

**CITY OF LEXINGTON, NEBRASKA**

FINANCIAL STATEMENTS

September 30, 2017

# CITY OF LEXINGTON, NEBRASKA

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## Independent Auditors' Report

Honorable Mayor, City Council, and  
City Manager  
Lexington, Nebraska

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Lexington, Nebraska, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Lexington, Nebraska, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, listed on 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 sufficient evidence 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 February 20, 2018 on our consideration of the City of Lexington, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lexington's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lexington, Nebraska's internal control over financial reporting and compliance.

Contryman Associates PC  
Certified Public Accountants  
Grand Island, Nebraska

February 20, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The management of the city of Lexington, Nebraska presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. This discussion is to be considered in conjunction with the additional information provided in the transactions, events, and conditions reflected in the City's financial statements.

### **FINANCIAL HIGHLIGHTS**

The assets of the City exceeded its liabilities by \$59,316,481 (net position). Of this amount, \$4,421,743 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.

The City's total net position increased by \$3,192,169 in comparison with the previous year. Of this amount, \$1,765,036 was the increase from governmental activities. Business-type activities net position increased by \$1,427,133.

The City's governmental funds reported combined ending fund balances of \$3,377,466. Of this total fund balance, 31%, or \$966,681 is available for spending at the City's discretion (unassigned fund balance), all of which is in the General Fund and Debt Service.

The City's total long-term debt increased \$2,172,672. This increase is due to the 2017 Highway Allocation bond and SW 1<sup>st</sup> infrastructure financing, less scheduled payments to pay down debt.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The City's basic financial statements are comprised of three components: 1) the government-wide financial statements 2) fund financial statements and 3) notes to the financial statements. In addition to the basic financial statements this report contains supplementary information.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or declining.

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the event causing the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-

type activities). Governmental activities of the City include general administrative services, planning and zoning, public safety, aging services, library, aquatic, recreation and parks, cemeteries, and streets. Also included are economic development and housing as well as debt service. Business-type activities include electric, water, sewer, sanitation, landfill, and ambulance.

The government-wide financial statements include not only the City of Lexington itself (known as the primary government), but also a legally separate City of Lexington Community Development Agency for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 14-16 of the report.

### 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 purposes. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All City funds are divided into three categories: governmental, proprietary, and fiduciary.

#### Governmental Funds

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

### Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, sanitation, landfill, and ambulance. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its health fund. Because these services benefit both governmental and business-type functions, they have been allocated to the governmental and business-type activities in the government-wide financial statements based on usage.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, sewer, sanitation, landfill, and ambulance; all funds are considered to be major funds of the City. The Internal service fund is presented combined in the proprietary fund financial statement section.

The basic proprietary fund financial statements can be found on pages 22-26 of the report.

### 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 City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Currently, the city of Lexington has one fiduciary fund as defined by the Governmental Accounting Standards Board.

The basic agency fund financial statements can be found on page 27 of the report.

### NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Notes to the financial statements can be found on pages 28 – 52 of the report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This analysis requires focus on the current-year results in comparison with the prior year and the positive and negative aspects of this comparison.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the city of Lexington, assets exceeded liabilities by \$59,316,481 at September 30, 2017.

By far, the largest portion of the City’s net position (83.28%) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investments in its 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 capital assets themselves cannot be used to liquidate these liabilities.

City of Lexington  
Condensed Statement of Net Position  
September 30, 2016 and 2017

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	6,511,399	5,396,987	7,066,883	6,488,006	13,578,282	11,884,993
Capital Assets	39,088,995	36,082,037	27,916,881	27,180,638	67,005,876	63,262,675
Total Assets	45,600,394	41,479,024	34,983,764	33,668,644	80,584,158	75,147,668
Long-Term Liabilities						
Outstanding	7,433,940	4,737,699	11,012,692	11,503,261	18,446,632	16,240,960
Other Liabilities	892,873	1,232,780	1,928,172	1,549,616	2,821,045	2,782,396
Total Liabilities	8,326,813	5,970,479	12,940,864	13,052,877	21,267,677	19,023,356
Net Position:						
Invested in Capital Assets						
net of related debt	31,727,406	31,390,949	17,671,895	16,437,823	49,399,301	47,828,772
Restricted	1,238,477	1,567,895	4,256,960	3,287,841	5,495,437	4,855,736
Unrestricted	4,307,698	2,549,701	114,045	890,103	4,421,743	3,439,804
Total Net Position	37,273,581	35,508,545	22,042,900	20,615,767	59,316,481	56,124,312

An additional portion of the City’s net assets, 9.26%, represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position, 7.46% may be used to meet the government’s ongoing obligations to citizens and creditors.

At September 30, 2017, the City is able to report positive balances in all three categories of net position; for the government as a whole, and for its separate governmental and business-type activities. The same was true for the prior fiscal year.

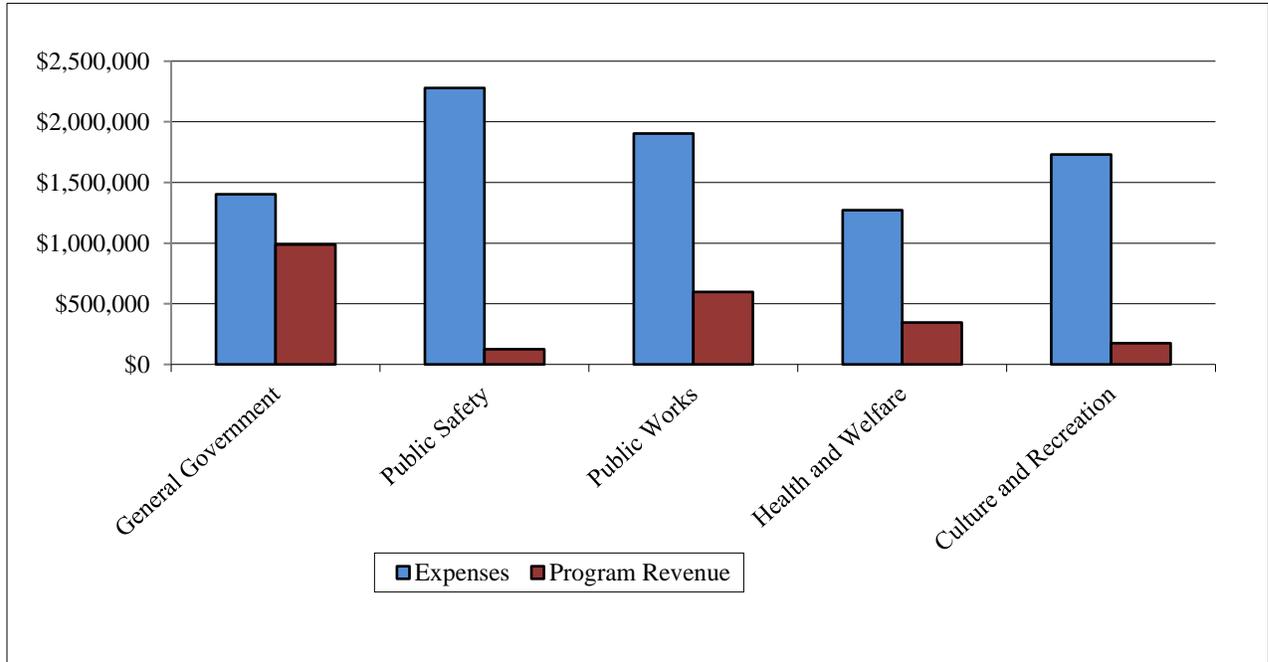
City of Lexington  
Condensed Statement of Activities and Change in Net Position  
for the Year Ended September 30, 2016 and 2017

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue:						
Program Revenue:						
Charges for Services	1,393,271	1,436,043	21,698,776	20,669,083	23,092,047	22,105,126
Operating Grants & Contributions	225,345	431,355	29,922	0	255,267	431,355
Capital Grants & Contributions	614,731	685,878	49,701	90,705	664,432	776,583
General Revenue:						
Property and Other Taxes	1,014,589	1,065,304			1,014,589	1,065,304
Sales and Use Tax	2,023,852	2,013,313			2,023,852	2,013,313
Franchise Taxes	1,193,931	1,157,677			1,193,931	1,157,677
Intergovernmental	2,627,916	3,310,608			2,627,916	3,310,608
Interest	8,466	8,976	12,294	11,271	20,760	20,247
Other	957,262	406,662	1,207	0	958,469	406,662
Gain on sale of asset	0	0	0	0	0	0
Payments made from agency	259,938	490,108	0	0	259,938	490,108
Transfers	34,458	1,092	-34,458	-1,092	0	0
Total Revenue	10,353,759	11,007,016	21,757,442	20,769,967	32,111,201	31,776,983
Expenses:						
General Government	1,402,952	1,673,870			1,402,952	1,673,870
Public Safety	2,278,400	2,340,619			2,278,400	2,340,619
Public Works	1,904,629	2,147,164			1,904,629	2,147,164
Health and Welfare	1,270,938	807,265			1,270,938	807,265
Culture and Recreation	1,731,804	1,741,244			1,731,804	1,741,244
Utilities / Ambulance		0	20,330,309	19,680,571	20,330,309	19,680,571
Total Expenses	8,588,723	8,710,162	20,330,309	19,680,571	28,919,032	28,390,733
Change In Net Position	1,765,036	2,296,854	1,427,133	1,089,396	3,192,169	3,386,250
Net Position-Beginning Prior Period	35,508,545	34,010,756	20,615,767	19,526,371	56,124,312	53,537,127
Adjustment		-799,065		0	0	-799,065
Net Pos Beg Restated	35,508,545	33,211,691	20,615,767	19,526,371	56,124,312	52,738,062
Net Position - Ending	37,273,581	35,508,545	22,042,900	20,615,767	59,316,481	56,124,312

