

**CITY OF LEXINGTON, NEBRASKA**

FINANCIAL STATEMENTS

September 30, 2019

# CITY OF LEXINGTON, NEBRASKA

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Lexington, Nebraska, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2020 on our consideration of the City of Lexington, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lexington's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lexington, Nebraska's internal control over financial reporting and compliance.

Contryman Associates PC

Certified Public Accountants

Kearney, Nebraska

February 17, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The management of the city of Lexington, Nebraska presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. 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 \$64,379,241 (net position). Of this amount, \$9,055,356 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.

The City's total net position increased by \$2,843,731 in comparison with the previous year. Of this amount, \$1,507,383 was the increase from governmental activities. Business-type activities net position increased by \$1,336,348.

The City's governmental funds reported combined ending fund balances of \$3,733,777. Of this total fund balance, 48.43%, or \$1,808,430 is available for spending at the City's discretion (unassigned fund balance), all of which is in the General Fund.

The City's total long-term debt decreased \$3,657,633. This decrease is due to the scheduled payments to pay down debt and the refinancing of the 2013B Combined Utilities Revenue Refunding Bonds on 11-26-2018.

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

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

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

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

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

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

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

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

The government-wide financial statements can be found on pages 14-16 of the report.

### FUND FINANCIAL STATEMENTS

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

#### Governmental Funds

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-21 of this report.



### Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, sanitation, landfill, and ambulance. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its health fund. Because these services benefit both governmental and business-type functions, they have been allocated to the governmental and business-type activities in the government-wide financial statements based on usage.

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

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

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Currently, the city of Lexington has one fiduciary fund as defined by the Governmental Accounting Standards Board.

The basic agency fund financial statements can be found on page 27 of the report.

### NOTES TO THE FINANCIAL STATEMENTS

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

Notes to the financial statements can be found on pages 28 – 53 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 \$64,379,241 at September 30, 2019.

By far, the largest portion of the City’s net position, 83.46%, reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City of Lexington  
Condensed Statement of Net Position  
September 30, 2018 and 2019

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	6,389,160	5,534,677	7,237,996	8,403,710	13,627,156	13,938,387
Capital Assets	40,009,199	39,949,230	26,944,610	27,423,443	66,953,809	67,372,673
Total Assets	46,398,359	45,483,907	34,182,606	35,827,153	80,580,965	81,311,060
Long-Term Liabilities						
Outstanding	5,597,906	6,110,474	8,437,331	11,614,362	14,035,237	17,724,836
Other Liabilities	556,302	636,665	1,610,185	1,414,049	2,166,487	2,050,714
Total Liabilities	6,154,208	6,747,139	10,047,516	13,028,411	16,201,724	19,775,550
Net Position:						
Invested in Capital Assets						
net of related debt	34,465,239	33,899,868	19,266,139	16,592,742	53,731,378	50,492,610
Restricted	696,424	838,426	896,083	0	1,592,507	838,426
Unrestricted	5,082,488	3,998,476	3,972,868	6,206,000	9,055,356	10,204,476
Total Net Position	40,244,151	38,736,770	24,135,090	22,798,742	64,379,241	61,535,512

An additional portion of the City’s net assets, 2.47%, represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position, 14.07% may be used to meet the government’s ongoing obligations to citizens and creditors.

At September 30, 2019, the City is able to report positive balances in all three categories of net position; for the government as a whole, and for its separate governmental and business-type activities. The same was true for the prior fiscal year.

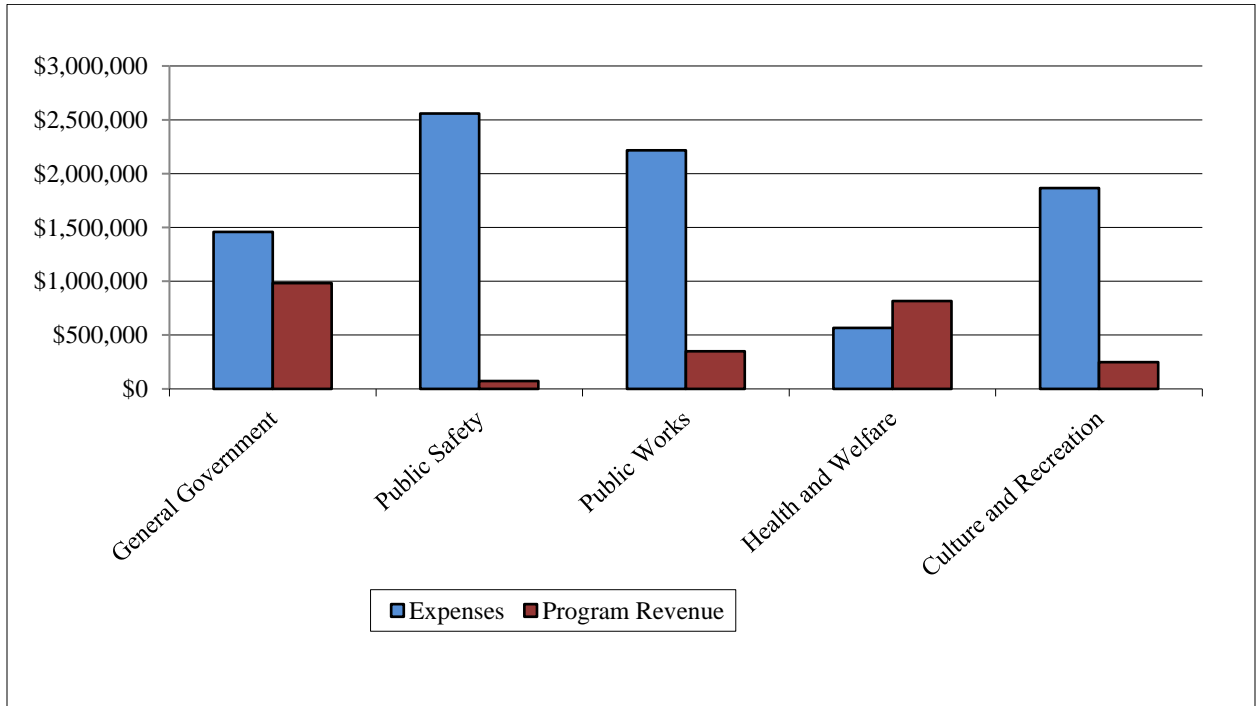
City of Lexington  
Condensed Statement of Activities and Change in Net Position  
For the Year Ended September 30, 2018 and 2019

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue:						
Program Revenue:						
Charges for Services	1,385,964	1,281,219	22,195,157	21,947,926	23,581,121	23,229,145
Operating Grants & Contributions	428,139	696,052	0	0	428,139	696,052
Capital Grants & Contributions	653,734	58,085	307,577	49,701	961,311	107,786
General Revenue:						
Property and Other Taxes	1,186,782	1,129,229	0	0	1,186,782	1,129,229
Sales and Use Tax	2,200,863	2,154,016	0	0	2,200,863	2,154,016
Franchise Taxes	1,231,847	1,307,851	0	0	1,231,847	1,307,851
Intergovernmental	2,955,999	2,901,849	0	0	2,955,999	2,901,849
Interest	17,518	15,025	18,035	0	35,553	15,025
Other	314,894	283,682	0	12,495	314,894	296,177
Gain on sale of asset	-9,051	-30,777	0	0	-9,051	-30,777
Payments made from agency	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Total Revenue	10,366,689	9,796,231	22,520,769	22,010,122	32,887,458	31,806,353
Expenses:						
General Government	1,457,648	1,444,089	0	0	1,457,648	1,444,089
Public Safety	2,557,031	2,396,752	0	0	2,557,031	2,396,752
Public Works	2,216,862	2,137,402	0	0	2,216,862	2,137,402
Health and Welfare	565,479	599,828	0	0	565,479	599,828
Culture and Recreation	1,865,412	1,745,825	0	0	1,865,412	1,745,825
Community Development	196,874	9,148	0	0	196,874	9,148
Utilities / Ambulance	0	0	21,184,421	21,254,280	21,184,421	21,254,280
Total Expenses	8,859,306	8,333,044	21,184,421	21,254,280	30,043,727	29,587,324
Change In Net Position	1,507,383	1,463,187	1,336,348	755,842	2,843,731	2,219,029
Net Position-Beginning	38,736,768	37,273,581	22,798,742	22,042,900	61,535,510	59,316,481
Net Position - Ending	40,244,151	38,736,768	24,135,090	22,798,742	64,379,241	61,535,510

