

CITY OF LEXINGTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

CITY OF LEXINGTON, MISSOURI
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Lexington, Nebraska

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lexington, Nebraska, as of and for the year ended September 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Lexington, Nebraska, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditor's 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.

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 of Lexington, Nebraska'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.

Auditor's 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 auditor's report that includes our opinion. 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 generally accepted auditing standards 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 include 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 generally accepted auditing standards 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 including examining, on a test basis, evidence regarding the amount 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 of Lexington, Nebraska'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 of Lexington, Nebraska'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 schedule as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with manage-

ment'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 April 23, 2024, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lexington, Nebraska's internal control over financial reporting and compliance.

Minden, Nebraska
April 23, 2024

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	3,652,199	7,225,333	10,877,532	
Cash with county treasurer	70,218		70,218	
Taxes receivable	793,108		793,108	
Grants receivable	42,377		42,377	
Accounts receivable, net		2,012,298	2,012,298	
Interest receivable		2,045	2,045	
Lease receivable	1,237,954	407,243	1,645,197	
Notes receivable	1,738,154		1,738,154	
Other receivables	43,345	72,483	115,828	
Due from other governments	150,165		150,165	
Inventory		452,226	452,226	
Restricted cash	3,115,785	1,049,346	4,165,131	263,399
Internal balances	(1,069,518)	1,069,518		
Right of use assets	231,243	118,193	349,436	
Capital assets				
Land	6,110,394	320,396	6,430,790	785,112
Construction in progress	6,848,957	8,776,418	15,625,375	63,561
Other capital assets, net of accumulated depreciation	33,032,613	25,160,997	58,193,610	6,925
TOTAL ASSETS	55,996,994	46,666,496	102,663,490	1,118,997
LIABILITIES				
Accounts payable	341,379	1,891,098	2,232,477	
Accrued expenses	142,785	38,645	181,430	
Customer deposits		368,049	368,049	
Accrued interest	23,105	43,197	66,302	2,220
Long-term liabilities				
Compensated absences due within one year	275,230	82,016	357,246	
Accrued landfill post- closure costs		307,324	307,324	
Lease liabilities due within one year	56,833	12,407	69,240	
Lease liabilities due in more than one year	296,144	115,466	411,610	

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES (Continued)				
Long-term liabilities (Continued)				
Long-term debt due within one year	869,777	1,087,180	1,956,957	
Long-term debt due in more than one year	<u>2,754,754</u>	<u>10,824,139</u>	<u>13,578,893</u>	<u>102,483</u>
TOTAL LIABILITIES	<u>4,760,007</u>	<u>14,769,521</u>	<u>19,529,528</u>	<u>104,703</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - leases	<u>1,224,306</u>	<u>380,024</u>	<u>1,604,330</u>	
TOTAL DEFERRED INFLOW OF RESOURCES	<u>1,224,306</u>	<u>380,024</u>	<u>1,604,330</u>	
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>5,984,313</u>	<u>15,149,545</u>	<u>21,133,858</u>	<u>104,703</u>
NET POSITION				
Net investment in capital assets	42,245,699	22,189,982	64,435,681	753,115
Restricted for:				
Economic development	1,544,088		1,544,088	
Federal grants	1,343,789		1,343,789	
Debt service	5,538	391,000	396,538	
Tax increment financing	170,194		170,194	
Landfill		98,956	98,956	
Other purposes	12,453		12,453	261,179
Unrestricted	<u>4,690,920</u>	<u>8,837,013</u>	<u>13,527,933</u>	
TOTAL NET POSITION	<u>50,012,681</u>	<u>31,516,951</u>	<u>81,529,632</u>	<u>1,014,294</u>

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Functions/programs								
Primary government								
Governmental activities								
General government	2,866,130	1,022,413	86,338	749,650	(1,007,729)		(1,007,729)	
Public safety	2,425,443	236,951			(2,188,492)		(2,188,492)	
Public works	2,369,795	285,494			(2,084,301)		(2,084,301)	
Health and welfare	297,644	30,402	1,319		(265,923)		(265,923)	
Culture and recreation	2,122,873	64,498	116,709		(1,941,666)		(1,941,666)	
Community development	645,291		662,772		17,481		17,481	
Interest and fiscal fees	66,757				(66,757)		(66,757)	
Total governmental activities	<u>10,793,933</u>	<u>1,639,758</u>	<u>867,138</u>	<u>749,650</u>	<u>(7,537,387)</u>		<u>(7,537,387)</u>	
Business-type activities								
Electric	18,402,153	19,272,946				870,793	870,793	
Water	1,464,576	1,827,385				362,809	362,809	
Sewer	1,745,675	2,180,332				434,657	434,657	
Sanitation	581,267	614,777				33,510	33,510	
Internal services	713,496	780,904				67,408	67,408	
Ambulance	80,831	33,693				(47,138)	(47,138)	
Total business-type activities	<u>22,987,998</u>	<u>24,710,037</u>				<u>1,722,039</u>	<u>1,722,039</u>	
Total primary government	<u>10,874,764</u>	<u>1,673,451</u>	<u>867,138</u>	<u>749,650</u>	<u>(7,537,387)</u>	<u>1,722,039</u>	<u>(7,584,525)</u>	
Component Unit								
Community Development Association	<u>632,487</u>	<u>516,179</u>						<u>(116,308)</u>