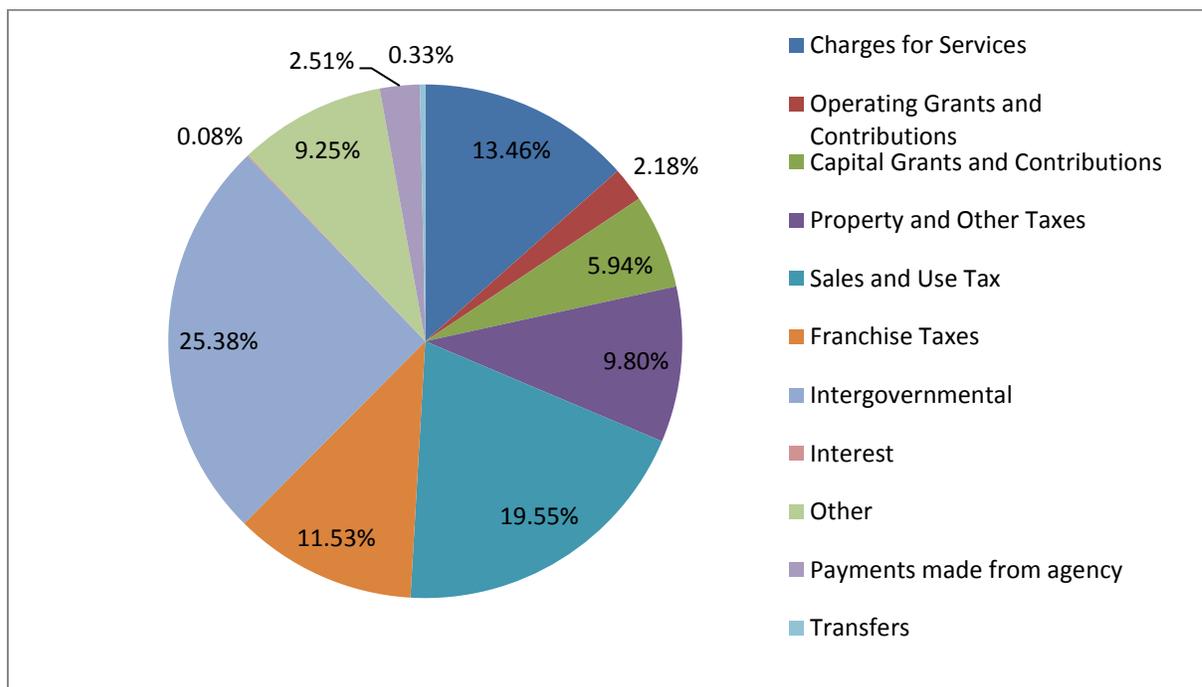
**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City’s net position by \$1,765,036; accounting for 55% of the City’s growth in net position for fiscal 2017.

Expense and Program Revenues – Governmental Activities



Revenue by Source – Governmental Activities



## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

### **GOVERNMENTAL FUNDS**

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

As of September 30, 2017, the City's governmental funds reported combined ending fund balances of \$3,377,466 an increase of \$921,957 in comparison with the prior year. Of the \$3.37 million, about 29% is considered unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, 71%, is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed to various contracts or projects.

The general fund is the chief operating fund of the City. At September 30, 2017, the unassigned fund balance of the general fund was \$966,681. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents about 14.54% of total general fund expenditures.

### **PROPRIETARY FUNDS**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, only in more detail.

Unrestricted net assets in the Proprietary Funds are \$114,045.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

There are no differences between the original budget and the final adopted budget.

## **ALL FUNDS BUDGETARY COMPARISON**

Actual combined revenue for all funds was comparable to the budget. An approximate 2.04% positive variance exists at year-end. All funds actual combined expenditures were also comparable to the budgeted amounts. Combined expenditures were approximately 7.83% less than the budgeted amount.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CAPITAL ASSETS

The City's capital assets for its government and business-type activities as of September 30, 2017, totals \$67,005,876 (net of accumulated depreciation). These capital assets include land, buildings, improvements, machinery and equipment, streets, bridges, storm sewers, electric plant, and water and sewer plant.

Major capital asset events during 2017 include the following:

- General Fund Capital activity includes one-half of the SE Parking Lot paving at the Optimist Recreation Complex at \$233,413; a maintenance building with restrooms were built at the Rec Complex for a cost of \$42,179; and Kirkpatrick Memorial Park Lake improvements continue with spending at \$26,970; and Dawson County Opportunity Center for 2017 Incubator space for \$215,228.
- Street projects include completion of the 2016 CIS Improvements for \$266,991. New projects include NW 5th Addition for \$818,336; Adams Street/Airport Road/East Walnut overlay for \$363,728; SW 1<sup>st</sup> Addition for \$1,003,358; Ontario Street paving \$54,023; East Lexington Viaduct for \$174,123.
- The Electric department work included Kugler Sub Conversion work for \$71,117; service extensions to NW 3<sup>rd</sup> Addition for \$74,897; NW 5<sup>th</sup> Addition for \$64,558; and SW 1<sup>st</sup> Addition for \$23,573.
- The Water department completed the 2016 CIS Improvements at a cost of \$27,548; installed service to the NW 5<sup>th</sup> Addition for \$114,682; and SW 1<sup>st</sup> Addition for \$206,657.
- The Sewer department built lines for the NW 5th Addition totaling \$405,932; and SW 1<sup>st</sup> Addition for \$286,404. The Waste Water Treatment Plant Solids Dewatering Facility project completed with 2017 expenses of \$579,638.

City of Lexington  
Capital Assets (net of depreciation)  
September 30, 2016 and 2017

	Governmental		Business Type		Total	
	2017	2016	2017	2016	2017	2016
Land	4,640,545	3,720,125	329,176	329,176	4,969,721	4,049,301
Buildings and Improvements	11,349,044	9,575,793	11,697,986	12,069,048	23,047,030	21,644,841
Machinery and Equipment	1,703,194	1,695,428	455,873	434,608	2,159,067	2,130,036
Infrastructure	18,189,268	16,444,809			18,189,268	16,444,809
Utility Plant			13,487,377	14,046,247	13,487,377	14,046,247
Construction in Progress	3,206,944	4,645,881	1,946,469	301,559	5,153,413	4,947,440
<b>Total</b>	<b>39,088,995</b>	<b>36,082,036</b>	<b>27,916,881</b>	<b>27,180,638</b>	<b>67,005,876</b>	<b>63,262,674</b>

Additional Capital Asset information can be found in Note 5 on pages 41-42 of the report.

**LONG-TERM DEBT**

At September 30, 2017, the city of Lexington had total outstanding debt of \$17,606,575. Of this amount, \$2,805,000 is General Obligation bonded debt backed by the full faith and credit of the City. Utilities bonded debt totaled \$10,214,707. \$4,586,868 represents notes to finance equipment and other contracts approved by the City Council.

City of Lexington Total Outstanding Debt September 30, 2016 and 2017					
	Governmental Activities		Business Type Activities		Total
	2017	2016	2017	2016	
GO Bonds	2,805,000	1,910,000			2,805,000 1,910,000
Revenue Bonds			10,214,707	10,645,539	10,214,707 10,645,539
Notes Payable	4,556,590	2,781,088	30,278	97,276	4,586,868 2,878,364
	<u>7,361,590</u>	<u>4,691,088</u>	<u>10,244,985</u>	<u>10,742,815</u>	<u>17,606,575</u> <u>15,433,903</u>

The City’s total long-term debt increased \$2,172,672. This increase is due to the 2017 Highway Allocation bond and SW 1<sup>st</sup> infrastructure financing, less scheduled payments to pay down debt.

State statutes do not limit the amount of general obligation or revenue bond debt a Nebraska city may issue.

Additional long-term debt information can be found in Note 7 on pages 43-46 of the report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- Sales tax collections have increased annually by an average 2.70% over the past 15 years.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the City’s budget for the 2018 fiscal year.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the city of Lexington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lexington, Office of the Finance Director / City Treasurer, PO Box 70, 406 East 7<sup>th</sup> Street, Lexington, NE 68850.

