

CITY OF LEXINGTON, NEBRASKA

FINANCIAL STATEMENTS

September 30, 2012

CITY OF LEXINGTON, NEBRASKA

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CONTRYMAN ASSOCIATES, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit of the City of Lexington, Nebraska, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major funds, and the discretely presented component unit of the City of Lexington, Nebraska, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2013, on our consideration of the City of Lexington, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Contryman Associates P.C.

Certified Public Accountants
Lexington, Nebraska

February 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. 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 \$46,896,836 (net assets). Of this amount, \$4,109,751 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.

The City's total net assets increased by \$1,089,991 in comparison with the previous year. Of this amount, \$1,065,814 was the increase from governmental activities. This increase was due primarily to the reduction in short-term and long-term liabilities. Business-type activities net assets increased by \$24,177. This indicates that a reduction in debt only slightly outweighed the decrease in capital assets due to depreciation of the utility plants.

The City's governmental funds reported combined ending fund balances of \$2,701,349; an increase of \$247,903 in comparison with the prior year. This increase is due to higher cash balances and lower liabilities at year-end. Of this total fund balance, 72%, or \$1,946,063 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 decreased \$1,245,389. This decrease is due to debt payments made during the year. The long-term debt balance includes bonded and non-bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets 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 15-17 of the report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All City funds are divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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 18-22 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, sanitation, landfill, and ambulance. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its health fund and central garage. 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 except the ambulance fund are considered to be major funds of the City. Internal service funds are also presented individually in the proprietary fund financial statement section.

The basic proprietary fund financial statements can be found on pages 23-27 of the report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Currently, the city of Lexington has no fiduciary funds as defined by the Governmental Accounting Standards Board.

NOTES TO THE FINANCIAL STATEMENTS

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

Notes to the financial statements can be found on pages 28 – 51 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 assets 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 \$46,896,836 at September 30, 2012.

By far, the largest portion of the City's net assets (82 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, machinery and equipment);

less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City of Lexington
Condensed Statement of Net Assets
September 30, 2012

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	4,870,215	5,320,241	6,681,839	6,611,358	11,552,054	11,931,599
Capital Assets	30,110,929	29,852,837	21,444,444	22,089,753	51,555,373	51,942,590
Total Assets	34,981,144	35,173,078	28,126,283	28,701,111	63,107,427	63,874,189
Long-Term Liabilities						
Outstanding	4,014,541	4,716,297	8,593,719	9,148,443	12,608,260	13,864,740
Other Liabilities	1,508,834	2,065,225	2,093,497	2,137,779	3,602,331	4,203,004
Total Liabilities	5,523,375	6,781,522	10,687,216	11,286,222	16,210,591	18,067,744
Net Assets:						
Invested in Capital Assets						
net of related debt	25,394,756	24,448,015	13,136,883	13,225,384	38,531,639	37,673,399
Restricted	706,838	669,421	3,548,608	3,500,960	4,255,446	4,170,381
Unrestricted	3,356,175	3,274,519	753,576	688,546	4,109,751	3,963,065
Total Net Assets	29,457,769	28,391,955	17,439,067	17,414,890	46,896,836	45,806,845

An additional portion of the City's net assets, 9 percent, represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets, 9% (\$4,109,751) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2012, the City is able to report positive balances in all three categories of net assets; for the government as a whole, for its separate governmental and business-type activities.

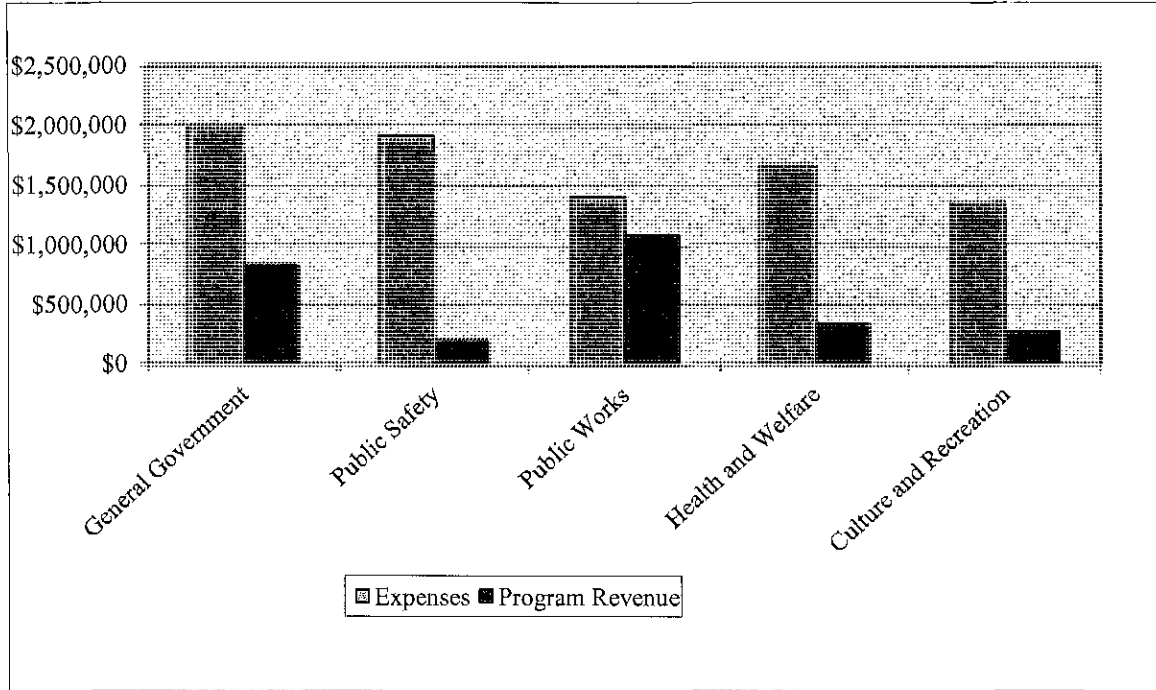
City of Lexington
Condensed Statement of Activities and Change in Net Assets
for the Year Ended September 30, 2012

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue:						
Program Revenue:						
Charges for Services	1,397,173	1,276,654	19,179,274	18,103,451	20,576,447	19,380,105
Operating Grants & Contributions	1,088,780	1,581,667	-	-	1,088,780	1,581,667
Capital Grants & Contributions	231,043	1,852,659	187,201	259,960	418,244	2,112,619
General Revenue:						
Property and Other Taxes	1,889,492	1,755,036	-	-	1,889,492	1,755,036
Sales and Use Tax	1,755,015	1,766,519	-	-	1,755,015	1,766,519
Franchise Taxes	1,112,538	1,068,610	-	-	1,112,538	1,068,610
Intergovernmental	615,649	746,246	289	63,555	615,938	809,801
Interest	28,809	14,937	24,740	15,235	53,549	30,172
Miscellaneous	285,873	363,991	12,931	-	298,804	363,991
Special item-forgiveness of indebtedness	983,930	102,331	-	-	983,930	102,331
Transfers		150,627		(150,627)	-	-
Total Revenue	9,388,302	10,679,277	19,404,435	18,291,575	28,792,737	28,970,852
Expenses:						
General Government	1,994,612	1,688,252	-	-	1,994,612	1,688,252
Public Safety	1,909,800	1,850,253	-	-	1,909,800	1,850,253
Public Works	1,401,953	1,440,864	-	-	1,401,953	1,440,864
Health and Welfare	1,664,291	605,850	-	-	1,664,291	605,850
Culture and Recreation	1,351,832	1,337,762	-	-	1,351,832	1,337,762
Utilities / Ambulance			19,380,258	19,104,132	19,380,258	19,104,132
Total Expenses	8,322,488	6,922,981	19,380,258	19,104,132	27,702,746	26,027,113
Change In Net Assets	1,065,814	3,756,296	24,177	(812,557)	1,089,991	2,943,739
Net Assets 10-01-2011	28,391,955	24,635,659	17,414,890	18,227,447	45,806,845	42,863,106
Net Assets 09-30-2012	29,457,769	28,391,955	17,439,067	17,414,890	46,896,836	45,806,845

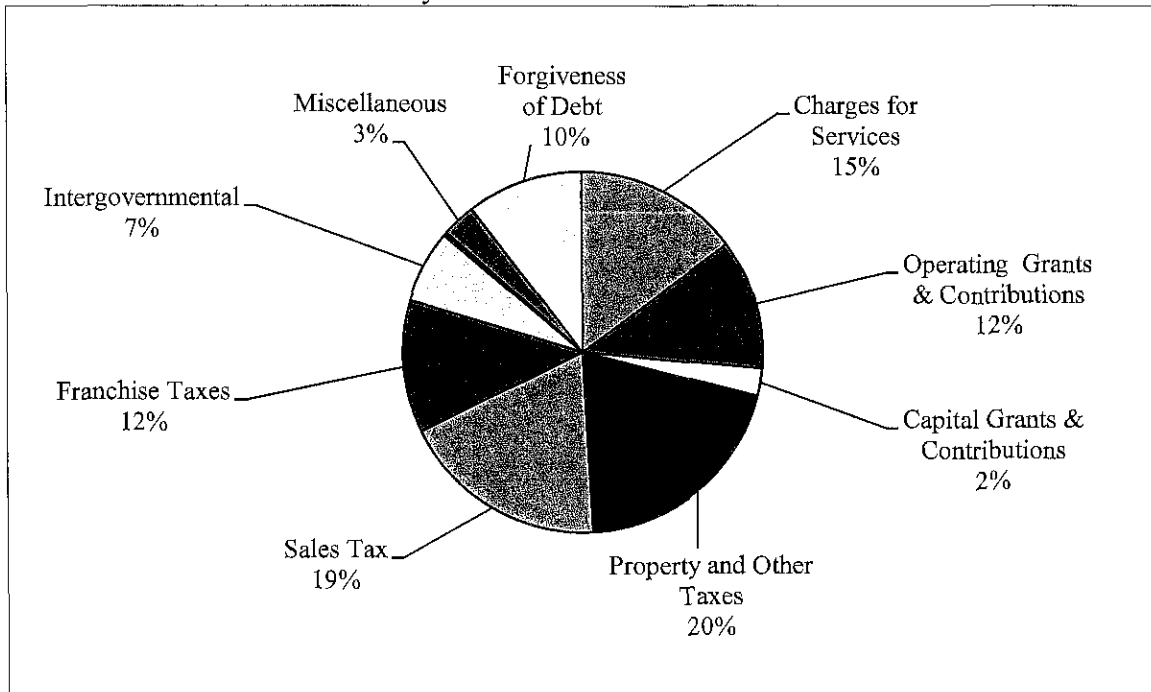
GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by \$1,065,814; accounting for virtually all of the City's growth in net assets for fiscal 2012.

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, unreserved 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, 2012, the City's governmental funds reported combined ending fund balances of \$2,701,349 an increase of \$247,903 in comparison with the prior year. Of the \$2.7 million, 72 percent is considered unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, 28 percent is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed to various contracts or projects.

The general fund is the chief operating fund of the City. At September 30, 2012, the unassigned fund balance of the general fund was \$1,695,616 which is the total fund balance. 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 32 percent 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 \$753,576.

GENERAL FUND BUDGETARY HIGHLIGHTS

Major variances between revenue and expenditures and the adopted budget include the following:

- The General Fund budget revenue variance is a negative 29%, or approximately \$3,276,711. The General Fund budget expenditure variance is a positive 41%, or approximately \$4,901,455. Leaving a net positive variance of 12%, which is favorable.

ALL FUNDS BUDGETARY COMPARISON

Actual combined revenue for all funds was comparable to the budget. Only an approximate 17% variance exists at year-end. All funds actual combined expenditures were also comparable to the budgeted amounts. Combined expenditures were approximately 28% under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's capital assets for its government and business-type activities as of September 30, 2012, totals \$51,555,373 (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 2012 include the following:

- Phase III, the final phase, of the Dawson County Opportunity Center was completed. Cash expended in 2012 was \$263,835.60 to finish the project. Equipment purchases totaled \$125,252 which includes two police cars, a mower, and a truck.
- Street projects include 17th Street Resurfacing, Southeast Business Park, and the Airport Road paving; totaling approximately \$637,791.
- Two major Electric system projects, totaling approximately \$916,676, were completing the north end of the 13.8 conversion and the Adams Substation T2 switch installation.
- It was a light year for construction in the Water department. One small water project began, the Northwest Senior Housing for \$18,964.
- The Sewer department had only one small project; the Northwest Senior Housing.

City of Lexington
Capital Assets (net of depreciation)
September 30, 2012

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	3,138,530	3,138,530	329,520	329,520	3,468,050	3,468,050
Buildings and Improvements	10,610,284	9,976,346	4,925,247	5,087,091	15,535,531	15,063,437
Machinery and Equipment	1,282,547	1,402,032	460,823	711,987	1,743,370	2,114,019
Infrastructure	14,318,982	12,685,295			14,318,982	12,685,295
Utility Plant			14,670,905	15,587,557	14,670,905	15,587,557
Construction in Progress	760,586	2,650,634	1,057,949	373,598	1,818,535	3,024,232
Total	30,110,929	29,852,837	21,444,444	22,089,753	51,555,373	51,942,590

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

LONG-TERM DEBT

At September 30, 2012, the city of Lexington had total outstanding debt of \$13,025,061. Of this amount, \$2,385,000 is General Obligation bonded debt backed by the full faith and credit of the City. Combined Utilities Revenue bonded debt totaled \$8,290,000. \$2,350,061 represents notes to finance equipment and other contracts approved by the City Council.

City of Lexington
Total Outstanding Debt
September 30, 2011 and 2012

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
GO Bonds	2,385,000	2,755,000			2,385,000	2,755,000
Revenue Bonds			8,290,000	8,830,000	8,290,000	8,830,000
Notes Payable	2,332,500	2,651,080	17,561	34,370	2,350,061	2,685,450
Total	<u>4,717,500</u>	<u>5,406,080</u>	<u>8,307,561</u>	<u>8,864,370</u>	<u>13,025,061</u>	<u>14,270,450</u>

The City's total debt decreased \$1,245,389 during fiscal 2012. Payments to reduce bonded debt as well as non-bonded debt are responsible for this decrease.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Sales tax collections have increased annually by an average 2.9% over the past 15 years.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the City's budget for the 2013 fiscal year.

