

CITY OF LEXINGTON, NEBRASKA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

CITY OF LEXINGTON, NEBRASKA
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**DANA F. COLE
& COMPANY LLP**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Lexington, Nebraska, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Lexington, Nebraska's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Lexington, Nebraska, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lexington, Nebraska, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lexington, Nebraska's ability to continue as a going concern for twelve months beyond the financial statement date including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amount and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington, Nebraska's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lexington, Nebraska's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with 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 September 9, 2026, 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 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.

Dana F Cole + Company, LLP

Minden, Nebraska
September 9, 2026

CITY OF LEXINGTON, NEBRASKA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lexington, Nebraska, (the City) offers readers this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2025. The City of Lexington, Nebraska, reports the annual financial statements in accordance with the guidelines prescribed in Government Accounting Standards Board's (GASB) Statement 34. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City of Lexington, Nebraska, exceeded its liabilities at the close of the year ending September 30, 2025, by \$96,216,368. Of this amount, \$15,710,816 represents unrestricted net assets and may be used to fund ongoing obligations. Total net position increased by \$4,447,221. The City serviced all long-term obligations as planned.

As of the close of the year ending September 30, 2025, the City of Lexington, Nebraska's combined governmental fund balances totaled \$5,764,612. This is a decrease from the previous year fund balance by \$385,517.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is provided as an introduction to the basic financial statements. The basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

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 all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference between them reported as net position. Net position is an important measure of the City's overall financial health. The increases and decreases in net position can be monitored to determine whether the City's financial position is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused paid time off).

The government-wide financial statements report functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) separate from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities for the City include general government, public works and streets, solid waste, public safety, planning and development, and parks and recreation. The business-type activities for the City include the electric, waterworks, and waste water systems.

CITY OF LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 activities or objectives. The City uses fund accounting to ensure compliance with finance-related legal requirements. These funds are divided into two categories: governmental funds and proprietary funds.

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 audit period. Such information may be useful in evaluating the City's near-term financing 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 this comparison between governmental funds and governmental activities.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City maintains six enterprise funds. 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.

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information regarding budgetary information.

CITY OF LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of the City's financial position. As of September 30, 2025, assets exceeded liabilities and deferred inflows of resources by \$93,216,368. The largest portion of the City's net position, \$74,348,917, reflects its net investment in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment, utility systems, and infrastructure), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment 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 the capital assets themselves cannot be used to liquidate these liabilities.

City of Lexington, Nebraska Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current and other assets	9,709	9,802	14,360	12,895	24,069	22,697
Capital assets	<u>52,811</u>	<u>51,066</u>	<u>37,387</u>	<u>36,745</u>	<u>90,198</u>	<u>87,811</u>
Total assets	<u>62,520</u>	<u>60,868</u>	<u>51,747</u>	<u>49,640</u>	<u>114,267</u>	<u>110,508</u>
LIABILITIES						
Other liabilities	1,347	974	2,255	2,709	3,602	3,683
Long-term liabilities	<u>2,451</u>	<u>2,754</u>	<u>13,535</u>	<u>13,761</u>	<u>15,986</u>	<u>16,515</u>
Total liabilities	<u>3,798</u>	<u>3,728</u>	<u>15,790</u>	<u>16,470</u>	<u>19,588</u>	<u>20,198</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,145</u>	<u>1,192</u>	<u>318</u>	<u>349</u>	<u>1,463</u>	<u>1,541</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>4,943</u>	<u>4,920</u>	<u>16,108</u>	<u>16,819</u>	<u>21,051</u>	<u>21,739</u>
NET POSITION						
Net investment in capital assets	50,655	48,131	23,694	22,755	74,349	70,886
Restricted	2,627	2,839	529	505	3,156	3,344
Unrestricted	<u>4,295</u>	<u>4,978</u>	<u>11,416</u>	<u>9,561</u>	<u>15,711</u>	<u>14,539</u>
Total net position	<u>57,577</u>	<u>55,948</u>	<u>35,639</u>	<u>32,821</u>	<u>93,216</u>	<u>88,769</u>

At the end of the current audit period, the City is able to report positive balances in all categories of net position for the government as a whole.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

CITY OF LEXINGTON, NEBRASKA
Statement of Changes in Net Position

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CITY OF LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)

CITY OF LEXINGTON, NEBRASKA
Statement of Changes in Net Position
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
EXPENSES (Continued)						
Electric			18,414	18,073	18,414	18,073
Water			1,691	1,675	1,691	1,675
Sewer			2,371	1,762	2,371	1,762
Sanitation			651	634	651	634
Internal services			496	469	496	469
Ambulance			65	114	65	114
Total expenses	<u>12,497</u>	<u>11,089</u>	<u>23,688</u>	<u>22,727</u>	<u>36,185</u>	<u>33,816</u>
CHANGE BEFORE TRANSFERS	1,067	4,738	3,380	2,502	4,447	7,240
TRANSFERS	<u>562</u>	<u>1,198</u>	<u>(562)</u>	<u>(1,198)</u>		
CHANGE IN NET POSITION	1,629	5,936	2,818	1,304	4,447	7,240
NET POSITION, BEGINNING	<u>55,948</u>	<u>50,012</u>	<u>32,821</u>	<u>31,517</u>	<u>84,363</u>	<u>77,123</u>
NET POSITION, ENDING	<u>57,577</u>	<u>55,948</u>	<u>35,639</u>	<u>32,821</u>	<u>88,810</u>	<u>84,363</u>

Governmental activities total revenues decreased by \$2.3 million. Expenses increased by \$1.4 million.