# CITY OF LEXINGTON, NEBRASKA

## STATEMENT OF NET POSITION

September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	2,893,898	497,573	3,391,471	0
Cash with county treasurer	63,132	0	63,132	0
Receivables (net)	834,605	1,968,530	2,803,135	0
Internal balances	59,436	(59,436)	0	0
Due from other governmental agencies	12,864	0	12,864	0
Due from agency (TIF)	186,431	0	186,431	
Inventories	0	403,256	403,256	0
Restricted assets:				
Cash	356,922	4,256,960	4,613,882	137,249
Receivables	2,090,182	0	2,090,182	32,219
Receivable from other governments	13,929	0	13,929	0
Capital assets:				
Nondepreciable	7,847,488	2,275,644	10,123,132	572,476
Depreciable - net	31,241,507	25,641,237	56,882,744	17,313
<b>TOTAL ASSETS</b>	<b>45,600,394</b>	<b>34,983,764</b>	<b>80,584,158</b>	<b>759,257</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	640,463	1,876,419	2,516,882	0
Compensated absences	252,410	51,753	304,163	0
Long-term liabilities:				
Due within one year:				
Bonds and notes	1,573,455	1,264,285	2,837,740	153,386
Accrued interest	72,351	72,443	144,794	8,773
Due in more than one year:				
Bonds and notes	5,788,134	8,980,701	14,768,835	189,573
Customer deposits	0	301,054	301,054	0
Accrued landfill closure costs	0	394,209	394,209	0
<b>TOTAL LIABILITIES</b>	<b>8,326,813</b>	<b>12,940,864</b>	<b>21,267,677</b>	<b>351,732</b>

(Continued on next page)

## CITY OF LEXINGTON, NEBRASKA

### STATEMENT OF NET POSITION (CONTINUED)

September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
NET POSITION				
Net investment in capital assets	31,727,406	17,671,895	49,399,301	246,830
Restricted for:				
Special revenue	1,150,258	0	1,150,258	0
Debt service	88,219	4,256,960	4,345,179	0
Other purposes	0	0	0	160,695
Unrestricted	4,307,698	114,045	4,421,743	0
 TOTAL NET POSITION	 37,273,581	 22,042,900	 59,316,481	 407,525

*See accompanying notes.*

**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	1,402,952	988,953	0	0
Public safety	2,278,400	76,867	49,535	0
Public works	1,904,629	38,159	18,310	540,083
Health and welfare	1,270,938	137,490	157,500	50,125
Culture and recreation	1,731,804	151,802	0	24,523
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>8,588,723</b>	<b>1,393,271</b>	<b>225,345</b>	<b>614,731</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Electric	16,628,227	17,450,793	0	0
Water	1,287,456	1,570,287	29,922	0
Sewer	1,782,196	1,983,889	0	49,701
Sanitation	494,072	532,058	0	0
Landfill	0	0	0	0
Ambulance	138,358	161,749	0	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>20,330,309</b>	<b>21,698,776</b>	<b>29,922</b>	<b>49,701</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>28,919,032</b>	<b>23,092,047</b>	<b>255,267</b>	<b>664,432</b>
<b>COMPONENT UNIT:</b>				
Community Development Association	346,249	432,592	0	0

**GENERAL REVENUE:**

- Taxes:
  - Property taxes, levied for general purposes
  - Sales taxes
  - Franchise taxes
- Intergovernmental
- Interest income
- Miscellaneous
- Payments made from agency
- Transfers

**TOTAL GENERAL REVENUE**

**CHANGE IN NET POSITION**

Net position - beginning of year

**NET POSITION - ENDING**

*See accompanying notes.*

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
(413,999)	0	(413,999)	0
(2,151,998)	0	(2,151,998)	0
(1,308,077)	0	(1,308,077)	0
(925,823)	0	(925,823)	0
(1,555,479)	0	(1,555,479)	0
<u>(6,355,376)</u>	<u>0</u>	<u>(6,355,376)</u>	<u>0</u>
0	822,566	822,566	0
0	312,753	312,753	0
0	251,394	251,394	0
0	37,986	37,986	0
0	0	0	0
0	23,391	23,391	0
<u>0</u>	<u>1,448,090</u>	<u>1,448,090</u>	<u>0</u>
<u>(6,355,376)</u>	<u>1,448,090</u>	<u>(4,907,286)</u>	<u>0</u>
			<u>86,343</u>
1,014,589	0	1,014,589	0
2,023,852	0	2,023,852	0
1,193,931	0	1,193,931	0
2,627,916	0	2,627,916	0
8,466	12,294	20,760	15
957,262	1,207	958,469	44,500
259,938	0	259,938	0
34,458	(34,458)	0	0
<u>8,120,412</u>	<u>(20,957)</u>	<u>8,099,455</u>	<u>44,515</u>
1,765,036	1,427,133	3,192,169	130,858
<u>35,508,545</u>	<u>20,615,767</u>	<u>56,124,312</u>	<u>276,667</u>
<u>37,273,581</u>	<u>22,042,900</u>	<u>59,316,481</u>	<u>407,525</u>

# CITY OF LEXINGTON, NEBRASKA

## BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2017

	General Fund	Federal Grants
<b>ASSETS:</b>		
Cash - unrestricted	1,099,554	0
Cash with County Treasurer	63,132	0
Receivables (net)	578,773	0
Due from other funds	100	0
Receivable from other governments	12,864	0
Restricted assets:		
Cash	0	124,789
Receivable from other governments	0	0
<b>TOTAL ASSETS</b>	<b>1,754,423</b>	<b>124,789</b>
<b>LIABILITIES:</b>		
Accounts payable	79,308	0
Due to other funds	540,232	100
Unearned revenue - other	62,220	0
Other accrued expenses	57,290	0
<b>TOTAL LIABILITIES</b>	<b>739,050</b>	<b>100</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unavailable revenue - property taxes	48,692	0
Unavailable revenue - special assessments	0	0
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>48,692</b>	<b>0</b>
<b>FUND BALANCES:</b>		
Restricted	0	124,689
Committed - Street	0	0
Unassigned	966,681	0
<b>TOTAL FUND BALANCES</b>	<b>966,681</b>	<b>124,689</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>1,754,423</b>	<b>124,789</b>

*See accompanying notes.*

<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels Fund</u>	<u>Total Governmental Funds</u>
1,467,251	0	86,542	0	2,653,347
0	0	0	0	63,132
109,893	0	145,938	0	834,604
746,431	0	0	0	746,531
0	0	0	0	12,864
0	182,761	0	49,371	356,921
0	0	0	13,929	13,929
<u>2,323,575</u>	<u>182,761</u>	<u>232,480</u>	<u>63,300</u>	<u>4,681,328</u>
362,538	0	0	1,519	443,365
0	0	0	0	540,332
0	0	0	0	62,220
7,352	0	0	350	64,992
<u>369,890</u>	<u>0</u>	<u>0</u>	<u>1,869</u>	<u>1,110,909</u>
0	0	157	0	48,849
0	0	144,104	0	144,104
<u>0</u>	<u>0</u>	<u>144,261</u>	<u>0</u>	<u>192,953</u>
0	182,761	88,219	61,431	457,100
1,953,685	0	0	0	1,953,685
0	0	0	0	966,681
<u>1,953,685</u>	<u>182,761</u>	<u>88,219</u>	<u>61,431</u>	<u>3,377,466</u>
<u>2,323,575</u>	<u>182,761</u>	<u>232,480</u>	<u>63,300</u>	<u>4,681,328</u>

## CITY OF LEXINGTON, NEBRASKA

### RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION

September 30, 2017

Total fund balance, governmental funds	3,377,466
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
 Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
	39,088,995
 Unearned revenue and deferred inflows of resources received on the balance sheet of the governmental fund statements are shown as revenue on the Statement of Net Position.	
	2,345,355
 The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
	148,113
 Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, interest payable, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Accrued interest payable	(72,351)
Note and bond payable	(7,361,589)
Accrued compensated absences	<u>(252,408)</u>
 Total Net Position of Governmental Activities in the Statement of Net Position	 <u><u>37,273,581</u></u>

*See accompanying notes.*

# CITY OF LEXINGTON, NEBRASKA

## STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS

Year Ended September 30, 2017

	General Fund	Federal Grants
<b>REVENUE:</b>		
Local and county sources:		
Property taxes	1,064,629	0
Sales taxes	2,020,000	0
Other miscellaneous taxes	1,187,656	0
Licenses and permits	11,400	0
Charges for services	967,377	0
Interest and loan principal	669	86,071
Miscellaneous	156,754	1,654
Donations and private grants	24,523	0
Rent	407,295	0
Intergovernmental	1,491,743	33,924
<b>TOTAL REVENUE</b>	<b>7,332,046</b>	<b>121,649</b>
 <b>EXPENDITURES:</b>		
Current:		
General government	1,179,863	0
Public safety	2,214,614	0
Public works	0	0
Health and welfare	412,577	58,923
Culture and recreation	1,495,078	0
Debt service:		
Principal	0	0
Interest and other charges	0	0
Capital outlay	1,347,483	0
<b>TOTAL EXPENDITURES</b>	<b>6,649,615</b>	<b>58,923</b>
 <b>REVENUE OVER (UNDER) EXPENDITURES</b>	 <b>682,431</b>	 <b>62,726</b>

*(Continued on next page.)*

<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels</u>	<u>Total Governmental Funds</u>
0	0	0	0	1,064,629
0	0	0	0	2,020,000
0	0	0	0	1,187,656
0	0	0	0	11,400
0	0	0	0	967,377
440	57,207	6,299	52	150,738
150,426	0	41,080	2,019	351,933
0	0	0	158	24,681
0	0	0	0	407,295
1,764,154	0	0	157,500	3,447,321
<u>1,915,020</u>	<u>57,207</u>	<u>47,379</u>	<u>159,729</u>	<u>9,633,030</u>
0	0	0	0	1,179,863
0	0	0	0	2,214,614
1,099,585	0	10,945	0	1,110,530
0	621,379	0	152,649	1,245,528
0	0	0	0	1,495,078
0	0	719,783	0	719,783
1,990	0	105,142	0	107,132
2,975,337	0	0	0	4,322,820
<u>4,076,912</u>	<u>621,379</u>	<u>835,870</u>	<u>152,649</u>	<u>12,395,348</u>
<u>(2,161,892)</u>	<u>(564,172)</u>	<u>(788,491)</u>	<u>7,080</u>	<u>(2,762,318)</u>