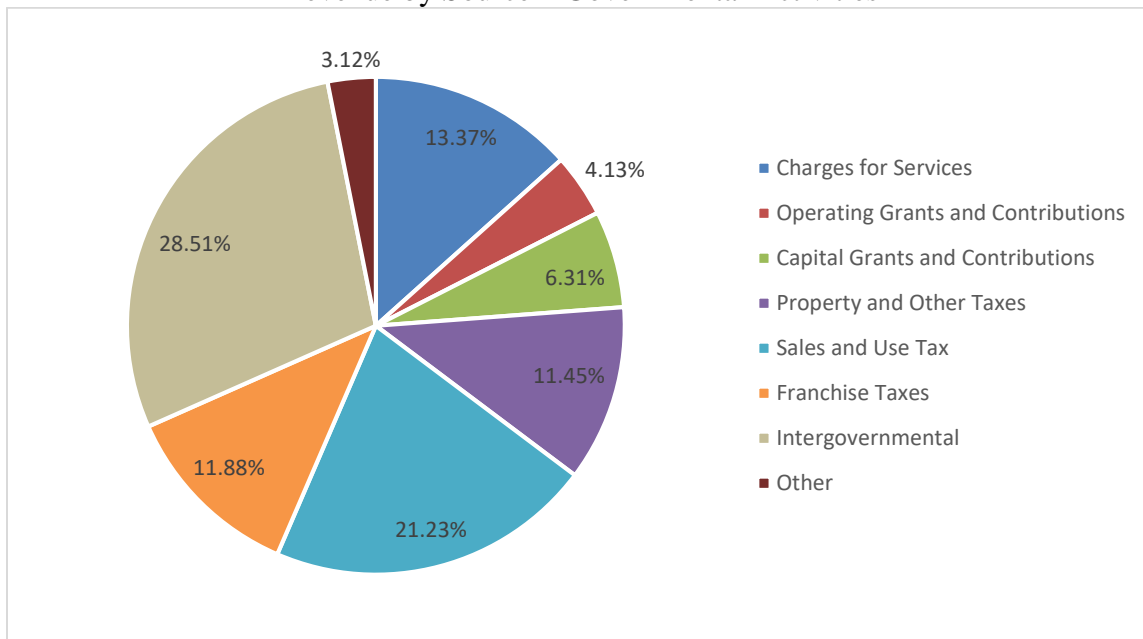
**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City’s net position by \$1,507,383; accounting for 53% of the City’s growth in net position for fiscal 2019.

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, 2019, the City's governmental funds reported combined ending fund balances of \$3,733,777 an increase of \$1,071,000 in comparison with the prior year. Of the \$3.7 million, about 48% is considered unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, 52%, is restricted or committed to indicate that it is not available for new spending because it has already been committed to various contracts or projects.

The general fund is the chief operating fund of the City. At September 30, 2019, the unassigned fund balance of the general fund was \$1,808,430. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents about 27% 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 \$4,025,404.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

### **ALL FUNDS BUDGETARY COMPARISON**

Actual combined revenue for all funds was comparable to the budget. Combined revenue was an approximate 6.91% less than budgeted. All funds actual combined expenditures were also comparable to the budgeted amounts. Combined expenditures were approximately 12% less than the budgeted amount.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CAPITAL ASSETS

The City's capital assets for its government and business-type activities as of September 30, 2019, totals \$66,953,809 (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 2019 include the following:

- General Fund Capital activity includes completion of the Kirkpatrick Memorial Park Lake Improvements project for \$230,252. Dawson County Opportunity Center renovations in the Workforce Training Area were started for \$252,712. The City purchased additional land in northeast Lexington for \$530,000; other miscellaneous projects totaled about \$10,000.
- Street projects include completion of the Service Building parking lot for \$44,928; West Commerce Road was completed for \$219,795. Engineering work continued in preparation of the East Lexington Viaduct for \$50,059.
- Electric department work included Kugler Sub Conversion work for \$239,838; service extensions to the SW 1<sup>st</sup> Addition for \$36,080; South Taft, Prospect Road tie to Commerce Road for \$74,454; Adams 106 Feeder Conversion for \$112,569; East Walnut Feeder for \$5,291; Alley rebuilds for \$24,213; and Tyson 222 tie to South Lexington Service Area \$101,180. Commerce Road work was completed for \$3,187.
- The Water department had a light construction year. Work on Well #19 was started for \$4,788.
- The Sewer department completed the Waste Water Treatment Plant Solids Dewatering Facility project with 2019 expenses of \$97,497.

City of Lexington  
Capital Assets (net of depreciation)  
September 30, 2018 and 2019

	Governmental		Business Type		Total	
	2019	2018	2019	2018	2019	2018
Land	5,641,932	4,674,268	329,176	329,176	5,971,108	5,003,444
Buildings and Improvements	11,327,420	11,748,711	11,836,040	11,326,924	23,163,460	23,075,635
Machinery and Equipment	1,378,160	1,529,231	408,612	400,800	1,786,772	1,930,031
Infrastructure	20,481,528	17,895,365			20,481,528	17,895,365
Utility Plant			13,834,365	12,592,251	13,834,365	12,592,251
Construction in Progress	1,180,159	4,101,655	536,417	2,774,292	1,716,576	6,875,947
<b>Total</b>	<b>40,009,199</b>	<b>39,949,230</b>	<b>26,944,610</b>	<b>27,423,443</b>	<b>66,953,809</b>	<b>67,372,673</b>

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

**LONG-TERM DEBT**

At September 30, 2019, the city of Lexington had total outstanding debt of \$13,222,431. Of this amount, \$1,785,000 is General Obligation bonded debt backed by the full faith and credit of the City. Utilities bonded debt totaled \$7,678,471. \$3,758,960 represents notes to finance equipment and other contracts approved by the City Council.

City of Lexington  
Total Outstanding Debt  
September 30, 2018 and 2019

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
GO Bonds	1,785,000	2,295,000			1,785,000	2,295,000
Revenue Bonds			7,678,471	10,830,700	7,678,471	10,830,700
Notes Payable	3,758,960	3,754,363		0	3,758,960	3,754,363
	<u>5,543,960</u>	<u>6,049,363</u>	<u>7,678,471</u>	<u>10,830,700</u>	<u>13,222,431</u>	<u>16,880,063</u>

The City’s total long-term debt decreased \$3,657,633. This decrease is due to scheduled payments to pay down debt and the payoff of the 2013B Combined Utilities Revenue bonds which were refinanced by the 2018 Combined Utilities Revenue Bonds.

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

Additional long-term debt information can be found in Note 8 on pages 44-47 of the report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- Sales tax collections have increased annually by an average 2.63% over the past 5 years.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the City’s budget for the 2020 fiscal year.