The City's business-type total revenues increased by \$1.8 million. Expenses increased by \$1.0 million.

FINANCIAL ANALYSIS OF THE CITY'S 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.

The General Fund is the primary operating fund of the City. The fund balance of the General Fund at September 30, 2025, was \$2,922,951. This represents an increase of \$529,846.

CITY OF LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

As of September 30, 2025, all of the City's governmental funds reported combined ending fund balances of \$5,764,612, a decrease of \$385,517 in comparison with the prior year. Of this balance, \$2,922,951 is considered unassigned fund balance, which is available for spending at the government's discretion.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, only in more detail. The enterprise funds had a combined net position at September 30, 2025, of \$35,639,206, of which \$11,415,561 is unrestricted. This represents an increase of \$2,818,522 from the prior year.

BUDGETARY HIGHLIGHTS

The City Council adopted the budget for the year ending September 30, 2025, in September 2024. During the year there were no budget amendments.

Budgetary comparison schedules are presented in the Required Supplementary Information section following the notes to the financial statements. These schedules compare budgeted amounts to actual balances with the resulting difference displayed.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For the years ending September 30, 2025, the City had \$90,139,558 invested in a broad range of capital assets, including equipment; vehicles; buildings; infrastructure; and utility systems. The change in capital assets is a result of additions and improvements to capital assets along with depreciation expense and disposals. See Note 6 to the financial statements and the table below for more detailed information on the City's capital assets.

CITY OF LEXINGTON, NEBRASKA
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land and construction in progress	18,915	18,473	2,218	12,356	21,133	30,829
Buildings and improvements	19,103	19,019	18,002	18,002	37,105	37,021
Equipment and vehicles	6,193	6,075	2,612	1,734	8,805	7,809
Utility systems			59,738	48,227	59,738	48,227
Infrastructure	52,692	49,814			52,692	49,814
	96,903	93,381	82,570	80,319	179,473	173,700
Less accumulated depreciation	(44,092)	(42,315)	(45,241)	(43,573)	(89,333)	(85,888)
Capital assets, net of depreciation	52,811	51,066	37,329	36,746	90,140	87,812

CITY OF LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt Administration

Balances at September 30, 2025 and 2024, are shown in the table below. See Note 7 for additional information on the City's long-term debt.

**CITY OF LEXINGTON, NEBRASKA
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Bonds payable	920	1,530	1,380	1,715	2,300	3,245
Loans payable			11,697	12,046	11,697	12,046
Notes payable	1,065	1,225			1,065	1,225
	<u>1,985</u>	<u>2,755</u>	<u>13,077</u>	<u>13,761</u>	<u>15,062</u>	<u>16,516</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Sales tax collections have increased annually by an average of approximately 4% over the past five years.

Property values continue to increase in our area. Inflation has remained similar to the report for last year.

These factors were considered in preparing the City's budget for the 2026 fiscal year.

FINANCIAL CONTACT

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding the report or request for additional information should be directed to the City of Lexington, Nebraska, 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, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	4,493,507	9,060,350	13,553,857	
Cash with county treasurer	184,784		184,784	
Taxes receivable	988,173		988,173	
Grants receivable	5,152		5,152	
Accounts receivable, net		2,099,494	2,099,494	
Interest receivable		2,045	2,045	
Lease receivable	1,174,231	366,153	1,540,384	
Notes receivable	1,103,003		1,103,003	
Other receivables	18,619	25,648	44,267	
Due from other governments	156,476		156,476	
Inventory		695,732	695,732	
Restricted cash	2,587,423	1,107,626	3,695,049	538,343
Internal balances	(1,002,558)	1,002,558		
Right-of-use assets		59,097	59,097	
Capital assets				
Land	6,526,819	320,396	6,847,215	829,732
Construction in progress	12,388,189	1,898,084	14,286,273	12,061
Other capital assets, net of accumulated depreciation	33,895,896	35,110,174	69,006,070	3,463
TOTAL ASSETS	62,519,714	51,747,357	114,267,071	1,383,599
LIABILITIES				
Accounts payable	1,124,087	1,773,868	2,897,955	
Expenses accrued	205,097	50,624	255,721	
Customer deposits		410,229	410,229	
Interest accrued	17,358	20,400	37,758	2,220
Long-term liabilities				
Compensated absences due within one year	295,758	72,541	368,299	
Landfill post-closure costs accrued		283,412	283,412	
Lease liabilities due within one year	170,295	13,678	183,973	
Lease liabilities due in more than one year		88,762	88,762	