BOND INFORMATION DEPOSITORY

The following information is included at the request of the City's bond counsel. This data is required to be filed with the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Assess (EMMA) system along with the annual financial report. This document will then include all the information required for submission.

<u>Electric Rates:</u>	Summer	Winter	Fiscal	<u>Irrigation: Non-Interruptible</u>	All Year Rate	
Effective Dates:	May-Sept	Oct-April	2012	Horsepower Charge, per HP	\$69.48	\$69.48
Billing Dates:	June-Oct	Nov-May	# of	Plus all kWh, per kWh	\$0.0665	\$0.0665
Resolution #:	2012-31	2012-31	Users			
Council Approved:	12/11/2012	12/11/2013		Municipal Street Lights:	All Year Rate	N/A
Effective Date:	1/1/2013	1/1/2013		Base Charge per Month	\$2,500.00	\$2,500.00
Begin Billing Date:	1/1/2013	1/1/2013		Plus All kWh, per kWh	\$0.0676	\$0.0676
Residential - Basic:	Summer	Winter	2,067	Municipal Power & Light:	All Year Rate	55
Base Charge per Month	\$ 16.00	\$ 16.00		Charge per Month per meter	\$ 16.00	\$ 16.00
First 500 kWh	\$ 0.133	\$ 0.090		Plus All kWh, per kWh	\$0.0676	\$0.0676
Over 500 kWh	\$0.0927	\$0.0556				
Minimum Bill -	\$ 16.00	\$ 15.00		Yard Light Service:	All Year Rate	71
				Charge per Month	\$ 13.00	\$ 13.00
Residential - All Electric:	Summer	Winter	1,344	High Tension Service:	Summer	Winter
Base Charge per Month	\$ 14.00	\$ 14.00		Effective Dates:	June-Oct	Nov-May
First 500 kWh	\$ 0.133	\$ 0.0986		Billing Dates:	July-Nov	Dec-June
Over 500 kWh	\$0.0903	\$0.0510		Energy time periods are as follows:		
Minimum Bill -	\$ 14.00	\$ 14.00		Summer On Peak	Mon - Sat	1001-2200
				Off-Peak	All Other Hours	
Commercial - Small:	Summer	Winter	501	Winter On-Peak	Mon - Sat	0801-2200
Base Charge per Month	\$ 16.00	\$ 16.00		Off-Peak	All Other Hours	
First 1000 kWh	\$ 0.1411	\$ 0.135				
Over 1000 kWh	\$0.0914	\$0.0801		All hours on New Years Day, Memorial Day, Independence Day,		
Minimum Bill -	\$ 16.00	\$ 16.00		Labor Day, Thanksgiving Day, and Christmas Day shall be		
				considered OFF-Peak hours.		
Commercial - Heat:	Summer	Winter	61			
Base Charge per Month	\$ 16.00	\$ 16.00		The High Tension rate shall be based upon a cost-plus calculation		
First 1000 kWh	\$ 0.1411	\$ 0.1325		obtained from real-time metering. The rate shall include the actual		
Next 4,000 kWh	\$ 0.0914	\$ 0.0752		cost of wholesale electricity purchased plus a percentage added		
Over 5,000 kWh	\$ 0.0914	\$ 0.0569		to cover the required electric utility margin. The High Tension rate		
Minimum Bill -	\$ 16.00	\$ 16.00		will be calculated, charged, and managed by the City Manager.		
Commercial - Large:	Summer	Winter	35	Automated Metering Infrastructure (AMI) Fee:		
Base Charge per Month	\$2100	\$2100		Resolution #:	2011-33	
Plus Demand Charge per kW	\$ 14.56	\$ 13.58		Council Approved:	9/13/2011	
Plus Energy Charge per kWh	\$0.0464	\$0.0445		Effective Date:	10/1/2011	
				Begin Billing Date:	10/1/2011	
Industrial - Non-Interruptible	Summer	Winter	3			
Base Charge per Month	\$53.00	\$53.00		\$ 100 Fee per electric meter per billing.		
Plus Demand Charge per kW	\$ 13.43	\$ 12.38				
Plus Energy Charge per kWh	\$ 0.0443	\$ 0.0412				

All Rates Are Subject To Change

BOND INFORMATION DEPOSITORY

The following information is included at the request of the City’s bond counsel. This data is required to be filed with the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Assess (EMMA) system along with the annual financial report. This document will then include all the information required for submission.

<u>Water Rates:</u>			Fiscal	<u>Sanitary Sewer Rates:</u>			Fiscal
<u>Resolution #:</u>	2012-31		2012	<u>Resolution #:</u>	08-24		2012
<u>Council Approved:</u>	12/11/2012		# of	<u>Council Approved:</u>	12/9/2008		# of
<u>Effective Date:</u>	1/1/2013		Users	<u>Effective Date:</u>	1/1/2009		Users
<u>Begin Billing Date:</u>	1/1/2013			<u>Begin Billing Date:</u>	1/1/2009		
<u>Residential Metered:</u>	Monthly		2,543	<u>Residential-Flat Rate</u>	\$23.00 mth		3,067
First 5,000 gallons	\$ 14.25	minimum		(Daily usage will be prorated)			
Over 5,000 gallons	\$0.90			<u>Commercial-Flat Rate</u>	\$23.00 mth		All
							Comm
<u>Residential Flat Rate:</u>	\$21.25		67	<u>Commercial-Metered</u>	\$2.0		SW
per dwelling unit per month				per 1000 gallons			348
				minimum	\$16.00		
<u>Multi-Unit Service Fee:</u>	\$8.00		649	Industrial			3
per dwelling unit, with more than one				As determined by City Manager.			
dwelling unit served by a single meter							
<u>Commercial Metered:</u>			453	<u>Residential Sanitation:</u>			
First 5,000 gallons	\$ 14.25	minimum		<u>Resolution #:</u>	2011-33		
Over 5,000 gallons	\$0.90			<u>Council Approved:</u>	9/13/2011		
				<u>Effective Date:</u>	10/1/2011		
<u>Industrial Metered:</u>	\$0.2509	per 1000	1	<u>Begin Billing Date:</u>	10/1/2011		
				Flat Rate Residential	\$15.00		2,795
				Monthly			
<u>Automated Metering Infrastructure (AMI) Fee:</u>				(Daily usage will be prorated)			
<u>Resolution #:</u>	2012-31			Residential customers who are			78
<u>Council Approved:</u>	12/11/2012			65 years or older and			
<u>Effective Date:</u>	1/1/2013			live alone may qualify for a rate of:	\$13.00		
<u>Begin Billing Date:</u>	1/1/2013			per month			
\$ 1.00 Fee per water meter per billing.				All Rates Are Subject To Change			

<u>Fiscal Year</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Population	10,230	10,230	10,011
Taxable Valuation	275,523,701	274,443,846	268,497,152
Number of Employees	82	85	84

REQUEST FOR INFORMATION

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

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET ASSETS

September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	2,715,471	247,444	2,962,915	0
Cash with County Treasurer	51,968	0	51,968	0
Investments	0	0	0	0
Receivables	1,714,582	1,907,721	3,622,303	0
Internal balances	(487,078)	487,078	0	0
Due from other governmental agencies	136,375	0	136,375	0
Inventories	0	360,491	360,491	0
Restricted assets:				
Cash	706,838	3,370,372	4,077,210	14,414
Investments	0	178,236	178,236	0
Receivables	0	0	0	86,448
Capital assets				
Nondepreciable	3,899,116	1,386,673	5,285,789	1,253,678
Depreciable - net	26,211,813	20,057,771	46,269,584	25,970
Deferred charges	32,059	130,497	162,556	0
TOTAL ASSETS	34,981,144	28,126,283	63,107,427	1,380,510
LIABILITIES				
Accounts payable and accrued expenses	494,219	1,381,047	1,875,266	0
Retainage payable	50,932	0	50,932	0
Long-term liabilities				
Due within one year				
Bonds and notes	701,632	556,835	1,258,467	129,174
Accrued interest	70,282	104,451	174,733	31,129
Compensated absences	191,769	51,164	242,933	0
Due in more than one year				
Bonds and notes	4,014,541	7,750,726	11,765,267	763,391
Customer deposits	0	196,274	196,274	0
Accrued landfill closure costs	0	646,719	646,719	0
TOTAL LIABILITIES	5,523,375	10,687,216	16,210,591	923,694

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET ASSETS (CONTINUED)

September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
NET ASSETS				
Invested in capital assets, net of related debt	25,394,756	13,136,883	38,531,639	387,083
Restricted for:				
Special revenue	706,838	0	706,838	0
Debt service	0	3,548,608	3,548,608	0
Other purposes	0	0	0	69,733
Unrestricted	<u>3,356,175</u>	<u>753,576</u>	<u>4,109,751</u>	<u>0</u>
 TOTAL NET ASSETS	 <u>29,457,769</u>	 <u>17,439,067</u>	 <u>46,896,836</u>	 <u>456,816</u>

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
GOVERNMENTAL ACTIVITIES:								
General government	1,994,612	830,010	0	0	(1,164,602)		(1,164,602)	0
Public safety	1,909,800	114,051	86,249	0	(1,709,500)		(1,709,500)	0
Public works	1,401,953	32,828	848,091	202,419	(318,615)		(318,615)	0
Health and welfare	1,664,291	155,631	152,263	28,624	(1,327,773)		(1,327,773)	0
Culture and recreation	1,351,832	264,653	2,177	0	(1,085,002)		(1,085,002)	0
TOTAL GOVERNMENTAL ACTIVITIES	8,322,488	1,397,173	1,088,780	231,043	(5,605,492)		(5,605,492)	0
BUSINESS-TYPE ACTIVITIES:								
Electric	15,417,352	15,452,526	0	0		35,174	35,174	0
Water	1,615,028	1,391,563	0	0		(223,465)	(223,465)	0
Sewer	1,723,127	1,705,247	0	187,201		169,321	169,321	0
Sanitation	476,956	506,128	0	0		29,172	29,172	0
Landfill	1,426	0	0	0		(1,426)	(1,426)	0
Ambulance	146,369	123,810	0	0		(22,559)	(22,559)	0
TOTAL BUSINESS-TYPE ACTIVITIES	19,380,258	19,179,274	0	187,201		(13,783)	(13,783)	0
TOTAL PRIMARY GOVERNMENT	27,702,746	20,576,447	1,088,780	418,244	(5,605,492)	(13,783)	(5,619,275)	0
COMPONENT UNIT:								
Community Development Association	396,905	449,136	0	0				52,231
GENERAL REVENUE & SPECIAL ITEM:								
Taxes:								
Property taxes, levied for general purposes					1,827,680	0	1,827,680	0
Property taxes, levied for specific purposes					61,812	0	61,812	0
Sales taxes					1,755,015	0	1,755,015	0
Franchise taxes					1,112,538	0	1,112,538	0
Intergovernmental					615,649	289	615,938	0
Interest income					28,809	24,740	53,549	10,255
Miscellaneous					285,873	12,931	298,804	0
Special item - forgiveness of indebtedness					983,930	0	983,930	0
TOTAL GENERAL REVENUE AND SPECIAL ITEM					6,671,306	37,960	6,709,266	10,255
CHANGE IN NET ASSETS					1,065,814	24,177	1,089,991	62,486
Net assets - beginning					28,391,955	17,414,890	45,806,845	394,330
NET ASSETS - ENDING					29,457,769	17,439,067	46,896,836	456,816

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2012

	General Fund	Federal Grants	Street Fund	Economic Development	Debt Service Fund	Meals on Wheels Fund	Total Governmental Funds
ASSETS:							
Cash - unrestricted	2,335,074	0	121,624	406,153	259,421	0	3,122,272
Cash with County Treasurer	48,995	0	0	0	2,973	0	51,968
Receivables (net)	523,337	0	67,812	616,538	299,943	0	1,507,630
Due from other funds	77,630	0	0	0	0	0	77,630
Receivable from other governments	78,955	0	46,269	0	0	0	125,224
Restricted assets:							
Cash	0	48,890	0	91,023	0	39,148	179,061
Receivables (net)	0	231,848	0	0	0	0	231,848
Receivable from other governments	0	0	0	0	0	11,151	11,151
TOTAL ASSETS	3,063,991	280,738	235,705	1,113,714	562,337	50,299	5,306,784
LIABILITIES:							
Accounts payable	380,042	0	24,896	0	0	2,078	407,016
Retainage payable	0	0	50,932	0	0	0	50,932
Due to other funds	580,178	100	0	0	18,396	0	598,674
Deferred revenue	118,116	228,090	0	616,538	293,494	0	1,256,238
Other accrued expenses	290,039	0	0	0	0	2,536	292,575
TOTAL LIABILITIES	1,368,375	228,190	75,828	616,538	311,890	4,614	2,605,435
FUND BALANCES:							
Restricted	0	52,548	0	91,023	0	45,685	189,256
Committed	0	0	159,877	0	0	0	159,877
Assigned	0	0	0	406,153	0	0	406,153
Unassigned	1,695,616	0	0	0	250,447	0	1,946,063
TOTAL FUND BALANCES	1,695,616	52,548	159,877	497,176	250,447	45,685	2,701,349
TOTAL LIABILITIES AND FUND BALANCES	3,063,991	280,738	235,705	1,113,714	562,337	50,299	5,306,784

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

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

September 30, 2012

Total fund balance, governmental funds	2,701,349
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	30,110,929
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	1,231,342
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 Assets.	168,545
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, interest payable, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	(4,754,396)
Net Assets of Governmental Activities in the Statement of Net Assets	<u><u>29,457,769</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, 2012

	<u>General Fund</u>	<u>Federal Grants</u>	<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels</u>	<u>Total Governmental Funds</u>
REVENUE:							
Local and county sources:							
Property taxes	1,679,212	0	122,373	0	61,891	0	1,863,476
Sales taxes	1,561,931	0	172,944	0	0	0	1,734,875
Other miscellaneous taxes	1,065,180	0	0	0	0	0	1,065,180
Licenses and permits	10,551	0	0	0	0	0	10,551
Charges for services	1,027,219	0	0	0	0	0	1,027,219
Interest and loan principal	5,293	44,348	474	1,056	45,223	92	96,486
Miscellaneous	115,214	9,921	0	55,000	0	3,109	183,244
Donations and private grants	302,000	0	1,772	0	0	75,043	378,815
Rent	191,025	0	0	0	0	0	191,025
State sources	744,525	0	826,373	0	4,825	0	1,575,723
Federal sources	296,495	0	56,495	0	0	80,161	433,151
TOTAL REVENUE	<u>6,998,645</u>	<u>54,269</u>	<u>1,180,431</u>	<u>56,056</u>	<u>111,939</u>	<u>158,405</u>	<u>8,559,745</u>
EXPENDITURES:							
Current:							
General government	1,758,563	0	0	0	0	0	1,758,563
Public safety	1,823,470	0	0	0	0	0	1,823,470
Public works	0	0	792,833	0	675	0	793,508
Health and welfare	395,737	1,033,230	0	14,711	0	192,659	1,636,337
Culture and recreation	1,113,846	0	0	0	0	0	1,113,846
Debt service:							
Principal	0	0	0	0	688,891	0	688,891
Interest and other charges	0	0	0	0	187,446	0	187,446
Capital outlay	205,957	0	1,087,753	0	0	0	1,293,710
TOTAL EXPENDITURES	<u>5,297,573</u>	<u>1,033,230</u>	<u>1,880,586</u>	<u>14,711</u>	<u>877,012</u>	<u>192,659</u>	<u>9,295,771</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>1,701,072</u>	<u>(978,961)</u>	<u>(700,155)</u>	<u>41,345</u>	<u>(765,073)</u>	<u>(34,254)</u>	<u>(736,026)</u>

(Continued on next page.)

CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2012

	<u>General Fund</u>	<u>Federal Grants</u>	<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)							
Special item - forgiveness of indebtedness	983,930	0	0	0	0	0	983,930
Transfers in	0	0	779,135	167,500	876,338	0	1,822,973
Transfers out	(1,822,973)	0	0	0	0	0	(1,822,973)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(839,043)</u>	<u>0</u>	<u>779,135</u>	<u>167,500</u>	<u>876,338</u>	<u>0</u>	<u>983,930</u>
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	862,029	(978,961)	78,980	208,845	111,265	(34,254)	247,904
Fund balances - beginning	833,587	1,031,509	80,897	288,331	139,182	79,939	2,453,445
FUND BALANCES - ENDING	<u><u>1,695,616</u></u>	<u><u>52,548</u></u>	<u><u>159,877</u></u>	<u><u>497,176</u></u>	<u><u>250,447</u></u>	<u><u>45,685</u></u>	<u><u>2,701,349</u></u>

See accompanying notes.

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, 2012

Net change in fund balances - total governmental funds:	247,904
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceeded depreciation in the current period.	263,342
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	(155,371)
The issuance of long-term debt (e.g. bonds, leases, notes) 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items as expenses when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	684,370
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: Accrued interest not reflected on Governmental funds	2,750
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.	22,819
Change in net assets of governmental activities	<u>1,065,814</u>

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2012

ASSETS	Electric	Water	Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Funds
CURRENT ASSETS:								
Cash	197,049	0	0	17,172	0	33,223	247,444	120,977
Accounts receivable, net	1,140,832	308,217	350,919	107,753	0	0	1,907,721	0
Due from other funds	0	0	0	0	0	0	0	2,722
Inventories	181,963	178,358	170	0	0	0	360,491	0
TOTAL CURRENT ASSETS	1,519,844	486,575	351,089	124,925	0	33,223	2,515,656	123,699
NON-CURRENT ASSETS:								
Restricted assets:								
Cash	1,940,239	417,395	762,689	0	250,049	0	3,370,372	0
Investments	178,236	0	0	0	0	0	178,236	0
Due from other funds	550,983	0	0	0	0	0	550,983	0
Fixed assets (net)	9,180,674	3,969,029	8,076,820	3,401	115,983	98,538	21,444,445	0
Deferred charges	58,475	9,169	62,853	0	0	0	130,497	0
TOTAL NON-CURRENT ASSETS	11,908,607	4,395,593	8,902,362	3,401	366,032	98,538	25,674,533	0
TOTAL ASSETS	13,428,451	4,882,168	9,253,451	128,326	366,032	131,761	28,190,189	123,699
LIABILITIES								
CURRENT LIABILITIES:								
Accounts payable	1,246,910	25,611	71,622	0	0	5,867	1,350,010	3,093
Salaries payable	11,367	6,914	12,756	0	0	0	31,037	1,828
Accrued interest payable	68,107	7,154	28,412	0	0	778	104,451	0
Due to other funds	0	0	0	0	0	0	0	6,319
Compensated absences	18,730	20,417	12,016	0	0	0	51,163	6,372
Current portion of long-term debt	169,390	58,343	332,267	0	0	17,561	577,561	0
TOTAL CURRENT LIABILITIES	1,514,504	118,439	457,073	0	0	24,206	2,114,222	17,612
NON-CURRENT LIABILITIES:								
Customer deposits	196,274	0	0	0	0	0	196,274	0
Due to other funds	0	1,046	25,297	0	0	0	26,343	0
Bonds, notes and loans payable	3,364,383	501,657	3,863,960	0	0	0	7,730,000	0
Accrued landfill closure costs	0	0	0	0	646,719	0	646,719	0
TOTAL NON-CURRENT LIABILITIES	3,560,657	502,703	3,889,257	0	646,719	0	8,599,336	0
TOTAL LIABILITIES	5,075,161	621,142	4,346,330	0	646,719	24,206	10,713,558	17,612
NET ASSETS								
Invested in capital assets, net of related debt	5,646,901	3,409,029	3,880,593	3,401	115,983	80,977	13,136,884	0
Restricted for debt service	2,118,475	417,395	762,689	0	250,049	0	3,548,608	0
Unrestricted	587,914	434,602	263,839	124,925	(646,719)	26,578	791,139	106,087
TOTAL NET ASSETS	8,353,290	4,261,026	4,907,121	128,326	(280,687)	107,555	17,476,631	106,087

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2012

	Electric	Water	Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUE:								
Charges for services	15,256,643	1,314,885	1,658,256	506,128	0	123,810	18,859,722	263,960
Reimbursements from other funds	0	0	0	0	0	0	0	451,332
Miscellaneous	208,816	76,678	46,990	0	0	0	332,484	708
TOTAL OPERATING REVENUE	15,465,459	1,391,563	1,705,246	506,128	0	123,810	19,192,206	716,000
OPERATING EXPENSES:								
Operating expenses	14,284,783	1,073,448	903,844	476,872	1,426	122,343	16,862,716	260,342
Supplies	0	0	406	85	0	0	491	0
Medical expenses	0	0	0	0	0	0	0	426,918
Depreciation and amortization	964,836	527,872	694,975	0	0	24,273	2,211,956	0
TOTAL OPERATING EXPENSES	15,249,619	1,601,320	1,599,225	476,957	1,426	146,616	19,075,163	687,260
OPERATING INCOME (LOSS)	215,840	(209,757)	106,021	29,171	(1,426)	(22,806)	117,043	28,740
NON-OPERATING REVENUE (EXPENSES):								
Intergovernmental		0						
Interest income	22,461	4,365	(2,792)	4	612	83	24,733	62
Aid in construction	0	0	187,201	0	0	0	187,201	0
Operating grants and contributions	0	289	0	0	0	0	289	0
Interest expense	(168,613)	(16,608)	(125,791)	0	0	0	(311,012)	0
TOTAL NON-OPERATING REVENUE (EXPENSES)	(146,152)	(11,954)	58,618	4	612	83	(98,789)	62
INCOME (LOSS) BEFORE TRANSFERS	69,688	(221,711)	164,639	29,175	(814)	(22,723)	18,254	28,802
Transfers in	0	0	0	0	15,089	0	15,089	0
Transfers out	0	0	0	(15,089)	0	0	(15,089)	0
NET INCOME (LOSS)	69,688	(221,711)	164,639	14,086	14,275	(22,723)	18,254	28,802
Net assets - beginning	8,283,602	4,482,737	4,742,482	114,240	(294,962)	130,278	17,458,377	77,285
NET ASSETS - ENDING	8,353,290	4,261,026	4,907,121	128,326	(280,687)	107,555	17,476,631	106,087

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

RECONCILIATION OF STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS TO STATEMENT OF NET ASSETS OF BUSINESS-TYPE ACTIVITIES

September 30, 2012

Total net assets - Utility Funds	17,476,631
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Amounts reported for business-type activities in the statement of net assets are different because:

Certain Internal Service Fund assets and liabilities are included with business-type activities	(37,564)
--	----------

Net assets of business-type activities	<u>17,439,067</u>
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RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS OF PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES OF BUSINESS-TYPE ACTIVITIES

Year Ended September 30, 2012

Net change in fund net assets - Utility Funds	18,254
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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	<u>5,923</u>
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Change in net assets of business-type activities	<u>24,177</u>
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See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2012

	Electric	Water	Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Fund
OPERATING ACTIVITIES:								
Receipts from customers	14,843,260	1,286,597	1,618,148	511,633	0	123,810	18,383,448	0
Receipts from Interfund Services	419,480	1,979	10,950	0	0	0	432,409	716,000
Miscellaneous revenue	208,816	76,678	46,990	0	0	0	332,484	0
Payments to suppliers	(12,840,422)	(586,142)	(514,417)	(476,956)	(15,701)	(124,713)	(14,558,351)	(665,534)
Payments to employees	(230,382)	(203,094)	(237,239)	0	0	0	(670,715)	(44,476)
Payments for franchise taxes to City	(770,720)	(62,385)	0	0	0	0	(833,105)	0
Payments for Interfund Services	(442,826)	(255,461)	(121,224)	0	0	0	(819,511)	0
Receipts of customer meter deposits	73,225	0	0	0	0	0	73,225	0
Refunds of customer meter deposits	(56,865)	0	0	0	0	0	(56,865)	0
NET OPERATING ACTIVITIES	1,203,566	258,172	803,208	34,677	(15,701)	(903)	2,283,019	5,990
NONCAPITAL FINANCING ACTIVITIES:								
Net change in due to (from) other funds	0	0	0	0	0	0	0	6,319
Federal sources	0	289	0	0	0	0	289	0
Capital contributions	0	0	187,201	0	0	0	187,201	0
Transfers to other funds	0	0	0	(15,089)	15,089	0	0	0
NET NONCAPITAL FINANCING ACTIVITIES	0	289	187,201	(15,089)	15,089	0	187,490	6,319
CAPITAL AND RELATED FINANCING ACTIVITIES:								
Payments:								
Bonds	(154,743)	(90,000)	(295,257)	0	0	0	(540,000)	0
Notes	0	0	0	0	0	(16,809)	(16,809)	0
Acquisition and construction of capital assets	(1,428,793)	(35,040)	(94,371)	0	0	0	(1,558,204)	0
Interest paid on bonds and notes	(170,457)	(16,898)	(126,903)	0	0	(1,544)	(315,802)	0
NET CAPITAL AND RELATED FINANCING ACTIVITIES	(1,753,993)	(141,938)	(516,531)	0	0	(18,353)	(2,430,815)	0
INVESTING ACTIVITIES:								
Interest received	22,461	4,365	(2,792)	3	612	83	24,732	63
Proceeds of investments	9,077	0	0	0	0	0	9,077	0
NET INVESTING ACTIVITIES	31,538	4,365	(2,792)	3	612	83	33,809	63
NET INCREASE (DECREASE) IN CASH	(518,889)	120,888	471,086	19,591	0	(19,173)	64,426	12,372
Cash - beginning of year	2,656,177	296,507	291,603	(2,419)	250,049	52,396	3,544,313	108,605
CASH - END OF YEAR	2,137,288	417,395	762,689	17,172	250,049	33,223	3,608,739	120,977

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

Year Ended September 30, 2012

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET OPERATING ACTIVITIES:								
Operating income (loss)	215,840	(209,757)	106,021	29,171	(1,426)	(22,806)	117,043	28,740
Items not requiring cash:								
Depreciation and amortization	964,836	527,872	694,975	0	0	24,273	2,211,956	0
(Increase) decrease in assets:								
Receivables	6,097	(26,309)	(29,158)	5,506	0	0	(43,864)	0
Inventories	37,964	(2,735)	62	0	0	0	35,291	0
Increase (decrease) in liabilities:								
Accounts payable and other accrued expenses	(37,531)	(30,899)	31,308	0	0	(2,370)	(39,492)	(22,750)
Accrued landfill closure costs	0	0	0	0	(14,275)	0	(14,275)	0
Customer deposits	16,360	0	0	0	0	0	16,360	0
NET OPERATING ACTIVITIES	<u>1,203,566</u>	<u>258,172</u>	<u>803,208</u>	<u>34,677</u>	<u>(15,701)</u>	<u>(903)</u>	<u>2,283,019</u>	<u>5,990</u>
CASH RECONCILIATION:								
Unrestricted	197,049	0	0	17,172	0	33,223	247,444	120,977
Restricted	1,940,239	417,395	762,689	0	250,049	0	3,370,372	0
CASH TOTAL	<u>2,137,288</u>	<u>417,395</u>	<u>762,689</u>	<u>17,172</u>	<u>250,049</u>	<u>33,223</u>	<u>3,617,816</u>	<u>120,977</u>

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

In the Statement of Net Assets, 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 assets are reported in three categories – invested in capital assets net of related debt; restricted net assets; and unrestricted net assets.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

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

Discretely Presented Component Unit – The CDA reports using the economic resources measurement focus on the accrual basis of accounting.

Fund Financial Statements

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

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

The following fund types are used by the City:

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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (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 assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

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

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

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. Some funds may have been reclassified as major from the prior year.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

The following funds are considered major funds:

Governmental Funds

General Fund as previously described

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

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

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

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

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

Proprietary Funds (Enterprise)

Utility Funds account for the activities of the City's utility operation. (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 (valued at cost plus accrued interest to September 30, 2012).

