prior to maturity, commencing August 1, 2026.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

The original Bonds to be immobilized at DTC will be approved by Troutman Pepper Locke LLP, Boston, Massachusetts, whose opinion will be furnished to the successful bidder without charge.

The Bonds are not subject to redemption prior to their stated maturity dates.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Bidding Parameters

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent or (c) **any coupon in excess of 5.00%. NO BID OF LESS THAN PAR PLUS A PREMIUM OF AT LEAST \$170,000 WILL BE CONSIDERED.**

The current Bond structure does not reflect any premium. The Town reserves the right to decrease the par amount of the Bonds after determination of the winning bid, by the amount of the net premium to be received, and to restructure the amortization of the remaining principal amount to essentially mirror the current structure, after first applying the net premium to be received to reduce and/or eliminate the shortest purposes within each fund. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid for the Bonds by the successful bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the successful bidder for the Bonds by 4 P.M. Eastern Time on the day of the sale.

Bids must be submitted electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Municipal Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of February 26, 2026, discounts semi-annually all future payments on account of principal and interest to the price bid, not including interest accrued to February 26, 2026, if any, which accrued interest shall be paid by the successful bidder. The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Select Board and the Treasurer of the Town. In the event that two or more bidders submit the same lowest true interest cost for the Bonds, the Town Treasurer shall determine the winning bidder by lot from among all such proposals.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Moody's Investors Service, Inc. for a rating on the Bonds. Any such fee paid to Moody's Investors Service, Inc. would be borne by the Town.

In order to assist bidders in complying with Rule 15c2-12-(b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the "Code").

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Troutman Pepper Locke LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated February 6, 2026, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of his knowledge and belief, as of its date and the date of sale the Preliminary Official Statement did not, and as of its date and the date of the delivery of the Bonds, the Final Official Statement did not and does not, contain any untrue statement of a material fact and did not and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

Establishment of Issue Price

The successful bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town on the Closing Date an “issue price” or similar certificate, substantially in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering prices to the public or the sales price of the Bonds together with the supporting pricing wires or equivalent communications, or, if applicable, the amount bid, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Town by Hilltop Securities Inc. (the “Municipal Advisor”) and any notice or report to be provided to the Town may be provided to the Municipal Advisor.

Competitive Sale Requirements. If the competitive sale requirements (“competitive sale requirements”) set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) have been satisfied, the Town will furnish to the successful bidder on the Closing Date a certificate of the Municipal Advisor, which will certify each of the following conditions to be true:

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;
3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town awarded the sale of the Bonds to the bidder who submitted a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by contacting the Municipal Advisor, telephone (617) 619-4400, and affirming in writing via email, or in its bid submitted via Parity, that it will NOT be an “underwriter” (as defined below) of the Bonds, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an “underwriter” (as defined below) of the Bonds, in submitting a bid, each bidder is deemed to acknowledge that it is an “underwriter” that intends to reoffer the Bonds to the public.

In the event that the competitive sale requirements are not satisfied, the Town shall so advise the successful bidder.

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Bonds to the Public and the 10% Test to Apply. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Bonds to the public, the successful bidder may, at its option, use the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Bonds. The successful bidder shall advise the Municipal Advisor if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds or all of the Bonds are sold to the public, the successful bidder agrees to promptly report to the Municipal Advisor the prices at which the unsold Bonds of each maturity have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for each maturity of the Bonds or until all the Bonds of a maturity have been sold. The successful bidder shall be obligated to report each sale of Bonds to the Municipal Advisor until notified in writing by the Town or the Municipal Advisor that it no longer needs to do so. If the successful bidder uses Option A the successful bidder shall provide to the Town on or before the Closing Date, the certificate attached to this Notice of Sale as Exhibit 1 – Option A.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating

each underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “public” means any person other than an underwriter or a related party,

2. “underwriter” means (A) any person, including the successful bidder, that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public), and

3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements – Option B – The Successful Bidder Intends to Reoffer the Bonds to the Public and Agrees to Hold the Price of Maturities of Bonds for Which the 10% Test in Option A is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Municipal Advisor in writing, which may be by email (the “Hold the Price Notice”), not later than 4:00 P.M. Eastern Time on the Sale Date, that it has not sold 10% of the maturities of the Bonds listed in the Hold the Price Notice (the “Unsold Maturities”) and that the successful bidder will not offer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Unsold Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder delivers a Hold the Price Notice to the Municipal Advisor, the successful bidder must provide to the Town on or before the Closing Date, in the certificate substantially in the form attached to this Notice of Sale as Exhibit I – Option B with evidence that each underwriter of the Bonds, including underwriters in an underwriting syndicate or selling group, has agreed in writing to hold the price of the Unsold Maturities in the manner described in the preceding sentence.

Failure to Meet the Competitive Sale Requirements and/or the Successful Bidder Does Not Intend to Reoffer the Bonds to the Public – Option C. If the successful bidder has purchased the Bonds for its own account and will not distribute, resell or reoffer the Bonds to the public, then, whether or not the competitive sale requirements were met, the issue price certificate will recite such facts and identify the price or prices at which the purchase of the Bonds was made.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond, nor any error with respect thereto, shall constitute a cause for failure or refusal by the successful bidder to accept delivery and pay for the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

Additional information concerning the Town of Lexington and the Bonds is contained in the Preliminary Official Statement dated February 6, 2026, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617 619-4400). Within seven (7) business days following the award of the Bonds and receipt of necessary information from the successful bidder(s) in accordance herewith, 5 copies of the Final Official Statement will be available from the Hilltop Securities Inc. to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

The Bonds in definitive form will be delivered to DTC or its custodial agent on or about February 26, 2026 for settlement in federal funds.

TOWN OF LEXINGTON, MASSACHUSETTS
/s/ Arnold Lovering, Treasurer

February 6, 2026

**Issue Price Certificate for Use If the Competitive
Sale Requirements Are Met
\$25,370,000*
Town of Lexington, Massachusetts
General Obligation Municipal Purpose Loan of 2026 Bonds Dated February 26, 2026**

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds") by the Town of Lexington, Massachusetts (the "Issuer").

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Successful Bidder are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Successful Bidder in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Successful Bidder to purchase the Bonds.

(b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is February 18, 2026.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

3. Receipt.

The Successful Bidder hereby acknowledges receipt of the Bonds and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the Successful Bidder, before or simultaneously with the Bonds, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Troutman Pepper Locke LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2026

[SUCCESSFUL BIDDER]

By: _____

Name:

Title: _____

*Preliminary, subject to change.

SCHEDULE A
EXPECTED OFFERING PRICES
(To be Attached)

SCHEDULE B
COPY OF SUCCESSFUL BIDDER'S BID
(To Be Attached)

**Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the 10% Test to Apply
\$25,370,000*
Town of Lexington, Massachusetts
General Obligation Municipal Purpose Loan of 2026 Bonds Dated February 26, 2026
ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of _____ (the “Successful Bidder”), on behalf of itself and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) by the Town of Lexington, Massachusetts (the “Issuer”).

1. **Sale of the Bonds.** As of the date of this certificate, [except as set forth in the following paragraph,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met or all of the Bonds have not been sold for one or more Maturities of Bonds as of the Closing Date.]

For each Maturity of the Bonds as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Bonds, until at least 10% of each such Maturity of the Bonds is sold to the Public (the “10% Test”) or all of the Bonds are sold to the Public, the Successful Bidder agrees to promptly report to the Issuer’s municipal advisor, Hilltop Securities Inc. (the “Municipal Advisor”) the prices at which the unsold Bonds of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for each Maturity of the Bonds or until all the Bonds of a Maturity have been sold. The Successful Bidder shall continue to report each sale of Bonds to the Municipal Advisor until notified by email or in writing by the Issuer or the Municipal Advisor that it no longer needs to do so.

2. **Defined Terms.**

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person, including the Successful Bidder that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

3. **Receipt.** The Successful Bidder hereby acknowledges receipt of the Bonds and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the Successful Bidder, before or simultaneously with the Bonds, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Troutman Pepper Locke LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____ 2026

SUCCESSFUL BIDDER

By: _____
Name:
Title:

*Preliminary, subject to change.

SALE PRICES
[(To be Attached)]

**Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the Hold the Price Rule Is Used
\$25,370,000*
TOWN OF LEXINGTON, MASSACHUSETTS
GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2026 BONDS**

DATED FEBRUARY 26, 2026

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the "Successful Bidder"), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds") by the Town of Lexington, Massachusetts (the "Issuer).

1. **Sale of the Bonds.** As of the date of this certificate, [except as set forth in the following paragraph,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met as of the Sale Date.]

For each Maturity of the Bonds as to which no price is listed in Schedule A (the "Unsold Maturities"), as set forth in the Notice of Sale for the Bonds, the Successful Bidder and any other Underwriter did not [and will not] reoffer the Unsold Maturities to any person at a price that is higher than the initial offering price to the Public until the earlier of (i) _____, 2026 or (ii) the date on which the "Successful Bidder"[Representative] or any other Underwriter sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.

2. **Defined Terms.**

(a) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) Underwriter means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

3. **Receipt.** The Successful Bidder hereby acknowledges receipt of the Bonds and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of the Bonds, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Troutman Pepper Locke LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2026

SUCCESSFUL BIDDER

By: _____
Name:
Title:

*Preliminary, subject to change.

**[SCHEDULE A
SALE PRICES
(To be Attached)]**

PRELIMINARY OFFICIAL STATEMENT

TOWN OF LEXINGTON, MASSACHUSETTS

\$25,370,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2026 BONDS

This Preliminary Official Statement is provided for the purpose of presenting certain information relating to the Town of Lexington, Massachusetts (the "Town" or "Lexington") in connection with the sale of \$25,370,000* stated principal amount of its General Obligation Municipal Purpose Loan of 2026 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another source.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of delivery and will bear interest payable semiannually on February 1 and August 1, until maturity or redemption prior to maturity, commencing August 1, 2026. The Bonds shall mature on February 1 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

The Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or Registered Owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

The Bonds are not subject to redemption prior to their stated maturity dates.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, Boston, Massachusetts or its successor as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, however if such date is not a business day, the record date will be the following business day provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's Participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and

*Preliminary, subject to change.

dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Authorization of the Bonds and Use of Proceeds

The following table sets forth the principal amounts, purposes, original bond authorizations, bond anticipation notes outstanding, statutory references, dates of approval and article numbers for the current issue of Bonds. Bond proceeds may be transferred or re-appropriated to other capital projects or otherwise as permitted by Chapter 44 of the General Laws and applicable Federal tax law.

This Issue*	Purpose	Original Bond Authorization	Notes Outstanding	Statutory Reference (MGL, as amended)	Dates of Authorization	Article
\$ 220,000	Lexington Children's Place Construction (1)	\$ 11,997,842	\$ 245,000 (2)	Ch. 44, s. 7(1)	4/9/2018	12
185,000	45 Bedford Street Fire Station Replacement (1)	18,820,700	200,000 (3)	Ch. 44, s. 7(1)	4/9/2018	13
450,000	Automatic Meter Reading System- Water	4,940,000	350,000 (4)	Ch. 44, s. 8(7A)	4/3/2019	16F
400,000	Automatic Meter Reading System- Sewer	4,940,000	350,000 (5)	Ch. 44, s. 8(7A)	4/3/2019	16F
300,000	Route 4/225 Improvements (Hartwell Design)	1,250,000	300,000 (6)	Ch. 44, s. 7(7)	11/12/2019	8
215,000	Westview Cemetery Building Construction	3,290,000	215,000 (4)	Ch. 44, s. 7(1)	6/3/2020	16K
2,400,000	Lexington Police Station Construction (1)	32,400,000	2,400,000 (4)	Ch. 44, s. 7(1)	3/28/2022	2
500,000	Pump Station Upgrades	1,500,000	200,000 (4)	Ch. 44, s. 7(1)	3/30/2022	14B
615,000	Battle Green Streetscape Improvements	3,615,000	560,000 (4)	Ch. 44, s. 7(1)	4/4/2022	12N
200,000	High School Equipment Emergency Funds	500,000	200,000 (6)	Ch. 44, s. 7(1)	4/6/2022	16G
823,500	(9) LHS Feasibility Study (1)	1,825,000	824,900 (4)	Ch. 70B	4/11/2022	2
1,000,000	New Sidewalk Installations	1,620,000	1,000,000 (4)	Ch. 44, s. 7(1)	4/24/2023	12M
3,400,000	Solar Canopy & System - New Police Station	3,400,000	3,000,000 (4)	Ch. 44, s. 7(1)	4/26/2023	16I
299,000	Compost Equipment Replacement	320,000	299,000 (4)	Ch. 44, s. 7(1)	3/20/2024	12D
1,330,000	Pine Meadows Clubhouse Renovation	2,575,000	1,275,000 (7)	Ch. 44, s. 7(1)	4/2/2024	25
6,995,000	Lexington High School Design	10,000,000	2,500,000 (4)	Ch. 70B	4/1/2024	26
4,635,000	173 Bedford Street Renovation	5,635,845	3,000,000 (8)	Ch. 44, s. 7(1)	4/3/2024	27
402,500	Sanitary Sewer System Improvements	800,000	-	Ch. 44, s. 7(1)	3/24/2021	14A
1,000,000	Cary Memorial Library Renovation	1,700,000	-	Ch. 44, s. 7(1)	3/27/2024	10A
<u>\$ 25,370,000</u> *			<u>\$ 16,918,900</u>			

*Preliminary, subject to change.

- (1) The Town has voted to exempt debt service from the limitations imposed by Proposition 2 ½, so-called.
- (2) This issue, along with \$25,000 of revenue funds, will retire bond anticipation notes maturing February 27, 2026.
- (3) This issue, along with \$15,000 of revenue funds, will retire bond anticipation notes maturing February 27, 2026.
- (4) This issue will retire bond anticipation notes maturing February 27, 2026.
- (5) This issue, along with \$50,000 of revenue funds, will retire bond anticipation notes maturing February 27, 2026.
- (6) The Town will retire bond anticipation notes maturing February 27, 2026 with revenue funds. This issue represents new money.
- (7) This issue, along with \$70,000 of revenue funds, will retire bond anticipation notes maturing February 27, 2026.
- (8) This issue, along with \$500,000 of revenue funds, will retire bond anticipation notes maturing February 27, 2026.
- (9) Final pricing will reflect \$824,900 of total proceeds.

Principal Payments by Purpose*

Year	General*	Exempt*	Compost*	Water*	Sewer*	Total*
2027	\$ 1,330,000	\$ 1,073,500	\$ 74,000	\$ 55,000	\$ 137,500	\$ 2,670,000
2028	1,330,000	1,070,000	75,000	55,000	135,000	2,665,000
2029	1,330,000	1,070,000	75,000	50,000	135,000	2,660,000
2030	1,320,000	1,070,000	75,000	50,000	135,000	2,650,000
2031	1,320,000	1,060,000	-	50,000	135,000	2,565,000
2032	1,220,000	1,060,000	-	50,000	135,000	2,465,000
2033	1,215,000	1,060,000	-	45,000	130,000	2,450,000
2034	1,210,000	1,055,000	-	45,000	130,000	2,440,000
2035	1,210,000	1,055,000	-	40,000	130,000	2,435,000
2036	1,210,000	1,050,000	-	10,000	100,000	2,370,000
Total	<u>\$ 12,695,000</u>	<u>\$ 10,623,500</u>	<u>\$ 299,000</u>	<u>\$ 450,000</u>	<u>\$ 1,302,500</u>	<u>\$ 25,370,000</u>

*Preliminary, subject to change.

Tax Exemption

In the opinion of Troutman Pepper Locke LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. However, interest on the Bonds will be included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is either the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the reasonably expected initial offering price or, if applicable, the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the

Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction, or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Massachusetts legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "*Serial Bonds and Notes*" under "INDEBTEDNESS-TYPES OF OBLIGATIONS" below) and setoffs of state distributions as described below (see "*State Distributions*" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments". Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "*Tax Limitations*" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the tax levy, within the limits prescribed by law. (See "*Tax Limitations*" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges for such activity. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for

depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to The Commonwealth of Massachusetts (“the Commonwealth”) or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority (“MBTA”) or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority (“MWRA”) if the city or town is within the territory served by the MWRA, for any debt service due on obligations issued to the Massachusetts School Building Authority (“MSBA”), or for charges necessary to meet obligations under the Commonwealth’s Clean Water or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, however, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth’s oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Opinion of Bond Counsel

The successful bidder will be furnished the legal opinion of the firm of Troutman Pepper Locke LLP, Boston, Massachusetts (“Bond Counsel”). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

Rating

Moody’s Investors Service, Inc. has assigned a rating of Aaa to the Bonds. Said rating reflects only the rating agency’s views and will be subject to revision or withdrawal, which could affect the price and marketability of the Bonds.

Municipal Advisory Services of Hilltop Securities Inc.

Hilltop Securities Inc., Boston, Massachusetts serves as Municipal Advisor to the Town of Lexington, Massachusetts.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, as amended (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

In the past five years, the Town believes that it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule. The Town has implemented procedures to assist in complying with its continuing disclosure obligations.

TOWN OF LEXINGTON, MASSACHUSETTS

General

The Town of Lexington, Massachusetts (the “Town”) is located in Middlesex County approximately 11 miles northwest of Boston. It is bordered by the Towns of Lincoln on the southwest, Bedford on the northwest, Burlington on the northeast, the City of Woburn and the Towns of Winchester and Arlington on the east, and the Town of Belmont and the City of Waltham on the south. Incorporated as a Town in 1713, Lexington has a population of approximately 34,454 (2020 Federal Census) and occupies a land area of 16.43 square miles.

Lexington was originally settled in 1642 and until its incorporation as a town in 1713, it was known as Cambridge Farms, a part of the City of Cambridge. The Town was named after Lord Lexington, an English nobleman. The first battle of the American Revolution was fought in Lexington on April 19, 1775 and the Town is now referred to as the “birthplace of American liberty”. The Town has preserved the historic setting of its Battle Green and a number of colonial era buildings and exhibits draw thousands of visitors annually. A current day Minuteman militia company is active and stages a reenactment of the battle each year.

Since the construction of a railroad connection to Boston in the 1850s, Lexington has evolved from an agricultural community to a suburb of Boston. Construction of state highways and expressways have reinforced Lexington’s role as a desirable residential suburb. In the post-World War II era, suburban office park development, particularly of “high-technology” firms, provided a diversified commercial and employment base within the Town.

While Lexington is predominantly residential, the Town has a number of substantial industrial concerns representing diverse sectors of the economy. Among the employers located in the Town are Massachusetts Institute of Technology’s Lincoln Laboratory and Takeda. There are nearly four million square feet of commercial and industrial floor space in the Town, and approximately 20,000 people are employed by Lexington establishments and institutions. The major shopping area is the central business district, with 514,000 square feet of commercial floor space, with 200,000 square feet of retail comprised of restaurants, banks and shops as well as professional offices. The center district serves the residents of the Town, and employees in the office parks along Route 128 and Route 2. The nearby Hanscom Air Force Base is an additional source of employment.

Route 128, the circumferential highway around Boston known as the “high tech region,” passes through the northwestern portion of Lexington, and State Route 2 passes through the southern portion of the Town. The MBTA, which serves eastern Massachusetts, has two bus routes in Lexington and provides frequent service to the Red Line Rapid Transit Station at the Alewife terminal adjacent to the Route 2 Expressway, which is located five miles from Lexington. The Town operates an intra-town mini-bus service, known as LexPress, which has six routes which serve the various neighborhoods. Established truck lines provide local and long-distance competitive service to various destinations. Terminal, rail, harbor and airport facilities are easily accessible from Lexington. Part of Hanscom Field, operated jointly by the U.S. Air Force and the Massachusetts Port Authority, is located in Lexington. Two runways (one 5,000 feet and the other 7,000 feet) accommodate general aviation charter services, such as Linear Air, but no service for commuter airlines.

Governing Bodies and Officers

Local legislative decisions are made by a representative town meeting. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a Town Manager with the approval of a five member Select Board who are elected on an at-large basis for staggered three-year terms.

Local taxes are assessed by a board of three assessors.

PRINCIPAL TOWN OFFICIALS

The following is a list of the principal executive officers:

Title	Name	Manner of Selection	Term Expires
Select Board, Chair	Douglas M. Lucente	Elected/3 Years	2026
Select Board Member	Joseph N. Pato	Elected/3 Years	2028
Select Board Member	Vineeta A. Kumar	Elected/3 Years	2028
Select Board Member	Mark D. Sandeen	Elected/3 Years	2026
Select Board Member	Jill I. Hai	Elected/3 Years	2027
Town Manager	Stephen M. Bartha	Appointed/3 Years	November 2027
Deputy Town Manager	Kelly Axtell	Appointed	Indefinite
Comptroller	Carolyn Kosnoff	Appointed	Indefinite
Treasurer/Collector	Arnold Lovering	Appointed	Indefinite
Town Clerk	Mary de Alderete	Appointed	Indefinite
Town Counsel	Anderson Kreiger	Appointed	March 2026

Municipal Services

The Town provides general governmental services for the territory within its boundaries including police and fire protection, public education in pre-kindergarten through grade 12, collection and disposal of solid waste, a library, streets, parks and recreation, water supply and distribution, and sewage collection and disposal. The Minuteman Regional Vocational Technical School District provides vocational technical education in grades 9 through 12.

Climate Resiliency

The Town is working on multiple fronts to address climate change and severe climate risks that could negatively impact the community. The Town has a Hazard Mitigation Plan and has been approved as an MVP community through the Executive Office of Energy and Environmental Affairs Municipal Vulnerability Preparedness program and is in the process of updating both of those plans. The Town's Engineering Division leads this effort and works in concert with the Town's Planning and Conservation departments to design and implement town-wide standards that account for climate change. Efforts include using updated rainfall data in storm water management plans, designing culverts with additional bury to allow flexibility in the stream bed and promote stream health, and installing back-up generators at pump stations that may be susceptible to flooding. In FY2020 the Town funded a new Sustainability Director position to focus on implementing the Town's sustainable action plan including the generation of new revenue to fund sustainable purchases and programs.

MBTA Communities Act

The MBTA (Massachusetts Bay Transportation Authority) is the primary public transit system in the greater Boston area, and in 2021 the Massachusetts legislature passed the MBTA Communities Act. The MBTA Communities Act requires MBTA communities and adjacent communities to allow by-right multi-family housing located near MBTA systems to remove development barriers and address the state's housing shortage. In 2024 the Town of Lexington was one of the first communities in the Commonwealth to approve new zoning amendments to comply with this Act, with at target development of approximately 1,300 new multi-family housing units. This zoning change, new development of housing, increase in population and the pace at which it occurs may have an impact on both the Town's revenues and expenditures in future fiscal years.

Education

School affairs are administered by a superintendent with policy guidance from an elected school committee of five members, plus a high school student representative, for staggered three-year terms.

The following table sets forth the trend in public school enrollments for the Town for the school years indicated.

PUBLIC SCHOOL ENROLLMENTS AS OF OCTOBER 1,

	Actual				
	2021	2022	2023	2024	2025
Elementary (PreK - 5)	2,769	2,777	2,750	2,616	2,425
Middle School (6 - 8)	1,748	1,765	1,737	1,737	1,695
High School (9 - 12)	2,273	2,303	2,318	2,419	2,367
Totals	<u>6,790</u>	<u>6,845</u>	<u>6,805</u>	<u>6,772</u>	<u>6,487</u>

Industry and Commerce

The Town is primarily a residential suburban community, with a diversified manufacturing base located within the Boston Standard Metropolitan Statistical Area.

EMPLOYMENT AND PAYROLLS

The U.S. Department of Labor uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Calendar Year Average				
	2024	2023	2022	2021	2020
Construction	328	314	285	244	264
Manufacturing	390	448	467	486	521
Trade, Transportation & Utilities	1,211	1,256	1,262	1,307	1,242
Information	493	555	652	1,036	990
Financial Activities	619	640	666	774	709
Professional and Business Services	10,471	10,592	10,749	11,015	11,477
Education and Health Services	5,226	5,000	4,929	4,691	4,526
Leisure and Hospitality	1,215	1,250	1,252	1,066	1,010
Other Services	473	452	472	479	446
Total Employment	20,426	20,507	20,734	21,098	21,185
Number of Establishments	1,396	1,427	1,466	1,460	1,410
Average Weekly Wages	\$ 2,486	\$ 2,412	\$ 2,400	\$ 2,842	\$ 2,369
Total Wages	\$ 2,722,562,565	\$ 2,648,033,038	\$ 2,661,569,337	\$ 3,200,568,381	\$ 2,676,804,627

SOURCE: U.S. Department of Labor.

The following table sets forth the largest employers in Lexington, exclusive of the Town.