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
General revenues								
Taxes								
Property tax, levied for general purposes				1,412,193		1,412,193		
Property tax, special assessments				3,308		3,308		
Property tax, tax increment financing				534,405		534,405		
Sales taxes				2,945,073		2,945,073		
Other				260,089		260,089		
Franchise fees based on gross receipts				1,224,048		1,224,048		
Intergovernmental				3,471,988		3,471,988		
Interest income				54,054	29,525	83,579	575	
Other revenues				286,695		286,695	226,222	
Total general revenues				<u>10,191,853</u>	<u>29,525</u>	<u>10,221,378</u>	<u>226,797</u>	
Transfers				<u>(2,368)</u>	<u>2,368</u>			
CHANGE IN NET POSITION				2,652,098	1,753,932	2,636,853	110,489	
NET POSITION, beginning of year				<u>47,360,583</u>	<u>29,763,019</u>	<u>77,123,602</u>	<u>903,805</u>	
NET POSITION, end of year				<u>50,012,681</u>	<u>31,516,951</u>	<u>79,760,455</u>	<u>1,014,294</u>	

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

ASSETS	General Fund	Federal Grants Fund	ARPA Fund	Street Fund	Economic Development Fund	Debt Service Fund	Meals On Wheels Fund	Tax Increment Financing Fund	Total Governmental Funds
ASSETS									
Cash and cash equivalents	2,151,956			1,500,243					3,652,199
Cash with county treasurer	67,754							2,464	70,218
Taxes receivable	792,951					157			793,108
Grants receivable	42,377								42,377
Notes receivable		713,526			1,024,628				1,738,154
Other receivables	31,337			260		11,748			43,345
Leases receivable	1,237,954								1,237,954
Due from other governments	100			144,045			6,020		150,165
Due from other funds				280,582					280,582
Restricted cash		182,847	1,205,106		1,544,088	5,539	10,475	167,730	3,115,785
TOTAL ASSETS	4,324,429	896,373	1,205,106	1,925,130	2,568,716	17,444	16,495	170,194	11,123,887
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	229,966	42,841	1,323	63,885			3,364		341,379
Due to other funds	1,350,100								1,350,100
Accrued expenses	116,654			25,453			678		142,785
Total liabilities	1,696,720	42,841	1,323	89,338			4,042		1,834,264
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - property taxes	151,223					157			151,380
Unavailable revenue - leases	1,224,306								1,224,306
Unavailable revenue - loan repayments		713,526			1,024,628				1,738,154
Unavailable revenue - special assessments						11,749			11,749
Total deferred inflows of resources	1,375,529	713,526			1,024,628	11,906			3,125,589
FUND BALANCES									
Restricted		140,006	1,203,783		1,544,088	5,538	12,453	170,194	3,076,062
Assigned				1,835,792					1,835,792
Unassigned	1,252,180								1,252,180
Total fund balances	1,252,180	140,006	1,203,783	1,835,792	1,544,088	5,538	12,453	170,194	6,164,034
TOTAL LIABILITIES AND FUND BALANCES	4,324,429	896,373	1,205,106	1,925,130	2,568,716	17,444	16,495	170,194	11,123,887

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

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

Fund balance - total governmental funds		6,164,034
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	86,903,033	
Less accumulated depreciation	<u>(40,911,069)</u>	45,991,964
Right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Right-to-use leased assets	462,486	
Less accumulated amortization	<u>(231,243)</u>	231,243
Deferred inflows represent funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds.		1,901,283
Bond interest was accrued for governmental activities.		(23,105)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(3,977,508)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(275,230)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>50,012,681</u>

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Federal Grants Fund	ARPA Fund	Street Fund	Economic Development Fund	Debt Service Fund	Meals On Wheels Fund	Tax Increment Financing Fund	Total Governmental Funds
REVENUES									
Taxes									
Property	1,412,193					3,308		534,405	1,949,906
Sales	2,945,073								2,945,073
Franchise	1,224,048								1,224,048
Other	260,089								260,089
Charges for services	1,167,051			230,318					1,397,369
Rent	217,462								217,462
Licenses, fees, and permits	24,927								24,927
Intergovernmental	1,705,271	662,772		1,766,717			116,709		4,251,469
Loan principal		93,323			500,000				593,323
Interest	21,990	10,164		11,359	10,044	327	7	163	54,054
Donations and private grants	835,988						1,319		837,307
Miscellaneous	116,359			143,278			2,260	24,798	286,695
Total revenues	<u>9,930,451</u>	<u>766,259</u>		<u>2,151,672</u>	<u>510,044</u>	<u>3,635</u>	<u>120,295</u>	<u>559,366</u>	<u>14,041,722</u>
EXPENDITURES									
Current									
General government	1,885,703							546,405	2,432,108
Public safety	2,357,188								2,357,188
Public works	918			1,415,169					1,416,087
Health and welfare	141,472						118,409		259,881
Culture and recreation	1,822,803								1,822,803
Community development		645,279			12				645,291
Capital outlay	3,473,927		316,893	1,229,600					5,020,420
Debt service									
Principal						1,123,156			1,123,156
Interest and fiscal fees						71,523			71,523
Total expenditures	<u>9,682,011</u>	<u>645,279</u>	<u>316,893</u>	<u>2,644,769</u>	<u>12</u>	<u>1,194,679</u>	<u>118,409</u>	<u>546,405</u>	<u>15,148,457</u>