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Investments

Nebraska State Statutes authorizes funds of the City to be invested in securities of the United States, the State of Nebraska, and county/city owned municipals. Investments for the City of Lexington, Nebraska consist of U. S. Treasury notes (Level 1 – quoted prices for identical assets or liabilities in an active market) and are reported at fair market value.

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 including unbilled utilities, and interest as their major receivables.

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

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. At September 30, 2012, the balances of the allowance for doubtful accounts are:

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

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Inventory Valuation

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

Capital Assets

The City's policy is to capitalize purchased or donated capital assets, including improvements to capital assets that significantly extend the life of the assets, that have an estimated life of more than one year and a cost of \$5,000 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 Assets. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives as follows:

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

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

Deferred Debt Expense and Bond Discount

In the fund financial statements, bond discounts and issuance costs are recognized in the current period by governmental fund types. In proprietary fund types and government-wide financial statements, bond issuance costs and bond discounts are capitalized and amortized over the terms of the respective bonds using a method which approximates the effective interest method.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Long-Term Debt

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

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

Compensated Absences

The liability for compensated absences is recorded as current in other accrued expenses. In the fund financial statements, governmental funds report only the liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Government-Wide Equity

In the government-wide statements, equity is classified as net assets and displayed in three components.

- 1) Invested in capital assets net of related debt – 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 assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Fund Statements – Fund Equity

The City of Lexington, Nebraska has implemented *GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the governmental fund statements, fund balances are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- 1) Nonspendable fund balance – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact. As of September 30, 2012, the nonspendable fund balance was \$0.

- 2) Restricted fund balance – amounts that can be spent only for specific purposes because of constraints imposed by creditors, grantors, contributors, constitutional provisions, enabling legislation or by laws and regulations. As of September 30, 2012, the restricted fund balance of \$189,256 is restricted for the following purposes:

Fund	Purpose	Amount
Federal Grant	Grant reuse and housing monies for community development projects	52,548
Economic Development	Sales tax monies designated for community economic development	91,023
Meals on Wheels	Grant monies and local contributions designated for the senior citizen meal program	45,685

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (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, 2012, the committed fund balance was \$205,228 committed for street maintenance and construction.
- 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. As of September 30, 2012, the fund balance of \$406,153 is assigned for the Economic Development Fund to cover community development expenses.
- 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 equity is 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.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Operating revenues 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 nonoperating revenue.

Expenditures

Expenditures are classified by function for both governmental and business-type activities in the government-wide financial statements. In the fund financial statements, expenditures are classified by character (current, capital outlay, and debt service) in the governmental funds, and as operating and nonoperating 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 conformity with generally accepted accounting principles 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.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

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 these pools is displayed on the balance sheet/statement of net assets as "Cash" under each fund's caption. State law requires that all funds held in depositories be fully insured or collateralized.

Investment pools are under the custody of the City Treasurer. Investing is performed in accordance with investment policies complying with State Statutes. Pooled funds may be invested in certificates of deposits, time certificates, and in any securities in which the state investment officer is authorized to invest pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act and as provided in the authorized investment guidelines of the Nebraska Investment Council currently effective. Investments during the year were substantially the same as those at year-end.

NOTE 3: RESTRICTED CASH

Revenue Bond Funds

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

Bond Payment Subaccount

The Enterprise Funds are required to deposit monthly an amount equal to one-sixth of the amount of interest and one-twelfth of the amount of principal due on the next payment date. The amount restricted is \$458,846 at September 30, 2012.

Operating and Maintenance Account

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

Bond Reserve Account

The Enterprise Funds are required to maintain in this account a specified sum based on the principal outstanding (\$874,760 at September 30, 2012). Funds in these accounts may be used at any time there is insufficient money available in the Bond Payment Subaccount to pay either principal or interest on the revenue bonds as they become due.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 3: RESTRICTED CASH (CONTINUED)

Surplus Account

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

- (a) To replace any deficiency in the above accounts.
- (b) To declare in-lieu-of tax payment - so long as no deficiency exists in required payments to the above accounts, the utilities may declare an in-lieu-of tax payment to the City, which can be used for any purpose authorized by law.
- (c) To retire bonds prior to maturity and also includes cash from bond issue. The amount restricted is \$1,964,953.

Other Funds

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

- (1) Landfill Closure-This account is used to set aside funds for the estimated post-closure costs at the landfill. The amount restricted is \$250,049.

Grant Funds

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

- (1) Community Development Block Grants and reuse monies. The amount restricted is \$48,890.
- (2) Meals on Wheels-Meal program and outreach for the elderly. The amount restricted is \$39,148.
- (3) Economic Development – The amount restricted is \$91,023.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 3: RESTRICTED CASH (CONTINUED)

Component Unit (CDA)

The amount restricted is \$14,414 for the component unit (CDA).

NOTE 4: RECEIVABLES

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

	<u>General</u>	<u>Federal Grants</u>	<u>Street</u>	<u>Economic Development</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Component Unit</u>
Trade	25,769	0	0	0	0	711,504	0
Unbilled services	0	0	0	0	0	1,196,217	0
Property/sales taxes	403,185	0	0	0	8,762	0	0
Occupation taxes	36,669	0	0	0	0	0	0
Franchise taxes	45,942	0	0	0	0	0	0
Interest	0	0	0	0	1,677	0	2,246
Special assessments	0	0	0	0	289,504	0	0
Other	11,772	0	0	0	0	0	0
Loans	0	231,848	67,812	616,538	0	0	84,202
Totals	<u>523,337</u>	<u>231,848</u>	<u>67,812</u>	<u>616,538</u>	<u>299,943</u>	<u>1,907,721</u>	<u>86,448</u>

The funds to pay for special assessment projects are generated through the levy of an assessment on individual property owners benefited by the project and through property taxes provided by the City to pay for the project's benefit to the general public. The assessments receivable from property owners reflected on the fund statement balance sheet are payable in annual installments of principal and interest over periods up to 10 years. The City is obligated to provide for the funding of any deficiency in the financing of these projects through the levy of property taxes. Delinquent special assessment receivables at September 30, 2012 were \$32,499.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 5: CAPITAL ASSETS

The following is a summary of the capital assets for the year ended September 30, 2012:

	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	3,138,530	5,651	5,651	3,138,530
Buildings and improvements	11,968,908	1,029,165	0	12,998,073
Machinery and equipment	3,535,814	127,455	11,018	3,652,251
Infrastructure	34,787,900	2,044,793	0	36,832,693
Construction in progress	2,650,634	1,120,559	3,010,607	760,586
Totals	56,081,786	4,327,623	3,027,276	57,382,133
Less accumulated depreciation:				
Buildings and improvements	1,992,562	395,227	0	2,387,789
Machinery and equipment	2,133,782	244,737	8,815	2,369,704
Infrastructure	22,102,605	411,106	0	22,513,711
Totals	26,228,949	1,051,470	8,815	27,271,204
Net	29,852,837	3,276,153	3,018,461	30,110,929
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-Type Activities:				
Land	329,520	0	0	329,520
Buildings and improvements	8,810,434	142,926	0	8,953,360
Vehicles and equipment	2,618,084	97,294	0	2,715,378
Utility systems	39,192,243	633,633	0	39,825,876
Construction in progress	373,598	1,373,293	688,942	1,057,949
Totals	51,323,879	2,247,146	688,942	52,882,083
Less accumulated depreciation:				
Buildings and improvements	3,723,343	304,770	0	4,028,113
Vehicles and equipment	1,906,097	348,458	0	2,254,555
Utility systems	23,604,686	1,550,285	0	25,154,971
Totals	29,234,126	2,203,513	0	31,437,639
Net	22,089,753	43,632	688,942	21,444,444
Component Unit:				
Land	1,253,678	0	0	1,253,678
Building	32,895	0	0	32,895
Totals	1,286,573	0	0	1,286,573
Less accumulated depreciation	5,194	1,731	0	6,925
Net	1,281,379	(1,731)	0	1,279,648

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 5: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows for the year ended September 30, 2012:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Component Unit</u>
General government	212,109	0	1,731
Public safety	91,430	0	0
Public works	472,667	0	0
Health and welfare	30,007	0	0
Culture and recreation	241,322	0	0
Electric	0	962,291	0
Water	0	526,399	0
Sewer	0	690,550	0
Ambulance	0	24,273	0
Totals	<u>1,047,535</u>	<u>2,203,513</u>	<u>1,731</u>

NOTE 6: COMPENSATED ABSENCES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities	195,898	0	4,129	191,769	191,769
Business-type activities	50,329	835	0	51,164	51,164

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 7: LONG-TERM DEBT

The City is in compliance with all significant requirements of various bonds. The following is a summary of transactions for indebtedness for the year ended September 30, 2012:

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>
6/15/2008	6/15/2016	2.00% to 3.65%	1,550,000	0	295,000	1,255,000	295,000
3/30/2010	4/15/2025	.7% to 4.0%	1,205,000	0	75,000	1,130,000	75,000
Total			2,755,000	0	370,000	2,385,000	370,000

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

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
10/14/2008	10/14/2020	3.98%	422,636	0	35,212	387,424	36,523
1/12/2006	1/12/2014	4.25%	124,513	0	39,772	84,741	41,472
4/29/2008	5/1/2023	4.51%	424,544		27,321	397,223	28,685
11/19/2008	1/2/2013	6.25%	13,361	0	6,472	6,889	6,889
5/30/2008	6/1/2018	4.50%	304,227	0	37,778	266,449	39,557
7/15/2010	1/15/2016	3.25%	460,941	0	96,716	364,225	99,874
5/02/11	5/2/2021	3.72%	900,000	0	75,778	824,222	78,632
Total			2,650,222	0	319,049	2,331,173	331,632
Total	Governmental		5,405,222	0	689,049	4,716,173	701,632

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 7: LONG-TERM DEBT (CONTINUED)

Revenue Bonds Payable – Business-Type Activities

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
		2.30% to					
9/26/2008	10/15/2028	5.00%	3,305,000	0	130,000	3,175,000	140,000
		1.00% to					
5/12/2009	12/15/2023	4.50%	3,905,000	0	300,000	3,605,000	305,000
		.35% to					
6/1/2011	9/15/2024	4.00%	1,620,000	0	110,000	1,510,000	115,000
	Total		8,830,000	0	540,000	8,290,000	560,000

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

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
8/15/2007	10/15/2012	4.43%	34,370	0	16,809	17,561	17,561
Total Business --Type Activities			8,864,370	0	556,809	8,307,561	577,561

General Obligation Bonds Payable – Component Unit

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
10/9/2001	12/1/2016	3.00%	25,654	0	4,357	21,297	4,489
11/1/2004	12/1/2020	7.00%	70,606	0	5,451	65,155	5,840
1/15/2010	12/31/2025	3.00%	233,000	0	0	233,000	12,297
	Total		329,260	0	9,808	319,452	22,626

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 7: LONG-TERM DEBT (CONTINUED)

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>
8/23/1999	12/1/2015	4.25%	111,849	0	111,849	0	0
1/11/2008	1/1/2018	7.00%	613,914	0	70,800	543,114	76,548
10/1/2007		0.00%	30,000	0	0	30,000	30,000
	Total		755,763	0	182,649	573,114	106,548
Total Component Unit			1,085,023	0	192,457	892,566	129,174
GRAND TOTALS			15,354,615	0	1,438,315	13,916,300	1,408,366

Interest expense was charged to functions/programs as follows:

Governmental activities:	General Government	34,038
	Health and welfare	5,361
	Public safety	13,491
	Public works	134,556
Business-type activities:	Electric	168,613
	Water	16,608
	Sewer	125,791
Component unit:	CDA	43,202

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>	
2013	701,632	165,409	577,561	304,672	1,749,274
2014	727,459	141,951	565,000	291,400	1,725,810
2015	700,493	117,178	575,000	276,585	1,669,256
2016	666,537	92,581	590,000	259,761	1,608,879
2017	300,588	72,188	620,000	240,766	1,233,542
2018-2022	1,274,890	195,759	2,885,000	888,775	5,244,424
2023-2027	344,574	20,166	1,985,000	311,287	2,661,027
2028-2031	0	0	510,000	25,750	535,750
	4,716,173	805,232	8,307,561	2,598,996	16,427,962

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 7: LONG-TERM DEBT (CONTINUED)

Component Unit:

	Bonds		Notes		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	22,625	9,815	76,548	37,823	146,811
2014	23,355	11,135	81,906	32,465	148,861
2015	24,889	10,176	87,640	26,732	149,437
2016	26,502	9,152	93,774	20,597	150,025
2017	25,654	8,060	100,338	14,033	148,085
2018-2022	126,172	23,987	102,908	7,009	260,076
2023-2026	70,255	4,227	0	0	74,482
	<u>319,452</u>	<u>76,552</u>	<u>543,114</u>	<u>138,659</u>	<u>1,077,777</u>

NOTE 8: INTERFUND BALANCES AND ACTIVITY

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

	<u>Fund Statement</u>	
	<u>Due from</u>	<u>Due to</u>
Balances due to and from other funds:		
General	77,630	580,178
Federal Grants	0	100
Debt Service	0	18,396
Electric	550,984	0
Water	0	1,046
Sewer	0	25,297
Internal Service	2,722	6,319
Totals	<u>631,336</u>	<u>631,336</u>

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

	Transfers In	Transfers Out
General	0	1,822,973
Economic Development	167,500	0
Street	779,135	0
Debt Service	876,338	0
Sanitation	0	15,089
Landfill	15,089	0
Totals	<u>1,838,062</u>	<u>1,838,062</u>

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 9: MAJOR CUSTOMERS

The City's Enterprise Funds have two major customer having sales of 10% or more of charges for utility services. The service charges to these customers during the year were \$7,775,401 or 40.1% of total utility service charges.

NOTE 10: RETIREMENT COMMITMENTS

Defined Contribution Plan

All City employees except policemen, after meeting one year of service, have the option to participate in a defined contribution plan, with all plan contributions held and invested by the Union Bank and Trust of Lincoln. Employees covered by the plan may contribute 3% to 6% of their salary to the plan, which is matched by the City up to 6%. Vesting provisions for City contributions provide for a period of up to 7 years to become fully vested. The City and employees each contributed \$98,570 for the year ended September 30, 2012.