LARGEST EMPLOYERS

Company Name	Product/Function	Employment January 2026 (1)
MIT Lincoln Laboratory	Research/Communications	4,700
Takeda	Biotech & Pharmaceutical	3,000
BAE Systems	Sensor Systems	530
Beth Israel Deaconess Lahey Medical Center/Children's Hospital	Health Care	270
Brookhaven at Lexington	Health Care	220
Uniqure	Biotech & Pharmaceutical	220
Novo Nordisk	Biotech & Pharmaceutical	200
Wilson Farm	Produce and Plants	170
Cotting School	Education	140
Pine Knoll Nursing Center	Health Care	116
Wave	Biotech & Pharmaceutical	115
CareOne (Formerly: Lexington Health Care Center)	Health Care	113
KSQ	Biotech & Pharmaceutical	110
Ab Initio	Software	100
Stop & Shop	Grocery Retail	100
TOTAL		10,104

Source: Lexington Economic Development Office as of January 2026.

Labor Force, Employment and Unemployment

According to Massachusetts Executive Office of Labor and Workforce Development preliminary data, as of August 2025, the Town has a total labor force of 17,632 of which 16,818 were employed and 814 or 4.6% were unemployed as compared to 4.7% for the Commonwealth as a whole.

UNEMPLOYMENT RATES

The following table sets forth labor force and unemployment rates for the Town as well as the unemployment rates for the Commonwealth and the United States for the calendar years indicated.

Year	Town of Lexington Unemployment Rate		Massachusetts Unemployment Rate		United States Unemployment Rate	
2024	3.6	%	4.0	%	4.0	%
2023	2.8		3.4		3.6	
2022	2.7		3.8		3.6	
2021	3.9		5.7		5.4	
2020	5.4		8.9		8.1	

SOURCE: Mass. Executive Office of Labor and Workforce Development, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence not place of employment.

BUILDING PERMITS

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for the calendar years indicated. Prior information is not strictly comparable and is therefore excluded. Permits are filed for both private construction and Town projects.

Calendar Year	Number	Estimated Value
2025	503	\$ 251,116,866 (1)
2024	1,873	166,418,940
2023	1,691	360,247,653 (2)
2022	1,882	283,152,061 (3)
2021	1,596	220,046,652 (4)

SOURCE: Report of the Building Inspector.

- (1) Estimated value for 2025 includes construction costs attributable to a new multifamily housing development at 17 Hartwell Ave (\$106,000,000).
- (2) Estimated value for 2023 includes construction costs attributable to a new lab/office building at 440 Bedford Street (\$145,505,000); and interior alter alterations at 65 Hayden Avenue (\$17,344,000); 10 Maguire Road (\$17,053,000); and 1050 Waltham Street (\$12,983,000).
- (3) Estimated value for 2022 includes construction costs attributable to tenant fit-outs for lab/office buildings at 1050 Waltham St. (\$28,870,000), and 65 Hayden Ave. (\$12,670,000), and a municipal permit for the reconstruction of the Lexington Police Station (\$32,800,000).
- (4) Estimated value for 2021 includes construction costs attributable to Takeda's expansion at 400 Shire Way, a new commercial parking garage at 5 Hartwell Avenue and architectural upgrades to commercial buildings at 4 Maguire and 10 Maguire Road.

Population and Income

The following table compares the median age, median family income and per capita income for the Town, the Commonwealth, and the United States as a whole.

POPULATION AND INCOME

	<u>Town of Lexington</u>	<u>Commonwealth of Massachusetts</u>	<u>United States</u>
Median Age:			
2020	45.5	39.9	38.8
2010	45.6	39.1	37.2
2000	43.7	36.5	35.3
1990	41.1	33.6	32.9
Median Family Income:			
2020	\$ 224,230	\$ 106,526	\$ 80,069
2010	152,188	81,165	62,982
2000	111,899	61,664	50,046
1990	76,410	44,367	35,225
Per Capita Income:			
2020	\$ 87,869	\$ 45,555	\$ 35,384
2010	64,419	33,966	27,334
2000	46,119	25,952	21,587
1990	30,718	17,224	14,420

Source: Federal Census Bureau.

On the basis of the 2020 Federal Census, the Town has a population density of approximately 2,096 persons per square mile.

POPULATION TRENDS

<u>2020</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>
34,454	31,394	30,355	28,974

SOURCE: Federal Census.

PROPERTY TAXATION

Tax Levy Computation

The principal general fund revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below. The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the Commonwealth's Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the Commonwealth's Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see "Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (See "Taxation to Meet Deficits" below).

The following table illustrates the trend in the manner in which the tax levy was determined.

TAX LEVY COMPUTATION

	Fiscal 2026	Fiscal 2025	Fiscal 2024	Fiscal 2023	Fiscal 2022
Gross Amount to be Raised					
Appropriations (1)	\$ 355,392,291	\$ 340,545,963	\$ 331,209,232	\$ 311,565,391	\$ 290,803,297
Other Local Expenditures (2)	16,369,165	16,683,238	16,394,791	15,274,250	14,008,118
State and County Charges	1,264,133	1,112,390	1,057,413	1,086,476	1,001,069
Overlay Reserve	750,000	750,000	750,000	750,000	900,000
Total Gross Amount to be Raised	<u>\$ 373,775,588</u>	<u>\$ 359,091,591</u>	<u>\$ 349,411,436</u>	<u>\$ 328,676,117</u>	<u>\$ 306,712,484</u>
Less Estimated Receipts & Other:					
Revenue					
Estimated Receipts from State (3)	21,532,602	20,451,907	19,633,417	17,056,598	16,492,260
Estimated Receipts -Local	66,262,964	65,053,777	67,047,807	61,082,544	50,678,690
Available Funds Appropriated:					
Free Cash	19,196,667	15,838,627	16,074,244	15,564,281	14,638,059
Other Available Funds	1,528,862	1,441,718	3,009,892	3,577,088	6,726,743
Total Estimated Receipts & Revenues	<u>\$ 108,521,095</u>	<u>\$ 102,786,029</u>	<u>\$ 105,765,360</u>	<u>\$ 97,280,510</u>	<u>\$ 88,535,752</u>
Net Amount to be Raised (Tax Levy)	<u><u>\$ 265,254,493</u></u>	<u><u>\$ 256,305,562</u></u>	<u><u>\$ 243,646,076</u></u>	<u><u>\$ 231,395,607</u></u>	<u><u>\$ 218,176,732</u></u>

(1) Includes general fund, enterprise funds and Community Preservation Fund appropriations.

(2) Includes debt service for projects excluded from the limits of Proposition 2 ½.

(3) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments.

Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created four classes of taxable property: (1) residential real property, (2) open space land, (3) commercial and (4) industrial. Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 35 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every five years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the “equalized value”. See “DEBT LIMITS” herein.

An in-house update of valuations is conducted annually.

The following table sets forth the trend in the Town’s assessed valuations, tax levies, and tax levies per capita.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Levy	Tax Levy Per Capita (1)
2026	\$ 18,779,374,633	\$ 421,626,310	\$ 19,201,000,943	\$ 265,254,493	\$ 7,699
2025	18,081,073,483	406,689,050	18,487,762,533	256,305,562	7,439
2024	17,245,200,770	372,968,740	17,618,169,510	243,646,076	7,072
2023	15,410,305,569	334,881,170	15,745,186,739	231,395,607	6,716
2022	13,746,673,951	298,261,020	14,044,934,971	218,176,732	6,332

(1) Based on 2020 Federal Census number of 34,454.

Classification of Property

The following is a breakdown of the Town’s assessed valuation in fiscal years 2026, 2025 and 2024.

Type of Property	Fiscal 2026		Fiscal 2025		Fiscal 2024	
	Assessed Valuation	% of Total Assessed Valuation	Assessed Valuation	% of Total Assessed Valuation	Assessed Valuation	% of Total Assessed Valuation
Residential	\$ 16,767,119,583	87.3 %	\$ 15,977,353,073	86.4 %	\$ 15,289,843,165	86.8 %
Commercial	847,548,050	4.4	847,945,410	4.6	867,162,320	4.9
Industrial	1,164,707,000	6.1	1,255,775,000	6.8	1,088,195,285	6.2
Personal	421,626,310	2.2	406,689,050	2.2	372,968,740	2.1
Total	<u>\$ 19,201,000,943</u>	<u>100.0 %</u>	<u>\$ 18,487,762,533</u>	<u>100.0 %</u>	<u>\$ 17,618,169,510</u>	<u>100.0 %</u>

LARGEST TAXPAYERS

The following table lists the ten largest taxpayers in the Town based upon assessed valuations for fiscal 2026. All of the taxpayers listed are current in their tax payments.

Name	Nature of Business	Fiscal 2026 Total Assessed Valuation	Fiscal 2026 % of Total Valuation
Tadeka (formerly Shire Pharmaceuticals)	Industrial/BioTech	\$ 370,535,280	1.93 %
HCP Inc.	Industrial/BioTech	243,319,000	1.27
Eversource/Nstar	Office Building/Personal Properties	172,609,680	0.90
440 Bedford Investors LLC	Office Builidngs, Bio Tech	127,073,000	0.66
Revolution Labs/Greatland Partners	Office Builidngs, Bio Tech	176,612,000	0.92
LS King Hartwell Innovation Campus LLC	Industrial/Bio Tech	108,074,450	0.56
99 Hayden LLC/ Hobbs Brook	Industrial/Bio Tech, Office Building	105,823,440	0.55
Avalon Bay Communities	Residential Buildings	184,848,730	0.96
Boston Properties Inc	Office Builidngs, Industrial/Bio Tech	92,631,930	0.48
Alexandria Real Estate Equities Inc.	Industrial/Bio Tech	73,804,000	0.38
		<u>\$ 1,655,331,510</u>	<u>8.62 %</u>

State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a re-determination of the fair cash value of the taxable property in each municipality. This is known as the “equalized value”. The following table sets forth the trend in equalized valuations of the Town.

<u>January 1,</u>	<u>State Equalized Valuation</u>	<u>% Change</u>
2024	\$ 18,712,550,500	24.47 %
2022	15,034,185,600	11.60
2020	13,471,181,900	12.18
2018	12,008,478,000	10.54
2016	10,863,785,200	17.19

Overlay

The Town is authorized to reserve an amount approved by the Commissioner of Revenue as an “overlay” to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the resultant “overlay deficit” is required to be added to the next tax levy. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the Commissioner of Revenue.

The following table sets forth the amount of the overlay reserve and actual abatements and refunds granted against each levy.

<u>Fiscal Year</u>	<u>Overlay Reserve</u>			<u>Abatements Granted through June 30, 2025</u>
	<u>Net Tax Levy (1)</u>	<u>Dollar Amount</u>	<u>As a % of Net Levy</u>	
2025	\$ 255,555,562	\$ 750,000	0.3 %	\$ 221,388
2024	242,896,076	750,000	0.3	352,347
2023	230,645,607	750,000	0.3	402,698
2022	217,276,732	900,000	0.4	452,227
2021	206,264,709	750,000	0.4	434,581

(1) Gross tax levy minus overlay reserve for abatements.

Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk. The Town’s strong collection rates preclude the need for any such sales.

Tax Collections

Beginning in fiscal 1991, the Town instituted quarterly tax billings with tax bills payable August 1, November 1, February 1, and May 1 of each fiscal year. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for the fiscal years indicated.

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable (1)		Collections as of June 30, 2025	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2025	\$ 256,305,562	\$ 750,000	\$ 255,555,562	\$ 253,841,158	99.3 %	\$ 253,841,158	99.3 %
2024	243,646,076	750,000	242,896,076	241,395,607	99.4	242,240,159	99.7
2023	231,395,607	750,000	230,645,607	228,885,130	99.2	230,059,320	99.7
2022	218,176,732	900,000	217,276,732	215,929,918	99.4	216,540,278	99.7
2021	207,014,709	750,000	206,264,709	204,727,865	99.3	205,406,856	99.6

(1) Actual dollar collections net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non payment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within 12 months (which may be extended in the case of certain installment payments) it can be foreclosed by petition to the Land Court.

Upon such foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

The municipality must notify the former property owner of its intent to retain possession of or sell the property, as well as any "excess equity" (i.e., any remaining surplus amount above taxes, fees, and charges owed to or incurred by the municipality) the former owner may be entitled to in either case. The former owner may submit a claim for return of any excess equity within 18 months of being notified. Any excess equity not yet returned to the former owner must be held in a separate interest-bearing account.

Former owners of property foreclosed upon on or before May 24, 2021 are not eligible to submit claims for return of excess equity. At this time, it is not clear whether such owners may be able to make constitutional claims for return of excess equity outside of the statutory scheme concerning property foreclosed upon before May 24, 2021.

Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of tax and charging surplus.

The following table sets forth the amount of tax titles and possessions outstanding at the end of the fiscal years indicated.

Fiscal Year	Total Tax Titles and Possessions
2025	\$ 1,919,283
2024	1,865,283
2023	1,498,315
2022	1,183,151
2021	1,351,915

Taxation to Meet Deficits

As noted elsewhere (see "Overlay," above) overlay deficits, i.e., tax abatement in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the next tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing

and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates, and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen, select board or town council of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen, select board or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the Massachusetts Water Resources Authority ("MWRA") and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under

Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The Town has been in full compliance with Proposition 2 ½ since its inception.

The table below presents the Town’s primary levy limits, its maximum levy limits, and its actual tax levies for fiscal years 2022 through 2026.

	Fiscal Year				
	2026	2025	2024	2023	2022
Primary Levy Limit (1)	\$ 480,025,024	\$ 462,194,063	\$ 440,454,238	\$ 393,629,668	\$ 351,123,374
Prior Fiscal Year Levy Limit	239,807,038	227,348,851	216,220,071	204,256,773	194,415,314
2.5% Levy Growth	5,995,176	5,683,721	5,405,502	5,106,419	4,860,383
New Growth (2)	3,331,122	6,774,466	5,723,278	6,856,879	4,981,076
Amended Prior Year Growth	-	-	-	-	-
Overrides	-	-	-	-	-
Growth Levy Limit	249,133,336	239,807,038	227,348,851	216,220,071	204,256,773
Debt Exclusions	16,207,457	16,591,920	16,311,649	15,208,385	13,947,991
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	265,340,793	256,398,958	243,660,500	231,428,456	218,204,764
Tax Levy	265,254,493	256,305,562	243,646,076	231,395,607	218,176,732
Unused Levy Capacity (3)	86,300	93,396	14,424	32,849	28,032
Unused Primary Levy Capacity (4)	\$ 230,891,688	\$ 222,387,025	\$ 213,105,387	\$ 177,409,597	\$ 146,866,601

Source: Massachusetts Department of Revenue.

(1) 2.5% of assessed valuation.

(2) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy Limit less Growth Levy Limit.

Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See “Tax Increment Financing for Development Districts” below).

Community Preservation Act

The Massachusetts Community Preservation Act (the “CPA”) permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and community housing, and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial

property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “Tax Limitations” under “PROPERTY TAX” above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy and any other revenue dedicated pursuant to the CPA. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes, the amounts of other dedicated revenues and the amounts received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for community housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and other dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town adopted the CPA in March, 2006 effective in the 2007 fiscal year. The surcharge adopted was 3% and a uniform residential exemption of \$100,000 in value was also adopted. The following table indicates CPA revenue sources and amounts for the fiscal years indicated.

<u>Fiscal Year</u>	<u>CPA Surcharge</u>	<u>State Matching Funds</u>	<u>Investment Income</u>	<u>Total Revenues</u>
2025	\$ 6,942,453	\$ 1,234,313	\$ 594,971	\$ 8,771,736
2024	6,595,092	1,354,935	284,807	8,234,834
2023	6,199,975	2,323,956	463,877	8,987,808
2022	5,803,773	2,500,261	43,895	8,347,929
2021	5,483,354	1,549,955	47,829	7,081,138

The CPA fund balance at June 30, 2025 was \$2,054,540.

TOWN FINANCES

Budget and Appropriation Process

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April, May or June. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee is required to submit a budget of proposed expenditures at the annual town meeting.

Water and sewer department expenditures are generally included in the budgets adopted by town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs and may affect the level of State Aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. Since fiscal 1994, the Town's net school spending has met or exceeded the minimum required local contribution.

Under certain circumstances and subject to certain limits the board of selectman of a town with the concurrence of the finance committee may transfer any amount appropriated for the use of any department to any other appropriation for the same department or to any other department.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION" above.)

Budget Trends

The following table sets forth the trend in operating budgets as voted at annual town meeting. As such, said budgets do not reflect revenues, mandatory items and expenditures authorized for non-recurring (generally capital) purposes under "special" warrant articles or transfers occurring subsequent to the annual town meeting. Additionally, enterprise fund appropriations are not included in the comparison below as such funds are fully self-supporting.

BUDGET COMPARISON

	Fiscal Year				
	2026	2025	2024	2023	2022
General Government:					
Administration	\$ 1,895,806	\$ 1,544,840	\$ 1,484,952	\$ 1,245,753	\$ 1,215,714
Financial	3,065,038	3,005,854	2,873,707	3,316,548	2,762,870
MIS	3,376,124	3,124,175	2,918,565	2,727,727	2,789,292
Community Development	1,773,067	1,813,172	1,729,424	1,690,070	1,722,064
Salary Reserve	-	294,179	725,300	826,422	313,529
Other	3,818,620	2,079,953	1,942,187	1,936,598	1,772,739
Joint Facilities	15,189,172	14,565,854	14,060,403	13,069,307	12,153,365
Public Safety:					
Police	9,745,978	9,458,075	9,042,530	8,265,377	8,074,259
Fire	9,458,988	9,289,900	8,102,071	8,068,468	7,969,310
Building & Zoning	692,169	707,682	669,692	644,673	640,862
Other	578,422	-	-	-	-
Education	150,339,645	143,914,762	138,232,221	131,478,345	126,507,019
Public Works	11,944,771	11,558,339	11,155,903	10,422,352	10,092,068
Health & Human Services	2,264,621	2,059,087	2,229,011	1,985,291	1,678,416
Culture:					
Library	\$3,691,461	3,460,565	3,385,820	3,336,219	3,156,348
Parks	\$1,760,735	1,561,605	1,561,606	1,545,793	1,436,075
Other	\$53,800	53,734	47,173	51,263	46,471
Debt Service	\$5,983,068	6,513,352	7,244,101	7,644,509	10,787,112
Benefits	\$53,368,693	50,262,771	46,814,435	43,882,638	40,849,560
TOTAL:	\$ 279,000,178	\$ 265,267,899	\$ 254,219,101	\$ 242,137,353	\$ 233,967,073

Revenues

Property Taxes: Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see “PROPERTY TAXATION-Tax Limitations” herein.

State Distributions: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State’s personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality’s state aid entitlement is based on a number of different formulas, of which the “schools” and “lottery” formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality’s state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, legislation was enacted placing limits on the growth of state tax revenues. In essence, the growth in state tax revenue is limited to the average rate of growth in wages and salaries in the Commonwealth over the previous three calendar years. The effect of this legislation could be to restrict the amount of state tax revenue available to provide state financial assistance to the Commonwealth’s cities, towns, and regional school districts.

State School Building Assistance Program

Under its school building assistance program, The Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the “Authority”) to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

The range of reimbursement rates for new project grant applications submitted to the Authority is between 31% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Motor Vehicle Excise

An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer’s list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner’s operating license or registration by the registrar of motor vehicles.

Room Occupancy Tax

Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six and one-half percent (6.5%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. The Town levied 4% as permitted under the law since the inception of the tax, and increased the rate to 6% effective July 1, 2010. The fiscal year 2024 receipts were \$841,526 and \$698,372 for fiscal year 2025.

Local Meals Excise Tax

At a November 2009 special town meeting, the Town enacted a local meals excise tax on sales of restaurant meals. The tax is a three-fourths percent tax on the gross receipts of a vendor from the sale of restaurant meals. The vendor pays the tax to the Commissioner of Revenue, and the Commonwealth in turn, pays the tax to the municipality in which the meal was sold. The fiscal year 2024 receipts were \$509,727 and \$552,939 for fiscal year 2025.

Payments-in-Lieu-of-Taxes

In addition to the water and sewer payment to the Town for its overhead costs associated with water and sewer operations, the Town currently receives payments in lieu of taxes (“PILOTS”) from various entities otherwise exempt from property taxation, the largest of which is an annual payment (received on a quarterly basis) from Brookhaven, an assisted living community. PILOT payments were \$731,519 for fiscal year 2024 and are \$817,682 for fiscal year 2025.

Public/Private Partnerships

The Town actively seeks and encourages public/private partnerships to fund town services and capital projects. The Select Board maintains and approves gift accounts for this purpose. In addition, the nine school parent-teacher organizations contribute money to each school. There is an active Lexington Education Foundation and Cary Memorial Library Foundation to support Town schools and the library with private donations.

Tax Increment Financing for Development Districts

Cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town’s development program for the district. This includes pledging such “tax increments” for the payment of bonds issued to finance such projects. As result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½ (see “Tax Limitations” under “PROPERTY TAXATION” above.)

The Town has not established any such districts.

Water and Sewer Enterprise Fund

The Town’s Public Works/Engineering Department provides water and sewer services to substantially all commercial, industrial, and residential users within the Town. In addition, the Department provides water services to a portion of the residents of the Town of Bedford. Both services are charged based on metered water consumption. Since fiscal 1989, water and sewer operations have been accounted financially by the Town on an Enterprise Fund basis. It is the policy of the Town to maintain full cost recovery for water and sewer, including indirect costs and depreciation.

The following tables show water and sewer revenues for the last five fiscal years and the water and sewer rate structures for fiscal 2026.

<u>Fiscal Year</u>	<u>Water Revenues</u>	<u>Sewer Revenues</u>
2025	\$ 15,275,164	\$ 12,924,281
2024	14,163,915	12,319,748
2023	15,477,832	12,077,368
2022	11,386,683	11,301,628
2021	13,908,268	11,203,270

Water and Sewer Rates (1)
(Domestic and Commercial Accounts)

<u>Rates</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
0-40 HCF	\$ 5.23	\$ 10.62	\$ 15.85
41-80 HCF	\$ 7.84	\$ 17.35	\$ 25.19
Greater than 80 HCF	\$ 10.35	\$ 27.60	\$ 37.95

(1) Effective November 2025 for fiscal 2026.

Annual Audits

The Town's accounts were most recently independently audited for the fiscal year ended June 30, 2024 by CBIZ CPAs of Boston, Massachusetts, a copy of which is attached hereto as Appendix A. A similar audit for fiscal 2025 is currently underway and expected to be completed by June 30, 2026.

The attached audit speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Financial Statements

Set forth on the following pages are Governmental Funds Balance sheets for fiscal years 2024, 2023 and 2022 and Statements of Revenues, Expenditures and Changes in Fund Balance for fiscal year 2024 through 2020. Said financials were extracted from the Town's audited financial statements.

**TOWN OF LEXINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024 (1)**

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 107,236,148	\$ 27,732,795	\$ 4,651,605	\$ 39,917,630	\$ 179,538,178
Investments	10,672,836	-	-	9,821,965	20,494,801
Receivables:					
Property taxes	6,164,983	-	-	48,175	6,213,158
Excises	508,129	-	-	-	508,129
Departmental and other	735,463	-	-	-	735,463
Intergovernmental	-	-	-	3,869,647	3,869,647
Leases	2,356,873	-	-	-	2,356,873
Guarantee deposits	1,943,747	-	-	-	1,943,747
TOTAL ASSETS	<u>\$ 129,618,179</u>	<u>\$ 27,732,795</u>	<u>\$ 4,651,605</u>	<u>\$ 53,657,417</u>	<u>\$ 215,659,996</u>
Liabilities:					
Warrants and accounts payable	\$ 2,776,573	\$ 3,659,961	\$ 459,982	\$ 1,450,736	\$ 8,347,252
Accrued liabilities	1,171,383	-	-	-	1,171,383
Unearned revenue	-	-	4,191,623	-	4,191,623
Guarantee deposits	1,943,747	-	-	-	1,943,747
Other liabilities	198,643	-	-	-	198,643
TOTAL LIABILITIES	<u>6,090,346</u>	<u>3,659,961</u>	<u>4,651,605</u>	<u>1,450,736</u>	<u>15,852,648</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	6,979,488	-	-	48,176	7,027,664
Related to leases	2,356,873	-	-	-	2,356,873
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>9,336,361</u>	<u>-</u>	<u>-</u>	<u>48,176</u>	<u>9,384,537</u>
Fund Balances:					
Nonspendable	-	-	-	10,498,925	10,498,925
Restricted	3,680,258	1,524,704	-	43,513,221	48,718,183
Committed	59,806,649	22,867,703	-	-	82,674,352
Assigned	9,016,082	-	-	-	9,016,082
Unassigned	41,688,483	(319,573)	-	(1,853,641)	39,515,269
TOTAL FUND BALANCES	<u>114,191,472</u>	<u>24,072,834</u>	<u>-</u>	<u>52,158,505</u>	<u>190,422,811</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 129,618,179</u>	<u>\$ 27,732,795</u>	<u>\$ 4,651,605</u>	<u>\$ 53,657,417</u>	<u>\$ 215,659,996</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF LEXINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023 (1)**

ASSETS	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 97,307,696	\$ 43,107,889	\$ 6,817,699	\$ 38,341,694	\$ 185,574,978
Investments	9,979,262	-	-	9,140,582	19,119,844
Receivables:					
Property taxes	4,354,725	-	-	54,788	4,409,513
Tax title	885,271	-	-	-	885,271
Excises	360,371	-	-	-	360,371
Departmental and other	498,117	-	-	-	498,117
Leases	2,515,019	-	-	-	2,515,019
Other assets	2,137,217	-	-	-	2,137,217
TOTAL ASSETS	\$ 118,037,678	\$ 43,107,889	\$ 6,817,699	\$ 47,537,064	\$ 215,500,330
Liabilities:					
Warrants and accounts payable	\$ 3,436,492	\$ 970,070	\$ 651,104	\$ 1,104,927	\$ 6,162,593
Accrued liabilities	1,270,433	-	-	-	1,270,433
Notes payable	-	2,049,644	-	-	2,049,644
Unearned revenue	-	-	6,166,595	-	6,166,595
Guarantee deposits	2,137,217	-	-	-	2,137,217
Other liabilities	171,293	-	-	-	171,293
TOTAL LIABILITIES	7,015,435	3,019,714	6,817,699	1,104,927	17,957,775
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	5,661,213	-	-	54,789	5,716,002
Related to leases	2,515,019	-	-	-	2,515,019
TOTAL DEFERRED INFLOWS OF RESOURCES	8,176,232	-	-	54,789	8,231,021
Fund Balances:					
Nonspendable	-	-	-	10,378,963	10,378,963
Restricted	3,430,731	21,579,581	-	38,084,602	63,094,914
Committed	52,173,572	20,606,303	-	-	72,779,875
Assigned	12,799,594	-	-	-	12,799,594
Unassigned	34,442,114	(2,097,709)	-	(2,086,217)	30,258,188
TOTAL FUND BALANCES	102,846,011	40,088,175	-	46,377,348	189,311,534
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 118,037,678	\$ 43,107,889	\$ 6,817,699	\$ 47,537,064	\$ 215,500,330

(1) Extracted from the Town's audited financial statements.

