

**CITY OF LEXINGTON, NEBRASKA**

FINANCIAL STATEMENTS

September 30, 2013

# 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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Lexington, Nebraska, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Lexington, Nebraska, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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




### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lexington, Nebraska's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2014 on our consideration of the City of Lexington, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lexington, Nebraska's internal control over financial reporting and compliance.

  
Certified Public Accountants  
Lexington, Nebraska

February 17, 2014

## 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, 2013. 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 \$50,387,332 (net position). Of this amount, \$3,981,705 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.

The City's total net position increased by \$3,490,496 in comparison with the previous year. Of this amount, \$1,341,412 was the increase from governmental activities. Business-type activities net position increased by \$2,149,084.

The City's governmental funds reported combined ending fund balances of \$2,629,984; a decrease of \$71,365 in comparison with the prior year. Of this total fund balance, 64%, or \$1,683,024 is available for spending at the City's discretion (unassigned fund balance), all of which is in the General Fund.

The City's total long-term debt increased \$1,810,675. This increase is due primarily to financing of the City's waste water treatment plant improvements through the Nebraska Department of Environmental Quality loan program.

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

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

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

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

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general administrative services, planning and zoning, public safety, aging services, library, aquatic, recreation and parks, cemeteries, and streets. Also included are economic development and housing as well as debt service. Business-type activities include electric, water, sewer, sanitation, landfill, and ambulance.

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

The government-wide financial statements can be found on pages 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 position may serve over time as a useful indicator of a government's financial position. In the case of the city of Lexington, assets exceeded liabilities by \$50,387,332 at September 30, 2013.

By far, the largest portion of the City’s net position (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 Position  
September 30, 2013

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	4,627,780	4,870,215	8,296,877	6,681,839	12,924,657	11,552,054
Capital Assets	30,830,347	30,110,929	25,189,391	21,444,444	56,019,738	51,555,373
Total Assets	<u>35,458,127</u>	<u>34,981,144</u>	<u>33,486,268</u>	<u>28,126,283</u>	<u>68,944,395</u>	<u>63,107,427</u>
Long-Term Liabilities						
Outstanding	4,216,760	4,978,224	11,619,264	9,306,169	15,836,024	14,284,393
Other Liabilities	442,186	545,151	2,278,853	1,381,047	2,721,039	1,926,198
Total Liabilities	<u>4,658,946</u>	<u>5,523,375</u>	<u>13,898,117</u>	<u>10,687,216</u>	<u>18,557,063</u>	<u>16,210,591</u>
Net Position:						
Invested in Capital Assets						
net of related debt	26,680,806	25,394,756	14,504,731	13,136,883	41,185,537	38,531,639
Restricted	232,122	706,838	4,987,968	3,548,608	5,220,090	4,255,446
Unrestricted	<u>3,886,253</u>	<u>3,356,175</u>	<u>95,452</u>	<u>753,576</u>	<u>3,981,705</u>	<u>4,109,751</u>
Total Net Position	<u>30,799,181</u>	<u>29,457,769</u>	<u>19,588,151</u>	<u>17,439,067</u>	<u>50,387,332</u>	<u>46,896,836</u>

An additional portion of the City’s net assets, 10 percent, represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position, 8% (\$3,981,705) may be used to meet the government’s ongoing obligations to citizens and creditors.

At September 30, 2013, the City is able to report positive balances in all three categories of net position; for the government as a whole, and for its separate governmental and business-type activities. The same was true for the prior fiscal year.

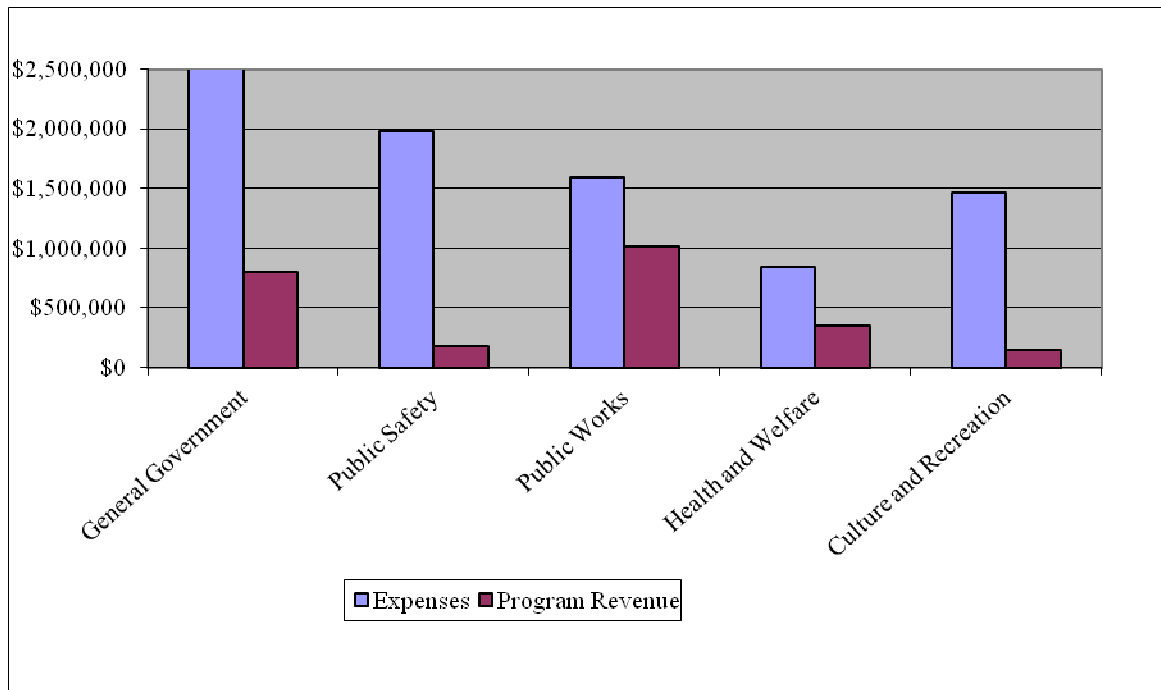
City of Lexington  
Condensed Statement of Activities and Change in Net Position  
for the Year Ended September 30, 2013

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue:						
Program Revenue:						
Charges for Services	1,173,139	1,397,173	19,258,304	19,179,274	20,431,443	20,576,447
Operating Grants & Contributions	292,845	1,088,780	-	-	292,845	1,088,780
Capital Grants & Contributions	1,024,319	231,043	2,662,201	187,201	3,686,520	418,244
General Revenue:						
Property and Other Taxes	1,725,685	1,889,492			1,725,685	1,889,492
Sales and Use Tax	1,818,381	1,755,015			1,818,381	1,755,015
Franchise Taxes	1,123,522	1,112,538			1,123,522	1,112,538
Intergovernmental	2,330,220	615,649		289	2,330,220	615,938
Interest	20,784	28,809	15,274	24,740	36,058	53,549
Miscellaneous	461,892	285,873		12,931	461,892	298,804
Special item-forgiveness of indebtedness	-	983,930			-	983,930
Transfers					-	-
Total Revenue	<u>9,970,787</u>	<u>9,388,302</u>	<u>21,935,779</u>	<u>19,404,435</u>	<u>31,906,566</u>	<u>28,792,737</u>
Expenses:						
General Government	2,738,935	1,994,612	-	-	2,738,935	1,994,612
Public Safety	1,984,818	1,909,800	-	-	1,984,818	1,909,800
Public Works	1,593,918	1,401,953	-	-	1,593,918	1,401,953
Health and Welfare	845,523	1,664,291	-	-	845,523	1,664,291
Culture and Recreation	1,466,181	1,351,832	-	-	1,466,181	1,351,832
Utilities / Ambulance			19,786,695	19,380,258	19,786,695	19,380,258
Total Expenses	<u>8,629,375</u>	<u>8,322,488</u>	<u>19,786,695</u>	<u>19,380,258</u>	<u>28,416,070</u>	<u>27,702,746</u>
Change In Net Assets	1,341,412	1,065,814	2,149,084	24,177	3,490,496	1,089,991
Net Position 10-01-2012	<u>29,457,769</u>	<u>28,391,955</u>	<u>17,439,067</u>	<u>17,414,890</u>	<u>46,896,836</u>	<u>45,806,845</u>
Net Position 09-30-2013	<u>30,799,181</u>	<u>29,457,769</u>	<u>19,588,151</u>	<u>17,439,067</u>	<u>50,387,332</u>	<u>46,896,836</u>