# CITY OF LEXINGTON, NEBRASKA

## STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS (CONTINUED)

Year Ended September 30, 2017

	<u>General Fund</u>	<u>Federal Grants</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from long-term debt	661,379	0
Transfers in	158,875	0
Transfers out	(1,200,135)	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(379,881)</u>	<u>0</u>
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	302,550	62,726
Fund balances - beginning of year	<u>664,131</u>	<u>61,963</u>
FUND BALANCES - ENDING	<u><u>966,681</u></u>	<u><u>124,689</u></u>

*See accompanying notes.*

<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels</u>	<u>Total Governmental Funds</u>
1,733,500	0	995,000	0	3,389,879
1,578,397	167,500	843,322	0	2,748,094
(269,508)	0	(984,055)	0	(2,453,698)
<u>3,042,389</u>	<u>167,500</u>	<u>854,267</u>	<u>0</u>	<u>3,684,275</u>
880,497	(396,672)	65,776	7,080	921,957
<u>1,073,188</u>	<u>579,433</u>	<u>22,443</u>	<u>54,351</u>	<u>2,455,509</u>
<u><u>1,953,685</u></u>	<u><u>182,761</u></u>	<u><u>88,219</u></u>	<u><u>61,431</u></u>	<u><u>3,377,466</u></u>

## CITY OF LEXINGTON, NEBRASKA

### RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

Net change in fund balances - total governmental funds:	921,957
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceeded depreciation in the current period.	3,003,961
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	568,598
The issuance of long term debt is reported as proceeds under other source revenue on the fund statements, but issuance of debt increases long-term liabilities in the Statement of Net Position. Debt payments are expenditures in the funds, but a debt payment decreases long-term liabilities in the Statement of Net Position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,669,935)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:	
Accrued interest	(26,307)
Accrued compensated absences	7,316
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(40,554)
Change in net position of governmental activities	<hr/> 1,765,036

*See accompanying notes.*

# CITY OF LEXINGTON, NEBRASKA

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2017

ASSETS	Electric	Water
<b>CURRENT ASSETS:</b>		
Cash	302,079	0
Accounts receivable, net	1,165,348	309,844
Inventories	199,790	202,989
<b>TOTAL CURRENT ASSETS</b>	<b>1,667,217</b>	<b>512,833</b>
<b>NON-CURRENT ASSETS:</b>		
Restricted assets:		
Cash	2,716,841	402,567
Due from other funds	540,232	0
Fixed assets (net)	9,102,153	3,134,592
<b>TOTAL NON-CURRENT ASSETS</b>	<b>12,359,226</b>	<b>3,537,159</b>
<b>TOTAL ASSETS</b>	<b>14,026,443</b>	<b>4,049,992</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	1,254,376	73,236
Salaries payable	5,177	5,463
Accrued interest payable	32,240	480
Compensated absences	18,138	11,424
Current portion of long-term debt	309,000	72,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,618,931</b>	<b>162,603</b>
<b>NON-CURRENT LIABILITIES:</b>		
Customer deposits	301,054	0
Due to other funds	0	280,000
Bonds, notes and loans payable	2,416,078	77,906
Accrued landfill closure costs	0	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,717,132</b>	<b>357,906</b>
<b>TOTAL LIABILITIES</b>	<b>4,336,063</b>	<b>520,509</b>
<b>NET POSITION</b>		
Net investment in capital assets	6,377,075	2,984,686
Restricted for debt service	2,716,841	402,567
Unrestricted	596,464	142,230
<b>TOTAL NET POSITION</b>	<b>9,690,380</b>	<b>3,529,483</b>

*See accompanying notes.*

<u>Sewer</u>	<u>Sanitation</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
0	121,759	0	73,735	497,573	240,551
378,287	115,051	0	0	1,968,530	0
477	0	0	0	403,256	0
<u>378,764</u>	<u>236,810</u>	<u>0</u>	<u>73,735</u>	<u>2,869,359</u>	<u>240,551</u>
848,840	0	288,712	0	4,256,960	0
0	0	0	0	540,232	0
15,395,241	3,401	115,983	165,511	27,916,881	0
<u>16,244,081</u>	<u>3,401</u>	<u>404,695</u>	<u>165,511</u>	<u>32,714,073</u>	<u>0</u>
<u>16,622,845</u>	<u>240,211</u>	<u>404,695</u>	<u>239,246</u>	<u>35,583,432</u>	<u>240,551</u>
524,254	0	0	7,650	1,859,516	132,113
6,263	0	0	0	16,903	0
39,723	0	0	0	72,443	0
22,191	0	0	0	51,753	0
883,285	0	0	0	1,264,285	0
<u>1,475,716</u>	<u>0</u>	<u>0</u>	<u>7,650</u>	<u>3,264,900</u>	<u>132,113</u>
0	0	0	0	301,054	0
280,000	0	0	0	560,000	0
6,486,717	0	0	0	8,980,701	0
0	0	394,209	0	394,209	0
<u>6,766,717</u>	<u>0</u>	<u>394,209</u>	<u>0</u>	<u>10,235,964</u>	<u>0</u>
<u>8,242,433</u>	<u>0</u>	<u>394,209</u>	<u>7,650</u>	<u>13,500,864</u>	<u>132,113</u>
8,025,239	3,401	115,983	165,511	17,671,895	0
848,840	0	288,712	0	4,256,960	0
(493,667)	236,810	(394,209)	66,085	153,713	108,438
<u>8,380,412</u>	<u>240,211</u>	<u>10,486</u>	<u>231,596</u>	<u>22,082,568</u>	<u>108,438</u>

## CITY OF LEXINGTON, NEBRASKA

### STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

Year Ended September 30, 2017

	Electric	Water
<b>OPERATING REVENUE:</b>		
Charges for services	16,996,278	1,529,929
Reimbursements from other funds	0	0
Miscellaneous	454,475	41,605
<b>TOTAL OPERATING REVENUE</b>	<b>17,450,753</b>	<b>1,571,534</b>
<b>OPERATING EXPENSES:</b>		
Operating expenses	16,169,845	994,343
Supplies	0	0
Medical expenses	0	0
Depreciation	392,379	303,322
<b>TOTAL OPERATING EXPENSES</b>	<b>16,562,224</b>	<b>1,297,665</b>
<b>OPERATING INCOME (LOSS)</b>	<b>888,529</b>	<b>273,869</b>
<b>NON-OPERATING REVENUE (EXPENSES):</b>		
Bond costs	0	0
Interest income	8,705	2,670
Change in landfill closure costs estimate	0	0
Capital grants and contributions	0	29,922
Interest expense	(72,673)	(6,657)
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<b>(63,968)</b>	<b>25,935</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS:</b>	<b>824,561</b>	<b>299,804</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Aid in construction	0	0
Transfers in	0	1,046
Transfers out	(60,801)	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>763,760</b>	<b>300,850</b>
<b>NET INCOME (LOSS)</b>	<b>763,760</b>	<b>300,850</b>
Net position - beginning of year	8,926,620	3,228,633
<b>NET POSITION - ENDING</b>	<b>9,690,380</b>	<b>3,529,483</b>

*See accompanying notes.*

<u>Sewer</u>	<u>Sanitation</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
1,930,879	532,058	0	150,895	21,140,039	0
0	0	0	0	0	786,257
53,010	0	0	10,854	559,944	0
<u>1,983,889</u>	<u>532,058</u>	<u>0</u>	<u>161,749</u>	<u>21,699,983</u>	<u>786,257</u>
1,016,993	494,072	0	108,379	18,783,632	0
942	0	0	0	942	0
0	0	0	0	0	651,359
625,472	0	0	29,219	1,350,392	0
<u>1,643,407</u>	<u>494,072</u>	<u>0</u>	<u>137,598</u>	<u>20,134,966</u>	<u>651,359</u>
<u>340,482</u>	<u>37,986</u>	<u>0</u>	<u>24,151</u>	<u>1,565,017</u>	<u>134,898</u>
(9,495)	0	0	0	(9,495)	0
0	11	732	176	12,294	18
0	0	0	0	0	0
0	0	0	0	29,922	0
(138,938)	0	0	(760)	(219,028)	0
<u>(148,433)</u>	<u>11</u>	<u>732</u>	<u>(584)</u>	<u>(186,307)</u>	<u>18</u>
<u>192,049</u>	<u>37,997</u>	<u>732</u>	<u>23,567</u>	<u>1,378,710</u>	<u>134,916</u>
49,701	0	0	0	49,701	0
25,297	0	0	0	26,343	0
0	0	0	0	(60,801)	0
<u>267,047</u>	<u>37,997</u>	<u>732</u>	<u>23,567</u>	<u>1,393,953</u>	<u>134,916</u>
267,047	37,997	732	23,567	1,393,953	134,916
<u>8,113,365</u>	<u>202,214</u>	<u>9,754</u>	<u>208,029</u>	<u>20,688,615</u>	<u>(26,478)</u>
<u>8,380,412</u>	<u>240,211</u>	<u>10,486</u>	<u>231,596</u>	<u>22,082,568</u>	<u>108,438</u>

## CITY OF LEXINGTON, NEBRASKA

### RECONCILIATION OF STATEMENT OF NET POSITION OF PROPRIETARY FUNDS TO STATEMENT OF NET POSITION OF BUSINESS-TYPE ACTIVITIES

September 30, 2017

Total net position - Utility Funds 22,082,568

Amounts reported for business-type activities in the statement of net position are different because:

Certain Internal Service Fund assets and liabilities are included with  
business-type activities (39,668)

Net position of business-type activities 22,042,900

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION OF PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES OF BUSINESS-TYPE ACTIVITIES

Year Ended September 30, 2017

Net change in fund net position - Utility Funds 1,393,953

Amounts reported for business-type activities in the statement of activities are different because:

Net revenue (expense) of certain Internal Service Funds are reported with  
business-type activities 33,180

Change in net position of business-type activities 1,427,133

*See accompanying notes.*

# CITY OF LEXINGTON, NEBRASKA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2017

	Electric	Water
<b>OPERATING ACTIVITIES:</b>		
Receipts from customers	16,537,259	1,515,878
Receipts from Interfund Services	420,253	4,645
Miscellaneous revenue	454,475	41,605
Payments to suppliers	(15,159,258)	(527,836)
Payments to employees	(239,142)	(264,065)
Payments for franchise taxes to City	(848,637)	(75,452)
Payments for Interfund Services	(29,611)	(74,876)
Receipts of customer meter deposits	92,282	0
Refunds of customer meter deposits	(78,607)	0
<b>NET OPERATING ACTIVITIES</b>	<b>1,149,014</b>	<b>619,899</b>
<b>NON-CAPITAL FINANCING ACTIVITIES:</b>		
Net change in due to (from) other funds	10,752	278,954
Federal sources	0	29,922
Capital contributions	0	0
Transfers to other funds	(60,801)	1,046
Change in landfill closure cost estimate	0	0
<b>NET NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(50,049)</b>	<b>309,922</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments:		
Bonds	(338,760)	(169,819)
Notes	0	0
Proceeds:		
Bonds	0	0
Bond costs	0	0
Acquisition and construction of capital assets	(245,794)	(383,590)
Interest paid on bonds and notes	(73,419)	(8,930)
<b>NET CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(657,973)</b>	<b>(562,339)</b>
<b>INVESTING ACTIVITIES:</b>		
Interest received	8,705	2,670
<b>NET INCREASE (DECREASE) IN CASH</b>	449,697	370,152
Cash - beginning of year	2,569,223	32,415
<b>CASH - END OF YEAR</b>	<b>3,018,920</b>	<b>402,567</b>

*(Continued on next page)*

Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Fund
1,908,189	528,906	0	150,895	20,641,127	0
12,818	0	0	0	437,716	786,257
53,010	0	(5,791)	10,854	554,153	0
(177,990)	(494,072)	0	(103,800)	(16,462,956)	(717,171)
(274,533)	0	0	0	(777,740)	0
(96,134)	0	0	0	(1,020,223)	0
(42,815)	0	0	0	(147,302)	0
0	0	0	0	92,282	0
0	0	0	0	(78,607)	0
<u>1,382,545</u>	<u>34,834</u>	<u>(5,791)</u>	<u>57,949</u>	<u>3,238,450</u>	<u>69,086</u>
254,703	0	0	0	544,409	0
0	0	0	0	29,922	0
49,701	0	0	0	49,701	0
25,297	0	0	0	(34,458)	0
0	0	0	0	0	0
<u>329,701</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>589,574</u>	<u>0</u>
(771,832)	0	0	0	(1,280,411)	0
0	0	0	(37,418)	(37,418)	0
820,000	0	0	0	820,000	0
(9,495)	0	0	0	(9,495)	0
(1,446,405)	0	0	(10,854)	(2,086,643)	0
(136,510)	0	0	(793)	(219,652)	0
<u>(1,544,242)</u>	<u>0</u>	<u>0</u>	<u>(49,065)</u>	<u>(2,813,619)</u>	<u>0</u>
<u>0</u>	<u>11</u>	<u>732</u>	<u>176</u>	<u>12,294</u>	<u>18</u>
168,004	34,845	(5,059)	9,060	1,026,699	69,104
680,836	86,914	293,771	64,675	3,727,834	171,447
<u>848,840</u>	<u>121,759</u>	<u>288,712</u>	<u>73,735</u>	<u>4,754,533</u>	<u>240,551</u>

## CITY OF LEXINGTON, NEBRASKA

### STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

Year Ended September 30, 2017

	Electric	Water
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET OPERATING ACTIVITIES:</b>		
Operating income (loss)	888,529	273,869
Items not requiring cash:		
Depreciation	392,379	303,322
(Increase) decrease in assets:		
Receivables	(38,766)	(9,406)
Inventories	(8,521)	6,619
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	(98,282)	45,495
Accrued landfill closure costs	0	0
Customer deposits	13,675	0
<b>NET OPERATING ACTIVITIES</b>	<b>1,149,014</b>	<b>619,899</b>
 <b>CASH RECONCILIATION:</b>		
Unrestricted	302,079	0
Restricted	2,716,841	402,567
<b>CASH TOTAL</b>	<b>3,018,920</b>	<b>402,567</b>

*See accompanying notes.*

<u>Sewer</u>	<u>Sanitation</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
340,482	37,986	0	24,151	1,565,017	134,898
625,472	0	0	29,219	1,350,392	0
(9,872)	(3,152)	0	0	(61,196)	0
(301)	0	0	0	(2,203)	0
426,764	0	0	4,579	378,556	(65,812)
0	0	(5,791)	0	(5,791)	0
0	0	0	0	13,675	0
<u>1,382,545</u>	<u>34,834</u>	<u>(5,791)</u>	<u>57,949</u>	<u>3,238,450</u>	<u>69,086</u>
0	121,759	0	73,735	497,573	240,551
848,840	0	288,712	0	4,256,960	0
<u>848,840</u>	<u>121,759</u>	<u>288,712</u>	<u>73,735</u>	<u>4,754,533</u>	<u>240,551</u>

# CITY OF LEXINGTON, NEBRASKA

## STATEMENT OF NET POSITION - AGENCY FUND

September 30, 2017

ASSETS	<u>Agency Fund</u>
Cash	554,188
Accounts receivable, net	<u>7,113</u>
TOTAL ASSETS	<u><u>561,301</u></u>
LIABILITIES	
Payable to other governments for debt service	<u>561,301</u>
TOTAL LIABILITIES	<u><u>561,301</u></u>

*See accompanying notes.*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Government

The City of Lexington, Nebraska is a municipality located in Dawson County in the south central portion of Nebraska. It operates a City Manager form of government. Citizens elect five (5) council members at large who appoint the mayor.

The financial statements of the City are presented in accordance with accounting principles generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### Reporting Entity

The basic financial statements report on the government as a whole. They include the City of Lexington and its component unit. The discretely presented component unit reflects the financial information of the Community Development Agency (CDA). All of the board members of the CDA are appointed by the City Council. Its purpose is to develop, finance, and maintain business property.

#### Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole and report using the economic resources measurement focus on the accrual basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

In the Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis which recognizes all long-term assets, receivables, and long-term debt and obligations. The City's net position is reported in three categories – net investment in capital assets; restricted net position; and unrestricted net position.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Government-wide Financial Statements (Continued)

The Statement of Activities reports both the gross and net cost of each of the City's governmental functions and business-type activities. The net costs of each governmental function are also supported by general government revenues (taxes and certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the governmental function or business-type activity.

#### Discretely Presented Component Unit

The CDA reports using the economic resources measurement focus on the accrual basis of accounting.

#### Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its asset, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The governmental funds financial statements use the current financial resources measurement focus on the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the accrual basis of accounting when the related liability is incurred except for principal and interest on general obligation bonds, which are reported as expenditures when paid.

#### Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Financial Statements (Continued)

##### Governmental Fund Types (Continued)

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or designated by management to expenditures for specific purposes.

Debt Service Funds are used to account for the accumulation of funds for the payment of principal, interest, and related costs on general long-term debt.

##### Proprietary Fund Types

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds are required to be used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service funds have been allocated to the governmental fund activities columns when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Financial Statements (Continued)

##### Agency Fund

The Agency Fund account is used to account for assets held by the City as an agent for various tax-incremental financing (TIF) projects. Agency funds are custodial in nature and do not involve the measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASBS No. 34 sets forth minimum criteria for the determination of major funds.

The following funds are considered major funds:

##### Governmental Funds

General Fund as previously described.

Federal Grant Funds is a special revenue fund that accounts for revenues and expenditures for the grants for community development.

Street Fund is a special revenue fund that accounts for revenues and expenditures for the maintenance, construction, and improvements of the streets and alleys of the City.

Economic Development Funds account for revenues and expenditures for community economic development.

Debt Service Fund accounts for the accumulation of funds for the payment of principal, interest, and related costs on long-term debt.

Meals on Wheels Fund accounts for revenue and expenditures related to the senior citizens' meal and other related programs.

##### Proprietary Funds

Utility Funds account for the activities of the City's utility operation. (Electric, Water, Sewer, Sanitation, and Landfill).

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Financial Statements (Continued)

##### Proprietary Funds (Enterprise) (Continued)

Ambulance Fund accounts for activities of the City's ambulance services.

#### Financial Statement Amounts

##### Cash

The City has defined cash to include cash on hand, cash in banks and certificates of deposit.

##### Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, franchise taxes, grants, and interest.

Business-type activities report utilities, unbilled utilities, and interest as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals for property taxes, sales and use taxes, franchise taxes, grants and other similar intergovernmental revenues since they are usually measurable and available in 60 days. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but are not deferred in the government-wide financial statements in accordance with the accrual basis.

