

CITY OF LEXINGTON, NEBRASKA

FINANCIAL STATEMENTS

September 30, 2020

CITY OF LEXINGTON, NEBRASKA

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Independent Auditors' Report

Honorable Mayor, City Council, and
City Manager
City of Lexington
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, 2020, 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, 2020, 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 January 26, 2021 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

January 26, 2021

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, 2020. 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 \$66,827,445 (net position). Of this amount, \$9,940,648 (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 \$2,448,204 in comparison with the previous year. Of this amount, \$1,553,395 was the increase from governmental activities. Business-type activities net position increased by \$894,809.

The City's governmental funds reported combined ending fund balances of \$4,349,120. Of this total fund balance, 48.64%, or \$2,115,322 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 \$946,366. This decrease is due primarily to the scheduled payments to pay down debt. The City did issue 2020 Combined Revenue Bonds to pay for water systems improvements and the commission of Well #19 located in southeast Lexington.

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 – 54 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 \$66,827,445 at September 30, 2020.

By far, the largest portion of the City’s net position, 82.68%, 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, 2019 and 2020

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	7,502,808	6,389,160	7,481,467	7,237,996	14,984,275	13,627,156
Capital Assets	39,878,483	40,009,199	27,648,525	26,944,610	67,527,008	66,953,809
Total Assets	47,381,291	46,398,359	35,129,992	34,182,606	82,511,283	80,580,965
Long-Term Liabilities						
Outstanding	3,623,752	5,597,906	7,551,149	8,437,331	11,174,901	14,035,237
Other Liabilities	1,959,993	556,302	2,548,944	1,610,185	4,508,937	2,166,487
Total Liabilities	5,583,745	6,154,208	10,100,093	10,047,516	15,683,838	16,201,724
Net Position:						
Invested in Capital Assets						
net of related debt	35,565,389	34,465,239	19,685,554	19,266,139	55,250,943	53,731,378
Restricted	647,645	696,424	988,209	896,083	1,635,854	1,592,507
Unrestricted	5,584,512	5,082,488	4,356,136	3,972,868	9,940,648	9,055,356
Total Net Position	41,797,546	40,244,151	25,029,899	24,135,090	66,827,445	64,379,241

An additional portion of the City’s net assets, 2.45%, represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position, 14.88% may be used to meet the government’s ongoing obligations to citizens and creditors.

At September 30, 2020, 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.

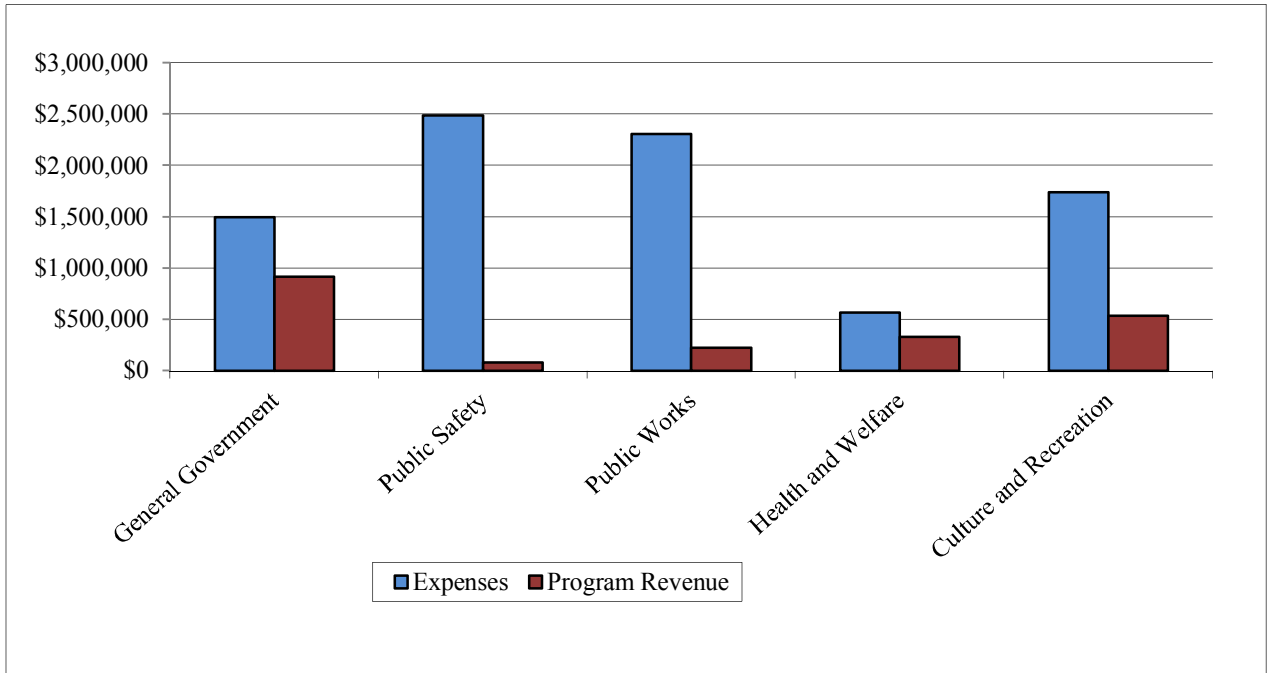
City of Lexington
Condensed Statement of Activities and Change in Net Position
For the Year Ended September 30, 2019 and 2020

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program Revenue:						
Charges for Services	1,329,598	1,385,964	21,638,556	22,195,157	22,968,154	23,581,121
Operating Grants & Contributions	291,906	428,139	0	0	291,906	428,139
Capital Grants & Contributions	465,686	653,734	10,620	307,577	476,306	961,311
General Revenue:						
Property and Other Taxes	1,263,691	1,186,782	0	0	1,263,691	1,186,782
Sales and Use Tax	2,315,477	2,200,863	0	0	2,315,477	2,200,863
Franchise Taxes	1,207,658	1,231,847	0	0	1,207,658	1,231,847
Intergovernmental	3,017,506	2,955,999	0	0	3,017,506	2,955,999
Interest	6,831	17,518	6,817	18,035	13,648	35,553
Other	231,853	314,894	0	0	231,853	314,894
Gain on sale of asset	28,979	-9,051	0	0	28,979	-9,051
Payments made from agency	0	0		0	0	0
Transfers	-7,711	0	7,711	0	0	0
Total Revenue	10,151,474	10,366,689	21,663,704	22,520,769	31,815,178	32,887,458
Expenses:						
General Government	1,496,080	1,457,648		0	1,496,080	1,457,648
Public Safety	2,486,753	2,557,031		0	2,486,753	2,557,031
Public Works	2,306,368	2,216,862		0	2,306,368	2,216,862
Health and Welfare	566,213	565,479		0	566,213	565,479
Culture and Recreation	1,739,965	1,865,412		0	1,739,965	1,865,412
Community Development	2,700	196,874		0	2,700	196,874
Utilities / Ambulance			20,768,895	21,184,421	20,768,895	21,184,421
Total Expenses	8,598,079	8,859,306	20,768,895	21,184,421	29,366,974	30,043,727
Change In Net Position	1,553,395	1,507,383	894,809	1,336,348	2,448,204	2,843,731
Net Position-Beginning	40,244,151	38,736,768	24,135,090	22,798,742	64,379,241	61,535,510
Net Position - Ending	41,797,546	40,244,151	25,029,899	24,135,090	66,827,445	64,379,241