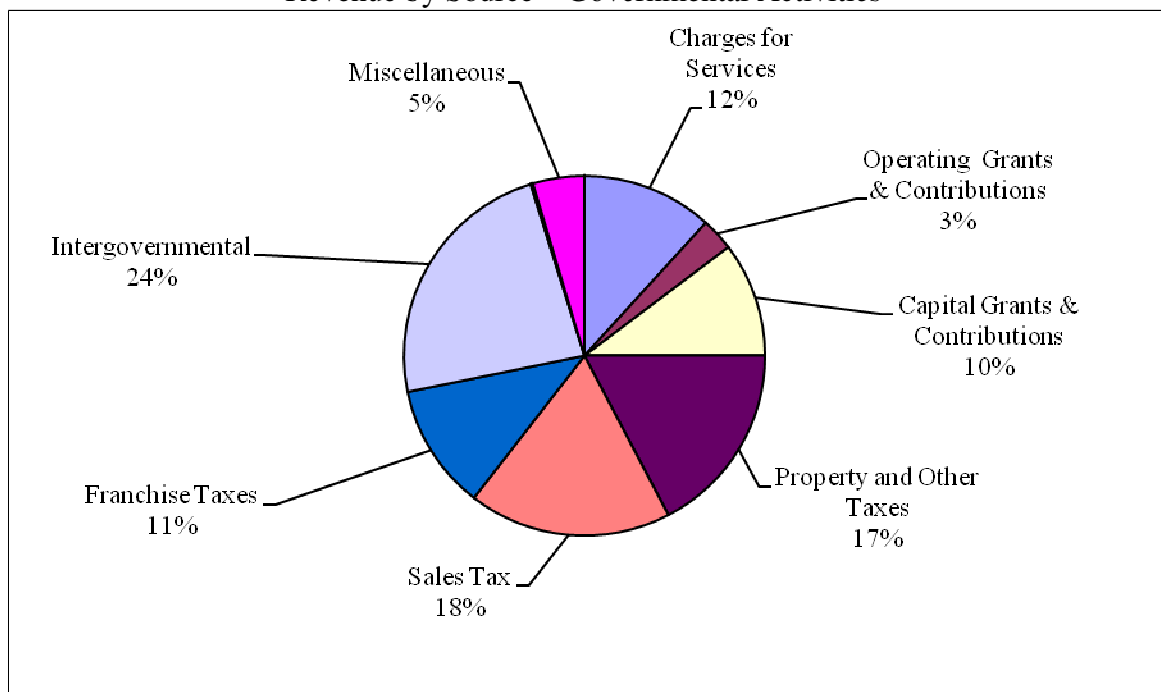
**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City's net position by \$1,341,412; accounting for 38% of the City's growth in net position for fiscal 2013.

Expense and Program Revenues – Governmental Activities



Revenue by Source – Governmental Activities



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

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

### **GOVERNMENTAL FUNDS**

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

As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$2,629,984 a decrease of \$71,365 in comparison with the prior year. Of the \$2.6 million, 64 percent is considered unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, 36 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, 2013, the unassigned fund balance of the general fund was \$1,642,134 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 26 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 \$95,452.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

## **ALL FUNDS BUDGETARY COMPARISON**

Actual combined revenue for all funds was comparable to the budget. Only an approximate 6% variance exists at year-end. All funds actual combined expenditures were also comparable to the budgeted amounts. Combined expenditures were approximately 14% 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, 2013, totals \$56,019,738 (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 2013 include the following:

- Capital activity in the General Fund was fairly light. Equipment purchases totaled \$93,000. A strip of land south of the Dawson County Opportunity Center was purchased for \$135,000.
- Street projects include work on Southeast Business Park at \$1,000,000. Smaller projects were Commerce Road, Downtown Revitalization, and North Jackson totaling \$451,000.
- The Electric department continued work on the Adams Street Substation which included switching equipment and some line work. The AMI (Advanced Metering Infrastructure) project started with expenses of \$66,466; and the Waste Water Treatment Plant project began with expenses of \$48,265. Other various small projects totaled \$162,830.
- The Water department completed the South Lexington Utility Improvements for \$75,060. North Jackson was almost complete at year-end at \$136,896; the AMI (Advanced Metering Infrastructure) began for \$33,362.
- The Sewer department completed the South Lexington Utility Improvements for \$188,892. The Waste Water Treatment Plant upgrade project got into full swing with expenses totaling \$3,875,401. Two-thirds of this project cost is covered by Nebraska Department of Environmental Quality (NDEQ) loan funds.

#### City of Lexington Capital Assets (net of depreciation) September 30, 2013

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	3,281,202	3,138,530	328,725	329,520	3,609,927	3,468,050
Buildings and Improvements	10,196,164	10,610,284	4,634,783	4,925,247	14,830,947	15,535,531
Machinery and Equipment	1,132,553	1,282,547	365,613	460,823	1,498,166	1,743,370
Infrastructure	14,289,634	14,318,982			14,289,634	14,318,982
Utility Plant			14,362,477	14,670,905	14,362,477	14,670,905
Construction in Progress	1,930,794	760,586	5,497,793	1,057,949	7,428,587	1,818,535
<b>Total</b>	<b>30,830,347</b>	<b>30,110,929</b>	<b>25,189,391</b>	<b>21,444,444</b>	<b>56,019,738</b>	<b>51,555,373</b>

Additional Capital Asset information can be found in Note 5 on pages 42-43 of the report.



## LONG-TERM DEBT

At September 30, 2013, the city of Lexington had total outstanding debt of \$14,835,736. Of this amount, \$2,015,000 is General Obligation bonded debt backed by the full faith and credit of the City. Combined Utilities Revenue bonded debt totaled \$9,884,660. \$2,936,076 represents notes to finance equipment and other contracts approved by the City Council.

City of Lexington  
Total Outstanding Debt  
September 30, 2012 and 2013

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
GO Bonds	2,015,000	2,385,000			2,015,000	2,385,000
Revenue Bonds			9,884,660	8,290,000	9,884,660	8,290,000
Notes Payable	2,136,076	2,332,500	800,000	17,561	2,936,076	2,350,061
	<u>4,151,076</u>	<u>4,717,500</u>	<u>10,684,660</u>	<u>8,307,561</u>	<u>14,835,736</u>	<u>13,025,061</u>

The City's total debt increased \$1,810,675 during fiscal 2013. Financing for the Waste Water Treatment Plant upgrade is primarily responsible for this increase.

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 44-47 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 2014 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.

