

**CITY OF LEXINGTON, NEBRASKA**

FINANCIAL STATEMENTS

September 30, 2022

# CITY OF LEXINGTON, NEBRASKA

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**CITY OF LEXINGTON, NEBRASKA**

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# 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	201 Foundation Place, Suite 100 P.O. Box 2026 Hastings NE 68902 402-463-6711 Fax: 402-463-6713	315 West 60 <sup>th</sup> , 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 <sup>th</sup> Street P.O. Box 2246 Scottsbluff NE 69363 308-635-7705 Fax: 308-635-0599	1415 16 <sup>th</sup> Street, Suite 201 P.O. Box 191 Central City NE 68826 308-946-3870 Fax: 308-382-5945	826 G Street Geneva, NE 68361 402-759-3002
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## Independent Auditors' Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lexington, Nebraska and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter – Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2022, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified in respect to this matter.

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

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

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

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 March 9, 2023 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'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's internal control over financial reporting and compliance.

*Contryman Associates P.C.*  
Certified Public Accountants  
Kearney, Nebraska

March 9, 2023

## 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, 2022. 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 \$76,936,486 (net position). Of this amount, \$12,658,375 (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 \$4,860,073 in comparison with the previous year. Of this amount, \$2,420,652 was the increase from governmental activities. Business-type activities net position increased by \$2,439,421.

The City's governmental funds reported combined ending fund balances of \$7,273,137. Of this total fund balance, 38.24%, or \$2,781,566 is available for spending at the City's discretion (unassigned fund balance), all of which is in the General Fund.

The City's total long-term debt increased \$1,771,092. This increase is due to the closing of the 2021 Highway Allocation Bond, borrowing from the Nebraska Department of Environment and Energy for the Wastewater Treatment Plant Improvement Project; less scheduled payments to pay down debt.

GASB Statement No. 87, *Leases*, was implemented by the City for the year ended September 30, 2022. Under the new guidance, lessees are required to recognize lease liabilities and intangible right-to-use assets and lessors are required to recognize a lease receivable and a deferred inflow of resources. For all leases with terms longer than 12 months, leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the Statements of Activities. The implementation of GASB 87 resulted in an opening balance sheet adjustment, as of October 1, 2021, of \$68,904.

### **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 two categories: governmental and proprietary.

#### 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 eight 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 these services benefit both governmental and business-type functions, they have been allocated to the governmental and business-type activities in the government-wide financial statements based on usage.

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

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

### 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 27-56 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 \$76,936,486 at September 30, 2022.

City of Lexington  
Condensed Statement of Net Position  
September 30, 2022 and 2021

	Governmental Activities		Business Type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
Current and Other Assets	12,623,228	10,254,395	10,029,192	7,974,793	22,652,420	18,229,188
Capital Assets	42,575,686	40,665,008	32,111,637	28,455,806	74,687,323	69,120,814
Total Assets	55,198,914	50,919,403	42,140,829	36,430,599	97,339,743	87,350,002
Long-Term Liabilities						
Outstanding	5,420,597	4,038,404	9,499,546	6,357,282	14,920,143	10,395,686
Other Liabilities	1,161,609	1,872,164	2,654,177	2,936,835	3,815,786	4,808,999
Total Liabilities	6,582,206	5,910,568	12,153,723	9,294,117	18,735,929	15,204,685
Deferred Inflows of Resources:						
Unavailable Resources-						
Leases	1,256,125	0	411,203	0	1,667,328	0
Net Position:						
Invested in Capital Assets						
net of related debt	37,475,022	35,516,494	23,578,601	21,688,585	61,053,623	57,205,079
Restricted	2,275,960	2,206,812	948,528	1,007,287	3,224,488	3,214,099
Unrestricted	7,609,601	7,285,529	5,048,774	4,440,610	12,658,375	11,726,139
Total Net Position	47,360,583	45,008,835	29,575,903	27,136,482	76,936,486	72,145,317

\* September 30, 2021 information has not been restated for the effects of GASB 87.

By far, the largest portion of the City's net position, 79.36%, 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.

An additional portion of the City's net assets, 4.19%, represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position, 16.45% may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2022, 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, 2022 and 2021

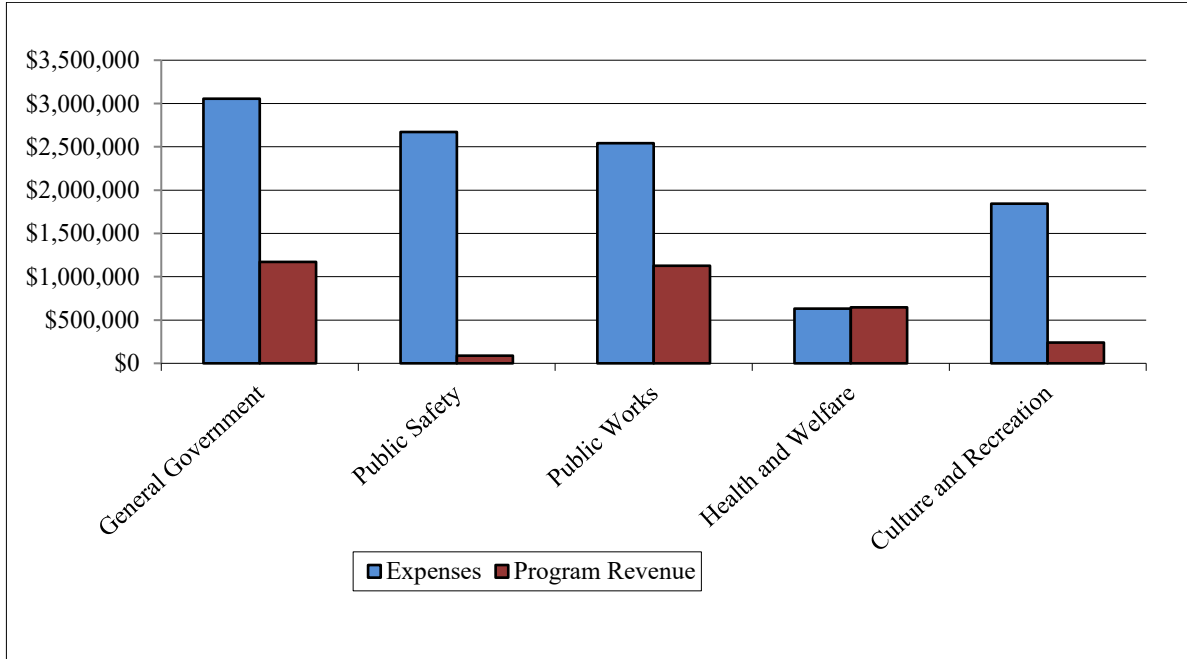
	Governmental Activities		Business Type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
Revenue:						
Program Revenue:						
Charges for Services	1,669,497	1,256,175	23,653,959	23,166,593	25,323,456	24,422,768
Operating Grants & Contributions	1,098,938	1,117,767	0	0	1,098,938	1,117,767
Capital Grants & Contributions	503,934	665,567	27,990	13,371	531,924	678,938
General Revenue:						
Property and Other Taxes	1,906,091	1,853,299	0	0	1,906,091	1,853,299
Sales and Use Tax	2,967,483	2,694,929	0	0	2,967,483	2,694,929
Franchise Taxes	1,274,694	1,259,547	0	0	1,274,694	1,259,547
Intergovernmental	3,331,199	3,279,618	0	0	3,331,199	3,279,618
Interest	20,211	10,864	28,792	5,578	49,003	16,442
Other	502,878	287,538	0	0	502,878	287,538
Gain on sale of asset	4,500	321	70,240	0	74,740	321
Transfers	(2,617)	(2,098)	2,617	2,098	0	0
Total Revenue	13,276,808	12,423,527	23,783,598	23,187,640	37,060,406	35,611,167
Expenses:						
General Government	3,055,744	2,185,260	0	0	3,055,744	2,185,260
Public Safety	2,669,292	2,641,293	0	0	2,669,292	2,641,293
Public Works	2,540,585	2,457,623	0	0	2,540,585	2,457,623
Health and Welfare	632,506	555,107	0	0	632,506	555,107
Culture and Recreation	1,843,094	1,792,129	0	0	1,843,094	1,792,129
Community Development	114,935	48,204			114,935	48,204
Utilities / Ambulance	0	0	21,344,177	21,081,057	21,344,177	21,081,057
Total Expenses	10,856,156	9,679,616	21,344,177	21,081,057	32,200,333	30,760,673
Change In Net Position	2,420,652	2,743,911	2,439,421	2,106,583	4,860,073	4,850,494
Net Position-Beg Original	45,008,835	41,797,546	27,136,482	25,029,899	72,145,317	66,827,445
Prior Period Adjustment	(68,904)	467,378	0	0	(68,904)	467,378
Net Position-Beg Restated	44,939,931	42,264,924	27,136,482	25,029,899	72,076,413	67,294,823
Net Position - Ending	47,360,583	45,008,835	29,575,903	27,136,482	76,936,486	72,145,317

\* September 30, 2021 information has not been restated for the effects of GASB 87.