## **REQUEST FOR INFORMATION**

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



**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF NET POSITION

September 30, 2019

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
<b>ASSETS</b>				
Cash	2,434,169	699,805	3,133,974	0
Restricted cash	664,918	4,188,952	4,853,870	32,444
Cash with county treasurer	70,697	0	70,697	0
Receivables (net)				
Accounts	163,853	1,940,668	2,104,521	0
Taxes & special assessments	230,507	0	230,507	0
Sales tax	411,435	0	411,435	0
Other receivables	111,632	0	111,632	
Notes receivable	2,078,657	0	2,078,657	14,763
Due from other governmental agencies	6,626	0	6,626	0
Due from agency	237,504	0	237,504	0
Internal balances	(20,838)	20,838	0	0
Inventories	0	387,733	387,733	0
Capital assets:				
Nondepreciable	6,822,091	865,593	7,687,684	868,961
Depreciable - net	33,187,108	26,079,017	59,266,125	13,851
<b>TOTAL ASSETS</b>	<b>46,398,359</b>	<b>34,182,606</b>	<b>80,580,965</b>	<b>930,019</b>
<b>LIABILITIES</b>				
Accounts payable	184,818	1,522,563	1,707,381	1,407
Retainage payable	28,869	0	28,869	0
Accrued payroll & liabilities	80,417	20,757	101,174	0
Long-term liabilities:				
Compensated absences	262,198	66,865	329,063	0
Due within one year:				
Bonds and notes	1,630,378	1,085,500	2,715,878	178,009
Accrued interest	53,946	55,066	109,012	4,930
Due in more than one year:				
Bonds and notes	3,913,582	6,592,971	10,506,553	116,503
Customer deposits	0	336,620	336,620	0
Accrued landfill closure costs	0	367,174	367,174	0
<b>TOTAL LIABILITIES</b>	<b>6,154,208</b>	<b>10,047,516</b>	<b>16,201,724</b>	<b>300,849</b>

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## STATEMENT OF NET POSITION (CONTINUED)

September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
NET POSITION				
Net investment in capital assets	34,465,239	19,266,139	53,731,378	588,300
Restricted for:				
Special revenue	668,297	0	668,297	0
Debt service	28,127	633,000	661,127	0
Other purposes	0	263,083	263,083	40,870
Unrestricted	5,082,488	3,972,868	9,055,356	0
TOTAL NET POSITION	<u>40,244,151</u>	<u>24,135,090</u>	<u>64,379,241</u>	<u>629,170</u>

*See accompanying notes.*

**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF ACTIVITIES

Year Ended September 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	1,457,648	982,213	0	0
Public safety	2,557,031	70,480	1,838	0
Public works	2,216,862	29,567	303,101	15,778
Health and welfare	565,479	138,095	123,200	553,749
Culture and recreation	1,865,412	165,609	0	84,207
Community development	196,874	0	0	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>8,859,306</b>	<b>1,385,964</b>	<b>428,139</b>	<b>653,734</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Electric	16,943,274	17,929,000	0	0
Water	1,601,580	1,598,641	0	3,486
Sewer	2,016,130	2,001,664	0	304,091
Sanitation	502,138	536,663	0	0
Ambulance	121,299	129,189	0	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>21,184,421</b>	<b>22,195,157</b>	<b>0</b>	<b>307,577</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>30,043,727</b>	<b>23,581,121</b>	<b>428,139</b>	<b>961,311</b>
<b>COMPONENT UNIT:</b>				
Community development association	980,527	784,384	0	0

**GENERAL REVENUE:**

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

**TOTAL GENERAL REVENUE**

**CHANGE IN NET POSITION**

Net position - beginning of year

**NET POSITION - ENDING**

*See accompanying notes.*

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
(475,435)	0	(475,435)	0
(2,484,713)	0	(2,484,713)	0
(1,868,416)	0	(1,868,416)	0
249,565	0	249,565	0
(1,615,596)	0	(1,615,596)	0
(196,874)	0	(196,874)	0
<u>(6,391,469)</u>	<u>0</u>	<u>(6,391,469)</u>	<u>0</u>
0	985,726	985,726	0
0	547	547	0
0	289,625	289,625	0
0	34,525	34,525	0
0	7,890	7,890	0
<u>0</u>	<u>1,318,313</u>	<u>1,318,313</u>	<u>0</u>
<u>(6,391,469)</u>	<u>1,318,313</u>	<u>(5,073,156)</u>	<u>0</u>
			<u>(196,143)</u>
1,186,782	0	1,186,782	0
2,200,863	0	2,200,863	0
1,231,847	0	1,231,847	0
2,955,999	0	2,955,999	0
17,518	18,035	35,553	4
314,894	0	314,894	66,450
(9,051)	0	(9,051)	215,347
<u>7,898,852</u>	<u>18,035</u>	<u>7,916,887</u>	<u>281,801</u>
1,507,383	1,336,348	2,843,731	85,658
<u>38,736,768</u>	<u>22,798,742</u>	<u>61,535,510</u>	<u>543,512</u>
<u>40,244,151</u>	<u>24,135,090</u>	<u>64,379,241</u>	<u>629,170</u>

# CITY OF LEXINGTON, NEBRASKA

## BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2019

	<u>General Fund</u>	<u>Federal Grants</u>
<b>ASSETS:</b>		
Cash - unrestricted	1,893,160	0
Restricted cash	0	126,925
Cash with County Treasurer	70,697	0
Receivables (net)	713,500	0
Notes receivable	0	753,250
Due from other funds	100	0
Receivable from other governments	888	0
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>2,678,345</b>	<b>880,175</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES:</b>		
Accounts payable	132,943	0
Retainage payable	28,869	0
Due to other funds	540,233	100
Other accrued expenses	68,920	0
<b>TOTAL LIABILITIES</b>	<b>770,965</b>	<b>100</b>
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unavailable revenue - property taxes	98,950	0
Unavailable revenue - special assessments	0	0
Unavailable revenue - loan repayments	0	753,250
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>98,950</b>	<b>753,250</b>
	<hr/>	<hr/>
<b>FUND BALANCES:</b>		
Restricted	0	126,825
Committed - Street	0	0
Unassigned	1,808,430	0
<b>TOTAL FUND BALANCES</b>	<b>1,808,430</b>	<b>126,825</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>2,678,345</b>	<b>880,175</b>
	<hr/> <hr/>	<hr/> <hr/>

*See accompanying notes.*

Street Fund	Economic Development	Debt Service Fund	Meals on Wheels Fund	Total Governmental Funds
430,377	0	25,951	0	2,349,488
0	507,147	0	30,846	664,918
0	0	0	0	70,697
129,414	0	74,513	0	917,427
0	1,325,407	0	0	2,078,657
466,860	0	0	0	466,960
237,504	0	0	5,742	244,134
<u>1,264,155</u>	<u>1,832,554</u>	<u>100,464</u>	<u>36,588</u>	<u>6,792,281</u>
24,155	0	0	1,843	158,941
0	0	0	0	28,869
0	0	0	0	540,333
11,077	0	0	420	80,417
<u>35,232</u>	<u>0</u>	<u>0</u>	<u>2,263</u>	<u>808,560</u>
0	0	157	0	99,107
0	0	72,180	0	72,180
0	1,325,407	0	0	2,078,657
<u>0</u>	<u>1,325,407</u>	<u>72,337</u>	<u>0</u>	<u>2,249,944</u>
0	507,147	28,127	34,325	696,424
1,228,923	0	0	0	1,228,923
0	0	0	0	1,808,430
<u>1,228,923</u>	<u>507,147</u>	<u>28,127</u>	<u>34,325</u>	<u>3,733,777</u>
<u>1,264,155</u>	<u>1,832,554</u>	<u>100,464</u>	<u>36,588</u>	<u>6,792,281</u>

# CITY OF LEXINGTON, NEBRASKA

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

September 30, 2019

Total fund balance, governmental funds	3,733,777
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	40,009,199
Deferred inflows represents funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds.	2,249,944
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.	111,335
Long-term liabilities, including bonds and any leases payable and related interest, are not due and payable in the current period and, therefore, not reported in the funds.	(5,543,960)
Other long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest payable	(53,946)
Accrued compensated absences	<u>(262,198)</u>
Net position of governmental activities	<u><u>40,244,151</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, 2019

	General Fund	Federal Grants
<b>REVENUE:</b>		
Local and county sources:		
Property taxes	1,257,746	0
Sales taxes	2,200,863	0
Other miscellaneous taxes	1,231,847	0
Licenses and permits	17,717	0
Charges for services	1,132,051	0
Interest and loan principal	3,461	111,974
Miscellaneous	225,414	2,924
Donations and private grants	84,207	0
Rent	236,196	0
Intergovernmental	1,718,397	164,959
<b>TOTAL REVENUE</b>	<b>8,107,899</b>	<b>279,857</b>
<b>EXPENDITURES:</b>		
Current:		
General government	1,294,294	0
Public safety	2,420,024	0
Public works	0	0
Health and welfare	389,306	0
Culture and recreation	1,546,820	0
Community Development	0	196,874
Debt service:		
Principal	0	0
Interest and other charges	0	0
Capital outlay	1,113,161	0
<b>TOTAL EXPENDITURES</b>	<b>6,763,605</b>	<b>196,874</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>1,344,294</b>	<b>82,983</b>