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. At September 30, 2017, the balances of the allowance for doubtful accounts are:

General Fund	\$	10,000
Electric Fund		10,000
Water Fund		3,000
Sewer Fund		5,000
Sanitation Fund		2,000
Total	\$	<u>30,000</u>

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Statement Amounts (Continued)

##### Inventory Valuation

Proprietary Fund inventories are recorded at the lower of cost (average cost) or net realizable value, using the first-in first-out method.

##### Capital Assets

The City's policy is to capitalize purchased or donated capital assets, including improvements to capital assets that significantly extend the life of the assets, that have an estimated life of more than one year and a cost of \$8,000 or more. Cost includes original actual cost, estimated historical cost or the fair value at the date received of donated assets. Estimated historical cost was used to value the majority of the assets acquired prior to October 1, 2002 in the governmental activities.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives as follows:

Buildings	20 – 50 years
Improvements	10 – 20 years
Electric, water, and sewer plants	30 – 50 years
Machinery and equipment	5 – 10 years
Infrastructure	10 – 50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

##### Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Statement Amounts (Continued)

##### Deferred Inflows of Resources (Continued)

The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

##### Long-Term Debt

Long-term debt is reported as a liability in the government-wide statements and the proprietary fund statements. The long-term debt consists of notes payable, revenue bonds, and general obligation bonds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

##### Compensated Absences

The liability for compensated absences is recorded as current on the government-wide financial statements as well as on the proprietary funds financial statements. In accordance with the modified accrual basis of accounting, compensated absences are not included in the governmental financial statements.

##### Government-wide Net Position

In the government-wide statements, net position is classified and displayed in three components:

- 1) Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Statement Amounts (Continued)

##### Government-wide Net Position (Continued)

- 2) Restricted net position – Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for purposes for which restricted and unrestricted net resources are available, the City typically uses restricted net resources first, followed by unrestricted net resources, but reserves the right to selectively spend unrestricted net resources first to defer the use of these other classified funds.

##### Fund Statements – Fund Balances

In the governmental fund statements, fund balances are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- 1) Nonspendable fund balance – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact. As of September 30, 2017, the nonspendable fund balance was \$0.
- 2) Restricted fund balance – amounts that can be spent only for specific purposes because of constraints imposed by creditors, grantors, contributors, constitutional provisions, enabling legislation or by laws and regulations. As of September 30, 2017, the restricted fund balance of \$457,100 is restricted for the following purposes:

*(Continued on next page)*

**CITY OF LEXINGTON, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Fund Statements – Fund Balances (Continued)

<b>Fund</b>	<b>Purpose</b>	<b>Amount</b>
Federal Grant	Grant reuse and housing monies for community development projects	124,689
Economic Development	Sales tax monies designated for community economic development	182,761
Meals on Wheels	Grant monies and local contributions designated for the senior citizen meal program	61,431
Debt Service	Payment of principal, interest, and related costs on general long-term debt	88,219

- 3) Committed fund balance - amounts that can be spent only for specific purposes determined by formal action of the City of Lexington, Nebraska’s City Council which is the highest level of authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council.
  
- 4) Assigned fund balance – amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Under the City of Lexington, Nebraska, only the City Council may assign amounts.
  
- 5) Unassigned fund balance – all other spendable amounts.

When an expenditure is incurred for purposes for which restricted, committed, assigned, or unassigned fund balances are available, the City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to deter the use of these other classified funds.

Proprietary fund balances are classified the same as in the government-wide statements.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Statement Amounts (Continued)

##### Revenues

Substantially all governmental fund revenues are accrued in the government-wide financial statements. Dawson County bills and collects property taxes and remits to the City monthly. These taxes are deemed to be received by the City when collected by the County Treasurer.

Operating revenues and expenses for proprietary funds are those that result from providing goods and services. Subsidies and grants, which finance capital items, and other revenues, are reported as non-operating revenue.

##### Expenditures

Expenditures are classified by function for both governmental and business-type activities in the government-wide financial statements. In the fund financial statements, expenditures are classified by character (current, capital outlay, and debt service) in the governmental funds and as operating and non-operating in the proprietary funds. Proprietary fund inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

##### Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Statement Amounts (Continued)

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### Eliminations

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities.

### NOTE 2: CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City maintains a cash and certificate of deposit pool that is available for use by all funds except those required to maintain separate accounts. Each fund type's portion of this pool is displayed on the balance sheet as cash under each fund's caption. As required by state law, the City's funds held in depositories as of September 30, 2017 were either fully insured or collateralized.

### NOTE 3: RESTRICTED CASH

#### Revenue Bond Funds

Under the terms of the revenue bond ordinances, all income and revenue from operation of the Enterprise Funds may be used only for specified purposes. Priorities are as follows:

##### Bond Payment Subaccount

The Enterprise Funds are required to deposit monthly an amount equal to one-twelfth of the amount of principal and interest due on the next payment date. The amount restricted is \$655,727 at September 30, 2017.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

### NOTE 3: RESTRICTED CASH (CONTINUED)

#### Operating and Maintenance Account

The Enterprise Funds are required to set aside monthly an amount sufficient for the operation and maintenance of its combined utilities. The expenses of maintenance and operations of these utilities will be paid out of this account.

#### Bond Reserve Account

The Enterprise Funds are required to maintain in this account a specified sum based on the principal outstanding (\$722,690 at September 30, 2017). Funds in these accounts may be used at any time there is insufficient money available in the Bond Payment Subaccount to pay either principal or interest on the revenue bonds as they become due.

#### Surplus Account

After providing for payment into all of the above accounts, all remaining funds shall be transferred into the Surplus Account to be used as follows:

- (a) To replace any deficiency in the above accounts.
- (b) To declare in-lieu-of tax payment - so long as no deficiency exists in required payments to the above accounts, the utilities may declare an in-lieu-of tax payment to the City, which can be used for any purpose authorized by law.
- (c) To retire bonds prior to maturity and also includes cash from bonds issued.

#### Other Funds

In addition to the funds and accounts created by the revenue bond ordinances, the Enterprise Fund maintains the following special fund:

- (1) Landfill Closure - This account is used to set aside funds for the estimated post-closure costs of the landfill. The amount restricted as of September 30, 2017 is \$288,712.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

**NOTE 3: RESTRICTED CASH (CONTINUED)**

Grant Funds

Under the terms of the grant agreements, certain special revenue funds are restricted as follows:

- (1) Community Development Block Grants and reuse monies. The amount restricted is \$124,789.
- (2) Meals on Wheels-Meal program and outreach for the elderly. The amount restricted is \$49,371.
- (3) Economic Development – The amount restricted is \$182,762.

Component Unit (CDA)

The amount restricted is \$137,249 for the component unit (CDA) for community development.

**NOTE 4: RECEIVABLES**

The receivables (net of allowances) for the City of Lexington are composed of the following:

	<u>General</u>	<u>Street</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Component Unit</u>
Trade	30,594	0	0	380,252	0
Unbilled services	0	0	0	1,588,279	0
Property/sales taxes	467,659	0	157	0	0
Occupation taxes	18,291	0	0	0	0
Franchise taxes	62,230	0	0	0	0
Interest	0	0	1,678	0	729
Special assessments	0	0	144,103	0	0
Intergovernmental	0	109,893	0	0	0
Note receivable	0	0	0	0	31,490
Totals	578,774	109,893	145,938	1,968,531	32,219

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

**NOTE 4: RECEIVABLES (CONTINUED)**

The funds to pay for special assessment projects are generated through the levy of an assessment on individual property owners benefited by the project and through property taxes provided by the City to pay for the project's benefit to the general public.

The assessments receivable from property owners reflected on the fund statement balance sheet are payable in annual installments of principal and interest over periods up to 10 years. The City is obligated to provide for the funding of any deficiency in the financing of these projects through the levy of property taxes. Delinquent special assessment receivables at September 30, 2017 were \$43,847.

**NOTE 5: CAPITAL ASSETS**

The following is a summary of the capital assets for the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Land	3,720,125	1,063,920	(143,500)	4,640,545
Buildings and improvements	13,657,694	2,229,906	0	15,887,600
Machinery and equipment	4,889,668	303,721	(230,754)	4,962,635
Infrastructure	40,944,554	2,309,601	0	43,254,155
Construction in progress	4,645,881	3,386,695	(4,825,632)	3,206,944
Totals	67,857,922	9,293,843	(5,199,886)	71,951,879
Less accumulated depreciation:	(31,775,885)	(1,317,753)	230,754	(32,862,884)
Net	36,082,037	7,976,090	(4,969,132)	39,088,995
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Land	329,176	0	0	329,176
Buildings and improvements	17,059,960	0	0	17,059,960
Vehicles and equipment	1,196,362	113,209	(22,400)	1,287,171
Utility systems	40,847,863	328,516	0	41,176,379
Construction in progress	301,559	1,872,948	(228,038)	1,946,469
Totals	59,734,920	2,314,673	(250,438)	61,799,155
Less accumulated depreciation:	(32,554,282)	(1,350,392)	22,400	(33,882,274)
Net	27,180,638	964,281	(228,038)	27,916,881

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

NOTE 5: CAPITAL ASSETS (CONTINUED)

Component Unit:	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u> <u>Balance</u>
Land	553,476	47,500	(28,500)	572,476
Building	32,895	0	0	32,895
Totals	586,371	47,500	(28,500)	605,371
Less accumulated depreciation	(13,851)	(1,731)	0	(15,582)
Net	572,520	45,769	(28,500)	589,789

Depreciation expense was charged to functions/programs as follows for the year ended September 30, 2017:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
General government	224,670	0	1,731
Public safety	125,954	0	0
Public works	677,111	0	0
Health and welfare	34,655	0	0
Culture and recreation	255,363	0	0
Electric	0	392,379	0
Water	0	303,322	0
Sewer	0	625,472	0
Ambulance	0	29,219	0
Totals	1,317,753	1,350,392	1,731

NOTE 6: COMPENSATED ABSENCES

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>one year</u>
Governmental activities	259,726	0	7,316	252,410	252,410
Business-type activities	52,578	0	825	51,753	51,753

Compensated absences for business-type activities are included on the balance sheet of the proprietary funds. Both governmental and business-type compensated absences are presented in the government-wide statements.