<b>Water Rates:</b>			<b>Fiscal</b>	<b>Sanitary Sewer Rates:</b>			<b>Fiscal</b>
<b>Resolution #:</b>	<b>2013- 34</b>		<b>2013</b>	<b>Resolution #:</b>	<b>08- 24</b>		<b>2013</b>
<b>Council Approved:</b>	<b>12/10/2013</b>		<b># of</b>	<b>Council Approved:</b>	<b>12/9/2008</b>		<b># of</b>
<b>Effective Date:</b>	<b>1/1/2014</b>		<b>Users</b>	<b>Effective Date:</b>	<b>1/1/2009</b>		<b>Users</b>
<b>Begin Billing Date:</b>	<b>1/2/2014</b>			<b>Begin Billing Date:</b>	<b>1/1/2009</b>		
<b>Residential Metered:</b>	Monthly		<b>2,543</b>	<b>Residential- Flat Rate</b>	\$23.00 mth		<b>3,060</b>
First 5,000 gallons	\$14.75	minimum		(Daily usage will be prorated)			
Over 5,000 gallons	\$0.90			<b>Commercial- Flat Rate</b>	\$23.00 mth		<b>All</b>
							<b>Comm</b>
<b>Residential Flat Rate:</b>	\$21.75		<b>59</b>	<b>Commercial- Metered</b>	\$2.10		<b>SW</b>
per dwelling unit per month				per 1,000 gallons			<b>338</b>
				minimum	\$16.00		
<b>Multi- Unit Service Fee:</b>	\$8.50		<b>644</b>	Industrial			<b>3</b>
per dwelling unit, with more than one				As determined by City Manager.			
dwelling unit served by a single meter							
<b>Commercial Metered:</b>			<b>442</b>	<b>Residential Sanitation:</b>			
First 5,000 gallons	\$14.75	minimum		<b>Resolution #:</b>	<b>2011- 33</b>		
Over 5,000 gallons	\$0.90			<b>Council Approved:</b>	<b>9/13/2011</b>		
				<b>Effective Date:</b>	<b>10/1/2011</b>		
				<b>Begin Billing Date:</b>	<b>10/1/2011</b>		
<b>Industrial Metered:</b>	\$0.2559	per 1,000	<b>1</b>	Flat Rate Residential	\$15.00		<b>2,798</b>
				Monthly			
				(Daily usage will be prorated)			
<b>Advanced Metering Infrastructure (AMI) Fee:</b>				Residential customers who are			<b>69</b>
<b>Resolution #:</b>	<b>2012- 31</b>			65 years or older and			
<b>Council Approved:</b>	<b>12/11/2012</b>			live alone may qualify for a rate c	\$13.00		
<b>Effective Date:</b>	<b>1/1/2013</b>			per month			
<b>Begin Billing Date:</b>	<b>1/1/2013</b>						
<b>\$1.00 Fee per water meter per billing.</b>				<b>All Rates Are Subject To Change</b>			

<u>Fiscal Year</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Population	10,230	10,230	10,230	10,011
Taxable Valuation	289,353,722	275,523,701	272,443,846	268,497,152
# of Employees	88	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 7<sup>th</sup> Street, Lexington, NE 68850.

# CITY OF LEXINGTON, NEBRASKA

## STATEMENT OF NET POSITION

September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	2,900,789	278,806	3,179,595	0
Cash with County Treasurer	54,207	0	54,207	0
Investments	0	0	0	0
Receivables	1,659,431	2,125,860	3,785,291	0
Internal balances	(489,911)	489,911	0	0
Due from other governmental agencies	40,575	0	40,575	0
Inventories	0	414,332	414,332	0
Restricted assets:				
Cash	232,122	4,810,207	5,042,329	16,370
Investments	0	177,761	177,761	0
Receivables	223,496	0	223,496	60,726
Receivable from other governments	7,071	0	7,071	0
Capital assets				
Nondepreciable	5,211,996	5,826,518	11,038,514	1,278,301
Depreciable - net	25,618,351	19,362,873	44,981,224	24,238
<b>TOTAL ASSETS</b>	<b>35,458,127</b>	<b>33,486,268</b>	<b>68,944,395</b>	<b>1,379,635</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	239,770	1,849,991	2,089,761	668
Compensated absences	202,416	58,457	260,873	0
Retainage payable	0	370,405	370,405	0
Long-term liabilities				
Due within one year				
Bonds and notes	753,494	721,610	1,475,104	136,576
Accrued interest	67,219	101,880	169,099	33,338
Due in more than one year				
Bonds and notes	3,396,047	9,963,050	13,359,097	670,047
Customer deposits	0	207,429	207,429	0
Accrued landfill closure costs	0	625,295	625,295	0
<b>TOTAL LIABILITIES</b>	<b>4,658,946</b>	<b>13,898,117</b>	<b>18,557,063</b>	<b>840,629</b>

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## STATEMENT OF NET POSITION (CONTINUED)

September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
NET POSITION				
Net investment in capital assets	26,680,806	14,504,731	41,185,537	495,916
Restricted for:				
Special revenue	232,122	0	232,122	0
Debt service	0	4,987,968	4,987,968	0
Other purposes	0	0	0	43,090
Unrestricted	3,886,253	95,452	3,981,705	0
 TOTAL NET POSITION	 30,799,181	 19,588,151	 50,387,332	 539,006

*See accompanying notes.*



**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF ACTIVITIES

Year Ended September 30, 2013

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>GOVERNMENTAL ACTIVITIES:</b>								
General government	2,738,935	803,745	0	0	(1,935,190)	0	(1,935,190)	0
Public safety	1,984,818	73,851	106,146	0	(1,804,821)	0	(1,804,821)	0
Public works	1,593,918	29,937	23,793	965,502	(574,686)	0	(574,686)	0
Health and welfare	845,523	145,238	157,906	42,406	(499,973)	0	(499,973)	0
Culture and recreation	1,466,181	120,368	5,000	16,411	(1,324,402)	0	(1,324,402)	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>8,629,375</b>	<b>1,173,139</b>	<b>292,845</b>	<b>1,024,319</b>	<b>(6,139,072)</b>	<b>0</b>	<b>(6,139,072)</b>	<b>0</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Electric	15,632,566	15,529,284	0	0		(103,282)	(103,282)	0
Water	1,800,064	1,429,427	0	0		(370,637)	(370,637)	0
Sewer	1,752,874	1,664,786	0	2,662,201		2,574,113	2,574,113	0
Sanitation	472,796	511,024	0	0		38,228	38,228	0
Landfill	0	0	0	0		0	0	0
Ambulance	128,395	123,783	0	0		(4,612)	(4,612)	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>19,786,695</b>	<b>19,258,304</b>	<b>0</b>	<b>2,662,201</b>		<b>2,133,810</b>	<b>2,133,810</b>	<b>0</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>28,416,070</b>	<b>20,431,443</b>	<b>292,845</b>	<b>3,686,520</b>	<b>(6,139,072)</b>	<b>2,133,810</b>	<b>(4,005,262)</b>	<b>0</b>
<b>COMPONENT UNIT:</b>								
Community Development Association	393,956	477,778	0	0				83,822
<b>GENERAL REVENUE &amp; SPECIAL ITEM:</b>								
Taxes:								
Property taxes, levied for general purposes					1,662,702	0	1,662,702	0
Property taxes, levied for specific purposes					62,983	0	62,983	0
Sales taxes					1,818,381	0	1,818,381	0
Franchise taxes					1,123,522	0	1,123,522	0
Intergovernmental					2,330,220	0	2,330,220	0
Interest income					20,784	15,274	36,058	4,914
Miscellaneous					461,892	0	461,892	0
Special item - gain (loss) on sale of asset					0	0	0	(6,545)
<b>TOTAL GENERAL REVENUE AND SPECIAL ITEM</b>					<b>7,480,484</b>	<b>15,274</b>	<b>7,495,758</b>	<b>(1,631)</b>
<b>CHANGE IN NET POSITION</b>					<b>1,341,412</b>	<b>2,149,084</b>	<b>3,490,496</b>	<b>82,191</b>
Net position - beginning					29,457,769	17,439,067	46,896,836	456,815
<b>NET POSITION - ENDING</b>					<b>30,799,181</b>	<b>19,588,151</b>	<b>50,387,332</b>	<b>539,006</b>

See accompanying notes.