The City's police officers are covered under a defined contribution plan, with all funds held and invested in the American Funds by Benefit Plans. Employees covered by the plan contribute 6% of their salary to the plan, which is matched by the City. After the completion of four years of service, the vesting percentage increases by 10% for each additional completed year of service, up to 100%. The City and employees each contributed \$46,341 to the police officers' plan for the year ended September 30, 2012.

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.

NOTE 11: LANDFILL CLOSURE COSTS

State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$646,719 reported as postclosure care liability at September 30, 2012, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. The City closed the landfill in May, 1997. Actual post closure costs may be higher due to inflation, changes in technology, or changes in regulations.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 11: LANDFILL CLOSURE COSTS (CONTINUED)

The City is required by state and federal laws and regulations to make annual contributions to finance postclosure care. The City is in compliance with these requirements, and, at September 30, 2012, cash and investments of \$250,049 are 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 postclosure care requirements are determined, these costs may need to be covered by additional contributions from the City.

NOTE 12: CONTINGENCIES

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

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

- (a) The City has owner-occupied housing with forgivable clauses totaling \$82,728. These clauses expire in 2022.

NOTE 13: ECONOMIC DEPENDENCY

The City of Lexington's Electric Department purchases all of its electricity for resale to customers from Nebraska Public Power District. Total power purchased during the year ended September 30, 2012 was \$11,651,361.

NOTE 14: FRANCHISE FEES

The Lexington Utilities System (Enterprise Funds) pays franchise fees based on sales to the General Fund. The following is a list of franchise fees paid.

Electric	\$764,748
Water	\$ 61,671

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 15: PROPERTY TAXES

Real estate taxes are levied December 1 of each year and become a lien on January 1 of the next year. Personal property taxes on owned or leased property are assessed as of January 1 of each year and become a lien on all personal property owned as of December 31 of that year. The first half of both taxes is delinquent May 1 and the second half delinquent September 1 of the following year. Taxes not paid by the due dates become delinquent and interest is assessed at 14%.

NOTE 16: RISK MANAGEMENT

On August 1, 1982, the City established a self-funded health care plan for the benefit of eligible City employees and their eligible dependents. The plan provides reimbursement for covered charges incurred as a result of medically necessary treatment for illness or injury up to a \$1,000,000 lifetime maximum. The City purchases commercial insurance for claims in excess of coverage provided by the Fund. At September 30, 2012, 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, at September 30, 2012, is \$120,977.

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

NOTE 17: AGREEMENTS

Management Agreement

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

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

NOTE 17: AGREEMENTS (CONTINUED)

Communication Center Agreement

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

Rural Fire District Agreement

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

Nebraska Public Power District

The City of Lexington 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, 2012 were approximately \$2,137,000.

NOTE 18: COMMITMENTS

The City has various construction commitments with respect to projects as of September 30, 2012 totaling approximately \$1,295,000. Also, subsequent to September 30, 2012, the City awarded construction projects totaling approximately \$6.5 million.

NOTE 19: OTHER REQUIRED DISCLOSURES

At September 30, 2012, the following funds had deficit fund balances/net assets:

	<u>Deficit Amount</u>
Central Garage Fund – Internal Service	14,149
Landfill Fund – major fund	280,687

Central Garage will increase their revenue/funding from other departments. On the Landfill Fund – the City will fund as needed for actual expenses.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

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	319,452
Interest payable	8,279
Interest expense	6,049

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: LEASES

The Company leases several copiers and a mailing machine under operating leases expiring at various dates through August, 2015. Total lease expense in 2012 for all operating leases was approximately \$24,425. The following is a schedule of future minimum lease payments:

2013	24,425
2014	11,786
2015	9,165

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEXINGTON, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - (BUDGET AND ACTUAL) CASH BASIS - ALL FUNDS

Year Ended September 30, 2012

	<u>Budget (Original & Final)</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE:			
Local and county sources:			
Property and other taxes	903,326	2,827,246	1,923,920
Sales taxes	1,752,000	1,620,894	(131,106)
Charges and fees for services	29,714,222	20,550,643	(9,163,579)
Interest income	0	152,542	152,542
Miscellaneous	0	1,375,105	1,375,105
Donations and private grants	0	1,549,946	1,549,946
Intergovernmental	5,011,635	1,917,912	(3,093,723)
Bond/note proceeds	0	0	0
Transfers in	1,062,082	1,862,777	800,695
TOTAL REVENUE	<u>38,443,265</u>	<u>31,857,065</u>	<u>(6,586,200)</u>
EXPENDITURES:			
Governmental:			
General government	564,970	1,749,662	(1,184,692)
Public safety	2,312,435	1,820,615	491,820
Public works	847,869	789,377	58,492
Health and welfare	86,568	2,039,707	(1,953,139)
Culture and recreation	1,409,798	1,111,474	298,324
Community development and miscellaneous	3,403,074	1,103,452	2,299,622
Business-Type:			
Electric	14,244,386	14,341,215	(96,829)
Water	1,113,119	1,107,082	6,037
Sewer	724,950	872,880	(147,930)
Sanitation and landfill	765,550	492,657	272,893
Ambulance	1,499,780	124,713	1,375,067
Capital outlay	11,376,439	2,729,041	8,647,398
Debt service	1,748,947	1,961,342	(212,395)
Transfers out	1,062,082	1,862,877	(800,795)
TOTAL EXPENDITURES	<u>41,159,967</u>	<u>32,106,094</u>	<u>9,053,873</u>
REVENUE OVER (UNDER)			
EXPENDITURES	<u>(2,716,702)</u>	<u>(249,029)</u>	<u>2,467,673</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF LEXINGTON, NEBRASKA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2012

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)	(249,029)
Adjustments:	
Adjust revenue for receivable accruals and deferrals	104,554
Adjust expenditures for payables	<u>501,921</u>
Revenue over (under) expenditures and other financing sources uses (GAAP basis)	<u>357,446</u>

ADDITIONAL INFORMATION



CONTRYMAN ASSOCIATES, P.C.

Certified Public Accountants

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

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

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, 2012, which collectively comprise the City of Lexington, Nebraska's basic financial statements and have issued our report thereon dated February 18, 2013. 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.

Internal Control over Financial Reporting

Management of the City of Lexington, Nebraska is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Lexington, Nebraska's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lexington, Nebraska's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the City Council, audit committee, management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Contryman Associates P.C.

Certified Public Accountants
Lexington, Nebraska

February 18, 2013

CITY OF LEXINGTON, NEBRASKA

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CITY OF LEXINGTON, NEBRASKA

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CITY OF LEXINGTON, NEBRASKA

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CONTRYMAN ASSOCIATES, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

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

Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of Lexington, Nebraska, taken as a whole for the year ended September 30, 2012. The accompanying additional information listed in the Additional Information Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Certain supplementary information includes comparisons of budget and actual operating data. However, the "budget" information included in this supplementary information has been presented using the legally prescribed budgetary basis of accounting (which differs materially from generally accepted accounting principles), while the "actual" information has been presented on a basis in accordance with generally accepted accounting principles. Accordingly, these comparisons may not be meaningful to users of the supplementary information.

Contryman Associates P.C.

Certified Public Accountants
Lexington, Nebraska

February 18, 2013

CITY OF LEXINGTON, NEBRASKA

COMBINING BALANCE SHEET - GENERAL AND STREET FUNDS

September 30, 2012

	General Fund	Street Fund	Total
ASSETS:			
Cash - unrestricted	2,335,074	121,624	2,456,698
Cash with County Treasurer	48,995	0	48,995
Receivables (net)	523,337	67,812	591,149
Due from other funds	77,630	0	77,630
Receivable from other governments	78,955	46,269	125,224
	<u>3,063,991</u>	<u>235,705</u>	<u>3,299,696</u>
TOTAL ASSETS			
LIABILITIES:			
Accounts payable	380,042	24,896	404,938
Retainage payable	0	50,932	50,932
Due to other funds	580,178	0	580,178
Payable to other governments	0	0	0
Deferred revenue	118,116	0	118,116
Other accrued expenses	290,039	0	290,039
TOTAL LIABILITIES	<u>1,368,375</u>	<u>75,828</u>	<u>1,444,203</u>
FUND BALANCES:			
Restricted	0	0	0
Committed	0	159,877	159,877
Assigned	0	0	0
Unassigned	1,695,616	0	1,695,616
TOTAL FUND BALANCES	<u>1,695,616</u>	<u>159,877</u>	<u>1,855,493</u>
TOTAL LIABILITIES AND FUND BALANCES			
	<u>3,063,991</u>	<u>235,705</u>	<u>3,299,696</u>

CITY OF LEXINGTON, NEBRASKA

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL AND STREET FUNDS

Year Ended September 30, 2012

	General Fund	Street Fund	Total
REVENUE:			
Local and county sources:			
Property taxes	1,679,212	122,373	1,801,585
Sales taxes	1,561,931	172,944	1,734,875
Other miscellaneous taxes	1,065,180	0	1,065,180
Licenses and permits	10,551	0	10,551
Charges for services	1,027,219	0	1,027,219
Interest and loan principal	5,293	474	5,767
Miscellaneous	115,214	0	115,214
Donations and private grants	302,000	1,772	303,772
Rent	191,025	0	191,025
State sources	744,525	826,373	1,570,898
Federal sources	296,495	56,495	352,990
TOTAL REVENUE	6,998,645	1,180,431	8,179,076
EXPENDITURES:			
Current:			
General government	1,758,563	0	1,758,563
Public safety	1,823,470	0	1,823,470
Public works	0	792,833	792,833
Health and welfare	395,737	0	395,737
Culture and recreation	1,113,846	0	1,113,846
Capital outlay	205,957	1,087,753	1,293,710
TOTAL EXPENDITURES	5,297,573	1,880,586	7,178,159
REVENUE OVER (UNDER) EXPENDITURES	1,701,072	(700,155)	1,000,917
OTHER FINANCING SOURCES (USES)			
Special item - debt forgiven	983,930	0	983,930
Transfers in	0	779,135	779,135
Transfers out	(1,822,973)	0	(1,822,973)
TOTAL OTHER FINANCING SOURCES (USES)	(839,043)	779,135	(59,908)

(Continued on next page.)

CITY OF LEXINGTON, NEBRASKA

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL AND STREET FUNDS (CONTINUED)

Year Ended September 30, 2012

	<u>General Fund</u>	<u>Street Fund</u>	<u>Total Governmental Funds</u>
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	862,029	78,980	941,009
Fund balances - beginning	<u>833,587</u>	<u>80,897</u>	<u>914,484</u>
FUND BALANCES - ENDING	<u><u>1,695,616</u></u>	<u><u>159,877</u></u>	<u><u>1,855,493</u></u>

CITY OF LEXINGTON, NEBRASKA

GENERAL & STREET FUNDS

COMBINED BALANCE SHEET

September 30, 2012

ASSETS

ASSETS:

Cash	2,456,698
Cash with County Treasurer	48,995
Receivables (net)	591,149
Due from other governments	125,224
Due from other funds	<u>77,630</u>

TOTAL ASSETS

3,299,696

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable and other accrued expenses	694,977
Retainage payable	50,932
Due to other funds	580,178
Deferred revenue	<u>118,116</u>
TOTAL LIABILITIES	1,444,203

FUND BALANCE

1,855,493

TOTAL LIABILITIES AND FUND BALANCE

3,299,696

CITY OF LEXINGTON, NEBRASKA

GENERAL & STREET FUNDS

COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
Property tax	1,909,724	1,801,584	(108,140)
Franchise tax	816,000	895,343	79,343
Occupation tax	209,300	169,837	(39,463)
Permits and licenses	20,400	10,551	(9,849)
Charges for services	903,525	908,940	5,415
Program receipts	145,500	118,279	(27,221)
Interest income	6,000	5,766	(234)
Local grants and donations	321,000	303,772	(17,228)
Sales	184,200	113,016	(71,184)
Contracts and rent	380,000	191,025	(188,975)
State revenue	1,406,140	1,566,943	160,803
Sales tax	1,752,000	1,734,875	(17,125)
Federal sources	3,391,995	356,944	(3,035,051)
Miscellaneous	10,000	2,198	(7,802)
TOTAL REVENUE	<u>11,455,784</u>	<u>8,179,073</u>	<u>(3,276,711)</u>
EXPENDITURES:			
Administration	3,146,607	1,865,137	1,281,470
Engineering	302,457	288,655	13,802
Fire Department	162,288	140,296	21,992
Police Department	1,426,024	1,464,443	(38,419)
Library	408,559	421,435	(12,876)
Park Department	690,385	358,607	331,778
Recreation Department	115,491	105,688	9,803
Aquatic Center	245,812	240,366	5,446
Grand Generation Center	304,551	307,600	(3,049)
Street maintenance	5,190,869	1,880,585	3,310,284
Cemetery	86,568	105,344	(18,776)
TOTAL EXPENDITURES	<u>12,079,611</u>	<u>7,178,156</u>	<u>4,901,455</u>

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

GENERAL & STREET FUNDS

COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(623,827)</u>	<u>1,000,917</u>	<u>1,624,744</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds	150,000	0	(150,000)
Special item - debt forgiveness	0	983,930	983,930
Transfers in	132,199	831,334	699,135
Transfers out	<u>(894,883)</u>	<u>(1,875,172)</u>	<u>(980,289)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(612,684)</u>	<u>(59,908)</u>	<u>552,776</u>
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u><u>(1,236,511)</u></u>	941,009	<u><u>2,177,520</u></u>
Fund balance - beginning of year		<u>914,484</u>	
FUND BALANCE - END OF YEAR		<u><u>1,855,493</u></u>	

CITY OF LEXINGTON, NEBRASKA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - ADMINISTRATION

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES:			
Current:			
Salaries	308,281	348,293	(40,012)
Benefits	92,665	99,089	(6,424)
Utilities	60,000	58,694	1,306
Insurance and employee bond	170,000	167,290	2,710
School, travel, and promotion	708,900	52,850	656,050
Contractual expense	1,754,721	887,293	867,428
Publication expense	9,900	7,295	2,605
Building repairs	5,000	36,456	(31,456)
Grounds maintenance	3,000	24,798	(21,798)
Vehicle operation	8,200	5,143	3,057
Equipment repair	0	390	(390)
Operating supplies	25,940	70,972	(45,032)
Capital outlay	0	106,574	(106,574)
TOTAL EXPENDITURES	<u>3,146,607</u>	<u>1,865,137</u>	<u>1,281,470</u>