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

**NOTE 7: LONG-TERM DEBT**

The City is in compliance with all significant requirements of various bonds. The following is a summary of transactions for indebtedness for the year ended September 30, 2017:

General Obligation Bonds Payable – Governmental Activities

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
7/19/2016	12/15/2021	1.45%	1,115,000	0	0	1,115,000	220,000
3/31/2015	10/15/2023	0.4% to 2.2%	795,000	0	100,000	695,000	95,000
3/22/2017	12/15/2021	1% to 1.7%	0	995,000	0	995,000	195,000
Total			1,910,000	995,000	100,000	2,805,000	510,000

Notes Payable – Governmental Activities (secured by equipment and land)

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
10/14/2008	10/14/2020	3.98%	232,055	0	42,810	189,245	44,560
4/29/2008	5/01/2023	4.51%	257,014	0	39,256	217,758	40,305
5/30/2008	6/01/2018	4.50%	96,944	0	47,379	49,565	49,565
5/02/2011	5/02/2021	3.72%	491,587	0	91,284	400,303	94,621
6/14/2013	5/15/2018	2.14%	55,639	0	27,519	28,120	28,120
5/01/2014	5/01/2021	2.90%	293,829	0	55,377	238,452	57,052
11/7/2014	11/15/2018	2.00%	189,422	0	61,797	127,625	63,145
11/15/2014	11/15/2019	2.50%	259,150	0	62,356	196,794	63,972
7/1/2015	6/1/2018	2.13%	40,358	0	19,963	20,395	20,394
7/1/2016	7/1/2021	2.09%	320,015	0	61,367	258,648	62,649
5/24/16	6/1/2019	2.09%	45,000	0	14,692	30,308	14,998
6/15/16	6/15/2021	2.24%	500,075	0	95,577	404,498	97,747
2/23/2017	2/23/2027	2.74%	0	400,000	0	400,000	35,316
5/1/2017	5/1/2032	2.98%	0	1,600,000	0	1,600,000	86,012
10/27/2016	10/27/2019	1.95%	0	133,500	0	133,500	43,620
Total			2,781,088	2,133,500	619,377	4,295,211	802,076
Total Governmental			4,691,088	3,128,500	719,377	7,100,211	1,312,076

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

**NOTE 7: LONG-TERM DEBT (CONTINUED)**

Notes Payable – Governmental Activities (secured by property)

The City authorized funds to be use from the Economic Development Fund for acquisition of property for economic development purposes. These properties are intended for sale and proceeds from the sales will be returned to the Economic Development Fund at that time. As of September 30, 2017, the General Fund had two notes outstanding with balances of \$199,999 and \$61,380.

Bonds Payable – Business-Type Activities

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
11/26/2013	4/15/2027	0.45% to 3.90%	2,530,000	0	205,000	2,325,000	210,000
7/1/2014	9/30/2023	0.30% to 2.40%	2,490,000	0	555,000	1,935,000	450,000
9/15/2015	12/15/2018	0.65% to 1.2%	430,000	0	140,000	290,000	145,000
4/29/2013	6/15/2022	1.50%	4,185,539	0	210,832	3,974,707	214,007
6/9/2017	12/15/2021	0.95% to 1.6%	0	820,000	0	820,000	75,000
6/1/2016	9/15/2023	0.60% to 1.7%	1,010,000	0	140,000	870,000	140,000
Total			10,645,539	820,000	1,250,832	10,214,707	1,234,007

Notes Payable – Business-Type Activities (secured by equipment and land)

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
7/15/2014	7/15/2018	2.37%	59,858	0	29,580	30,278	30,278
9/25/2014	9/15/2017	2.09%	37,418	0	37,418	0	0
Total			97,276	0	66,998	30,278	30,278

Total Business –Type Activities	10,742,815	820,000	1,317,829	10,244,986	1,264,285
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**CITY OF LEXINGTON, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

NOTE 7: LONG-TERM DEBT (CONTINUED)

General Obligation Bonds Payable – Component Unit

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
11/1/2004	12/1/2020	7.00%	39,180	0	7,690	31,490	8,237
1/15/2010	12/31/2025	3.00%	196,030	0	14,254	181,776	15,455
	Total		235,210	0	21,944	213,266	23,692

Notes Payable – Component Unit (secured by building and land)

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
1/11/2008	1/1/2018	7.00%	196,162	0	96,469	99,693	99,693
10/1/2007		0.00%	30,000	0	0	30,000	30,000
	Total		226,162	0	96,469	129,693	129,693
Total Component Unit			461,372	0	118,413	342,959	153,385

Interest expense was charged to functions/programs as follows:

Governmental activities:	General Government	30,604
	Public safety	7,352
	Public works	67,187
Business-type activities:	Electric	72,673
	Water	6,657
	Sewer	138,938
	Ambulance	760
Component unit:	CDA	9,598

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

**NOTE 7: LONG-TERM DEBT (CONTINUED)**

Maturities during the next five years and thereafter for the above bond and note categories are as follows:

	Governmental Activities		Business-Type Activities		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	1,573,455	132,636	1,264,285	170,024	3,140,400
2019	1,233,457	89,567	1,247,229	154,700	2,724,953
2020	1,181,899	88,534	1,075,500	138,915	2,484,848
2021	1,095,374	68,192	1,098,820	122,070	2,384,456
2022	711,332	49,747	1,112,189	102,947	1,976,215
2023-2027	952,211	158,292	2,728,296	296,917	4,135,716
2028-2032	613,861	49,482	1,315,486	84,332	2,063,161
2033-2036	0	0	403,180	6,062	409,242
	7,361,589	636,450	10,244,985	1,075,967	19,318,991

**Component Unit:**

	Bonds		Notes		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	23,693	7,011	129,693	3,274	163,671
2019	25,369	5,928	0	0	31,297
2020	27,139	4,769	0	0	31,908
2021	23,857	3,529	0	0	27,386
2022	20,131	2,751	0	0	22,882
2023-2027	92,915	4,226	0	0	97,141
	213,104	28,214	129,693	3,274	374,285

**NOTE 8: INTERFUND BALANCES AND ACTIVITY**

Due to and due from balances are used to record loans between funds for various cash flow purposes. The City estimates that those balances exceeding \$500,000 will not be paid back within one year.

	<u>Fund Statement</u>	
	<u>Due from</u>	<u>Due to</u>
Balances due to and from other funds:		
General	100	540,232
Federal Grants	0	100
Street	746,431	0
Electric	540,232	0
Water	0	280,000
Sewer	0	280,000
Agency	0	186,431
Totals	1,286,763	1,286,763

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**CITY OF LEXINGTON, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

NOTE 8: INTERFUND BALANCES AND ACTIVITY (CONTINUED)

Transfers are used to move revenues between the funds. The transfers below are routine in nature.

	<u>Transfers In</u>	<u>Transfers Out</u>
General	158,875	1,200,135
Economic Development	167,500	0
Street	1,578,397	269,508
Debt Service	843,322	984,055
Electric	0	60,801
Water	1,046	0
Sewer	25,297	1
Agency	0	259,937
Totals	<u>2,774,437</u>	<u>2,774,437</u>

NOTE 9: MAJOR CUSTOMERS

The City's Enterprise Funds have two major customers with sales of 10% or more of charges for utility services. The services to these customers during the year were \$8,891,259 or 41.0% of total utility service charges.

NOTE 10: RETIREMENT PLANS

The City participates in five employee retirement plans as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
City General Plan	Defined Contribution Plan
Police & Firefighters Plan (Pre-1984)	Defined Benefit Plan
Police Plan	Defined Contribution Plan
Fire Department Service Award Program	Defined Contribution Plan
Deferred Compensation	Defined Contribution Plan

All plans are administered by outside trustees and are not included in the City's basic financial statements.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

NOTE 10: RETIREMENT PLANS (CONTINUED)

City General Plan

City employees, except policemen, after meeting one year of service, have the option to participate in a defined contribution plan with all plan contributions held and invested by the Union Bank and Trust of Lincoln. Employees covered by the plan may contribute 3% to 6% of their salary to the plan, which is matched by the City up to 6%. Vesting provisions for City contributions provide for a period of up to 7 years to become fully vested. Employee contributions are 100% vested immediately. The City and 50 employees contributed \$114,779 to the plan for a total contribution of \$229,558 for the year ended September 30, 2017.

Police and Firefighters Plan (Pre-1984)

As of September 30, 2017, two employees, one currently employed and one retired and receiving benefits, qualify under the Pre-1984 Plan. No liability has been recorded on the government-wide financial statements as the participants' defined contribution balance is sufficient to cover any future annuity payments.