**TOWN OF LEXINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022 (1)**

ASSETS	<u>General</u>	<u>Capital Projects Fund</u>	<u>ARPA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 94,935,062	\$ 22,445,067	\$ 3,925,415	\$ 31,408,314	\$ 152,713,858
Investments	9,941,969	-	-	9,007,801	18,949,770
Receivables:					
Property taxes	4,932,556	-	-	45,243	4,977,799
Tax title	755,337	-	-	-	755,337
Excises	651,966	-	-	-	651,966
Special assessments	831	-	-	-	831
Departmental and other	455,003	-	-	-	455,003
Intergovernmental	-	-	-	486,738	486,738
Leases	2,665,328	-	-	-	2,665,328
Guarantee deposits	2,058,851	-	-	-	2,058,851
TOTAL ASSETS	<u>\$ 116,396,903</u>	<u>\$ 22,445,067</u>	<u>\$ 3,925,415</u>	<u>\$ 40,948,096</u>	<u>\$ 183,715,481</u>
Liabilities:					
Warrants and accounts payable	\$ 2,098,789	\$ 981,655	\$ 53,354	\$ 909,054	\$ 4,042,852
Accrued liabilities	13,381,383	-	-	321,893	13,703,276
Notes payable	-	2,133,412	-	94,175	2,227,587
Unearned revenue	-	-	3,872,061	-	3,872,061
Guarantee deposits	2,058,851	-	-	-	2,058,851
Other liabilities	149,091	-	-	-	149,091
TOTAL LIABILITIES	<u>17,688,114</u>	<u>3,115,067</u>	<u>3,925,415</u>	<u>1,325,122</u>	<u>26,053,718</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	6,386,128	-	-	45,243	6,431,371
Related to leases	2,665,328	-	-	-	2,665,328
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>9,051,456</u>	<u>-</u>	<u>-</u>	<u>45,243</u>	<u>9,096,699</u>
Fund Balances:					
Nonspendable	-	-	-	9,737,248	9,737,248
Restricted	2,945,464	4,988,896	-	31,018,149	38,952,509
Committed	44,353,618	17,477,027	-	-	61,830,645
Assigned	9,340,049	-	-	-	9,340,049
Unassigned	33,018,202	(3,135,923)	-	(1,177,666)	28,704,613
TOTAL FUND BALANCES	<u>89,657,333</u>	<u>19,330,000</u>	<u>-</u>	<u>39,577,731</u>	<u>148,565,064</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 116,396,903</u>	<u>\$ 22,445,067</u>	<u>\$ 3,925,415</u>	<u>\$ 40,948,096</u>	<u>\$ 183,715,481</u>

(1) Extracted from the Town's audited financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024 (1)

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 242,945,201	\$ -	\$ -	\$ 6,585,258	\$ 249,530,459
Intergovernmental	44,396,382	3,112,096	1,974,972	20,323,245	69,806,695
Excises	8,128,453	-	-	-	8,128,453
Departmental and other	3,544,849	-	-	12,671,828	16,216,677
Investment income	10,156,733	-	-	1,530,086	11,686,819
Betterments	10,370	-	-	-	10,370
Payment in lieu of taxes	731,519	-	-	-	731,519
Penalties and interest	479,254	-	-	9,834	489,088
Licenses and permits	3,237,307	-	-	-	3,237,307
Fines and forfeitures	172,123	-	-	-	172,123
Contributions	60,516	-	-	2,455,438	2,515,954
Net Metering Credits	823,246	-	-	-	823,246
Other	391,944	-	-	110,364	502,308
Total Revenues	<u>\$ 315,077,897</u>	<u>\$ 3,112,096</u>	<u>\$ 1,974,972</u>	<u>\$ 43,686,053</u>	<u>\$ 363,851,018</u>
Expenditures:					
Current:					
General government	\$ 8,828,065	\$ -	\$ 514,760	\$ 5,486,764	\$ 14,829,589
Public safety	19,169,515	-	248,760	2,452,628	21,870,903
Education	161,114,842	-	-	22,720,888	183,835,730
Public works	8,512,673	-	801,518	1,244,414	10,558,605
Facilities	14,621,995	-	-	-	14,621,995
Health and human services	2,026,451	-	281,185	486,077	2,793,713
Culture and recreation	4,874,522	-	128,749	699,171	5,702,442
Pension	9,710,818	-	-	-	9,710,818
Insurance	35,655,244	-	-	-	35,655,244
Debt service					-
Principal	15,877,952	-	-	1,843,000	17,720,952
Interest	7,231,286	-	-	135,336	7,366,622
Intergovernmental	981,462	-	-	-	981,462
Capital outlay	-	41,833,848	-	2,846,924	44,680,772
Total Expenditures	<u>288,604,825</u>	<u>41,833,848</u>	<u>1,974,972</u>	<u>37,915,202</u>	<u>370,328,847</u>
Excess (deficiency) of revenues over expenditures	26,473,072	(38,721,752)	-	5,770,851	(6,477,829)
Other Financing Sources (Uses):					
Issuance of Bonds	-	6,537,500	-	-	6,537,500
Premium from issuance of bonds	-	853,765	-	-	853,765
Transfers in	2,382,889	15,710,608	-	2,975,902	21,069,399
Transfers out	(17,510,500)	(395,462)	-	(2,965,596)	(20,871,558)
Total Other Financing Sources (Uses)	<u>(15,127,611)</u>	<u>22,706,411</u>	<u>-</u>	<u>10,306</u>	<u>7,589,106</u>
Change in Fund Balance	<u>11,345,461</u>	<u>(16,015,341)</u>	<u>-</u>	<u>5,781,157</u>	<u>1,111,277</u>
Fund Balance, at Beginning of Year	102,846,011	40,088,175		46,377,348	189,311,534
Fund Balance, at End of Year	<u>\$ 114,191,472</u>	<u>\$ 24,072,834</u>	<u>\$ -</u>	<u>\$ 52,158,505</u>	<u>\$ 190,422,811</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF LEXINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023 (1)**

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 230,236,247	\$ -	\$ -	\$ 6,191,849	\$ 236,428,096
Intergovernmental	38,583,850	2,399,861	2,657,158	17,570,650	61,211,519
Excises	7,529,790	-	-	-	7,529,790
Departmental and other	3,049,732	-	-	11,705,744	14,755,476
Investment income	5,720,805	-	-	1,275,206	6,996,011
Betterments	13,531	-	-	-	13,531
Payment in lieu of taxes	709,774	-	-	-	709,774
Penalties and interest	413,104	-	-	8,127	421,231
Licenses and permits	5,857,122	-	-	-	5,857,122
Fines and forfeitures	111,594	-	-	-	111,594
Contributions	122,809	-	-	966,237	1,089,046
Net Metering Credits	841,417	-	-	-	841,417
Other	450,846	-	-	171,936	622,782
Total Revenues	<u>\$ 293,640,621</u>	<u>\$ 2,399,861</u>	<u>\$ 2,657,158</u>	<u>\$ 37,889,749</u>	<u>\$ 336,587,389</u>
Expenditures:					
Current:					
General government	\$ 8,609,066	\$ -	\$ 2,323,848	\$ 1,359,691	\$ 12,292,605
Public safety	18,311,649	-	76,413	2,441,981	20,830,043
Education	146,816,503	-	-	18,578,958	165,395,461
Public works	8,035,408	-	140,173	1,307,329	9,482,910
Facilities	12,377,571	-	-	-	12,377,571
Health and human services	1,882,266	-	114,076	421,086	2,417,428
Culture and recreation	4,804,983	-	2,648	394,855	5,202,486
Pension	8,958,041	-	-	-	8,958,041
Insurance	33,905,509	-	-	-	33,905,509
Debt service					
Principal	16,430,352	-	-	1,872,500	18,302,852
Interest	6,578,610	-	-	222,912	6,801,522
Intergovernmental	1,003,631	-	-	-	1,003,631
Capital outlay	-	33,117,093	-	3,362,222	36,479,315
Total Expenditures	<u>267,713,589</u>	<u>33,117,093</u>	<u>2,657,158</u>	<u>29,961,534</u>	<u>333,449,374</u>
Excess (deficiency) of revenues over expenditures	25,927,032	(30,717,232)	-	7,928,215	3,138,015
Other Financing Sources (Uses):					
Issuance of Bonds	-	33,138,800	-	-	33,138,800
Premium from issuance of bonds	-	3,447,942	-	-	3,447,942
Transfers in	2,185,738	14,888,665	-	-	17,074,403
Transfers out	(14,924,092)	-	-	(1,128,598)	(16,052,690)
Total Other Financing Sources (Uses)	<u>(12,738,354)</u>	<u>51,475,407</u>	<u>-</u>	<u>(1,128,598)</u>	<u>37,608,455</u>
Change in Fund Balance	<u>13,188,678</u>	<u>20,758,175</u>	<u>-</u>	<u>6,799,617</u>	<u>40,746,470</u>
Fund Balance, at Beginning of Year	89,657,333	19,330,000	-	39,577,731	148,565,064
Fund Balance, at End of Year	<u>\$ 102,846,011</u>	<u>\$ 40,088,175</u>	<u>\$ -</u>	<u>\$ 46,377,348</u>	<u>\$ 189,311,534</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF LEXINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022 (1)**

	General	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 217,854,977	\$ -	\$ -	\$ 5,809,503	\$ 223,664,480
Intergovernmental	35,469,027	-	1,079,629	19,033,104	55,581,760
Excises	6,681,487	-	-	-	6,681,487
Departmental and other	2,784,131	-	-	9,982,673	12,766,804
Investment income	241,726	-	-	(267,439)	(25,713)
Betterments	17,293	-	-	-	17,293
Payment in lieu of taxes	682,107	-	-	-	682,107
Penalties and interest	590,843	-	-	9,072	599,915
Licenses and permits	3,192,960	-	-	-	3,192,960
Fines and forfeitures	79,398	-	-	-	79,398
Contributions	334,830	-	-	876,828	1,211,658
Net Metering Credits	642,150	-	-	-	642,150
Other	704,197	-	-	386,531	1,090,728
Total Revenues	<u>\$ 269,275,126</u>	<u>\$ -</u>	<u>\$ 1,079,629</u>	<u>\$ 35,830,272</u>	<u>\$ 306,185,027</u>
Expenditures:					
Current:					
General government	\$ 8,269,698	\$ -	\$ 815,984	\$ 1,517,748	\$ 10,603,430
Public safety	17,095,150	-	42,616	2,186,991	19,324,757
Education	140,458,909	-	-	13,423,870	153,882,779
Public works	7,508,025	-	-	1,127,404	8,635,429
Facilities	12,600,391	-	-	-	12,600,391
Health and human services	1,536,013	-	221,029	827,237	2,584,279
Culture and recreation	4,518,888	-	-	125,063	4,643,951
Pension	7,199,570	-	-	-	7,199,570
Insurance	33,013,212	-	-	-	33,013,212
Debt service					-
Principal	17,038,152	-	-	1,813,000	18,851,152
Interest	6,804,292	-	-	294,051	7,098,343
Intergovernmental	1,048,843	-	-	-	1,048,843
Capital outlay	1,999,374	19,569,410	-	1,563,775	23,132,559
Total Expenditures	<u>259,090,517</u>	<u>19,569,410</u>	<u>1,079,629</u>	<u>22,879,139</u>	<u>302,618,695</u>
Excess (deficiency) of revenues over expenditures	10,184,609	(19,569,410)	-	12,951,133	3,566,332
Other Financing Sources (Uses):					
Issuance of Bonds	-	12,021,500	-	-	12,021,500
Premium from issuance of bonds	-	1,822,800	-	-	1,822,800
Issuance of leases	1,999,374	-	-	-	-
Transfers in	5,998,626	13,869,155	-	-	19,867,781
Transfers out	(13,624,244)	(561,980)	-	(4,950,501)	(19,136,725)
Total Other Financing Sources (Uses)	<u>(5,626,244)</u>	<u>27,151,475</u>	<u>-</u>	<u>(4,950,501)</u>	<u>14,575,356</u>
Change in Fund Balance	<u>4,558,365</u>	<u>7,582,065</u>	<u>-</u>	<u>8,000,632</u>	<u>20,141,062</u>
Fund Balance, at Beginning of Year, as reclassified	85,098,968	11,747,935	-	31,577,099	128,424,002
Fund Balance, at End of Year	<u>\$ 89,657,333</u>	<u>\$ 19,330,000</u>	<u>\$ -</u>	<u>\$ 39,577,731</u>	<u>\$ 148,565,064</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF LEXINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021 (1)**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 205,366,504	\$ -	\$ 5,489,574	\$ 210,856,078
Intergovernmental	31,813,792	3,407,217	15,624,274	50,845,283
Excises	6,148,772	-	-	6,148,772
Departmental and other	2,363,131	-	6,452,134	8,815,265
Investment income	712,766	-	1,666,037	2,378,803
Betterments	25,643	-	-	25,643
Payment in lieu of taxes	660,966	-	-	660,966
Penalties and interest	445,590	-	10,065	455,655
Licenses and permits	3,567,970	-	-	3,567,970
Fines and forfeitures	59,822	-	-	59,822
Contributions	120,684	-	660,573	781,257
Net Metering Credits	674,298	-	-	674,298
Other	764,876	-	172,623	937,499
Total Revenues	<u>\$ 252,724,814</u>	<u>\$ 3,407,217</u>	<u>\$ 30,075,280</u>	<u>\$ 286,207,311</u>
Expenditures:				
Current:				
General government	\$ 7,738,183	\$ -	\$ 3,585,424	\$ 11,323,607
Public safety	16,512,149	-	1,978,143	18,490,292
Education	131,733,668	-	11,984,814	143,718,482
Public works	7,509,867	-	1,768,245	9,278,112
Facilities	11,053,286	-	-	11,053,286
Health and human services	1,689,411	-	542,011	2,231,422
Culture and recreation	4,133,654	-	103,851	4,237,505
Pension	6,418,076	-	-	6,418,076
Insurance	30,306,488	-	-	30,306,488
Debt service				-
Principal	17,779,252	-	1,853,900	19,633,152
Interest	7,473,487	-	389,618	7,863,105
Intergovernmental	990,747	-	-	990,747
Capital outlay	-	22,453,336	5,332,226	27,785,562
Total Expenditures	<u>243,338,268</u>	<u>22,453,336</u>	<u>27,538,232</u>	<u>293,329,836</u>
Excess (deficiency) of revenues over expenditures	9,386,546	(19,046,119)	2,537,048	(7,122,525)
Other Financing Sources (Uses):				
Issuance of general obligation bonds	-	2,578,000	-	2,578,000
Bond premiums	-	452,000	-	452,000
Transfers in	3,561,131	10,615,369	140,000	14,316,500
Transfers out	(11,200,781)	(442,191)	(2,256,285)	(13,899,257)
Total Other Financing Sources (Uses)	<u>(7,639,650)</u>	<u>13,203,178</u>	<u>(2,116,285)</u>	<u>3,447,243</u>
Change in Fund Balance	<u>1,746,896</u>	<u>(5,842,941)</u>	<u>420,763</u>	<u>(3,675,282)</u>
Fund Balance, at Beginning of Year, as reclassified	83,352,072	17,590,876	31,156,336	132,099,284
Fund Balance, at End of Year	<u>\$ 85,098,968</u>	<u>\$ 11,747,935</u>	<u>\$ 31,577,099</u>	<u>\$ 128,424,002</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF LEXINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020 (1)**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 195,134,096	\$ -	\$ 5,179,606	\$ 200,313,702
Intergovernmental	31,065,890	10,258,028	9,985,563	51,309,481
Motor vehicle and other excise taxes	6,886,752	-	-	6,886,752
Departmental and other	2,684,412	-	9,354,563	12,038,975
Investment income	1,982,095	-	164,454	2,146,549
Betterments	19,781	-	-	19,781
Payment in lieu of taxes	666,153	-	-	666,153
Penalties and interest	564,274	-	7,100	571,374
Licenses and permits	3,035,065	-	-	3,035,065
Fines and forfeitures	152,653	-	-	152,653
Contributions	186,922	-	1,261,475	1,448,397
Net Metering Credits	691,986	-	-	691,986
Other	437,912	-	524,266	962,178
Total Revenues	<u>\$ 243,507,991</u>	<u>\$ 10,258,028</u>	<u>\$ 26,477,027</u>	<u>\$ 280,243,046</u>
Expenditures:				
Current:				
General government	\$ 7,458,000	\$ -	\$ 1,992,002	\$ 9,450,002
Public safety	15,947,122	-	1,789,325	17,736,447
Education	125,519,010	-	11,832,526	137,351,536
Public works	6,650,910	-	969,467	7,620,377
Facilities	10,368,085	-	-	10,368,085
Health and human services	1,398,725	-	483,083	1,881,808
Culture and recreation	3,957,620	-	99,286	4,056,906
Pension	6,135,201	-	-	6,135,201
Insurance	30,377,692	-	-	30,377,692
Debt service				
Principal	16,753,052	-	1,859,000	18,612,052
Interest	7,245,109	-	465,468	7,710,577
Intergovernmental	937,092	-	-	937,092
Capital outlay	-	58,036,481	7,264,293	65,300,774
Total Expenditures	<u>232,747,618</u>	<u>58,036,481</u>	<u>26,754,450</u>	<u>317,538,549</u>
Excess (deficiency) of revenues over expenditures	10,760,373	(47,778,453)	(277,423)	(37,295,503)
Other Financing Sources (Uses):				
Issuance of general obligation bonds	-	25,020,000	-	25,020,000
Bond premiums	-	3,329,812	-	3,329,812
Transfers in	3,487,606	11,087,640	44,093	14,619,339
Transfers out	(10,830,749)	(687,471)	(1,885,555)	(13,403,775)
Total Other Financing Sources (Uses)	<u>(7,343,143)</u>	<u>38,749,981</u>	<u>(1,841,462)</u>	<u>29,565,376</u>
Change in Fund Balance	<u>3,417,230</u>	<u>(9,028,472)</u>	<u>(2,118,885)</u>	<u>(7,730,127)</u>
Fund Balance, at Beginning of Year, as reclassified	79,934,842	26,619,348	32,734,347	139,288,537
Fund Balance, at End of Year	<u>\$ 83,352,072</u>	<u>\$ 17,590,876</u>	<u>\$ 30,615,462</u>	<u>\$ 131,558,410</u>

(1) Extracted from the Town's audited financial statements.

Unassigned General Fund Balance and Free Cash

Under Massachusetts law an amount known as “free cash” is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is undesignated fund balance less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following table sets forth the trend in unassigned fund balance and certified free cash for the most recent fiscal years:

Fiscal Year	Unassigned General Fund Balance (June 30) (1)	Certified Free Cash (July 1)
2025	\$ 59,823,428 (2)	\$ 20,500,000 (2)
2024	41,688,483	24,096,825
2023	34,442,114	17,032,132
2022	33,018,202	17,119,159
2021	32,360,264	16,384,329
2020	33,276,065	16,212,796

(1) Extracted from the Town’s audited financial statements.

(2) Estimated, subject to revision and change.

In addition, the Town maintains water, sewer, and recreation enterprise funds. As of July 1, 2023, the balance in the water enterprise fund was \$3,216,062, the balance in the sewer enterprise fund was \$1,625,510; and the balance in the recreation enterprise fund was \$1,913,672. As of July 1, 2024, the balance in the water enterprise fund was \$2,888,124, the balance in the sewer enterprise fund was \$1,734,309; and the balance in the recreation enterprise fund was \$2,201,102. As of July 1, 2025, the balance in the water enterprise fund was \$3,537,928, the balance in the sewer enterprise fund was \$1,111,310; and the balance in the recreation enterprise fund was \$2,304,087.

Stabilization Fund

The Town maintains a general Stabilization Fund and a Stabilization Fund for specific purposes. Stabilization funds are maintained in the Non-major Governmental Funds. Under Massachusetts statutes, funds may be appropriated from the Stabilization Fund for any municipal purpose by at a two-thirds vote of the town meeting. The following is the recent trend in the balance in the accounts at the end of each fiscal year listed below.

Fiscal Year End	General Stabilization Fund Balance	Other Stabilization Reserves (1)
2025	\$ 10,924,059	\$ 87,135,846
2024	10,652,660	71,089,072
2023	10,373,342	58,658,890
2022	10,155,068	48,355,717
2021	10,037,738	47,409,358

(1) Includes Capital Stabilization Fund, Center Improvement Stabilization Fund, Debt Stabilization Fund, OPEB Trust, Transportation and Traffic Mitigation Stabilization Funds, Affordable Housing Stabilization Funds, Visitor’s Center Stabilization Fund, and Special Education Stabilization Fund.

Investment of Town Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the MMDT's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

MMDT funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §§54 and 55 do not apply to city and town retirement systems.

INDEBTEDNESS

Authorization Procedure and Limitations

Serial bonds and notes are authorized on behalf of the Town by vote of two-thirds of all the town meeting members present or voting at an annual or special town meeting. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Borrowings for certain purposes require state administrative approval. Refunding bonds are authorized by the Select Board. When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary loans in anticipation of the revenues of the fiscal year in which debt is incurred, or in anticipation of state and federal grants generally can be incurred without town meeting authorization.

The general debt limit of the Town consists of a normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of a state board consisting of the state Municipal Finance Oversight Board ("MFOB") consisting of the Attorney General, the State Treasurer, the State Auditor and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit if such debt is authorized by a two-thirds vote of the city or town and such debt is payable within the periods so specified in Mass. Gen. Laws. c. 44, §8. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, certain sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing, bonds for water, housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems. Revenue bonds are not subject to these debt limits. The General Debt Limit applies at the time the debt is authorized. The special debt limits generally apply at the time the debt is incurred.

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the end of the fiscal year in which any of the bonds or notes being refunded thereby is payable, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as "tax credit bonds" to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. The maximum term of bonds issued to refund bond anticipation notes is measured from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue. The Town of Lexington has not issued revenue anticipation notes in the last five fiscal years.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements for any purpose for which the city or town may incur debt that may be payable over a term of 5 years or longer. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Clean Water or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns which are members of the New England Power Pool may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the Department of Public Utilities.

**DIRECT DEBT SUMMARY (1)
As of June 30, 2025,
Including Subsequent Issue**

Long-Term Debt Outstanding		
General (2)	\$ 69,107,800	
Compost	380,200	
School (3)	94,597,610	
Cemetery	2,355,000	
Water (4)	2,619,000	
Sewer (5)	4,931,000	
MWRA (6)	<u>6,872,375</u>	
Total Long Term Debt Outstanding		\$ 180,862,985
This issue of Bonds to be dated February 26, 2026		25,370,000 *
Short Term Debt Outstanding:		
Short Term Debt Outstanding (7)	17,047,710	
Less:		
To Be Retired With Bond Proceeds	(15,758,900)	
To Be Retired With Revenue Funds	<u>(1,288,810)</u>	
Total Short Term Debt Outstanding After This Issue		-
Total Direct Debt after This Issue		<u><u>\$ 206,232,985</u></u>

*Preliminary, subject to change.