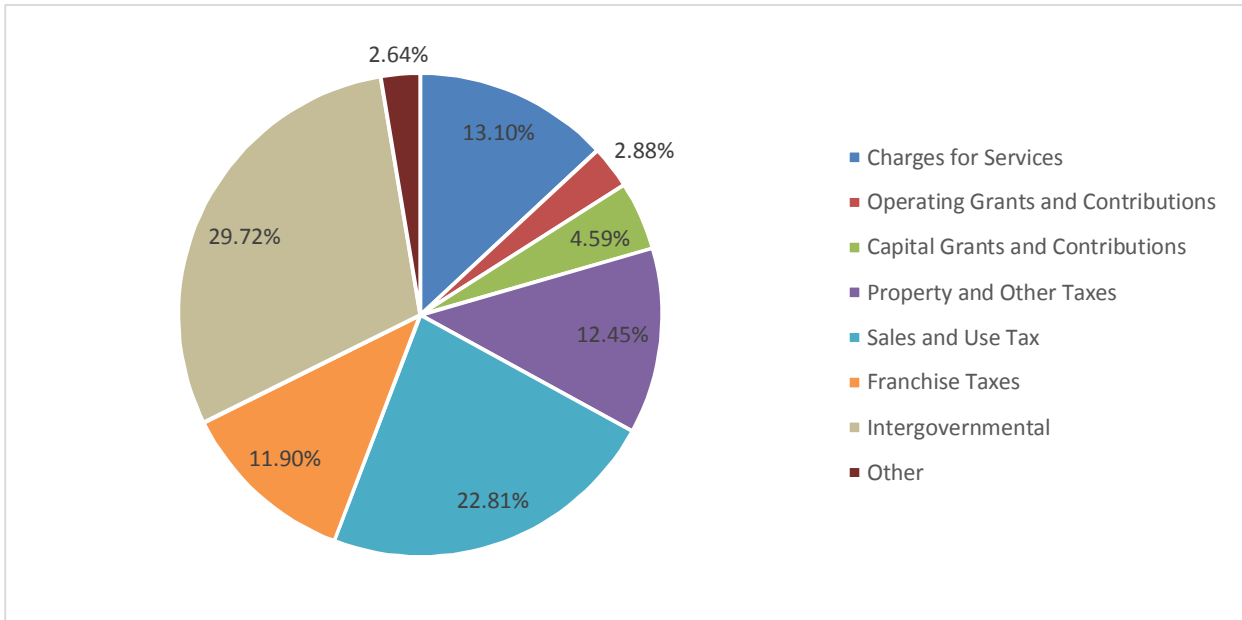
GOVERNMENTAL ACTIVITIES

Governmental activities increased the City’s net position by \$1,553,395; accounting for 63.45% of the City’s growth in net position for fiscal 2020.

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, 2020, the City's governmental funds reported combined ending fund balances of \$4,349,120 an increase of \$615,343 in comparison with the prior year. Of the \$4.3 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, 2020, the unassigned fund balance of the general fund was \$2,115,322. 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 35% 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 \$4,356,136.

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 8.80% less than budgeted. All funds actual combined expenditures were also comparable to the budgeted amounts. Combined expenditures were approximately 17.84% 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, 2020, totals \$67,527,008 (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 2020 include the following:

- General Fund Capital activity includes completion of the Dawson County Opportunity Center renovations in the Workforce Training Area for \$155,328; Fieldhouse parking lot landscaping for \$26,614; and work on the driveway at Greenwood Cemetery for \$16,968. The City purchased additional land for \$143,029; and added a retaining wall, sidewalk and parking lot at Plum Creek Park for \$65,038.
- Street projects include completion of Phase II of the Hike Bike Trail for \$27,312; work on 18th Street from Erie to Independence for \$108,549; Engineering work continued in preparation of the East Lexington Viaduct for \$37,464. A new roof was added to the Service Building for \$54,240.
- Electric department work included Kugler Sub Conversion work for \$159,679; South Taft, Prospect Road tie to Commerce Road was completed for \$10,560; Adams 106 Feeder Conversion for \$56,680; East Walnut Feeder for \$174,659; Alley rebuilds for \$29,500; Tyson 222 tie to South Lexington Service Area \$126,388; SW 1st Addition extension Phase 1B for \$9,846; I-80 Conversion Part II for \$443,753; new service to Orschelns for \$27,614; service to city well # 19 for \$35,428; create tie on West Prospect for \$34,594, and new service to the Concord Duplex Part 3 for \$22,331.
- The Water department rebuilt Well #13 for \$89,382. Work continued on Well #19 for \$300,713; and started 2020 Water System Improvements for \$496,541.
- The Sewer department had no projects going in 2020.

City of Lexington
Capital Assets (net of depreciation)
September 30, 2019 and 2020

	Governmental		Business Type		Total	
	2020	2019	2020	2019	2020	2019
Land	5,778,961	5,641,932	329,176	329,176	6,108,137	5,971,108
Buildings and Improvements	11,470,430	11,327,420	11,507,581	11,836,040	22,978,011	23,163,460
Machinery and Equipment	1,767,527	1,378,160	352,484	408,612	2,120,011	1,786,772
Infrastructure	19,795,041	20,481,528			19,795,041	20,481,528
Utility Plant			13,348,365	13,834,365	13,348,365	13,834,365
Construction in Progress	1,066,522	1,180,159	2,110,919	536,417	3,177,441	1,716,576
Total	39,878,481	40,009,199	27,648,525	26,944,610	67,527,006	66,953,809

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

LONG-TERM DEBT

At September 30, 2020, the city of Lexington had total outstanding debt of \$12,276,065. Of this amount, \$1,265,000 is General Obligation bonded debt backed by the full faith and credit of the City. Utilities bonded debt totaled \$7,962,972. \$3,048,094 represents notes to finance equipment and other contracts approved by the City Council.

City of Lexington Total Outstanding Debt September 30, 2019 and 2020

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
GO Bonds	1,265,000	1,785,000			1,265,000	1,785,000
Revenue Bonds			7,962,971	7,678,471	7,962,971	7,678,471
Notes Payable	3,048,094	3,758,960			3,048,094	3,758,960
	<u>4,313,094</u>	<u>5,543,960</u>	<u>7,962,971</u>	<u>7,678,471</u>	<u>12,276,065</u>	<u>13,222,431</u>

The City's total long-term debt decreased \$946,366. This decrease is due primarily to scheduled payments to pay down debt.