Police Plan

The City's police officers are covered under a defined contribution plan, with all funds held at Union Bank and Trust of Lincoln. Both the employee and the City contribute 6.5% of the employee's earnings for periods on or prior to September 30, 2015 and 7.0% for periods on or after October 1, 2015. After the completion of four years of service, the vesting percentage increases by 10% for each additional completed year of service, up to 100%. Employee contributions are 100% vested immediately. The City and 23 employees contributed \$77,469 to the police officers' plan for a total contribution of \$148,938 for the year ended September 30, 2017.

Fire Department Service Award Program

City fire fighters and rescue volunteers are covered under a defined contribution plan, with all funds held at Union Bank and Trust of Lincoln. The City contributed \$18,500 based on voluntary services for 37 firemen for the year ended September 30, 2017.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

NOTE 10: RETIREMENT PLANS (CONTINUED)

Deferred Compensation

The City offers two of its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan assets are held in trust and all are solely the property and rights of the plan. They are not subject to the general creditors of the City. Thus, they are not included in these financial statements. Contributions by the City for each employee is outlined in their employment agreements. The City contributed \$22,545 between the two participating employees while employee contributions totaled \$8,774 for the year ended September 30, 2017.

NOTE 11: LANDFILL CLOSURE COSTS

State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$394,209 reported as post closure care liability at September 30, 2017, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. The City closed the landfill in May 1999. Actual post closure costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance post closure care. The City is in compliance with these requirements, and, at September 30, 2017, cash of \$288,712 is held for these purposes. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined; these costs may need to be covered by additional contributions from the City.

NOTE 12: CONTINGENCIES

Federal and State Grants – In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liabilities for reimbursement which may arise as the result of these audits are not believed to be material.

The City is participating in grants (Special Revenue Funds) that have made loans to others for various purposes. These loans have forgivable clauses as follows:

- (a) The City has owner-occupied housing with forgivable clauses totaling \$38,303, expiring in 2022.

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

NOTE 13: ECONOMIC DEPENDENCY

The City of Lexington's Electric Department purchases all of its electricity for resale to customers from Nebraska Public Power District. Total power purchased during the year ended September 30, 2017 was \$12,738,536.

NOTE 14: FRANCHISE FEES

The Lexington Utilities System (Enterprise Funds) pays franchise fees based on sales to the General Fund and are included in other miscellaneous taxes. Following is a list of franchise fees paid:

Electric	848,637
Water	75,452
Sewer	96,134

NOTE 15: PROPERTY TAXES

Real estate and personal property taxes are levied by the County on or before October 15 of each year for all political subdivisions of the County based on assessed values as of January 1. These taxes become due and attach as an enforceable lien on property on December 31. The first half of both taxes is delinquent May 1 and the second half delinquent September 1 of the following year.

State statute limits cities to a levy of \$0.45 per \$100 of valuation, but provides for an additional levy of \$0.05 for expenses incurred in interlocal agreements. Cities may delegate up to \$0.15 of the total levy to other entities within the City (i.e. airport districts). Cities may levy taxes in addition to the \$0.50 limitation upon a vote of the people. Additionally, there is currently a statutory lid limitation which limits taxation to the prior year's level, with provisions for growth. The lid may be increased by 1% upon the approval of a three-fourths majority of the City Council.

The levy set in October, 2016, for the 2016 taxes which were materially collected in May and September 2017, was set at \$0.361505 per \$100 of assessed valuation. The levy set in October, 2015, for the 2015 taxes which were materially collected in May and September 2016, was set at \$0.361505 per \$100 of assessed valuation.

Motor vehicle taxes are due when application is made for registration of a motor vehicle. The amount collected for the motor vehicle tax is outlined in State statute.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

NOTE 16: RISK MANAGEMENT

On August 1, 1982, the City established a self-funded health care plan for the benefit of eligible City employees and their eligible dependents. The plan provides reimbursement for covered charges incurred as a result of medically necessary treatment for illness or injury up to a \$1,000,000 lifetime maximum. The City purchases commercial insurance for claims in excess of coverage provided by the Fund. At September 30, 2017, the City's maximum liability was \$40,000 per employee annually under the Plan.

NOTE 16: RISK MANAGEMENT (CONTINUED)

The City makes monthly payments equal to the payments for claims. The Plan's assets are maintained in a local bank and administered by Meritain Health. The balance held for the City at September 30, 2017, is \$240,551.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for general liability, public official's liability, property coverage, workers' compensation coverage, commercial excess liability coverage, and crime and blanket bond coverage to minimize the effects of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the City's insurance coverage.

NOTE 17: AGREEMENTS

Management Agreement

The City has an agreement with Lexington Public Schools and Lexington Community Facilities Agency regarding the use, operation, maintenance, and lease of facilities jointly shared and constructed by above parties. The Schools are required to maintain the property. The City's original contribution towards construction constitutes sufficient consideration to cover future use of the facility by the City.

Communication Center Agreement

The City has an agreement with Dawson County, Nebraska, regarding a combined communication center to cover police and fire services on a 24-hour basis. The City pays an agreed-upon fee determined annually to the County.

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

NOTE 17: AGREEMENTS (CONTINUED)

Rural Fire District Agreement

The City has an agreement with the Lexington Rural Fire District for the City to provide fire and rescue protection for said District. The District reimburses the City for its share of costs.

Nebraska Public Power District

The City has an agreement with Nebraska Public Power District for the maintenance, operation, and capital improvements for their electric system. Total fees paid to Nebraska Public Power District for the year ended September 30, 2017 were approximately \$1,392,500.

NOTE 18: COMMITMENTS

The City has construction projects in progress at year end with a remaining commitment of \$1,443,848. The City awarded no projects subsequent to September 30, 2017.

NOTE 19: TRANSACTIONS WITH COMPONENT UNIT

The following balances and transactions occurred between the City and its component unit (CDA):

<u>From Component Unit</u>	<u>To City</u>
Note payable – housing	30,000
Bond payable	213,266
Interest payable	729
Interest expense	9,598

NOTE 20: ENVIRONMENTAL REMEDIATION

The City is subject to laws and regulations relating to the protection of the environment. The City's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential impact of the City's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the City.

REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF LEXINGTON, NEBRASKA

## BUDGETARY COMPARISON SCHEDULE - (BUDGET AND ACTUAL)

### CASH BASIS - ALL FUNDS

Year Ended September 30, 2017

	Budget (Original & Final)	Actual	Variance Favorable (Unfavorable)
<b>REVENUE:</b>			
Local and county sources:			
Property and other taxes	1,212,482	2,929,007	1,716,525
Sales taxes	1,935,800	2,018,920	83,120
Charges and fees for services	31,283,267	23,272,937	(8,010,330)
Interest income	0	163,065	163,065
Miscellaneous	10,375	1,819,791	1,809,416
Donations and private grants	0	289,755	289,755
Intergovernmental	2,895,064	3,466,507	571,443
Bond/note proceeds	0	4,209,879	4,209,879
Transfers in	2,776,389	2,763,685	(12,704)
<b>TOTAL REVENUE</b>	<b>40,113,377</b>	<b>40,933,546</b>	<b>820,169</b>
<b>EXPENDITURES:</b>			
Governmental:			
General government	600,542	1,178,638	(578,096)
Public safety	2,970,535	2,209,805	760,730
Public works	1,328,917	1,106,960	221,957
Health and welfare	112,976	1,034,199	(921,223)
Culture and recreation	1,704,030	1,493,161	210,869
Community development and miscellaneous	5,628,126	1,523,600	4,104,526
Business-Type:			
Electric	15,186,351	16,355,255	(1,168,904)
Water	1,133,617	942,229	191,388
Sewer	1,009,793	591,472	418,321
Sanitation and landfill	886,764	494,072	392,692
Ambulance	169,793	103,800	65,993
Capital outlay	7,442,703	7,149,411	293,292
Debt service	2,161,000	2,504,931	(343,931)
Transfers out	2,776,389	3,048,155	(271,766)
<b>TOTAL EXPENDITURES</b>	<b>43,111,536</b>	<b>39,735,688</b>	<b>3,375,848</b>
<b>REVENUE OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<b>(2,998,159)</b>	<b>1,197,858</b>	<b>4,196,017</b>

*See accompanying notes to Budgetary Comparison Schedule.*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2017

NOTE 1: BUDGET AND BUDGETARY ACCOUNTING

In compliance with Nebraska State Statutes, the City adopts a unified budget that encompasses all governmental funds, proprietary funds, agency funds, and discretely presented component unit (CDA). It is prepared on the cash basis which differs from that used to present the financial statements in accordance with generally accepted accounting principles (GAAP). Such differences and their effect are summarized as follows:

Revenue over (under) expenditures and other financing sources uses (budgetary basis)	1,188,358
Adjustments:	
Adjust revenue for receivable accruals and deferrals	(1,377,347)
Adjust expenditures for payables	<u>2,761,913</u>
Revenue over (under) expenditures and other financing sources uses (GAAP basis)	<u>2,572,924</u>

ADDITIONAL INFORMATION



# CONTRYMAN ASSOCIATES, P.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

## Independent Auditors' Report

Honorable Mayor, City Council, and  
City Manager  
City of Lexington  
Lexington, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Lexington, Nebraska as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Lexington, Nebraska's basic financial statements, and have issued our report thereon dated February 20, 2018.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lexington, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lexington, Nebraska's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lexington, Nebraska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Contryman Associates PC*

Certified Public Accountants  
Grand Island, Nebraska

February 20, 2018