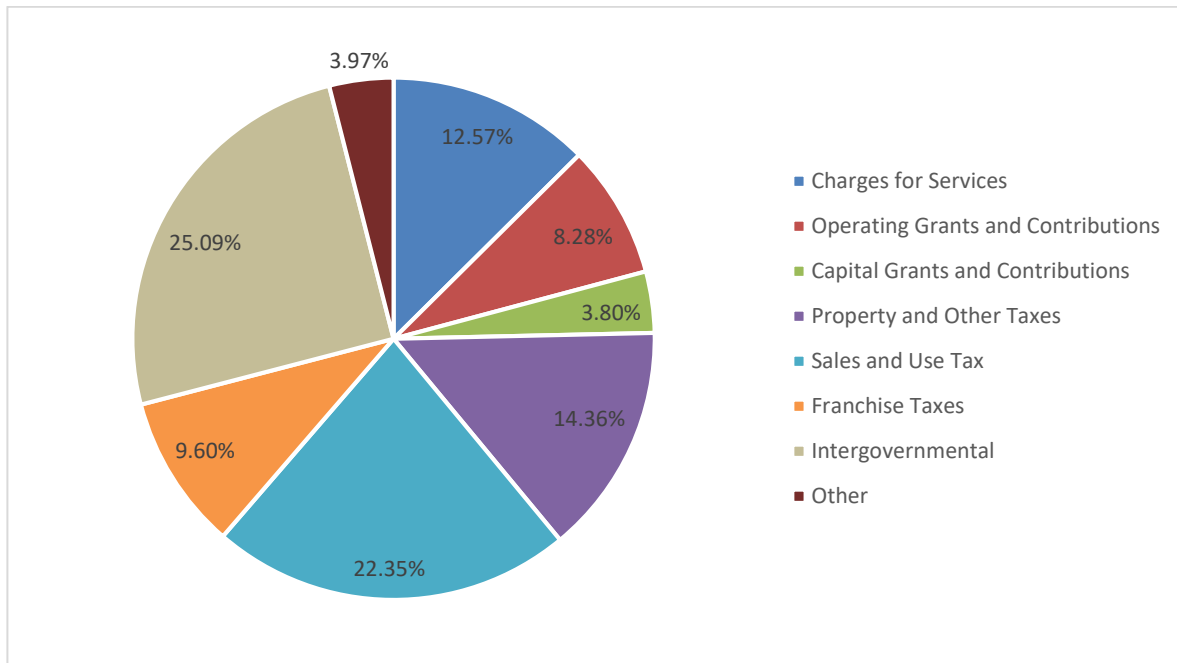
**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City’s net position by \$2,420,652; accounting for 49.81% of the City’s growth in net position for fiscal 2022.

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, 2022, the City's governmental funds reported combined ending fund balances of \$7,273,137 a decrease of \$204,241 in comparison with the prior year. Of the \$7.27 million, 38.24% is considered unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, 61.76%, is restricted or committed 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, 2022, the unassigned fund balance of the general fund was \$2,781,566. 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 31.24% 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 \$5,070,026.

## **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 15.04% less than budgeted. This is due primarily to funds not borrowed to pay for the Wastewater Treatment Plant Improvement Project. Funds budgeted for that project were not needed as construction took a slower pace than expected. Combined expenditures were less than budgeted by 24.90%. This is also due to slower construction, capital, spending on the WWTP Improvement project.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **CAPITAL ASSETS**

The City's capital assets for its government and business-type activities as of September 30, 2022, totals \$74,687,323 (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 2022 include the following:

- General Fund Capital activity includes work on the Oak Park Splash Pad for \$147,693; and Patriot Lake improvements for \$36,132. New work began on the Veteran’s Memorial Pavilion for \$139,366. The City purchased the Lex Cares Assisted Living facility for \$1,200,000; additional land from St. Ann’s for \$235,000; and the Wycoff property for \$350,000. Work was completed on the Kirkpatrick Memorial Park for \$327,669.
- Street projects include work on the SW Addition for \$14,000; and the 2021 Interlocal Road Projects with Dawson County for \$794,205. Engineering work continued in preparation of the East Lexington Viaduct for \$3,121. New paving was added to the NW Addition for \$120,356. Phase 3 of the Hike Bike trail was completed for \$108,028. Other projects completed include 18<sup>th</sup> Street for \$202,217; O’Donnell 4<sup>th</sup> Addition for \$159,885; East Addition Phase I for \$53,795; and East Hwy 30 Drainage for \$73,170.
- Electric department work included Kugler Sub Conversion work for \$11,809; and O’Donnell 4<sup>th</sup> Addition for \$30,748. The following projects were completed this year, The Crossing RV Park for \$15,619; East Addition Phase I for \$19,857; and Kugler 104 for \$117,764. New services were added for the Cedar Street Apartments for \$117,987; Tyson Plant Chillers for \$11,109; and the Veteran’s Memorial Pavilion for \$3,541.
- The Water department completed work on the East Addition Phase I project for \$4,563; and the South Main extension for \$24,584. New services were installed on Revere & Prescott Circle for \$139,425.
- The Sewer department continued improvements to the WWTP for \$4,158,303; and new services were installed at Revere & Prescott Circle for \$145,961. Services were completed on 18<sup>th</sup> Street for \$17,860; and the East Addition Phase I project for \$26,452.

City of Lexington  
Capital Assets (net of depreciation)  
September 30, 2022 and 2021

	Governmental		Business Type		Total	
	2022	2021*	2022	2021*	2022	2021*
Land	6,100,986	5,961,032	320,396	329,176	6,421,382	6,290,208
Buildings and Improvements	12,182,650	11,070,285	10,668,476	11,088,030	22,851,126	22,158,315
Machinery and Equipment	1,005,927	1,683,408	307,338	384,739	1,313,265	2,068,147
Infrastructure	20,612,600	19,162,050	0	0	20,612,600	19,162,050
Utility Plant	0	0	14,707,236	13,793,560	14,707,236	13,793,560
Total	39,902,163	37,876,755	26,003,446	25,595,505	65,905,609	63,472,280
Construction in Progress	2,673,523	2,788,233	6,108,191	2,860,301	8,781,714	5,648,534
Total with CIP	42,575,686	40,665,008	32,111,637	28,455,806	74,687,323	69,120,814

\* September 30, 2021 information has not been restated for the effects of GASB 87.

Additional Capital Asset information can be found in Note 7 on pages 42-43 of the report.

## LONG-TERM DEBT

At September 30, 2022, the City of Lexington had total outstanding debt of \$13,225,287. Of this amount, \$2,950,000 is General Obligation bonded debt backed by the full faith and credit of the City. Utilities bonded debt totaled \$8,533,036. \$1,742,251 represents notes to finance equipment and other contracts approved by the City Council.

### City of Lexington Total Outstanding Debt September 30, 2022 and 2021

	Governmental Activities		Business Type Activities		Total	
	2022	2021	2022	2021	2022	2021
GO Bonds	2,950,000	2,260,000	0	0	2,950,000	2,260,000
Revenue Bonds	0	0	8,533,036	6,767,221	8,533,036	6,767,221
Notes Payable	1,742,251	2,426,974	0	0	1,742,251	2,426,974
Total Debt	<u>4,692,251</u>	<u>4,686,974</u>	<u>8,533,036</u>	<u>6,767,221</u>	<u>13,225,287</u>	<u>11,454,195</u>

The City's total long-term debt increased \$1,771,092. This increase is due to newly issued debt in both the governmental and business type funds less scheduled payments to pay down debt.

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

Additional long-term debt information can be found in Note 10 on pages 45-48 of the report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sales tax collections have increased annually by an average 7.70% over the past 5 years.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the City's budget for the 2023 fiscal year.