CITY OF LEXINGTON, NEBRASKA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Federal Grants Fund	ARPA Fund	Street Fund	Economic Development Fund	Debt Service Fund	Meals On Wheels Fund	Tax Increment Financing Fund	Total Governmental Funds
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>248,440</u>	<u>120,980</u>	<u>(316,893)</u>	<u>(493,097)</u>	<u>510,032</u>	<u>(1,191,044)</u>	<u>1,886</u>	<u>12,961</u>	<u>(1,106,735)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in				942,864	467,500	1,194,679			2,605,043
Transfers out	<u>(1,777,826)</u>			<u>(829,585)</u>					<u>(2,607,411)</u>
Total other financing sources (uses)	<u>(1,777,826)</u>			<u>113,279</u>	<u>467,500</u>	<u>1,194,679</u>			<u>(2,368)</u>
NET CHANGE IN FUND BALANCES	<u>(1,529,386)</u>	<u>120,980</u>	<u>(316,893)</u>	<u>(379,818)</u>	<u>977,532</u>	<u>3,635</u>	<u>1,886</u>	<u>12,961</u>	<u>(1,109,103)</u>
FUND BALANCE, beginning of year	<u>2,781,566</u>	<u>19,026</u>	<u>1,520,676</u>	<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>
FUND BALANCE, end of year	<u><u>1,252,180</u></u>	<u><u>140,006</u></u>	<u><u>1,203,783</u></u>	<u><u>1,835,792</u></u>	<u><u>1,544,088</u></u>	<u><u>5,538</u></u>	<u><u>12,453</u></u>	<u><u>170,194</u></u>	<u><u>6,164,034</u></u>

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

Net change in fund balances - total governmental funds (1,109,103)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was less than capital outlay in the current period.

Expenses capitalized	5,020,420	
Depreciation	<u>(1,523,392)</u>	3,497,028

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 (115,622)

Governmental funds report the proceeds from the disposal of assets as revenues. However, in the statement of activities, the revenues are reported less the amount of nondepreciated cost. This is the amount by which the cost exceeded any proceeds.

Cost (80,750)

Internal service funds are used by management to charge the costs of certain activities to individual funds. (90,886)

Governmental funds report the collection of principal from notes receivable as revenues. However, in the statement of activities, they are not reported as a revenue source and rather a reduction of receivable balance in the statement of net position. (593,323)

Some expenses in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences 16,832

CITY OF LEXINGTON, NEBRASKA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

The issuance of long-term debt (e.g., bonds, loan, leases) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Debt principal payments	1,123,156	
Decrease in accrued debt interest expense	<u>4,766</u>	<u>1,127,922</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>2,652,098</u></u>

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Enterprise Funds						Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund		
ASSETS								
ASSETS								
Current assets								
Cash and cash equivalents	4,784,177	1,857,614		198,879		118,963	6,959,633	265,700
Interest receivable		2,045					2,045	
Accounts receivable, net	1,145,374	369,988	384,038	112,898			2,012,298	
Other receivables	72,483						72,483	
Lease receivable, current portion								
Due from other funds	2,381,701						2,381,701	
Inventory	211,663	239,951	612				452,226	
Total current assets	<u>8,595,398</u>	<u>2,469,598</u>	<u>384,650</u>	<u>311,777</u>		<u>118,963</u>	<u>11,880,386</u>	<u>265,700</u>
Noncurrent assets								
Restricted cash	759,049				290,297		1,049,346	
Lease receivable net of current portion		407,243					407,243	
Right-to-use asset, net of accumulated amortization	118,193						118,193	
Capital assets								
Land	27,442	687	176,284		115,983		320,396	
Construction in progress	923,223	18,403	7,834,792				8,776,418	
Other capital assets, net of accumulated depreciation	9,363,098	3,102,381	12,654,991	23,167		17,360	25,160,997	
Total noncurrent assets	<u>11,191,005</u>	<u>3,528,714</u>	<u>20,666,067</u>	<u>23,167</u>	<u>406,280</u>	<u>17,360</u>	<u>35,832,593</u>	
TOTAL ASSETS	<u>19,786,403</u>	<u>5,998,312</u>	<u>21,050,717</u>	<u>334,944</u>	<u>406,280</u>	<u>136,323</u>	<u>47,712,979</u>	<u>265,700</u>