CITY OF LEXINGTON, NEBRASKA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - ENGINEERING

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
EXPENDITURES:			
Current:			
Salaries	120,774	127,173	(6,399)
Benefits	53,683	57,481	(3,798)
School, travel, and promotion	26,000	15,766	10,234
Contractual expense	80,000	49,041	30,959
Publication expense	2,000	0	2,000
Vehicle operation	4,000	4,217	(217)
Equipment repair	1,000	0	1,000
Operating supplies	15,000	13,514	1,486
Capital outlay	0	21,463	(21,463)
TOTAL EXPENDITURES	<u>302,457</u>	<u>288,655</u>	<u>13,802</u>

CITY OF LEXINGTON, NEBRASKA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - FIRE DEPARTMENT

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES:			
Current:			
Salaries	20,100	20,097	3
Benefits	19,538	21,030	(1,492)
Utilities	19,000	12,611	6,389
Insurance and employee bond	18,000	20,120	(2,120)
School, travel, and promotion	15,150	15,387	(237)
Contractual expense	19,000	16,343	2,657
Building repairs	3,000	687	2,313
Vehicle operation	8,500	13,920	(5,420)
Equipment repair	30,000	8,521	21,479
Operating supplies	10,000	11,580	(1,580)
TOTAL EXPENDITURES	<u>162,288</u>	<u>140,296</u>	<u>21,992</u>

CITY OF LEXINGTON, NEBRASKA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - POLICE DEPARTMENT

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
EXPENDITURES:			
Current:			
Salaries	815,614	854,591	(38,977)
Benefits	348,210	334,280	13,930
Utilities	1,000	566	434
School, travel, and promotion	11,200	8,784	2,416
Publication expense	116,000	111,184	4,816
Building repairs	1,000	374	626
Vehicle operation	41,000	36,461	4,539
Equipment repair	16,000	27,574	(11,574)
Operating supplies	26,000	42,167	(16,167)
Capital outlay	50,000	48,462	1,538
TOTAL EXPENDITURES	<u>1,426,024</u>	<u>1,464,443</u>	<u>(38,419)</u>

CITY OF LEXINGTON, NEBRASKA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - LIBRARY

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES:			
Current:			
Salaries	189,286	191,278	(1,992)
Benefits	71,173	72,396	(1,223)
Utilities	24,500	22,489	2,011
School, travel, and promotion	4,600	2,700	1,900
Contractual expense	35,000	41,945	(6,945)
Publication expense	1,000	102	898
Building repairs	3,000	2,094	906
Grounds maintenance	0	281	(281)
Equipment repair	5,000	13,967	(8,967)
Operating supplies	75,000	74,183	817
TOTAL EXPENDITURES	<u>408,559</u>	<u>421,435</u>	<u>(12,876)</u>

CITY OF LEXINGTON, NEBRASKA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - PARK DEPARTMENT

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
EXPENDITURES:			
Current:			
Salaries	151,131	160,514	(9,383)
Benefits	65,254	66,662	(1,408)
Utilities	30,000	30,323	(323)
School, travel, and promotion	500	26	474
Contractual expense	11,000	17,300	(6,300)
Building repairs	10,000	1,084	8,916
Grounds maintenance	41,000	38,873	2,127
Vehicle operation	11,500	9,567	1,933
Equipment repair	25,000	20,967	4,033
Operating supplies	0	1,041	(1,041)
Capital outlay	345,000	12,250	332,750
TOTAL EXPENDITURES	<u>690,385</u>	<u>358,607</u>	<u>331,778</u>

CITY OF LEXINGTON, NEBRASKA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET RECREATION DEPARTMENT

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES:			
Current:			
Salaries	55,877	47,026	8,851
Benefits	7,714	7,105	609
School, travel, and promotion	1,900	720	1,180
Contractual expense	16,000	6,856	9,144
Publication expense	4,000	1,843	2,157
Grounds maintenance	0	614	(614)
Vehicle operation	3,000	2,942	58
Equipment repair	2,000	15	1,985
Operating supplies	25,000	38,567	(13,567)
TOTAL EXPENDITURES	<u>115,491</u>	<u>105,688</u>	<u>9,803</u>

CITY OF LEXINGTON, NEBRASKA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - AQUATIC CENTER

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
EXPENDITURES:			
Current:			
Salaries	127,500	140,462	(12,962)
Benefits	10,912	10,745	167
Utilities	15,000	15,018	(18)
School, travel, and promotion	2,900	1,935	965
Contractual expense	13,000	7,561	5,439
Publication expense	1,000	400	600
Building repairs	4,000	2,171	1,829
Grounds maintenance	7,000	11,548	(4,548)
Vehicle operation	0	65	(65)
Equipment repair	12,000	13,634	(1,634)
Operating supplies	42,500	36,827	5,673
Capital outlay	10,000	0	10,000
TOTAL EXPENDITURES	<u>245,812</u>	<u>240,366</u>	<u>5,446</u>

CITY OF LEXINGTON, NEBRASKA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - GRAND GENERATION CENTER

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES:			
Current:			
Salaries	156,591	165,712	(9,121)
Benefits	86,260	79,436	6,824
Utilities	10,500	8,844	1,656
School, travel, and promotion	1,900	145	1,755
Contractual expense	25,300	22,690	2,610
Building repairs	4,000	1,034	2,966
Grounds maintenance	10,000	5,161	4,839
Vehicle operation	1,000	424	576
Equipment repair	3,000	1,068	1,932
Operating supplies	6,000	5,878	122
Capital outlay	0	17,208	(17,208)
TOTAL EXPENDITURES	<u>304,551</u>	<u>307,600</u>	<u>(3,049)</u>

CITY OF LEXINGTON, NEBRASKA

STREET FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - STREET MAINTENANCE

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES:			
Current:			
Salaries	291,807	283,889	7,918
Benefits	121,062	101,159	19,903
Utilities	92,000	91,791	209
School, travel, and promotion	1,000	420	580
Contractual expense	50,000	46,865	3,135
Publication expense	1,000	0	1,000
Building repairs	5,000	8,885	(3,885)
Grounds maintenance	1,000	22,289	(21,289)
Vehicle operation	70,000	56,370	13,630
Equipment repair	65,000	54,208	10,792
Operating supplies	150,000	126,956	23,044
Capital outlay	4,343,000	1,087,753	3,255,247
TOTAL EXPENDITURES	<u>5,190,869</u>	<u>1,880,585</u>	<u>3,310,284</u>

CITY OF LEXINGTON, NEBRASKA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - CEMETERY

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES:			
Current:			
Salaries	49,536	71,205	(21,669)
Benefits	6,032	10,022	(3,990)
Utilities	1,000	843	157
Contractual expense	1,000	1,985	(985)
Building repairs	1,000	721	279
Grounds maintenance	5,000	3,014	1,986
Vehicle operation	4,000	2,836	1,164
Equipment repair	14,000	9,751	4,249
Operating supplies	5,000	4,967	33
TOTAL EXPENDITURES	<u>86,568</u>	<u>105,344</u>	<u>(18,776)</u>

CITY OF LEXINGTON, NEBRASKA

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2012

ASSETS				
	Federal Grants	Meals on Wheels	Economic Development	Totals
ASSETS:				
Restricted cash:				
Cash and investments	48,890	39,148	497,176	585,214
Receivables (net)	231,848	0	616,538	848,386
Due from other governments	0	11,151	0	11,151
Due from other funds	0	0	0	0
 TOTAL ASSETS	 280,738	 50,299	 1,113,714	 1,444,751
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and other				
accrued expenses	0	4,615	0	4,615
Due to other governments	0	0	0	0
Due to other funds	100	0	0	100
Deferred revenue	228,090	0	616,538	844,628
TOTAL LIABILITIES	228,190	4,615	616,538	849,343
 FUND BALANCES	 52,548	 45,684	 497,176	 595,408
 TOTAL LIABILITIES AND FUND BALANCES	 280,738	 50,299	 1,113,714	 1,444,751

CITY OF LEXINGTON, NEBRASKA

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2012

	Federal Grants	Meals on Wheels	Economic Development	Totals
REVENUE:				
Interest and loan payments	44,348	91	1,056	45,495
Awards, donations, and miscellaneous	9,921	78,152	0	88,073
Rent	0	0	55,000	55,000
Federal sources	0	80,161	0	80,161
TOTAL REVENUE	54,269	158,404	56,056	268,729
EXPENDITURES:				
Current:				
Contract/grant expenditures	1,033,230	192,659	14,711	1,240,600
REVENUE OVER (UNDER) EXPENDITURES	(978,961)	(34,255)	41,345	(971,871)
OTHER FINANCING SOURCES (USES):				
Transfers in	0	0	167,500	167,500
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(978,961)	(34,255)	208,845	(804,371)
Fund balances - beginning of year	1,031,509	79,939	288,331	1,399,779
FUND BALANCES - END OF YEAR	52,548	45,684	497,176	595,408

CITY OF LEXINGTON, NEBRASKA

**SPECIAL REVENUE FUNDS
FEDERAL GRANTS**

BALANCE SHEET

September 30, 2012

ASSETS:

Restricted cash:

Cash and investments	48,890
Receivables (net)	231,848

TOTAL ASSETS	<u>280,738</u>
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LIABILITIES:

Due to other funds	100
Deferred revenue	<u>228,090</u>
TOTAL LIABILITIES	228,190

FUND BALANCE	<u>52,548</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>280,738</u>
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CITY OF LEXINGTON, NEBRASKA

SPECIAL REVENUE FUNDS
FEDERAL GRANTS

STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
REVENUE:			
Interest and loan repayments	160,182	44,348	(115,834)
Awards and donations	0	9,921	9,921
TOTAL REVENUE	<u>160,182</u>	<u>54,269</u>	<u>(105,913)</u>
EXPENDITURES:			
Current:			
Grant expenditures	<u>414,862</u>	<u>1,033,230</u>	<u>(618,368)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(254,680)</u>	<u>(978,961)</u>	<u>(724,281)</u>
Fund balance - beginning of year		<u>1,031,509</u>	
FUND BALANCE - END OF YEAR		<u>52,548</u>	

CITY OF LEXINGTON, NEBRASKA

**SPECIAL REVENUE FUNDS
MEALS ON WHEELS**

BALANCE SHEET

September 30, 2012

ASSETS:

Restricted cash:

Cash and investments	39,148
Due from other government	<u>11,151</u>

TOTAL ASSETS	<u><u>50,299</u></u>
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LIABILITIES:

Accounts payable and accrued expenses	4,615
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FUND BALANCE	<u>45,684</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>50,299</u></u>
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CITY OF LEXINGTON, NEBRASKA

SPECIAL REVENUE FUNDS
MEALS ON WHEELS

STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
REVENUE:			
Federal sources	78,500	80,161	1,661
Interest	0	91	91
Meal donations and other	83,000	78,152	(4,848)
TOTAL REVENUE	<u>161,500</u>	<u>158,404</u>	<u>(3,096)</u>
EXPENDITURES:			
Current:			
Salaries	15,655	15,394	261
Benefits	1,198	1,165	33
Utilities	11,000	6,468	4,532
School, travel, and promotion	5,000	1,405	3,595
Contractual services and other	90,000	81,899	8,101
Meal preparation supplies	98,000	86,328	11,672
TOTAL EXPENDITURES	<u>220,853</u>	<u>192,659</u>	<u>28,194</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(59,353)</u>	<u>(34,255)</u>	<u>25,098</u>
Fund balance - beginning of year		<u>79,939</u>	
FUND BALANCE - END OF YEAR		<u><u>45,684</u></u>	

CITY OF LEXINGTON, NEBRASKA

**SPECIAL REVENUE FUNDS
ECONOMIC DEVELOPMENT**

BALANCE SHEET

September 30, 2012

ASSETS:

Restricted cash:

Cash and investments	497,176
Receivables (net)	<u>616,538</u>

TOTAL ASSETS	<u>1,113,714</u>
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LIABILITIES:

Deferred revenue	616,538
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FUND BALANCE	<u>497,176</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>1,113,714</u>
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CITY OF LEXINGTON, NEBRASKA

SPECIAL REVENUE FUNDS
ECONOMIC DEVELOPMENT

STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
REVENUE:			
Interest income	1,500	1,056	(444)
Rent income	<u>20,000</u>	<u>55,000</u>	<u>35,000</u>
TOTAL REVENUE	21,500	56,056	34,556
 EXPENDITURES:			
Current:			
Contract expenses	<u>477,301</u>	<u>14,711</u>	<u>462,590</u>
 REVENUE OVER (UNDER) EXPENDITURES	(455,801)	41,345	497,146
 OTHER FINANCING SOURCES:			
Transfers in	<u>167,500</u>	<u>167,500</u>	<u>0</u>
 REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	<u>(288,301)</u>	208,845	<u>497,146</u>
 Fund balance - beginning of year		<u>288,331</u>	
 FUND BALANCE - END OF YEAR		<u>497,176</u>	

CITY OF LEXINGTON, NEBRASKA

DEBT SERVICE FUND

BALANCE SHEET

September 30, 2012

ASSETS:

Cash	259,421
Cash with County Treasurer	2,973
Restricted assets:	
Cash	0
Receivables (net)	<u>299,943</u>

TOTAL ASSETS 562,337

LIABILITIES:

Due to other funds	18,396
Deferred revenue	<u>293,494</u>
TOTAL LIABILITIES	311,890

FUND BALANCE 250,447

TOTAL LIABILITIES AND FUND BALANCE 562,337

CITY OF LEXINGTON, NEBRASKA

DEBT SERVICE FUND

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGET AND ACTUAL)