**CITY OF LEXINGTON, NEBRASKA**

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2013

	<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 Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>							
Cash - unrestricted	1,986,258	0	708,528	0	54,183	0	2,748,969
Cash with County Treasurer	51,058	0	0	0	3,149	0	54,207
Receivables (net)	495,600	0	100,640	811,538	251,653	0	1,659,431
Due from other funds	71,312	0	0	0	0	0	71,312
Receivable from other governments	40,575	0	0	0	0	0	40,575
Restricted assets:							
Cash	0	187,140	0	13,830	0	31,153	232,123
Receivables (net)	0	223,496	0	0	0	0	223,496
Receivable from other governments	0	0	0	0	0	7,071	7,071
<b>TOTAL ASSETS</b>	<b><u>2,644,803</u></b>	<b><u>410,636</u></b>	<b><u>809,168</u></b>	<b><u>825,368</u></b>	<b><u>308,985</u></b>	<b><u>38,224</u></b>	<b><u>5,037,184</u></b>
<b>LIABILITIES:</b>							
Accounts payable	43,202	0	56,188	0	0	2,973	102,363
Due to other funds	580,178	100	0	0	18,396	0	598,674
Unearned revenue - other	43,031	223,496	0	811,538	4,379	0	1,082,444
Other accrued expenses	267,324	0	39,934	0	0	2,207	309,465
<b>TOTAL LIABILITIES</b>	<b><u>933,735</u></b>	<b><u>223,596</u></b>	<b><u>96,122</u></b>	<b><u>811,538</u></b>	<b><u>22,775</u></b>	<b><u>5,180</u></b>	<b><u>2,092,946</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable revenue - property taxes	68,934	0	0	0	4,614	0	73,548
Unavailable revenue - special assessments	0	0	0	0	240,706	0	240,706
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>68,934</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>245,320</u></b>	<b><u>0</u></b>	<b><u>314,254</u></b>
<b>FUND BALANCES:</b>							
Restricted	0	187,040	0	13,830	0	33,044	233,914
Committed	0	0	713,046	0	0	0	713,046
Unassigned	1,642,134	0	0	0	40,890	0	1,683,024
<b>TOTAL FUND BALANCES</b>	<b><u>1,642,134</u></b>	<b><u>187,040</u></b>	<b><u>713,046</u></b>	<b><u>13,830</u></b>	<b><u>40,890</u></b>	<b><u>33,044</u></b>	<b><u>2,629,984</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>2,644,803</u></b>	<b><u>410,636</u></b>	<b><u>809,168</u></b>	<b><u>825,368</u></b>	<b><u>308,985</u></b>	<b><u>38,224</u></b>	<b><u>5,037,184</u></b>

See accompanying notes.

## CITY OF LEXINGTON, NEBRASKA

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

September 30, 2013

Total fund balance, governmental funds	2,629,984
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	30,830,347
Certain revenues received on the balance sheet of the governmental fund statements are adjustments for modified accrual and are reported at full accrual on the Statement of Net Position	1,082,444
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	158,913
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, interest payable, and bonds payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(4,216,761)
Total Net Position of Governmental Activities in the Statement of Net Position	<u><u>30,484,927</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, 2013

	<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>
<b>REVENUE:</b>							
Local and county sources:							
Property taxes	1,663,457	0	0	0	62,983	0	1,726,440
Sales taxes	1,818,381	0	0	0	0	0	1,818,381
Other miscellaneous taxes	1,118,476	0	0	0	0	0	1,118,476
Licenses and permits	10,729	0	0	0	0	0	10,729
Charges for services	971,387	0	0	0	0	0	971,387
Interest and loan principal	3,588	6,315	393	226	10,129	70	20,721
Miscellaneous	173,217	8,246	20,667	75,000	42,848	3,922	323,900
Donations and private grants	16,411	0	0	0	0	72,353	88,764
Rent	191,023	0	0	0	0	0	191,023
State sources	1,166,678	0	1,203,422	0	3,400	0	2,373,500
Federal sources	204,957	0	905,676	0	0	85,553	1,196,186
<b>TOTAL REVENUE</b>	<u>7,338,304</u>	<u>14,561</u>	<u>2,130,158</u>	<u>75,226</u>	<u>119,360</u>	<u>161,898</u>	<u>9,839,507</u>
<b>EXPENDITURES:</b>							
Current:							
General government	2,505,558	0	0	0	0	0	2,505,558
Public safety	1,888,241	0	0	0	0	0	1,888,241
Public works	0	0	938,682	0	665	0	939,347
Health and welfare	393,639	70	0	250,072	0	174,538	818,319
Culture and recreation	1,227,171	0	0	0	0	0	1,227,171
Debt service:							
Principal	0	0	0	0	701,632	0	701,632
Interest and other charges	0	0	0	0	165,416	0	165,416
Capital outlay	248,168	0	1,552,018	0	0	0	1,800,186
<b>TOTAL EXPENDITURES</b>	<u>6,262,777</u>	<u>70</u>	<u>2,490,700</u>	<u>250,072</u>	<u>867,713</u>	<u>174,538</u>	<u>10,045,870</u>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<u>1,075,527</u>	<u>14,491</u>	<u>(360,542)</u>	<u>(174,846)</u>	<u>(748,353)</u>	<u>(12,640)</u>	<u>(206,363)</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, 2013

	<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)							
Proceeds from long-term debt, net	135,000	0	0	0	0	0	135,000
Transfers in	0	120,000	913,711	0	538,798	0	1,572,509
Transfers out	(1,264,009)	0	0	(308,500)	0	0	(1,572,509)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,129,009)</u>	<u>120,000</u>	<u>913,711</u>	<u>(308,500)</u>	<u>538,798</u>	<u>0</u>	<u>135,000</u>
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(53,482)	134,491	553,169	(483,346)	(209,555)	(12,640)	(71,363)
Fund balances - beginning	<u>1,695,616</u>	<u>52,549</u>	<u>159,877</u>	<u>497,176</u>	<u>250,445</u>	<u>45,684</u>	<u>2,701,347</u>
FUND BALANCES - ENDING	<u><u>1,642,134</u></u>	<u><u>187,040</u></u>	<u><u>713,046</u></u>	<u><u>13,830</u></u>	<u><u>40,890</u></u>	<u><u>33,044</u></u>	<u><u>2,629,984</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, 2013

Net change in fund balances - total governmental funds: (71,363)

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. 863,879

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. (6,775)