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Enterprise Funds						Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund		
LIABILITIES								
LIABILITIES								
Current liabilities								
Accounts payable	1,526,634	32,221	297,021			3,001	1,858,877	32,221
Accrued expenses	10,936	14,211	13,498				38,645	
Accrued interest	15,738	8,297	19,162				43,197	
Customer deposits	368,049						368,049	
Compensated absences	21,447	23,886	36,683				82,016	
Due to other funds		140,291	1,171,892				1,312,183	
Lease liability, current portion	12,407						12,407	
Current portion of long-term obligations	245,000	85,000	757,180				1,087,180	
Total current liabilities	<u>2,200,211</u>	<u>303,906</u>	<u>2,295,436</u>			<u>3,001</u>	<u>4,802,554</u>	<u>32,221</u>
Noncurrent liabilities								
Accrued landfill post closure costs					307,324		307,324	
Lease liability, noncurrent portion	115,466						115,466	
Noncurrent portion of long-term obligations	685,000	1,030,000	9,109,139				10,824,139	
Total noncurrent liabilities	<u>800,466</u>	<u>1,030,000</u>	<u>9,109,139</u>		<u>307,324</u>		<u>11,246,929</u>	
TOTAL LIABILITIES	<u>3,000,677</u>	<u>1,333,906</u>	<u>11,404,575</u>		<u>307,324</u>	<u>3,001</u>	<u>16,049,483</u>	<u>32,221</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - leases		380,024					380,024	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>3,000,677</u>	<u>1,713,930</u>	<u>11,404,575</u>		<u>307,324</u>	<u>3,001</u>	<u>16,429,507</u>	<u>32,221</u>
NET POSITION								
Net investment in capital assets	9,383,763	2,006,471	10,799,748				22,189,982	
Restricted for:								
Debt service	391,000						391,000	
Landfill					98,956		98,956	
Unrestricted (deficit)	<u>7,010,963</u>	<u>2,277,911</u>	<u>(1,153,606)</u>	<u>334,944</u>		<u>133,322</u>	<u>8,603,534</u>	<u>233,479</u>
TOTAL NET POSITION	<u>16,785,726</u>	<u>4,284,382</u>	<u>9,646,142</u>	<u>334,944</u>	<u>98,956</u>	<u>133,322</u>	<u>31,283,472</u>	<u>233,479</u>

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2023

	Enterprise Funds						Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund		
OPERATING REVENUES								
Charges for services	18,772,088	1,711,558	2,132,506	614,777		33,693	23,264,622	
Interfund collections								732,119
Miscellaneous	500,858	115,827	47,826				664,511	48,785
Total operating revenues	<u>19,272,946</u>	<u>1,827,385</u>	<u>2,180,332</u>	<u>614,777</u>		<u>33,693</u>	<u>23,929,133</u>	<u>780,904</u>
OPERATING EXPENSES								
Personnel services	403,047	551,766	438,540				1,393,353	
Power purchased	13,783,223						13,783,223	
Contractual services	1,423,554	36,089	271,156	578,163		16,330	2,325,292	
Supplies	231,184	135,583	2,172			17,410	386,349	
Operating expenses	1,069,343	465,238	358,953	1,714		30,495	1,925,743	713,496
Franchise fees	953,133	88,164	106,844				1,148,141	
Depreciation	506,507	165,462	538,741	1,390		16,596	1,228,696	
Total operating expenses	<u>18,369,991</u>	<u>1,442,302</u>	<u>1,716,406</u>	<u>581,267</u>		<u>80,831</u>	<u>22,190,797</u>	<u>713,496</u>
OPERATING INCOME (LOSS)	<u>902,955</u>	<u>385,083</u>	<u>463,926</u>	<u>33,510</u>		<u>(47,138)</u>	<u>1,738,336</u>	<u>67,408</u>
NONOPERATING REVENUES (EXPENSES)								
Interest income		28,695		181	288	154	29,318	207
Interest expense	(32,162)	(22,274)	(29,269)				(83,705)	
Total nonoperating revenues (expenses)	<u>(32,162)</u>	<u>6,421</u>	<u>(29,269)</u>	<u>181</u>	<u>288</u>	<u>154</u>	<u>(54,387)</u>	<u>207</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>870,793</u>	<u>391,504</u>	<u>434,657</u>	<u>33,691</u>	<u>288</u>	<u>(46,984)</u>	<u>1,683,949</u>	<u>67,615</u>
TRANSFERS								
Transfers in	2,368				15,000		17,368	
Transfers out				(15,000)			(15,000)	
Net transfers	<u>2,368</u>			<u>(15,000)</u>	<u>15,000</u>		<u>2,368</u>	
CHANGE IN NET POSITION	873,161	391,504	434,657	18,691	15,288	(46,984)	1,686,317	67,615
NET POSITION, beginning of year	15,912,565	3,892,878	9,211,485	316,253	83,668	180,306	29,597,155	165,864
NET POSITION, end of year	<u>16,785,726</u>	<u>4,284,382</u>	<u>9,646,142</u>	<u>334,944</u>	<u>98,956</u>	<u>133,322</u>	<u>31,283,472</u>	<u>233,479</u>

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2023

	Enterprise Funds						Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund		
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	18,766,300	1,646,501	2,100,920	615,835		33,693	23,163,249	
Receipts from interfund collections								732,119
Payments to suppliers	(16,337,663)	(685,978)	(1,268,423)	(579,877)	(16,103)	(334,360)	(19,222,404)	(800,493)
Payments to franchise taxes to city	(953,133)	(88,164)	(106,844)				(1,148,141)	
Payments to employees	(401,326)	(548,331)	(439,430)				(1,389,087)	
Other receipts	428,375	115,827	47,826				592,028	48,785
	<u>1,502,553</u>	<u>439,855</u>	<u>334,049</u>	<u>35,958</u>	<u>(16,103)</u>	<u>(300,667)</u>	<u>1,995,645</u>	<u>(19,589)</u>
Net cash provided by (used in) operating activities								
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Net change in due to/due from other funds	1,363,370	(23,285)	(1,386,655)				(46,570)	
Payment of lease obligation	(11,816)						(11,816)	
Transfers from other funds	2,368						2,368	
Transfers to other funds				(15,000)	15,000			
	<u>1,353,922</u>	<u>(23,285)</u>	<u>(1,386,655)</u>	<u>(15,000)</u>	<u>15,000</u>		<u>(56,018)</u>	
Net cash provided by (used in) noncapital financing activities								
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Purchases of capital assets	(651,619)	(84,585)	(2,638,666)				(3,374,870)	
Proceeds from long-term debt			4,265,214				4,265,214	
Long-term debt payments	(260,030)	(85,000)	(541,901)				(886,931)	
Interest and fiscal fees paid on long-term debt	(34,990)	(22,720)	(32,041)				(89,751)	
	<u>(946,639)</u>	<u>(192,305)</u>	<u>1,052,606</u>				<u>(86,338)</u>	
Net cash provided by (used in) capital and related financing activities								
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest received		26,650		181	288	154	27,273	207
		<u>26,650</u>		<u>181</u>	<u>288</u>	<u>154</u>	<u>27,273</u>	<u>207</u>
Net cash provided by investing activities								