- (1) Principal amounts only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.
- (2) \$5,398,000 principal amount is not subject to the Town’s general debt limit. Debt service on the principal amount of \$50,556,000 has been excluded from the limits of Proposition 2½.
- (3) \$37,290,000 principal amount is not subject to the Town’s general debt limit. Debt service on the principal amount of \$92,615,609 has been excluded from the limits of Proposition 2½.
- (4) Not subject to the Town’s general debt limit. Self-supporting.
- (5) Self-supporting. \$1,605,000 principal amount is not subject to the Town’s general debt limit.
- (6) \$6,131,000 principal amount is not subject to the Town’s general debt limit. See “Overlapping Debt”. Self-supporting.
- (7) Payable February 27, 2026.

Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the outstanding debt of the Town as of June 30, 2025.

GENERAL OBLIGATION BONDS PRINCIPAL PAYMENTS BY PURPOSE (1) As of June 30, 2025

Fiscal Year	General (2)	Compost	School (3)	Cemetery	Water (4)	Sewer (5)	MWRA (6)	Total
2026	\$ 8,505,000	\$ 158,000	\$ 5,734,152	\$ 195,000	\$ 452,000	\$ 821,000	\$ 915,375	\$ 16,780,527
2027	8,032,800	102,200	5,563,152	195,000	452,000	805,000	882,750	16,032,902
2028	7,790,000	10,000	5,220,152	195,000	340,000	675,000	882,750	15,112,902
2029	5,290,000	10,000	5,080,152	195,000	295,000	600,000	882,750	12,352,902
2030	4,010,000	10,000	4,840,000	195,000	295,000	470,000	843,750	10,663,750
2031	3,795,000	10,000	4,690,000	195,000	265,000	375,000	804,750	10,134,750
2032	3,625,000	10,000	4,690,000	195,000	120,000	320,000	804,750	9,764,750
2033	3,425,000	10,000	4,490,000	195,000	120,000	320,000	427,750	8,987,750
2034	3,345,000	15,000	4,490,000	195,000	115,000	235,000	427,750	8,822,750
2035	2,870,000	15,000	4,435,000	150,000	55,000	105,000	-	7,630,000
2036	2,500,000	15,000	3,610,000	150,000	55,000	105,000	-	6,435,000
2037	2,465,000	15,000	3,610,000	150,000	55,000	100,000	-	6,395,000
2038	1,965,000	-	3,605,000	150,000	-	-	-	5,720,000
2039	1,825,000	-	3,600,000	-	-	-	-	5,425,000
2040	1,825,000	-	3,590,000	-	-	-	-	5,415,000
2041	1,820,000	-	3,590,000	-	-	-	-	5,410,000
2042	1,820,000	-	3,590,000	-	-	-	-	5,410,000
2043	1,820,000	-	3,590,000	-	-	-	-	5,410,000
2044	450,000	-	3,590,000	-	-	-	-	4,040,000
2045	450,000	-	3,585,000	-	-	-	-	4,035,000
2046	450,000	-	3,585,000	-	-	-	-	4,035,000
2047	450,000	-	3,410,000	-	-	-	-	3,860,000
2048	325,000	-	1,285,000	-	-	-	-	1,610,000
2049	255,000	-	1,125,000	-	-	-	-	1,380,000
	<u>\$ 69,107,800</u>	<u>\$ 380,200</u>	<u>\$ 94,597,610</u>	<u>\$ 2,355,000</u>	<u>\$ 2,619,000</u>	<u>\$ 4,931,000</u>	<u>\$ 6,872,375</u>	<u>\$ 180,862,985</u>

- (1) Principal amounts only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.
- (2) \$5,398,000 principal amount is not subject to the Town's general debt limit. \$50,556,000 has been excluded from the limits of Proposition 2½.
- (3) \$37,290,000 principal amount is not subject to the Town's general debt limit. \$92,615,609 has been excluded from the limits of Proposition 2½.
- (4) Not subject to the Town's general debt limit. Self-supporting.
- (5) Self-supporting. \$1,605,000 principal amount is not subject to the Town's general debt limit.
- (6) \$6,131,000 principal amount is not subject to the Town's general debt limit. See "Overlapping Debt". Self-supporting.

Authorized Unissued Debt

Following the delivery of the Bonds, the Town will have approximately \$671.1 million in authorized unissued debt for various capital projects. Of that, \$647,921,834 is for a new High School project, for which the Town expects as much as 30% of eligible project costs in grants from the MSBA to reduce the local share to be borrowed.

Debt Ratios

The following table sets forth the ratio of debt to state equalized valuation and per capita debt ratios at the end of the five most recent fiscal years. The table considers the principal amount of general obligation bonds of the Town only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues.

Fiscal Year End	Bonds Outstanding	2020 Federal Census Population	State Equalized Valuation	Per Capita Debt	Debt as of % of Equalized Valuation
2025	\$ 180,862,985	34,454	\$ 18,712,550,500	\$ 5,249	0.97 %
2024	199,446,137	34,454	15,034,185,600	5,789	1.33
2023	206,173,541	34,454	15,034,185,600	5,984	1.37
2022	192,588,445	34,454	13,471,181,900	5,590	1.43
2021	194,961,349	34,454	13,471,181,900	5,659	1.45

Debt Service Requirements

The following table sets forth the required principal and interest payments on the outstanding general obligation bonds of the Town.

TOWN OF LEXINGTON, MASSACHUSETTS DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2025

Fiscal Year	Principal	Interest	Total Debt Service
2026	\$ 16,780,527	\$ 6,575,684	\$ 23,356,211
2027	16,032,902	5,909,280	21,942,183
2028	15,112,902	5,265,690	20,378,592
2029	12,352,902	4,664,712	17,017,614
2030	10,663,750	4,199,569	14,863,319
2031	10,134,750	3,782,806	13,917,556
2032	9,764,750	3,411,379	13,176,129
2033	8,987,750	3,052,018	12,039,768
2034	8,822,750	2,753,733	11,576,483
2035	7,630,000	2,477,950	10,107,950
2036	6,435,000	2,246,570	8,681,570
2037	6,395,000	2,034,961	8,429,961
2038	5,720,000	1,823,505	7,543,505
2039	5,425,000	1,623,743	7,048,743
2040	5,415,000	1,433,385	6,848,385
2041	5,410,000	1,243,353	6,653,353
2042	5,410,000	1,051,483	6,461,483
2043	5,410,000	859,613	6,269,613
2044	4,040,000	666,613	4,706,613
2045	4,035,000	526,813	4,561,813
2046	4,035,000	387,188	4,422,188
2047	3,860,000	245,525	4,105,525
2048	1,610,000	108,388	1,718,388
2049	1,380,000	50,025	1,430,025
Total	\$ 180,862,985	\$ 56,393,982	\$ 237,256,967

Overlapping Debt

The following table sets forth the portion of overlapping debt assessed to the Town:

Entity	Bonds Outstanding as of 6/30/2025	Lexington's Estimated Share	Fiscal 2026 Assessments for Operations and Debt Service
Massachusetts Water Resources Authority (1)			
Water	\$ 1,721,492,668	2.673 %	\$ 4,715,371
Sewer	2,467,889,044	1.578	4,975,325
Minuteman Regional Vocational Technical School District (2)	89,710,000	13.517	3,569,482
Massachusetts Bay Transportation Authority (3)	5,842,932,000	0.435	859,817

- (1) Source: The MWRA. The MWRA provides wholesale drinking water services and wastewater collection and treatment services to certain cities, towns and special purpose entities. Under its enabling legislation, as amended, the aggregate principal amount of all bonds issued by the MWRA for its corporate purposes may not exceed \$6.45 billion outstanding at any time. Its obligations are secured by revenues of the MWRA. The MWRA assesses member cities, towns and special purpose entities, which continue to provide direct retail water and sewer services to users. The cities, towns and other entities collect fees from the users to pay all or part of the assessments; some municipalities levy property taxes to pay part of the amounts assessed upon them.
- (2) Source: The District. Other member communities include Acton, Arlington, Belmont, Bolton, Concord, Dover, Lancaster, Needham and Stow. Towns may organize regional school districts to carry out, general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform Act of 1993.
- (3) Source: The MBTA. The MBTA was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on a weighted population formula as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year. (See "Tax Limitations" under "PROPERTY TAX" herein.)

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long term contracts in aid of housing and renewal projects. There may be implied authority to make other long term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, (see "CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT" herein), cities and towns may also be empowered to make other contracts and leases.

The following are the Town's major contractual obligations.

Purpose	Vendor	Expiration	Fiscal 2025 Expenditures	Fiscal 2026 Budgeted Expenditures
Refuse Collection	Capital Waste Services, Inc.	6/30/2028	\$ 1,330,453	\$ 1,476,315
Recycling	Capital Waste Services, Inc.	6/30/2028	1,375,453	1,476,315
Management of Golf Course	New England Golf Management	12/31/2026	530,000	540,000
School Bus Transportation	C&W Transportation	6/30/2027	2,780,240	2,896,548
Local Bus Transit Service	M&L Transit System, Inc.	6/30/2030	828,788	906,645

Source: Town of Lexington, Comptroller's office.

In July 2014, the Town signed a 20-year agreement with Lexington Municipal Solar LLC permitting it to install solar cells on the roofs of 6 town buildings, 5 school and 1 municipal, with a generating capacity of 1.1 MW. The agreement is expected to generate savings to the Town of approximately \$2.5 million over the term of the agreement. In May of 2017, the Town signed a 20-year agreement with Syncarpha Community Solar permitting it to install solar cells at Hartwell Avenue Compost Facility, with a generating capacity of 2.9 MW. The agreement is expected to generate savings to the Town of approximately \$3.8 million over the term of the agreement.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, (see Constitutional Status and Form of Government above), cities and towns may also be empowered to make other contracts and leases.

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. A system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the “PRIT Fund”), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

Pension benefits for substantially all Town employees, except school teachers, are provided by the Town of Lexington Retirement system (the “System”), a single-employer public employee retirement system that acts as the investment and administrative agent for the Town. School teachers’ pensions are covered by The Commonwealth of Massachusetts Teachers’ Retirement System to which the Town does not contribute. Participation is mandatory for all full-time and part-time (minimum of 18 hrs/wk) non-teaching employees whose employment commences prior to age 65. Covered payroll for employees participating in the Town system as of January 1, 2025 was \$54,684,732. As of January 1, 2025, there were 802 active members of the System, 471 inactive members and 485 retirees. This system is partially funded by employee contributions. Certain town employees are covered by the Town’s non-contributory pension plan.

The annual contributions of the Town to the System for the current and last five fiscal years are as follows:

<u>For Fiscal Year Ended</u>	<u>Retirement System Contributions</u>
June 30, 2026 (budgeted)	\$11,521,504
June 30, 2025	10,743,076
June 30, 2024	9,984,800
June 30, 2023	9,219,250
June 30, 2022	7,417,500
June 30, 2021	6,679,199

The Town’s funding policy is to make annual contributions to the System in amounts which approximate the normal cost and amortization of the unfunded actuarial liability by 2030. Current law requires that all public employee retirement systems in The Commonwealth of Massachusetts be funded on a “pay-as-you-go” basis, that is, that an amount necessary to pay pensions actually falling due in each year must be funded in that year. This amount is reported to the Town each year by the PERAC. Stone Consulting, Inc. completed a full actuarial valuation of the Town’s pension obligation as of January 1, 2025. As of January 1, 2025, the Town’s net pension liability totaled \$34,014,198 based on the actuarial value of assets of \$262,273,862 and an actuarial accrued liability of \$296,288,060, assuming a discount rate of 7.25%, reflecting a funded ratio of 88.5%.

Current Funding Schedule

Fiscal Year	Normal Cost	Unfunded Liability*	Funding		Schedule Contribution	Adjusted Payments
			Amortization of UAAL	Net 3(8)(c) Payments		
2027	2,132,574	34,796,472	9,553,189	414,845	12,100,607	12,420,042
2028	2,228,540	27,073,421	10,216,432	414,845	12,859,817	13,199,293
2029	2,328,824	18,079,120	10,876,070	414,845	13,619,738	13,979,275
2030	2,433,621	7,725,272	7,725,272	414,845	10,573,738	10,852,865
2031	2,543,134	-	-	414,845	2,957,979	3,036,064

Amortization of Unfunded Liability as of July 1, 2026

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2027	Fresh Start	N/A	N/A	4	N/A	4

Source: Lexington Contributory Retirement System Funding Schedule, Stone Consulting, Inc.

The balances in the pension reserve fund for recent calendar years are as follows:

Pension Reserve Fund Balances	
Calendar Year	Pension Reserve Fund Balance
2025	\$ 296,952,238 (1)
2024	261,409,957
2023	220,765,738
2022	196,949,117
2021	228,700,158

(1) As of November 30, 2025.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities and towns is generally provided on a pay-as-you-go basis. The Governmental Accounting Standards Board ("GASB") promulgated accounting standards that require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

An interim update to the valuation of the Town's post-employment benefits liability as of June 30, 2023, was completed by Stone Consulting Inc. As of June 30, 2023, The Town's Other Post-Employment Benefits liability was approximately \$268.218 million, with net position of \$27.826 million resulting in a net unfunded liability of \$240.392 million using a discount rate of 6.75%. The Town first began to fund this liability in fiscal 2009 and has continued to fund the Trust annually, with a contribution of \$2,033,375 million in fiscal year 2024. The balance of the OPEB Trust Fund as of June 30, 2025 was \$40,704,866, and additional funding of \$2,083,375 was approved for fiscal 2026.

EMPLOYEE RELATIONS

City and town employees (other than managerial and confidential employees) are entitled to join collective bargaining units. Contracts are negotiated around issues of wages, hours and other terms and conditions of employment.

The Town has approximately 1,382 full-time and 483 part-time permanent employees of whom approximately 91% belong to unions or other collective bargaining groups as follows:

Title of Union Contract	Department	No. of Union Members	Contract Expiration Date (1)
AFSCME (Building Maintenance)	Facilities	12	6/30/2027
AFSCME (DPW)	Public Works	55	6/30/2027
IBPO Police Superiors	Police (Superiors)	15	6/30/2025
IAFF (Fire)	Fire	60	6/30/2025
AFSCME (Dispatch)	Public Safety	10	6/30/2026
Lexington Police Association	Patrol Officers	30	6/30/2026
Library Staff Association	Library	45	6/30/2026
Lexington Municipal Managers Association	Town Staff	30	6/30/2028
Lexington Municipal Employees Association	Town Staff	67	6/30/2028
SEIU - School Crossing Guards	Police	14	6/30/2028
Lexington Education Association	Schools	842	8/31/2026
Lexington Educational Assoc. (Unit D)	Schools	142	6/30/2026
Association of Lexington Administrators	Schools	52	6/30/2026
Lexington Educational Assoc. (Unit C)	Schools	251	8/31/2026
Local 888 SEIU (Custodians & Tradesman)	Schools	65	6/30/2028
Lexington Education Assoc. Technology Unit	Schools	13	6/30/2027
		<u>1,703</u>	

(1) Expired contracts are currently in negotiations.

LITIGATION

The Town is not aware of any litigation against the Town, either pending or threatened, that is likely to result, either individually or in the aggregate, in final judgments against the Town that would materially affect its financial position or its ability to pay its obligations.

February 6, 2026

TOWN OF LEXINGTON, MASSACHUSETTS
/s/ Arnold Lovering, Treasurer

TOWN OF LEXINGTON, MASSACHUSETTS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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TOWN OF LEXINGTON, MASSACHUSETTS

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TOWN OF LEXINGTON, MASSACHUSETTS

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Independent Auditors' Report

To the Select Board
Town of Lexington, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lexington, Massachusetts (the "Town"), as of and for the year ended June 30, 2024, (except for the Lexington Contributory Retirement System and the Lexington Housing Assistance Board Enterprise Fund, which are as of and for the year ended December 31, 2023) and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2024, (except for the Lexington Contributory Retirement System and the Lexington Housing Assistance Board Enterprise Fund, which are as of and for the year ended December 31, 2023) 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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town 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.

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 the Town'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 GAAS and *Government Auditing Standards* 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 GAAS and *Government Auditing Standards*, 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 the Town'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 the Town'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 Management's Discussion and Analysis, the Budgetary Comparison for the General Fund, and certain pension and OPEB schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2025 on our consideration of the Town'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 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 the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Boston, MA
December 2, 2025

TOWN OF LEXINGTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

As management of the Town of Lexington, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2024. (except for the Lexington Contributory Retirement System and the Lexington Housing Assistance Board Enterprise Fund, which are as of and for the year ended December 31, 2023).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions 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 include general government, public safety, education, public works, facilities, health and human services, culture and recreation, and debt service interest. The business-type activities include water, sewer, housing, and recreation services.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

TOWN OF LEXINGTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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 the Town'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 Town's near-term financing decisions. Reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water, sewer, and housing operations, which are considered to be major funds, and recreation operations which are considered to be a nonmajor fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The Town converted from a self-insurance program to a premium-based program through GIC insurance in fiscal year 2013.

TOWN OF LEXINGTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$208,934,330, a change of \$6,211,644, and net position in business-type activities was \$100,553,899, a change of \$6,750,069 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$190,422,811, a change of \$1,111,277 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$41,688,483, a change of \$7,246,369 in comparison to the prior year.
- Total bonds and loans payable at the close of the current fiscal year was \$216,622,328, a change of \$(7,571,423) in comparison to the prior year. Additional information on the Town's indebtedness can be found in note 18 of the Notes to Financial Statements.
- The Town reported a net pension liability of \$54,027,257 at the close of the current fiscal year. At the close of the current fiscal year, the funded ratio of the Lexington Contributory Retirement System was 80.52%. Additional information about the net pension liability can be found in note 22 of the Notes to Financial Statements.

TOWN OF LEXINGTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Government-Wide Financial Analysis

The following is a summary of condensed government-wide statement of net position financial data for the current and prior fiscal year:

Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	\$ 215,966,391	\$ 216,021,973	\$ 24,573,240	\$ 24,699,712	\$ 240,539,631	\$ 240,721,685
Capital assets	<u>465,065,733</u>	<u>455,666,772</u>	<u>96,776,762</u>	<u>88,592,434</u>	<u>561,842,495</u>	<u>544,259,206</u>
Total Assets	<u>681,032,124</u>	<u>671,688,745</u>	<u>121,350,002</u>	<u>113,292,146</u>	<u>802,382,126</u>	<u>784,980,891</u>
Deferred Outflows of Resources	<u>81,035,515</u>	<u>126,090,419</u>	<u>674,093</u>	<u>1,413,329</u>	<u>81,709,608</u>	<u>127,503,748</u>
Liabilities						
Long-term liabilities	484,964,694	526,402,733	20,670,947	16,704,441	505,635,641	543,107,174
Other liabilities	<u>19,536,384</u>	<u>21,586,050</u>	<u>635,672</u>	<u>4,016,547</u>	<u>20,172,056</u>	<u>25,602,597</u>
Total Liabilities	<u>504,501,078</u>	<u>547,988,783</u>	<u>21,306,619</u>	<u>20,720,988</u>	<u>525,807,697</u>	<u>568,709,771</u>
Deferred Inflows of Resources	<u>48,632,231</u>	<u>47,067,695</u>	<u>163,577</u>	<u>180,657</u>	<u>48,795,808</u>	<u>47,248,352</u>
Net Position						
Net investment in capital assets	268,662,394	266,579,247	78,164,978	75,556,686	346,827,372	342,135,933
Restricted	57,692,404	51,894,296	--	--	57,692,404	51,894,296
Unrestricted	<u>(117,420,468)</u>	<u>(115,750,857)</u>	<u>22,388,921</u>	<u>18,247,144</u>	<u>(95,031,547)</u>	<u>(97,503,713)</u>
Total Net Position	<u>\$ 208,934,330</u>	<u>\$ 202,722,686</u>	<u>\$ 100,553,899</u>	<u>\$ 93,803,830</u>	<u>\$ 309,488,229</u>	<u>\$ 296,526,516</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$309,488,229, a change of \$12,961,713 in comparison from the prior year.

The largest portion of net position, \$346,827,372, reflects the Town's investment in capital assets (e.g., land, construction in progress, buildings, machinery, furnishings, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$57,692,404, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(95,031,547) primarily resulting from unfunded pension and OPEB liabilities.

TOWN OF LEXINGTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

The following is a summary of condensed government-wide statement of changes in net position financial data for the current and prior fiscal year:

Changes in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	\$ 19,867,316	\$ 20,786,901	\$ 30,377,632	\$ 31,138,740	\$ 50,244,948	\$ 51,925,641
Operating grants and contributions	73,389,214	60,083,845	--	--	73,389,214	60,083,845
Capital grants and contributions	13,450	8,030	4,397,579	294,636	4,411,029	302,666
General revenues						
Property taxes	250,310,657	237,078,201	--	--	250,310,657	237,078,201
Motor vehicle and other						
excise taxes	8,276,209	7,442,680	--	--	8,276,209	7,442,680
Penalties and interest	489,088	421,231	--	--	489,088	421,231
Payments in lieu of taxes	731,519	709,774	--	--	731,519	709,774
Betterments	10,370	12,701	--	--	10,370	12,701
Grants and contributions not						
restricted to specific programs	2,392,120	2,458,269	--	--	2,392,120	2,458,269
Investment income	11,711,571	7,045,491	1,055,746	622,312	12,767,317	7,667,803
Net metering credits	823,246	841,417	--	--	823,246	841,417
Other	502,308	622,782	--	--	502,308	622,782
Total Revenues	368,517,068	337,511,322	35,830,957	32,055,688	404,348,025	369,567,010
Expenses						
General government	22,556,303	22,220,245	--	--	22,556,303	22,220,245
Public safety	38,073,383	37,365,944	--	--	38,073,383	37,365,944
Education	244,213,766	229,127,853	--	--	244,213,766	229,127,853
Public works	22,540,069	21,675,130	--	--	22,540,069	21,675,130
Facilities	14,102,675	12,244,573	--	--	14,102,675	12,244,573
Health and human services	3,554,447	3,447,448	--	--	3,554,447	3,447,448
Culture and recreation	11,738,931	12,083,484	--	--	11,738,931	12,083,484
Debt service interest	5,483,691	5,165,784	--	--	5,483,691	5,165,784
Water services	--	--	12,503,308	11,759,880	12,503,308	11,759,880
Sewer services	--	--	11,753,963	11,130,429	11,753,963	11,130,429
Housing services	--	--	1,496,056	1,371,337	1,496,056	1,371,337
Nonmajor services	--	--	3,369,720	3,352,617	3,369,720	3,352,617
Total Expenses	362,263,265	343,330,461	29,123,047	27,614,263	391,386,312	370,944,724
Change in Net Position						
Before Transfers	6,253,803	(5,819,139)	6,707,910	4,441,425	12,961,713	(1,377,714)
Transfers in (out)	(42,159)	271,713	42,159	(271,713)	--	--
Change in Net Position	6,211,644	(5,547,426)	6,750,069	4,169,712	12,961,713	(1,377,714)
Net Position - Beginning of Year	202,722,686	208,270,112	93,803,830	89,634,118	296,526,516	297,904,230
Net Position - End of Year	\$ 208,934,330	\$ 202,722,686	\$ 100,553,899	\$ 93,803,830	\$ 309,488,229	\$ 296,526,516

TOWN OF LEXINGTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$6,211,644, or 3.06%. Key elements of this change include positive general fund operating results, investments in Town capital assets, softened by increases in pension and OPEB expenses, as well as depreciation expense in excess of principal debt service in fiscal year 2024.

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$6,750,069. Key elements of this change and the impact on cash flows are as follows:

	Revenues and Transfers In	Expenses and Transfers Out	Change in Net Position
Water Fund	\$ 14,324,502	\$ 12,896,824	\$ 1,427,678
Sewer Fund	13,866,949	11,838,463	2,028,486
Housing Fund ¹	4,625,194	1,496,056	3,129,138
Nonmajor Fund	<u>3,534,487</u>	<u>3,369,720</u>	<u>164,767</u>
Total	<u>\$ 36,351,132</u>	<u>\$ 29,601,063</u>	<u>\$ 6,750,069</u>

¹ Activity for the Lexington Housing Assistance Board is reported for the year ended December 31, 2023.

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

TOWN OF LEXINGTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$41,688,483, while total fund balance was \$114,191,472. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below:

General Fund	6/30/24	6/30/23	Change	% of Total General Fund Expenditures*
Unassigned fund balance ¹	\$ 41,688,483	\$ 34,442,114	\$ 7,246,369	15.78%
Total fund balance ²	114,191,472	102,846,011	11,345,461	43.22%

¹ Includes general stabilization account

² Includes all other stabilization accounts

**Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$24,376,703.*

The total fund balance of the General Fund changed by \$11,345,461 during the current fiscal year. Key factors in the overall change are as follows:

Use of free cash as a funding source:

For various capital projects	\$ (12,529,438)
For funding of OPEB trust fund	(1,739,721)
For special education funding	(1,250,000)
For operating budget support	(400,000)
Revenues and transfers in greater than budget	10,258,258
Expenditures and transfers out less than budget	12,154,150
Change in stabilization accounts	6,578,171
Other	<u>(1,725,959)</u>
Total	<u>\$ 11,345,461</u>

TOWN OF LEXINGTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Included in the total General Fund balance are the Town's stabilization accounts with the following balances:

Purpose	6/30/24	6/30/23	Change	Fund Balance Classification
General stabilization	\$ 10,759,155	\$ 10,232,599	\$ 526,556	Unassigned
Capital stabilization	32,769,537	27,330,886	5,438,651	Committed
Special Education stabilization	1,232,547	683,122	549,425	Committed
Transportation Demand Management stabilization	1,055,737	909,719	146,018	Committed
Traffic Mitigation stabilization	591,739	433,291	158,448	Committed
Other stabilization	<u>870,783</u>	<u>1,111,710</u>	<u>(240,927)</u>	Committed
Total	<u>\$ 47,279,498</u>	<u>\$ 40,701,327</u>	<u>\$ 6,578,171</u>	

Capital Projects Fund

The Capital Projects Fund balance changed by \$(16,015,341), primarily related to the timing of financing and related expenditure activity for various projects.

