

CITY OF LEXINGTON, NEBRASKA

FINANCIAL STATEMENTS

September 30, 2018

CITY OF LEXINGTON, NEBRASKA

TABLE OF CONTENTS

September 30, 2018

	<u>Page #</u>
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-13
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	14-15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position	18
Statement of Revenue, Expenditures, and Changes in Fund Balances - All Governmental Funds	19-20
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	21
Statement of Net Position – Proprietary Funds	22
Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	23
Reconciliation of Statement of Net Position of Proprietary Funds to Statement of Net Position of Business - Type Activities	24
Reconciliation of Statement of Revenue, Expenses, and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities of Business-Type Activities	24
Statement of Cash Flows – Proprietary Funds	25-26
Statement of Net Position – Agency Fund	27
Notes to Financial Statements	28-54

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

TABLE OF CONTENTS (CONTINUED)

September 30, 2018

Page #

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule – (Budget and Actual) Cash Basis – All Funds.....	55
Notes to Budgetary Comparison Schedule.....	56

ADDITIONAL INFORMATION:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
Schedule of Finding and Response	59



CONTRYMAN ASSOCIATES, P.C.

Certified Public Accountants

505 North Diers Ave P.O. Box 700 Grand Island NE 68802 308-382-5720 Fax: 308-382-5945	5807 Osborne Drive West P.O. Box 2026 Hastings NE 68902 402-463-6711 Fax: 402-463-6713	315 West 60 th , Suite 500 P.O. Box 1746 Kearney NE 68848 308-237-5930 Fax: 308-234-4410	707 East Pacific P.O. Drawer H Lexington NE 68850 308-324-2368 Fax: 308-324-2360	1001 West 27 th Street P.O. Box 2246 Scottsbluff NE 69363 308-635-7705 Fax: 308-635-0599	1611 16 th Street P.O. Box 191 Central City NE 68826 308-946-3870 Fax: 308-946-3831	826 G Street Geneva, NE 68361 402-759-3002 Fax: 402-759-4342
---	--	---	--	---	--	---

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, 2018, 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, 2018, 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 15, 2019 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, P.C.
Certified Public Accountants
Grand Island, Nebraska

February 15, 2019

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, 2018. 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 \$61,535,510 (net position). Of this amount, \$10,204,475 (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 \$2,219,029 in comparison with the previous year. Of this amount, \$1,463,187 was the increase from governmental activities. Business-type activities net position increased by \$755,842.

The City's governmental funds reported combined ending fund balances of \$2,662,777. Of this total fund balance, 23.62%, or \$629,075 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 decreased \$726,511. This decrease is primarily due to the scheduled payments to pay down debt. The proceeds of the 2018 Combined Utilities Revenue Refunding Bonds were received on September 30, 2018 and escrowed on September 30, 2018. These proceeds were used to pay off the 2013 B Combined Utilities Revenue Refunding Bonds on November 26, 2018.

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 an internal service fund to account for its health fund. Because this service benefits both governmental and business-type functions, it has 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 – 54 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 \$61,535,510 at September 30, 2018.

By far, the largest portion of the City's net position, 82.05%, 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, 2018 and 2017

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	5,534,677	6,511,399	8,403,710	7,066,883	13,938,387	13,578,282
Capital Assets	39,949,230	39,088,995	27,423,443	27,916,881	67,372,673	67,005,876
Total Assets	45,483,907	45,600,394	35,827,153	34,983,764	81,311,060	80,584,158
Long-Term Liabilities						
Outstanding	6,110,474	7,433,940	11,614,362	11,012,692	17,724,836	18,446,632
Other Liabilities	636,665	892,873	1,414,049	1,928,172	2,050,714	2,821,045
Total Liabilities	6,747,139	8,326,813	13,028,411	12,940,864	19,775,550	21,267,677
Net Position:						
Invested in Capital Assets						
net of related debt	33,899,867	31,727,406	16,592,742	17,671,895	50,492,609	49,399,301
Restricted	838,426	1,238,477	0	4,256,960	838,426	5,495,437
Unrestricted	3,998,475	4,307,698	6,206,000	114,045	10,204,475	4,421,743
Total Net Position	38,736,768	37,273,581	22,798,742	22,042,900	61,535,510	59,316,481

An additional portion of the City's net assets, 1.36%, represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position, 16.59%, may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2018, 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.

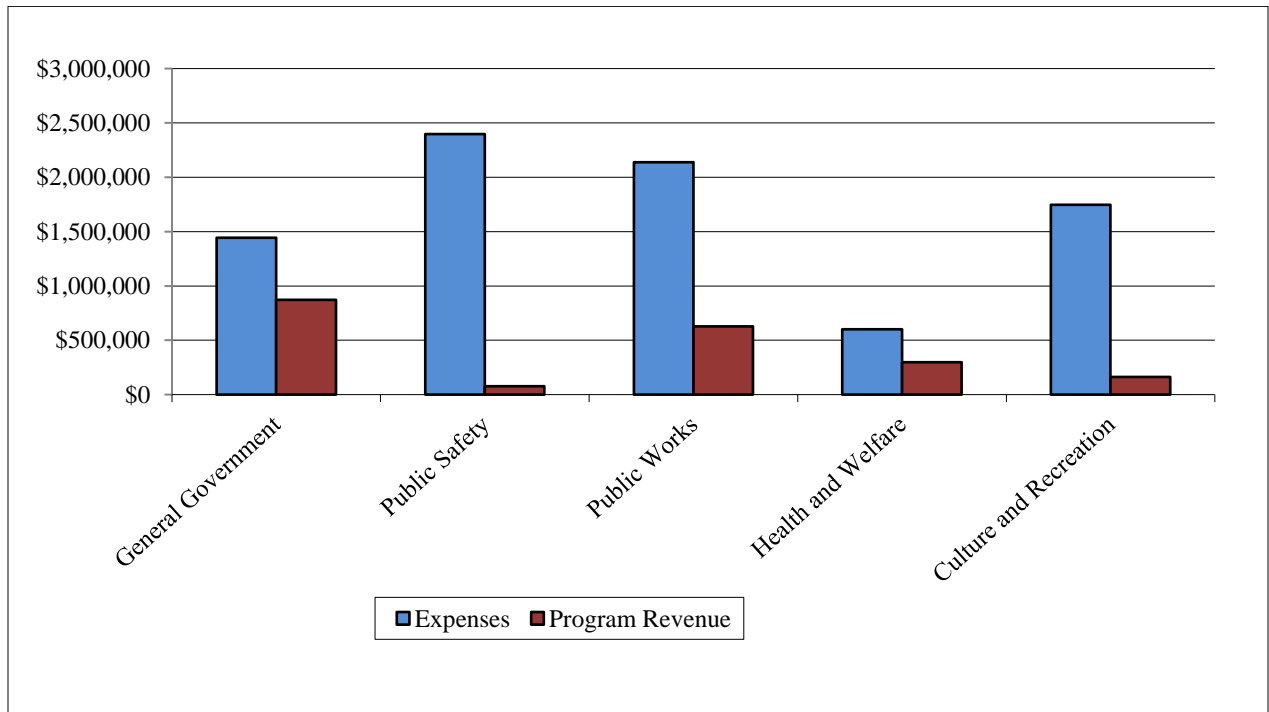
City of Lexington
Condensed Statement of Activities and Change in Net Position
for the Year Ended September 30, 2018 and 2017