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

Additional long-term debt information can be found in Note 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 2.23% 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 2021 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 7th Street, Lexington, NE 68850.

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION

September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	3,260,256	4,531,485	7,791,741	0
Restricted cash	542,407	988,209	1,530,616	380,618
Cash with county treasurer	64,886	0	64,886	0
Receivables (net)				
Accounts	179,074	1,875,498	2,054,572	0
Taxes & special assessments	197,803	0	197,803	0
Sales tax	439,249	0	439,249	0
Other receivables	99,677	0	99,677	
Notes receivable	2,418,744	0	2,418,744	5,091
Due from other governmental agencies	5,963	0	5,963	0
Internal balances	294,749	(294,749)	0	0
Inventories	0	381,024	381,024	0
Capital assets:				
Nondepreciable	6,845,483	2,440,092	9,285,575	575,224
Depreciable - net	33,033,000	25,208,433	58,241,433	12,119
TOTAL ASSETS	47,381,291	35,129,992	82,511,283	973,052
LIABILITIES				
Accounts payable	325,118	1,238,967	1,564,085	0
Retainage payable	0	28,523	28,523	0
Accrued payroll & liabilities	106,326	28,629	134,955	0
Long-term liabilities:				
Compensated absences	283,161	72,799	355,960	0
Due within one year:				
Leases	52,607	0	52,607	0
Bonds and notes	1,434,556	1,193,820	2,628,376	176,067
Accrued interest	41,386	59,005	100,391	4,176
Due in more than one year:				
Leases	462,053	0	462,053	0
Bonds and notes	2,878,538	6,769,151	9,647,689	91,451
Customer deposits	0	360,548	360,548	0
Accrued landfill closure costs	0	348,651	348,651	0
TOTAL LIABILITIES	5,583,745	10,100,093	15,683,838	271,694

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION (CONTINUED)

September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
NET POSITION				
Net investment in capital assets	35,565,389	19,685,554	55,250,943	319,825
Restricted for:				
Special revenue	546,490	0	546,490	0
Debt service	101,155	733,000	834,155	0
Other purposes	0	255,209	255,209	381,533
Unrestricted	5,584,512	4,356,136	9,940,648	0
TOTAL NET POSITION	41,797,546	25,029,899	66,827,445	701,358

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2020

<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>
GOVERNMENTAL ACTIVITIES:				
General government	1,496,080	919,346	0	0
Public safety	2,486,753	77,563	3,345	0
Public works	2,306,368	39,729	173,645	11,217
Health and welfare	566,213	152,761	114,916	60,939
Culture and recreation	1,739,965	140,199	0	393,530
Community development	2,700	0	0	0
TOTAL GOVERNMENTAL ACTIVITIES	8,598,079	1,329,598	291,906	465,686
BUSINESS-TYPE ACTIVITIES:				
Electric	16,512,104	17,288,732	0	0
Water	1,543,535	1,686,029	0	5,310
Sewer	2,108,903	2,061,270	0	5,310
Sanitation	502,403	537,731	0	0
Ambulance	101,950	64,794	0	0
TOTAL BUSINESS-TYPE ACTIVITIES	20,768,895	21,638,556	0	10,620
TOTAL PRIMARY GOVERNMENT	29,366,974	22,968,154	291,906	476,306
COMPONENT UNIT:				
Community development association	501,335	479,258	0	0

GENERAL REVENUE:

Taxes:

Property taxes, levied for general purposes

Sales taxes

Franchise taxes

Intergovernmental

Interest income

Miscellaneous

Transfers

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
(576,734)	0	(576,734)	0
(2,405,845)	0	(2,405,845)	0
(2,081,777)	0	(2,081,777)	0
(237,597)	0	(237,597)	0
(1,206,236)	0	(1,206,236)	0
(2,700)	0	(2,700)	0
<u>(6,510,889)</u>	<u>0</u>	<u>(6,510,889)</u>	<u>0</u>
0	776,628	776,628	0
0	147,804	147,804	0
0	(42,323)	(42,323)	0
0	35,328	35,328	0
0	(37,156)	(37,156)	0
<u>0</u>	<u>880,281</u>	<u>880,281</u>	<u>0</u>
<u>(6,510,889)</u>	<u>880,281</u>	<u>(5,630,608)</u>	<u>0</u>
			<u>(22,077)</u>
1,263,691	0	1,263,691	0
2,315,477	0	2,315,477	0
1,207,658	0	1,207,658	0
3,017,506	0	3,017,506	0
6,831	6,817	13,648	22
231,853	0	231,853	74,173
(7,711)	7,711	0	0
28,979	0	28,979	20,070
<u>8,064,284</u>	<u>14,528</u>	<u>8,078,812</u>	<u>94,265</u>
1,553,395	894,809	2,448,204	72,188
<u>40,244,151</u>	<u>24,135,090</u>	<u>64,379,241</u>	<u>629,170</u>
<u>41,797,546</u>	<u>25,029,899</u>	<u>66,827,445</u>	<u>701,358</u>

CITY OF LEXINGTON, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2020

	<u>General Fund</u>	<u>Federal Grants</u>
ASSETS:		
Cash - unrestricted	1,815,071	0
Restricted cash	0	271,624
Cash with County Treasurer	64,886	0
Receivables (net)	713,134	0
Notes receivable	0	661,537
Due from other funds	100	0
Receivable from other governments	866	0
	<u>2,594,057</u>	<u>933,161</u>
TOTAL ASSETS		
LIABILITIES:		
Accounts payable	133,463	0
Due to other funds	160,100	100
Other accrued expenses	91,453	0
TOTAL LIABILITIES	<u>385,016</u>	<u>100</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenue - property taxes	93,719	0
Unavailable revenue - special assessments	0	0
Unavailable revenue - loan repayments	0	661,537
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>93,719</u>	<u>661,537</u>
FUND BALANCES:		
Restricted	0	271,524
Committed - Street	0	0
Unassigned	2,115,322	0
TOTAL FUND BALANCES	<u>2,115,322</u>	<u>271,524</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>2,594,057</u>	<u>933,161</u>

See accompanying notes.