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES (Continued)				
Long-term liabilities (Continued)				
Long-term debt due within one year	769,395	1,081,730	1,851,125	55,648
Long-term debt due in more than one year	<u>1,215,974</u>	<u>11,995,241</u>	<u>13,211,215</u>	
TOTAL LIABILITIES	<u>3,797,964</u>	<u>15,790,485</u>	<u>19,588,449</u>	<u>57,868</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - leases	<u>1,144,588</u>	<u>317,666</u>	<u>1,462,254</u>	
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>4,942,552</u>	<u>16,108,151</u>	<u>21,050,703</u>	<u>57,868</u>
NET POSITION				
Net investment in capital assets	50,655,240	23,693,677	74,348,917	789,608
Restricted for				
Economic Development	2,043,415		2,043,415	
Federal grants	317,587		317,587	
Debt Service	8,675	391,000	399,675	
Tax Increment Financing	249,913		249,913	
Landfill		138,968	138,968	
Other purposes	7,077		7,077	536,123
Unrestricted	<u>4,295,255</u>	<u>11,415,561</u>	<u>15,710,816</u>	
TOTAL NET POSITION	<u>57,577,162</u>	<u>35,639,206</u>	<u>93,216,368</u>	<u>1,325,731</u>

See accompanying notes to financial statements.

#NAME?
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Functions/programs							
Primary government							
Governmental activities							
General government	3,078,693	1,558,997	159,850		(1,359,846)		(1,359,846)
Public Safety	2,824,052				(2,824,052)		(2,824,052)
Public Works	2,626,353	201,957			(2,424,396)		(2,424,396)
Health and Welfare	273,640				(273,640)		(273,640)
Culture and Recreation	2,652,755				(2,652,755)		(2,652,755)
Community Development	1,000,820				(1,000,820)		(1,000,820)
Interest and fiscal fees	40,486				(40,486)		(40,486)
Total governmental activities	12,496,799	1,760,954	159,850		(10,575,995)		(10,575,995)
Business-type activities							
Electric	18,413,288	20,584,767				2,171,479	2,171,479
Water	1,690,957	1,969,674				278,717	278,717
Sewer	2,371,430	2,704,721				333,291	333,291
Sanitation	651,180	685,525				34,345	34,345
Internal services	496,270	726,880				230,610	230,610
Ambulance	64,847	120,876		123,000		179,029	179,029
Total business-type activities	23,687,972	26,792,443		123,000		3,227,471	3,227,471
Total primary government	36,184,771	28,553,397	159,850	123,000	(10,575,995)	3,227,471	(7,348,524)
Component Unit							
Community Development Association	693,651	778,970					85,319

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
General revenues							
Taxes							
Property tax, levied for general purposes				1,607,586		1,607,586	
Property tax, tax increment financing				808,203		808,203	
Sales taxes				3,126,278		3,126,278	
Other				265,881		265,881	
Franchise fees based on gross receipts				1,258,555		1,258,555	
Intergovernmental				3,622,424		3,622,424	
Interest income				143,467	152,636	296,103	336
Other revenues				810,715		810,715	82,500
Total general revenues				<u>11,643,109</u>	<u>152,636</u>	<u>11,795,745</u>	<u>82,836</u>
Transfers				561,585	(561,585)		
CHANGE IN NET POSITION				1,628,699	2,818,522	4,447,221	168,155
NET POSITION, beginning of year				<u>55,948,463</u>	<u>32,820,684</u>	<u>88,769,147</u>	<u>1,157,576</u>
NET POSITION, end of year				<u>57,577,162</u>	<u>35,639,206</u>	<u>93,216,368</u>	<u>1,325,731</u>

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Federal Grants Fund	ARPA Fund	Street Fund	Economic Development Fund	Debt Service Fund	Meals On Wheels Fund	Tax Increment Financing Fund	Total Governmental Funds
ASSETS									
Cash and cash equivalents	3,656,863			836,644					4,493,507
Cash with county treasurer	147,357							37,427	184,784
Taxes receivable	988,173								988,173
Grants receivable	5,152								5,152
Notes receivable		456,635			1,402,580				1,859,215
Other receivables	17,232			260		1,127			18,619
Leases receivable	1,174,231			151,446			5,030		1,174,231
Due from other governments				187,442					156,476
Due from other funds									187,442
Restricted cash		317,587			2,043,415	8,675	5,260	212,486	2,587,423
TOTAL ASSETS	5,989,008	774,222		1,175,792	3,445,995	9,802	10,290	249,913	11,655,022
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	190,752			930,122			3,213		1,124,087
Due to other funds	1,190,000								1,190,000
Expenses accrued	174,421			30,676					205,097
Total liabilities	1,555,173			960,798			3,213		2,519,184
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - property taxes	366,295								366,295
Unavailable revenue - leases	1,144,588								1,144,588
Unavailable revenue - loan repayments		456,635			1,402,580	1,127			1,859,215
Unavailable revenue - special assessments						1,127			1,127
Total deferred inflows of resources	1,510,883	456,635			1,402,580	1,127			3,371,225
FUND BALANCES									
Restricted		317,587			2,043,415	8,675	7,077	249,913	2,626,667
Assigned				214,994					214,994
Unassigned	2,922,952								2,922,952
Total fund balances	2,922,952	317,587		214,994	2,043,415	8,675	7,077	249,913	5,764,613
TOTAL LIABILITIES AND FUND BALANCES	5,989,008	774,222		1,175,792	3,445,995	9,802	10,290	249,913	11,655,022