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. 540,409

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. 15,262

Change in net position of governmental activities 1,341,412

*See accompanying notes.*



**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2013

ASSETS	Electric	Water	Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Funds
<b>CURRENT ASSETS:</b>								
Cash	208,204	0	0	34,835	0	35,768	278,807	151,820
Accounts receivable, net	1,136,133	277,570	604,649	107,509	0	0	2,125,861	0
Due from other funds	0	0	0	0	0	0	0	2,722
Inventories	216,764	197,318	251	0	0	0	414,333	0
<b>TOTAL CURRENT ASSETS</b>	<b>1,561,101</b>	<b>474,888</b>	<b>604,900</b>	<b>142,344</b>	<b>0</b>	<b>35,768</b>	<b>2,819,001</b>	<b>154,542</b>
<b>NON-CURRENT ASSETS:</b>								
Restricted assets:								
Cash	2,224,582	419,708	1,915,868	0	250,049	0	4,810,207	0
Investments	177,761	0	0	0	0	0	177,761	0
Due from other funds	550,983	0	0	0	0	0	550,983	0
Fixed assets (net)	9,263,972	3,852,281	11,879,489	3,401	115,983	74,265	25,189,391	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>12,217,298</b>	<b>4,271,989</b>	<b>13,795,357</b>	<b>3,401</b>	<b>366,032</b>	<b>74,265</b>	<b>30,728,342</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>13,778,399</b>	<b>4,746,877</b>	<b>14,400,257</b>	<b>145,745</b>	<b>366,032</b>	<b>110,033</b>	<b>33,547,343</b>	<b>154,542</b>
<b>LIABILITIES</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable	1,375,759	23,266	410,164	0	0	7,332	1,816,521	21,230
Retainage payable	0	0	370,405	0	0	0	370,405	0
Salaries payable	10,827	9,934	12,709	0	0	0	33,470	2,043
Accrued interest payable	65,975	6,807	29,098	0	0	0	101,880	0
Compensated absences	24,292	19,382	14,783	0	0	0	58,457	7,087
Current portion of long-term debt	262,272	123,510	335,828	0	0	0	721,610	0
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,739,125</b>	<b>182,899</b>	<b>1,172,987</b>	<b>0</b>	<b>0</b>	<b>7,332</b>	<b>3,102,343</b>	<b>30,360</b>
<b>NON-CURRENT LIABILITIES:</b>								
Customer deposits	207,429	0	0	0	0	0	207,429	0
Due to other funds	0	1,046	25,297	0	0	0	26,343	0
Bonds, notes and loans payable	3,578,183	670,066	5,714,802	0	0	0	9,963,051	0
Accrued landfill closure costs	0	0	0	0	625,295	0	625,295	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>3,785,612</b>	<b>671,112</b>	<b>5,740,099</b>	<b>0</b>	<b>625,295</b>	<b>0</b>	<b>10,822,118</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>5,524,737</b>	<b>854,011</b>	<b>6,913,086</b>	<b>0</b>	<b>625,295</b>	<b>7,332</b>	<b>13,924,461</b>	<b>30,360</b>
<b>NET POSITION</b>								
Net investment in capital assets	5,423,517	3,058,705	5,828,859	3,401	115,983	74,265	14,504,730	0
Restricted for debt service	2,402,343	419,708	1,915,868	0	250,049	0	4,987,968	0
Unrestricted	427,802	414,453	(257,556)	142,344	(625,295)	28,436	130,184	124,182
<b>TOTAL NET POSITION</b>	<b>8,253,662</b>	<b>3,892,866</b>	<b>7,487,171</b>	<b>145,745</b>	<b>(259,263)</b>	<b>102,701</b>	<b>19,622,882</b>	<b>124,182</b>

See accompanying notes.

**CITY OF LEXINGTON, NEBRASKA**

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

Year Ended September 30, 2013

	<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 Funds</u>
<b>OPERATING REVENUE:</b>								
Charges for services	15,351,546	1,366,736	1,622,835	511,025	0	123,784	18,975,926	277,928
Reimbursements from other funds	0	0	0	0	0	0	0	616,924
Miscellaneous	177,739	62,691	41,950	0	0	0	282,380	794
<b>TOTAL OPERATING REVENUE</b>	<u>15,529,285</u>	<u>1,429,427</u>	<u>1,664,785</u>	<u>511,025</u>	<u>0</u>	<u>123,784</u>	<u>19,258,306</u>	<u>895,646</u>
<b>OPERATING EXPENSES:</b>								
Operating expenses	14,726,665	1,411,568	934,889	472,796	0	104,419	17,650,337	272,264
Supplies	0	0	21	0	0	0	21	0
Medical expenses	0	0	0	0	0	0	0	605,350
Depreciation and amortization	683,237	365,184	632,029	0	0	24,273	1,704,723	0
<b>TOTAL OPERATING EXPENSES</b>	<u>15,409,902</u>	<u>1,776,752</u>	<u>1,566,939</u>	<u>472,796</u>	<u>0</u>	<u>128,692</u>	<u>19,355,081</u>	<u>877,614</u>
<b>OPERATING INCOME (LOSS)</b>	<u>119,383</u>	<u>(347,325)</u>	<u>97,846</u>	<u>38,229</u>	<u>0</u>	<u>(4,908)</u>	<u>(96,775)</u>	<u>18,032</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>								
Bond costs	(58,475)	(9,169)	(62,853)	0	0	0	(130,497)	0
Interest income	3,967	3,865	6,760	4	610	67	15,273	63
Interest expense	(164,502)	(15,532)	(123,905)	0	0	(11)	(303,950)	0
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>(219,010)</u>	<u>(20,836)</u>	<u>(179,998)</u>	<u>4</u>	<u>610</u>	<u>56</u>	<u>(419,174)</u>	<u>63</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS:</b>	<u>(99,627)</u>	<u>(368,161)</u>	<u>(82,152)</u>	<u>38,233</u>	<u>610</u>	<u>(4,852)</u>	<u>(515,949)</u>	<u>18,095</u>
Aid in Construction	0	0	2,662,201	0	0	0	2,662,201	0
Transfers in	0	0	0	0	20,814	0	20,814	0
Transfers out	0	0	0	(20,814)	0	0	(20,814)	0
<b>NET INCOME (LOSS)</b>	<u>(99,627)</u>	<u>(368,161)</u>	<u>2,580,049</u>	<u>17,419</u>	<u>21,424</u>	<u>(4,852)</u>	<u>2,146,252</u>	<u>18,095</u>
Net position - beginning	8,353,289	4,261,027	4,907,122	128,326	(280,687)	107,553	17,476,630	106,087
<b>NET POSITION - ENDING</b>	<u><u>8,253,662</u></u>	<u><u>3,892,866</u></u>	<u><u>7,487,171</u></u>	<u><u>145,745</u></u>	<u><u>(259,263)</u></u>	<u><u>102,701</u></u>	<u><u>19,622,882</u></u>	<u><u>124,182</u></u>

See accompanying notes.

## CITY OF LEXINGTON, NEBRASKA

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

September 30, 2013

Total net position - Utility Funds	19,622,882
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Amounts reported for business-type activities in the statement of net position are different because:

Certain Internal Service Fund assets and liabilities are included with business-type activities	(34,732)
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Net position of business-type activities	<u>19,588,151</u>
--	-------------------

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

Year Ended September 30, 2013

Net change in fund net position - Utility Funds	2,146,252
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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>2,832</u>
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Change in net position of business-type activities	<u>2,149,084</u>
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*See accompanying notes.*