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue:						
Program Revenue:						
Charges for Services	1,281,219	1,393,271	21,947,926	21,698,776	23,229,145	23,092,047
Operating Grants & Contributions	696,052	225,345	0	29,922	696,052	255,267
Capital Grants & Contributions	58,085	614,731	49,701	49,701	107,786	664,432
General Revenue:						
Property and Other Taxes	1,129,229	1,014,589			1,129,229	1,014,589
Sales and Use Tax	2,154,016	2,023,852			2,154,016	2,023,852
Franchise Taxes	1,307,851	1,193,931			1,307,851	1,193,931
Intergovernmental	2,901,849	2,627,916			2,901,849	2,627,916
Interest	15,025	8,466	0	12,294	15,025	20,760
Other	283,682	957,262	12,495	1,207	296,177	958,469
Gain on sale of asset	-30,777	0		0	-30,777	0
Payments made from agency	0	259,938	0	0	0	259,938
Transfers	0	34,458	0	-34,458	0	0
Total Revenue	9,796,231	10,353,759	22,010,122	21,757,442	31,806,353	32,111,201
Expenses:						
General Government	1,444,089	1,402,952			1,444,089	1,402,952
Public Safety	2,396,752	2,278,400			2,396,752	2,278,400
Public Works	2,137,402	1,904,629			2,137,402	1,904,629
Health and Welfare	599,828	1,270,938			599,828	1,270,938
Culture and Recreation	1,745,825	1,731,804			1,745,825	1,731,804
Community Development	9,148				9,148	0
Utilities / Ambulance	0	0	21,254,280	20,330,309	21,254,280	20,330,309
Total Expenses	8,333,044	8,588,723	21,254,280	20,330,309	29,587,324	28,919,032
Change In Net Position	1,463,187	1,765,036	755,842	1,427,133	2,219,029	3,192,169
Net Position-Beginning	37,273,581	35,508,545	22,042,900	20,615,767	59,316,481	56,124,312
Prior Period Adjustment					0	0
Net Pos Beg Restated	37,273,581	35,508,545	22,042,900	20,615,767	59,316,481	56,124,312
Net Position - Ending	38,736,768	37,273,581	22,798,742	22,042,900	61,535,510	59,316,481

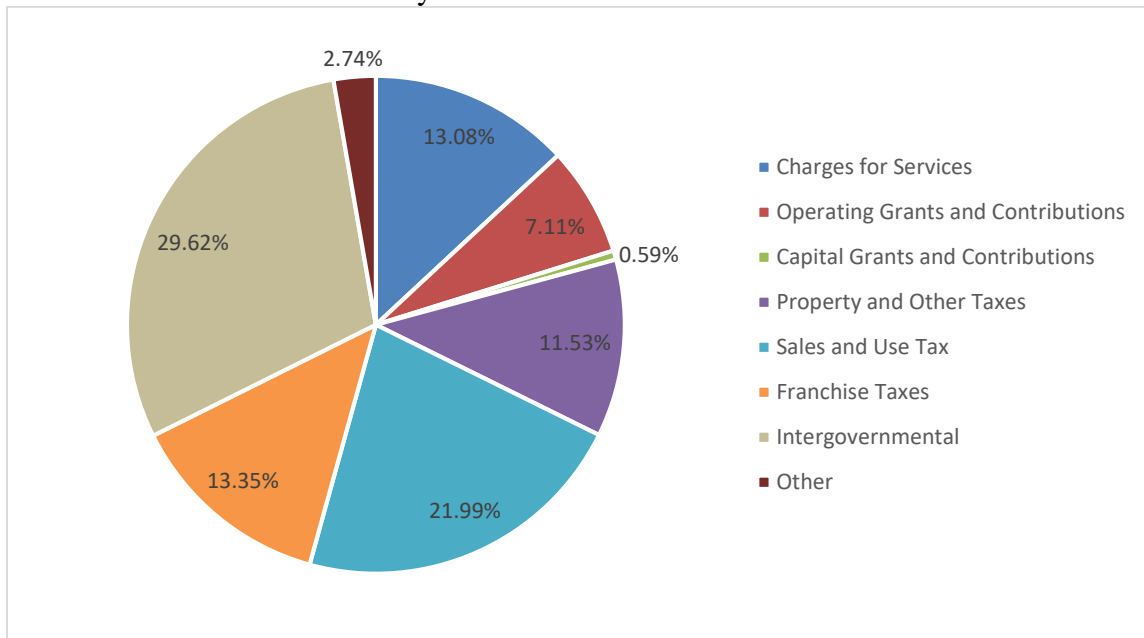
GOVERNMENTAL ACTIVITIES

Governmental activities increased the City’s net position by \$1,463,187; accounting for 65.94% of the City’s growth in net position for fiscal 2018.

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, 2018, the City's governmental funds reported combined ending fund balances of \$2,662,777 a decrease of \$714,690 in comparison with the prior year. Of the \$2.6 million, about 24% is considered unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, 76%, 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, 2018, the unassigned fund balance of the general fund was \$629,075. 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 10.2% 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 \$6,206,000.

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. Combined revenue was an approximate 4.67% less than budgeted. All funds actual combined expenditures were also comparable to the budgeted amounts. Combined expenditures were approximately 10.93% 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, 2018, totals \$67,372,673 (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 2018 include the following:

- General Fund Capital activity includes completion of the SE Parking Lot paving at the Optimist Recreation Complex for \$232,968; and completion of the Fieldhouse Parking Lot for \$210,428. Kirkpatrick Memorial Park Lake improvements continue with spending at \$200,215; and Dawson County Opportunity Center 2018 Incubator space for \$12,744.
- Street projects include completion of the Adams Street Viaduct MSE Wall for \$187,228; and the Adams Street Box Culvert for \$122,731. Additional projects include NW 5th Addition for \$234,193; NW Hike/Bike Trail for \$259,681; SW 1st Addition for \$572,274; West Commerce Road for \$18,572; East Lexington Viaduct for \$60,449; and parking lot improvements at the Service Building for \$49,351.
- Electric department work included Kugler Sub Conversion work for \$61,614; service extensions to NW 3rd Addition for \$22,332; NW 5th Addition for \$67,380; SW 1st Addition for \$35,574; SW 2nd Addition for \$50,635; South Taft for \$10,023; and new service installation on Commerce Road for \$19,911.
- The Water department installed service to the SW 2nd Addition for \$19,946; and SW 1st Addition Extension for \$111,872.
- The Sewer department built lines for the NW 5th Addition totaling \$49,141; SW 1st Addition for \$199,690; and the SW 2nd Addition for \$4,594. The Waste Water Treatment Plant Solids Dewatering Facility project completed with 2018 expenses of \$193,053.