ARPA Fund

The American Rescue Plan Act (ARPA) Fund is used to account for Federal ARPA grant activity for the Town. These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next several years.

Nonmajor Governmental Funds

The nonmajor governmental funds balance changed by \$5,781,157, primarily relating to timing differences between the receipt and disbursement of grants.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$22,388,921, a change of \$4,141,777 in comparison to the prior year. This change is primarily attributable to positive operating income in the water and sewer enterprise funds coupled with capital contributions in the sewer and housing enterprise funds.

TOWN OF LEXINGTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$16,740,215 funded through the use of assigned fund balance, increases to the tax levy, and use of free cash. Major reasons for these amendments include:

- \$12,301,146 for prior year encumbrances (carryforwards)
- \$2,699,381 for capital stabilization funding
- \$989,688 for operating budget support
- \$750,000 for special education funding

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$561,842,495 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and furnishings, and infrastructure.

The following is a summary of capital assets for the current year and prior fiscal year:

Capital Assets (Net of Depreciation) June 30, 2024 and 2023

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 45,669,699	\$ 45,669,699	\$ 8,384,484	\$ 6,647,893	\$ 54,054,183	\$ 52,317,592
Buildings and improvements	326,980,920	308,426,541	11,252,351	10,218,661	338,233,271	318,645,202
Machinery and equipment	7,573,022	6,701,564	494,478	321,188	8,067,500	7,022,752
Infrastructure	81,902,679	78,966,542	74,833,516	69,592,759	156,736,195	148,559,301
Right to use asset	1,531,651	1,764,568	--	--	1,531,651	1,764,568
Construction in progress	1,407,762	14,137,858	1,811,933	1,811,933	3,219,695	15,949,791
Total	<u>\$ 465,065,733</u>	<u>\$ 455,666,772</u>	<u>\$ 96,776,762</u>	<u>\$ 88,592,434</u>	<u>\$ 561,842,495</u>	<u>\$ 544,259,206</u>

Major capital asset events during the current fiscal year included the police station construction, Westview cemetery construction, and various street improvements. Additional information on the Town's capital assets can be found in Note 10 of the Notes to Financial Statements.

TOWN OF LEXINGTON, MASSACHUSETTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$216,622,328, all of which was backed by the full faith and credit of the Town.

The Town maintains a Aaa credit rating from Moody's Investors Service for general obligation debt.

Additional information on long-term debt can be found in Note 18 of the Notes to Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Lexington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Assistant Town Manager for Finance
Town of Lexington, Massachusetts
1625 Massachusetts Avenue
Lexington, Massachusetts 02420

TOWN OF LEXINGTON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and short-term investments	\$ 179,844,573	\$ 18,286,375	\$ 198,130,948
Investments	20,494,801	482,946	20,977,747
Receivables, net of allowance for uncollectibles:			
Property taxes	6,213,158	--	6,213,158
Excises	508,129	--	508,129
User fees and liens	--	5,798,548	5,798,548
Departmental and other	735,463	--	735,463
Intergovernmental	3,869,647	--	3,869,647
Leases	163,228	--	163,228
Other current assets	<u>1,943,747</u>	<u>--</u>	<u>1,943,747</u>
Total Current Assets	<u>213,772,746</u>	<u>24,567,869</u>	<u>238,340,615</u>
Noncurrent Assets			
Receivables, net of allowance for uncollectibles:			
Leases	2,193,645	--	2,193,645
Capital assets depreciable, net	417,988,272	86,580,345	504,568,617
Capital assets non-depreciable	47,077,461	10,196,417	57,273,878
Other noncurrent assets	<u>--</u>	<u>5,371</u>	<u>5,371</u>
Total Noncurrent Assets	<u>467,259,378</u>	<u>96,782,133</u>	<u>564,041,511</u>
Total Assets	<u>681,032,124</u>	<u>121,350,002</u>	<u>802,382,126</u>
Deferred Outflows of Resources			
Related to pension	18,199,088	529,236	18,728,324
Related to OPEB	<u>62,836,427</u>	<u>144,857</u>	<u>62,981,284</u>
Total Deferred Outflows of Resources	<u>81,035,515</u>	<u>674,093</u>	<u>81,709,608</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Warrants and accounts payable	\$ 8,286,299	\$ 336,944	\$ 8,623,243
Tax refunds payable	1,143,389	--	1,143,389
Accrued liabilities	3,772,683	152,667	3,925,350
Unearned revenues	4,191,623	--	4,191,623
Guarantee deposits	1,943,747	--	1,943,747
Other current liabilities	198,643	146,061	344,704
Current portion of long-term liabilities:			
Bonds and loans payable	17,797,514	2,461,066	20,258,580
Leases	116,828	--	116,828
Compensated absences	98,182	--	98,182
Total Current Liabilities	<u>37,548,908</u>	<u>3,096,738</u>	<u>40,645,646</u>
Noncurrent Liabilities			
Bonds and loans payable, net of current portion	180,213,030	16,150,718	196,363,748
Leases, net of current portion	1,414,823	--	1,414,823
Compensated absences, net of current portion	1,865,457	--	1,865,457
Net pension liability	52,500,522	1,526,735	54,027,257
Net OPEB liability	230,958,338	532,428	231,490,766
Total Noncurrent Liabilities	<u>466,952,170</u>	<u>18,209,881</u>	<u>485,162,051</u>
Total Liabilities	<u>504,501,078</u>	<u>21,306,619</u>	<u>525,807,697</u>
Deferred Inflows of Resources			
Related to pension	2,134,545	62,074	2,196,619
Related to OPEB	44,030,256	101,503	44,131,759
Related to leases	2,356,873	--	2,356,873
Other	110,557	--	110,557
Total Deferred Inflows of Resources	<u>48,632,231</u>	<u>163,577</u>	<u>48,795,808</u>
Net Position			
Net investment in capital assets	268,662,394	78,164,978	346,827,372
Restricted for:			
Grants and other statutory restrictions	46,619,880	--	46,619,880
Permanent funds:			
Nonexpendable	10,498,925	--	10,498,925
Expendable	573,599	--	573,599
Unrestricted	(117,420,468)	22,388,921	(95,031,547)
Total Net Position	<u>\$ 208,934,330</u>	<u>\$ 100,553,899</u>	<u>\$ 309,488,229</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 22,556,303	\$ 5,613,043	\$ 6,936,758	\$ 13,450	\$ (9,993,052)
Public safety	38,073,383	5,341,437	415,401	--	(32,316,545)
Education	244,213,766	6,408,249	63,120,266	--	(174,685,251)
Public works	22,540,069	1,826,963	2,437,659	--	(18,275,447)
Facilities	14,102,675	--	--	--	(14,102,675)
Health and human services	3,554,447	677,624	266,212	--	(2,610,611)
Culture and recreation	11,738,931	--	212,918	--	(11,526,013)
Interest on long-term debt	5,483,691	--	--	--	(5,483,691)
Total Governmental Activities	<u>362,263,265</u>	<u>19,867,316</u>	<u>73,389,214</u>	<u>13,450</u>	<u>(268,993,285)</u>
Business-Type Activities					
Water services	12,503,308	13,500,627	--	--	997,319
Sewer services	11,753,963	12,358,043	--	1,192,500	1,796,580
Housing services	1,496,056	1,360,350	--	3,205,079	3,069,373
Nonmajor services	3,369,720	3,158,612	--	--	(211,108)
Total Business-Type Activities	<u>29,123,047</u>	<u>30,377,632</u>	<u>--</u>	<u>4,397,579</u>	<u>5,652,164</u>
Total	<u>\$ 391,386,312</u>	<u>\$ 50,244,948</u>	<u>\$ 73,389,214</u>	<u>\$ 4,411,029</u>	<u>(263,341,121)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
Change in Net (Expenses) Revenues From			
Previous Page	\$ (268,993,285)	\$ 5,652,164	\$ (263,341,121)
General Revenues and Transfers			
Property taxes	250,310,657	--	250,310,657
Excises	8,276,209	--	8,276,209
Penalties and interest	489,088	--	489,088
Payments in lieu of taxes	731,519	--	731,519
Betterments	10,370	--	10,370
Grants and contributions not restricted to specific programs	2,392,120	--	2,392,120
Investment income	11,711,571	1,055,746	12,767,317
Net metering credits	823,246	--	823,246
Other	502,308	--	502,308
Transfers, net	(42,159)	42,159	--
Total General Revenues and Transfers	<u>275,204,929</u>	<u>1,097,905</u>	<u>276,302,834</u>
Change in Net Position	6,211,644	6,750,069	12,961,713
Net Position			
Beginning of Year	<u>202,722,686</u>	<u>93,803,830</u>	<u>296,526,516</u>
End of Year	<u>\$ 208,934,330</u>	<u>\$ 100,553,899</u>	<u>\$ 309,488,229</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2024

	General Fund	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 107,236,148	\$ 27,732,795	\$ 4,651,605	\$ 39,917,630	\$ 179,538,178
Investments	10,672,836	--	--	9,821,965	20,494,801
Receivables:					
Property taxes	6,164,983	--	--	48,175	6,213,158
Excises	508,129	--	--	--	508,129
Departmental and other	735,463	--	--	--	735,463
Intergovernmental	--	--	--	3,869,647	3,869,647
Leases	2,356,873	--	--	--	2,356,873
Guarantee deposits	1,943,747	--	--	--	1,943,747
Total Assets	<u>\$ 129,618,179</u>	<u>\$ 27,732,795</u>	<u>\$ 4,651,605</u>	<u>\$ 53,657,417</u>	<u>\$ 215,659,996</u>
Liabilities					
Warrants and accounts payable	\$ 2,776,573	\$ 3,659,961	\$ 459,982	\$ 1,450,736	\$ 8,347,252
Accrued liabilities	1,171,383	--	--	--	1,171,383
Unearned revenues	--	--	4,191,623	--	4,191,623
Guarantee deposits	1,943,747	--	--	--	1,943,747
Other liabilities	198,643	--	--	--	198,643
Total Liabilities	<u>6,090,346</u>	<u>3,659,961</u>	<u>4,651,605</u>	<u>1,450,736</u>	<u>15,852,648</u>
Deferred Inflows of Resources					
Unavailable revenues	6,979,488	--	--	48,176	7,027,664
Related to leases	2,356,873	--	--	--	2,356,873
Total Deferred Inflows of Resources	<u>9,336,361</u>	<u>--</u>	<u>--</u>	<u>48,176</u>	<u>9,384,537</u>
Fund Balances					
Nonspendable	--	--	--	10,498,925	10,498,925
Restricted	3,680,258	1,524,704	--	43,513,221	48,718,183
Committed	59,806,649	22,867,703	--	--	82,674,352
Assigned	9,016,082	--	--	--	9,016,082
Unassigned	41,688,483	(319,573)	--	(1,853,641)	39,515,269
Total Fund Balances	<u>114,191,472</u>	<u>24,072,834</u>	<u>--</u>	<u>52,158,505</u>	<u>190,422,811</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 129,618,179</u>	<u>\$ 27,732,795</u>	<u>\$ 4,651,605</u>	<u>\$ 53,657,417</u>	<u>\$ 215,659,996</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2024

Total Governmental Fund Balances	\$ 190,422,811
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	465,065,733
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	5,884,275
Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pension	18,199,088
Related to OPEB	62,836,427
Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	306,395
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(2,540,347)
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the governmental funds:	
Bonds payable	(198,010,544)
Leases	(1,531,651)
Compensated absences	(1,963,639)
Net pension liability	(52,500,522)
Net OPEB liability	(230,958,338)
Deferred inflows of resources to be recognized as a decrease to pension and OPEB expense in future periods:	
Related to pension	(2,134,545)
Related to OPEB	(44,030,256)
Gains on refunding bonds reported as a deferred inflow of resources will be recognized as a reduction of interest expense in future years.	<u>(110,557)</u>
Net Position of Governmental Activities	<u>\$ 208,934,330</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 242,945,201	\$ --	\$ --	\$ 6,585,258	\$ 249,530,459
Intergovernmental	44,396,382	3,112,096	1,974,972	20,323,245	69,806,695
Excises	8,128,453	--	--	--	8,128,453
Departmental and other	3,544,849	--	--	12,671,828	16,216,677
Investment income	10,156,733	--	--	1,530,086	11,686,819
Betterments	10,370	--	--	--	10,370
Payment in lieu of taxes	731,519	--	--	--	731,519
Penalties and interest	479,254	--	--	9,834	489,088
Licenses and permits	3,237,307	--	--	--	3,237,307
Fines and forfeitures	172,123	--	--	--	172,123
Contributions	60,516	--	--	2,455,438	2,515,954
Net metering credits	823,246	--	--	--	823,246
Other	391,944	--	--	110,364	502,308
Total Revenues	<u>315,077,897</u>	<u>3,112,096</u>	<u>1,974,972</u>	<u>43,686,053</u>	<u>363,851,018</u>
Expenditures					
Current:					
General government	8,828,065	--	514,760	5,486,764	14,829,589
Public safety	19,169,515	--	248,760	2,452,628	21,870,903
Education	161,114,842	--	--	22,720,888	183,835,730
Public works	8,512,673	--	801,518	1,244,414	10,558,605
Facilities	14,621,995	--	--	--	14,621,995
Health and human services	2,026,451	--	281,185	486,077	2,793,713
Culture and recreation	4,874,522	--	128,749	699,171	5,702,442
Pension	9,710,818	--	--	--	9,710,818
Insurance	35,655,244	--	--	--	35,655,244
Debt service:					
Principal	15,877,952	--	--	1,843,000	17,720,952
Interest	7,231,286	--	--	135,336	7,366,622
Intergovernmental	981,462	--	--	--	981,462
Capital outlay	--	41,833,848	--	2,846,924	44,680,772
Total Expenditures	<u>288,604,825</u>	<u>41,833,848</u>	<u>1,974,972</u>	<u>37,915,202</u>	<u>370,328,847</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	26,473,072	(38,721,752)	--	5,770,851	(6,477,829)
Other Financing Sources (Uses)					
Issuance of bonds	--	6,537,500	--	--	6,537,500
Premium on issuance of bonds	--	853,765	--	--	853,765
Transfers in	2,382,889	15,710,608	--	2,975,902	21,069,399
Transfers out	(17,510,500)	(395,462)	--	(2,965,596)	(20,871,558)
Total Other Financing Sources (Uses)	<u>(15,127,611)</u>	<u>22,706,411</u>	<u>--</u>	<u>10,306</u>	<u>7,589,106</u>
Change in Fund Balances	<u>11,345,461</u>	<u>(16,015,341)</u>	<u>--</u>	<u>5,781,157</u>	<u>1,111,277</u>
Fund Balances at Beginning of Year	<u>102,846,011</u>	<u>40,088,175</u>	<u>--</u>	<u>46,377,348</u>	<u>189,311,534</u>
Fund Balances at End of Year	<u>\$ 114,191,472</u>	<u>\$ 24,072,834</u>	<u>\$ --</u>	<u>\$ 52,158,505</u>	<u>\$ 190,422,811</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

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, 2024

Net Changes in Governmental Fund Balances	\$ 1,111,277
<p>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:</p>	
Capital outlay	45,047,572
Depreciation	(35,415,694)
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>	
Issuance of general obligation bonds	(6,537,500)
Premiums on issuance of general obligation bonds	(853,765)
Repayments of general obligation bonds and loans	17,720,952
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for certain types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the change in unavailable revenue.</p>	
	1,311,661
<p>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This amount reflects the change in accrued interest.</p>	
	87,038
<p>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 the governmental funds:</p>	
Change in compensated absences liability	162,372
Change in pension expense from GASB 68	(3,779,765)
Change in OPEB expense from GASB 75	(14,080,650)
Change in tax refunds payable liability	(142,499)
Amortization of bond premiums	1,768,252
Amortization of gain on refunding bonds	27,641
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities.</p>	
	<u>(215,248)</u>
Change in Net Position of Governmental Activities	<u>\$ 6,211,644</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

PROPRIETARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2024

(December 31, 2023 for the Lexington Housing Assistance Board Enterprise Fund)

	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Water Fund	Sewer Fund	Housing Fund	Nonmajor Fund	Enterprise Funds	Internal Service Funds
Assets						
Current Assets						
Cash and short-term investments	\$ 12,063,266	\$ 1,810,227	\$ 1,281,275	\$ 3,131,607	\$ 18,286,375	\$ 306,395
Investments	--	--	482,946	--	482,946	--
Receivables, net of allowance for uncollectibles:						
User fees	2,828,923	2,902,635	66,990	--	5,798,548	--
Total Current Assets	<u>14,892,189</u>	<u>4,712,862</u>	<u>1,831,211</u>	<u>3,131,607</u>	<u>24,567,869</u>	<u>306,395</u>
Noncurrent Assets						
Capital assets depreciable, net	29,050,547	46,162,460	10,643,223	724,115	86,580,345	--
Capital assets non-depreciable	1,811,933	--	8,384,484	--	10,196,417	--
Other noncurrent assets	--	--	5,371	--	5,371	--
Total Noncurrent Assets	<u>30,862,480</u>	<u>46,162,460</u>	<u>19,033,078</u>	<u>724,115</u>	<u>96,782,133</u>	<u>--</u>
Total Assets	<u>45,754,669</u>	<u>50,875,322</u>	<u>20,864,289</u>	<u>3,855,722</u>	<u>121,350,002</u>	<u>306,395</u>
Deferred Outflows of Resources						
Related to pension	227,987	65,273	--	235,976	529,236	--
Related to OPEB	94,472	18,894	--	31,491	144,857	--
Total Deferred Outflows of Resources	<u>322,459</u>	<u>84,167</u>	<u>--</u>	<u>267,467</u>	<u>674,093</u>	<u>--</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

PROPRIETARY FUNDS STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2024

(December 31, 2023 for the Lexington Housing Assistance Board Enterprise Fund)

	Water Fund	Sewer Fund	Housing Fund	Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
Liabilities						
Current Liabilities						
Warrants and accounts payable	\$ 35,511	\$ 31,257	\$ 134,799	\$ 135,377	\$ 336,944	\$ --
Accrued liabilities	52,037	100,630	--	--	152,667	--
Other current liabilities	144,132	--	1,929	--	146,061	--
Current portion of long-term liabilities:						
Bonds and loans payable	<u>896,855</u>	<u>1,500,044</u>	<u>64,167</u>	<u>--</u>	<u>2,461,066</u>	<u>--</u>
Total Current Liabilities	<u>1,128,535</u>	<u>1,631,931</u>	<u>200,895</u>	<u>135,377</u>	<u>3,096,738</u>	<u>--</u>
Noncurrent Liabilities						
Bonds and loans payable, net of current portion	6,459,966	8,903,452	787,300	--	16,150,718	--
Net pension liability	657,693	188,298	--	680,744	1,526,735	--
Net OPEB liability	<u>347,236</u>	<u>69,447</u>	<u>--</u>	<u>115,745</u>	<u>532,428</u>	<u>--</u>
Total Noncurrent Liabilities	<u>7,464,895</u>	<u>9,161,197</u>	<u>787,300</u>	<u>796,489</u>	<u>18,209,881</u>	<u>--</u>
Total Liabilities	<u>8,593,430</u>	<u>10,793,128</u>	<u>988,195</u>	<u>931,866</u>	<u>21,306,619</u>	<u>--</u>
Deferred Inflows of Resources						
Related to pension	26,741	7,656	--	27,677	62,074	--
Related to OPEB	<u>66,198</u>	<u>13,240</u>	<u>--</u>	<u>22,065</u>	<u>101,503</u>	<u>--</u>
Total Deferred Inflows of Resources	<u>92,939</u>	<u>20,896</u>	<u>--</u>	<u>49,742</u>	<u>163,577</u>	<u>--</u>
Net Position						
Net investment in capital assets	23,505,659	35,758,964	18,176,240	724,115	78,164,978	--
Unrestricted	<u>13,885,100</u>	<u>4,386,501</u>	<u>1,699,854</u>	<u>2,417,466</u>	<u>22,388,921</u>	<u>306,395</u>
Total Net Position	<u>\$ 37,390,759</u>	<u>\$ 40,145,465</u>	<u>\$ 19,876,094</u>	<u>\$ 3,141,581</u>	<u>\$ 100,553,899</u>	<u>\$ 306,395</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2024

(December 31, 2023 for the Lexington Housing Assistance Board Enterprise Fund)

	Business-Type Activities Enterprise Funds				Total Enterprise Funds	Governmental Activities
	Water Fund	Sewer Fund	Housing Fund	Nonmajor Fund		Internal Service Funds
Operating Revenues						
Charges for services	\$ 13,500,627	\$ 12,358,043	\$ 1,360,350	\$ 3,158,612	\$ 30,377,632	\$ --
Total Operating Revenues	<u>13,500,627</u>	<u>12,358,043</u>	<u>1,360,350</u>	<u>3,158,612</u>	<u>30,377,632</u>	<u>--</u>
Operating Expenses						
Salaries and benefits	1,795,108	871,835	271,566	1,876,964	4,815,473	--
MWRA assessments	8,832,742	8,861,891	--	--	17,694,633	--
Other operating expenses	691,153	453,082	707,433	1,330,783	3,182,451	--
Depreciation	1,067,952	1,412,031	473,122	161,973	3,115,078	--
Total Operating Expenses	<u>12,386,955</u>	<u>11,598,839</u>	<u>1,452,121</u>	<u>3,369,720</u>	<u>28,807,635</u>	<u>--</u>
Operating Income (Loss)	<u>1,113,672</u>	<u>759,204</u>	<u>(91,771)</u>	<u>(211,108)</u>	<u>1,569,997</u>	<u>--</u>
Nonoperating Revenues (Expenses)						
Investment income	748,875	127,906	59,765	119,200	1,055,746	24,752
Interest expense	(116,353)	(155,124)	(43,935)	--	(315,412)	--
Total Nonoperating Revenues (Expenses), Net	<u>632,522</u>	<u>(27,218)</u>	<u>15,830</u>	<u>119,200</u>	<u>740,334</u>	<u>24,752</u>
Income (Loss) Before Contributions and Transfers	1,746,194	731,986	(75,941)	(91,908)	2,310,331	24,752
Capital Contributions and Transfers						
Capital contributions	--	1,192,500	3,205,079	--	4,397,579	--
Transfers in	75,000	188,500	--	256,675	520,175	--
Transfers out	(393,516)	(84,500)	--	--	(478,016)	(240,000)
Change in Net Position	1,427,678	2,028,486	3,129,138	164,767	6,750,069	(215,248)
Net Position at Beginning of Year	<u>35,963,081</u>	<u>38,116,979</u>	<u>16,746,956</u>	<u>2,976,814</u>	<u>93,803,830</u>	<u>521,643</u>
Net Position at End of Year	<u>\$ 37,390,759</u>	<u>\$ 40,145,465</u>	<u>\$ 19,876,094</u>	<u>\$ 3,141,581</u>	<u>\$ 100,553,899</u>	<u>\$ 306,395</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

(December 31, 2023 for the Lexington Housing Assistance Board Enterprise Fund)