**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2013

	Electric	Water	Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Fund
<b>OPERATING ACTIVITIES:</b>								
Receipts from customers	14,935,479	1,395,278	1,357,276	511,269	0	123,784	18,323,086	0
Receipts from Interfund Services	420,766	2,105	11,829	0	0	0	434,700	895,646
Miscellaneous revenue	177,739	62,691	41,950	0	0	0	282,380	0
Payments to suppliers	(12,805,460)	(873,027)	(39,604)	(472,795)	(21,424)	(102,954)	(14,315,264)	(819,177)
Payments to employees	(246,437)	(183,738)	(261,671)	0	0	0	(691,846)	(39,371)
Payments for franchise taxes to City	(766,857)	(63,573)	(74,732)	0	0	0	(905,162)	0
Payments for Interfund Services	(750,366)	(301,381)	(154,869)	0	0	0	(1,206,616)	0
Receipts of customer meter deposits	77,604	0	0	0	0	0	77,604	0
Refunds of customer meter deposits	(66,449)	0	0	0	0	0	(66,449)	0
<b>NET OPERATING ACTIVITIES</b>	<b>976,019</b>	<b>38,355</b>	<b>880,179</b>	<b>38,474</b>	<b>(21,424)</b>	<b>20,830</b>	<b>1,932,433</b>	<b>37,098</b>
<b>NONCAPITAL FINANCING ACTIVITIES:</b>								
Net change in due to (from) other funds	0	0	0	0	0	0	0	(6,319)
Capital contributions	0	0	2,662,201	0	0	0	2,662,201	0
Transfers to other funds	0	0	0	(20,814)	20,814	0	0	0
<b>NET NONCAPITAL FINANCING ACTIVITIES</b>	<b>0</b>	<b>0</b>	<b>2,662,201</b>	<b>(20,814)</b>	<b>20,814</b>	<b>0</b>	<b>2,662,201</b>	<b>(6,319)</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
<b>Payments:</b>								
Bonds	(164,742)	(95,000)	(300,257)	0	0	0	(559,999)	0
Notes	0	0	0	0	0	(17,561)	(17,561)	0
<b>Proceeds:</b>								
Bonds	471,424	328,576	2,154,660	0	0	0	2,954,660	0
Expense of bond costs	(58,476)	(9,169)	(62,853)	0	0	0	(130,498)	0
Acquisition and construction of capital assets	(766,535)	(248,435)	(4,064,292)	0	0	0	(5,079,262)	0
Interest paid on bonds and notes	(166,634)	(15,879)	(123,219)	0	0	(789)	(306,521)	0
<b>NET CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(684,963)</b>	<b>(39,907)</b>	<b>(2,395,961)</b>	<b>0</b>	<b>0</b>	<b>(18,350)</b>	<b>(3,139,181)</b>	<b>0</b>
<b>INVESTING ACTIVITIES:</b>								
Interest received	3,967	3,865	6,760	3	610	65	15,270	64
Proceeds of investments	475	0	0	0	0	0	475	0
<b>NET INVESTING ACTIVITIES</b>	<b>4,442</b>	<b>3,865</b>	<b>6,760</b>	<b>3</b>	<b>610</b>	<b>65</b>	<b>15,745</b>	<b>64</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>295,498</b>	<b>2,313</b>	<b>1,153,179</b>	<b>17,663</b>	<b>0</b>	<b>2,545</b>	<b>1,471,198</b>	<b>30,843</b>
Cash - beginning of year	2,137,288	417,395	762,689	17,172	250,049	33,223	3,617,816	120,977
<b>CASH - END OF YEAR</b>	<b>2,432,786</b>	<b>419,708</b>	<b>1,915,868</b>	<b>34,835</b>	<b>250,049</b>	<b>35,768</b>	<b>5,089,014</b>	<b>151,820</b>

(Continued on next page)

**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

Year Ended September 30, 2013

	<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)	119,383	(347,325)	97,846	38,229	0	(4,908)	(96,775)	18,032
Items not requiring cash:								
Depreciation and amortization	683,237	365,184	632,029	0	0	24,273	1,704,723	0
Bond issue costs	58,475	9,169	62,853	0	0	0	130,497	
(Increase) decrease in assets:								
Receivables	4,699	30,647	(253,730)	245	0	0	(218,139)	0
Inventories	(34,801)	(18,960)	(81)	0	0	0	(53,842)	0
Increase (decrease) in liabilities:								
Accounts payable and other accrued expenses	133,871	(360)	341,262	0	0	1,465	476,238	19,066
Accrued landfill closure costs	0	0	0	0	(21,424)	0	(21,424)	0
Customer deposits	11,155	0	0	0	0	0	11,155	0
NET OPERATING ACTIVITIES	<u>976,019</u>	<u>38,355</u>	<u>880,179</u>	<u>38,474</u>	<u>(21,424)</u>	<u>20,830</u>	<u>1,932,433</u>	<u>37,098</u>
CASH RECONCILIATION:								
Unrestricted	208,204	0	0	34,835	0	35,768	278,807	151,820
Restricted	2,224,582	419,708	1,915,868	0	250,049	0	4,810,207	0
CASH TOTAL	<u>2,432,786</u>	<u>419,708</u>	<u>1,915,868</u>	<u>34,835</u>	<u>250,049</u>	<u>35,768</u>	<u>5,089,014</u>	<u>151,820</u>

See accompanying notes.

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2013

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Government

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

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

#### Reporting Entity

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

#### Government-Wide Financial Statements

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

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

*(Continued on next page)*



# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

### 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, 2013

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

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

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

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, 2013

### 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, 2013).

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

### 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 based on 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, 2013, 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, 2013

### 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 Position. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives as follows:

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

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

##### Deferred Inflows of Resources

In addition liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category.

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

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

#### Financial Statement Amounts (Continued)

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

Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

##### Long-Term Debt

Long-term debt is reported 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 position and displayed in three components.

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

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

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

#### Financial Statement Amounts (Continued)

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

It is the City’s policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

#### Fund Statements – Fund Equity

The City of Lexington, Nebraska implemented GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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, 2013, 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, 2013, the restricted fund balance of \$233,913 is restricted for the following purposes:

*(Continued on next page)*

**CITY OF LEXINGTON, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts (Continued)

Fund	Purpose	Amount
Federal Grant	Grant reuse and housing monies for community development projects	187,039
Economic Development	Sales tax monies designated for community economic development	13,830
Meals on Wheels	Grant monies and local contributions designated for the senior citizen meal program	33,044

- 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, 2013, the committed fund balance was \$713,046 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, 2013, the assigned fund balance was \$0.
- 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.

*(Continued on next page)*



# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

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

#### Financial Statement Amounts (Continued)

##### Revenues

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

Operating revenues 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, 2013

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

#### Financial Statement Amounts (Continued)

##### Bond Issuance and Implementation of Accounting Principle

In June, 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 requires debt issuance costs to be recognized as an expense in the period incurred. Previously, these costs were amortized over the life of the related debt issuance. The City of Lexington, Nebraska implemented GASB 65 in fiscal year 2013 and expensed a total of \$157,879 of bond costs: a) \$58,475 in the Electric Fund; b) \$9,169 in the Water Fund; c) \$62,853 in the Sewer Fund; and d) \$27,382 in the Debt Service Fund.

### 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 position 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 \$71,875 at September 30, 2013.

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

### NOTE 3: RESTRICTED CASH (CONTINUED)

#### Operating and Maintenance Account

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

#### Bond Reserve Account

The Enterprise Funds are required to maintain in this account a specified sum based on the principal outstanding (\$874,760 at September 30, 2013). Funds in these accounts may be used at any time there is insufficient money available in the Bond Payment Subaccount to pay either principal or interest on the revenue bonds as they become due.

#### Surplus Account

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

- (a) To replace any deficiency in the above accounts.
- (b) To declare in-lieu-of tax payment - so long as no deficiency exists in required payments to the above accounts, the utilities may declare an in-lieu-of tax payment to the City, which can be used for any purpose authorized by law.
- (c) To retire bonds prior to maturity and also includes cash from bond issue. The amount restricted is \$3,791,284.

#### 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.

*(Continued on next page)*

**CITY OF LEXINGTON, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

NOTE 3: RESTRICTED CASH (CONTINUED)

Grant Funds

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

- (1) Community Development Block Grants and reuse monies. The amount restricted is \$187,140.
- (2) Meals on Wheels-Meal program and outreach for the elderly. The amount restricted is \$31,153.
- (3) Economic Development – The amount restricted is \$13,830.

Component Unit (CDA)

The amount restricted is \$16,370 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	22,052	0	0	0	0	867,738	0
Unbilled services	0	0	0	0	0	1,258,123	0
Property/sales taxes	392,210	0	0	0	7,814	0	0
Occupation taxes	30,356	0	0	0	0	0	0
Franchise taxes	50,982	0	0	0	0	0	0
Interest	0	0	0	0	1,678	0	1,411
Special assessments	0	0	0	0	242,161	0	0
Loans	0	223,496	100,640	811,538	0	0	59,315
<b>Totals</b>	<u>495,600</u>	<u>223,496</u>	<u>100,640</u>	<u>811,538</u>	<u>251,653</u>	<u>2,125,861</u>	<u>60,726</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.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

**NOTE 4: RECEIVABLES (CONTINUED)**

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, 2013 were \$32,753.