<u>Street Fund</u>	<u>Economic Development</u>	<u>Debt Service Fund</u>	<u>Meals on Wheels Fund</u>	<u>Total Governmental Funds</u>
1,225,122	0	46,248	0	3,086,441
0	243,268	0	27,515	542,407
0	0	0	0	64,886
147,763	0	54,906	0	915,803
0	1,757,207	0	0	2,418,744
420,291	0	0	0	420,391
0	0	0	5,092	5,958
<u>1,793,176</u>	<u>2,000,475</u>	<u>101,154</u>	<u>32,607</u>	<u>7,454,630</u>
139,675	0	0	1,774	274,912
0	0	0	0	160,200
14,877	0	0	0	106,330
<u>154,552</u>	<u>0</u>	<u>0</u>	<u>1,774</u>	<u>541,442</u>
0	0	146	0	93,865
0	0	51,459	0	51,459
0	1,757,207	0	0	2,418,744
<u>0</u>	<u>1,757,207</u>	<u>51,605</u>	<u>0</u>	<u>2,564,068</u>
0	243,268	49,549	30,833	595,174
1,638,624	0	0	0	1,638,624
0	0	0	0	2,115,322
<u>1,638,624</u>	<u>243,268</u>	<u>49,549</u>	<u>30,833</u>	<u>4,349,120</u>
<u>1,793,176</u>	<u>2,000,475</u>	<u>101,154</u>	<u>32,607</u>	<u>7,454,630</u>

CITY OF LEXINGTON, NEBRASKA

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

September 30, 2020

Total fund balance, governmental funds	4,349,120
 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.	39,878,483
Deferred inflows represents funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds.	2,564,080
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	158,164
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.	(4,827,754)
Other long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest payable	(41,386)
Accrued compensated absences	<u>(283,161)</u>
Net position of governmental activities	<u><u>41,797,546</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, 2020

	General Fund	Federal Grants
REVENUE:		
Local and county sources:		
Property taxes	1,268,922	0
Sales taxes	2,315,477	0
Other miscellaneous taxes	1,207,658	0
Licenses and permits	10,648	0
Charges for services	1,072,266	0
Interest and loan principal	2,231	93,960
Miscellaneous	178,688	0
Donations and private grants	393,530	0
Rent	246,684	0
Intergovernmental	1,472,100	53,439
TOTAL REVENUE	8,168,204	147,399
EXPENDITURES:		
Current:		
General government	1,374,225	0
Public safety	2,372,616	0
Public works	0	0
Health and welfare	415,727	0
Culture and recreation	1,456,822	0
Community Development	0	2,700
Debt service:		
Principal	0	0
Interest and other charges	0	0
Capital outlay	425,506	0
TOTAL EXPENDITURES	6,044,896	2,700
REVENUE OVER (UNDER) EXPENDITURES	2,123,308	144,699

(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	20,720	0	1,289,642
0	0	0	0	2,315,477
0	0	0	0	1,207,658
0	0	0	0	10,648
0	0	0	0	1,072,266
1,224	68,621	702	10	166,748
52,110	0	0	1,053	231,851
173,645	0	0	2,686	569,861
0	0	0	0	246,684
1,567,467	0	0	112,231	3,205,237
<u>1,794,446</u>	<u>68,621</u>	<u>21,422</u>	<u>115,980</u>	<u>10,316,072</u>
0	0	0	0	1,374,225
0	0	0	0	2,372,616
1,370,795	0	0	0	1,370,795
0	0	0	119,472	535,199
0	0	0	0	1,456,822
0	500,000	0	0	502,700
0	0	1,225,673	0	1,225,673
750	0	122,072	0	122,822
821,320	0	0	0	1,246,826
<u>2,192,865</u>	<u>500,000</u>	<u>1,347,745</u>	<u>119,472</u>	<u>10,207,678</u>
<u>(398,419)</u>	<u>(431,379)</u>	<u>(1,326,323)</u>	<u>(3,492)</u>	<u>108,394</u>

CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2020

	<u>General Fund</u>	<u>Federal Grants</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from capital leases	0	0
Transfers in	0	0
Transfers out	(1,816,416)	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,816,416)</u>	<u>0</u>
REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	306,892	144,699
Fund balances - beginning of year	<u>1,808,430</u>	<u>126,825</u>
FUND BALANCES - ENDING	<u><u>2,115,322</u></u>	<u><u>271,524</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>
514,660	0	0	0	514,660
1,076,044	167,500	1,347,745	0	2,591,289
(782,584)	0	0	0	(2,599,000)
<u>808,120</u>	<u>167,500</u>	<u>1,347,745</u>	<u>0</u>	<u>506,949</u>
409,701	(263,879)	21,422	(3,492)	615,343
<u>1,228,923</u>	<u>507,147</u>	<u>28,127</u>	<u>34,325</u>	<u>3,733,777</u>
<u><u>1,638,624</u></u>	<u><u>243,268</u></u>	<u><u>49,549</u></u>	<u><u>30,833</u></u>	<u><u>4,349,120</u></u>

CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2020

Net change in fund balances - total governmental funds:	615,343
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 depreciation expense exceeds capital outlay in the current period.	(153,694)
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.	22,979
Deferred inflows represent funds not available in the current period and, therefore, are not recognized as revenue in governmental funds.	314,124
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.	716,013
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	12,762
Accrued compensated absences	(20,963)
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.	46,831
Change in net position of governmental activities	<u>1,553,395</u>
<i>See accompanying notes.</i>	

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2020

ASSETS	Electric	Water
CURRENT ASSETS:		
Cash	2,639,867	1,537,597
Accounts receivable (net)	1,109,587	303,408
Inventories	200,100	180,332
TOTAL CURRENT ASSETS	3,949,554	2,021,337
NON-CURRENT ASSETS:		
Restricted assets:		
Cash	733,000	0
Due from other funds	661,446	0
Fixed assets (net)	9,955,622	3,390,776
TOTAL NON-CURRENT ASSETS	11,350,068	3,390,776
TOTAL ASSETS	15,299,622	5,412,113
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	1,199,858	13,625
Retainage payable	0	28,523
Salaries payable	8,987	9,735
Accrued interest payable	19,378	9,604
Current portion of long-term debt	292,700	85,000
TOTAL CURRENT LIABILITIES	1,520,923	146,487
NON-CURRENT LIABILITIES:		
Customer deposits	360,548	0
Compensated absences	21,626	21,589
Due to other funds	0	210,145
Bonds, notes and loans payable	1,425,079	1,284,998
Accrued landfill closure costs	0	0
TOTAL NON-CURRENT LIABILITIES	1,807,253	1,516,732
TOTAL LIABILITIES	3,328,176	1,663,219
NET POSITION		
Net investment in capital assets	8,237,843	2,020,778
Restricted for debt service	733,000	0
Restricted for landfill	0	0
Unrestricted	3,000,603	1,728,116
TOTAL NET POSITION	11,971,446	3,748,894