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2023

	Enterprise Funds						Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,909,836	250,915		21,139	(815)	(300,513)	1,880,562	(19,382)
CASH AND CASH EQUIVALENTS, beginning of year	3,633,390	1,606,699		177,740	291,112	419,476	6,128,417	285,082
CASH AND CASH EQUIVALENTS, end of year	5,543,226	1,857,614		198,879	290,297	118,963	8,008,979	265,700
ALLOCATION OF CASH								
Unrestricted	4,784,177	1,857,614		198,879		118,963	6,959,633	265,700
Restricted	759,049				290,297		1,049,346	
Total	5,543,226	1,857,614		198,879	290,297	118,963	8,008,979	265,700
Reconciliation of Operating Income to Net Cash Provided by Operating Activities								
Operating income (loss)	902,955	385,083	463,926	33,510		(47,138)	1,738,336	67,408
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation	506,507	165,462	538,741	1,390		16,596	1,228,696	
Amortization	29,548						29,548	
(Increase) decrease in:								
Receivables	(72,341)	(65,057)	(31,586)	1,058			(167,926)	
Inventory	(19,961)	(22,808)	178				(42,591)	
Lease receivable		17,614					17,614	
Increase (decrease) in:								
Accounts payable	160,054	(12,695)	(636,320)			(270,125)	(759,086)	(86,997)
Accrued expenses	513	1,070	839		(16,103)		(13,681)	
Compensated absences	1,208	2,365	(1,729)				1,844	
Deferred inflows of resources		(31,179)					(31,179)	
Meter deposits	(5,930)						(5,930)	
Total adjustments	599,598	54,772	(129,877)	2,448	(16,103)	(253,529)	257,309	(86,997)
Net cash provided by operating activities	1,502,553	439,855	334,049	35,958	(16,103)	(300,667)	1,995,645	(19,589)

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City of Lexington, Nebraska, provides a range of municipal services, including general government administration; public safety service; recreation; street maintenance; economic development; and provides services for electric, waterworks, and sewerage.

In determining the financial reporting entity, the City complies with the provisions of Statement 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations are Component Units*. For financial reporting purposes, the City includes all funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the City.

The basic financial statements report on the government as a whole. They include the City of Lexington, Nebraska 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. The CDA reports using the economic resources measurement focus on the accrual basis of accounting.

B. BASIS OF PRESENTATION

Government-Wide Statements

The statement of net position and statement of activities report information on the City as a whole. They include all funds of the City. The effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment are offset by program revenues. Direct expenditures are those that are clearly identifiable with a specific function or segment.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Government-Wide Statements (Continued)

Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement 34 sets forth minimum criteria for the determination of major funds.

The funds of the City are described below:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (other than those in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position. The following are the City's governmental fund types:

General Fund

The 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.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

Governmental Fund Types (Continued)

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted, committed, or assigned to expenditures for specified purposes the purpose of which is determined by the fund name. The reporting entity includes the following special revenue funds, which are reported as major funds:

Federal Grants – accounts for revenues and expenditures relating to grants for community development.

American Rescue Plan Act – accounts for revenues and expenditures relating to grants for pandemic relief and restoration.

Street – accounts for revenues and expenditures for the maintenance, construction, and improvements of the streets and alleys of the City.

Economic Development – accounts for revenues and expenditures for community economic development.

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

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs other than debt payable from the operations of the Enterprise Funds.

Proprietary Fund Types

Enterprise Funds - The enterprise funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is based upon determination of net income. The City reports the following major enterprise funds: Electric, Water, Sewer, Sanitation, Landfill, Ambulance.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

Proprietary Fund Types (Continued)

Internal Service Fund – The internal service fund is used to account for the financing of goods or services provided by one department or to other governments on a cost-reimbursement basis.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's proprietary functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues' availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Business-type activities and all proprietary funds are accounted for using an economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. The City maintains cash and investment pools which are available for use by most funds. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents. Investments made in accordance with bond ordinances are reflected as restricted cash and cash equivalents. Funds with overdrawn balances are not charged interest.

As provided for by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the City reflects money market investments with a maturity of one year or less at the time of purchase at amortized cost, which approximates fair value. All other investments are required to be reported at fair value based on quoted market prices.