**NOTE 5: CAPITAL ASSETS**

The following is a summary of the capital assets for the year ended September 30, 2013:

	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Land	3,138,530	151,912	9,240	3,281,202
Buildings and improvements	12,998,073	2,726	50,000	12,950,799
Machinery and equipment	3,652,251	110,890	37,082	3,726,059
Infrastructure	36,832,693	381,810	0	37,214,503
Construction in progress	760,586	1,552,018	381,810	1,930,794
Totals	57,382,133	2,199,356	478,132	59,103,357
<b>Less accumulated depreciation:</b>				
Buildings and improvements	2,387,789	416,846	50,000	2,754,635
Machinery and equipment	2,369,704	260,884	37,082	2,593,506
Infrastructure	22,513,711	411,158	0	22,924,869
Totals	27,271,204	1,088,888	87,082	28,273,010
<b>Net</b>	30,110,929	1,110,468	391,050	30,830,347
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Land	329,520	0	795	328,725
Buildings and improvements	8,953,360	0	242,356	8,711,004
Vehicles and equipment	2,715,378	20,504	1,888,033	847,849
Utility systems	39,825,876	1,015,223	2,682,709	38,158,390
Construction in progress	1,057,949	5,605,932	1,166,088	5,497,793
Totals	52,882,083	6,641,659	5,979,981	53,543,761
<b>Less accumulated depreciation:</b>				
Buildings and improvements	4,028,113	290,464	242,356	4,076,221
Vehicles and equipment	2,254,555	70,586	1,842,905	482,236
Utility systems	25,154,971	1,343,673	2,702,731	23,795,913
Totals	31,437,639	1,704,723	4,787,992	28,354,370
<b>Net</b>	21,444,444	4,936,936	1,191,989	25,189,391

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

Component Unit:	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u> <u>Balance</u>
Land	1,253,678	24,623	0	1,278,301
Building	32,895	0	0	32,895
Totals	1,286,573	24,623	0	1,311,196
Less accumulated depreciation	6,925	1,732	0	8,657
Net	1,279,648	22,891	0	1,302,539

Depreciation expense was charged to functions/programs as follows for the year ended September 30, 2013:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
General government	234,258	0	1,732
Public safety	101,695	0	0
Public works	482,893	0	0
Health and welfare	28,497	0	0
Culture and recreation	241,545	0	0
Electric	0	683,237	0
Water	0	365,184	0
Sewer	0	632,029	0
Ambulance	0	24,273	0
Totals	1,088,888	1,704,723	1,732

**NOTE 6: COMPENSATED ABSENCES**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>one year</u>
Governmental activities	191,769	10,647	0	202,416	202,416
Business-type activities	51,164	7,293	0	58,457	58,457

Compensated absences are included in other accrued expenses on the balance sheet of the governmental funds.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

**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, 2013:

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%	1,255,000	0	295,000	960,000	315,000
3/30/2010	4/15/2025	.7% to 4.0%	1,130,000	0	75,000	1,055,000	75,000
	Total		2,385,000	0	370,000	2,015,000	390,000

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%	387,424	0	36,608	350,816	38,039
1/12/2006	1/12/2014	4.25%	84,741	0	41,482	43,259	43,259
4/29/2008	5/1/2023	4.51%	397,223		28,744	368,479	29,979
11/19/2008	1/2/2013	6.25%	6,889	0	6,889	0	0
5/30/2008	6/1/2018	4.50%	266,449	0	39,556	226,893	41,382
7/15/2010	1/15/2016	3.25%	364,225	0	99,802	264,423	103,192
5/02/11	5/2/2021	3.72%	824,222	0	78,551	745,671	81,598
6/14/13	5/15/18	2.14%	0	135,000	0	135,000	26,045
	Total		2,331,173	135,000	331,632	2,134,541	363,494
Total	Governmental		4,716,173	135,000	701,632	4,149,541	753,494

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

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>
9/26/2008	10/15/2028	2.30% to 5.00%	3,175,000	0	140,000	3,035,000	140,000
5/12/2009	12/15/2023	1.00% to 4.50%	3,605,000	0	305,000	3,300,000	310,000
6/1/2011	9/15/2024	.35% to 4.00%	1,510,000	0	115,000	1,395,000	115,000
4/29/2013	6/15/2022	1.50%	0	2,154,660	0	2,154,660	0
Total			8,290,000	2,154,660	560,000	9,884,660	565,000

### 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%	17,561	0	17,561	0	0
3/19/2013	3/19/2018	2.23%	0	471,424	0	471,424	92,287
3/19/2013	3/19/2018	2.23%	0	328,576	0	328,576	64,323
Total			17,561	800,000	17,561	800,000	156,610

Total Business –Type Activities	8,307,561	2,954,660	577,561	10,684,660	721,610
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### 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%	21,297	0	4,489	16,808	4,625
11/1/2004	12/1/2020	7.00%	65,155	0	5,840	59,315	6,256
1/15/2010	12/31/2025	3.00%	233,000	0	0	233,000	13,789
Total			319,452	0	10,329	309,123	24,670

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

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>
1/11/2008	1/1/2018	7.00%	543,114	0	75,614	467,500	81,906
10/1/2007		0.00%	30,000	0	0	30,000	30,000
	Total		<u>573,114</u>	<u>0</u>	<u>75,614</u>	<u>497,500</u>	<u>111,906</u>
Total Component Unit			<u>892,566</u>	<u>0</u>	<u>85,943</u>	<u>806,623</u>	<u>136,576</u>
GRAND TOTALS			<u>13,916,300</u>	<u>3,089,660</u>	<u>1,365,136</u>	<u>15,640,824</u>	<u>1,611,680</u>

Interest expense was charged to functions/programs as follows:

Governmental activities:	General Government	31,172
	Health and welfare	3,652
	Public safety	11,712
	Public works	118,880
Business-type activities:	Electric	164,502
	Water	15,532
	Sewer	123,905
	Ambulance	11
Component unit:	CDA	30,986

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

	Governmental Activities		Business-Type Activities		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	753,494	144,639	721,610	309,790	1,929,533
2015	726,864	119,542	942,814	290,933	2,080,153
2016	693,548	94,378	1,001,734	270,526	2,060,186
2017	328,114	73,395	1,039,122	247,869	1,688,500
2018	332,633	61,508	995,614	223,758	1,613,513
2019-2023	1,109,888	146,777	4,123,766	774,394	6,154,825
2024-2028	205,000	8,250	1,600,000	224,519	2,037,769
2029-2030	0	0	260,000	6,500	266,500
	<u>4,149,541</u>	<u>648,489</u>	<u>10,684,660</u>	<u>2,348,289</u>	<u>17,830,979</u>

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

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

**Component Unit:**

	Bonds		Notes		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	24,670	11,135	111,906	32,465	180,176
2015	23,941	10,176	87,640	26,732	148,489
2016	25,509	9,152	93,774	20,597	149,032
2017	24,614	8,060	100,338	14,033	147,045
2018	23,693	7,010	103,842	7,009	141,554
2019-2023	117,935	19,084	0	0	137,019
2024-2026	68,761	2,120	0	0	70,881
	309,123	66,737	497,500	100,836	974,196

**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	71,312	580,178
Federal Grants	0	100
Debt Service	0	18,396
Electric	550,983	0
Water	0	1,046
Sewer	0	25,297
Internal Service	2,722	0
Totals	625,017	625,017

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

	Transfers In	Transfers Out
General	0	1,264,009
Economic Development	0	308,500
Federal Grants	120,000	0
Street	913,711	0
Debt Service	538,798	0
Sanitation	0	20,814
Landfill	20,814	0
Totals	1,593,323	1,593,323

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# 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 \$7,623,141 or 39.3% 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. Employee contributions are 100% vested immediately. The City and employees each contributed \$101,118 for the year ended September 30, 2013.