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>
0	192,135	0	161,886	4,531,485	173,813
348,524	113,979	0	0	1,875,498	0
592	0	0	0	381,024	0
<u>349,116</u>	<u>306,114</u>	<u>0</u>	<u>161,886</u>	<u>6,788,007</u>	<u>173,813</u>
0	0	255,209	0	988,209	0
0	0	0	0	661,446	0
14,078,626	30,738	115,983	76,780	27,648,525	0
<u>14,078,626</u>	<u>30,738</u>	<u>371,192</u>	<u>76,780</u>	<u>29,298,180</u>	<u>0</u>
<u>14,427,742</u>	<u>336,852</u>	<u>371,192</u>	<u>238,666</u>	<u>36,086,187</u>	<u>173,813</u>
22,432	0	0	3,052	1,238,967	50,204
0	0	0	0	28,523	0
9,907	0	0	0	28,629	0
30,023	0	0	0	59,005	0
816,120	0	0	0	1,193,820	0
<u>878,482</u>	<u>0</u>	<u>0</u>	<u>3,052</u>	<u>2,548,944</u>	<u>50,204</u>
0	0	0	0	360,548	0
29,584	0	0	0	72,799	0
711,491	0	0	0	921,636	0
4,059,074	0	0	0	6,769,151	0
0	0	348,651	0	348,651	0
<u>4,800,149</u>	<u>0</u>	<u>348,651</u>	<u>0</u>	<u>8,472,785</u>	<u>0</u>
<u>5,678,631</u>	<u>0</u>	<u>348,651</u>	<u>3,052</u>	<u>11,021,729</u>	<u>50,204</u>
9,203,432	30,738	115,983	76,780	19,685,554	0
0	0	0	0	733,000	0
0	0	255,209	0	255,209	0
(454,321)	306,114	(348,651)	158,834	4,390,695	123,609
<u>8,749,111</u>	<u>336,852</u>	<u>22,541</u>	<u>235,614</u>	<u>25,064,458</u>	<u>123,609</u>

CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2020

	Electric	Water
OPERATING REVENUE:		
Charges for services	16,987,629	1,633,614
Reimbursements from other funds	0	0
Miscellaneous	301,102	52,415
TOTAL OPERATING REVENUE	17,288,731	1,686,029
OPERATING EXPENSES:		
Operating expenses	16,066,620	1,187,367
Supplies	0	0
Medical expenses	0	0
Depreciation	405,532	330,041
TOTAL OPERATING EXPENSES	16,472,152	1,517,408
OPERATING INCOME (LOSS)	816,579	168,621
NON-OPERATING REVENUE (EXPENSES):		
Bond costs	0	(18,495)
Interest income	5,250	543
Interest expense	(44,100)	(16,718)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(38,850)	(34,670)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS:	777,729	133,951
OTHER FINANCING SOURCES (USES):		
Aid in construction	0	5,310
Transfers in	7,711	0
Transfers out	0	0
TOTAL OTHER FINANCING SOURCES (USES)	7,711	5,310
NET INCOME (LOSS)	785,440	139,261
Net position - beginning of year	11,186,006	3,609,633
NET POSITION - ENDING	11,971,446	3,748,894

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>
1,998,913	537,731	0	61,955	21,219,842	0
0	0	0	0	0	1,089,400
62,357	0	0	2,839	418,713	0
<u>2,061,270</u>	<u>537,731</u>	<u>0</u>	<u>64,794</u>	<u>21,638,555</u>	<u>1,089,400</u>
1,283,738	501,604	0	74,386	19,113,715	11
3,152	336	0	0	3,488	0
0	0	0	0	0	1,024,593
712,727	463	0	27,564	1,476,327	0
<u>1,999,617</u>	<u>502,403</u>	<u>0</u>	<u>101,950</u>	<u>20,593,530</u>	<u>1,024,604</u>
<u>61,653</u>	<u>35,328</u>	<u>0</u>	<u>(37,156)</u>	<u>1,045,025</u>	<u>64,796</u>
0	0	0	0	(18,495)	0
0	20	649	355	6,817	9
<u>(114,028)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(174,846)</u>	<u>0</u>
<u>(114,028)</u>	<u>20</u>	<u>649</u>	<u>355</u>	<u>(186,524)</u>	<u>9</u>
<u>(52,375)</u>	<u>35,348</u>	<u>649</u>	<u>(36,801)</u>	<u>858,501</u>	<u>64,805</u>
5,310	0	0	0	10,620	0
0	0	10,000	0	17,711	0
0	(10,000)	0	0	(10,000)	0
<u>5,310</u>	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>	<u>18,331</u>	<u>0</u>
(47,065)	25,348	10,649	(36,801)	876,832	64,805
<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>
<u>8,749,111</u>	<u>336,852</u>	<u>22,541</u>	<u>235,614</u>	<u>25,064,458</u>	<u>123,609</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, 2020

Total net position - Utility Funds	25,064,458
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Amounts reported for business-type activities in the statement of net position are different because:

Certain Internal Service Fund assets and liabilities are included with business-type activities	(34,559)
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Net position of business-type activities	<u>25,029,899</u>
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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, 2020

Net change in fund net position - Utility Funds	876,832
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Amounts reported for business-type activities in the statement of activities are different because:

Net revenue (expense) of certain Internal Service Funds are reported with business-type activities	<u>17,977</u>
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Change in net position of business-type activities	<u>894,809</u>
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See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended September 30, 2020

	Electric	Water
OPERATING ACTIVITIES:		
Receipts from customers	16,530,006	1,652,705
Receipts from interfund services	470,217	4,556
Miscellaneous revenue	301,102	52,415
Payments to suppliers	(15,137,813)	(677,372)
Payments to employees	(274,294)	(299,457)
Payments for franchise taxes to city	(858,851)	(75,406)
Payments for interfund services	(55,813)	(113,636)
Receipts of customer meter deposits	95,596	0
Refunds of customer meter deposits	(71,666)	0
NET OPERATING ACTIVITIES	998,484	543,805
NON-CAPITAL FINANCING ACTIVITIES:		
Net change in due to (from) other funds	143,028	(23,284)
Capital contributions	0	5,310
Transfers to other funds	7,711	0
NET NON-CAPITAL FINANCING ACTIVITIES	150,739	(17,974)
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments:		
Bonds	(252,990)	1,370,000
Bond costs	0	(18,495)
Acquisition and construction of capital assets	(1,131,033)	(947,969)
Interest paid on bonds and notes	(46,292)	(7,112)
NET CAPITAL AND RELATED FINANCING ACTIVITIES	(1,430,315)	396,424
INVESTING ACTIVITIES:		
Interest received	5,250	543
NET INCREASE (DECREASE) IN CASH	(275,842)	922,798
Cash - beginning of year	3,648,709	614,799
CASH - END OF YEAR	3,372,867	1,537,597

(Continued on next page)