Year Ended September 30, 2012

	Budget	Actual	Favorable (Unfavorable) Variance
REVENUE:			
Property taxes	65,701	61,891	(3,810)
Interest income	41,297	45,222	3,925
State sources	0	4,825	4,825
TOTAL REVENUE	106,998	111,938	4,940
EXPENDITURES:			
Debt service:			
Principal	689,953	688,891	1,062
Interest	186,384	188,120	(1,736)
TOTAL EXPENDITURES	876,337	877,011	(674)
REVENUE OVER (UNDER) EXPENDITURES	(769,339)	(765,073)	4,266
OTHER FINANCING SOURCES:			
Transfers in	727,383	876,338	148,955
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(41,956)	111,265	153,221
Fund balance - beginning of year		139,182	
FUND BALANCE - END OF YEAR		250,447	

CITY OF LEXINGTON, NEBRASKA

DEBT SERVICE FUND

SCHEDULE OF DEBT SERVICE RECEIVABLE

September 30, 2012

<u>Date Levied</u>	<u>District Number</u>	<u>Nature of Assets</u>	<u>Cash</u>	<u>Amount Paid by City</u>	<u>Amount Paid by Owner</u>	<u>Balance Outstanding</u>
May 17, 2003	02-1	Improvements	14,753	0	14,753	3,351
July 22, 2003		Demolition	24,404	0	24,404	24,404
September 26, 2006	06-01	Improvements	38,706	0	38,706	9,207
June 1, 2011	09-02	Improvements	314,833	0	314,833	252,541
TOTALS			<u>392,696</u>	<u>0</u>	<u>392,696</u>	<u>289,503</u>

SCHEDULE OF NOTES PAYABLE OUTSTANDING

<u>Date Issued</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>
Note Dated January 12, 2006 Due as follows:	January 12, 2013	4.25%	41,472
	January 12, 2014		43,269
			<u>84,741</u>
Note Dated November 19, 2008 Due as follows:	January 2, 2013	6.25%	<u>6,889</u>
Note Dated October 14, 2005 Due as follows:	October 14, 2012	3.98%	36,523
	October 14, 2013		38,039
	October 14, 2014		39,574
	October 14, 2015		41,171
	October 14, 2016		42,807
	October 14, 2017		44,560
	October 14, 2018		46,358
	October 14, 2019		48,229
	October 14, 2020		50,163
			<u>387,424</u>

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CITY OF LEXINGTON, NEBRASKA

DEBT SERVICE FUND

SCHEDULE OF NOTES PAYABLE OUTSTANDING (CONTINUED)

September 30, 2012

<u>Date Issued</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>
Note Dated April 29, 2008			
Due as follows:			
	May 1, 2013	4.51%	29,979
	May 1, 2014		31,331
	May 1, 2015		32,744
	May 1, 2016		34,220
	May 1, 2017		35,764
	May 1, 2018		37,377
	May 1, 2019		39,062
	May 1, 2020		40,824
	May 1, 2021		42,665
	May 1, 2022		40,259
			<u>364,225</u>
Note Dated May 30, 2008			
Due as follows:			
	December 1, 2012	4.50%	19,540
	June 1, 2013		20,017
	December 1, 2013		20,444
	June 1, 2014		20,938
	December 1, 2014		21,391
	June 1, 2015		21,901
	December 1, 2015		22,381
	June 1, 2016		22,893
	December 1, 2016		23,417
	June 1, 2017		23,962
	December 1, 2017		24,501
	June 1, 2018		25,064
			<u>266,449</u>

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CITY OF LEXINGTON, NEBRASKA

DEBT SERVICE FUND

SCHEDULE OF NOTES PAYABLE OUTSTANDING (CONTINUED)

September 30, 2012

<u>Date Issued</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>
Note dated June 2, 2011			
Due as follows:	May 2, 2013	3.72%	78,633
	May 2, 2014		81,598
	May 2, 2015		84,676
	May 2, 2016		87,810
	May 2, 2017		91,182
	May 2, 2018		94,621
	May 2, 2019		98,189
	May 2, 2020		101,871
	May 2, 2021		<u>105,642</u>
			<u>824,222</u>
TOTAL NOTES			<u><u>1,933,950</u></u>

CITY OF LEXINGTON, NEBRASKA

DEBT SERVICE FUND

SCHEDULE OF VARIOUS PURPOSE BONDS OUTSTANDING

September 30, 2012

<u>Date Issued</u>	<u>Due Date</u>	<u>Rate</u>	<u>Principal</u>
Bonds Dated June 15, 2008			
Due as follows:	December 15, 2012	2.95%	145,000
	June 15, 2013	3.05%	150,000
Callable June 15, 2013			
	December 15, 2013	3.15%	155,000
	June 15, 2014	3.25%	160,000
	December 15, 2014	3.35%	155,000
	June 15, 2015	3.45%	165,000
	December 15, 2015	3.55%	165,000
	June 15, 2016	3.65%	160,000
	TOTAL		<u>1,255,000</u>
Bonds Dated March 30, 2010			
Due as follows:	October 15, 2012	1.40%	75,000
	October 15, 2013	1.65%	75,000
Callable October 15, 2015			
	October 15, 2014	2.00%	75,000
	October 15, 2015	2.40%	80,000
	October 15, 2016	2.75%	85,000
	October 15, 2017	3.00%	80,000
	October 15, 2018	3.30%	85,000
	October 15, 2019	3.50%	90,000
	October 15, 2020	3.60%	95,000
	October 15, 2021	3.70%	90,000
	October 15, 2022	3.80%	95,000
	October 15, 2023	3.90%	100,000
	October 15, 2024	4.00%	105,000
	TOTAL		<u>1,130,000</u>
			<u>2,385,000</u>
TOTAL BONDS			<u>2,385,000</u>

CITY OF LEXINGTON, NEBRASKA

INTERNAL SERVICE FUND

COMBINING BALANCE SHEETS

September 30, 2012

	<u>Central Garage</u>	<u>Employee Health Fund</u>	<u>Totals</u>
ASSETS:			
Cash	0	120,977	120,977
Due from other funds	<u>2,722</u>	<u>0</u>	<u>2,722</u>
TOTAL ASSETS	<u><u>2,722</u></u>	<u><u>120,977</u></u>	<u><u>123,699</u></u>
LIABILITIES:			
Accounts payable and other accrued expenses	10,552	742	11,294
Due to other funds	<u>6,319</u>	<u>0</u>	<u>6,319</u>
TOTAL LIABILITIES	<u>16,871</u>	<u>742</u>	<u>17,613</u>
FUND BALANCE	<u>(14,149)</u>	<u>120,235</u>	<u>106,086</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>2,722</u></u>	<u><u>120,977</u></u>	<u><u>123,699</u></u>

CITY OF LEXINGTON, NEBRASKA

INTERNAL SERVICE FUND

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2012

	Central Garage	Employee Health Fund	Totals
REVENUE:			
Services	264,668	0	264,668
Reimbursements from other funds	0	451,332	451,332
Interest income	0	62	62
TOTAL REVENUE	264,668	451,394	716,062
EXPENDITURES:			
Current:			
Salaries	40,300	0	40,300
Benefits	19,257	0	19,257
Communication	2,924	0	2,924
Vehicle operation	1,518	0	1,518
Equipment repair	917	0	917
Operating supplies	195,426	0	195,426
Medical costs	0	426,919	426,919
TOTAL EXPENDITURES	260,342	426,919	687,261
REVENUE OVER (UNDER) EXPENDITURES	4,326	24,475	28,801
Fund balances - beginning of year	(18,475)	95,760	77,285
FUND BALANCES - END OF YEAR	(14,149)	120,235	106,086

CITY OF LEXINGTON, NEBRASKA

INTERNAL SERVICE FUND CENTRAL GARAGE

BALANCE SHEET

September 30, 2012

ASSETS:

Cash	0
Due from other funds	<u>2,722</u>

TOTAL ASSETS	<u><u>2,722</u></u>
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LIABILITIES:

Accounts payable and other accrued expenses	10,552
Due to other funds	<u>6,319</u>
TOTAL LIABILITIES	16,871

FUND BALANCE	<u>(14,149)</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>2,722</u></u>
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CITY OF LEXINGTON, NEBRASKA

INTERNAL SERVICE FUND
CENTRAL GARAGE

STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUE:			
Services	<u>280,000</u>	<u>264,668</u>	<u>(15,332)</u>
EXPENDITURES:			
Current:			
Salaries	43,222	40,300	2,922
Benefits	20,280	19,257	1,023
Communication	8,000	2,924	5,076
Vehicle operation	2,500	1,518	982
Equipment repair	500	917	(417)
Operating supplies	<u>205,498</u>	<u>195,426</u>	<u>10,072</u>
TOTAL EXPENDITURES	<u>280,000</u>	<u>260,342</u>	<u>19,658</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>0</u>	4,326	<u>4,326</u>
Fund balance - beginning of year		<u>(18,475)</u>	
FUND BALANCE - END OF YEAR		<u>(14,149)</u>	

CITY OF LEXINGTON, NEBRASKA

INTERNAL SERVICE FUND
EMPLOYEE HEALTH INSURANCE FUND

BALANCE SHEET

September 30, 2012

ASSETS:		
Cash		<u>120,977</u>
LIABILITIES:		
Accounts payable and other accrued expenses		742
FUND BALANCE		<u>120,235</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>120,977</u>

STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE:			
Reimbursements from other funds	700,000	451,332	(248,668)
Interest income	500	62	(438)
TOTAL REVENUE	<u>700,500</u>	<u>451,394</u>	<u>(249,106)</u>
EXPENDITURES:			
Current:			
Medical costs	<u>748,000</u>	<u>426,919</u>	<u>321,081</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(47,500)</u>	24,475	<u>71,975</u>
Fund balance - beginning of year		<u>95,760</u>	
FUND BALANCE - END OF YEAR		<u>120,235</u>	

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2012

ASSETS

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
CURRENT ASSETS:			
Cash - unrestricted	197,049	0	0
Receivables, net:			
Accounts - consumer	392,912	105,480	105,122
Unbilled receivables	747,921	202,737	245,798
Due from other funds	550,983	0	0
Inventory	181,963	178,358	170
TOTAL CURRENT ASSETS	<u>2,070,828</u>	<u>486,575</u>	<u>351,090</u>
RESTRICTED ASSETS:			
Landfill closure	0	0	0
Revenue bond account	223,713	49,775	185,358
Bond reserve account	322,796	83,498	468,466
Surplus accounts	1,571,966	284,122	108,865
TOTAL RESTRICTED ASSETS	<u>2,118,475</u>	<u>417,395</u>	<u>762,689</u>
OTHER ASSETS:			
Deferred bond issuance costs	58,475	9,169	62,853
UTILITY PLANT:			
Utility plant in service	22,890,846	9,468,978	19,094,520
Accumulated depreciation	(14,734,850)	(5,520,206)	(11,030,711)
Net Utility Plant in Service	8,155,996	3,948,772	8,063,809
Construction in Progress	1,024,679	20,258	13,011
TOTAL UTILITY PLANT	<u>9,180,675</u>	<u>3,969,030</u>	<u>8,076,820</u>
TOTAL ASSETS	<u>13,428,453</u>	<u>4,882,169</u>	<u>9,253,452</u>

(Continued on next page)

<u>Sanitation</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Total Business-type Activities</u>
17,172	0	33,223	247,444
27,998	0	0	631,512
79,754	0	0	1,276,210
0	0	0	550,983
0	0	0	360,491
<u>124,924</u>	<u>0</u>	<u>33,223</u>	<u>3,066,640</u>
0	250,049	0	250,049
0	0	0	458,846
0	0	0	874,760
0	0	0	1,964,953
<u>0</u>	<u>250,049</u>	<u>0</u>	<u>3,548,608</u>
0	0	0	130,497
3,356	115,983	250,408	51,824,091
0	0	(151,870)	(31,437,637)
<u>3,356</u>	<u>115,983</u>	<u>98,538</u>	<u>20,386,454</u>
0	0	0	1,057,948
<u>3,356</u>	<u>115,983</u>	<u>98,538</u>	<u>21,444,402</u>
<u>128,280</u>	<u>366,032</u>	<u>131,761</u>	<u>28,190,147</u>

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)

September 30, 2012

LIABILITIES

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
CURRENT LIABILITIES:			
Accounts payable and other accrued expenses	1,345,115	60,096	124,806
Current portion of long-term debt	158,908	57,387	323,705
Due to other governments	0	0	0
Due to other funds	0	1,046	25,297
TOTAL CURRENT LIABILITIES	<u>1,504,023</u>	<u>118,529</u>	<u>473,808</u>
LONG-TERM DEBT (NET OF CURRENT PORTION):			
Customer deposits	196,274	0	0
Accrued landfill closure costs	0	0	0
Note payable	0	0	0
Capital leases payable	0	0	0
Revenue and refunding bonds	3,374,865	502,613	3,872,522
TOTAL LONG-TERM DEBT	<u>3,571,139</u>	<u>502,613</u>	<u>3,872,522</u>
TOTAL LIABILITIES	<u>5,075,162</u>	<u>621,142</u>	<u>4,346,330</u>
NET ASSETS:			
Invested in capital assets, net of related debt	5,646,902	3,409,030	3,880,593
Restricted for:			
Debt services	2,118,475	417,395	762,689
Unrestricted	587,914	434,602	263,840
NET ASSETS	<u>8,353,291</u>	<u>4,261,027</u>	<u>4,907,122</u>

	<u>Sanitation</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Total Business-type Activities</u>
	0	0	6,645	1,536,662
	0	0	16,835	556,835
	0	0	0	0
	0	0	0	26,343
	<u>0</u>	<u>0</u>	<u>23,480</u>	<u>2,119,840</u>
	0	0	0	196,274
	0	646,719	0	646,719
	0	0	726	726
	0	0	0	0
	0	0	0	7,750,000
	<u>0</u>	<u>646,719</u>	<u>726</u>	<u>8,593,719</u>
	<u>0</u>	<u>646,719</u>	<u>24,206</u>	<u>10,713,559</u>
	3,356	115,983	80,977	13,136,841
	0	0	0	3,298,559
	124,924	(396,670)	26,578	1,041,188
	<u>128,280</u>	<u>(280,687)</u>	<u>107,555</u>	<u>17,476,588</u>