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%. Employee contributions are 100% vested immediately. The City and employees each contributed \$49,518 to the police officers' plan for the year ended September 30, 2013.

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 \$625,295 reported as post closure care liability at September 30, 2013, 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.

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

NOTE 11: LANDFILL CLOSURE COSTS (CONTINUED)

The City is required by state and federal laws and regulations to make annual contributions to finance post closure care. The City is in compliance with these requirements, and, at September 30, 2013, 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 post closure care requirements are determined; these costs may need to be covered by additional contributions from the City.

NOTE 12: CONTINGENCIES

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

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

- (a) The City has owner-occupied housing with forgivable clauses totaling \$73,843. 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, 2013 was \$11,808,405.

NOTE 14: FRANCHISE FEES

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

Electric	\$766,857
Water	\$ 63,573
Sewer	\$ 74,732

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

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, 2013, 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, 2013, is \$145,264.

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.

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2013

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, 2013 were approximately \$1,293,000.

NOTE 18: COMMITMENTS

The City has one construction commitment with respect to projects as of September 30, 2013 totaling approximately \$2,738,000.

NOTE 19: OTHER REQUIRED DISCLOSURES

At September 30, 2013, the following funds had deficit fund balances/net position:

	<u>Deficit Amount</u>
Central Garage Fund – Internal Service	7,690
Landfill Fund – major fund	259,263

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	309,123
Interest payable	1,396
Interest expense	6,571

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 leased several copiers and a mailing machine under operating leases expiring at various dates through August, 2015. Total lease expense in 2013 for all operating leases was approximately \$24,935. The following is a schedule of future minimum lease payments:

2014	10,800
2015	9,165

REQUIRED SUPPLEMENTARY INFORMATION



# CITY OF LEXINGTON, NEBRASKA

## BUDGETARY COMPARISON SCHEDULE - (BUDGET AND ACTUAL)

### CASH BASIS - ALL FUNDS

Year Ended September 30, 2013

	<u>Budget (Original &amp; Final)</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUE:</b>			
Local and county sources:			
Property and other taxes	1,038,541	2,875,865	1,837,324
Sales taxes	1,780,000	1,785,405	5,405
Charges and fees for services	32,454,064	21,134,377	(11,319,687)
Interest income	0	46,406	46,406
Miscellaneous	0	834,366	834,366
Donations and private grants	0	2,739,133	2,739,133
Intergovernmental	3,312,282	3,708,510	396,228
Bond/note proceeds	0	3,089,660	3,089,660
Transfers in	2,371,588	2,126,699	(244,889)
<b>TOTAL REVENUE</b>	<u>40,956,475</u>	<u>38,340,421</u>	<u>(2,616,054)</u>
<b>EXPENDITURES:</b>			
Governmental:			
General government	720,218	2,454,935	(1,734,717)
Public safety	2,409,280	1,888,143	521,137
Public works	875,134	884,048	(8,914)
Health and welfare	97,205	1,154,600	(1,057,395)
Culture and recreation	1,448,968	1,221,770	227,198
Community development and miscellaneous	3,979,798	1,204,740	2,775,058
Business-Type:			
Electric	14,878,942	14,323,639	555,303
Water	1,125,368	1,430,888	(305,520)
Sewer	908,944	593,729	315,215
Sanitation and landfill	765,550	494,219	271,331
Ambulance	1,472,244	102,954	1,369,290
Capital outlay	10,179,663	7,867,390	2,312,273
Debt service	1,814,125	1,749,729	64,396
Transfers out	2,371,588	2,126,699	244,889
<b>TOTAL EXPENDITURES</b>	<u>43,047,027</u>	<u>37,497,483</u>	<u>5,549,544</u>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(2,090,552)</u>	<u>842,938</u>	<u>2,933,490</u>

*See accompanying notes to Budgetary Comparison Schedule.*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2013

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)	842,938
Adjustments:	
Adjust revenue for receivable accruals and deferrals	(3,458,410)
Adjust expenditures for payables	<u>4,790,647</u>
Revenue over (under) expenditures and other financing sources uses (GAAP basis)	<u>2,175,175</u>

**SINGLE AUDIT SECTION**

**CITY OF LEXINGTON, NEBRASKA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2013

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	<u>Grant Number</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Development:			
Community Development Block Grant/State's Program	12 TB 004	14.228	3,598
Community Development Block Grant/State's Program		14.228	1,498
Community Development Block Grant/State's Program		14.228	<u>240,517</u>
Total			<u>245,613</u>
 <u>U. S. Department of Commerce</u>			
Direct Program:			
Investment in Public Works and Development Facilities:	05-01-05211	16.300	<u>665,159</u>
 <u>U. S. Department of Justice</u>			
Direct Program:			
Bulletproof Vest Partnership Program		16.607	1,529
Officer Wages and Benefits	2010 UMWX 0190	16.710	53,242
Officer Wages and Benefits	2011UMWX 0112	16.710	<u>51,376</u>
Total			<u>106,147</u>
 <u>U.S. Department of Transportation:</u>			
Passed through Nebraska Department of Roads:			
Highway Planning and Construction	SPR-PL-1 (50)	20.205	<u>74,730</u>
 <u>National Foundation on the Arts and the Humanities:</u>			
Passed through Nebraska Library System:			
State Library Program		45.310	<u>3,012</u>
 <u>U.S. Department of Health and Human Services:</u>			
Passed through West Central Nebraska Area Agency on Aging:			
Special Programs for Aging		93.044	12,508
Special Programs for Aging		93.045	34,753
Nutrition Services Incentive Program		93.053	<u>10,033</u>
Meal Program Cluster Total			57,294
 Passed through West Central Nebraska Area Agency on Aging:			
Title III-D Preventive Health Services		93.043	458
Title III-E Family Caregiver Support Program		93.052	214
 Passed through Nebraska Department of Health and Human Services:			
Social Services Block Grant		93.667	<u>31,067</u>
Total			<u>89,033</u>
 TOTAL FEDERAL FINANCIAL ASSISTANCE			 <u><u>1,183,694</u></u>

*See accompanying notes to schedule of expenditures of federal awards*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2013

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Lexington, Nebraska under programs of the federal government for the year ended September 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reports on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C: PASS THROUGH AWARDS

The City receives certain federal awards in the form of pass-through awards from the State of Nebraska and other various agencies. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

NOTE D: CONTINGENCIES

The City receives funds under various federal grant programs, and such assistance is to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all material aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.



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

## INDEPENDENT AUDITORS' REPORT

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Lexington, Nebraska as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Lexington, Nebraska's basic financial statements, and have issued our report thereon dated February 17, 2014.

### Internal Control over Financial Reporting

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

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




Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

  
Certified Public Accountants  
Lexington, Nebraska

February 17, 2014

**CITY OF LEXINGTON, NEBRASKA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended September 30, 2013

**SECTION I-SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No
- Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.300	Investments for Public Works and Economic Development Facilities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Low risk auditee? No



**CITY OF LEXINGTON, NEBRASKA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Year Ended September 30, 2013

**SECTION II-FINANCIAL STATEMENT FINDINGS**

None

**SECTION III-FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None



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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### INDEPENDENT AUDITORS' REPORT

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

#### Report on Compliance for Each Major Federal Program

We have audited the City of Lexington, Nebraska's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Lexington, Nebraska's major federal program for the year ended September 30, 2013. The City of Lexington, Nebraska's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lexington, Nebraska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lexington, Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Lexington, Nebraska's compliance. Members: American Institute of Certified Public Accountants - CPAmerica International



## Opinion on Each Major Federal Program

In our opinion, the City of Lexington, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

## Report on Internal Control over Compliance

Management of the City of Lexington, Nebraska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lexington, Nebraska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lexington, Nebraska's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

February 17, 2014