## **REQUEST FOR INFORMATION**

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



**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF NET POSITION

September 30, 2022

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
<b>ASSETS</b>				
Cash	6,247,816	5,179,889	11,427,705	0
Restricted cash	2,331,172	948,528	3,279,700	532,101
Cash with county treasurer	130,154	0	130,154	0
Receivables (net):				
Accounts	173,229	1,916,855	2,090,084	0
Taxes & special assessments	169,885	0	169,885	0
Sales tax	536,459	0	536,459	0
Other receivables	90,033	0	90,033	0
Leases receivable, current portion	169,589	33,224	202,813	0
Notes receivable	2,331,479	0	2,331,479	0
Due from other governmental agencies	5,351	0	5,351	0
Internal balances	(1,001,687)	1,001,687	0	0
Inventories	0	409,635	409,635	0
Leases receivable, net	1,092,883	391,633	1,484,516	0
Right-to-use leased assets, net	346,865	147,741	494,606	0
Capital assets:				
Nondepreciable	8,774,509	6,428,591	15,203,100	589,720
Depreciable - net	33,801,177	25,683,046	59,484,223	8,657
<b>TOTAL ASSETS</b>	<b>55,198,914</b>	<b>42,140,829</b>	<b>97,339,743</b>	<b>1,130,478</b>
<b>LIABILITIES</b>				
Accounts payable	1,012,267	1,767,362	2,779,629	0
Retainage payable	6,546	850,592	857,138	0
Accrued payroll & liabilities	142,796	36,223	179,019	0
Long-term liabilities:				
Compensated absences	292,062	80,172	372,234	0
Due within one year:				
Lease obligation payable	55,436	11,816	67,252	0
Bonds and notes	907,966	1,402,180	2,310,146	175,038
Line of credit	0	0	0	0
Accrued interest	27,871	49,243	77,114	2,873
Due in more than one year:				
Lease obligation payable	352,977	127,873	480,850	0
Bonds and notes	3,784,285	7,130,856	10,915,141	48,762
Customer deposits	0	373,979	373,979	0
Accrued landfill closure costs	0	323,427	323,427	0
<b>TOTAL LIABILITIES</b>	<b>6,582,206</b>	<b>12,153,723</b>	<b>18,735,929</b>	<b>226,673</b>

(Continued on next page)

**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF NET POSITION (CONTINUED)

September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - leases	1,256,125	411,203	1,667,328	0
NET POSITION				
Net investment in capital assets	37,475,022	23,578,601	61,053,623	371,704
Restricted for:				
Special revenue	2,116,824	0	2,116,824	0
Debt service	1,903	657,416	659,319	0
Tax increment financing	157,233	0	157,233	0
Other purposes	0	291,112	291,112	532,101
Unrestricted	7,609,601	5,048,774	12,658,375	0
TOTAL NET POSITION	47,360,583	29,575,903	76,936,486	903,805

*See accompanying notes.*

**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF ACTIVITIES

Year Ended September 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	3,055,744	1,170,622	0	0
Public safety	2,669,292	85,912	1,480	0
Public works	2,540,585	35,742	997,883	93,677
Health and welfare	632,506	195,614	99,561	351,987
Culture and recreation	1,843,094	181,607	14	58,270
Community development	114,935	0	0	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>10,856,156</b>	<b>1,669,497</b>	<b>1,098,938</b>	<b>503,934</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Electric	17,082,310	19,037,081	0	0
Water	1,716,583	1,833,945	0	13,995
Sewer	1,902,667	2,128,194	0	13,995
Sanitation	540,775	575,815	0	0
Ambulance	101,842	78,924	0	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>21,344,177</b>	<b>23,653,959</b>	<b>0</b>	<b>27,990</b>
	<b>32,200,333</b>	<b>25,323,456</b>	<b>1,098,938</b>	<b>531,924</b>
<b>COMPONENT UNIT:</b>				
Community development association	1,010,483	558,558	0	0

**GENERAL REVENUE:**

Taxes:

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

**TOTAL GENERAL REVENUE**

**CHANGE IN NET POSITION**

- Net position - beginning of year, as originally stated
- Prior period adjustment (see Note 23)
- Net position - beginning of year, as restated

**NET POSITION - ENDING**

*See accompanying notes.*

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
(1,885,122)	0	(1,885,122)	0
(2,581,900)	0	(2,581,900)	0
(1,413,283)	0	(1,413,283)	0
14,656	0	14,656	0
(1,603,203)	0	(1,603,203)	0
(114,935)	0	(114,935)	0
<u>(7,583,787)</u>	<u>0</u>	<u>(7,583,787)</u>	<u>0</u>
0	1,954,771	1,954,771	0
0	131,357	131,357	0
0	239,522	239,522	0
0	35,040	35,040	0
0	(22,918)	(22,918)	0
<u>0</u>	<u>2,337,772</u>	<u>2,337,772</u>	<u>0</u>
<u>(7,583,787)</u>	<u>2,337,772</u>	<u>(5,246,015)</u>	<u>0</u>
			<u>(451,925)</u>
1,386,430	0	1,386,430	0
4,022	0	4,022	0
515,639	0	515,639	0
2,967,483	0	2,967,483	0
1,274,694	0	1,274,694	0
3,331,199	0	3,331,199	0
20,211	28,792	49,003	117
502,878	0	502,878	510,746
4,500	70,240	74,740	79,731
(2,617)	2,617	0	0
<u>10,004,439</u>	<u>101,649</u>	<u>10,106,088</u>	<u>590,594</u>
<u>2,420,652</u>	<u>2,439,421</u>	<u>4,860,073</u>	<u>138,669</u>
45,008,835	27,136,482	72,145,317	765,136
(68,904)	0	(68,904)	0
<u>44,939,931</u>	<u>27,136,482</u>	<u>72,076,413</u>	<u>765,136</u>
<u>47,360,583</u>	<u>29,575,903</u>	<u>76,936,486</u>	<u>903,805</u>

# CITY OF LEXINGTON, NEBRASKA

## BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2022

	General Fund	Federal Grants	American Rescue Plan Act
<b>ASSETS:</b>			
Cash - unrestricted	3,564,544	0	0
Restricted cash	0	89,493	1,520,676
Cash with county treasurer	117,100	0	0
Receivables (net)	820,977	0	0
Leases receivable	1,262,472	0	0
Notes receivable	0	806,851	0
Due from other funds	100	0	0
Receivable from other governments	879	0	0
	5,766,072	896,344	1,520,676
<b>TOTAL ASSETS</b>			
<b>LIABILITIES:</b>			
Accounts payable	200,586	70,368	0
Retainage payable	6,546	0	0
Due to other funds	1,350,100	100	0
Other accrued expenses	119,460	0	0
<b>TOTAL LIABILITIES</b>	1,676,692	70,468	0
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - property taxes	51,689	0	0
Unavailable revenue - special assessments	0	0	0
Unavailable revenue - leases	1,256,125	0	0
Unavailable revenue - loan repayments	0	806,850	0
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	1,307,814	806,850	0
<b>FUND BALANCES:</b>			
Restricted	0	19,026	1,520,676
Committed - Street	0	0	0
Unassigned	2,781,566	0	0
<b>TOTAL FUND BALANCES</b>	2,781,566	19,026	1,520,676
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	5,766,072	896,344	1,520,676

*See accompanying notes.*

<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels Fund</u>	<u>Tax Increment Financing Fund</u>	<u>Total Governmental Funds</u>
2,396,286	0	1,904	0	0	5,962,734
0	566,556	0	10,268	144,179	2,331,172
0	0	0	0	13,054	130,154
133,416	0	15,213	0	0	969,606
0	0	0	0	0	1,262,472
0	1,524,628	0	0	0	2,331,479
327,152	0	0	0	0	327,252
<u>0</u>	<u>0</u>	<u>0</u>	<u>4,472</u>	<u>0</u>	<u>5,351</u>
<u>2,856,854</u>	<u>2,091,184</u>	<u>17,117</u>	<u>14,740</u>	<u>157,233</u>	<u>13,320,220</u>
617,995	0	0	4,086	0	893,035
0	0	0	0	0	6,546
0	0	0	0	0	1,350,200
23,249	0	0	87	0	142,796
<u>641,244</u>	<u>0</u>	<u>0</u>	<u>4,173</u>	<u>0</u>	<u>2,392,577</u>
0	0	157	0	0	51,846
0	0	15,057	0	0	15,057
0	0	0	0	0	1,256,125
0	1,524,628	0	0	0	2,331,478
<u>0</u>	<u>1,524,628</u>	<u>15,214</u>	<u>0</u>	<u>0</u>	<u>3,654,506</u>
0	566,556	1,903	10,567	157,233	2,275,961
2,215,610	0	0	0	0	2,215,610
0	0	0	0	0	2,781,566
<u>2,215,610</u>	<u>566,556</u>	<u>1,903</u>	<u>10,567</u>	<u>157,233</u>	<u>7,273,137</u>
<u>2,856,854</u>	<u>2,091,184</u>	<u>17,117</u>	<u>14,740</u>	<u>157,233</u>	<u>13,320,220</u>