	Business-Type Activities Enterprise Funds				Governmental Activities	
	Water Fund	Sewer Fund	Housing Fund	Nonmajor Fund	Total Enterprise Funds	Internal Service Fund
Cash Flows From Operating Activities						
Receipts from customers and users	\$ 13,559,173	\$ 12,074,556	\$ 1,335,376	\$ 3,158,612	\$ 30,127,717	\$ --
Payments to vendors	(11,573,513)	(9,463,208)	(974,465)	(1,344,689)	(23,355,875)	--
Payments to employees for salaries and benefits	(1,706,317)	(849,701)	--	(1,820,213)	(4,376,231)	--
Net Cash Provided by (Used for) Operating Activities	<u>279,343</u>	<u>1,761,647</u>	<u>360,911</u>	<u>(6,290)</u>	<u>2,395,611</u>	<u>--</u>
Cash Flows From Noncapital Financing Activities						
Transfers in	75,000	188,500	--	256,675	520,175	--
Transfers out	(393,516)	(84,500)	--	--	(478,016)	(240,000)
Net Cash Provided By (Used for) Noncapital Financing Activities	<u>(318,516)</u>	<u>104,000</u>	<u>--</u>	<u>256,675</u>	<u>42,159</u>	<u>(240,000)</u>
Cash Flows From Capital and Related Financing Activities						
Proceeds from issuance of bonds	4,503,500	1,746,500	--	--	6,250,000	--
Premiums from issuance of bonds	84,996	187,178	--	--	272,174	--
Principal payments of bonds	(569,855)	(1,367,494)	(58,309)	--	(1,995,658)	--
Principal payments of notes	(1,300,000)	--	--	--	(1,300,000)	--
Acquisition and construction of capital assets	(2,239,303)	(5,539,740)	(2,728,352)	(185,540)	(10,692,935)	--
Interest expense	(112,290)	(140,988)	(43,935)	--	(297,213)	--
Capital contributions	--	1,192,500	2,659,787	--	3,852,287	--
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>367,048</u>	<u>(3,922,044)</u>	<u>(170,809)</u>	<u>(185,540)</u>	<u>(3,911,345)</u>	<u>--</u>
Cash Flows From Investing Activities						
Purchase of investments	--	--	(11,527)	--	(11,527)	--
Investment income	748,875	127,906	59,765	119,200	1,055,746	24,752
Net Cash Provided by Investing Activities	<u>748,875</u>	<u>127,906</u>	<u>48,238</u>	<u>119,200</u>	<u>1,044,219</u>	<u>24,752</u>
Net Change in Cash and Short-Term Investments	1,076,750	(1,928,491)	238,340	184,045	(429,356)	(215,248)
Cash and Short Term Investments, Beginning of Year	<u>10,986,516</u>	<u>3,738,718</u>	<u>1,042,935</u>	<u>2,947,562</u>	<u>18,715,731</u>	<u>521,643</u>
Cash and Short Term Investments, End of Year	<u>\$ 12,063,266</u>	<u>\$ 1,810,227</u>	<u>\$ 1,281,275</u>	<u>\$ 3,131,607</u>	<u>\$ 18,286,375</u>	<u>\$ 306,395</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2024

(December 31, 2023 for the Lexington Housing Assistance Board Enterprise Fund)

	Business-Type Activities Enterprise Funds				Total Enterprise Funds	Governmental Activities
	Water Fund	Sewer Fund	Housing Fund	Nonmajor Fund		Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating income (loss)	\$ 1,113,672	\$ 759,204	\$ (91,771)	\$ (211,108)	\$ 1,569,997	\$ --
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	1,067,952	1,412,031	473,122	161,973	3,115,078	--
Changes in assets, liabilities, and deferred outflows/inflows:						
User fees	(85,586)	(283,487)	6,856	--	(362,217)	--
Other assets	--	--	(33,149)	--	(33,149)	--
Deferred outflows of resources:						
Related to pension	289,489	82,879	--	319,943	692,311	--
Related to OPEB	30,603	6,121	--	10,201	46,925	--
Warrants and accounts payable	(2,049,618)	(148,235)	5,853	(13,906)	(2,205,906)	--
Accrued liabilities	149,226	--	--	436	149,662	--
Net pension liability	(217,627)	(62,305)	--	(259,604)	(539,536)	--
Net OPEB liability	(13,352)	(2,671)	--	(4,451)	(20,474)	--
Deferred inflows of resources:						
Related to pension	(9,335)	(2,674)	--	(11,079)	(23,088)	--
Related to OPEB	3,919	784	--	1,305	6,008	--
Net Cash Provided by (Used for) Operating Activities	<u>\$ 279,343</u>	<u>\$ 1,761,647</u>	<u>\$ 360,911</u>	<u>\$ (6,290)</u>	<u>\$ 2,395,611</u>	<u>\$ --</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION**

JUNE 30, 2024

(December 31, 2023 for the Lexington Contributory Retirement System)

	Pension and OPEB Trust Funds	Private Purpose Trust Funds
Assets		
Cash and short-term investments	\$ 15,650,554	\$ 847,860
Investments:		
Blended mutual funds	34,129,515	--
Equity mutual funds	33,303,044	8,133,462
Pooled alternative investments	42,004,497	--
Pooled investments	<u>129,901,812</u>	<u>--</u>
Total Investments	239,338,868	8,133,462
Accounts receivable	<u>5,092,924</u>	<u>--</u>
Total Assets	<u>260,082,346</u>	<u>8,981,322</u>
Liabilities		
Warrants and accounts payable	<u>94,432</u>	<u>--</u>
Total Liabilities	<u>94,432</u>	<u>--</u>
Net Position		
Restricted for:		
Pension	225,858,399	--
OPEB	34,129,515	--
Individuals and organizations	<u>--</u>	<u>8,981,322</u>
Total Net Position	<u>\$ 259,987,914</u>	<u>\$ 8,981,322</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

(December 31, 2023 for the Lexington Contributory Retirement System)

	Pension and OPEB Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employers	\$ 22,742,408	\$ --
Plan members	5,587,292	--
Other systems and Commonwealth of Massachusetts	473,706	--
Other	22,544	291,134
Total Contributions	28,825,950	291,134
Investment Income:		
Increase in fair value of investments	36,499,898	791,472
Less: management fees	(652,866)	--
Net Investment Income	35,847,032	791,472
Total Additions	64,672,982	1,082,606
Deductions		
Benefit payments to plan members and beneficiaries	27,153,585	--
Refunds to plan members	357,948	--
Transfers to other systems	1,020,445	--
Administrative expenses	273,913	223,321
Total Deductions	28,805,891	223,321
Change in Net Position	35,867,091	859,285
Net Position Restricted for Pension, OPEB, and Other Purposes		
Beginning of year	224,120,823	8,122,037
End of year	\$ 259,987,914	\$ 8,981,322

The accompanying notes are an integral part of these financial statements.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Lexington, Massachusetts (the Town) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies of the Town:

REPORTING ENTITY

The Town is a municipal corporation governed by an elected Select Board. As required by GAAP, these financial statements present the Town and applicable component units for which the government is considered to be financially accountable. The criteria provided in Governmental Accounting Standards Board (GASB) Codification section 2100 have been considered and, as a result, the component unit discussed below is included in the Town's reporting entities because of the operational significance and financial relationship with the Town.

Fiduciary Component Unit

The Lexington Contributory Retirement System (the System) was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a part of the pension and OPEB trust funds in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 1625 Massachusetts Avenue, Lexington, Massachusetts 02420.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide 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 nonfiduciary activities of the primary government. 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.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as 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 Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

revenue items are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgements, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital Projects Fund* is used to account for resources to be used on major construction projects and acquisition of land and equipment. The principal revenue sources are long-term bond proceeds, state grants, and the use of unassigned fund balance in the General Fund.
- The *ARPA Fund* is used to account for activities related to federal grants funding related to the American Rescue Plan Act (ARPA) as a result of the COVID-19 pandemic.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds (which include both enterprise and internal service funds) distinguish operating revenues and expenses from non-operating 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 enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major proprietary funds:

- The *Water Enterprise Fund* accounts for the resources and costs associated with the Town's operating costs and maintenance of water infrastructure.
- The *Sewer Enterprise Fund* accounts for accounts for the resources and costs associated with the Town's operating costs and maintenance of sewer infrastructure.
- The *Housing Enterprise Fund* accounts for the operations of the Lexington Housing Assistance Board, Inc. which provides affordable housing to persons of low, moderate, and middle income.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

In addition, the Town has a *Recreation Enterprise Fund* used to account for recreation activities, which is reported as a nonmajor fund.

The self-insured employee health program, reported as an internal service fund, was converted from self-insurance to the GIC insurance plan during fiscal year 2013. The remaining balance in the fund is used to subsidize future health insurance premiums.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *Pension and OPEB Trust Funds* are used to account for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees, along with funds to offset the anticipated cost of health insurance premium payments for, or direct payments to be made to retired employees of the Town, and to any eligible surviving spouse of or dependents of deceased employees of the Town.
- The *Private-Purpose Trust Funds* are used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

CASH AND INVESTMENTS

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts, and money market accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements under the caption "cash and short-term investments."

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to level classification.

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The Town invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, where investments are valued at amortized cost, which approximates the net asset value of \$1 per share.

PROPERTY TAX LIMITATIONS

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2024 tax levy reflected an excess capacity of \$14,424. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

LEASES

Town as a Lessor

The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis over its useful life. The following key assumptions are made:

The Town uses the interest rate charged to the lessee or its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

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

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Town as a Lessee

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The following assumptions are made:

The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged is not provided, the Town uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price, if the Town is reasonably certain that it will be exercised.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	10 - 20
Land improvements	15
Infrastructure	40
Vehicles	5
Office equipment	5
Computer equipment	5

The Town reviews the carrying value of its long-lived assets to ensure that any impairment issues are identified and appropriately reflected in the financial statements. Should the expected cash flows be less than the carrying value, an impairment loss would be recognized to reduce the carrying value. There was no impairment loss recorded during fiscal year 2024.

COMPENSATED ABSENCES

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. The General Fund and applicable enterprise funds typically repay these obligations.

FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. The General Fund is the only fund that reports a positive unassigned fund balance.

The Town has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions, as follows:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes the principal portion of permanent funds in nonmajor governmental funds.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes the GIC mitigation fund, community preservation funds, various special revenue funds, and capital project funds, funded by bond issuances.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. A similar action is needed to modify or rescind a commitment. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, special purpose stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements, and capital project funds funded by free cash at Town Meeting. The Town's special purpose stabilization accounts are authorized in accordance with Massachusetts General Laws Chapter 40, Section 5B.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget voted by Town Meeting.

Unassigned

Represents amounts that are available to be spent in future periods, the Town's general stabilization funds, and temporary deficit balances in the Capital Projects Fund and nonmajor governmental funds. The Town's general stabilization account is authorized in accordance with Massachusetts General Law Chapter 40, Section 5B. The General Fund is the only fund that reports a positive unassigned fund balance. When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

USE OF ESTIMATES

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

At the annual Town Meeting, the Select Board presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by Town Meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special Town Meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Appropriations Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

DEFICIT FUND EQUITY

Certain individual funds reflected deficit balances as of June 30, 2024. It is anticipated that the deficits in these funds will be eliminated through future departmental and intergovernmental revenues, transfers from other funds, and the issuance of long-term debt.

NOTE 3 - DEPOSITS AND INVESTMENTS

TOWN (EXCLUDING THE PENSION AND OPEB TRUST FUNDS)

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, which meets the criteria established by Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have formal deposit policies related to custodial credit risk of deposits.

As of June 30, 2024, \$193,367,436 of the Town's bank balance of \$208,048,013 was exposed to custodial credit risk as uninsured and/or uncollateralized. However, \$158,153,825 of the Town's uninsured and/or uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust.

INVESTMENTS

The following is a summary of the Town's investments as of June 30, 2024:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 482,946
Corporate bonds	4,715,670
Corporate equities	4,572,103
Equity mutual funds	9,315,710
Federal agency securities	1,227,451
Fixed income mutual funds	222,103
U.S. Treasury notes	<u>8,575,226</u>
Total Investments	<u>\$ 29,111,209</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have formal investment policies related to custodial credit risk. The Town manages custodial credit risk exposure with SIPC and excess SIPC insurance.

As of June 30, 2024, the Town's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the counterparty to these securities.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town does not have formal investment policies related to credit risk.

Presented below is the actual rating as of year-end for each investment type of the Town (U.S. Treasury notes have an implied credit rating of AAA):

Investment Type	Amount	Rating as of Year End				
		AAA	AA	A	BBB	Unrated
Corporate bonds	\$ 4,715,670	\$ 556,875	\$ --	\$ 2,395,632	\$ 1,763,163	\$ --
Federal agency securities	1,227,451	--	1,227,451	--	--	--
Fixed income mutual funds	<u>222,103</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>222,103</u>
Total	<u>\$ 6,165,224</u>	<u>\$ 556,875</u>	<u>\$ 1,227,451</u>	<u>\$ 2,395,632</u>	<u>\$ 1,763,163</u>	<u>\$ 222,103</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government, in open-end mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

As of June 30, 2024, the Town does not have any investments subject to concentration of credit risk disclosure in any one issuer greater than 5% of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

Investment Type	Amount	Investment Maturities (in Years)	
		Less Than 1	1-5
Certificates of deposits	\$ 482,946	\$ 482,946	\$ --
Corporate bonds	4,715,670	683,492	4,032,178
Federal agency securities	1,227,451	431,086	796,365
Fixed income mutual funds	222,103	222,103	--
U.S. Treasury notes	<u>8,575,226</u>	<u>5,970,041</u>	<u>2,605,185</u>
Total	<u>\$ 15,223,396</u>	<u>\$ 7,789,668</u>	<u>\$ 7,433,728</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

As of June 30, 2024, none of the Town's investments were exposed to foreign currency risk.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72).

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 - inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 - inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 - unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of June 30, 2024:

Investment Type	Amount	Fair Value Measurements Using:	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Corporate equities	\$ 4,572,103	\$ 4,572,103	\$ --
Corporate bonds	4,715,670	--	4,715,670
Equity mutual funds	9,315,710	9,315,710	--
Federal agency securities	1,227,451	--	1,227,451
Fixed income mutual funds	222,103	--	222,103
U.S. Treasury notes	<u>8,575,226</u>	<u>--</u>	<u>8,575,226</u>
Total	<u>\$ 28,628,263</u>	<u>\$ 13,887,813</u>	<u>\$ 14,740,450</u>

Securities classified in Level 1 are valued using prices quoted in active markets for those securities.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market. The Town did not have any securities classified as Level 3 as of June 30, 2024.

NOTE 4 - INVESTMENTS - OPEB TRUST FUND

Generally, the Town's OPEB Trust Fund's investment policies mirror that of the Town as discussed in the previous note.

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2024:

<u>Investment Type</u>	<u>Amount</u>
Blended mutual funds	\$ 34,129,515

CUSTODIAL CREDIT RISK

As of June 30, 2024, the OPEB Trust Fund's did not have any investments exposed to custodial credit risk disclosure as investments in open-end mutual funds and external investment pools are not exposed to custodial credit risk because their existence is not evidence by securities that exist in physical or book entry form.

CREDIT RISK

As of June 30, 2024, all of the OPEB Trust Fund's investments were unrated.

CONCENTRATION OF CREDIT RISK

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

INTEREST RATE RISK

As of June 30, 2024 all OPEB Trust Fund investments had maturities less than one year.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

FAIR VALUE

As of June 30, 2024, all of the OPEB Trust Fund's investments were invested in blended mutual funds. Blended mutual funds classified in Level 1 are valued using prices quotes in active markets for those securities.

NOTE 5 - INVESTMENTS - PENSION TRUST FUND (THE SYSTEM)

The following is a summary of the System's investments as of December 31, 2023:

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 33,303,044
Pooled alternative investments	42,004,497
Pooled investments	<u>129,901,812</u>
Total Investments	<u>\$ 205,209,353</u>

CUSTODIAL CREDIT RISK

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, investments or collateral securities that are in the possession of another party will not be recovered. The System does not have formal investment policies related to custodial credit risk.

As of December 31, 2023, the System did not have any investments exposed to custodial credit risk disclosure as investments in open-end mutual funds and external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. MGL, Chapter 32, Section 23, limits the investment of pension funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth of Massachusetts, provided that no more than the established percentage of assets, is invested in any one security. The System does not have formal investment policies related to credit risk.

As of December 31, 2023, all of the System's investments were unrated by nationally recognized statistical rating organization (NRSROs).

TOWN OF LEXINGTON, MASSACHUSETTS

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CONCENTRATION OF CREDIT RISK

Massachusetts General Laws Chapter 32, Section 23 limit the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. The System does not have formal investment policies related to concentration of credit risk.

As of December 31, 2023, the System did not have any investments subject to concentration of credit risk as investments in external investment pools are excluded from concentration of credit risk disclosure.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2023, the System did not have investments in debt securities exposed to interest rate risk.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have formal investment policies related to foreign currency risk.

As of December 31, 2023, none of the System's investments were exposed to foreign currency risk.

FAIR VALUE

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72).

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The System has the following fair value measurements as of December 31, 2023:

Investment Type	Amount	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Equity mutual funds	\$ 33,303,044	\$ 33,303,044	\$ --	\$ --
Description	Amount	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Investments measured at NAV:				
Pooled alternative investments:				
Hedge funds ¹	\$ 19,882,372	\$ --	Monthly	Daily
Core Real Estate ²	7,523,771	--	Monthly	Daily
Private equity ³	14,598,354	1,330,407	Not Eligible	N/A
Pooled investments:				
Commingled equity funds ⁴	<u>129,901,812</u>	<u>--</u>	Monthly	30 Days
Total investments measured at NAV	<u>\$ 171,906,309</u>	<u>\$ 1,330,407</u>		

¹ This type includes investments in PRIT with the objective of retaining a portfolio of managers that employ a wider range of investment techniques such as leverage, short selling, and derivatives to achieve their objectives.

² This type includes investments in PRIT with the objective of providing stable income returns, low risk, and added diversification. These investments are domestic, high quality, and substantially leased properties typically in the following property types: apartment, office, retail, industrial, and R&D office.

³ This type includes four private equity funds representing various investment styles and concentrating in a variety of industries and locations. These investments cannot be redeemed with the funds; instead, distributions are received as the fund liquidates the underlying assets.

⁴ This type includes six funds that invest primarily in domestic large and small cap equity funds and international equity funds.

NOTE 6 - PROPERTY TAXES AND EXCISES RECEIVABLE

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements, respectively.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the rights to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year's levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excises receivables at June 30, 2024 consisted of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Property taxes:			
Real estate taxes	\$ 879,927	\$ (60,983)	\$ 818,944
Personal property taxes	1,445,078	(715,293)	729,785
Community preservation tax	48,175	(4,817)	43,358
Deferred taxes	3,500,350	--	3,500,350
Tax title	<u>1,120,721</u>	<u>--</u>	<u>1,120,721</u>
Total property taxes	6,994,251	(781,093)	6,213,158
Excises	<u>729,622</u>	<u>(221,493)</u>	<u>508,129</u>
Total	<u>\$ 7,723,873</u>	<u>\$ (1,002,586)</u>	<u>\$ 6,721,287</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 7 - USER FEES RECEIVABLE

Receivables for water and sewer user charges, liens, and other fees at June 30, 2024 consisted of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water user charges	\$ 2,911,196	\$ (145,560)	\$ 2,765,636
Water liens	<u>70,319</u>	<u>(7,032)</u>	<u>63,287</u>
Total Water	<u>2,981,515</u>	<u>(152,592)</u>	<u>2,828,923</u>
Sewer user charges	2,917,167	(139,994)	2,777,173
Sewer liens	<u>139,402</u>	<u>(13,940)</u>	<u>125,462</u>
Total Sewer	<u>3,056,569</u>	<u>(153,934)</u>	<u>2,902,635</u>
Housing user charges	<u>81,990</u>	<u>(15,000)</u>	<u>66,990</u>
Total Housing	<u>81,990</u>	<u>(15,000)</u>	<u>66,990</u>
Grand total	<u>\$ 6,120,074</u>	<u>\$ (321,526)</u>	<u>\$ 5,798,548</u>

NOTE 8 - LEASE RECEIVABLES

Lease receivables consisted of the following at June 30, 2024:

Purpose	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2024	Lease Revenue
Lex Farm	\$ 33,215	2033	2.50%	\$ 25,843	\$ 2,501
Waldorf school property	594,223	2063	3.00%	583,551	7,713
Monroe building	465,636	2050	3.00%	432,918	10,836
AT&T cell tower	304,784	2028	3.00%	175,112	43,506
T-Mobile cell tower	353,388	2030	3.00%	255,761	34,455
Verizon cell tower	1,057,990	2036	3.00%	<u>883,687</u>	<u>59,137</u>
Total				<u>\$ 2,356,872</u>	<u>\$ 158,148</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Future minimum lease payments under these leases consisted of the following at June 30, 2024:

Fiscal Year	Principal	Interest
2025	\$ 163,228	\$ 40,106
2026	168,499	38,120
2027	173,967	36,035
2028	179,638	33,848
2029	141,469	31,553
2030-2034	560,976	134,618
2035-2039	309,180	110,342
Thereafter	<u>659,915</u>	<u>216,593</u>
Total	<u>\$ 2,356,872</u>	<u>\$ 641,215</u>

NOTE 9 - INTERFUND TRANSFERS

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2024:

	Transfers In	Transfers Out	Net
Governmental Funds			
General Fund	\$ 2,382,889	\$ 17,510,500	\$ (15,127,611)
Capital Projects Fund	15,710,608	395,462	15,315,146
Nonmajor Governmental Funds:			
Community Preservation	1,036,500	1,500,000	(463,500)
Affordable housing	1,939,402	--	1,939,402
PEG TV	--	586,833	(586,833)
Transportation demand Management and TMOD	--	451,064	(451,064)
Other Special Revenue	--	427,699	(427,699)
Governmental Funds	<u>21,069,399</u>	<u>20,871,558</u>	<u>197,841</u>
Proprietary Funds			
Water Enterprise Fund	75,000	393,516	(318,516)
Sewer Enterprise Fund	188,500	84,500	104,000
Nonmajor Enterprise Fund	<u>256,675</u>	<u>--</u>	<u>256,675</u>
Enterprise Funds	520,175	478,016	42,159
Internal Service Funds	<u>--</u>	<u>240,000</u>	<u>(240,000)</u>
Total	<u>\$ 21,589,574</u>	<u>\$ 21,589,574</u>	<u>\$ --</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The transfers from the Water and Sewer Funds to the General Fund are made to cover debt service expenditures incurred and paid by the General Fund. Of the General Fund transfers out, \$15,106,279 represents the Town's practice of funding certain capital activity from General Fund revenues and unassigned fund balance. The transfer out of \$240,000 from the Internal Service Fund is to fund health insurance costs. Other 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, (2) use unrestricted revenues collected in the General Fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated/Amortized:				
Buildings and improvements	\$ 507,927,853	\$ 47,175,155	\$ --	\$ 555,103,008
Machinery, equipment, and furnishings	55,764,131	4,780,297	--	60,544,428
Infrastructure	113,419,218	5,822,216	--	119,241,434
Right to use asset	1,999,374	--	--	1,999,374
Total Capital Assets, Being Depreciated/Amortized	<u>679,110,576</u>	<u>57,777,668</u>	<u>--</u>	<u>736,888,244</u>
Less Accumulated Depreciation/Amortization for:				
Buildings and improvements	(199,501,312)	(28,620,776)	--	(228,122,088)
Machinery, equipment, and furnishings	(49,062,567)	(3,908,839)	--	(52,971,406)
Infrastructure	(34,452,676)	(2,886,079)	--	(37,338,755)
Right to use asset	(234,806)	(232,917)	--	(467,723)
Total Accumulated Depreciation/Amortization	<u>(283,251,361)</u>	<u>(35,648,611)</u>	<u>--</u>	<u>(318,899,972)</u>
Capital Assets, Being Depreciated, Net	<u>395,859,215</u>	<u>22,129,057</u>	<u>--</u>	<u>417,988,272</u>
Capital Assets, Not Being Depreciated:				
Land	45,669,699	--	--	45,669,699
Construction in progress	14,137,858	1,407,762	(14,137,858)	1,407,762
Total Capital Assets, Not Being Depreciated	<u>59,807,557</u>	<u>1,407,762</u>	<u>(14,137,858)</u>	<u>47,077,461</u>
Governmental Activities Capital Assets, Net	<u>\$ 455,666,772</u>	<u>\$ 23,536,819</u>	<u>\$ (14,137,858)</u>	<u>\$ 465,065,733</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Being Depreciated:				
Buildings and improvements	\$ 2,979,716	\$ 41,806	\$ --	\$ 3,021,522
Machinery, equipment, and furnishings	1,652,521	393,381	--	2,045,902
Housing fund capital assets	16,493,444	1,598,232	--	18,091,676
Infrastructure	122,688,146	7,529,396	--	130,217,542
Total Capital Assets, Being Depreciated	143,813,827	9,562,815	--	153,376,642
Less Accumulated Depreciation for:				
Buildings and improvements	(2,279,168)	(133,226)	--	(2,412,394)
Machinery, equipment, and furnishings	(1,331,333)	(220,091)	--	(1,551,424)
Housing fund capital assets	(6,975,331)	(473,122)	--	(7,448,453)
Infrastructure	(53,095,387)	(2,288,639)	--	(55,384,026)
Total Accumulated Depreciation	(63,681,219)	(3,115,078)	--	(66,796,297)
Capital Assets, Being Depreciated, Net	80,132,608	6,447,737	--	86,580,345
Capital Assets, Not Being Depreciated:				
Housing fund land and construction in progress	6,647,893	1,736,591	--	8,384,484
Construction in progress	1,811,933	--	--	1,811,933
Total Capital Assets, Not Being Depreciated	8,459,826	1,736,591	--	10,196,417
Business-Type Activities Capital Assets, Net	\$ 88,592,434	\$ 8,184,328	\$ --	\$ 96,776,762

Depreciation/amortization expense was charged to functions of the Town as follows:

Governmental Activities

General government	\$ 2,879,798
Public safety	4,078,419
Education	17,980,670
Public works	6,979,283
Health and human services	12,481
Culture and recreation	3,717,960

Total Governmental Activities \$ 35,648,611

Business-Type Activities

Water	\$ 1,067,952
Sewer	1,412,031
Housing	473,122
Nonmajor	161,973

Total Business-Type Activities \$ 3,115,078

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 11 - DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of net assets by the Town that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

NOTE 12 - WARRANTS AND ACCOUNTS PAYABLE

Warrants and accounts payable represent fiscal year 2024 expenditures paid in fiscal year 2025.