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

Year Ended September 30, 2012

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Total Business-type Activities</u>
OPERATING REVENUE:							
Sales:							
Residential	4,278,127	728,735	853,948	0	0	123,814	5,984,624
Commercial	3,036,190	239,676	229,546	0	0	0	3,505,412
Industrial	7,420,132	346,475	574,762	0	0	0	8,341,369
Municipal	473,017	0	0	0	0	0	473,017
Sanitation	0	0	0	506,126	0	0	506,126
Jobbed and contract work	41,793	14,881	8,781	0	0	0	65,455
Miscellaneous income	216,201	61,798	38,211	0	0	0	316,210
TOTAL OPERATING REVENUE	<u>15,465,460</u>	<u>1,391,565</u>	<u>1,705,248</u>	<u>506,126</u>	<u>0</u>	<u>123,814</u>	<u>19,192,213</u>
OPERATING EXPENSES:							
Power/Service purchased	11,651,360	208,267	0	476,916	0	0	12,336,543
Distribution expense	874,279	178,208	428,941	0	0	0	1,481,428
Customer accounts expense	12,935	762	0	0	0	0	13,697
Administrative and general expense	1,732,512	681,870	468,843	85	1,426	122,347	3,007,083
Bad debts and miscellaneous expense	13,697	4,341	6,466	0	0	0	24,504
TOTAL OPERATING EXPENSES	<u>14,284,783</u>	<u>1,073,448</u>	<u>904,250</u>	<u>477,001</u>	<u>1,426</u>	<u>122,347</u>	<u>16,863,255</u>
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	<u>1,180,677</u>	<u>318,117</u>	<u>800,998</u>	<u>29,125</u>	<u>(1,426)</u>	<u>1,467</u>	<u>2,328,958</u>
Less Depreciation	962,292	526,399	690,550	0	0	24,273	2,203,514
Less Amortization	2,544	1,474	4,426	0	0	0	8,444
OPERATING INCOME	<u>215,841</u>	<u>(209,756)</u>	<u>106,022</u>	<u>29,125</u>	<u>(1,426)</u>	<u>(22,806)</u>	<u>117,000</u>
NONOPERATING REVENUE (EXPENSES):							
Interest income	22,461	4,365	(2,792)	4	612	83	24,733
Bond and note interest expense	(168,613)	(16,608)	(125,791)	0	0	0	(311,012)
Transfers in	0	0	0	0	15,089	0	15,089
Transfers out	0	0	0	(15,089)	0	0	(15,089)
Aid in construction	0	289	187,201	0	0	0	187,490
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(146,152)</u>	<u>(11,954)</u>	<u>58,618</u>	<u>(15,085)</u>	<u>15,701</u>	<u>83</u>	<u>(98,789)</u>
NET INCOME (LOSS)	69,689	(221,710)	164,640	14,040	14,275	(22,723)	18,211
Net assets - beginning of year	8,283,602	4,482,737	4,742,482	114,240	(294,962)	130,278	17,458,377
NET ASSETS - END OF YEAR	<u>8,353,291</u>	<u>4,261,027</u>	<u>4,907,122</u>	<u>128,280</u>	<u>(280,687)</u>	<u>107,555</u>	<u>17,476,588</u>

CITY OF LEXINGTON, NEBRASKA

ENTERPRISE FUNDS - LEXINGTON UTILITY SYSTEM

SCHEDULE OF EXPENSES

Year Ended September 30, 2012

	Electric	Water	Sewer	Sanitation	Landfill	Ambulance	Total Business-type Activities
DISTRIBUTION EXPENSES:							
Station expenses	2,812	2,101	0	0	0	0	4,913
Customer installation	115	0	0	0	0	0	115
Maintenance:							
Station expenses	2,963	43,836	34,473	0	0	0	81,272
Overhead lines	3,728	0	0	0	0	0	3,728
Underground lines	6,981	0	0	0	0	0	6,981
Line transformers	38,719	0	0	0	0	0	38,719
Street lighting and signal system	2,837	0	0	0	0	0	2,837
Meters	1,932	5,469	0	0	0	0	7,401
General	814,192	24,861	226,200	0	0	0	1,065,253
Pumping equipment	0	49,707	0	0	0	0	49,707
Standpipe	0	18	0	0	0	0	18
Mains and hydrants	0	35,027	0	0	0	0	35,027
Services	0	17,189	0	0	0	0	17,189
Sewer line expense	0	0	10,104	0	0	0	10,104
Utilities	0	0	139,486	0	0	0	139,486
Supplies and miscellaneous	0	0	18,678	0	0	0	18,678
TOTAL DISTRIBUTION EXPENSES	874,279	178,208	428,941	0	0	0	1,481,428
CUSTOMER ACCOUNTS EXPENSE:							
Meter reading	6,604	762	0	0	0	0	7,366
Customer records	6,331	0	0	0	0	0	6,331
TOTAL CUSTOMER ACCOUNTS EXPENSES	12,935	762	0	0	0	0	13,697
ADMINISTRATIVE AND GENERAL EXPENSES:							
Business development	28,541	666	0	0	0	135	29,342
Electric rebates	39,228	0	0	0	0	0	39,228
Administrative salaries	412,386	159,193	77,193	0	0	0	648,772
Other salaries	307,868	286,824	358,913	0	0	0	953,605
Office supplies and data processing expense	94,810	21,735	7,538	85	0	41,325	165,493
Outside services	51,982	300	3,526	0	1,426	0	57,234
Property insurance	0	0	310	0	0	8,234	8,544
Employee pension and benefits	0	0	0	0	0	47,094	47,094
Franchise fees	770,720	62,385	0	0	0	0	833,105
Maintenance of general plant	3,430	147,882	16,848	0	0	249	168,409
Miscellaneous	23,547	2,885	4,515	0	0	25,310	56,257
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	1,732,512	681,870	468,843	85	1,426	122,347	3,007,083

CITY OF LEXINGTON, NEBRASKA

ENTERPRISE FUNDS - LEXINGTON UTILITY SYSTEM

SCHEDULE OF UTILITY PLANT IN SERVICE

September 30, 2012

	Electric	Water	Sewer	Sanitation	Landfill	Ambulance	Total Business-type Activities
TRANSMISSION PLANT:							
Land and land rights	9,700	0	184,839	0	0	0	194,539
Structures and improvements	14,787	0	8,494,745	0	0	0	8,509,532
Station equipment	149,488	0	0	0	0	0	149,488
Poles, towers, and fixtures	196,665	0	0	0	0	0	196,665
Overhead conductors and devices	220,143	0	0	0	0	0	220,143
Tools and work equipment	0	0	67,935	0	0	0	67,935
Engineering	0	0	96,436	0	0	0	96,436
Lift stations	0	0	357,615	0	0	0	357,615
Sewer lines	0	0	3,539,741	0	0	0	3,539,741
Pumping equipment	0	0	5,838,938	0	0	0	5,838,938
EPA equipment	0	0	174,280	0	0	0	174,280
TOTAL TRANSMISSION PLANT	590,783	0	18,754,529	0	0	0	19,345,312
DISTRIBUTION PLANT:							
Land rights	10,741	1,257	0	0	0	0	11,998
Structures and improvements	145,833	22,240	0	0	0	0	168,073
Station equipment	5,300,179	0	0	0	0	0	5,300,179
Poles, towers, and fixtures	1,871,005	0	0	0	0	0	1,871,005
Overhead conductors	2,951,283	0	0	0	0	0	2,951,283
Underground conduit	2,162,008	0	0	0	0	0	2,162,008
Transformers	5,686,378	0	0	0	0	0	5,686,378
Standpipe	0	910,969	0	0	0	0	910,969
Wells and punping equipment	0	1,305,551	0	0	0	0	1,305,551
SCADA equipment	0	180,730	0	0	0	0	180,730
Mains and accessories	0	4,940,546	0	0	0	0	4,940,546
Valves	0	48,901	0	0	0	0	48,901
Hydrants	0	79,100	0	0	0	0	79,100
Services	516,746	586,192	0	0	0	0	1,102,938
Meters and meter reading equipment	464,373	846,200	0	0	0	0	1,310,573
Installation on customers premises	28,586	0	0	0	0	0	28,586
Street lights and signal systems	966,609	0	0	0	0	0	966,609
Load management	225,676	0	0	0	0	0	225,676
Electrical plant purchased	331,026	0	0	0	0	0	331,026
TOTAL DISTRIBUTION PLANT	20,660,443	8,921,686	0	0	0	0	29,582,129

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

ENTERPRISE FUNDS - LEXINGTON UTILITY SYSTEM

SCHEDULE OF UTILITY PLANT IN SERVICE (CONTINUED)

September 30, 2012

	Electric	Water	Sewer	Sanitation	Landfill	Ambulance	Total Business-type Activities
GENERAL PLANT:							
Land and land rights	7,001	0	0	0	115,983	0	122,984
Structures and improvements	275,754	0	0	0	0	0	275,754
Office furniture and equipment	305,991	14,797	0	0	0	0	320,788
Data processing equipment	264,121	17,418	15,542	0	0	0	297,081
Load management equipment	45,418	0	0	0	0	0	45,418
Store equipment	92,458	0	0	0	0	0	92,458
Shop tools and garage equipment	128,343	307,983	0	0	0	0	436,326
Laboratory equipment	4,855	0	3,493	0	0	0	8,348
Communication equipment	24,990	3,192	0	0	0	0	28,182
Transportation equipment	228,939	125,020	67,072	0	0	250,408	671,439
Miscellaneous equipment	261,748	78,882	253,884	3,356	0	0	597,870
TOTAL GENERAL PLANT	1,639,618	547,292	339,991	3,356	115,983	250,408	2,896,648
TOTAL UTILITY PLANT IN SERVICE	22,890,844	9,468,978	19,094,520	3,356	115,983	250,408	51,824,089
Less accumulated depreciation	(14,734,850)	(5,520,206)	(11,030,711)	0	0	(151,870)	(31,437,637)
NET UTILITY PLANT IN SERVICE	8,155,994	3,948,772	8,063,809	3,356	115,983	98,538	20,386,452
Construction in progress	1,024,679	20,258	13,011	0	0	0	1,057,948
TOTAL UTILITY PLANT	9,180,673	3,969,030	8,076,820	3,356	115,983	98,538	21,444,400

CITY OF LEXINGTON, NEBRASKA

SCHEDULE OF DEBT SERVICE

ENTERPRISE FUNDS

Year Ended September 30, 2012

COMBINED UTILITIES REVENUE AND REFUNDING BONDS

Bond dated September 26, 2008	Maturity		Principal
Due as follows:	2013	3.05%	140,000
	2014	3.30%	140,000
Callable 10/15/2013	2015	3.50%	145,000
	2016	3.65%	150,000
	2017	3.80%	155,000
	2018	4.00%	160,000
	2019	4.15%	165,000
	2020	4.35%	170,000
	2021	4.50%	180,000
	2022	4.60%	185,000
	2023	4.70%	195,000
	2024	4.75%	205,000
	2025	5.00%	215,000
	2026	5.00%	225,000
	2027	5.00%	235,000
	2028	5.00%	250,000
	2029	5.00%	260,000
	TOTAL		3,175,000
Bond dated May 12, 2009	Maturity		Principal
Due as follows:	2013	2.00%	305,000
	2014	2.45%	310,000
Callable 12/15/2014	2015	2.85%	320,000
	2016	3.15%	325,000
	2017	3.35%	345,000
	2018	3.55%	310,000
	2019	3.75%	255,000
	2020	3.95%	260,000
	2021	1.05%	270,000
	2022	4.20%	280,000
	2023	4.35%	295,000
	2024	4.50%	330,000
	TOTAL		3,605,000

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CITY OF LEXINGTON, NEBRASKA

SCHEDULE OF DEBT SERVICE (CONTINUED)

ENTERPRISE FUNDS

Year Ended September 30, 2012

COMBINED UTILITIES REVENUE AND REFUNDING BONDS

Bond dated September 15, 2011	<u>Maturity</u>		<u>Principal</u>
Due as follows:	2013	1.05%	115,000
	2014	1.40%	115,000
Callable 9/15/2016	2015	1.70%	110,000
	2016	2.10%	115,000
	2017	2.45%	120,000
	2018	2.75%	120,000
	2019	3.10%	125,000
	2020	3.30%	130,000
	2021	3.50%	135,000
	2022	3.65%	140,000
	2023	3.85%	145,000
	2024	4.00%	140,000
	TOTAL		<u>1,510,000</u>
			<u>8,290,000</u>
TOTAL BONDS			

SCHEDULE OF NOTES PAYABLE

	<u>Fiscal Year of Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>
Note Dated August 15, 2007			
Due as follows:	October 15, 2012	4.43%	<u>17,500</u>

CITY OF LEXINGTON, NEBRASKA

SCHEDULE OF INSURANCE

Year Ended September 30, 2012

<u>Policy/Policy Coverage</u>	<u>Coverage Amounts</u>	<u>Expiration Date</u>
Oak River Insurance Co.:		
Commercial Property	27,201,367	10/1/2012
Liability	1,000,000	10/1/2012
Inland Marine	1,082,841	10/1/2012
Autos	1,000,000	10/1/2012
Public Employee Dishonesty	2,000-250,000	10/1/2012
Employee Benefits Liability	1,000,000	10/1/2012
Herbicide, Pesticide, Fertilizer Draft	25,000	10/1/2012
Errors and Omissions	1,000,000	10/1/2012
Umbrella Policy	5,000,000	10/1/2012
Travelers Insurance:		
	included above in commercial property	
Boiler and Machinery		10/1/2012
Union Insurance Co.:		
Employee Dishonesty Bonds	262,000	10/1/2012
Redwood Fire & Casualty Co.:		
Workmen's' Compensation	100,000	10/1/2012
Fire Department Coverage (Continental Western Insurance):		
Commercial Property	921,000	10/1/2012
Liability	10,000,000	10/1/2012
	No Limit - Guaranteed Replacement Cost	
Inland Marine		10/1/2012
Vehicles	5,000,000	10/1/2012
Workmen's Compensation	100,000	10/1/2012
Group Term Life	25,000	10/1/2012