*(Continued on next page.)*



<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels</u>	<u>Total Governmental Funds</u>
0	0	22,100	0	1,279,846
0	0	0	0	2,200,863
0	0	0	0	1,231,847
0	0	0	0	17,717
0	0	0	0	1,132,051
839	122,283	2,709	54	241,320
84,523	0	0	2,034	314,895
303,101	0	0	1,179	388,487
0	0	0	0	236,196
1,644,007	0	0	122,021	3,649,384
<u>2,032,470</u>	<u>122,283</u>	<u>24,809</u>	<u>125,288</u>	<u>10,692,606</u>
0	0	0	0	1,294,294
0	0	0	0	2,420,024
1,286,844	0	0	0	1,286,844
0	0	0	145,123	534,429
0	0	0	0	1,546,820
0	200,000	0	0	396,874
0	0	1,230,589	0	1,230,589
0	0	132,908	0	132,908
395,666	0	0	0	1,508,827
<u>1,682,510</u>	<u>200,000</u>	<u>1,363,497</u>	<u>145,123</u>	<u>10,351,609</u>
<u>349,960</u>	<u>(77,717)</u>	<u>(1,338,688)</u>	<u>(19,835)</u>	<u>340,997</u>

# CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2019

	<u>General Fund</u>	<u>Federal Grants</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from long-term debt	730,000	0
Transfers in	0	0
Transfers out	(1,214,683)	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(484,683)</u>	<u>0</u>
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	859,611	82,983
Fund balances - beginning of year	<u>948,819</u>	<u>43,842</u>
FUND BALANCES - ENDING	<u><u>1,808,430</u></u>	<u><u>126,825</u></u>

*See accompanying notes.*

<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels</u>	<u>Total Governmental Funds</u>
0	0	0	0	730,000
532,029	167,500	1,363,497	0	2,063,026
(848,343)	0	0	0	(2,063,026)
<u>(316,314)</u>	<u>167,500</u>	<u>1,363,497</u>	<u>0</u>	<u>730,000</u>
33,646	89,783	24,809	(19,835)	1,070,997
<u>1,195,277</u>	<u>417,364</u>	<u>3,318</u>	<u>54,160</u>	<u>2,662,780</u>
<u>1,228,923</u>	<u>507,147</u>	<u>28,127</u>	<u>34,325</u>	<u>3,733,777</u>

## CITY OF LEXINGTON, NEBRASKA

### RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

Year Ended September 30, 2019

Net change in fund balances - total governmental funds:	1,070,997
 Amounts reported for governmental activities in the statement of activities are different because:	
 Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.	
122,647	122,647
 Proceeds reported from the sale of assets are reported as revenues at the fund level. However, only the difference between proceeds and the carrying value of the assets is reported as gain or loss in the statement of activities.	
(9,051)	(9,051)
 Deferred inflows represent funds not available in the current period and, therefore, are not recognized as revenue in governmental funds.	
(116,873)	(116,873)
 The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
500,589	500,589
 Certain expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:	
Accrued interest	6,980
Accrued compensated absences	(63,095)
 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.	
(4,811)	(4,811)
Change in net position of governmental activities	1,507,383
 <i>See accompanying notes.</i>	

## CITY OF LEXINGTON, NEBRASKA

### STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2019

ASSETS	Electric	Water
<b>CURRENT ASSETS:</b>		
Cash	3,015,709	614,799
Accounts receivable, net	1,122,181	327,055
Inventories	194,945	192,159
<b>TOTAL CURRENT ASSETS</b>	<b>4,332,835</b>	<b>1,134,013</b>
<b>NON-CURRENT ASSETS:</b>		
Restricted assets:		
Cash	633,000	0
Due from other funds	804,473	0
Fixed assets (net)	9,230,123	2,772,849
<b>TOTAL NON-CURRENT ASSETS</b>	<b>10,667,596</b>	<b>2,772,849</b>
<b>TOTAL ASSETS</b>	<b>15,000,431</b>	<b>3,906,862</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	1,456,096	37,773
Salaries payable	6,712	6,787
Accrued interest payable	21,570	0
Current portion of long-term debt	281,600	0
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,765,978</b>	<b>44,560</b>
<b>NON-CURRENT LIABILITIES:</b>		
Customer deposits	336,620	0
Compensated absences	22,658	19,239
Due to other funds	0	233,430
Bonds, notes and loans payable	1,689,169	0
Accrued landfill closure costs	0	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,048,447</b>	<b>252,669</b>
<b>TOTAL LIABILITIES</b>	<b>3,814,425</b>	<b>297,229</b>
<b>NET POSITION</b>		
Net investment in capital assets	7,259,354	2,772,849
Restricted for debt service	633,000	0
Restricted for landfill	0	0
Unrestricted	3,293,652	836,784
<b>TOTAL NET POSITION</b>	<b>11,186,006</b>	<b>3,609,633</b>

*See accompanying notes.*

Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Funds
0	190,485	0	171,681	3,992,674	84,681
373,814	117,618	0	0	1,940,668	0
629	0	0	0	387,733	0
<u>374,443</u>	<u>308,103</u>	<u>0</u>	<u>171,681</u>	<u>6,321,075</u>	<u>84,681</u>
0	0	263,083	0	896,083	0
0	0	0	0	804,473	0
14,717,911	3,401	115,983	104,343	26,944,610	0
<u>14,717,911</u>	<u>3,401</u>	<u>379,066</u>	<u>104,343</u>	<u>28,645,166</u>	<u>0</u>
<u>15,092,354</u>	<u>311,504</u>	<u>379,066</u>	<u>276,024</u>	<u>34,966,241</u>	<u>84,681</u>
25,084	0	0	3,609	1,522,562	25,877
7,258	0	0	0	20,757	0
33,496	0	0	0	55,066	0
803,900	0	0	0	1,085,500	0
<u>869,738</u>	<u>0</u>	<u>0</u>	<u>3,609</u>	<u>2,683,885</u>	<u>25,877</u>
0	0	0	0	336,620	0
24,968	0	0	0	66,865	0
497,670	0	0	0	731,100	0
4,903,802	0	0	0	6,592,971	0
0	0	367,174	0	367,174	0
<u>5,426,440</u>	<u>0</u>	<u>367,174</u>	<u>0</u>	<u>8,094,730</u>	<u>0</u>
<u>6,296,178</u>	<u>0</u>	<u>367,174</u>	<u>3,609</u>	<u>10,778,615</u>	<u>25,877</u>
9,010,209	3,401	115,983	104,343	19,266,139	0
0	0	0	0	633,000	0
0	0	263,083	0	263,083	0
(214,033)	308,103	(367,174)	168,072	4,025,404	58,804
<u>8,796,176</u>	<u>311,504</u>	<u>11,892</u>	<u>272,415</u>	<u>24,187,626</u>	<u>58,804</u>

## CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2019

	Electric	Water
OPERATING REVENUE:		
Charges for services	17,573,897	1,507,330
Reimbursements from other funds	0	0
Miscellaneous	355,103	91,311
TOTAL OPERATING REVENUE	17,929,000	1,598,641
OPERATING EXPENSES:		
Operating expenses	16,503,916	1,288,826
Supplies	0	0
Medical expenses	0	0
Depreciation	389,357	308,725
TOTAL OPERATING EXPENSES	16,893,273	1,597,551
OPERATING INCOME (LOSS)	1,035,727	1,090
NON-OPERATING REVENUE (EXPENSES):		
Bond costs	0	(3,000)
Interest income	13,952	3,039
Interest expense	(49,589)	(193)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(35,637)	(154)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS:	1,000,090	936
OTHER FINANCING SOURCES (USES):		
Aid in construction	0	3,486
NET INCOME (LOSS)	1,000,090	4,422
Net position - beginning of year	10,185,916	3,605,211
NET POSITION - ENDING	11,186,006	3,609,633