NOTE 13 - TAX REFUNDS PAYABLE

This balance consists of an estimate of refunds due to property taxpayers for potential abatements, pending with the State of Massachusetts Appellate Tax Board.

NOTE 14 - ACCRUED LIABILITIES

The General Fund accrued liabilities primarily represents salaries earned, but unpaid at year-end, along with accrued interest on long-term debt in the government-wide financial statements.

NOTE 15 - NOTES PAYABLE

The following summarizes activity in notes payable during fiscal year 2024:

	Interest Rate	Date of Issue	Date of Maturity	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Governmental Activities:							
General Obligation BAN	5.50%	2/24/2023	2/23/2024	\$ 500,000	\$ --	\$ (500,000)	\$ --
General Obligation BAN	4.50%	6/29/2023	2/23/2024	1,549,644	--	(1,549,644)	--
Total Governmental Activities				\$ 2,049,644	\$ --	\$ (2,049,644)	\$ --
Business-Type Activities							
General Obligation BAN	4.50%	6/29/2023	2/23/2024	\$ 1,300,000	\$ --	\$ (1,300,000)	\$ --
Total				\$ 3,349,644	\$ --	\$ (3,349,644)	\$ --

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 16 - UNEARNED REVENUE

Unearned revenue represents grant funds received by the Town from the federal American Rescue Plan Act (ARPA). The Town accepted a direct local allocation of \$9,903,381 in ARPA funds. The full amount of this grant was committed by December 31, 2024, and will be fully expended by December 31, 2026. The Town's Select Board committed ARPA funds for a variety of purposes, including to support local businesses and other organizations in economic recovery, to maintain public health and safety, to support affordable housing and food insecurity, and for general government purposes related to the pandemic such as improved hybrid and remote technology, improved outdoor and recreation spaces, election system upgrades and communication tools.

NOTE 17 - LEASE OBLIGATIONS

The Town is the lessee of certain equipment under leases expiring in various years through 2048. Future minimum lease payments under these leases consisted of the following at June 30, 2024:

Fiscal Year	Principal	Interest
2025	\$ 116,828	\$ 4,244
2026	80,093	3,537
2027	59,092	3,337
2028	59,240	3,189
2029	59,388	3,041
2030 - 2034	299,174	12,970
2035 - 2039	302,933	9,212
2040 - 2044	306,739	5,406
2045 - 2048	<u>248,164</u>	<u>1,553</u>
Total	<u>\$ 1,531,651</u>	<u>\$ 46,489</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Leased assets included in capital assets at June 30, 2024, are as follows:

	Governmental Activities
Right-to-use asset	\$ 1,999,374
Less: accumulated amortization	(467,723)
Leased Assets, Net	\$ 1,531,651

NOTE 18 - LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS AND LOANS

The Town issues general obligation bonds and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and direct borrowings have been issued for both governmental and business-type activities. General obligation bonds and direct borrowings outstanding are as follows:

Governmental Activities

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 06/30/24
General Obligation Bonds			
Public Offerings			
General Obligation Bonds - 2013	2029	2.125 - 4.50	\$ 12,000,000
General Obligation Bonds - 2015	2028	2.00 - 4.00	4,655,000
General Obligation Bonds - 2016	2026	2.00 - 4.00	910,000
General Obligation Bonds - 2017	2047	2.00 - 4.00	27,687,000
General Obligation Bonds - 2018	2047	2.60 - 5.00	30,675,000
General Obligation Bonds - 2019	2049	3.00 - 5.00	41,240,000
General Obligation Bonds - 2020	2030	4.00 - 5.00	2,670,000
General Obligation Bonds - 2020	2035	2.00 - 4.00	13,175,000
General Obligation Bonds - 2021	2031	4.00 - 5.00	1,420,000
General Obligation Bonds - 2022	2036	4.00 - 5.00	10,070,000
General Obligation Bonds - 2023	2033	4.00 - 5.00	31,280,000
General Obligation Bonds - 2024	2034	5.00	6,537,500
Total Public Offerings			182,319,500
Loans - Direct Borrowings			
MSBA Loan	2029	2.00	450,766
Total Governmental Activities			\$ 182,770,266

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Business-Type Activities

General Obligation Bonds	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 06/30/24
Public Offerings			
General Obligation Bonds - 2015	2025	2.00 - 4.00	\$ 45,000
General Obligation Bonds - 2017	2027	2.00 - 4.00	683,000
General Obligation Bonds - 2018	2028	5.00	435,000
General Obligation Bonds - 2019	2029	4.00 - 5.00	660,000
General Obligation Bonds - 2020	2030	4.00 - 5.00	770,000
General Obligation Bonds - 2021	2031	4.00 - 5.00	1,435,000
General Obligation Bonds - 2022	2037	4.00 - 5.00	2,135,000
General Obligation Bonds - 2023	2033	4.00 - 5.00	720,000
General Obligation Bonds - 2024	2034	5.00	<u>1,972,500</u>
Total Public Offerings			<u>8,855,500</u>
Loans - Direct Borrowings			
Massachusetts Water Resources Authority - 2015	2025	0.00	32,625
Massachusetts Water Resources Authority - 2016	2026	0.00	65,250
Massachusetts Water Resources Authority - 2019	2029	0.00	195,000
Massachusetts Water Resources Authority - 2020	2030	0.00	234,000
Massachusetts Water Resources Authority - 2022	2032	0.00	3,016,000
Massachusetts Water Resources Authority - 2024	2034	0.00	4,277,500
Lexington Housing Assistance Board - 2019	2033	3.64 - 5.00	354,205
Lexington Housing Assistance Board - 2020	2035	5.00	<u>497,262</u>
Total Loans - Direct Borrowings			<u>8,671,842</u>
Total Business-Type Activities			<u>\$ 17,527,342</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

FUTURE DEBT SERVICE

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2024 are as follows:

Governmental	Bonds - Public Offerings		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$ 16,239,500	\$ 6,885,851	\$ 90,152	\$ 9,015
2026	14,502,000	6,225,078	90,152	7,212
2027	13,803,000	5,621,646	90,152	5,409
2028	13,125,000	5,040,438	90,152	3,606
2029	10,485,000	4,492,016	90,158	1,803
2030 - 2034	42,430,000	16,845,922	--	--
2035 - 2039	31,130,000	10,171,963	--	--
2040 - 2044	25,685,000	5,254,462	--	--
2045 - 2049	14,920,000	1,311,453	--	--
Total	<u>\$ 182,319,500</u>	<u>\$ 61,848,829</u>	<u>\$ 450,766</u>	<u>\$ 27,045</u>

Business-Type	Bonds - Public Offerings		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$ 1,305,500	\$ 400,291	\$ 1,012,167	\$ --
2026	1,273,000	343,400	980,016	--
2027	1,257,000	282,230	950,697	--
2028	1,015,000	221,650	954,174	--
2029	895,000	170,900	957,818	--
2030 - 2034	2,635,000	353,600	3,816,970	--
2035 - 2037	475,000	18,900	--	--
Total	<u>\$ 8,855,500</u>	<u>\$ 1,790,971</u>	<u>\$ 8,671,842</u>	<u>\$ --</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

BOND AUTHORIZATIONS

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2024 are as follows:

Pelham Road Sidewalk and Roadway Improvements	\$ 200,000
Automatic Meter Reading System	1,170,000
Hill St. Sidewalk	389,310
Hartwell Ave Infrastructure Design	600,000
Westview Cemetery Building	240,000
Equipment Replacement	223,700
Sanitary Sewer System Investigation and Improvements 14A/21	402,500
Water Distribution System Improvements 13A/21	710,000
Pump Station Upgrades 14B/22	500,000
Battle Green Streetscape Improvements	615,000
High School Equipment Emergency Funds	500,000
LHS Feasibility Study	1,225,000
Lexington Police Station Construction	2,400,000
Solar Canopy & System - New Police Station	3,400,000
New Sidewalk Installations	1,620,000
Bedford St. and Hartwell Ave. Long-Range Transportation Improvements	1,024,728
Lead and Copper Program	329,580
Munroe Center for the Arts Building Renovation	2,000,000
Lexington High School Construction Project - Design Funding	10,000,000
Pine Meadows Clubhouse Renovation - Construction	2,575,000
173 Bedford Street Renovation	5,635,845
Cary Memorial Library Renovation Project - Construction	1,700,000
Equipment Replacement	320,000
Sanitary Sewer System Investigation and Improvements	<u>561,210</u>
Total	<u>\$ 38,341,873</u>

Authorized unissued debt listed above includes feasibility study and design authorizations for a new Lexington High School. The Town expects to request an additional appropriation for construction funds in Fall 2025 for approximately \$648 million. This authorization will be funded by general obligation bonds and if approved, will have a material impact on the Town's long-term obligations.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

OVERLAPPING DEBT

The Town is a member community of other governmental agencies which are authorized to issue debt. The Town is not directly responsible for the payment or guarantee of these debts; however, annual debt service costs are included in the operating budgets of these agencies and are funded through user charges and/or assessments to the Town. The following summarizes the debt of these other agencies and the Town's related participation percentages:

Related Entity	Total Principal	Town's Percent	Town's Share
MWRA - Water	\$ 1,867,871,000	2.708%	\$ 50,581,947
MWRA - Sewer	2,640,386,000	1.588%	41,929,330
MRVTSD	92,295,000	15.640%	14,434,938
MBTA	<u>5,323,905,000</u>	0.439%	<u>23,371,943</u>
Total	<u>\$ 9,924,457,000</u>		<u>\$ 130,318,158</u>

This liability is appropriately not reported in the accompanying financial statements.

CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2024, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Less: Current Portion	Equals Long-term Portion
Governmental Activities						
Bonds payable						
Public offerings	\$ 193,412,800	\$ 6,537,500	\$ (17,630,800)	\$ 182,319,500	\$ (16,239,500)	\$ 166,080,000
Loans (direct borrowings)	540,918	--	(90,152)	450,766	(90,152)	360,614
Unamortized premiums	<u>16,154,765</u>	<u>853,765</u>	<u>(1,768,252)</u>	<u>15,240,278</u>	<u>(1,467,862)</u>	<u>13,772,416</u>
Subtotal Bonds payable	210,108,483	7,391,265	(19,489,204)	198,010,544	(17,797,514)	180,213,030
Leases	1,764,568	--	(232,917)	1,531,651	(116,828)	1,414,823
Compensated absences	2,126,011	--	(162,372)	1,963,639	(98,182)	1,865,457
Net pension liability	72,564,504	--	(20,063,982)	52,500,522	--	52,500,522
Net OPEB liability	<u>239,839,167</u>	<u>--</u>	<u>(8,880,829)</u>	<u>230,958,338</u>	<u>--</u>	<u>230,958,338</u>
Totals	<u>\$ 526,402,733</u>	<u>\$ 7,391,265</u>	<u>\$ (48,829,304)</u>	<u>\$ 484,964,694</u>	<u>\$ (18,012,524)</u>	<u>\$ 466,952,170</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Business-Type Activities

Bonds payable							
Public offerings	\$ 8,156,700	\$ 1,972,500	\$ (1,273,700)	\$ 8,855,500	\$ (1,305,500)	\$ 7,550,000	
Loans (direct borrowings)	4,972,901	4,277,500	(578,559)	8,671,842	(1,012,167)	7,659,675	
Unamortized premiums	<u>955,667</u>	<u>272,174</u>	<u>(143,399)</u>	<u>1,084,442</u>	<u>(143,399)</u>	<u>941,043</u>	
Subtotal Bonds payable	14,085,268	6,522,174	(1,995,658)	18,611,784	(2,461,066)	16,150,718	
Net pension liability	2,066,271	--	(539,536)	1,526,735	--	1,526,735	
Net OPEB liability	<u>552,902</u>	<u>--</u>	<u>(20,474)</u>	<u>532,428</u>	<u>--</u>	<u>532,428</u>	
Totals	<u>\$ 16,704,441</u>	<u>\$ 6,522,174</u>	<u>\$ (2,555,668)</u>	<u>\$ 20,670,947</u>	<u>\$ (2,461,066)</u>	<u>\$ 18,209,881</u>	

LONG-TERM LIABILITIES SUPPORTING GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

General obligation bonds, issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the General Fund and Community Preservation Fund and user fees recorded in enterprise funds. All other long-term liabilities are repaid from the funds that the cost relates to, primarily the General Fund and respective enterprise funds.

NOTE 19 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent the acquisition of net assets by the Town that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. Deferred inflows related to leases, in accordance with GASB Statement No. 87 have been recognized in fiscal year 2024 and are offset with lease receivables.

The following is a summary of other deferred inflows of resources (exclusive of pension and OPEB) as of June 30, 2024:

	Entity-wide	Fund Basis	
	Basis	Governmental Funds	
	Governmental Activities	General Fund	Nonmajor Fund
Unavailable revenues	\$ --	\$ 6,979,488	\$ 48,176
Gains on refunding bonds	<u>110,557</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 110,557</u>	<u>\$ 6,979,488</u>	<u>\$ 48,176</u>

Unavailable revenues are reported in the governmental funds Balance Sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 20 - GOVERNMENTAL FUNDS - BALANCES

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town's fund balances at June 30, 2024 are comprised of the following:

	General Fund	Capital Projects Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Permanent funds	\$ --	\$ --	\$ --	\$ 10,498,925	\$ 10,498,925
Total Nonspendable	<u>--</u>	<u>--</u>	<u>--</u>	<u>10,498,925</u>	<u>10,498,925</u>
Restricted					
GIC mitigation funds	3,680,258	--	--	--	3,680,258
Capital projects	--	1,524,704	--	--	1,524,704
Community preservation	--	--	--	16,942,116	16,942,116
Special education	--	--	--	5,859,645	5,859,645
Revolving funds:					
School lunch	--	--	--	3,212,451	3,212,451
Student transportation	--	--	--	1,399,928	1,399,928
PEG TV	--	--	--	1,088,887	1,088,887
Library gift	--	--	--	1,075,630	1,075,630
Building rental	--	--	--	968,862	968,862
Paving gift	--	--	--	884,445	884,445
DPW compost	--	--	--	883,458	883,458
Sale of cemetery lots	--	--	--	835,024	835,024
Parking receipts	--	--	--	737,690	737,690
Student activities	--	--	--	696,121	696,121
Permanent funds	--	--	--	573,599	573,599
Other special revenue funds	--	--	--	8,355,365	8,355,365
Total Restricted	<u>3,680,258</u>	<u>1,524,704</u>	<u>--</u>	<u>43,513,221</u>	<u>48,718,183</u>
Committed					
For next year's expenditures:					
Capital project funding	12,941,176	--	--	--	12,941,176
OPEB Trust funding	1,997,451	--	--	--	1,997,451
Semiquincentennial commission	500,000	--	--	--	500,000
Special article appropriations	7,847,679	--	--	--	7,847,679
Capital stabilization	32,769,537	--	--	--	32,769,537
Transportation stabilization	1,055,737	--	--	--	1,055,737
Special education stabilization	1,232,547	--	--	--	1,232,547
Traffic mitigation stabilization	591,739	--	--	--	591,739
Other stabilization	870,783	--	--	--	870,783
Capital projects	--	22,867,703	--	--	22,867,703
Total Committed	<u>59,806,649</u>	<u>22,867,703</u>	<u>--</u>	<u>--</u>	<u>82,674,352</u>
Assigned					
General government	899,581	--	--	--	899,581
Public safety	374,516	--	--	--	374,516
Education	6,167,306	--	--	--	6,167,306
Public works	650,117	--	--	--	650,117
Facilities	483,140	--	--	--	483,140
Health and human services	2,150	--	--	--	2,150
Culture and recreation	39,272	--	--	--	39,272
For next year's expenditures:					
Operating budget support	400,000	--	--	--	400,000
Total Assigned	<u>9,016,082</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>9,016,082</u>
Unassigned					
General fund	30,929,328	--	--	--	30,929,328
General stabilization fund	10,759,155	--	--	--	10,759,155
Deficit funds	--	(319,573)	--	(1,853,641)	(2,173,214)
Total Unassigned	<u>41,688,483</u>	<u>(319,573)</u>	<u>--</u>	<u>(1,853,641)</u>	<u>39,515,269</u>
Total Fund Balance	<u>\$ 114,191,472</u>	<u>\$ 24,072,834</u>	<u>\$ --</u>	<u>\$ 52,158,505</u>	<u>\$ 190,422,811</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 21 - RESTRICTED NET POSITION

The Town's restricted net position at June 30, 2024 are comprised of the following:

Purpose	Governmental Activities
Community preservation	\$ 16,942,116
Permanent funds	11,072,524
Special education	5,859,645
GIC mitigation funds	3,680,258
School lunch	3,212,451
Student transportation	1,399,928
PEG TV	1,088,887
Sale of cemetery lots	835,024
Library gift	1,075,630
Building rental	968,862
SAF	696,121
Parking receipts	737,690
Paving gift	884,445
DPW compost	883,458
Other	<u>6,510,093</u>
Total	<u>\$ 55,847,132</u>

NOTE 22 - LEXINGTON CONTRIBUTORY RETIREMENT SYSTEM

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, with respect to employees' retirement funds.

PLAN DESCRIPTION

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Lexington Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 1625 Massachusetts Avenue, Lexington, Massachusetts 02420.

Participants' Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5.00%
January 1, 1975 - December 31, 1983	7.00%
January 1, 1984 - June 30, 1996	8.00%
Beginning July 1, 1996	9.00%

For those members entering the System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 - General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 - Certain specified hazardous duty positions.
- Group 4 - Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A - Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B - A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member—provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C - A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, $\frac{2}{3}$ of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3.00%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town’s contribution to the System for the year ended December 31, 2023 was \$9,994,700, which was in excess of its annual required contribution by \$1,096,400.

Summary of Significant Accounting Policies

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

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At December 31, 2023 the Town reported a liability of \$54,027,257 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

actuarial valuation as of January 1, 2023. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2023, the Town's proportion was 98.87%, which was an increase of 0.09 percentage-points from its proportion measured as of December 31, 2022.

For the year ended December 31, 2023, the Town recognized pension expense of \$13,895,452. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 7,934,801	\$ (1,941,516)
Changes of assumptions	1,645,192	(245,264)
Net difference between projected and actual earnings on pension plan investments	9,111,313	--
Changes in proportion and differences between contributions and proportionate share of contributions	37,018	(9,839)
Total	\$ 18,728,324	\$ (2,196,619)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as increases (decreases) in pension expense as follows:

Year Ended June 30,	Amount
2025	\$ 9,546,564
2026	4,508,717
2027	5,960,921
2028	(3,484,497)
Total	\$ 16,531,705

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

ACTUARIAL ASSUMPTIONS

The total pension liability in the latest actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Remaining amortization period	6 years from January 1, 2023
Investment rate of return	7.25%
Projected salary increases	3.50% - 5.75% for Group 1 and 3.50% - 6.25% for Group 4
Inflation rate	2.60%
Post-retirement cost-of-living adjustment	3.00% of first \$15,000

It is assumed that mortality is represented by the RP-2014 table adjusted to 2006, projected using MP-2021 (gender distinct). During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used. Mortality for disabled retirees follows the same table as non-disabled retirees, set forward 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.

TARGET ALLOCATIONS

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
U.S. equity	35.00%	5.50%
Developed market equity (non-US)	20.00%	5.90%
Emerging market equity	10.00%	5.90%
Value-added fixed income	10.00%	6.20%
Real Assets	10.00%	5.10%
Absolute Return/Portfolio Completion	10.00%	2.90%
Core fixed income	5.00%	1.90%
Total	100.00%	

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
(6.25)%	(7.25)%	(8.25)%
\$ 83,770,543	\$ 54,027,257	\$ 28,913,907

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

NOTE 23 - MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS)

PLAN DESCRIPTION

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer, defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a non-employer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts' reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

BENEFITS PROVIDED

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

CONTRIBUTIONS

Member contributions for MTRS vary depending on the most recent date of membership:

Before January 1, 1975	5.00% of regular compensation
January 1, 1975 - December 31, 1983	7.00% of regular compensation
January 1, 1984 - June 30, 1996	8.00% of regular compensation
Beginning July 1, 1996	9.00% of regular compensation
Beginning July 1, 2001	11.00% of regular compensation (for teachers who were hired after July 1, 2001 and accept the provisions of Chapter 114 of the Acts of 2000)
1979 - present	Additional 2.00% of regular compensation in excess of \$30,000

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

ACTUARIAL ASSUMPTIONS

The net pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of January 1, 2023 rolled forward to June 30, 2023. This valuation used the following assumptions:

- (a) 2.50% inflation rate, (b) 7.00% investment rate of return, (c) 3.50% interest rate credited to the annuity savings fund and (d) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

- Mortality rates were as follows:
 - Pre-retirement - reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally using Scale MP-2021 (gender distinct).
 - Post-retirement - reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally using Scale MP-2021 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).

TARGET ALLOCATIONS

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return 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 rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	37.00%	4.90%
Private equity	16.00%	7.40%
Core fixed income	15.00%	1.90%
Portfolio completion strategies	10.00%	3.80%
Real estate	10.00%	3.00%
Value added fixed income	8.00%	5.10%
Timber/natural resources	4.00%	4.30%
Total	<u>100.00%</u>	

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY ANALYSIS

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease	Current Discount Rate	1% Increase
6.00%	7.00%	8.00%
\$ 33,378,000	\$ 26,290,271	\$ 20,292,000

SPECIAL FUNDING SITUATION

The Commonwealth of Massachusetts is a non-employer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts is a non-employer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

TOWN PROPORTIONS

In fiscal year 2023 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$298,262,798 based on a proportionate share of 1.134499%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts' contribution of approximately \$24,376,703 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and its portion of the collective pension expense of approximately \$27,848,838 as both a revenue and expense on the Statement of Activities.

NOTE 24 - OTHER POST-EMPLOYMENT BENEFITS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

trust fund has been established to fund future OPEB costs. In fiscal year 2002, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2024.

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's single employer, defined benefit OPEB plan. The Town provides health insurance coverage through the Group Insurance Commission. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Plan Membership

At July 1, 2023 (valuation date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	1,036
Active employees	<u>1,652</u>
Total	<u>2,688</u>

INVESTMENTS

At June 30, 2024, the OPEB trust fund assets consisted of blended mutual funds.

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 15.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The net OPEB liability was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Investment rate of return	6.75%
Inflation	2.50%
Discount rate	5.57% (previously 5.12%)
Salary increases	3.00%, annually and for future periods
Healthcare cost trend rates:	
Commercial managed care	7.80% in 2024, decreasing to an ultimate rate of 5.00% in 2032 and beyond
Commercial indemnity	8.70% in 2024, decreasing to an ultimate rate of 5.00% in 2032 and beyond
Medicare indemnity	7.20% in 2024, decreasing to an ultimate rate of 5.00% in 2032 and beyond
Medicare managed care	6.40% in 2024, decreasing to an ultimate rate of 5.00% in 2032 and beyond
Dental	5.50% in 2024, decreasing to an ultimate rate of 5.00% in 2025 and beyond
Retirees' share of benefit-related costs	18% to 25%
Participation rates:	
Medical	80.00% of active employees; 52.50% of pre-65 retirees and 7.50% of post-65 retirees electing family plans
Life	55.00% of active employees
Dental	60.00% of active employees
Spouse	55.00% assumed to participate

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Mortality rates were as follows:

Actives - The Pub-2010 Headcount-weighted Mortality Tables, gender-distinct, for Employees projected using generational mortality and scale MP-2021; General (Groups 1&2 and Spouses), Safety (Group 4), and Teachers.

Retirees - The Pub-2010 Headcount-weighted Mortality Tables, gender-distinct, for Healthy Retirees projected using generational mortality and scale MP-2021; General (Groups 1&2 and Spouses), Safety (Group 4), and Teachers.

Disabled - The Pub-2010 Headcount-weighted Mortality Tables, gender-distinct, for Healthy Retirees projected generational mortality and scale MP-2021; General (Groups 1&2 and Spouses), Safety (Group 4), and Teachers. Set forward 2 years.

TARGET ALLOCATIONS

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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S Equity	60.00%	4.40%
Fixed Income	35.00%	2.40%
Non-U.S Equity	<u>5.00%</u>	5.00%
Total	<u><u>100.00%</u></u>	

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

CONTRIBUTIONS

In addition to the implicit subsidy contribution, the Town's policy is to contribute the actuarially determined contribution or amounts provided annually by the budget.

DISCOUNT RATE

The discount rate used to measure the net OPEB liability was 5.57%. The discount rate is a blend of the OPEB trust's investment strategy (6.75%) before the depletion point (approximately 39 years) and the 20-year Municipal General Obligation bonds as shown in the Bond Buyer 20 Bond Index (3.93% as of June 30, 2024).