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

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

Fund balance - total governmental funds		5,764,613
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	96,903,095	
Less accumulated depreciation	<u>(44,092,191)</u>	52,810,904
Right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Right-to-use leased assets	462,486	
Less accumulated amortization	<u>(462,486)</u>	
Deferred inflows represent funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds.		1,470,425
Bond interest was accrued for governmental activities.		(17,358)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(2,155,664)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(295,758)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>57,577,162</u>

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Federal Grants Fund	ARPA Fund	Street Fund	Economic Development Fund	Debt Service Fund	Meals On Wheels Fund	Tax	
								Incremental Financing Fund	Total Governmental Funds
REVENUES									
Taxes									
Property	1,607,586							808,203	2,415,789
Sales	3,126,278								3,126,278
Franchise	1,258,555								1,258,555
Other	264,690					1,191			265,881
Charges for services	1,302,063			201,957					1,504,020
Rent	219,381								219,381
Licenses, fees, and permits	37,553								37,553
Intergovernmental	1,674,504			1,832,284			115,636		3,622,424
Loan principal		59,408							59,408
Interest	62,366	19,592	5,337	3,629	814,735	40	312	6,414	874,143
Donations and private grants	158,679				45,777		1,171		143,467
Miscellaneous	203,421			76,462		125,849	2,385	20,388	159,850
Total revenues	<u>9,915,076</u>	<u>79,000</u>	<u>5,337</u>	<u>2,114,332</u>	<u>860,512</u>	<u>127,080</u>	<u>119,504</u>	<u>835,005</u>	<u>14,055,846</u>
EXPENDITURES									
Current									
General government	1,985,953		39					778,970	2,764,962
Public Safety	2,719,366								2,719,366
Public Works				1,533,487					1,533,487
Health and Welfare	129,028						128,724		257,752
Culture and Recreation	2,266,697								2,266,697
Community Development		83,500			917,320				1,000,820
Capital outlay	236,415		538,306	2,747,098					3,521,819
Debt service									
Principal						895,245			895,245
Interest and fiscal fees						42,799			42,799
Total expenditures	<u>7,337,459</u>	<u>83,500</u>	<u>538,345</u>	<u>4,280,585</u>	<u>917,320</u>	<u>938,044</u>	<u>128,724</u>	<u>778,970</u>	<u>15,002,947</u>

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Federal Grants Fund	ARPA Fund	Street Fund	Economic Development Fund	Debt Service Fund	Meals On Wheels Fund	Tax Incremental Financing Fund	Total Governmental Funds
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,577,617	(4,500)	(533,008)	(2,166,253)	(56,808)	(810,964)	(9,220)	56,035	(947,101)
OTHER FINANCING SOURCES (USES)									
Transfers in				2,214,070	333,500	978,194			3,525,764
Transfers out	(2,047,770)			(750,409)		(166,000)			(2,964,179)
Total other financing sources (uses)	(2,047,770)			1,463,661	333,500	812,194			561,585
NET CHANGE IN FUND BALANCES	529,847	(4,500)	(533,008)	(702,592)	276,692	1,230	(9,220)	56,035	(385,516)
FUND BALANCE, beginning of year	2,393,105	322,087	533,008	917,586	1,766,723	7,445	16,297	193,878	6,150,129
FUND BALANCE, end of year	2,922,952	317,587		214,994	2,043,415	8,675	7,077	249,913	5,764,613

See accompanying notes to financial statements.

#NAME?
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

Net change in fund balances - total governmental funds	(385,516)
--	-----------

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

Expenses capitalized	3,521,819	
Depreciation	<u>(1,777,085)</u>	1,744,734

Governmental funds report payments for lease obligations as expenditures. However, in the statement of activities, the present value of the lease obligation is recorded as a right-of-use asset and amortized over the life of the lease.	(115,621)
--	-----------

Governmental funds report the collection and issuance of principal from notes receivable as revenues and expenses. However, in the statement of activities, they are not reported as a revenue source or expenditure and rather a reduction or increase of receivable balance in the statement of net position.	
Principal received	(874,143)
Adjustments and write-off's	
Principal issued	

Some revenues and expenses in the statement of activities that do not create or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.	
Compensated absences	(20,523)
Changes in deferred inflows of resources	382,210

#NAME?
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

Debt principal payments	895,245
Decrease in accrued debt interest expense	<u>2,313</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