Accounts Receivable

Governmental activities receivable consists of miscellaneous services provided to citizens, net of an allowance for uncollectible accounts of \$10,000. Business-type activities represent billed electric, water, sewer and sanitation charges, net of an allowance for uncollectible accounts of \$15,000, \$5,000, 7,000, and \$3,000, respectively.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

E.

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 fund or Economic Enhancement funds of the City to qualifying businesses. Management has determined that no allowance is necessary at September 30, 2023.

Inventories

Inventories, consisting of materials and supplies, are valued at lower of cost or net realizable value. Cost is determined using estimated replacement cost basis which approximates actual cost.

Lease Receivables

In accordance with GASB 87, *Leases*, the City records the 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.

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.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Capital Assets

Under GASB Statement 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. 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. Donated fixed assets are valued at their estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Equipment and vehicles	5 - 15 years
Buildings and improvements	15 - 50 years
Infrastructure	20 - 40 years
Utility systems	20 - 50 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

Deferred Inflows of Resources

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

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. The 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.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Compensated Absences

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

Long-Term Debt

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds and payments of debt as other financing sources and uses of the current period. Issuance costs are reported as expenditures.

Fund Equity

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets consists of capital assets including restricted 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.

Restricted net position consists of net assets with constraints placed on the use either by external groups - such as creditors, grantors, contributors, or laws and regulations of other governments - or through constitutional provision or enabling legislation. It is the City's policy to use restricted net assets first, prior to the use of unrestricted net assets, when a disbursement is paid for purposes in which both restricted and unrestricted net assets are available.

Unrestricted net position does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Fund Equity (Continued)

Fund Financial Statements (Continued)

Fund Balance Classification (Continued)

Nonspendable

This classification includes amounts that cannot be spent because they either (a) are not in spendable form or (b) are legally or contractually required to be maintained intact. The City currently has no amount classified in this category.

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City currently has no amounts classified in this category.

Assigned

This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board delegating this responsibility to the City Administrator through the budgetary process.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Fund Equity (Continued)

Fund Balance Classification (Continued)

Unassigned

This classification includes the residual fund balance for the General Fund as it is the only fund that reports a positive, unassigned fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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 defer the use of these other classified funds.

F. USE OF ESTIMATES

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

G. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources, to provide services and construct assets. Legally authorized transfers are included in the fund financial statements of both governmental and proprietary funds.

H. 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 for proprietary funds are those that result from providing goods and services.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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.

J. NEW ACCOUNTING PRONOUNCEMENT ADOPTED

GASB Statement 96, Subscription-Based Information Technology Agreements (SBITAs), was implemented on October 1, 2022. The standard provides guidance related to accounting and financial reporting for SBITAs. The standard generally requires the recording of a right-to-use subscription asset (intangible asset) and a corresponding liability. There is an exception for short-term SBITAs defined as those with maximum possible terms of 12 months or less including options to extend, regardless of their probability of being exercised. The City excludes all SBITA's deemed immaterial.

NOTE 2. CASH AND EQUIVALENTS

The disclosures that follow have been prepared in accordance with the provisions of GASB Statement 40, *Deposit and Investment Risk Disclosures*. This statement establishes disclosure requirements for investment and deposit risks related to credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk.

Credit Risk - The City's general credit risk policy is to apply the prudent person rule: Investments shall be made with the exercise of that judgment and care, under circumstances then prevailing, which individuals of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal policy for interest rate risk. However, the City does manage its exposure to fair value loss arising from interest rate changes on internally invested funds by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's policy is to collateralize bank deposits with securities held by the financial institution's agent and in the City's name. As of September 30, 2023, all of the City's deposits with financial institutions were fully insured or collateralized by securities held in the City's name in the form of joint safekeeping receipts.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. CASH AND EQUIVALENTS (Continued)

Restricted cash consisted of the following:

Governmental Activities:	
Community development block grants and reuse monies	182,847
American Rescue Plan Act	1,205,106
Economic development	1,544,088
Debt service	5,539
Meals on Wheels	10,475
Tax increment financing	<u>167,730</u>
	<u>3,115,785</u>
Business-Type Activities:	
Customer deposits	368,049
Debt service	391,000
Landfill closure	<u>290,297</u>
	<u>1,049,346</u>
Discretely Presented Component Unit:	
Community Development	<u>263,399</u>

NOTE 3. RECEIVABLES

Accounts receivable of the business-type activities consists of utilities receivables. Receivables of the governmental activities consist of taxes, grants, and other receivables.

	Governmental Activities	Business-Type Activities
Receivables	1,038,995	2,042,298
Allowance for uncollectible Accounts	<u>(10,000)</u>	<u>(30,000)</u>
	<u>1,028,995</u>	<u>2,012,298</u>

NOTE 4. NOTES RECEIVABLE

Notes receivable at September 30, 2023 are summarized below:

	Original Loan Amounts	Dates Issued	Interest Rates	Balance
Economic Development Fund				
7 outstanding loans	1,807,000	2009-2022	0%-2%	1,024,628
CDBG Program				
2 outstanding loans	143,388	2012	0%	143,388
Revolving Loan Program				
6 outstanding loans	1,325,000	2012-2022	0%-2%	570,138

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. 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	953,133
Water	88,164
Sewer	<u>106,844</u>
	<u><u>1,148,141</u></u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