# CITY OF LEXINGTON, NEBRASKA

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

September 30, 2022

Total fund balance, governmental funds	7,273,137
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.	42,575,686
Right-to-use leased assets, net of amortization, are not included in the fund financial statements but are included in the governmental activities of the statement of net position.	346,865
Deferred inflows represents funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds.	2,398,381
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.	187,111
Long-term liabilities, including bonds and right-to-use obligations, are not due and payable in the current period and, therefore, not reported in the funds.	(5,100,664)
Other long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest payable	(27,871)
Accrued compensated absences	<u>(292,062)</u>
Net position of governmental activities	<u><u>47,360,583</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, 2022

	General Fund	Federal Grants	American Rescue Plan Act
<b>REVENUE:</b>			
Local and county sources:			
Property taxes	1,403,565	0	0
Sales taxes	2,967,483	0	0
Other miscellaneous taxes	1,274,694	0	0
Licenses and permits	23,764	0	0
Charges for services	925,548	0	0
Interest and loan principal	13,909	66,660	0
Miscellaneous	329,534	0	0
Donations and private grants	68,784	0	0
Rent	724,207	0	0
Intergovernmental	1,989,219	44,487	895,116
<b>TOTAL REVENUE</b>	<b>9,720,707</b>	<b>111,147</b>	<b>895,116</b>
<b>EXPENDITURES:</b>			
Current:			
General government	1,743,619	0	81
Public safety	2,604,543	0	0
Public works	0	0	0
Health and welfare	495,355	0	0
Culture and recreation	1,579,795	0	0
Community Development	0	444,935	0
Debt service:			
Principal	0	0	0
Interest and other charges	0	0	0
Lease payment			
Capital outlay	2,479,607	0	197,927
<b>TOTAL EXPENDITURES</b>	<b>8,902,919</b>	<b>444,935</b>	<b>198,008</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>817,788</b>	<b>(333,788)</b>	<b>697,108</b>

*(Continued on next page.)*



<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels</u>	<u>Tax Increment Financing Fund</u>	<u>Total Governmental Funds</u>
0	0	4,022	0	515,639	1,923,226
0	0	0	0	0	2,967,483
0	0	0	0	0	1,274,694
0	0	0	0	0	23,764
0	0	0	0	0	925,548
1,297	358,066	501	2	0	440,435
142,280	0	0	1,993	29,072	502,879
102,767	0	0	1,633	0	173,184
0	0	0	0	0	724,207
1,734,136	0	0	97,928	0	4,760,886
<u>1,980,480</u>	<u>358,066</u>	<u>4,523</u>	<u>101,556</u>	<u>544,711</u>	<u>13,716,306</u>
0	0	0	0	739,467	2,483,167
0	0	0	0	0	2,604,543
1,380,507	0	16,720	0	0	1,397,227
0	0	0	105,956	0	601,311
0	0	0	0	0	1,579,795
0	545,000	0	0	0	989,935
0	0	1,327,169	0	0	1,327,169
3,040	0	92,546	0	0	95,586
<u>1,681,663</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,359,197</u>
<u>3,065,210</u>	<u>545,000</u>	<u>1,436,435</u>	<u>105,956</u>	<u>739,467</u>	<u>15,437,930</u>
<u>(1,084,730)</u>	<u>(186,934)</u>	<u>(1,431,912)</u>	<u>(4,400)</u>	<u>(194,756)</u>	<u>(1,721,624)</u>

**CITY OF LEXINGTON, NEBRASKA**

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

Year Ended September 30, 2022

	General Fund	Federal Grants	American Rescue Plan Act
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of bonds	0	0	0
Transfers in	0	0	0
Transfers out	(1,302,568)	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(1,302,568)	0	0
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)			
	(484,780)	(333,788)	697,108
Fund balances - beginning of year	3,266,346	352,814	823,568
FUND BALANCES - ENDING	2,781,566	19,026	1,520,676

*See accompanying notes.*

<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels</u>	<u>Tax Increment Financing Fund</u>	<u>Total Governmental Funds</u>
0	0	1,520,000	0	0	1,520,000
2,270,785	167,500	1,419,713	0	0	3,857,998
<u>(994,767)</u>	<u>0</u>	<u>(1,563,280)</u>	<u>0</u>	<u>0</u>	<u>(3,860,615)</u>
<u>1,276,018</u>	<u>167,500</u>	<u>1,376,433</u>	<u>0</u>	<u>0</u>	<u>1,517,383</u>
191,288	(19,434)	(55,479)	(4,400)	(194,756)	(204,241)
<u>2,024,322</u>	<u>585,990</u>	<u>57,382</u>	<u>14,967</u>	<u>351,989</u>	<u>7,477,378</u>
<u><u>2,215,610</u></u>	<u><u>566,556</u></u>	<u><u>1,903</u></u>	<u><u>10,567</u></u>	<u><u>157,233</u></u>	<u><u>7,273,137</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, 2022

Net change in fund balances - total governmental funds:	(204,241)
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.	2,868,389
Governmental funds report payments for lease obligations as expenditures. However, in the statement of activities, the present value of the lease obligation is recorded as a right of use asset and amortized over the life of the lease. This is the amount by which amortization expense exceeds lease expenditures in the current period.	(115,621)
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.	4,500
Contribution of capitalized assets that do not provide current financial resources are not reported as revenues or expenses in the governmental funds.	(454,044)
Deferred inflows of resources represent funds not available in the current period and, therefore, are not recognized as revenue in governmental funds.	433,562
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.	(174,168)
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	5,778
Accrued compensated absences	(7,412)
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.	63,909
Change in net position of governmental activities	<u><u>2,420,652</u></u>

*See accompanying notes.*

## CITY OF LEXINGTON, NEBRASKA

### STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2022

ASSETS	<u>Electric</u>	<u>Water</u>
<b>CURRENT ASSETS:</b>		
Cash	3,242,390	1,606,699
Accounts receivable (net)	1,145,516	304,931
Leases receivable, current portion	0	38,524
Inventories	191,702	217,143
TOTAL CURRENT ASSETS	<u>4,579,608</u>	<u>2,167,297</u>
<b>NON-CURRENT ASSETS:</b>		
Restricted cash	391,000	0
Due from other funds	3,745,071	0
Leases receivable, net	0	386,333
Right-to-use leased assets, net	147,741	0
Fixed assets (net)	10,168,651	3,202,348
TOTAL NON-CURRENT ASSETS	<u>14,452,463</u>	<u>3,588,681</u>
<b>TOTAL ASSETS</b>	<u><u>19,032,071</u></u>	<u><u>5,755,978</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	1,366,580	44,914
Retainage payable	0	2
Salaries payable	10,423	13,141
Accrued interest payable	18,566	8,743
Lease obligation payable	11,816	0
Current portion of long-term debt	260,030	85,000
TOTAL CURRENT LIABILITIES	<u>1,667,415</u>	<u>151,800</u>
<b>NON-CURRENT LIABILITIES:</b>		
Customer deposits	373,979	0
Lease obligation payable	127,873	0
Compensated absences	20,239	21,521
Due to other funds	0	163,576
Bonds, notes and loans payable	930,000	1,115,000
Accrued landfill closure costs	0	0
TOTAL NON-CURRENT LIABILITIES	<u>1,452,091</u>	<u>1,300,097</u>
<b>TOTAL LIABILITIES</b>	<u><u>3,119,506</u></u>	<u><u>1,451,897</u></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unavailable revenue - leases	<u>0</u>	<u>411,203</u>
<b>NET POSITION</b>		
Net investment in capital assets	8,978,621	2,002,348
Restricted for:		
Debt service	391,000	0
Landfill	0	0
Unrestricted	6,542,944	1,890,530
TOTAL NET POSITION	<u><u>15,912,565</u></u>	<u><u>3,892,878</u></u>