1,628,699

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Enterprise Funds						Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund		
ASSETS								
ASSETS								
Current assets								
Cash and cash equivalents	5,648,427	2,412,173		247,741			8,308,341	752,009
Interest receivable		2,045					2,045	
Accounts receivable, net	1,271,260	324,541	381,763	121,930			2,099,494	
Other receivables	25,648						25,648	
Lease receivable, current portion		18,900					18,900	
Due from other funds	1,921,464						1,921,464	
Inventory	462,898	232,332	502				695,732	
Total current assets	9,329,697	2,989,991	382,265	369,671			13,071,624	752,009
Noncurrent assets								
Restricted cash	801,229				306,397		1,107,626	
Lease receivable net of current portion		347,253					347,253	
Right-to-use asset, net of accumulated amortization	59,097						59,097	
Capital assets								
Land	27,442	687	176,284		115,983		320,396	
Construction in progress	1,622,880		275,204				1,898,084	
Other capital assets, net of accumulated depreciation	9,324,644	3,005,773	22,337,734	20,387		421,636	35,110,174	
Total noncurrent assets	11,835,292	3,353,713	22,789,222	20,387	422,380	421,636	38,842,630	
TOTAL ASSETS								
	21,164,989	6,343,704	23,171,487	390,058	422,380	421,636	51,914,254	752,009

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Enterprise Funds						Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund		
LIABILITIES								
Current liabilities								
Accounts payable	1,502,759	32,806	160,094			5,237	1,700,896	72,972
Expenses accrued	13,233	20,666	16,725				50,624	
Interest accrued	7,306	7,038	6,056				20,400	
Customer deposits	410,229						410,229	
Compensated absences	30,950	15,437	26,154				72,541	
Due to other funds		93,721	689,407			135,778	918,906	
Lease liability, current portion	13,678						13,678	
Current portion of long-term obligations	255,000	85,000	741,730				1,081,730	
Total current liabilities	<u>2,233,155</u>	<u>254,668</u>	<u>1,640,166</u>			<u>141,015</u>	<u>4,269,004</u>	<u>72,972</u>
Noncurrent liabilities								
Landfill post closure costs accrued					283,412		283,412	
Lease liability, noncurrent portion	88,762						88,762	
Noncurrent portion of long-term obligations	180,000	860,000	10,955,241				11,995,241	
Total noncurrent liabilities	<u>268,762</u>	<u>860,000</u>	<u>10,955,241</u>		<u>283,412</u>		<u>12,367,415</u>	
TOTAL LIABILITIES	<u>2,501,917</u>	<u>1,114,668</u>	<u>12,595,407</u>		<u>283,412</u>	<u>141,015</u>	<u>16,636,419</u>	<u>72,972</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - leases		317,666					317,666	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,501,917</u>	<u>1,432,334</u>	<u>12,595,407</u>		<u>283,412</u>	<u>141,015</u>	<u>16,954,085</u>	<u>72,972</u>

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Enterprise Funds					Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund	
NET POSITION							
Net investment in capital assets	10,539,966	2,061,460	11,092,251			23,693,677	
Restricted for							
Debt service	391,000					391,000	
Landfill					138,968	138,968	
Unrestricted (deficit)	7,732,106	2,849,910	(516,171)	390,058		10,736,524	679,037
TOTAL NET POSITION	18,663,072	4,911,370	10,576,080	390,058	138,968	34,960,169	679,037

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Funds					Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund	
OPERATING REVENUES							
Charges for services	19,380,136	1,835,551	2,647,563	685,525		120,876	24,669,651
Interfund collections	1,204,631	134,123	57,158				678,762
Miscellaneous	20,584,767	1,969,674	2,704,721	685,525		120,876	48,118
Total operating revenues							726,880
OPERATING EXPENSES							
Personnel services	411,801	614,947	485,938				1,512,686
Power purchased	13,742,332						13,742,332
Contractual services	1,187,698	64,345	298,805	648,605		13,883	2,213,336
Supplies	137,004	87,492	3,005			13,348	240,849
Operating expenses	1,377,961	629,365	525,314	1,185		13,844	2,547,669
Franchise fees	983,164	94,302	132,333				1,209,799
Depreciation	557,753	181,122	903,827	1,390		23,772	1,667,864
Total operating expenses	18,397,713	1,671,573	2,349,222	651,180		64,847	496,270
OPERATING INCOME	2,187,054	298,101	355,499	34,345		56,029	230,610
NONOPERATING REVENUES (EXPENSES)							
Interest income		122,590		6,328	9,465	251	138,634
Interest expense	(15,575)	(19,384)	(22,208)				(57,167)
Grant revenue						123,000	123,000
Total nonoperating revenues (expenses)	(15,575)	103,206	(22,208)	6,328	9,465	123,251	204,467
INCOME (LOSS) BEFORE TRANSFERS	2,171,479	401,307	333,291	40,673	9,465	179,280	3,135,495
TRANSFERS							
Transfers in	2,575				15,000		17,575
Transfers out	(564,160)			(15,000)			(579,160)
Net transfers	(561,585)			(15,000)	15,000		(561,585)
CHANGE IN NET POSITION	1,609,894	401,307	333,291	25,673	24,465	179,280	2,573,910
NET POSITION, beginning of year	17,053,178	4,510,063	10,242,789	364,385	114,503	101,341	32,386,259
NET POSITION, end of year	18,663,072	4,911,370	10,576,080	390,058	138,968	280,621	34,960,169