City of Lexington
Capital Assets (net of depreciation)
September 30, 2018 and 2017

	Governmental		Business Type		Total	
	2018	2017	2018	2017	2018	2017
Land	4,674,268	4,640,545	329,176	329,176	5,003,444	4,969,721
Buildings and Improvements	11,748,711	11,349,044	11,326,924	11,697,986	23,075,635	23,047,030
Machinery and Equipment	1,529,231	1,703,194	400,800	455,873	1,930,031	2,159,067
Infrastructure	17,895,365	18,189,268			17,895,365	18,189,268
Utility Plant			12,592,251	13,487,377	12,592,251	13,487,377
Construction in Progress	4,101,655	3,206,944	2,774,292	1,946,469	6,875,947	5,153,413
Total	39,949,230	39,088,995	27,423,443	27,916,881	67,372,673	67,005,876

Additional Capital Asset information can be found in Note 6 on pages 42-43 of the report.

LONG-TERM DEBT

At September 30, 2018, the city of Lexington had total outstanding debt of \$16,880,063. Of this amount, \$2,295,000 is General Obligation bonded debt backed by the full faith and credit of the City. Utilities bonded debt totaled \$10,830,700. \$3,754,363 represents notes to finance equipment and other contracts approved by the City Council.

City of Lexington
Total Outstanding Debt
September 30, 2018 and 2017

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
GO Bonds	2,295,000	2,805,000			2,295,000	2,805,000
Revenue Bonds			10,830,700	10,214,707	10,830,700	10,214,707
Notes Payable	3,754,363	4,556,590	0	30,278	3,754,363	4,586,868
	<u>6,049,363</u>	<u>7,361,590</u>	<u>10,830,700</u>	<u>10,244,985</u>	<u>16,880,063</u>	<u>17,606,575</u>

The City’s total long-term debt decreased \$726,512. This decrease is primarily due to 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 8 on pages 44-47 of the report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Sales tax collections have increased annually by an average 3.16% 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 2019 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 7th Street, Lexington, NE 68850.

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION

September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	1,443,110	615,058	2,058,168	0
Restricted cash	827,402	5,408,471	6,235,873	54,949
Cash with county treasurer	42,584	0	42,584	0
Receivables (net)				
Accounts	160,025	2,019,705	2,179,730	0
Taxes & special assessments	297,488	0	297,488	0
Sales tax	334,814	0	334,814	0
Other receivables	99,637	0	99,637	
Notes receivable	2,102,468	0	2,102,468	23,791
Due from other governmental agencies	12,268	0	12,268	0
Due from agency	190,896	0	190,896	0
Internal balances	23,985	(23,985)	0	0
Inventories	0	384,461	384,461	0
Capital assets:				
Nondepreciable	8,775,923	3,103,469	11,879,392	788,863
Depreciable - net	31,173,307	24,319,974	55,493,281	15,582
TOTAL ASSETS	45,483,907	35,827,153	81,311,060	883,185
LIABILITIES				
Accounts payable	307,342	1,345,580	1,652,922	14,307
Retainage payable	16,417	0	16,417	0
Accrued payroll & liabilities	65,174	17,343	82,517	0
Long-term liabilities:				
Compensated absences	247,732	51,126	298,858	0
Due within one year:				
Bonds and notes	1,494,803	3,372,229	4,867,032	155,369
Accrued interest	61,111	76,674	137,785	5,636
Due in more than one year:				
Bonds and notes	4,554,560	7,458,472	12,013,032	164,361
Customer deposits	0	319,155	319,155	0
Accrued landfill closure costs	0	387,832	387,832	0
TOTAL LIABILITIES	6,747,139	13,028,411	19,775,550	339,673

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION (CONTINUED)

September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
NET POSITION				
Net investment in capital assets	33,899,867	16,592,742	50,492,609	484,715
Restricted for:				
Special revenue	835,108	0	835,108	0
Debt service	3,318	0	3,318	0
Other purposes	0	0	0	58,797
Unrestricted	3,998,475	6,206,000	10,204,475	0
 TOTAL NET POSITION	 38,736,768	 22,798,742	 61,535,510	 543,512

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2018

<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>
GOVERNMENTAL ACTIVITIES:				
General government	1,444,089	872,669	0	0
Public safety	2,396,752	73,796	2,494	0
Public works	2,137,402	38,460	547,248	42,859
Health and welfare	599,828	148,050	146,310	2,250
Culture and recreation	1,745,825	148,244	0	12,976
Community Development	9,148	0	0	0
TOTAL GOVERNMENTAL ACTIVITIES	8,333,044	1,281,219	696,052	58,085
BUSINESS-TYPE ACTIVITIES:				
Electric	17,224,039	17,708,686	0	0
Water	1,495,896	1,563,050	0	0
Sewer	1,888,751	1,961,495	0	49,701
Sanitation	495,489	532,224	0	0
Ambulance	150,105	182,471	0	0
TOTAL BUSINESS-TYPE ACTIVITIES	21,254,280	21,947,926	0	49,701
TOTAL PRIMARY GOVERNMENT	29,587,324	23,229,145	696,052	107,786
COMPONENT UNIT:				
Community Development Association	676,092	484,898	0	0

GENERAL REVENUE:

- Taxes:
 - Property taxes, levied for general purposes
 - Property taxes, special assessments
 - Sales taxes
 - Franchise taxes
- Intergovernmental
- Interest income
- Miscellaneous
- Gain (loss) on sale of assets

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
(571,420)	0	(571,420)	0
(2,320,462)	0	(2,320,462)	0
(1,508,835)	0	(1,508,835)	0
(303,218)	0	(303,218)	0
(1,584,605)	0	(1,584,605)	0
(9,148)	0	(9,148)	0
<u>(6,297,688)</u>	<u>0</u>	<u>(6,297,688)</u>	<u>0</u>
0	484,647	484,647	0
0	67,154	67,154	0
0	122,445	122,445	0
0	36,735	36,735	0
0	32,366	32,366	0
<u>0</u>	<u>743,347</u>	<u>743,347</u>	<u>0</u>
<u>(6,297,688)</u>	<u>743,347</u>	<u>(5,554,341)</u>	<u>0</u>
			<u>(191,194)</u>
1,129,072	0	1,129,072	0
157	0	157	0
2,154,016		2,154,016	0
1,307,851	0	1,307,851	0
2,901,849	0	2,901,849	0
15,025	0	15,025	16
283,682	12,495	296,177	50,000
(30,777)	0	(30,777)	277,165
<u>7,760,875</u>	<u>12,495</u>	<u>7,773,370</u>	<u>327,181</u>
1,463,187	755,842	2,219,029	135,987
<u>37,273,581</u>	<u>22,042,900</u>	<u>59,316,481</u>	<u>407,525</u>
<u>38,736,768</u>	<u>22,798,742</u>	<u>61,535,510</u>	<u>543,512</u>

CITY OF LEXINGTON, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2018

	General Fund	Federal Grants
ASSETS:		
Cash - unrestricted	791,667	0
Restricted cash	319,742	43,942
Cash with County Treasurer	42,584	0
Receivables (net)	677,479	0
Notes receivable	0	859,661
Due from other funds	100	0
Receivable from other governments	2,155	0
	1,833,727	903,603
TOTAL ASSETS		
LIABILITIES:		
Accounts payable	103,029	0
Retainage payable	16,417	0
Due to other funds	540,233	100
Other accrued expenses	55,317	0
TOTAL LIABILITIES	714,996	100
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenue - property taxes	169,914	0
Unavailable revenue - special assessments	0	0
Unavailable revenue - loan repayments	0	859,661
TOTAL DEFERRED INFLOWS OF RESOURCES	169,914	859,661
FUND BALANCES:		
Restricted	319,742	43,842
Committed - Street	0	0
Unassigned	629,075	0
TOTAL FUND BALANCES	948,817	43,842
TOTAL LIABILITIES AND FUND BALANCES	1,833,727	903,603