NET OPEB LIABILITY

The components of the net OPEB liability, measured as of June 30, 2024, were as follows:

Total OPEB liability	\$ 265,620,281
Less: Plan fiduciary net position	<u>(34,129,515)</u>
Net OPEB Liability	<u>\$ 231,490,766</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.85%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

CHANGES IN THE NET OPEB LIABILITY

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances, Beginning of Year	\$ 268,217,947	\$ 27,825,878	\$ 240,392,069
Changes for the year:			
Service cost	9,627,306	--	9,627,306
Interest	13,952,768	--	13,952,768
Contributions - employer	--	12,646,008	(12,646,008)
Net investment income	--	4,318,151	(4,318,151)
Changes of assumptions	(15,517,218)	--	(15,517,218)
Benefit payments	<u>(10,660,522)</u>	<u>(10,660,522)</u>	<u>--</u>
Net Changes	<u>(2,597,666)</u>	<u>6,303,637</u>	<u>(8,901,303)</u>
Balances, End of Year	<u>\$ 265,620,281</u>	<u>\$ 34,129,515</u>	<u>\$ 231,490,766</u>

The assumption change of \$(15,517,218) is due to the discount rate change from 5.12% to 5.57%.

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
4.57%	5.57%	6.57%
\$ 268,167,301	\$ 231,490,766	\$ 201,395,616

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the net OPEB liability, as well as what the 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:

	Current Healthcare Cost Trend Rates	
1% Decrease	Trend Rates	1% Increase
\$ 199,909,363	\$ 231,490,766	\$ 272,513,853

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED (INFLOWS) OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2024, the Town recognized an OPEB expense of \$26,759,118. At June 30, 2024, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 5,308,752	\$ (5,251,251)
Changes of assumptions	57,672,532	(36,705,755)
Net difference between projected and actual investment earnings on OPEB plan investments	--	(2,174,753)
Total	\$ 62,981,284	\$ (44,131,759)

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as increases (decreases) in OPEB expense as follows:

Year Ended	
June 30,	Amount
2025	\$ 7,858,136
2026	8,950,917
2027	8,237,628
2028	(2,935,671)
2029	(2,002,049)
Thereafter	<u>(1,259,436)</u>
Total	<u>\$ 18,849,525</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 25 - CONSOLIDATION OF PENSION AND OPEB TRUST FUNDS

The Lexington Contributory Retirement System and the Lexington OPEB Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements.

Details of the financial position and changes in net position are as follows:

	Pension Trust Fund (December 31, 2023)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Fund
Assets			
Cash and short-term investments	\$ 15,650,554	\$ --	\$ 15,650,554
Investments:			
Blended mutual funds	--	34,129,515	34,129,515
Equity mutual funds	33,303,044	--	33,303,044
Pooled alternative investments	42,004,497	--	42,004,497
Pooled investments	<u>129,901,812</u>	<u>--</u>	<u>129,901,812</u>
Total Investments	<u>205,209,353</u>	<u>--</u>	<u>205,209,353</u>
Accounts Receivable	<u>5,092,924</u>	<u>--</u>	<u>5,092,924</u>
Total Assets	<u>225,952,831</u>	<u>--</u>	<u>225,952,831</u>
Liabilities			
Warrants and accounts payable	<u>94,432</u>	<u>--</u>	<u>94,432</u>
Total Liabilities	<u>94,432</u>	<u>--</u>	<u>94,432</u>
Net Position			
Restricted for pension	225,858,399	--	225,858,399
Restricted for OPEB	<u>--</u>	<u>34,129,515</u>	<u>34,129,515</u>
Total Net Position	<u>\$ 225,858,399</u>	<u>\$ 34,129,515</u>	<u>\$ 259,987,914</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

	Pension Trust Fund (year ended December 31, 2023)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Fund
Additions			
Contributions:			
Employers	\$ 10,096,400	\$ 12,646,008	\$ 22,742,408
Plan members	5,587,292	--	5,587,292
Other systems and Commonwealth of Massachusetts	473,706	--	473,706
Other	<u>22,544</u>	<u>--</u>	<u>22,544</u>
Total Contributions	<u>16,179,942</u>	<u>12,646,008</u>	<u>28,825,950</u>
Investment Income:			
Change in fair value of investments	32,181,747	4,318,151	36,499,898
Less: management fees	<u>(652,866)</u>	<u>--</u>	<u>(652,866)</u>
Net Investment Income	<u>31,528,881</u>	<u>4,318,151</u>	<u>35,847,032</u>
Total Additions	<u>47,708,823</u>	<u>16,964,159</u>	<u>64,672,982</u>
Deductions			
Benefit payments to plan members and beneficiaries	16,493,063	10,660,522	27,153,585
Refunds to plan members	357,948	--	357,948
Transfers to other systems	1,020,445	--	1,020,445
Administrative expenses	<u>273,913</u>	<u>--</u>	<u>273,913</u>
Total Deductions	<u>18,145,369</u>	<u>10,660,522</u>	<u>28,805,891</u>
Change in Net Position	29,563,454	6,303,637	35,867,091
Net Position Restricted for Pension and OPEB			
Beginning of Year	<u>196,294,945</u>	<u>27,825,878</u>	<u>224,120,823</u>
End of Year	<u>\$ 225,858,399</u>	<u>\$ 34,129,515</u>	<u>\$ 259,987,914</u>

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 26 - COMMITMENTS AND CONTINGENCIES

OUTSTANDING LEGAL ISSUES

There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

GRANTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

ABATEMENTS

There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cases at the present time is indeterminable.

ENCUMBRANCES

At year-end the Town's General Fund has \$8,616,082 in encumbrances that will be honored in the next fiscal year.

NOTE 27 - SUBSEQUENT EVENTS

DEBT

Subsequent to June 30, 2024, the Town issued the following general obligation bond anticipation notes:

	Amount	Interest Rate	Issue Date	Maturity Date
Multiple purpose	\$ 1,102,622	4.25%	09/27/24	02/28/25
Multiple purpose	\$ 1,195,810	4.00%	02/28/25	02/27/26
Multiple purpose	\$ 15,851,900	4.00%	07/25/25	02/27/26

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

LEXINGTON HOUSING ASSISTANCE BOARD

Effective September 2024, the Lexington Housing Assistance Board (LexHAB) established 501(c)(3) status, and the Massachusetts legislature approved its separation from the Town of Lexington.

MBTA ZONING

The MBTA (Massachusetts Bay Transportation Authority) is the primary public transit system in the greater Boston area, and in 2021 the Massachusetts legislature passed the MBTA Communities Act. The MBTA Communities Act requires MBTA communities and adjacent communities to allow by-right multi-family housing located near MBTA systems to remove development barriers and address the state's housing shortage. In 2024, the Town of Lexington was one of the first communities in the Commonwealth to approve new zoning amendments to comply with this Act, with at target development of approximately 1,300 new multi-family housing units. This zoning change, new development of housing, increase in population, and the pace at which it occurs may have an impact on both the Town's revenues and expenditures in future fiscal years.

TOWN OF LEXINGTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		Positive (Negative)
Revenues				
Property taxes	\$ 240,531,228	\$ 242,896,076	\$ 242,945,201	\$ 49,125
Intergovernmental	19,800,275	19,800,275	20,014,701	214,426
Excises	6,830,417	6,830,417	8,128,453	1,298,036
Departmental and other	2,408,324	2,408,324	3,284,411	876,087
Investment income	300,000	1,436,294	7,956,107	6,519,813
Special assessments	10,433	10,433	10,370	(63)
Payment in lieu of taxes	811,000	811,000	731,519	(79,481)
Penalties and interest	380,500	380,500	479,254	98,754
Licenses and permits	2,824,850	2,824,850	3,237,307	412,457
Fines and forfeitures	98,000	98,000	172,123	74,123
Net metering credits	670,000	670,000	823,246	153,246
Miscellaneous	--	187,927	391,944	204,017
Total Revenues	<u>274,665,027</u>	<u>278,354,096</u>	<u>288,174,636</u>	<u>9,820,540</u>
Expenditures				
General government	10,920,147	14,180,532	10,075,736	4,104,796
Public safety	18,362,396	19,796,887	19,544,031	252,856
Education	138,232,221	145,972,320	142,905,445	3,066,875
Public works	10,642,800	11,045,952	10,328,753	717,199
Facilities	14,379,091	15,488,261	15,105,135	383,126
Health and human services	2,229,011	2,230,061	2,024,319	205,742
Culture and recreation	4,974,599	5,067,086	4,913,794	153,292
Pension	9,984,800	9,984,800	9,984,800	--
Insurance	36,129,635	36,129,635	33,304,226	2,825,409
Debt service	23,738,270	23,738,270	23,369,366	368,904
Intergovernmental	1,057,413	1,057,413	981,462	75,951
Total Expenditures	<u>270,650,383</u>	<u>284,691,217</u>	<u>272,537,067</u>	<u>12,154,150</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,014,644</u>	<u>(6,337,121)</u>	<u>15,637,569</u>	<u>21,974,690</u>
Other Financing Sources (Uses)				
Transfers in	3,603,809	3,603,809	4,041,527	437,718
Transfers out	(22,787,612)	(25,486,993)	(25,486,993)	--
Use of prior year carryforwards (assigned fund balance)	--	12,301,146	12,301,146	--
Use of free cash (unassigned fund balance):				
For operating budget support	400,000	400,000	--	(400,000)
For capital projects	12,529,438	12,529,438	--	(12,529,438)
For special education funding	500,000	1,250,000	--	(1,250,000)
For post employment insurance liability fund	1,739,721	1,739,721	--	(1,739,721)
Total Other Financing Sources (Uses)	<u>(4,014,644)</u>	<u>6,337,121</u>	<u>(9,144,320)</u>	<u>(15,481,441)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,493,249</u>	<u>\$ 6,493,249</u>

See independent auditors' report and notes to required supplementary information.

TOWN OF LEXINGTON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR GENERAL FUND BUDGET

FOR THE YEAR ENDED JUNE 30, 2024

BUDGETARY BASIS

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

BUDGET/GAAP RECONCILIATION

The budgetary data for the General Fund is based upon accounting principles that differ from GAAP. Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues, expenditures, and other financing sources (uses), to conform to the budgetary basis of accounting.

General Fund	Revenues	Expenditures	Other Financing Sources/Uses
Revenues/expenditures/transfers (GAAP Basis)	\$ 315,077,897	\$ 288,604,825	\$ (15,127,611)
Add end-of-year appropriation carryforwards to expenditures	--	8,616,082	--
To reverse Enterprise Fund debt service payments	--	(289,516)	(289,516)
To record Enterprise Fund indirect cost transfers classified as expenditures	--	1,894,067	1,894,067
To record BAN transfers classified as expenditures	--	549,644	549,644
To record OPEB contribution transfer classified as an expenditure	--	(1,979,721)	(1,979,721)
To record use of prior year fund balance for prior year carryforwards	--	--	12,301,146
To reverse Commonwealth's on-behalf payments made to MTRS	(24,376,703)	(24,376,703)	--
To reverse unbudgeted Stabilization Fund activity	(2,261,142)	--	(4,317,029)
To reverse activity related to continuing appropriation accounts	(265,416)	(57,612)	(2,175,300)
Other	--	(423,999)	--
Budgetary Basis	<u>\$ 288,174,636</u>	<u>\$ 272,537,067</u>	<u>\$ (9,144,320)</u>

See independent auditors' report.

TOWN OF LEXINGTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION FOR SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Lexington Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2024	December 31, 2023	98.870%	\$ 54,027,257	\$ 49,569,437	108.99%	80.52%
June 30, 2023	December 31, 2022	98.780%	74,630,775	47,582,295	156.85%	72.21%
June 30, 2022	December 31, 2021	98.900%	31,722,393	47,184,893	67.23%	87.88%
June 30, 2021	December 31, 2020	98.870%	45,903,772	45,281,164	101.37%	81.83%
June 30, 2020	December 31, 2019	98.890%	33,844,002	43,375,582	78.03%	84.59%
June 30, 2019	December 31, 2018	98.910%	30,493,914	39,714,262	76.78%	83.92%
June 30, 2018	December 31, 2017	99.000%	16,387,284	38,221,588	42.87%	91.20%
June 30, 2017	December 31, 2016	98.860%	28,951,277	37,326,093	77.56%	83.34%
June 30, 2016	December 31, 2015	98.675%	29,815,957	35,651,907	83.63%	82.22%
June 30, 2015	December 31, 2014	98.274%	23,316,321	32,283,688	72.22%	85.57%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2024	June 30, 2023	1.134499%	\$ --	\$ 298,262,798	\$ 298,262,798	\$ 97,957,726	--	58.48%
June 30, 2023	June 30, 2022	1.000398%	--	258,984,513	258,984,513	82,342,879	--	57.75%
June 30, 2022	June 30, 2021	1.022825%	--	232,251,558	232,251,558	79,330,184	--	62.03%
June 30, 2021	June 30, 2020	0.988736%	--	282,233,131	282,233,131	71,951,782	--	50.67%
June 30, 2020	June 30, 2019	1.008748%	--	254,345,829	254,345,829	73,408,085	--	53.95%
June 30, 2019	June 30, 2018	0.993280%	--	235,519,399	235,519,399	69,756,723	--	54.84%
June 30, 2018	June 30, 2017	0.866599%	--	198,324,537	198,324,537	58,846,128	--	54.25%
June 30, 2017	June 30, 2016	0.956520%	--	213,858,022	213,858,022	62,916,586	--	52.73%
June 30, 2016	June 30, 2015	0.955598%	--	195,798,605	195,798,605	60,574,287	--	55.38%
June 30, 2015	June 30, 2014	0.982740%	--	148,711,543	148,711,543	57,360,556	--	61.64%

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See independent auditors' report.

TOWN OF LEXINGTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION FOR SCHEDULE OF PENSION CONTRIBUTIONS

Lexington Contributory Retirement System

Fiscal Year	Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
			Actuarially Determined Contribution	Actuarially Determined Contribution			
June 30, 2024	December 31, 2023	\$ 8,898,300	\$ 9,994,700	\$ (1,096,400)	\$ 51,056,520	19.58%	
June 30, 2023	December 31, 2022	8,149,350	9,209,350	(1,060,000)	49,009,764	18.79%	
June 30, 2022	December 31, 2021	7,417,500	7,417,500	--	48,600,440	15.26%	
June 30, 2021	December 31, 2020	6,679,199	6,679,199	--	47,280,885	14.13%	
June 30, 2020	December 31, 2019	6,334,436	6,334,436	--	44,676,849	14.18%	
June 30, 2019	December 31, 2018	5,940,077	5,940,077	--	40,905,690	14.52%	
June 30, 2018	December 31, 2017	5,697,982	5,697,982	--	39,368,236	14.47%	
June 30, 2017	December 31, 2016	5,442,774	5,442,774	--	38,445,876	14.16%	
June 30, 2016	December 31, 2015	5,185,901	5,185,901	--	37,214,557	13.94%	
June 30, 2015	December 31, 2014	4,919,154	4,919,154	--	33,252,199	14.79%	

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
			Actuarially Determined Contribution	Actuarially Determined Contribution			
June 30, 2024	June 30, 2023	\$ 24,376,703	\$ 24,376,703	\$ --	\$ 97,957,726	24.88%	
June 30, 2023	June 30, 2022	21,054,424	21,054,424	--	82,342,879	25.57%	
June 30, 2022	June 30, 2021	17,883,918	17,883,918	--	79,330,184	22.54%	
June 30, 2021	June 30, 2020	15,359,350	15,359,350	--	71,951,782	21.35%	
June 30, 2020	June 30, 2019	14,563,390	14,563,390	--	73,408,085	19.84%	
June 30, 2019	June 30, 2018	13,059,471	13,059,471	--	69,756,723	18.72%	
June 30, 2018	June 30, 2017	10,706,959	10,706,959	--	58,846,128	18.19%	
June 30, 2017	June 30, 2016	10,756,800	10,756,800	--	62,916,586	17.10%	
June 30, 2016	June 30, 2015	9,765,542	9,765,542	--	60,574,287	16.12%	
June 30, 2015	June 30, 2014	8,769,251	8,769,251	--	57,360,556	15.29%	

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See independent auditors' report.

TOWN OF LEXINGTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION FOR SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	\$ 9,627,306	\$ 8,501,758	\$ 11,311,062	\$ 5,129,907	\$ 4,980,492	\$ 4,766,021	\$ 4,498,108	\$ 4,304,410
Interest	13,952,768	12,937,579	10,769,471	11,017,062	10,428,694	11,419,598	10,813,966	10,278,936
Changes of benefit terms	--	5,218,262	--	--	--	--	--	--
Differences between expected and actual experience	--	(3,713,961)	9,684,097	(4,817,476)	--	(30,474,922)	--	--
Changes of assumptions	(15,517,218)	8,324,980	(42,986,402)	117,269,091	--	7,869,892	--	--
Benefit payments, including refunds of member contributions	(10,660,522)	(9,584,460)	(8,540,414)	(8,133,728)	(7,164,146)	(6,855,642)	(8,131,110)	(7,172,839)
Net Change in Total OPEB Liability	<u>(2,597,666)</u>	<u>21,684,158</u>	<u>(19,762,186)</u>	<u>120,464,856</u>	<u>8,245,040</u>	<u>(13,275,053)</u>	<u>7,180,964</u>	<u>7,410,507</u>
Total OPEB Liability - Beginning	<u>268,217,946</u>	<u>246,533,788</u>	<u>266,295,974</u>	<u>145,831,118</u>	<u>137,586,078</u>	<u>150,861,131</u>	<u>143,680,167</u>	<u>136,269,660</u>
Total OPEB Liability - Ending (a)	<u>265,620,280</u>	<u>268,217,946</u>	<u>246,533,788</u>	<u>266,295,974</u>	<u>145,831,118</u>	<u>137,586,078</u>	<u>150,861,131</u>	<u>143,680,167</u>
Plan Fiduciary Net Position								
Contributions - employer	12,646,008	11,519,946	10,613,400	8,883,728	9,049,632	8,698,537	9,371,961	8,154,066
Net investment income	4,318,151	2,336,764	(2,577,711)	4,842,171	806,796	1,455,542	762,693	1,022,709
Benefit payments, including refunds of member contributions	(10,660,522)	(9,584,460)	(8,540,414)	(8,133,728)	(7,164,146)	(6,855,642)	(7,529,066)	(6,641,748)
Net Change in Plan Fiduciary Net Position	<u>6,303,637</u>	<u>4,272,250</u>	<u>(504,725)</u>	<u>5,592,171</u>	<u>2,692,282</u>	<u>3,298,437</u>	<u>2,605,588</u>	<u>2,535,027</u>
Plan Fiduciary Net Position - Beginning	<u>27,825,878</u>	<u>23,553,628</u>	<u>24,058,353</u>	<u>18,466,182</u>	<u>15,773,900</u>	<u>12,475,463</u>	<u>9,869,875</u>	<u>7,334,848</u>
Plan Fiduciary Net Position - Ending (b)	<u>34,129,515</u>	<u>27,825,878</u>	<u>23,553,628</u>	<u>24,058,353</u>	<u>18,466,182</u>	<u>15,773,900</u>	<u>12,475,463</u>	<u>9,869,875</u>
Net OPEB Liability - Ending (a-b)	<u>\$ 231,490,765</u>	<u>\$ 240,392,068</u>	<u>\$ 222,980,160</u>	<u>\$ 242,237,621</u>	<u>\$ 127,364,936</u>	<u>\$ 121,812,178</u>	<u>\$ 138,385,668</u>	<u>\$ 133,810,292</u>

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See independent auditors' report.

TOWN OF LEXINGTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION FOR SCHEDULES OF THE NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS

	2024	2023	2022	2021	2020	2019	2018	2017
Schedule of Net OPEB Liability								
Total OPEB liability	\$ 265,620,280	\$ 268,217,947	\$ 246,533,788	\$ 266,295,974	\$ 145,831,118	\$ 137,586,078	\$ 150,861,131	\$ 143,680,167
Plan fiduciary net position	<u>(34,129,515)</u>	<u>(27,825,878)</u>	<u>(23,553,628)</u>	<u>(24,058,353)</u>	<u>(18,466,182)</u>	<u>(15,773,900)</u>	<u>(12,475,463)</u>	<u>(9,869,875)</u>
Net OPEB Liability	<u>\$ 231,490,765</u>	<u>\$ 240,392,069</u>	<u>\$ 222,980,160</u>	<u>\$ 242,237,621</u>	<u>\$ 127,364,936</u>	<u>\$ 121,812,178</u>	<u>\$ 138,385,668</u>	<u>\$ 133,810,292</u>
Plan Fiduciary Net Position as a Percentage of the								
Total OPEB Liability	12.85%	10.37%	9.55%	9.03%	12.66%	11.46%	8.27%	6.87%
Covered Employee Payroll	170,605,469	163,448,322	143,106,682	Not available	Not available	Not available	Not available	Not available
Net OPEB Liability as a Percentage of								
Covered Employee Payroll	135.69%	147.08%	155.81%	Not available	Not available	Not available	Not available	Not available
Schedule of Contributions								
Actuarially determined contribution	\$ 19,711,490	\$ 17,119,000	\$ 16,620,000	\$ 16,146,969	\$ 15,409,186	\$ 16,185,619	\$ 15,312,074	\$ 14,583,346
Contributions in relation to the actuarially determined contribution	<u>(12,646,008)</u>	<u>(11,519,946)</u>	<u>(10,613,400)</u>	<u>(8,883,728)</u>	<u>(8,426,919)</u>	<u>(8,102,640)</u>	<u>(9,371,961)</u>	<u>(8,154,066)</u>
Contribution Deficiency (Excess)	<u>\$ 7,065,482</u>	<u>\$ 5,599,054</u>	<u>\$ 6,006,600</u>	<u>\$ 7,263,241</u>	<u>\$ 6,982,267</u>	<u>\$ 8,082,979</u>	<u>\$ 5,940,113</u>	<u>\$ 6,429,280</u>
Covered Employee Payroll	170,605,469	163,448,322	143,106,682	Not available	Not available	Not available	Not available	Not available
Contributions as a Percentage of Covered								
Employee Payroll	4.14%	3.43%	4.20%	Not available	Not available	Not available	Not available	Not available
Schedule of Investment Returns								
Annual money weighted rate of return, net of investment expense	15.13%	10.00%	(10.39)%	25.20%	Not available	Not available	Not available	Not available

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See independent auditors' report.

Troutman Pepper Locke LLP
111 Huntington Avenue, 9th Floor
Boston, MA 02199-7613
www.troutman.com



(Date of Delivery)

Arnold Lovering, Treasurer
Town of Lexington
Lexington, Massachusetts

\$25,370,000*
Town of Lexington, Massachusetts
General Obligation Municipal Purpose Loan of 2026 Bonds
Dated February 26, 2026

We have acted as bond counsel to the Town of Lexington, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. However, interest on the Bonds will be included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Internal Revenue Code of 1986 (the “Code”). In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements.

* Preliminary, subject to change.

Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

TROUTMAN PEPPER LOCKE LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Lexington, Massachusetts (the “Issuer”) in connection with the issuance of its \$25,370,000* General Obligation Municipal Purpose Loan of 2026 Bonds dated February 26, 2026 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in

* Preliminary, subject to change.

Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in a timely manner, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated February 18, 2026 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other

material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*
13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect Owners of the Bonds, if material.†
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.†

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

† For purposes of event numbers 15 and 16 in Section 5(a) of this Disclosure Certificate, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: February 26, 2026

TOWN OF LEXINGTON,
MASSACHUSETTS

By _____
Treasurer

Select Board

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

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PROPOSAL FOR BONDS

February 18, 2026

Arnold Lovering, Treasurer
Town of Lexington
c/o Hilltop Securities Inc.
54 Canal Street
Boston, Massachusetts 02114

Dear Mr. Lovering:

For all of **\$25,370,000* TOWN OF LEXINGTON, MASSACHUSETTS, GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2026 BONDS**, as further described in your Notice of Sale dated February 6, 2026 we bid _____ and accrued interest, for each \$100 face value of Bonds, bearing interest at the rate or rates per annum as follows:

Year	Rate
2027	_____ %
2028	_____
2029	_____
2030	_____
2031	_____
2032	_____
2033	_____
2034	_____
2035	_____
2036	_____

The undersigned hereby acknowledges receipt of the Preliminary Official Statement referred to in the aforementioned Notice of Sale.

The following is our computation of the net interest cost and percent true interest cost calculated in accordance with the Notice of Sale, is for informational purposes only, and is subject to verification prior to award.

Gross Interest Cost	\$ _____	
Underwriter's Premium	\$ _____	
Net Interest Cost	\$ _____	BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$170,000.
Percent True Interest Cost	_____ %	
	(four decimals)	

The Town and Hilltop Securities Inc. are not responsible for errors in bids submitted in this manner.

**TELEPHONE (617) 619-4400
HILLTOP SECURITIES INC.**

*Preliminary, subject to change.