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Funds					Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	19,441,896	1,831,125	2,646,506	686,369		120,876	678,762
Receipts from interfund collections	(16,608,847)	(787,673)	(822,194)	(649,790)	(12,999)	(43,752)	(452,829)
Payments to suppliers	(983,164)	(94,302)	(132,333)				(1,209,799)
Payments to franchise taxes to city	(411,801)	(614,947)	(485,938)				(1,512,686)
Payments to employees	1,204,631	134,123	57,158				48,118
Other receipts							
Net cash provided by (used in) operating activities	2,642,715	468,326	1,263,199	36,579	(12,999)	77,124	274,051
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Net change in due to/due from other funds	70,815	(23,285)	(69,778)			135,778	113,530
Payment of lease obligation	(13,027)						(13,027)
Grants received						123,000	123,000
Transfers from other funds	2,575			(15,000)	15,000		17,575
Transfers to other funds	(564,160)						(579,160)
Net cash provided by (used in) noncapital financing activities	(503,797)	(23,285)	(69,778)	(15,000)	15,000	258,778	(338,082)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of capital assets	(1,037,402)	(44,121)	(820,970)			(353,329)	(2,255,822)
Proceeds from long-term debt	(245,000)	(85,000)	(349,347)				(679,347)
Long-term debt payments	(21,256)	(20,149)	(23,104)				(64,509)
Interest and fiscal fees paid on long-term debt							
Net cash used in capital and related financing activities	(1,303,658)	(149,270)	(1,193,421)			(353,329)	(2,999,678)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received		122,590		6,328	9,465	251	14,002
Net cash provided by investing activities		122,590		6,328	9,465	251	14,002

CITY OF LEXINGTON, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Funds						Total Enterprise Funds	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Landfill Fund	Ambulance Fund		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	835,260	418,361		27,907	11,466	(17,176)	1,275,818	288,053
CASH AND CASH EQUIVALENTS, beginning of year	5,614,396	1,993,812		219,834	294,931	17,176	8,140,149	463,956
CASH AND CASH EQUIVALENTS, end of year	6,449,656	2,412,173		247,741	306,397		9,415,967	752,009
ALLOCATION OF CASH								
Unrestricted	5,648,427	2,412,173		247,741			8,308,341	752,009
Restricted	801,229				306,397		1,107,626	
Total	6,449,656	2,412,173		247,741	306,397		9,415,967	752,009
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities	2,187,054	298,101	355,499	34,345		56,029	2,931,028	230,610
Operating income (loss)								
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:								
Depreciation	557,753	181,122	903,827	1,390		23,772	1,667,864	
Amortization	29,548						29,548	
(Increase) decrease in:								
Receivables	47,370	(4,426)	(1,057)	844			42,731	
Inventory	(163,994)	(4,227)	204				(168,017)	
Lease receivable		21,578					21,578	
Increase (decrease) in:								
Accounts payable	(33,604)	10,644	3,113		(673)	(2,677)	(23,197)	43,441
Expenses accrued	398	4,639	2,473		(12,326)		(4,816)	
Compensated absences		(7,926)	(860)				(4,986)	
Deferred inflows of resources	3,800	(31,179)					(31,179)	
Meter deposits	14,390						14,390	
Total adjustments	455,661	170,225	907,700	2,234	(12,999)	21,095	1,543,916	43,441
Net cash provided by (used in) operating activities	2,642,715	468,326	1,263,199	36,579	(12,999)	77,124	4,474,946	274,051

See accompanying notes to financial statements.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

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

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

B. BASIS OF PRESENTATION

Government-Wide Statements

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

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

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Government-Wide Statements (Continued)

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

Fund Financial Statements

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

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

The funds of the City are described below:

Governmental Fund Types

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

General Fund

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

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

Governmental Fund Types (Continued)

Special Revenue Funds

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

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

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

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

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

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

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

Debt Service Fund

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

Proprietary Fund Types

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

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

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

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

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

Accounts Receivable

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

Notes Receivable

Notes receivable include long-term loans made to local businesses and citizens using revolving loan funds from Community Development Block Grants (CDBG) 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, 2025.

Inventories

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

Lease Receivables

In accordance with GASB 87, *Leases*, the City records the lease receivables and deferred inflows of resources based on the present value of remaining lease payments expected to be received during the lease term plus any payments received at or before the commencement of the lease term that relate to future periods. The expected receipts are discounted using the interest rate charged on the lease, if known, or the City's

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Lease Receivables (Continued)

incremental borrowing rate. Variable receipts are excluded from the valuations unless they are fixed in substance. Future recognition of the deferred inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Right-to-use Leased Assets and Lease Obligation Payable

In accordance with GASB 87, *Leases*, the City records right-to-use leased assets and lease obligations based on the present value of expected payments over the term of the respective lease. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the City's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The City does not have any leases subject to a residual value guarantee. The right-to-use assets are amortized on a straight-line basis over the shorter of the lease term or the underlying asset's useful life.

Capital Assets

Under GASB Statement 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. The City's policy is to capitalize purchased or donated capital assets, including improvements to capital assets that significantly extend the life of the assets, that have an estimated life of more than one year and a cost of \$8,000 or more. Donated fixed assets are valued at their estimated fair market value on the date donated.