*See accompanying notes.*

Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Funds
0	177,740	0	153,060	5,179,889	285,082
352,452	113,956	0	0	1,916,855	0
0	0	0	0	38,524	0
790	0	0	0	409,635	0
<u>353,242</u>	<u>291,696</u>	<u>0</u>	<u>153,060</u>	<u>7,544,903</u>	<u>285,082</u>
0	0	291,112	266,416	948,528	0
0	0	0	0	3,745,071	0
0	0	0	0	386,333	0
0	0	0	0	147,741	0
18,566,142	24,557	115,983	33,956	32,111,637	0
<u>18,566,142</u>	<u>24,557</u>	<u>407,095</u>	<u>300,372</u>	<u>37,339,310</u>	<u>0</u>
<u>18,919,384</u>	<u>316,253</u>	<u>407,095</u>	<u>453,432</u>	<u>44,884,213</u>	<u>285,082</u>
349,165	0	0	273,126	2,033,785	119,218
584,176	0	0	0	584,178	0
12,659	0	0	0	36,223	0
21,934	0	0	0	49,243	0
0	0	0	0	11,816	0
541,900	0	0	0	886,930	0
<u>1,509,834</u>	<u>0</u>	<u>0</u>	<u>273,126</u>	<u>3,602,175</u>	<u>119,218</u>
0	0	0	0	373,979	0
0	0	0	0	127,873	0
38,412	0	0	0	80,172	0
2,558,547	0	0	0	2,722,123	0
5,601,106	0	0	0	7,646,106	0
0	0	323,427	0	323,427	0
<u>8,198,065</u>	<u>0</u>	<u>323,427</u>	<u>0</u>	<u>11,273,680</u>	<u>0</u>
<u>9,707,899</u>	<u>0</u>	<u>323,427</u>	<u>273,126</u>	<u>14,875,855</u>	<u>119,218</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>411,203</u>	<u>0</u>
12,423,136	24,557	115,983	33,956	23,578,601	0
0	0	0	266,416	657,416	0
0	0	291,112	0	291,112	0
(3,211,651)	291,696	(323,427)	(120,066)	5,070,026	165,864
<u>9,211,485</u>	<u>316,253</u>	<u>83,668</u>	<u>180,306</u>	<u>29,597,155</u>	<u>165,864</u>

## CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2022

	Electric	Water
OPERATING REVENUE:		
Charges for services	18,528,671	1,788,901
Reimbursements from other funds	0	0
Miscellaneous	508,410	45,044
TOTAL OPERATING REVENUE	19,037,081	1,833,945
OPERATING EXPENSES:		
Operating expenses	16,549,213	1,365,481
Supplies	0	0
Medical expenses	0	0
Depreciation and amortization	502,572	341,965
TOTAL OPERATING EXPENSES	17,051,785	1,707,446
OPERATING INCOME (LOSS)	1,985,296	126,499
NON-OPERATING REVENUE (EXPENSES):		
Interest income	4,820	23,220
Interest expense	(36,207)	(23,464)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(31,387)	(244)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS:	1,953,909	126,255
OTHER FINANCING SOURCES (USES):		
Aid in construction	0	13,995
Transfers in	2,617	0
Transfers out	0	0
Gain on sale of assets	0	0
TOTAL OTHER FINANCING SOURCES (USES)	2,617	13,995
NET INCOME (LOSS)	1,956,526	140,250
Net position - beginning of year	13,956,039	3,752,628
NET POSITION - ENDING	15,912,565	3,892,878

*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>
2,110,622	575,815	0	78,924	23,082,933	0
0	0	0	0	0	1,908,380
17,572	0	0	0	571,026	0
<u>2,128,194</u>	<u>575,815</u>	<u>0</u>	<u>78,924</u>	<u>23,653,959</u>	<u>1,908,380</u>
1,166,736	539,385	0	83,043	19,703,858	258
823	0	0	0	823	0
0	0	0	0	0	1,817,449
703,684	1,390	0	18,799	1,568,410	0
<u>1,871,243</u>	<u>540,775</u>	<u>0</u>	<u>101,842</u>	<u>21,273,091</u>	<u>1,817,707</u>
<u>256,951</u>	<u>35,040</u>	<u>0</u>	<u>(22,918)</u>	<u>2,380,868</u>	<u>90,673</u>
0	38	488	226	28,792	71
(38,241)	0	0	0	(97,912)	0
<u>(38,241)</u>	<u>38</u>	<u>488</u>	<u>226</u>	<u>(69,120)</u>	<u>71</u>
<u>218,710</u>	<u>35,078</u>	<u>488</u>	<u>(22,692)</u>	<u>2,311,748</u>	<u>90,744</u>
13,995	0	0	0	27,990	0
0	0	30,000	0	32,617	0
0	(30,000)	0	0	(30,000)	0
70,240	0	0	0	70,240	0
<u>84,235</u>	<u>(30,000)</u>	<u>30,000</u>	<u>0</u>	<u>100,847</u>	<u>0</u>
302,945	5,078	30,488	(22,692)	2,412,595	90,744
<u>8,908,540</u>	<u>311,175</u>	<u>53,180</u>	<u>202,998</u>	<u>27,184,560</u>	<u>75,120</u>
<u>9,211,485</u>	<u>316,253</u>	<u>83,668</u>	<u>180,306</u>	<u>29,597,155</u>	<u>165,864</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, 2022

Total net position - Utility Funds 29,597,155

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 (21,252)

Net position of business-type activities 29,575,903

### 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, 2022

Net change in fund net position - Utility Funds 2,412,595

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 26,826

Change in net position of business-type activities 2,439,421

*See accompanying notes.*

# CITY OF LEXINGTON, NEBRASKA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2022

	Electric	Water
<b>OPERATING ACTIVITIES:</b>		
Receipts from customers	18,013,977	1,786,384
Receipts from interfund services	541,731	4,701
Miscellaneous revenue	508,410	31,390
Payments to suppliers	(15,271,885)	(826,094)
Payments to employees	(268,409)	(309,129)
Payments for franchise taxes to city	(940,148)	(89,446)
Payments for interfund services	(62,552)	(157,868)
Receipts of customer meter deposits	122,350	0
Refunds of customer meter deposits	(139,945)	0
NET OPERATING ACTIVITIES	2,503,529	439,938
<b>NON-CAPITAL FINANCING ACTIVITIES:</b>		
Net change in due to (from) other funds	(2,079,884)	(23,284)
BCBS deposit error	0	0
Net change in lease obligation	(8,052)	0
Capital contributions	0	13,995
Transfers to other funds	2,617	0
NET NON-CAPITAL FINANCING ACTIVITIES	(2,085,319)	(9,289)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Bonds payments	(264,169)	(85,000)
Bonds proceeds	0	0
Proceeds from sale of asset	0	0
Acquisition and construction of capital assets	(354,631)	(164,008)
Interest paid on bonds and notes	(34,526)	(23,910)
NET CAPITAL AND RELATED FINANCING ACTIVITIES	(653,326)	(272,918)
<b>INVESTING ACTIVITIES:</b>		
Interest received	4,820	23,220
NET INCREASE (DECREASE) IN CASH	(230,296)	180,951
Cash - beginning of year	3,863,686	1,425,748
CASH - END OF YEAR	3,633,390	1,606,699

*(Continued on next page)*

Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Fund
2,097,395	576,995	0	78,924	22,553,675	0
13,586	0	0	0	560,018	1,908,380
17,572	0	(13,663)	0	543,709	0
(545,389)	(539,385)	0	(87,146)	(17,269,899)	(1,747,495)
(299,336)	0	0	0	(876,874)	0
(105,052)	0	0	0	(1,134,646)	0
(75,116)	0	0	0	(295,536)	0
0	0	0	0	122,350	0
0	0	0	0	(139,945)	0
<u>1,103,660</u>	<u>37,610</u>	<u>(13,663)</u>	<u>(8,222)</u>	<u>4,062,852</u>	<u>160,885</u>
866,600	0	0	0	(1,236,568)	0
0	0	0	266,614	266,614	0
0	0	0	0	(8,052)	0
13,995	0	0	0	27,990	0
0	(30,000)	30,000	0	2,617	0
<u>880,595</u>	<u>(30,000)</u>	<u>30,000</u>	<u>266,614</u>	<u>(947,399)</u>	<u>0</u>
0	0	0	0	(349,169)	0
2,114,984	0	0	0	2,114,984	0
70,240	0	0	0	70,240	0
(4,126,961)	0	0	0	(4,645,600)	0
(42,518)	0	0	0	(100,954)	0
<u>(1,984,255)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,910,499)</u>	<u>0</u>
0	38	488	226	28,792	71
0	7,648	16,825	258,618	233,746	160,956
0	170,092	274,287	160,858	5,894,671	124,126
<u>0</u>	<u>177,740</u>	<u>291,112</u>	<u>419,476</u>	<u>6,128,417</u>	<u>285,082</u>

## CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2022

	Electric	Water
RECONCILIATION OF OPERATING INCOME TO NET OPERATING ACTIVITIES:		
Operating income (loss)	1,985,296	126,499
Items not requiring cash:		
Depreciation and amortization	502,572	341,965
Bad debt expense	8,448	3,706
(Increase) decrease in assets:		
Receivables	18,589	(1,522)
Lease receivables	0	(424,857)
Inventories	16,432	(31,455)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable and other accrued expenses	(10,213)	18,962
Retainage payable	0	(4,563)
Accrued landfill closure costs	0	0
Customer deposits	(17,595)	0
Deferred inflows for leases	0	411,203
NET OPERATING ACTIVITIES	2,503,529	439,938
 CASH RECONCILIATION:		
Unrestricted	3,242,390	1,606,699
Restricted	391,000	0
CASH TOTAL	3,633,390	1,606,699

*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>
256,951	35,040	0	(22,918)	2,380,868	90,673
703,684	1,390	0	18,799	1,568,410	0
3,474	1,558	0	0	17,186	
(3,115)	(378)	0	0	13,574	0
0	0	0	0	(424,857)	0
(402)	0	0	0	(15,425)	0
143,068	0	0	(4,103)	147,714	70,212
0	0	0	0	(4,563)	0
0	0	(13,663)	0	(13,663)	0
0	0	0	0	(17,595)	0
0	0	0	0	411,203	0
<u>1,103,660</u>	<u>37,610</u>	<u>(13,663)</u>	<u>(8,222)</u>	<u>4,062,852</u>	<u>160,885</u>
0	177,740	0	153,060	5,179,889	285,082
0	0	291,112	266,416	948,528	0
<u>0</u>	<u>177,740</u>	<u>291,112</u>	<u>419,476</u>	<u>6,128,417</u>	<u>285,082</u>

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

### 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 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. 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, 2022

### 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 and amortization) by related program revenues, operating and capital grants, if any. 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, 2022

### 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 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, 2022

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

#### Fund Financial Statements (Continued)

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.

All funds of the City are considered major funds and are identified below.

#### Governmental Funds

General Fund as previously described.

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

American Rescue Plan Act is a special revenue fund that accounts for revenues and expenditures relating to grants for pandemic relief and restoration.

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.

Tax Increment Financing Fund accounts for the collection of property taxes to pay debt incurred for community development projects.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

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

#### Fund Financial Statements (Continued)

##### Proprietary Funds

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

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.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

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

#### Financial Statement Amounts (Continued)

##### Receivables (Continued)

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. At September 30, 2022, the balances of the allowance for doubtful accounts are:

General Fund	10,000
Electric Fund	15,000
Water Fund	5,000
Sewer Fund	7,000
Sanitation Fund	3,000
Total	<u>40,000</u>

##### 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, 2022.

##### 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.

##### Lease Receivables

In accordance with GASB 87, *Leases*, the City records lease receivables and deferred inflows of resources based on the present value of remaining lease payments expected to be received during the lease term plus any payments received at or before the commencement of the lease term that relate to future periods. The expected receipts are discounted using the interest rate charged on the lease, if known, or the City's incremental borrowing rate. Variable receipts are excluded from the valuations unless they are fixed in substance. Future recognition of the deferred inflow of resources is recognized in a systematic and rational manner over the term of the lease.

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

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

#### Financial Statement Amounts (Continued)

##### Right-to-use Leased Assets and Lease Obligation Payable

In accordance with GASB 87, *Leases*, the City records right-to-use leased assets and lease obligations based on the present value of expected payments over the term of the respective lease. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the City's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The City does not have any leases subject to a residual value guarantee. The right-to-use assets are amortized on a straight-line basis over the shorter of the lease term or the underlying asset's useful life.

##### 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.

##### 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.

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

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

#### Financial Statement Amounts (Continued)

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

The City has three 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. (3) Unavailable revenue related to lessor leases.

##### 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, 2022

### 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.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

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

#### Financial Statement Amounts (Continued)

##### 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.
- 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, 2022, the restricted fund balance of \$2,275,961 is restricted for the following purposes:

<b>Fund</b>	<b>Purpose</b>	<b>Amount</b>
Federal Grant	Grant reuse and housing monies for community development projects	19,026
American Rescue Plan Act	Grant revenue due to COVID-19 public health emergency to be used in accordance with grant approval	1,520,676
Economic Development	Sales tax monies designated for community economic development	566,556
Debt Service	Payment of principal, interest, and related costs on general long-term debt	1,903
Meals on Wheels	Grant monies and local contributions designated for the senior citizen meal program	10,567
Tax Increment Financing	Collection of property taxes to pay debt incurred for community development projects	157,233

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

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

#### Financial Statement Amounts (Continued)

##### Fund Statements – Fund Balances (Continued)

- 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, 2022, the committed fund balance was \$2,215,610.
- 4) Assigned fund balance – amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Under the City of Lexington, Nebraska, only the City Council may assign amounts.
- 5) Unassigned fund balance – all other spendable amounts.

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

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

#### 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.

*(Continued on next page)*



# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

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

#### Expenditures

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

#### Interfund Activity

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

#### Use of Estimates

The preparation of financial statements in accordance 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.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

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

#### Implementation of Recent Accounting Pronouncements

GASB Statement No. 87, *Leases*, was implemented by the City for the year ended September 30, 2022. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the new guidance, lessees are required to recognize lease liabilities and intangible right-to-use assets and lessors are required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For all leases with terms longer than 12 months, leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the Statements of Activities.

For governmental activity, the City now recognizes lessor transactions with receipts during the life of a lease exceeding \$10,000 as a lease receivable and deferred inflow of resources. For business-type and government-wide activity, lessor and lessee transactions with receipts or payment, as applicable, during the life of a lease exceeding \$50,000 will be recorded in accordance with GASB 87 as described previously in Note 1. For the transition, leases should be converted ("recognized and measured") using the facts and circumstances that exist at the beginning of the period of implementation, or the beginning of the earliest period restated. The implementation of GASB 87 resulted in an opening balance sheet adjustment, as of October 1, 2021, of \$68,904.

### 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, 2022 were either fully insured or collateralized.

### 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.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

### NOTE 3: RESTRICTED CASH (Continued)

#### Restricted Cash

Enterprise Fund maintains the following 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, 2022 is \$291,112.
- (2) Electric Fund - This account is used to set aside funds for the required debt service restrictions. The amount restricted as of September 30, 2022 is \$391,000.
- (3) Ambulance Fund – This account is restricted to hold funds which are due to a third party vendor for erroneous receipts. This balance was paid to the third party subsequent to year end. The amount restricted as of September 30, 2022 is \$266,416.

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 \$89,493.
- (2) Meals on Wheels-Meal program and outreach for the elderly. The amount restricted is \$10,268.
- (3) Economic Development for community economic development. The amount restricted is \$566,556.
- (4) American Rescue Plan Act to be used in accordance with grant approval. The amount restricted is \$1,520,676.
- (5) Tax Increment Financing to be used to pay debt for community development projects. The amount restricted is \$144,179.

#### Component Unit (CDA)

The amount restricted is \$532,101 for the component unit (CDA) for community development.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

**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, and other receivables. Receivables detailed at September 30, 2022, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Receivables	979,606	1,946,855	0
Allowance for doubtful accounts	(10,000)	(30,000)	0
Totals	969,606	1,916,855	0

**NOTE 5: NOTES RECEIVABLE**

Notes receivable at September 30, 2022, 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
Lexcares Inc.	50,000	July 13, 2022	2%	50,000
Dawson Co. Area Economic Development	232,000	June 24, 2014	0%	116,000
Orthman Investments, L.L.C.	500,000	August 18, 2014	0%	233,333
Downey & Associates	100,000	December 27, 2016	0%	66,667
McFarland Family Farms	260,000	April 12, 2017	0%	130,000
M R K Real Estate, L.L.C.	500,000	October 30, 2019	0%	400,000
City of Lexington (Due from General)	200,000	September 25, 2019	0%	200,000
Greater Lexington Corporation	250,000	April 15, 2022	1%	250,000
<u>CDBG Fund:</u>				
Greater Lex Corporation	135,000	January 25, 2012	0%	135,000
Other	Various	Various	0%	8,388
<u>Revolving Loan Fund:</u>				
McFarland Family Farms	160,000	April 25, 2018	2%	99,750
Lexington Regional Health Center	360,000	December 20, 2012	0%	72,000
Dawson Co. Area Economic Development	360,000	June 24, 2014	0%	90,000
RRTABS Investments, L.L.C.	115,000	April 10, 2018	2%	71,713
McFarland Family Farms	220,000	April 15, 2022	2%	220,000
Irish Lads, L.L.C.	110,000	April 15, 2022	2%	110,000
		Total Notes Receivable		2,331,479