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>
532,884	0	1,642	0	1,326,193
0	417,364	0	46,354	827,402
0	0	0	0	42,584
118,372	0	96,113	0	891,964
0	1,242,807	0	0	2,102,468
513,430	0	0	0	513,530
190,896	0	0	10,113	203,164
<u>1,355,582</u>	<u>1,660,171</u>	<u>97,755</u>	<u>56,467</u>	<u>5,907,305</u>
150,799	0	0	1,957	255,785
0	0	0	0	16,417
0	0	0	0	540,333
9,507	0	0	350	65,174
<u>160,306</u>	<u>0</u>	<u>0</u>	<u>2,307</u>	<u>877,709</u>
0	0	157	0	170,071
0	0	94,280	0	94,280
0	1,242,807	0	0	2,102,468
<u>0</u>	<u>1,242,807</u>	<u>94,437</u>	<u>0</u>	<u>2,366,819</u>
0	417,364	3,318	54,160	838,426
1,195,276	0	0	0	1,195,276
0	0	0	0	629,075
<u>1,195,276</u>	<u>417,364</u>	<u>3,318</u>	<u>54,160</u>	<u>2,662,777</u>
<u>1,355,582</u>	<u>1,660,171</u>	<u>97,755</u>	<u>56,467</u>	<u>5,907,305</u>

CITY OF LEXINGTON, NEBRASKA

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

September 30, 2018

Total fund balance, governmental funds	2,662,777
 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 the funds.	39,949,230
Deferred inflows represents funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds.	2,366,819
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.	116,148
Long-term liabilities, including bonds and any leases payable and related interest, are not due and payable in the current period and, therefore, not reported in the funds.	(6,049,363)
Other long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest payable	(61,111)
Accrued compensated absences	<u>(247,732)</u>
Net position of governmental activities	<u><u>38,736,768</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, 2018

	General Fund	Federal Grants
REVENUE:		
Local and county sources:		
Property taxes	1,070,233	0
Sales taxes	2,154,016	0
Other miscellaneous taxes	1,307,851	0
Licenses and permits	12,474	0
Charges for services	1,051,202	0
Interest and loan principal	1,937	200,618
Miscellaneous	171,142	406
Donations and private grants	12,976	0
Rent	217,543	0
Intergovernmental	1,346,153	2,250
TOTAL REVENUE	7,345,527	203,274
EXPENDITURES:		
Current:		
General government	1,205,766	0
Public safety	2,260,811	0
Public works	0	0
Health and welfare	407,986	0
Culture and recreation	1,455,879	0
Community Development	0	284,121
Debt service:		
Principal	0	0
Interest and other charges	0	0
Capital outlay	835,880	0
TOTAL EXPENDITURES	6,166,322	284,121
REVENUE OVER (UNDER) EXPENDITURES	1,179,205	(80,847)

(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	49,823	0	1,120,056
0	0	0	0	2,154,016
0	0	0	0	1,307,851
0	0	0	0	12,474
0	0	0	0	1,051,202
914	67,129	7,060	70	277,728
110,102	0	0	2,032	283,682
547,248	0	0	1,087	561,311
0	0	0	0	217,543
1,601,049	0	0	145,223	3,094,675
<u>2,259,313</u>	<u>67,129</u>	<u>56,883</u>	<u>148,412</u>	<u>10,080,538</u>
0	0	0	0	1,205,766
0	0	0	0	2,260,811
1,238,466	0	0	0	1,238,466
0	0	0	155,683	563,669
0	0	0	0	1,455,879
0	27	0	0	284,148
0	0	1,312,226	0	1,312,226
0	0	157,313	0	157,313
1,491,070	0	0	0	2,326,950
<u>2,729,536</u>	<u>27</u>	<u>1,469,539</u>	<u>155,683</u>	<u>10,805,228</u>
<u>(470,223)</u>	<u>67,102</u>	<u>(1,412,656)</u>	<u>(7,271)</u>	<u>(724,690)</u>

CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2018

	<u>General Fund</u>	<u>Federal Grants</u>
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	10,000	0
Transfers in	141,785	0
Transfers out	(1,348,855)	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,197,070)</u>	<u>0</u>
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(17,865)	(80,847)
Fund balances - beginning of year	<u>966,682</u>	<u>124,689</u>
FUND BALANCES - ENDING	<u><u>948,817</u></u>	<u><u>43,842</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>
0	0	0	0	10,000
585,321	167,500	1,469,539	0	2,364,145
(873,505)	0	(141,785)	0	(2,364,145)
<u>(288,184)</u>	<u>167,500</u>	<u>1,327,754</u>	<u>0</u>	<u>10,000</u>
(758,407)	234,602	(84,902)	(7,271)	(714,690)
<u>1,953,683</u>	<u>182,762</u>	<u>88,220</u>	<u>61,431</u>	<u>3,377,467</u>
<u><u>1,195,276</u></u>	<u><u>417,364</u></u>	<u><u>3,318</u></u>	<u><u>54,160</u></u>	<u><u>2,662,777</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, 2018

Net change in fund balances - total governmental funds: (714,690)

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

Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period. 901,013

Proceeds reported from the sale of assets are reported as revenues at the fund level. However, only the difference between proceeds and the carrying value of the assets is reported as gain or loss in the statement of activities. (40,777)

Deferred inflows represent funds not available in the current period and, therefore, are not recognized as revenue in governmental funds. 21,457

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,312,226

Certain 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	11,239
Accrued compensated absences	4,679

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. (31,960)

Change in net position of governmental activities 1,463,187

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2018

ASSETS	<u>Electric</u>	<u>Water</u>
CURRENT ASSETS:		
Cash	320,174	0
Accounts receivable, net	1,197,390	317,664
Inventories	185,972	198,252
TOTAL CURRENT ASSETS	<u>1,703,536</u>	<u>515,916</u>
NON-CURRENT ASSETS:		
Restricted assets:		
Cash	4,615,523	509,897
Due from other funds	718,395	0
Fixed assets (net)	8,983,206	2,950,986
TOTAL NON-CURRENT ASSETS	<u>14,317,124</u>	<u>3,460,883</u>
TOTAL ASSETS	<u>16,020,660</u>	<u>3,976,799</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	1,226,096	23,172
Salaries payable	5,366	5,947
Accrued interest payable	39,735	270
Current portion of long-term debt	2,436,200	73,600
TOTAL CURRENT LIABILITIES	<u>3,707,397</u>	<u>102,989</u>
NON-CURRENT LIABILITIES:		
Customer deposits	319,155	0
Compensated absences	19,558	11,558
Due to other funds	0	256,715
Bonds, notes and loans payable	1,788,634	326
Accrued landfill closure costs	0	0
TOTAL NON-CURRENT LIABILITIES	<u>2,127,347</u>	<u>268,599</u>
TOTAL LIABILITIES	<u>5,834,744</u>	<u>371,588</u>
NET POSITION		
Net investment in capital assets	4,758,372	2,877,060
Restricted for debt service	4,615,523	509,897
Unrestricted	812,021	218,254
TOTAL NET POSITION	<u>10,185,916</u>	<u>3,605,211</u>

See accompanying notes.

Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Funds
0	156,675	0	138,209	615,058	116,918
387,766	116,885	0	0	2,019,705	0
237	0	0	0	384,461	0
<u>388,003</u>	<u>273,560</u>	<u>0</u>	<u>138,209</u>	<u>3,019,224</u>	<u>116,918</u>
0	0	283,051	0	5,408,471	0
0	0	0	0	718,395	0
15,235,203	3,401	115,983	134,664	27,423,443	0
<u>15,235,203</u>	<u>3,401</u>	<u>399,034</u>	<u>134,664</u>	<u>33,550,309</u>	<u>0</u>
<u>15,623,206</u>	<u>276,961</u>	<u>399,034</u>	<u>272,873</u>	<u>36,569,533</u>	<u>116,918</u>
87,626	0	0	8,685	1,345,579	51,557
6,030	0	0	0	17,343	0
36,669	0	0	0	76,674	0
862,429	0	0	0	3,372,229	0
<u>992,754</u>	<u>0</u>	<u>0</u>	<u>8,685</u>	<u>4,811,825</u>	<u>51,557</u>
0	0	0	0	319,155	0
20,010	0	0	0	51,126	0
434,878	0	0	0	691,593	0
5,669,512	0	0	0	7,458,472	0
0	0	387,832	0	387,832	0
<u>6,124,400</u>	<u>0</u>	<u>387,832</u>	<u>0</u>	<u>8,908,178</u>	<u>0</u>
<u>7,117,154</u>	<u>0</u>	<u>387,832</u>	<u>8,685</u>	<u>13,720,003</u>	<u>51,557</u>
8,703,262	3,401	115,983	134,664	16,592,742	0
0	0	283,051	0	5,408,471	0
(197,210)	273,560	(387,832)	129,524	848,317	65,361
<u>8,506,052</u>	<u>276,961</u>	<u>11,202</u>	<u>264,188</u>	<u>22,849,530</u>	<u>65,361</u>

CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2018

	Electric	Water
OPERATING REVENUE:		
Charges for services	17,532,118	1,520,662
Reimbursements from other funds	0	0
Miscellaneous	176,568	42,388
TOTAL OPERATING REVENUE	17,708,686	1,563,050
OPERATING EXPENSES:		
Operating expenses	16,729,553	1,182,815
Supplies	0	0
Medical expenses	0	0
Depreciation	391,433	306,403
TOTAL OPERATING EXPENSES	17,120,986	1,489,218
OPERATING INCOME (LOSS)	587,700	73,832
NON-OPERATING REVENUE (EXPENSES):		
Bond costs	(21,863)	0
Interest income	8,569	2,970
Capital grants and contributions	0	0
Interest expense	(78,870)	(1,074)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(92,164)	1,896
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS:	495,536	75,728
OTHER FINANCING SOURCES (USES):		
Aid in construction	0	0
TOTAL OTHER FINANCING SOURCES (USES)	495,536	75,728
NET INCOME (LOSS)	495,536	75,728
Net position - beginning of year	9,690,380	3,529,483
NET POSITION - ENDING	10,185,916	3,605,211

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>
1,932,290	532,225	0	182,471	21,699,766	0
0	0	0	0	0	885,467
29,204	0	0	0	248,160	0
<u>1,961,494</u>	<u>532,225</u>	<u>0</u>	<u>182,471</u>	<u>21,947,926</u>	<u>885,467</u>
1,111,379	494,948	0	119,258	19,637,953	0
541	541	0	0	1,082	0
0	0	0	0	0	928,555
634,208	0	0	30,847	1,362,891	0
<u>1,746,128</u>	<u>495,489</u>	<u>0</u>	<u>150,105</u>	<u>21,001,926</u>	<u>928,555</u>
<u>215,366</u>	<u>36,736</u>	<u>0</u>	<u>32,366</u>	<u>946,000</u>	<u>(43,088)</u>
0	0	0	0	(21,863)	0
0	14	716	226	12,495	11
0	0	0	0	0	0
(139,427)	0	0	0	(219,371)	0
<u>(139,427)</u>	<u>14</u>	<u>716</u>	<u>226</u>	<u>(228,739)</u>	<u>11</u>
<u>75,939</u>	<u>36,750</u>	<u>716</u>	<u>32,592</u>	<u>717,261</u>	<u>(43,077)</u>
49,701	0	0	0	49,701	0
125,640	36,750	716	32,592	766,962	(43,077)
125,640	36,750	716	32,592	766,962	(43,077)
<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>
<u>8,506,052</u>	<u>276,961</u>	<u>11,202</u>	<u>264,188</u>	<u>22,849,530</u>	<u>65,361</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, 2018

Total net position - Utility Funds 22,849,530

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 (50,788)

Net position of business-type activities 22,798,742

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, 2018

Net change in fund net position - Utility Funds 766,962

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 (11,120)

Change in net position of business-type activities 755,842

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2018

	Electric	Water
OPERATING ACTIVITIES:		
Receipts from customers	17,053,803	1,508,653
Receipts from Interfund Services	446,273	4,189
Miscellaneous revenue	176,568	42,388
Payments to suppliers	(15,580,857)	(788,684)
Payments to employees	(244,135)	(262,378)
Payments for franchise taxes to City	(875,708)	(75,775)
Payments for Interfund Services	(41,701)	(100,688)
Receipts of customer meter deposits	95,355	0
Refunds of customer meter deposits	(77,260)	0
NET OPERATING ACTIVITIES	952,338	327,705
NON-CAPITAL FINANCING ACTIVITIES:		
Net change in due to (from) other funds	(178,162)	(23,284)
Capital contributions	0	0
NET NON-CAPITAL FINANCING ACTIVITIES	(178,162)	(23,284)
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments:		
Bonds	(350,244)	(75,980)
Proceeds:		
Refunding bonds	1,850,000	0
Bond costs	(21,863)	0
Acquisition and construction of capital assets	(272,486)	(122,797)
Interest paid on bonds and notes	(71,375)	(1,284)
NET CAPITAL AND RELATED FINANCING ACTIVITIES	1,134,032	(200,061)
INVESTING ACTIVITIES:		
Interest received	8,569	2,970
NET INCREASE (DECREASE) IN CASH	1,916,777	107,330
Cash - beginning of year	3,018,920	402,567
CASH - END OF YEAR	4,935,697	509,897

(Continued on next page)

Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Fund
1,909,738	530,391	0	182,471	21,185,056	0
13,073	0	0	0	463,535	885,467
29,204	0	(6,377)	0	241,783	0
(1,116,835)	(495,489)	0	(118,223)	(18,100,088)	(1,009,111)
(280,156)	0	0	0	(786,669)	0
(96,302)	0	0	0	(1,047,785)	0
(57,428)	0	0	0	(199,817)	0
0	0	0	0	95,355	0
0	0	0	0	(77,260)	0
<u>401,294</u>	<u>34,902</u>	<u>(6,377)</u>	<u>64,248</u>	<u>1,774,110</u>	<u>(123,644)</u>
154,878	0	0	0	(46,568)	0
49,701	0	0	0	49,701	0
<u>204,579</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,133</u>	<u>0</u>
(838,061)	0	0	0	(1,264,285)	0
0	0	0	0	1,850,000	0
0	0	0	0	(21,863)	0
(474,171)	0	0	0	(869,454)	0
(142,481)	0	0	0	(215,140)	0
<u>(1,454,713)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(520,742)</u>	<u>0</u>
0	14	716	226	12,495	11
(848,840)	34,916	(5,661)	64,474	1,268,996	(123,633)
848,840	121,759	288,712	73,735	4,754,533	240,551
<u>0</u>	<u>156,675</u>	<u>283,051</u>	<u>138,209</u>	<u>6,023,529</u>	<u>116,918</u>

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

Year Ended September 30, 2018

	Electric	Water
RECONCILIATION OF OPERATING INCOME TO		
NET OPERATING ACTIVITIES:		
Operating income (loss)	587,700	73,832
Items not requiring cash:		
Depreciation	391,433	306,403
(Increase) decrease in assets:		
Receivables	(32,042)	(7,820)
Inventories	13,823	4,738
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	(26,671)	(49,448)
Accrued landfill closure costs	0	0
Customer deposits	18,095	0
NET OPERATING ACTIVITIES	952,338	327,705
 CASH RECONCILIATION:		
Unrestricted	320,174	0
Restricted	4,615,523	509,897
CASH TOTAL	4,935,697	509,897

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>
215,366	36,736	0	32,366	946,000	(43,088)
634,208	0	0	30,847	1,362,891	0
(9,479)	(1,834)	0	0	(51,175)	0
241	0	0	0	18,802	0
(439,042)	0	0	1,035	(514,126)	(80,556)
0	0	(6,377)	0	(6,377)	0
0	0	0	0	18,095	0
<u>401,294</u>	<u>34,902</u>	<u>(6,377)</u>	<u>64,248</u>	<u>1,774,110</u>	<u>(123,644)</u>
0	156,675	0	138,209	615,058	116,918
0	0	283,051	0	5,408,471	0
<u>0</u>	<u>156,675</u>	<u>283,051</u>	<u>138,209</u>	<u>6,023,529</u>	<u>116,918</u>

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION - AGENCY FUND

September 30, 2018

	<u>Agency Fund</u>
ASSETS	
Cash	<u>644,690</u>
TOTAL ASSETS	<u><u>644,690</u></u>
LIABILITIES	
Accounts payable	28,021
Payable to other governments for debt service	<u>616,669</u>
TOTAL LIABILITIES	<u><u>644,690</u></u>

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include special assessments and property taxes. Business-type activities report utility billings as their major receivables. Unbilled revenues, representing estimated consumer usage for the period between the last billing date and the end of the period, are accrued in the period of consumption.

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. At September 30, 2018, 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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Notes Receivable

Notes receivable include long-term loans made to local businesses and citizens using revolving loan funds from Community Development Block Grants through the State of Nebraska, as well as other economic development based loans of LB840 revolving loan funds or Economic Enhancement funds of the City to qualifying businesses. Management has determined that no allowance is necessary at September 30, 2018.

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 primarily computed using the straight-line method of depreciation over the estimated useful life of each asset.

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.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 will not be recognized as an inflow of resources (revenue) until that time.

The City has two items that qualify for reporting in this category: (1) Unavailable revenue received after the availability period. This includes property taxes plus other local taxes and fees received after 60 days. They are reported as deferred inflows on the governmental funds balance sheet and will be recognized as revenue next year. (2) Unavailable revenue relating to loans.

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 when incurred in the government-wide and proprietary financial statements. In the government fund, only compensated absences that have matured as of year end, for example, as a result of employee resignations and retirements, are recorded in the government funds as a liability.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

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.
- 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.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Fund Statements – Fund Balances (Continued)

- 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, 2018, the restricted fund balance of \$838,426 is restricted for the following purposes:

Fund	Purpose	Amount
General	Escrow held for payment of Series 2013B	319,742
Federal Grant	Grant reuse and housing monies for community development projects	43,842
Economic Development	Sales tax monies designated for community economic development	417,364
Meals on Wheels	Grant monies and local contributions designated for the senior citizen meal program	54,160
Debt Service	Payment of principal, interest, and related costs on general long-term debt	3,318

- 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. As of September 30, 2018, the committed fund balance was \$1,195,276.
- 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.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Fund Statements – Fund Balances (Continued)

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.

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.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

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.

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, 2018 were either fully insured or collateralized.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 3: RESTRICTED CASH

Debt Restrictions and Covenants

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The City is in compliance with the bond restrictions and covenants.

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.

Restricted Cash

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

- (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, 2018 is \$283,051.
- (2) Bond Escrow – This account is used to hold escrow funds related to the 2018 Series bonds acquired during the year. The amount restricted as of September 30, 2018 is \$319,742.

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 \$43,942.
- (2) Meals on Wheels-Meal program and outreach for the elderly. The amount restricted is \$46,354.
- (3) Economic Development – The amount restricted is \$417,364.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 3: RESTRICTED CASH (CONTINUED)

Restricted Cash (Continued)

Component Unit (CDA)

The amount restricted is \$54,949 for the component unit (CDA) for community development.

NOTE 4: RECEIVABLES

Accounts receivable of the business-type activities consists of utilities receivables. Accounts receivable of the governmental activities consist of sales tax, other tax and special assessments, due from agency, and other receivables. Receivables detailed at September 30, 2018, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Receivables	1,105,128	2,039,705	23,791
Allowance for doubtful accounts	(10,000)	(20,000)	0
Totals	<u>1,095,128</u>	<u>2,019,705</u>	<u>23,791</u>

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 5: NOTES RECEIVABLE

Notes receivable at September 30, 2018, consist of the following:

<u>Company</u>	<u>Loan Amount</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>Economic Development Fund:</u>				
Community Economic Development	415,000	March 1, 2009	0%	78,628
City of Lexington (Due from General)	199,999	March 2, 2017	0%	199,999
Dawson Co. Area Economic Development	232,000	June 24, 2014	0%	208,800
Orthman Investments, L.L.C.	500,000	August 18, 2014	0%	366,667
Downey & Associates	100,000	December 27, 2016	0%	93,333
McFarland Family Farms	260,000	April 12, 2017	0%	234,000
City of Lexington (Due from General)	61,380	May 16, 2017	0%	61,380
 <u>CDBG Fund:</u>				
Greater Lex Corporation	135,000	January 25, 2012	0%	135,000
Other	Various	Various	0%	8,661
 <u>Revolving Loan Fund:</u>				
McFarland Family Farms	160,000	April 25, 2018	2%	160,000
Lexington Regional Health Center	360,000	December 20, 2012	0%	216,000
Dawson Co. Area Economic Development	360,000	June 24, 2014	0%	225,000
RRTABS Investments, L.L.C.	115,000	April 10, 2018	2%	<u>115,000</u>
Total Notes Receivable				<u>2,102,468</u>

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 6: CAPITAL ASSETS

The following is a summary of the capital assets for the year ended September 30, 2018:

	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	4,640,545	43,981	(10,258)	4,674,268
Buildings and improvements	15,887,600	929,787	(30,519)	16,786,868
Machinery and equipment	4,962,635	130,523	(55,665)	5,037,493
Infrastructure	43,254,155	330,447	(1,000)	43,583,603
Construction in progress	3,206,943	2,117,793	(1,223,081)	4,101,655
Totals	71,951,878	3,552,531	(1,320,523)	74,183,887
Less accumulated depreciation:	(32,862,884)	(1,425,938)	54,165	(34,234,657)
Net	39,088,994	2,126,593	(1,266,357)	39,949,230
	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-Type Activities:				
Land	329,176	0	0	329,176
Buildings and improvements	17,059,960	0	0	17,059,960
Vehicles and equipment	1,287,171	36,612	0	1,323,783
Utility systems	41,176,379	5,017	0	41,181,396
Construction in progress	1,946,469	857,708	(29,884)	2,774,293
Totals	61,799,155	899,337	(29,884)	62,668,608
Less accumulated depreciation:	(33,882,274)	(1,362,891)	0	(35,245,165)
Net	27,916,881	(463,554)	(29,884)	27,423,443
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Component Unit:				
Land	572,476	0	(27,835)	544,641
Building	32,895	0	0	32,895
CIP	0	244,222	0	244,222
Totals	605,371	244,222	(27,835)	821,758
Less accumulated depreciation	(15,582)	(1,731)	0	(17,313)
Net	589,789	242,491	(27,835)	804,445

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 6: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows for the year ended September 30, 2018:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Component Unit</u>
General government	243,449	0	1,731
Public safety	126,424	0	0
Public works	744,115	0	0
Health and welfare	32,819	0	0
Culture and recreation	279,130	0	0
Electric	0	391,433	0
Water	0	306,403	0
Sewer	0	634,208	0
Ambulance	0	30,847	0
Totals	1,425,938	1,362,891	1,731

NOTE 7: COMPENSATED ABSENCES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental activities	252,410	0	4,678	247,732
Business-type activities	51,753	0	627	51,126

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, 2018

NOTE 8: LONG-TERM DEBT

General obligation bonds, issued by the City for various municipal improvements, are repaid with property taxes recorded in the Debt Service Fund. The City has pledged its full faith and credit as collateral for the general obligation bonds. 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, 2018:

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	220,000	895,000	220,000
3/31/2015	10/15/2023	0.4% to 2.2%	695,000	0	95,000	600,000	95,000
3/22/2017	12/15/2021	1% to 1.7%	995,000	0	195,000	800,000	195,000
Total			2,805,000	0	510,000	2,295,000	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%	189,245	0	44,584	144,661	46,358
4/29/2008	5/01/2023	4.51%	217,758	0	40,402	177,356	41,469
5/30/2008	6/01/2018	4.50%	49,565	0	49,565	0	0
5/02/2011	5/02/2021	3.72%	400,303	0	94,625	305,678	98,189
6/14/2013	5/15/2018	2.14%	28,120	0	28,120	0	0
5/01/2014	5/01/2021	2.90%	238,452	0	57,052	181,400	58,730
11/7/2014	11/15/2018	2.00%	127,625	0	63,178	64,447	64,447
11/15/2014	11/15/2019	2.50%	196,794	0	63,959	132,835	65,594
7/1/2015	6/1/2018	2.13%	20,394	0	20,394	-	0
7/1/2016	7/1/2021	2.09%	258,648	0	62,665	195,983	63,976
5/24/16	6/1/2019	2.09%	30,308	0	14,998	15,310	15,310
6/15/16	6/15/2021	2.24%	404,498	0	97,747	306,751	99,967
2/23/2017	2/23/2027	2.74%	400,000	0	35,315	364,685	36,283
5/1/2017	5/1/2032	2.98%	1,600,000	0	86,003	1,513,997	88,595
10/27/2016	10/27/2019	1.95%	133,500	0	43,619	89,881	44,506
Total			4,295,210	0	802,226	3,492,984	723,424
Total	Governmental		7,100,210	0	1,312,226	5,787,984	1,233,424

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 8: 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, 2018, the General Fund had two notes outstanding with balances of \$199,999 and \$61,380.

Bonds Payable – Business-Type Activities (secured by service revenues)

<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%	2,325,000	0	210,000	2,115,000	2,115,000
7/1/2014	9/30/2023	0.30% to 2.40%	1,935,000	0	450,000	1,485,000	460,000
9/15/2015	12/15/2018	0.65% to 1.2%	290,000	0	145,000	145,000	145,000
4/29/2013	6/15/2022	1.50%	3,974,707	0	214,007	3,760,700	217,229
6/9/2017	12/15/2021	0.95% to 1.6%	820,000	0	75,000	745,000	75,000
6/1/2016	9/15/2023	0.60% to 1.7%	870,000	0	140,000	730,000	140,000
9/28/2018	10/15/2026	1.85% to 2.9%	0	1,850,000	0	1,850,000	220,000
Total			10,214,707	1,850,000	1,234,007	10,830,700	3,372,229

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%	30,278	0	30,278	0	0
Total			30,278	0	30,278	0	0
Total Business –Type Activities			10,244,985	1,850,000	1,264,285	10,830,700	3,372,229

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 8: 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%	31,490	0	8,237	23,253	8,824
1/15/2010	12/31/2025	3.00%	181,776	0	15,299	166,477	16,545
	Total		213,266	0	23,536	189,730	25,369

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%	99,693	0	99,693	0	0
10/1/2007		0.00%	30,000	0	0	30,000	30,000
1/25/2018		0.00%	0	100,000	0	100,000	100,000
	Total		129,693	100,000	99,693	130,000	130,000
Total Component Unit			342,959	100,000	123,229	319,730	155,369

Advanced Refundings

On September 28, 2018, the City issued \$1,850,000 in 2018 Series Electric revenue bonds with interest rates ranging between 1.85% and 2.9%. The City issued the bonds during the current year to refund outstanding 2013B Series Electric bonds, with interest rates ranging between 0.45% and 3.9%. As of September 30, 2018, the 2013B Series Electric bonds had a balance of \$2,115,000. Subsequent to year end, the scheduled principal payment of \$210,000 plus interest was made October 15, 2018 resulting in an outstanding principal balance of \$1,905,000. This balance was paid subsequent to year end on November 26, 2018, along with applicable interest. The refunding reduced total debt service payments over the next 9 years by \$144,033. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$75,162.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 8: LONG-TERM DEBT (CONTINUED)

Interest expense was charged to functions/programs as follows:

Governmental activities:	General Government	35,855
	Public safety	6,206
	Public works	115,252
Business-type activities:	Electric	78,870
	Water	1,074
	Sewer	139,427
Component unit:	CDA	5,889

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>	
2019	1,494,836	89,567	3,372,229	118,533	5,075,165
2020	1,181,913	88,534	1,095,500	124,512	2,490,459
2021	1,095,330	68,192	1,108,820	108,124	2,380,466
2022	711,332	49,747	1,132,189	89,838	1,983,106
2023	244,297	42,627	795,610	73,028	1,155,562
2024-2028	823,437	133,104	1,891,187	206,503	3,054,231
2029-2033	498,252	32,043	1,299,765	64,369	1,894,429
2034-2037	0	0	135,400	1,015	136,415
	6,049,397	503,814	10,830,700	785,922	18,169,833

Component Unit:

	Bonds		Notes		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	25,369	5,928	130,000	0	161,297
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	21,439	2,108	0	0	23,547
2024-2028	71,795	2,118	0	0	73,913
	189,730	21,203	130,000	0	340,933

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 9: 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 Statements</u>	
Balances due to and from other funds:	<u>Due from</u>	<u>Due to</u>
General	100	540,233
Federal Grants	0	100
Street	513,430	0
Electric	718,395	0
Water	0	256,715
Sewer	0	434,877
Totals	1,231,925	1,231,925

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	141,785	1,348,855
Economic Development	167,500	0
Street	585,321	873,505
Debt Service	1,469,539	141,785
Electric	0	0
Water	0	0
Sewer	0	0
Totals	2,364,145	2,364,145

NOTE 10: 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 \$8,926,037 or 40.1% of total utility service charges.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 11: 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.