Governmental Activities

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	6,100,986	90,158	(80,750)	6,110,394
Construction in progress	<u>2,673,523</u>	<u>4,175,434</u>	<u> </u>	<u>6,848,957</u>
Total capital assets, not being depreciated	<u>8,774,509</u>	<u>4,265,592</u>	<u>(80,750)</u>	<u>12,959,351</u>
Capital assets, being depreciated				
Buildings and improvements	18,931,624	32,600		18,964,224
Equipment and vehicles	5,291,688	722,228	(79,623)	5,934,293
Infrastructure	<u>49,045,165</u>	<u> </u>	<u> </u>	<u>49,045,165</u>
Total capital assets, being depreciated	73,268,477	754,828	(79,623)	73,943,682
Less accumulated depreciation:	(39,467,300)	(1,523,392)	79,623	(40,911,069)
Total capital assets, being depreciated	<u>33,801,177</u>	<u>(768,564)</u>	<u> </u>	<u>33,032,613</u>
Governmental activities capital assets, net	<u><u>42,575,686</u></u>	<u><u>3,497,028</u></u>	<u><u>(80,750)</u></u>	<u><u>45,991,964</u></u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

Governmental Activities (Continued)

Depreciation was charged to functions as follows:

General government	151,925
Public safety	82,094
Public works	958,670
Health and welfare	37,465
Culture and recreation	<u>293,868</u>
	<u>1,523,392</u>

Business-Type Activities

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023
Capital assets, not being depreciated				
Land	320,396			320,396
Construction in progress	<u>6,108,191</u>	<u>2,789,245</u>	<u>(121,018)</u>	<u>8,776,418</u>
Total capital assets, not being depreciated	<u>6,428,587</u>	<u>2,789,245</u>	<u>(121,018)</u>	<u>9,096,814</u>
Capital assets, being depreciated				
Buildings and improvements	18,001,979			18,001,979
Equipment and vehicles	1,566,960	47,242		1,614,202
Utility systems	<u>47,200,154</u>	<u>659,401</u>		<u>47,859,555</u>
Total capital assets, being depreciated	66,769,093	706,643		67,475,736
Less accumulated depreciation	<u>(41,086,043)</u>	<u>(1,228,696)</u>		<u>(42,314,739)</u>
Total capital assets, being depreciated	<u>25,683,050</u>	<u>(522,053)</u>		<u>25,160,997</u>
Business-type activities capital assets, net	<u>32,111,637</u>	<u>2,267,192</u>	<u>(121,018)</u>	<u>34,257,811</u>

Depreciation was charged to the following funds:

Electric	506,507
Water	165,462
Sewer	538,741
Sanitation	1,390
Ambulance	<u>16,596</u>
	<u>1,228,696</u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

Discretely Presented Component Unit

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023
Capital assets, not being depreciated				
Land	583,720	201,392		785,112
Construction in progress	6,000	57,561		63,561
Total capital assets, not being depreciated	<u>589,720</u>	<u>258,953</u>		<u>848,673</u>
Capital assets, being depreciated				
Buildings and improvements	32,895			32,895
Less accumulated depreciation	<u>(24,238)</u>	<u>(1,732)</u>		<u>(25,970)</u>
Total capital assets, being depreciated	<u>8,657</u>	<u>(1,732)</u>		<u>6,925</u>
Business-type activities capital assets, net	<u><u>598,377</u></u>	<u><u>257,221</u></u>		<u><u>855,598</u></u>

NOTE 7. LONG-TERM DEBT

Governmental Activities

Changes in the debt for the year ended September 30, 2023, consisted of the following:

	Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023	Due in One Year
General Obligation					
Street Bonds	1,225,000		(305,000)	920,000	305,000
General Obligation					
Refunding Bonds	205,000		(100,000)	105,000	105,000
Highway Allocation Bonds	1,520,000		(300,000)	1,220,000	305,000
Direct Borrowings (Notes Payable)					
GWB-CED Phase I	12,629		(12,629)		
SW 1st Street	1,143,122		(99,537)	1,043,585	102,717
Lehman Land	386,500		(50,554)	335,946	52,060
Econ. Dev. Loan	200,000		(200,000)		
Compensated absences	<u>292,062</u>	<u>275,230</u>	<u>(292,062)</u>	<u>275,230</u>	<u>275,230</u>
Total governmental long-term liabilities	<u><u>4,984,313</u></u>	<u><u>275,230</u></u>	<u><u>(1,359,782)</u></u>	<u><u>3,899,761</u></u>	<u><u>1,145,007</u></u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Bonds Payable

General Obligation Refunding Bonds, Series 2015, dated March 31, 2015, due in annual installments varying from year to year until maturity in March 2024, interest at 0.40% to 2.20%.

105,000

General Obligation Street Bonds, Series 2020, dated December 2, 2020, due in annual installments varying from year to year until maturity in November, 2025, interest at 0.55% to 1.01%.

920,000

Highway Allocation Bonds, Series 2021, dated October 5, 2021, due in annual installments varying from year to year until maturity in October 2026, interest at 0.30% to 0.70%.

1,220,000

Total Bonds Payable

2,245,000

Aggregate annual principal and interest payments applicable to Bonds Payable are:

Years Ending September 30	Principal	Interest	Total
2024	715,000	11,329	726,329
2025	610,000	7,353	617,353
2026	615,000	3,982	318,982
2027	<u>305,000</u>	<u>1,068</u>	<u>306,068</u>
	<u>2,245,000</u>	<u>23,732</u>	<u>2,268,732</u>

Direct Borrowings - Note Payable

SW 1st Street issued May 1, 2017 with interest At 2.98% until maturity in May 2032.