Sewer	Sanitation	Landfill	Ambulance	Total Enterprise Funds	Internal Service Fund
2,011,701	541,370	0	61,955	20,797,737	0
12,502	0	0	0	487,275	1,089,400
62,357	0	(18,523)	2,839	400,190	0
(821,574)	(501,940)	0	(74,945)	(17,213,645)	(1,000,277)
(293,182)	0	0	0	(866,932)	0
(99,745)	0	0	0	(1,034,002)	0
(67,736)	0	0	0	(237,185)	0
0	0	0	0	95,596	0
0	0	0	0	(71,666)	0
<u>804,323</u>	<u>39,430</u>	<u>(18,523)</u>	<u>(10,151)</u>	<u>2,357,368</u>	<u>89,123</u>
213,818	0	0	0	333,562	0
5,310	0	0	0	10,620	0
0	(10,000)	10,000	0	7,711	0
<u>219,128</u>	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>	<u>351,893</u>	<u>0</u>
(832,508)	0	0	0	284,502	0
0	0	0	0	(18,495)	0
(73,442)	(27,800)	0	0	(2,180,244)	0
(117,501)	0	0	0	(170,905)	0
<u>(1,023,451)</u>	<u>(27,800)</u>	<u>0</u>	<u>0</u>	<u>(2,085,142)</u>	<u>0</u>
0	20	649	356	6,818	9
0	1,650	(7,874)	(9,795)	630,937	89,132
0	190,485	263,083	171,681	4,888,757	84,681
<u>0</u>	<u>192,135</u>	<u>255,209</u>	<u>161,886</u>	<u>5,519,694</u>	<u>173,813</u>

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

Year Ended September 30, 2020

	Electric	Water
RECONCILIATION OF OPERATING INCOME TO NET OPERATING ACTIVITIES:		
Operating income (loss)	816,579	168,621
Items not requiring cash:		
Depreciation	405,532	330,041
Bad debt expense	21,515	19,835
(Increase) decrease in assets:		
Receivables	(8,921)	3,812
Inventories	(5,156)	11,827
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	(254,995)	(18,854)
Retainage payable	0	28,523
Accrued landfill closure costs	0	0
Customer deposits	23,930	0
NET OPERATING ACTIVITIES	998,484	543,805
 CASH RECONCILIATION:		
Unrestricted	2,639,867	1,537,597
Restricted	733,000	0
CASH TOTAL	3,372,867	1,537,597

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>
61,653	35,328	0	(37,156)	1,045,025	64,796
712,727	463	0	27,564	1,476,327	0
24,337	3,113	0	0	68,800	
953	526	0	0	(3,630)	0
37	0	0	0	6,708	0
4,616	0	0	(559)	(269,792)	24,327
0	0	0	0	28,523	0
0	0	(18,523)	0	(18,523)	0
0	0	0	0	23,930	0
<u>804,323</u>	<u>39,430</u>	<u>(18,523)</u>	<u>(10,151)</u>	<u>2,357,368</u>	<u>89,123</u>
0	192,135	0	161,886	4,531,485	173,813
0	0	255,209	0	988,209	0
<u>0</u>	<u>192,135</u>	<u>255,209</u>	<u>161,886</u>	<u>5,519,694</u>	<u>173,813</u>

CITY OF LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION - AGENCY FUND

September 30, 2020

	<u>Agency Fund</u>
ASSETS	
Cash	271,647
Accounts receivable, net	<u>1,203</u>
TOTAL ASSETS	<u><u>272,850</u></u>
LIABILITIES	
Payable to other governments for debt service	<u>272,850</u>
TOTAL LIABILITIES	<u><u>272,850</u></u>

See accompanying notes.

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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, 2020

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, 2020

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, 2020

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.

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

Governmental Funds

General Fund as previously described.

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

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, 2020

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, 2020, the balances of the allowance for doubtful accounts are:

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

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

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, 2020.

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, 2020

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, 2020

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, 2020

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, 2020, the restricted fund balance of \$595,174 is restricted for the following purposes:

Fund	Purpose	Amount
Federal Grant	Grant reuse and housing monies for community development projects	271,524
Economic Development	Sales tax monies designated for community economic development	243,268
Meals on Wheels	Grant monies and local contributions designated for the senior citizen meal program	30,833
Debt Service	Payment of principal, interest, and related costs on general long-term debt	49,549

- 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, 2020, the committed fund balance was \$1,638,624.
- 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, 2020

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, 2020

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.

Recent Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the Statement of Net Position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the Statements of Activities. The new standard is effective for the City for the year ended September 30, 2022. Early application of the statement is permitted. The City is currently evaluating the impact of the adoption of this standard on its financial statements.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

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, 2020 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.

Restricted Cash

Enterprise Fund maintains the following funds:

- (1) Landfill Closure - This account is used to set aside funds for the estimated post-closure costs of the landfill. The amount restricted as of September 30, 2020 is \$255,209.
- (2) Electric Fund: This account is used to set aside funds for the required debt service restrictions. The amount restricted as of September 30, 2020 is \$733,000

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 3: RESTRICTED CASH (Continued)

Restricted Cash

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 \$271,624.
- (2) Meals on Wheels-Meal program and outreach for the elderly. The amount restricted is \$27,515.
- (3) Economic Development – The amount restricted is \$243,268.

Component Unit (CDA)

The amount restricted is \$380,618 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, 2020, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Receivables	925,803	1,905,498	5,091
Allowance for doubtful accounts	(10,000)	(30,000)	0
Totals	915,803	1,875,498	5,091

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 5: NOTES RECEIVABLE

Notes receivable at September 30, 2020, 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%	189,999
Dawson Co. Area Economic Development	232,000	June 24, 2014	0%	139,200
Orthman Investments, L.L.C.	500,000	August 18, 2014	0%	300,000
Downey & Associates	100,000	December 27, 2016	0%	80,000
McFarland Family Farms	260,000	April 12, 2017	0%	208,000
M R K Real Estate, L.L.C.	500,000	October 30, 2019	0%	500,000
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%	8,387
<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%	144,000
Dawson Co. Area Economic Development	360,000	June 24, 2014	0%	135,000
RRTABS Investments, L.L.C.	115,000	April 10, 2018	2%	<u>93,785</u>
Total Notes Receivable				<u>2,418,744</u>

NOTE 6: FRANCHISE FEES

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

Electric	852,742
Water	81,515
Sewer	99,745

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 7: CAPITAL ASSETS

The following is a summary of the capital assets for the year ended September 30, 2020:

	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	5,641,932	143,029	(6,000)	5,778,961
Buildings and improvements	16,816,712	553,932	0	17,370,644
Machinery and equipment	5,154,388	811,639	(332,976)	5,633,051
Infrastructure	46,809,586	27,312	0	46,836,898
Construction in progress	1,180,159	348,330	(461,967)	1,066,522
Totals	75,602,777	1,884,242	(800,943)	76,686,076
Less accumulated depreciation:	(35,593,579)	(1,400,520)	186,506	(36,807,593)
Net	40,009,198	483,722	(614,437)	39,878,483
	<u>Beginning Balance</u>	<u>Additions and Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-Type Activities:				
Land	329,176	0	0	329,176
Buildings and improvements	17,940,134	61,845	0	18,001,979
Vehicles and equipment	1,400,614	56,756	0	1,457,370
Utility systems	43,324,076	487,143	0	43,811,219
Construction in progress	536,420	2,050,043	(475,546)	2,110,917
Totals	63,530,420	2,655,787	(475,546)	65,710,661
Less accumulated depreciation:	(36,585,809)	(1,476,327)	0	(38,062,136)
Net	26,944,611	1,179,460	(475,546)	27,648,525
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Component Unit:				
Land	572,224	8,000	(5,000)	575,224
Building	32,895	0	0	32,895
Assets held for resale	296,737	3,892	(300,629)	0
Totals	901,856	11,892	(305,629)	608,119
Less accumulated depreciation:	(19,044)	(1,732)	0	(20,776)
Net	882,812	10,160	(305,629)	587,343

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 7: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows for the year ended September 30, 2020:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
General government	117,482	0	1,732
Public safety	121,482	0	0
Public works	831,502	0	0
Health and welfare	34,373	0	0
Culture and recreation	295,681	0	0
Electric	0	405,532	0
Water	0	330,041	0
Sewer	0	712,727	0
Sanitation	0	463	0
Ambulance	0	27,564	0
Totals	1,400,520	1,476,327	1,732

NOTE 8: COMPENSATED ABSENCES

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>
Governmental activities	262,198	20,963	0	283,161
Business-type activities	66,863	5,936	0	72,799

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.

NOTE 9: PROPERTY TAXES

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

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 9: 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, 2019, for the 2019 taxes which were materially collected by May and September 2020, was set at \$0.361502 per \$100 of assessed valuation. 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.

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 10: LONG-TERM DEBT

General obligation bonds, issued by the City for various municipal improvements, are repaid with property taxes recorded in the Debt Service Fund. The City has pledged its full faith and credit as collateral for the general obligation bonds. The City is in compliance with all significant requirements of various bonds. The following is a summary of transactions for indebtedness for the year ended September 30, 2020:

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%	675,000	0	220,000	455,000	225,000
3/31/2015	10/15/2023	0.40% to 2.20%	505,000	0	100,000	405,000	105,000
3/22/2017	12/15/2021	1.00% to 1.70%	605,000	0	200,000	405,000	200,000
Total			1,785,000	0	520,000	1,265,000	530,000

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 10: LONG-TERM DEBT (CONTINUED)

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%	98,283	0	48,212	50,071	50,071
4/29/2008	5/01/2023	4.51%	138,918	0	40,206	98,712	43,901
5/02/2011	5/02/2021	3.72%	207,516	0	101,896	105,620	105,620
5/01/2014	5/01/2021	2.90%	122,670	0	60,447	62,223	62,223
11/15/2014	11/15/2019	2.50%	67,049	0	67,049	0	0
7/01/2016	7/01/2021	2.09%	132,029	0	65,325	66,704	66,704
6/15/16	6/15/2021	2.24%	206,765	0	102,212	104,553	104,553
2/23/2017	2/23/2027	2.74%	328,374	0	37,253	291,121	38,277
5/01/2017	5/01/2032	2.98%	1,425,411	0	91,273	1,334,138	93,995
10/27/2016	10/27/2019	1.95%	45,374	0	45,374	0	0
5/15/2019	5/15/2029	2.89%	530,000	0	46,426	483,574	47,834
Total			3,302,389	0	705,673	2,596,716	613,178
Other Loans*			456,379	0	5,001	451,378	291,378
Total Governmental			5,543,768	0	1,230,674	4,313,094	1,434,556

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, 2020, the General Fund had three notes outstanding with balances of \$189,998, \$61,380, and \$200,000. Those loans are included in the table above.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 10: LONG-TERM DEBT (CONTINUED)

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

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
7/01/2014	9/30/2023	0.30% to 2.40%	1,025,000	0	280,000	745,000	285,000
4/29/2013	6/15/2022	1.50%	3,543,471	0	220,500	3,322,971	223,820
6/09/2017	12/15/2021	0.95% to 1.60%	670,000	0	220,000	450,000	225,000
6/01/2016	9/15/2023	0.60% to 1.70%	590,000	0	145,000	445,000	145,000
9/28/2018	10/15/2026	1.85% to 2.9%	1,850,000	0	220,000	1,630,000	230,000
2/05/2020	11/15/2034	1.30% to 2.40%	0	1,370,000	0	1,370,000	85,000
Total			7,678,471	1,370,000	1,085,500	7,962,971	1,193,820

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>
11/01/2004	12/01/2020	7.00%	14,429	0	9,453	4,976	4,976
1/15/2010	12/31/2025	3.00%	150,083	0	17,541	132,542	18,881
Total			164,512	0	26,994	137,518	23,857

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

<u>Issue Date</u>	<u>Due Date</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
10/01/2007		0.00%	30,000	0	0	30,000	30,000
1/25/2018		0.00%	100,000	0	0	100,000	100,000
Total			130,000	0	0	130,000	130,000
Total Component Unit			294,512	0	26,994	267,518	153,857

Current portion on the face of the financial statements for the component unit includes \$22,210 delinquent portion of debt.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 10: LONG-TERM DEBT (CONTINUED)

Interest expense was charged to functions/programs as follows:

Governmental activities:	General Government – direct borrowings	36,929
	Public safety – direct borrowings	6,402
	Public works – direct borrowings	54,976
	Public works – other debt	23,765
Business-type activities:	Electric	44,100
	Water	16,718
	Sewer	114,028
Component unit:	CDA	4,060

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

	Governmental Activities		Business-Type Activities		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	1,434,556	82,143	1,193,820	133,182	2,843,701
2022	800,524	62,340	1,207,189	113,749	2,183,802
2023	340,404	53,798	875,610	95,748	1,365,560
2024	341,310	45,962	564,082	81,945	1,033,299
2025	242,056	39,059	572,606	70,854	924,575
2026-2030	897,755	107,231	2,127,781	210,469	3,343,236
2031-2035	256,489	7,685	1,421,883	57,037	1,743,094
	4,313,094	398,218	7,962,971	762,984	13,437,267

Component Unit:

	Bonds		Notes		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	23,857	4,095	130,000	0	157,952
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	21,712	1,423	0	0	23,135
2026	27,571	696	0	0	28,267
	137,518	14,428	130,000	0	281,946

The City has no unused lines of credit.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 11: LEASES

The City has a loader under a non-cancelable capital lease with a capitalized cost of \$199,780 which is the cost of the equipment included in the lease payable at an interest rate of 2.52% maturing in August of 2025. Accumulated depreciation in the Statement of Net Position relating to the leased loader includes \$3,330 for 2020. Depreciation expense reported in the Statement of Activities includes \$3,330 loader under the capital lease for 2020.