*See accompanying notes.*

<u>Sewer</u>	<u>Sanitation</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
1,945,311	536,663	0	129,189	21,692,390	0
0	0	0	0	0	979,140
56,353	0	0	0	502,767	0
<u>2,001,664</u>	<u>536,663</u>	<u>0</u>	<u>129,189</u>	<u>22,195,157</u>	<u>979,140</u>
1,253,019	501,376	0	90,978	19,638,115	9
1,006	762	0	0	1,768	0
0	0	0	0	0	985,696
634,316	0	0	30,321	1,362,719	0
<u>1,888,341</u>	<u>502,138</u>	<u>0</u>	<u>121,299</u>	<u>21,002,602</u>	<u>985,705</u>
<u>113,323</u>	<u>34,525</u>	<u>0</u>	<u>7,890</u>	<u>1,192,555</u>	<u>(6,565)</u>
0	0	0	0	(3,000)	0
0	18	690	337	18,036	8
(127,290)	0	0	0	(177,072)	0
<u>(127,290)</u>	<u>18</u>	<u>690</u>	<u>337</u>	<u>(162,036)</u>	<u>8</u>
(13,967)	34,543	690	8,227	1,030,519	(6,557)
<u>304,091</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>307,577</u>	<u>0</u>
290,124	34,543	690	8,227	1,338,096	(6,557)
<u>8,506,052</u>	<u>276,961</u>	<u>11,202</u>	<u>264,188</u>	<u>22,849,530</u>	<u>65,361</u>
<u>8,796,176</u>	<u>311,504</u>	<u>11,892</u>	<u>272,415</u>	<u>24,187,626</u>	<u>58,804</u>



## CITY OF LEXINGTON, NEBRASKA

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

September 30, 2019

Total net position - Utility Funds 24,187,626

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 (52,536)

Net position of business-type activities 24,135,090

### 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, 2019

Net change in fund net position - Utility Funds 1,338,096

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 (1,748)

Change in net position of business-type activities 1,336,348

*See accompanying notes.*

**CITY OF LEXINGTON, NEBRASKA**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2019

	<u>Electric</u>	<u>Water</u>
<b>OPERATING ACTIVITIES:</b>		
Receipts from customers	17,174,240	1,493,366
Receipts from interfund services	474,866	4,573
Miscellaneous revenue	355,103	91,311
Payments to suppliers	(15,089,862)	(778,751)
Payments to employees	(256,094)	(292,443)
Payments for franchise taxes to city	(876,673)	(74,781)
Payments for interfund services	(55,813)	(113,636)
Receipts of customer meter deposits	102,303	0
Refunds of customer meter deposits	(84,838)	0
<b>NET OPERATING ACTIVITIES</b>	<u>1,743,232</u>	<u>329,639</u>
<b>NON-CAPITAL FINANCING ACTIVITIES:</b>		
Net change in due to (from) other funds	(86,080)	(23,286)
Capital contributions	0	3,486
<b>NET NON-CAPITAL FINANCING ACTIVITIES</b>	<u>(86,080)</u>	<u>(19,800)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments:		
Bonds	(2,254,065)	(73,926)
Bond costs	0	(3,000)
Acquisition and construction of capital assets	(636,273)	(130,587)
Interest paid on bonds and notes	(67,754)	(463)
<b>NET CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(2,958,092)</u>	<u>(207,976)</u>
<b>INVESTING ACTIVITIES:</b>		
Interest received	13,952	3,039
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,286,988)	104,902
Cash - beginning of year	4,935,697	509,897
<b>CASH - END OF YEAR</b>	<u>3,648,709</u>	<u>614,799</u>

(Continued on next page)

Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Fund
1,947,247	535,930	0	129,189	21,279,973	0
12,016	0	0	0	491,454	979,140
56,353	0	(20,658)	0	482,109	0
(856,228)	(502,138)	0	(96,055)	(17,323,034)	(1,011,384)
(290,257)	0	0	0	(838,794)	0
(96,555)	0	0	0	(1,048,009)	0
(67,736)	0	0	0	(237,185)	0
0	0	0	0	102,303	0
0	0	0	0	(84,838)	0
<u>704,840</u>	<u>33,792</u>	<u>(20,658)</u>	<u>33,134</u>	<u>2,823,979</u>	<u>(32,244)</u>
62,794	0	0	0	(46,572)	0
304,091	0	0	0	307,577	0
<u>366,885</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>261,005</u>	<u>0</u>
(824,239)	0	0	0	(3,152,230)	0
0	0	0	0	(3,000)	0
(117,023)	0	0	0	(883,883)	0
(130,463)	0	0	0	(198,680)	0
<u>(1,071,725)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,237,793)</u>	<u>0</u>
<u>0</u>	<u>18</u>	<u>690</u>	<u>338</u>	<u>18,037</u>	<u>7</u>
0	33,810	(19,968)	33,472	(1,134,772)	(32,237)
0	156,675	283,051	138,209	6,023,529	116,918
<u>0</u>	<u>190,485</u>	<u>263,083</u>	<u>171,681</u>	<u>4,888,757</u>	<u>84,681</u>

## CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2019

	Electric	Water
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET OPERATING ACTIVITIES:</b>		
Operating income (loss)	1,035,727	1,090
Items not requiring cash:		
Depreciation	389,357	308,725
(Increase) decrease in assets:		
Receivables	75,209	(9,391)
Inventories	(8,973)	6,093
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	234,447	23,122
Accrued landfill closure costs	0	0
Customer deposits	17,465	0
<b>NET OPERATING ACTIVITIES</b>	<b>1,743,232</b>	<b>329,639</b>
 <b>CASH RECONCILIATION:</b>		
Unrestricted	3,015,709	614,799
Restricted	633,000	0
<b>CASH TOTAL</b>	<b>3,648,709</b>	<b>614,799</b>

*See accompanying notes.*

<u>Sewer</u>	<u>Sanitation</u>	<u>Landfill</u>	<u>Ambulance</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
113,323	34,525	0	7,890	1,192,555	(6,565)
634,316	0	0	30,321	1,362,719	0
13,952	(733)	0	0	79,037	0
(392)	0	0	0	(3,272)	0
(56,359)	0	0	(5,077)	196,133	(25,679)
0	0	(20,658)	0	(20,658)	0
0	0	0	0	17,465	0
<u>704,840</u>	<u>33,792</u>	<u>(20,658)</u>	<u>33,134</u>	<u>2,823,979</u>	<u>(32,244)</u>
0	190,485	0	171,681	3,992,674	84,681
0	0	263,083	0	896,083	0
<u>0</u>	<u>190,485</u>	<u>263,083</u>	<u>171,681</u>	<u>4,888,757</u>	<u>84,681</u>

**CITY OF LEXINGTON, NEBRASKA**

**STATEMENT OF NET POSITION - AGENCY FUND**

September 30, 2019

	<u>Agency Fund</u>
ASSETS	
Cash	360,011
Accounts receivable, net	<u>1,076</u>
TOTAL ASSETS	<u><u>361,087</u></u>
LIABILITIES	
Payable to other governments for debt service	<u>361,087</u>
TOTAL LIABILITIES	<u><u>361,087</u></u>

*See accompanying notes.*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2019

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Government

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

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

#### Reporting Entity

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

#### Government-wide Financial Statements

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

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

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

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

#### Government-wide Financial Statements (Continued)

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

#### Discretely Presented Component Unit

The CDA reports using the economic resources measurement focus on the accrual basis of accounting.

#### Fund Financial Statements

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

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

#### Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

*(Continued on next page)*



# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

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

#### Fund Financial Statements (Continued)

##### Governmental Fund Types (Continued)

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or designated by management to expenditures for specific purposes.

Debt Service Funds are used to account for the accumulation of funds for the payment of principal, interest, and related costs on general long-term debt.