1,043,585

Lehman Land Purchase issued May 15, 2019 With interest at 2.89% until maturity in May, 2029.

335,946

Total Notes Payable

1,379,531

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Direct Borrowing – Notes Payable (Continued)

Aggregate annual principal and interest payments applicable to Bonds Payable are:

Years Ending September 30	Principal	Interest	Total
2024	154,777	40,065	194,842
2025	159,395	35,445	194,840
2026	164,107	30,735	194,842
2027	168,971	25,869	194,840
2028	173,976	20,866	194,842
2029 - 2032	<u>558,305</u>	<u>35,717</u>	<u>594,022</u>
	<u>1,379,531</u>	<u>188,697</u>	<u>1,568,228</u>

Compensated Absences

Compensated absences are payable upon separation from employment which could occur at any time and are, therefore, considered payable within one year and are liquidated by the governmental activity responsible for generating the liability with an accumulated total of \$275,230.

Business-Type Activities

Changes in debt for the year ended September 30, 2023, consisted of the following:

	Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023	Due in One Year
Revenue Refunding Bonds	1,490,000		(560,000)	930,000	245,000
Revenue Bonds	1,200,000		(85,000)	1,115,000	85,000
Loans Payable	5,843,036	4,265,214	(241,930)	9,866,320	757,180
Compensated absences	<u>80,172</u>	<u>82,016</u>	<u>(80,172)</u>	<u>82,016</u>	<u>82,016</u>
Total business-type long-term liabilities	<u>8,613,208</u>	<u>4,347,230</u>	<u>(967,102)</u>	<u>11,993,336</u>	<u>1,169,196</u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Bonds Payable

Combined Utilities Revenue Refunding Bonds, Series 2014, dated July 1, 2014, due in annual installments varying from year to year until maturity in September 2023, interest at 0.30% to 2.40%.	- 0 -
Combined Utilities Revenue Refunding Bonds, Series 2016, dated June 1, 2016, due in annual installments varying from year to year until maturity in September 2023, interest at 0.60% to 1.70%.	- 0 -
Combined Utilities Revenue Refunding Bonds, Series 2018, dated September 28, 2018, due in annual installments varying from year to year until maturity in October 2026, interest at 1.85% to 2.90%.	930,000
Combined Utilities Revenue Bonds, Series 2020, dated February 5, 2020, due in annual installments varying from year to year until maturity in November 2034, interest at 1.30% to 2.40%.	<u>1,115,000</u>
Total Bonds Payable	<u>2,045,000</u>

Aggregate annual principal and interest payments applicable to Bonds Payable are:

Years Ending September 30	Principal	Interest	Total
2024	330,000	43,201	373,201
2025	335,000	35,631	370,631
2026	340,000	27,494	367,494
2027	270,000	19,891	289,891
2028	90,000	15,661	105,661
2029 - 2033	480,000	50,297	530,297
2034 - 2035	<u>200,000</u>	<u>4,800</u>	<u>204,800</u>
	<u>2,045,000</u>	<u>196,975</u>	<u>2,241,975</u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Loans Payable

Nebraska Department of Environment and Energy,
dated February 19, 2021 until maturity in 2034,
interest at 0.50% 2,614,565

Nebraska Department of Environment and Energy,
dated September 2, 2021, until maturity in 2043,
interest at 0.00%. The City can continue to advance
funds from this loan until project completion. 7,251,755

Total Loans Payable 9,866,320

Aggregate annual principal and interest payments applicable to Bonds Payable are:

Years Ending September 30	Principal	Interest	Total
2024	757,180	13,073	770,253
2025	757,180	11,864	769,044
2026	757,180	10,653	767,833
2027	757,180	9,444	766,624
2028	757,180	8,234	765,414
2029 - 2033	3,785,900	23,000	3,808,900
2034 - 2038	<u>2,294,520</u>	<u>2,200</u>	<u>2,296,720</u>
	<u>9,866,320</u>	<u>78,468</u>	<u>9,944,788</u>

Compensated Absences

Compensated absences are payable upon separation from employment which could occur at any time and are, therefore, considered payable within one year and are liquidated by the governmental activity responsible for generating the liability with an accumulated total of \$82,016.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Discretely Presented Component Unit

Changes in debt for the year ended September 30, 2023, consisted of the following:

	Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023	Due in One Year
Bonds Payable	93,800		(21,317)	72,483	22,696
Direct Borrowings (Notes Payable)					
Housing	30,000			30,000	
CED 2018	<u>100,000</u>		<u>(100,000)</u>		
Total governmental long-term liabilities	<u>223,800</u>		<u>(121,317)</u>	<u>102,483</u>	<u>22,696</u>

Bonds Payable

Bonds payable issued January 15, 2010, due in annual installments varying from year to year until maturity in December 2025, interest at 3.00%.

72,483

Direct Borrowings - Note Payable

Note payable issued October 1, 2007 with 0.00% interest and no stated maturity.

30,000

Note payable issued January 25, 2018 with 0.00% interest and no stated maturity.

- 0 -

Total Notes Payable

30,000