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

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

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

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

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Deferred Inflows of Resources

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

The City has three items that qualify for reporting in this category: (1) Unavailable revenue received after the availability period. This includes property taxes plus other local taxes and fees received after 60 days. The are reported as deferred inflows on the governmental funds balance sheet and will be recognized as revenue next year. (2) Unavailable revenue relating to loans. (3) Unavailable revenue related to lessor leases.

Compensated Absences

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

Sick leave is accumulated up to a maximum accrual to be used for allowed time off based on descriptions in the sick leave policy. Unused sick leave is not payable at the time of separation of service with the City.

Governmental Accounting Standards Board (GASB) Statement 101, *Compensated Absences*, requires a liability to be recognized for compensated absences as of the end of the financial reporting period for earned leave that has not been used if, and to the extent that, the leave meets all of the following criteria:

- a. The leave is for services already performed by the employee.
- b. The leave accumulates.
- c. The leave is more likely than not (greater than a 50% chance) going to be used as time off or settled in the following year.

The District already accrues vacation leave for employees, if applicable. This standard does not have a material impact regarding the requirement to expand an accrued liability for sick leave.

Long-Term Debt

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

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Fund Equity

Government-Wide Statements

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

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

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

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

Fund Financial Statements

Fund Balance Classification

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

Nonspendable

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

Restricted

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

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Fund Equity (Continued)

Fund Financial Statements (Continued)

Fund Balance Classification (Continued)

Committed

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

Assigned

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

Unassigned

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

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. USE OF ESTIMATES

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

F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

G. REVENUES

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

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

H. 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.

I. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

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

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. CASH AND EQUIVALENTS

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

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

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

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's policy is to collateralize bank deposits with securities held by the financial institution's agent and in the City's name. As of September 30, 2025, all of the City's deposits with financial institutions were fully insured or collateralized by securities held in the City's name in the form of joint safekeeping receipts.

Restricted cash consisted of the following:

Governmental activities	
Community development block grants and reuse monies	317,587
Economic Development	2,043,415
Debt service	8,675
Meals on Wheels	5,260
Tax increment financing	212,486
	<u>2,587,423</u>
Business-type activities	
Customer deposits	410,229
Debt service	391,000
Landfill closure	306,397
	<u>1,107,626</u>
Discretely presented component unit	
Community Development	<u>538,343</u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES

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

	Governmental Activities	Business-Type Activities
Receivables	1,008,325	2,129,494
Allowance for uncollectible accounts	<u>(15,000)</u>	<u>(30,000)</u>
	<u>993,325</u>	<u>2,099,494</u>

NOTE 4. NOTES RECEIVABLE

Notes receivable at September 30, 2025, are summarized below:

	Dates Issued	Interest Rates	Balance
Economic Development Fund			
8 outstanding loans	2009 - 2025	0% - 2%	1,402,580
Revolving Loan Program			
5 outstanding loans	2012 - 2025	0% - 2%	456,635

NOTE 5. FRANCHISE FEES

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

Electric	983,164
Water	94,302
Sewer	<u>132,333</u>
	<u>1,209,799</u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

Governmental Activities

Capital assets, not being depreciated				
Land	6,521,819	5,000		6,526,819
Construction in progress	<u>11,950,896</u>	<u>3,315,416</u>	<u>(2,878,123)</u>	<u>12,388,189</u>
Total capital assets, not being depreciated	<u>18,472,715</u>	<u>3,320,416</u>	<u>(2,878,123)</u>	<u>18,915,008</u>
Capital assets, being depreciated				
Buildings and improvements	19,019,212	83,800		19,103,012
Equipment and vehicles	6,074,956	117,603		6,192,559
Infrastructure	<u>49,814,393</u>	<u>2,878,123</u>		<u>52,692,516</u>
Total capital assets, being depreciated	<u>74,908,561</u>	<u>3,079,526</u>		<u>77,988,087</u>
Less accumulated depreciation	<u>(42,315,106)</u>	<u>(1,777,085)</u>		<u>(44,092,191)</u>
Total capital assets, being depreciated	<u>32,593,455</u>	<u>1,302,441</u>		<u>33,895,896</u>
Governmental activities capital assets, net	<u>51,066,170</u>	<u>4,622,857</u>	<u>(2,878,123)</u>	<u>52,810,904</u>

Depreciation was charged to functions as follows:

General government	195,069
Public Safety	96,423
Public Works	1,091,090
Health and Welfare	15,606
Culture and Recreation	378,897
	<u>1,777,085</u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

Governmental Activities (Continued)

Business-Type Activities

	Balance October 1, 2024	Additions	Deletions	Balance September 30, 2025
Capital assets, not being depreciated				
Land	860,732		(31,000)	829,732
Construction in progress	63,561		(51,500)	12,061
Total capital assets, not being depreciated	924,293		(82,500)	841,793
Capital assets, being depreciated				
Buildings and improvements	32,895			32,895
Less accumulated depreciation	(27,701)		(1,731)	(29,432)
Total capital assets, being depreciated	5,194		(1,731)	3,463
Business-type activities capital assets, net	929,487		(84,231)	845,256

Depreciation was charged to the following funds:

Electric	557,753
Water	181,122
Sewer	903,827
Sanitation	1,390
Ambulance	23,772
	<u>1,667,864</u>