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

**NOTE 6: 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	940,148
Water	89,446
Sewer	105,052

**NOTE 7: CAPITAL ASSETS**

The following is a summary of the capital assets for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Land	5,961,032	594,000	(454,046)	6,100,986
Buildings and improvements	17,392,560	1,539,064	0	18,931,624
Machinery and equipment	5,193,358	219,983	(121,653)	5,291,688
Infrastructure	46,895,215	2,149,950	0	49,045,165
Construction in progress	2,788,233	4,162,563	(4,277,273)	2,673,523
Totals	78,230,398	8,665,560	(4,852,972)	82,042,986
Less accumulated depreciation:	(38,095,833)	(1,493,120)	121,653	(39,467,300)
Net	40,134,565	7,172,440	(4,731,319)	42,575,686
<b>Business-Type Activities:</b>				
Land	329,176	79,020	(87,800)	320,396
Buildings and improvements	18,001,979	0	0	18,001,979
Vehicles and equipment	1,566,960	0	0	1,566,960
Utility systems	45,244,571	1,955,583	0	47,200,154
Construction in progress	2,860,301	5,213,568	(1,965,678)	6,108,191
Totals	68,002,987	7,248,171	(2,053,478)	73,197,680
Less accumulated depreciation:	(39,547,181)	(1,538,862)	0	(41,086,043)
Net	28,455,806	5,709,309	(2,053,478)	32,111,637

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE 7: CAPITAL ASSETS (CONTINUED)

Component Unit:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	604,205	492,283	(512,768)	583,720
Building	32,895	0	0	32,895
Construction in progress	598,801	33,337	(626,138)	6,000
Totals	1,235,901	525,620	(1,138,906)	622,615
Less accumulated depreciation:	(22,507)	(1,731)	0	(24,238)
Net	1,213,394	523,889	(1,138,906)	598,377

Depreciation expense was charged to functions/programs as follows for the year ended September 30, 2022:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Component Unit</u>
General government	130,664	0	1,731
Public safety	85,707	0	0
Public works	969,247	0	0
Health and welfare	34,935	0	0
Culture and recreation	272,567	0	0
Electric*	0	473,024	0
Water	0	341,965	0
Sewer	0	703,684	0
Sanitation	0	1,390	0
Ambulance	0	18,799	0
Totals	1,493,120	1,538,862	1,731

\*The Electric Fund also contains \$29,548 of amortization expense.

NOTE 8: COMPENSATED ABSENCES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental activities	284,650	210,342	(202,930)	292,062
Business-type activities	82,122	57,898	(59,848)	80,172

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, 2022

NOTE 9: PROPERTY TAXES

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

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

The levy set in October, 2021, for the 2021 taxes which are materially collected in May and September 2022, was set at \$0.361502 per \$100 of assessed valuation. The levy set in October, 2020, for the 2020 taxes which were materially collected in May and September 2021, was set at \$0.361503 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.

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

**NOTE 10: 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, 2022:

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%	230,000	0	230,000	0	0
3/31/2015	10/15/2023	0.40% to 2.20%	300,000	0	95,000	205,000	100,000
3/22/2017	12/15/2021	1.00% to 1.70%	205,000	0	205,000	0	0
12/02/2020	11/01/2025	0.55% to 1.01%	1,525,000	0	300,000	1,225,000	305,000
10/05/2021	10/15/2026	0.30% to 0.70%	0	1,520,000	0	1,520,000	300,000
Total			2,260,000	1,520,000	830,000	2,950,000	705,000

Direct Borrowings - 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>
4/29/2008	5/01/2023	4.51%	56,637	0	44,008	12,629	12,629
2/23/2017	2/23/2027	2.74%	252,839	0	252,839	0	0
5/01/2017	5/01/2032	2.98%	1,240,143	0	97,021	1,143,122	99,723
5/15/2019	5/15/2029	2.89%	435,726	0	49,226	386,500	50,614
Total			1,985,345	0	443,094	1,542,251	162,966
Other Loans*			441,629	0	241,629	200,000	40,000
Total Governmental			4,686,974	1,520,000	1,514,723	4,692,251	907,966

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE 10: LONG-TERM DEBT (CONTINUED)

Notes Payable (Other Loans\*) – Governmental Activities (secured by property)

The City authorized funds to be used 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, 2022, the General Fund had one note outstanding with a balance of \$200,000. This loan is included in the previous table.

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>
7/01/2014	9/30/2023	0.30% to 2.40%	460,000	0	290,000	170,000	170,000
4/29/2013	6/15/2022	0.50%	3,097,221	0	240,726	2,856,495	241,930
6/09/2017	12/15/2021	0.95% to 1.60%	225,000	0	225,000	0	0
6/01/2016	9/15/2023	0.60% to 1.70%	300,000	0	150,000	150,000	150,000
9/28/2018	10/15/2026	1.85% to 2.9%	1,400,000	0	230,000	1,170,000	240,000
2/05/2020	11/15/2034	1.30% to 2.40%	1,285,000	0	85,000	1,200,000	85,000
9/02/2021	6/15/2043	0.00%	0	2,986,541	0	2,986,541	515,250
Total			6,767,221	2,985,541	1,220,726	8,533,036	1,402,180

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE 10: LONG-TERM DEBT (CONTINUED)

General Obligation Bond 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>
1/15/2010	12/31/2025	3.00%	113,800	0	20,000	93,800	21,439

Direct Borrowings - 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>
10/01/2007		0.00%	30,000	0	0	30,000	30,000
1/25/2018		0.00%	100,000	0	0	100,000	100,000
		Total	130,000	0	0	130,000	130,000
Total Component Unit			243,800	0	20,000	223,800	151,439

\*Current portion on the face of the financial statements for the component unit includes \$23,599 delinquent portion of debt.

Interest expense was charged to functions/programs as follows:

Governmental activities:	General Government – direct borrowings	22,739
	Public safety – direct borrowings	2,600
	Public works – direct borrowings	47,690
	Public works – other debt	19,517
Business-type activities:	Electric	36,207
	Water	23,464
	Sewer	38,241
Component unit:	CDA	2,873

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE 10: LONG-TERM DEBT (CONTINUED)

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	907,966	60,554	1,402,180	67,510	2,438,210
2024	909,777	51,394	1,088,392	55,968	2,105,531
2025	809,395	42,797	1,094,609	47,184	1,993,985
2026	819,107	34,716	1,100,832	37,823	1,992,478
2027	513,971	26,937	1,032,062	28,990	1,601,961
2028-2032	732,034	56,582	2,133,005	86,867	3,008,489
2033-2035	0	0	681,956	12,636	694,592
	<u>4,692,251</u>	<u>272,980</u>	<u>8,533,036</u>	<u>336,978</u>	<u>13,835,245</u>

Component Unit:

	<u>Bonds</u>		<u>Notes</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	21,439	2,751	130,000	0	154,190
2024	22,808	2,108	0	0	24,916
2025	21,712	1,423	0	0	23,136
2026	27,840	696	0	0	28,536
	<u>93,800</u>	<u>6,978</u>	<u>130,000</u>	<u>0</u>	<u>230,778</u>

The City has an unused lines of credit with a balance of \$0 as of September 30, 2022.

NOTE 11: LEASES

Effective for the fiscal year ended September 30, 2022, the City adopted GASB Statement No. 87, *Leases*, (GASB 87). This statement supersedes GASB Statement No. 62 and establishes new requirements for calculating and reporting the City's lease activities.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

### NOTE 11: LEASES (CONTINUED)

#### Lessor

The City leases a property to Lexcares Inc., a nonprofit corporation, for the purposes of operating an assisted living and independent living facility within the City of Lexington, Nebraska. Unless earlier termination of the lease is agreed upon between both parties, this lease is in force for ten years expiring July, 2032. The tenant has the right to extend the lease on the same terms for two consecutive five year periods. Quarterly payments of \$33,400 are due beginning in November 2022. No interest rate was explicitly stated within the agreement and therefore the present value of the lease payments and related deferred revenue was calculated using the City's incremental borrowing rate. During the year ended September 30, 2022, no lease or interest revenue was recorded in regard to this lease.