##### Proprietary Fund Types

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

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

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

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

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

#### Fund Financial Statements (Continued)

##### Agency Fund

The Agency Fund account is used to account for assets held by the City as an agent for various tax-incremental financing (TIF) projects. Agency funds are custodial in nature and do not involve the measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASBS No. 34 sets forth minimum criteria for the determination of major funds.

The following funds are considered major funds:

##### Governmental Funds

General Fund as previously described.

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

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

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

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

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

##### Proprietary Funds

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

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

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

#### Fund Financial Statements (Continued)

##### Proprietary Funds (Continued)

Ambulance Fund accounts for activities of the City's ambulance services.

#### Financial Statement Amounts

##### Cash

The City has defined cash to include cash on hand, cash in banks and certificates of deposit.

##### Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, franchise taxes, grants, and interest.

Business-type activities report utilities, unbilled utilities, and interest as their major receivables.

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

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. At September 30, 2019, 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, 2019

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

#### Financial Statement Amounts (Continued)

##### Notes Receivable

Notes receivable include long-term loans made to local businesses and citizens using revolving loan funds from Community Development Block Grants through the State of Nebraska, as well as other economic development based loans of LB840 revolving loan funds or Economic Enhancement funds of the City to qualifying businesses. Management has determined that no allowance is necessary at September 30, 2019.

##### Inventory Valuation

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

##### Capital Assets

The City's policy is to capitalize purchased or donated capital assets, including improvements to capital assets that significantly extend the life of the assets, that have an estimated life of more than one year and a cost of \$8,000 or more. Cost includes original actual cost, estimated historical cost or the fair value at the date received of donated assets. Estimated historical cost was used to value the majority of the assets acquired prior to October 1, 2002 in the governmental activities.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is primarily computed using the straight-line method of depreciation over the estimated useful life of each asset.

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

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

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

#### Financial Statement Amounts (Continued)

##### Deferred Inflows of Resources

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

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

##### Long-Term Debt

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

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

##### Compensated Absences

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

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

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

#### Financial Statement Amounts (Continued)

##### Government-wide Net Position

In the government-wide statements, net position is classified and displayed in three components:

- 1) Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position – Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for purposes for which restricted and unrestricted net resources are available, the City typically uses restricted net resources first, followed by unrestricted net resources, but reserves the right to selectively spend unrestricted net resources first to defer the use of these other classified funds.

##### Fund Statements – Fund Balances

In the governmental fund statements, fund balances are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- 1) Nonspendable fund balance – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

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

#### Financial Statement Amounts (Continued)

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

- 2) Restricted fund balance – amounts that can be spent only for specific purposes because of constraints imposed by creditors, grantors, contributors, constitutional provisions, enabling legislation or by laws and regulations. As of September 30, 2019, the restricted fund balance of \$696,424 is restricted for the following purposes:

<b>Fund</b>	<b>Purpose</b>	<b>Amount</b>
Federal Grant	Grant reuse and housing monies for community development projects	126,825
Economic Development	Sales tax monies designated for community economic development	507,147
Meals on Wheels	Grant monies and local contributions designated for the senior citizen meal program	34,325
Debt Service	Payment of principal, interest, and related costs on general long-term debt	28,127

- 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, 2019, the committed fund balance was \$1,228,923.
- 4) Assigned fund balance – amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Under the City of Lexington, Nebraska, only the City Council may assign amounts.
- 5) Unassigned fund balance – all other spendable amounts.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

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

#### Financial Statement Amounts (Continued)

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

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

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

##### Revenues

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

Operating revenues and expenses for proprietary funds are those that result from providing goods and services. Subsidies and grants, which finance capital items, and other revenues, are reported as non-operating revenue.

##### Expenditures

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

*(Continued on next page)*



# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

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

#### Financial Statement Amounts (Continued)

##### Interfund Activity

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

##### Use of Estimates

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

##### Eliminations

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities.

##### Adoption of New GASB Pronouncement

During the fiscal year end September 30, 2019, the City implemented GASB Statement No. 88 "*Certain Disclosures, Related to Debt, including Direct Borrowings and Direct Placements.*" This statement improves the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. The statement requires that additional essential information related to debt be disclosed in notes to the financial statements including unused lines of credit; assets pledge

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New GASB Pronouncement (Continued)

as collateral for the debt; and terms specific in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

NOTE 2: CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City maintains a cash and certificate of deposit pool that is available for use by all funds except those required to maintain separate accounts. Each fund type's portion of this pool is displayed on the balance sheet as cash under each fund's caption. As required by state law, the City's funds held in depositories as of September 30, 2019 were either fully insured or collateralized.

NOTE 3: RESTRICTED CASH

Debt Restrictions and Covenants

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

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

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

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 3: RESTRICTED CASH (Continued)

Restricted Cash

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

- (1) Landfill Closure - This account is used to set aside funds for the estimated post-closure costs of the landfill. The amount restricted as of September 30, 2019 is \$263,083.

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 \$126,925.
- (2) Meals on Wheels-Meal program and outreach for the elderly. The amount restricted is \$30,846.
- (3) Economic Development – The amount restricted is \$507,147.

Component Unit (CDA)

The amount restricted is \$32,444 for the component unit (CDA) for community development.

NOTE 4: RECEIVABLES

Accounts receivable of the business-type activities consists of utilities receivables. Accounts receivable of the governmental activities consist of sales tax, other tax and special assessments, due from agency, and other receivables. Receivables detailed at September 30, 2019, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Receivables	927,427	1,960,668	14,763
Allowance for doubtful accounts	(10,000)	(20,000)	0
Totals	917,427	1,940,668	14,763

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 5: NOTES RECEIVABLE

Notes receivable at September 30, 2019, consist of the following:

<u>Company</u>	<u>Loan Amount</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>Economic Development Fund:</u>				
Community Economic Development	415,000	March 1, 2009	0%	78,628
City of Lexington (Due from General)	199,999	March 2, 2017	0%	194,999
Dawson Co. Area Economic Development	232,000	June 24, 2014	0%	162,400
Orthman Investments, L.L.C.	500,000	August 18, 2014	0%	333,333
Downey & Associates	100,000	December 27, 2016	0%	86,667
McFarland Family Farms	260,000	April 12, 2017	0%	208,000
City of Lexington (Due from General)	200,000	September 25, 2019	0%	200,000
City of Lexington (Due from General)	61,380	May 16, 2017	0%	61,380
<u>CDBG Fund:</u>				
Greater Lex Corporation	135,000	January 25, 2012	0%	135,000
Other	Various	Various	0%	8,388
<u>Revolving Loan Fund:</u>				
McFarland Family Farms	160,000	April 25, 2018	2%	145,365
Lexington Regional Health Center	360,000	December 20, 2012	0%	180,000
Dawson Co. Area Economic Development	360,000	June 24, 2014	0%	180,000
RRTABS Investments, L.L.C.	115,000	April 10, 2018	2%	<u>104,497</u>
Total Notes Receivable				<u>2,078,657</u>

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 6: CAPITAL ASSETS

The following is a summary of the capital assets for the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Land	4,674,268	991,320	(23,656)	5,641,932
Buildings and improvements	16,786,868	29,844	0	16,816,712
Machinery and equipment	5,037,493	148,973	(32,078)	5,154,388
Infrastructure	43,583,603	3,225,983	0	46,809,586
Construction in progress	4,101,654	1,349,029	(4,270,524)	1,180,159
Totals	74,183,886	5,745,149	(4,326,258)	75,602,777
Less accumulated depreciation:	(34,234,656)	(1,386,180)	27,258	(35,593,578)
Net	39,949,230	4,358,969	(4,299,000)	40,009,199
	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Land	329,176	0	0	329,176
Buildings and improvements	17,059,960	880,174	0	17,940,134
Vehicles and equipment	1,323,786	98,905	(22,077)	1,400,614
Utility systems	41,181,396	2,142,680	0	43,324,076
Construction in progress	2,774,291	705,495	(2,943,369)	536,417
Totals	62,668,609	3,827,254	(2,965,446)	63,530,417
Less accumulated depreciation:	(35,245,165)	(1,362,719)	22,077	(36,585,807)
Net	27,423,444	2,464,535	(2,943,369)	26,944,610
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Component Unit:</b>				
Land	544,641	59,083	(31,500)	572,224
Building	32,895	0	0	32,895
Assets held for resale	0	272,653	(272,653)	0
CIP	244,222	325,168	(272,653)	296,737
Totals	821,758	656,904	(576,806)	901,856
Less accumulated depreciation	(17,313)	(1,731)	0	(19,044)
Net	804,445	655,173	(576,806)	882,812