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 \$118,650 to the plan for a total contribution of \$237,300 for the year ended September 30, 2018.

Police and Firefighters Plan (Pre-1984)

As of September 30, 2018, 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.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 11: RETIREMENT PLANS (CONTINUED)

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 7.0% of the employee's earnings. 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 \$72,607 to the police officers' plan for a total contribution of \$145,214 for the year ended September 30, 2018.

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 \$26,000 based on voluntary services for 36 firemen for the year ended September 30, 2018.

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 \$22,824 between the two participating employees while employee contributions totaled \$12,060 for the year ended September 30, 2018.

NOTE 12: 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 \$387,833 reported as post closure care liability at September 30, 2018, 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.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 12: LANDFILL CLOSURE COSTS (CONTINUED)

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, 2018, cash of \$283,051 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 13: 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.

NOTE 14: 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, 2018 was \$13,003,170.

NOTE 15: 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	875,708
Water	75,775
Sewer	96,302

NOTE 16: 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.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 16: PROPERTY TAXES (CONTINUED)

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, 2017, for the 2017 taxes which were materially collected by May and September 2018, was set at \$0.361503 per \$100 of assessed valuation. 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.

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.

NOTE 17: 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, 2018, the City's maximum liability was \$40,000 per employee annually under the Plan.

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, 2018, is \$116,918.

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.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 18: 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.

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, 2018 were approximately \$1,290,225.

NOTE 19: COMMITMENTS

The City has construction projects in progress at year end with a remaining commitment of \$169,094. The City awarded no projects subsequent to September 30, 2018.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2018

NOTE 20: 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	189,730
Interest payable	538
Interest expense	5,889

NOTE 21: 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, 2018

	<u>Budget (Original & Final)</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE:			
Local and county sources:			
Property and other taxes	1,392,340	3,096,260	1,703,920
Sales taxes	1,950,750	2,173,226	222,476
Charges and fees for services	32,272,728	24,078,586	(8,194,142)
Interest income	0	290,251	290,251
Miscellaneous	10,375	1,581,535	1,571,160
Donations and private grants	0	223,690	223,690
Intergovernmental	2,507,894	3,100,721	592,827
Bond/note proceeds	0	1,850,000	1,850,000
Transfers in	2,523,082	2,364,145	(158,937)
TOTAL REVENUE	<u>40,657,169</u>	<u>38,758,414</u>	<u>(1,898,755)</u>
EXPENDITURES:			
Governmental:			
General government	612,132	1,205,663	(593,531)
Public safety	2,886,386	2,261,939	624,447
Public works	1,319,304	1,281,787	37,517
Health and welfare	89,034	636,404	(547,370)
Culture and recreation	1,750,587	1,456,229	294,358
Community development and miscellaneous	6,143,362	2,087,962	4,055,400
Business-Type:			
Electric	16,204,410	16,819,661	(615,251)
Water	1,192,322	1,227,525	(35,203)
Sewer	1,056,887	1,550,721	(493,834)
Sanitation and landfill	827,271	495,489	331,782
Ambulance	231,524	118,223	113,301
Capital outlay	5,454,844	4,062,136	1,392,708
Debt service	2,948,963	2,988,773	(39,810)
Transfers out	2,523,082	2,322,040	201,042
TOTAL EXPENDITURES	<u>43,240,108</u>	<u>38,514,552</u>	<u>4,725,556</u>
REVENUE OVER (UNDER)			
EXPENDITURES	<u>(2,582,939)</u>	<u>243,862</u>	<u>2,826,801</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF LEXINGTON, NEBRASKA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2018

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)	243,862
Adjustments:	
Adjust revenue for receivable accruals and deferrals	(1,823,120)
Adjust expenditures for payables	<u>1,775,344</u>
Revenue over (under) expenditures and other financing sources uses (GAAP basis)	<u>196,086</u>

ADDITIONAL INFORMATION



CONTRYMAN ASSOCIATES, P.C.

Certified Public Accountants

505 North Diers Ave
P.O. Box 700
Grand Island NE 68802
308-382-5720
Fax: 308-382-5945

5807 Osborne Drive West
P.O. Box 2026
Hastings NE 68902
402-463-6711
Fax: 402-463-6713

315 West 60th, Suite 500
P.O. Box 1746
Kearney NE 68848
308-237-5930
Fax: 308-234-4410

707 East Pacific
P.O. Drawer H
Lexington NE 68850
308-324-2368
Fax: 308-324-2360

1001 West 27th Street
P.O. Box 2246
Scottsbluff NE 69363
308-635-7705
Fax: 308-635-0599

1611 16th Street
P.O. Box 191
Central City NE 68826
308-946-3870
Fax: 308-946-3831

826 G Street
Geneva, NE 68361
402-759-3002
Fax: 402-759-4342

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, 2018, 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 15, 2019.

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.

www.capc.com

Members: American Institute of Certified Public Accountants - CPAmerica International

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Finding and Response as item 2018-001 that we consider to be a material weakness.

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*.

City of Lexington, Nebraska's Response to Finding

City of Lexington, Nebraska's response to the finding identified in our audit is described in the Schedule of Finding and Response. City of Lexington, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City of Lexington, Nebraska'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 City of Lexington, Nebraska's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Contryman Associates, P.C.
Certified Public Accountants
Grand Island, Nebraska

February 15, 2019

CITY OF LEXINGTON, NEBRASKA

SCHEDULE OF FINDING AND RESPONSE

September 30, 2018

2018-001 REVIEW OF EXPENSES AND SUBSEQUENT DISBURSEMENTS

Criteria

Internal controls should be in place to ensure recorded expenses are complete and any necessary accrual entries are made as a result of year end comparisons to budget.

Condition

Year end reviews of expenses recorded and payments made subsequent to year end were not performed at a level sufficient to identify amounts required within the payables and expense balances as of year end.

Cause

In prior years, there were no need for recording accounts payable for electric payments. However, during the 2018 fiscal year, the City changed payment schedules which impacted timing of electric payments.

Effect or Potential Effect

Expenses and related payables were understated in the Electric Fund.

Recommendation

We recommend the City management compare the recorded expenses to prior year actual as well as budgeted amounts in order to identify potential accruals as of the end of the year.

Response

City of Lexington, Nebraska will continue to perform the expense account reviews at year end and will further consider the impacts of changes to payment terms in relation to the expenses recorded.