The City leases rental space on water towers to various cellular phone providers. Expiration of these lease agreements range from January, 2027 to June, 2038. During the year ended September 30, 2022, \$73,953 was recognized as revenue for these agreements.

The City leases farm ground to local area farmers for the purpose of farming the land. Semi-annual payments of \$11,000 are due in April and November of each year until expiration of the lease on November 1, 2024. During the year ended September 30, 2022, \$23,243 was recognized as revenue.

#### Lessee

The City leases equipment under a non-cancelable lease with an interest rate of 2.52% maturing in August of 2025 within the governmental funds. As of September 30, 2022, the City has capitalized a right-to-use asset on the government-wide statement of net position in the amount of \$462,486 and accumulated amortization of \$115,621.

The City leases a solar electrical generating facility and carport which matures in February of 2026 within the business-type funds. As of September 30, 2022, the City has capitalized a right-to-use asset of \$177,289 and accumulated amortization of \$29,548.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE 11: LEASES (CONTINUED)

As of September 30, 2022, the scheduled fiscal year maturities of lease obligations and related interest expense are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	55,436	10,292	11,816	6,984	84,528
2024	56,833	8,895	12,407	6,393	84,528
2025	296,145	7,463	13,026	5,773	322,407
2026	0	0	13,678	5,122	18,800
2027	0	0	88,762	4,438	93,200
	<u>408,413</u>	<u>26,650</u>	<u>139,689</u>	<u>28,710</u>	<u>603,462</u>

Lease obligation activity for the year ended September 30, 2022, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental	462,486	0	54,073	408,413	55,436
Business-type	0	177,289	37,600	139,689	18,800

NOTE 12: 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.

Balances due to and from other funds:	<u>Fund Statements</u>	
	<u>Due from</u>	<u>Due to</u>
General	100	1,350,100
Federal Grants	0	100
Street	327,152	0
Electric	3,745,071	0
Water	0	163,576
Sewer	0	2,558,547
Totals	<u>4,072,323</u>	<u>4,072,323</u>

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE 12: INTERFUND BALANCES AND ACTIVITY (CONTINUED)

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General	0	1,302,568
Economic Development	167,500	0
Street	2,270,785	994,767
Electric	2,617	0
Landfill	30,000	0
Sanitation	0	30,000
Debt Service	<u>1,419,713</u>	<u>1,563,280</u>
Totals	<u>3,890,615</u>	<u>3,890,615</u>

NOTE 13: 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 the customers during the year were \$9,059,271 or 37.8% of total utility service charges.

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, 2022 was \$12,125,740.

NOTE 15: 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

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

### NOTE 15: RETIREMENT PLANS (CONTINUED)

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, are required to participate in a defined contribution plan contributing a minimum of 6% of their salary to the plan. These employee contributions are matched by the City up to 6%. Vesting provisions for City contributions provide for a period of up to seven years to become fully vested. Employee contributions are 100% vested immediately. All plan contributions are held and invested by the Union Bank and Trust of Lincoln. The City and 53 employees contributed \$137,232 to the plan for a total contribution of \$274,464 for the year ended September 30, 2022.

#### Police and Firefighters Plan (Pre-1984)

As of September 30, 2022, two employees, one currently employed and one retired and receiving benefits, qualify under the Pre-1984 Plan. No liability has been recorded on the government-wide financial statements as the participants' defined contribution balance is sufficient to cover any future annuity payments.

#### Police Plan

The City's police officers are covered under a defined contribution plan, with all funds held at Union Bank and Trust of Lincoln. Both the employee and the City contribute 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 25 employees contributed \$85,094 to the police officers' plan for a total contribution of \$170,187 for the year ended September 30, 2022.

#### 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 \$15,500 based on voluntary services for 30 fire fighters for the year ended September 30, 2022.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE 15: RETIREMENT PLANS (CONTINUED)

Deferred Compensation

The City offers 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 \$25,656 for participating employees while employee contributions totaled \$28,679 for the year ended September 30, 2022.

NOTE 16: 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 \$323,427 reported as post closure care liability at September 30, 2022, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. The City closed the landfill in May, 1999. Actual post closure costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to finance post closure care. The City is in compliance with these requirements, and, at September 30, 2022, cash of \$291,112 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 17: 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.

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE 18: 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 Plan. At September 30, 2022, 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, 2022, is \$285,082.

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

NOTE 19: 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.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE 19: AGREEMENTS (CONTINUED)

Rural Fire District Agreement

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

Nebraska Public Power District

The City has an agreement with Nebraska Public Power District for the maintenance, operation, and capital improvements for their electric system. Total fees paid to Nebraska Public Power District for the year ended September 30, 2022 were \$1,545,798.

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	93,800
Interest expense	2,873

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.

NOTE 22: CONSTRUCTION COMMITMENTS

The City entered into an agreement for 2021 Wastewater Facility Improvements in June, 2021 for \$7,540,431. As of September 30, 2022 \$3,415,246 was still remaining.

The City entered into an agreement for Veteran's Memorial Pavilion in August, 2022 for \$1,160,000. As of September 30, 2022 \$1,020,654 was still remaining.

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2022

NOTE 23: PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made to the Governmental Activities in the Statement of Activities as a result of the adoption of GASB 87, *Leases*, as discussed in Note 1. In accordance with the modified retrospective transition approach, the beginning Net Position was adjusted by \$68,904 in the Governmental Activity.

REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF LEXINGTON, NEBRASKA

## BUDGETARY COMPARISON SCHEDULE - (BUDGET AND ACTUAL)

### CASH BASIS - ALL FUNDS

Year Ended September 30, 2022

	<u>Budget (Original &amp; Final)</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUE:</b>			
Local and county sources:			
Property and other taxes	1,651,573	2,618,106	966,533
Sales taxes	2,220,000	2,912,810	692,810
Charges and fees for services	44,904,724	26,507,130	(18,397,594)
Interest income	0	461,474	461,474
Miscellaneous	0	2,817,619	2,817,619
Donations and private grants	0	240,687	240,687
Intergovernmental	4,717,271	5,277,757	560,486
Bond/note proceeds	0	2,566,816	2,566,816
Transfers in	3,533,497	5,047,998	1,514,501
<b>TOTAL REVENUE</b>	<u>57,027,065</u>	<u>48,450,397</u>	<u>(8,576,668)</u>
<b>EXPENDITURES:</b>			
Governmental:			
General government	721,387	2,479,723	(1,758,336)
Public safety	3,330,341	2,594,590	735,751
Public works	2,323,491	342,595	1,980,896
Health and welfare	70,359	1,368,145	(1,297,786)
Culture and recreation	1,985,468	1,575,023	410,445
Community development and miscellaneous	6,825,429	2,901,667	3,923,762
Business-Type:			
Electric	16,505,853	16,682,939	(177,086)
Water	1,320,084	1,382,537	(62,453)
Sewer	1,159,652	1,024,893	134,759
Sanitation and landfill	892,812	539,385	353,427
Ambulance	216,872	86,948	129,924
Capital outlay	19,497,115	9,019,828	10,477,287
Debt service	2,807,620	2,146,431	661,189
Transfers out	3,533,497	3,811,428	(277,931)
<b>TOTAL EXPENDITURES</b>	<u>61,189,980</u>	<u>45,956,132</u>	<u>15,233,848</u>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(4,162,915)</u>	<u>2,494,265</u>	<u>6,657,180</u>

*See accompanying notes to Budgetary Comparison Schedule.*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2022

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, 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)	2,494,265
Adjustments: Adjust revenue for receivable accruals and deferrals	(2,490,201)
Adjust expenditures for payables	<u>2,452,043</u>
Revenue over (under) expenditures and other financing sources uses (GAAP basis)	<u>2,456,107</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

201 Foundation Place, Suite 100  
P.O. Box 2026  
Hastings NE 68902  
402-463-6711  
Fax: 402-463-6713

315 West 60<sup>th</sup>, 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<sup>th</sup> Street  
P.O. Box 2246  
Scottsbluff NE 69363  
308-635-7705  
Fax: 308-635-0599

1415 16<sup>th</sup> Street, Suite 201  
P.O. Box 191  
Central City NE 68826  
308-946-3870  
Fax: 308-382-5945

826 G Street  
Geneva, NE 68361  
402-759-3002

## 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, 2022, 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 date March 9, 2023.

### Report on 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) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lexington, Nebraska's internal control.

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



severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lexington, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Contyman Associates P.C.*  
Certified Public Accountants  
Kearney, Nebraska

March 9, 2023