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

**NOTE 6: CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs as follows for the year ended September 30, 2019:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Component Unit</u>
General government	149,257	0	1,731
Public safety	122,197	0	0
Public works	766,496	0	0
Health and welfare	34,242	0	0
Culture and recreation	313,988	0	0
Electric	0	389,357	0
Water	0	308,725	0
Sewer	0	634,316	0
Ambulance	0	30,321	0
Totals	1,386,180	1,362,719	1,731

**NOTE 7: COMPENSATED ABSENCES**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental activities	247,732	14,466	0	262,198
Business-type activities	51,125	15,739	0	66,864

Compensated absences for business-type activities are included on the balance sheet of the proprietary funds. Both governmental and business-type compensated absences are presented in the government-wide statements.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

**NOTE 8: LONG-TERM DEBT**

General obligation bonds, issued by the City for various municipal improvements, are repaid with property taxes recorded in the Debt Service Fund. The City has pledged its full faith and credit as collateral for the general obligation bonds. The City is in compliance with all significant requirements of various bonds. The following is a summary of transactions for indebtedness for the year ended September 30, 2019:

General Obligation Bonds Payable – Governmental Activities

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
7/19/2016	12/15/2021	1.45%	895,000	0	220,000	675,000	220,000
3/31/2015	10/15/2023	0.4% to 2.2%	600,000	0	95,000	505,000	100,000
3/22/2017	12/15/2021	1% to 1.7%	800,000	0	195,000	605,000	200,000
Total			2,295,000	0	510,000	1,785,000	520,000

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

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
10/14/2008	10/14/2020	3.98%	144,661	0	46,378	98,283	48,229
4/29/2008	5/01/2023	4.51%	177,356	0	38,438	138,918	42,668
5/02/2011	5/02/2021	3.72%	305,678	0	98,162	207,516	207,516
5/01/2014	5/01/2021	2.90%	181,400	0	58,730	122,670	60,447
11/7/2014	11/15/2018	2.00%	64,447	0	64,447	0	0
11/15/2014	11/15/2019	2.50%	132,835	0	65,594	67,241	67,241
7/1/2016	7/1/2021	2.09%	195,983	0	63,954	132,029	65,324
5/24/16	6/1/2019	2.09%	15,310	0	15,310	0	0
6/15/16	6/15/2021	2.24%	306,751	0	99,986	206,765	102,225
2/23/2017	2/23/2027	2.74%	364,685	0	36,311	328,374	37,277
5/1/2017	5/1/2032	2.98%	1,513,997	0	88,586	1,425,411	91,255
10/27/2016	10/27/2019	1.95%	89,881	0	44,507	45,374	45,375
5/15/2019	5/15/2029	2.89%	0	530,000	0	530,000	46,442
Total			3,492,984	530,000	720,403	3,302,581	813,999
Other Loans*			261,379	200,000	5,000	456,379	296,379
Total Governmental			6,049,363	730,000	1,235,403	5,543,960	1,630,378

(Continued on next page)

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

**NOTE 8: LONG-TERM DEBT (CONTINUED)**

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

The City authorized funds to be use from the Economic Development Fund for acquisition of property for economic development purposes. These properties are intended for sale and proceeds from the sales will be returned to the Economic Development Fund at that time. As of September 30, 2019, the General Fund had three notes outstanding with balances of \$194,999, \$61,380, and \$200,000. Those loans are included in the table above.

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

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
11/26/2013	4/15/2027	0.45% to 3.90%	2,115,000	0	2,115,000	0	0
7/1/2014	9/30/2023	0.30% to 2.40%	1,485,000	0	460,000	1,025,000	280,000
9/15/2015	12/15/2018	0.65% to 1.2%	145,000	0	145,000	0	0
4/29/2013	6/15/2022	1.50%	3,760,701	0	217,230	3,543,471	220,500
6/9/2017	12/15/2021	0.95% to 1.6%	745,000	0	75,000	670,000	220,000
6/1/2016	9/15/2023	0.60% to 1.7%	730,000	0	140,000	590,000	145,000
9/28/2018	10/15/2026	1.85% to 2.9%	1,850,000	0	0	1,850,000	220,000
Total			10,830,701	0	3,152,230	7,678,471	1,085,500

General Obligation Bonds Payable – Component Unit

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
11/1/2004	12/1/2020	7.00%	23,253	0	8,824	14,429	9,453
1/15/2010	12/31/2025	3.00%	166,477	0	16,394	150,083	17,686
Total			189,730	0	25,218	164,512	27,139

(Continued on next page)



# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

**NOTE 8: LONG-TERM DEBT (CONTINUED)**

Direct Borrowings - Notes Payable – Component Unit (secured by building and land)

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
10/1/2007		0.00%	30,000	0	0	30,000	30,000
1/25/2018		0.00%	100,000	0	0	100,000	100,000
	Total		130,000	0	0	130,000	130,000
Total Component Unit			319,730	0	25,218	294,512	157,139

Current portion on the face of the financial statements for the component unit includes \$20,870 delinquent portion of debt.

Interest expense was charged to functions/programs as follows:

Governmental activities:	General Government – direct borrowings	28,473
	Public safety – direct borrowings	8,169
	Public works – direct borrowings	66,357
	Public works – other debt	29,909
Business-type activities:	Electric	49,589
	Water	193
	Sewer	127,290
Component unit:	CDA	10,782

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>	
2020	1,630,378	103,878	1,085,500	124,512	2,944,268
2021	1,077,530	82,143	1,108,820	108,125	2,376,618
2022	800,524	62,340	1,122,189	89,838	2,074,891
2023	337,943	53,798	790,610	73,028	1,255,378
2024	341,310	45,962	479,082	60,479	926,833
2025-2029	977,106	135,900	1,909,347	166,609	3,188,962
2030-2034	379,170	18,076	1,182,924	44,799	1,624,968
	5,543,961	502,097	7,678,472	667,390	14,391,918

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# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

**NOTE 8: LONG-TERM DEBT (CONTINUED)**

Component Unit:

	<u>Bonds</u>		<u>Notes</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	27,139	5,299	130,000	0	162,438
2021	23,857	4,095	0	0	27,952
2022	20,131	3,355	0	0	23,486
2023	21,439	2,751	0	0	24,190
2024	22,808	2,108	0	0	24,916
2025-2026	49,138	2,120	0	0	51,257
	164,512	19,728	130,000	0	314,239

The City has no unused lines of credit. Subsequent to year end, the City approved a combined utilities bond issuance of \$1,370,000 for water system improvements.

**NOTE 9: INTERFUND BALANCES AND ACTIVITY**

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

	<u>Fund Statements</u>	
	<u>Due from</u>	<u>Due to</u>
Balances due to and from other funds:		
General	100	540,233
Federal Grants	0	100
Street	466,860	0
Electric	804,473	0
Water	0	233,430
Sewer	0	497,670
Totals	1,271,433	1,271,433

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General	0	1,214,683
Economic Development	167,500	0
Street	532,029	848,343
Debt Service	1,363,497	0
Totals	2,063,026	2,063,026

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 10: MAJOR CUSTOMERS

The City's Enterprise Funds have two major customers with sales of 10% or more of charges for utility services. The services to these customers during the year were \$8,926,037 or 40.1% of total utility service charges.

NOTE 11: RETIREMENT PLANS

The City participates in five employee retirement plans as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
City General Plan	Defined Contribution Plan
Police & Firefighters Plan (Pre-1984)	Defined Benefit Plan
Police Plan	Defined Contribution Plan
Fire Department Service Award Program	Defined Contribution Plan
Deferred Compensation	Defined Contribution Plan

All plans are administered by outside trustees and are not included in the City's basic financial statements.