The City has a motor grader under a non-cancelable capital lease with a capitalized cost of \$287,600 which is the cost of the equipment included in the lease payable at an interest rate of 2.52% maturing in August of 2025. Accumulated depreciation in the Statement of Net Position relating to the leased motor grader includes \$4,793 for 2020. Depreciation expense reported in the Statement of Activities includes \$4,793 loader under the capital lease for 2020.

The City has a loader under a non-cancelable capital lease with a capitalized cost of \$189,780 which is the cost of the equipment included in the lease payable at an interest rate of 2.52% maturing in August of 2025. Accumulated depreciation in the Statement of Net Position relating to the leased loader includes \$3,163 for 2020. Depreciation expense reported in the Statement of Activities includes \$3,163 loader under the capital lease for 2020.

Future minimum capital lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	52,607
2022	53,949
2023	55,324
2024	56,734
2025	<u>296,046</u>
TOTAL	<u>514,660</u>

NOTE 12: INTERFUND BALANCES AND ACTIVITY

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

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 12: INTERFUND BALANCES AND ACTIVITY (CONTINUED)

	<u>Fund Statements</u>	
Balances due to and from other funds:	<u>Due from</u>	<u>Due to</u>
General	100	160,100
Federal Grants	0	100
Street	420,291	0
Electric	661,445	0
Water	0	210,145
Sewer	0	711,491
Totals	1,081,836	1,081,836

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	1,816,416
Economic Development	167,500	0
Street	1,076,044	782,584
Electric	7,711	0
Landfill	10,000	0
Sanitation	0	10,000
Debt Service	1,347,745	0
Totals	2,609,000	2,609,000

NOTE 13: MAJOR CUSTOMERS

The City's Enterprise Funds has one major customer with sales of 10% or more of charges for utility services. The services to the customer during the year was \$6,053,011 or 27.5% of total utility service charges.

NOTE 14: ECONOMIC DEPENDENCY

The City of Lexington's Electric Department purchases all of its electricity for resale to customers from Nebraska Public Power District. Total power purchased during the year ended September 30, 2020 was \$11,926,592.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 15: RETIREMENT PLANS

The City participates in five employee retirement plans as follows:

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

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 seven years to become fully vested. Employee contributions are 100% vested immediately. The City and 50 employees contributed \$127,761 to the plan for a total contribution of \$255,521 for the year ended September 30, 2020.

Police and Firefighters Plan (Pre-1984)

As of September 30, 2020, 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, 2020

NOTE 15: 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 \$77,929 to the police officers' plan for a total contribution of \$155,857 for the year ended September 30, 2020.

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, 2020.

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 \$24,023 between the two participating employees while employee contributions totaled \$12,771 for the year ended September 30, 2020.

NOTE 16: LANDFILL CLOSURE COSTS

State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$348,652 reported as post closure care liability at September 30, 2020, represents the cumulative amount reported to date based on the use of 100 % of the estimated capacity of the landfill. The City closed the landfill in May, 1999. Actual post closure costs may be higher due to inflation, changes in technology, or changes in regulations.

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 16: 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, 2020, cash of \$255,209 is held for these purposes. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined; these costs may need to be covered by additional contributions from the City.

NOTE 17: CONTINGENCIES

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

NOTE 18: RISK MANAGEMENT

On August 1, 1982, the City established a self-funded health care plan for the benefit of eligible City employees and their eligible dependents. The plan provides reimbursement for covered charges incurred as a result of medically necessary treatment for illness or injury up to a \$1,000,000 lifetime maximum. The City purchases commercial insurance for claims in excess of coverage provided by the Plan. At September 30, 2020, 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, 2020, is \$173,813.

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, 2020

NOTE 19: AGREEMENTS

Management Agreement

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

Communication Center Agreement

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

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, 2020 were \$2,097,807.

NOTE 20: TRANSACTIONS WITH COMPONENT UNIT

The following balances and transactions occurred between the City and its component unit (CDA):

<u>From Component Unit</u>	<u>To City</u>
Note payable – housing	30,000
Bond payable	137,518
Interest payable	115
Interest expense	4,060

(Continued on next page)

CITY OF LEXINGTON, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE 21: ENVIRONMENTAL REMEDIATION

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

NOTE 22: SUBSEQUENT EVENTS

On November 6, 2020, the City issued General Obligation Street Bonds, Series 2020 with the principal amount not to exceed \$1,525,000 for the purpose of paying the costs of certain street improvements and related improvements within the City of Lexington.

The City entered into two construction contracts on October 13, 2020 for the East Addition Phase I Improvements project. The amount of the contract for East Addition Utility Improvement Project is \$511,248 and for East Addition Paving Improvements project is \$831,804.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEXINGTON, NEBRASKA

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

Year Ended September 30, 2020

	Budget (Original & Final)	Actual	Variance Favorable (Unfavorable)
REVENUE:			
Local and county sources:			
Property and other taxes	1,527,512	2,762,904	1,235,392
Sales taxes	2,050,000	2,287,664	237,664
Charges and fees for services	31,877,887	23,935,608	(7,942,279)
Interest income	0	173,597	173,597
Miscellaneous	10,375	1,839,408	1,829,033
Donations and private grants	0	98,398	98,398
Intergovernmental	3,001,103	3,187,558	186,455
Bond/note proceeds	0	514,660	514,660
Transfers in	2,533,620	2,591,289	57,669
TOTAL REVENUE	41,000,497	37,391,086	(3,609,411)
EXPENDITURES:			
Governmental:			
General government	680,732	1,370,435	(689,703)
Public safety	3,090,454	2,360,725	729,729
Public works	1,649,542	1,393,566	255,976
Health and welfare	64,963	1,158,105	(1,093,142)
Culture and recreation	1,982,420	1,452,426	529,994
Community development and miscellaneous	5,643,298	1,373,648	4,269,650
Business-Type:			
Electric	16,467,867	16,398,438	69,429
Water	1,305,709	1,165,871	139,838
Sewer	1,231,270	1,282,236	(50,966)
Sanitation and landfill	889,815	501,941	387,874
Ambulance	223,378	74,945	148,433
Capital outlay	5,216,000	3,676,417	1,539,583
Debt service	2,597,054	1,286,610	1,310,444
Transfers out	2,533,620	2,307,214	226,406
TOTAL EXPENDITURES	43,576,122	35,802,577	7,773,545
REVENUE OVER (UNDER) EXPENDITURES	(2,575,625)	1,588,509	4,164,134

See accompanying notes to Budgetary Comparison Schedule.

CITY OF LEXINGTON, NEBRASKA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2020

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)	1,588,509
Adjustments:	
Adjust revenue for receivable accruals and deferrals	783,226
Adjust expenditures for payables	<u>(369,539)</u>
Revenue over (under) expenditures and other financing sources uses (GAAP basis)	<u>2,002,196</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, 2020, 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 January 26, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Contyman Associates PC
Certified Public Accountants
Kearney, Nebraska

January 26, 2021