City General Plan

City employees, except policemen, after meeting one year of service, have the option to participate in a defined contribution plan with all plan contributions held and invested by the Union Bank and Trust of Lincoln. Employees covered by the plan may contribute 3% to 6% of their salary to the plan, which is matched by the City up to 6%. Vesting provisions for City contributions provide for a period of up to 7 years to become fully vested. Employee contributions are 100% vested immediately. The City and 50 employees contributed \$121,549 to the plan for a total contribution of \$243,098 for the year ended September 30, 2019.

Police and Firefighters Plan (Pre-1984)

As of September 30, 2019, two employees, one currently employed and one retired and receiving benefits, qualify under the Pre-1984 Plan. No liability has been recorded on the government-wide financial statements as the participants' defined contribution balance is sufficient to cover any future annuity payments.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 11: RETIREMENT PLANS (CONTINUED)

Police Plan

The City's police officers are covered under a defined contribution plan, with all funds held at Union Bank and Trust of Lincoln. Both the employee and the City contribute 7.0% of the employee's earnings. After the completion of four years of service, the vesting percentage increases by 10% for each additional completed year of service, up to 100%. Employee contributions are 100% vested immediately. The City and 23 employees contributed \$75,340 to the police officers' plan for a total contribution of \$150,679 for the year ended September 30, 2019.

Fire Department Service Award Program

City fire fighters and rescue volunteers are covered under a defined contribution plan, with all funds held at Union Bank and Trust of Lincoln. The City contributed \$15,500 based on voluntary services for 31 firemen for the year ended September 30, 2019.

Deferred Compensation

The City offers two of its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan assets are held in trust and all are solely the property and rights of the plan. They are not subject to the general creditors of the City. Thus, they are not included in these financial statements. Contributions by the City for each employee is outlined in their employment agreements. The City contributed \$22,713 between the two participating employees while employee contributions totaled \$11,935 for the year ended September 30, 2019.

NOTE 12: LANDFILL CLOSURE COSTS

State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$367,174 reported as post closure care liability at September 30, 2019, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. The City closed the landfill in May 1999. Actual post closure costs may be higher due to inflation, changes in technology, or changes in regulations.

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 12: LANDFILL CLOSURE COSTS (CONTINUED)

The City is required by state and federal laws and regulations to make annual contributions to finance post closure care. The City is in compliance with these requirements, and, at September 30, 2019, cash of \$263,083 is held for these purposes. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined; these costs may need to be covered by additional contributions from the City.

NOTE 13: CONTINGENCIES

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

NOTE 14: ECONOMIC DEPENDENCY

The City of Lexington's Electric Department purchases all of its electricity for resale to customers from Nebraska Public Power District. Total power purchased during the year ended September 30, 2019 was \$13,774,737.

NOTE 15: FRANCHISE FEES

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

Electric	876,673
Water	74,781
Sewer	96,555

NOTE 16: PROPERTY TAXES

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

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 16: PROPERTY TAXES (CONTINUED)

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

The levy set in October, 2018, for the 2018 taxes which were materially collected by May and September 2019, was set at \$0.361503 per \$100 of assessed valuation. The levy set in October, 2017, for the 2017 taxes which were materially collected by May and September 2018, was set at \$0.361503 per \$100 of assessed valuation.

Motor vehicle taxes are due when application is made for registration of a motor vehicle. The amount collected for the motor vehicle tax is outlined in State statute.

NOTE 17: RISK MANAGEMENT

On August 1, 1982, the City established a self-funded health care plan for the benefit of eligible City employees and their eligible dependents. The plan provides reimbursement for covered charges incurred as a result of medically necessary treatment for illness or injury up to a \$1,000,000 lifetime maximum. The City purchases commercial insurance for claims in excess of coverage provided by the Fund. At September 30, 2019, the City's maximum liability was \$40,000 per employee annually under the Plan.

The City makes monthly payments equal to the payments for claims. The Plan's assets are maintained in a local bank and administered by Meritain Health. The balance held for the City at September 30, 2019, is \$84,681.

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

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 18: AGREEMENTS

Management Agreement

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

Communication Center Agreement

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

Rural Fire District Agreement

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

Nebraska Public Power District

The City has an agreement with Nebraska Public Power District for the maintenance, operation, and capital improvements for their electric system. Total fees paid to Nebraska Public Power District for the year ended September 30, 2019 were approximately \$1,689,574.

NOTE 19: 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	164,512
Interest payable	334
Interest expense	10,782

*(Continued on next page)*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 20: ENVIRONMENTAL REMEDIATION

The City is subject to laws and regulations relating to the protection of the environment. The City's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential impact of the City's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the City.



REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF LEXINGTON, NEBRASKA

## BUDGETARY COMPARISON SCHEDULE - (BUDGET AND ACTUAL)

### CASH BASIS - ALL FUNDS

Year Ended September 30, 2019

	Budget (Original & Final)	Actual	Variance Favorable (Unfavorable)
<b>REVENUE:</b>			
Local and county sources:			
Property and other taxes	1,402,387	3,015,869	1,613,482
Sales taxes	2,000,392	2,124,242	123,850
Charges and fees for services	32,750,496	24,676,030	(8,074,466)
Interest income	0	259,369	259,369
Miscellaneous	10,375	1,650,028	1,639,653
Donations and private grants	0	499,086	499,086
Intergovernmental	3,005,320	3,643,981	638,661
Bond/note proceeds	0	730,000	730,000
Transfers in	2,363,948	2,063,026	(300,922)
<b>TOTAL REVENUE</b>	<b>41,532,918</b>	<b>38,661,631</b>	<b>(2,871,287)</b>
<b>EXPENDITURES:</b>			
Governmental:			
General government	638,964	1,291,931	(652,967)
Public safety	2,989,102	2,413,399	575,703
Public works	1,622,294	1,283,802	338,492
Health and welfare	88,734	589,214	(500,480)
Culture and recreation	1,854,492	1,542,338	312,154
Community development and miscellaneous	6,413,710	2,339,980	4,073,730
Business-Type:			
Electric	16,131,701	16,363,280	(231,579)
Water	1,194,500	1,259,611	(65,111)
Sewer	1,089,410	1,310,776	(221,366)
Sanitation and landfill	864,107	502,138	361,969
Ambulance	260,058	96,055	164,003
Capital outlay	4,412,068	3,442,885	969,183
Debt service	4,707,560	4,767,014	(59,454)
Transfers out	2,363,948	2,063,064	300,884
<b>TOTAL EXPENDITURES</b>	<b>44,630,648</b>	<b>39,265,487</b>	<b>5,365,161</b>
<b>REVENUE OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<b>(3,097,730)</b>	<b>(603,856)</b>	<b>2,493,874</b>

*See accompanying notes to Budgetary Comparison Schedule.*

# CITY OF LEXINGTON, NEBRASKA

## NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2019

NOTE 1: BUDGET AND BUDGETARY ACCOUNTING

In compliance with Nebraska State Statutes, the City adopts a unified budget that encompasses all governmental funds, proprietary funds, agency funds, and discretely presented component unit (CDA). It is prepared on the cash basis which differs from that used to present the financial statements in accordance with generally accepted accounting principles (GAAP). Such differences and their effect are summarized as follows:

Revenue over (under) expenditures and other financing sources uses (budgetary basis)	(603,856)
Adjustments:	
Adjust revenue for receivable accruals and deferrals	(9,174)
Adjust expenditures for payables	<u>2,799,035</u>
Revenue over (under) expenditures and other financing sources uses (GAAP basis)	<u>2,186,005</u>

## ADDITIONAL INFORMATION



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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  
City of Lexington  
Lexington, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Lexington, Nebraska as of and for the year ended September 30, 2019, 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, 2020.

### 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 City of Lexington, Nebraska's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lexington, Nebraska's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Contryman Associates PC*  
Certified Public Accountants  
Kearney, Nebraska

February 17, 2020