Discretely Presented Component Unit

	Balance October 1, 2024	Additions	Deletions	Balance September 30, 2025
Capital assets, not being depreciated				
Land	860,732		(31,000)	829,732
Construction in progress	63,561		(51,500)	12,061
Total capital assets, not being depreciated	924,293		(82,500)	841,793
Capital assets, being depreciated				
Buildings and improvements	32,895			32,895
Less accumulated depreciation	(27,701)		(1,731)	(29,432)
Total capital assets, being depreciated	5,194		(1,731)	3,463
Business-type activities capital assets, net	929,487		(84,231)	845,256

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Governmental Activities

Changes in the debt for the year ended September 30, 2025, consisted of the following:

	Balance October 1, 2024	Additions	Retirements	Balance September 30, 2025	Due in One Year
General Obligation					
Street Bonds	615,000		(305,000)	310,000	310,000
Highway Allocation Bonds	915,000		(305,000)	610,000	305,000
Direct Borrowings (Notes Payable)					
SW 1st Street	940,868		(105,801)	835,067	108,977
Lehman Land	283,897		(53,595)	230,302	55,130
Compensated absences	275,235	20,523		295,758	295,758
Total governmental long-term liabilities	<u>3,030,000</u>	<u>20,523</u>	<u>(769,396)</u>	<u>2,281,127</u>	<u>1,074,865</u>

Bonds Payable

General Obligation Street Bonds, Series 2020, dated December 2, 2020, due in annual installments varying from year to year until maturity in November 2025, interest at 0.55% - 1.01%.	310,000
Highway Allocation Bonds, Series 2021, dated October 5, 2021, due in annual installments varying from year to year until maturity in October 2026, interest at 0.30% - 0.70%.	<u>610,000</u>
Total bonds payable	<u>920,000</u>

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

Years Ending September 30,	Principal	Interest	Total
2026	615,000	3,982	618,982
2027	305,000	1,068	306,068
	<u>920,000</u>	<u>5,050</u>	<u>925,050</u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Direct Borrowings - Note Payable

SW 1st Street issued May 1, 2017, with interest at 2.98% maturity in May 2032.	835,067
Lehman Land Purchase issued May 15, 2019, with interest at 2.89% until maturity in May 2029.	<u>230,302</u>
Total notes payable	<u>1,065,369</u>

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

Years Ending September 30,	Principal	Interest	Total
2026	164,107	30,735	194,842
2027	168,971	25,869	194,840
2028	173,976	20,866	194,842
2029	179,181	15,700	194,881
2030	122,665	10,392	133,057
2031 - 2032	256,469	9,625	266,094
	<u>1,065,369</u>	<u>113,187</u>	<u>1,178,556</u>

Compensated Absences

Compensated absences are payable upon separation from employment which could occur at any time and are, therefore, considered payable within one year and are liquidated by the governmental activity responsible for generating the liability with an accumulated total of \$295,758.

Business-Type Activities

Changes in debt for the year ended September 30, 2025, consisted of the following:

	Balance October 1, 2024	Additions	Retirements	Balance September 30, 2025	Due in One Year
Revenue Refunding Bonds	685,000		(250,000)	435,000	255,000
Revenue Bonds	1,030,000		(85,000)	945,000	85,000
Loans Payable	12,046,318	409,378	(758,726)	11,696,970	741,730
Compensated absences	77,527		(4,986)	72,541	72,541
Total business-type long-term liabilities	<u>13,838,845</u>	<u>409,378</u>	<u>(1,098,712)</u>	<u>13,149,511</u>	<u>1,154,271</u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Bonds Payable

Combined Utilities Revenue Refunding Bonds, Series 2018, dated September 28, 2018, due in annual installments varying from year to year until maturity in October 2026, interest at 1.85% - 2.90%.	435,000
Combined Utilities Revenue Bonds, Series 2020, dated February 5, 2020, due in annual installments varying from year to year until maturity in November 2034, interest at 1.30% - 2.40%.	<u>945,000</u>
Total bonds payable	<u><u>1,380,000</u></u>

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

Years Ending September 30,	Principal	Interest	Total
2026	340,000	27,494	367,494
2027	270,000	19,891	289,891
2028	90,000	15,661	105,661
2029	90,000	14,041	104,041
2030	95,000	12,421	107,421
2031 - 2035	495,000	23,835	518,835
	<u>1,380,000</u>	<u>113,343</u>	<u>1,493,343</u>

Loans Payable

Nebraska Department of Environment and Energy, dated February 19, 2021, until maturity in 2034, interest at 0.50%.	2,127,064
Nebraska Department of Environment and Energy, dated September 2, 2021, until maturity in 2043, interest at 0.00%. The City can continued to advance funds from this loan until project completion.	<u>9,569,906</u>
	<u><u>11,696,970</u></u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

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

Years Ending September 30,	Principal	Interest	Total
2026	741,730	10,329	752,059
2027	742,960	9,100	752,060
2028	744,195	7,864	752,059
2029	745,437	6,622	752,059
2030	746,685	5,380	752,065
2031 - 2035	3,367,537	13,023	3,380,560
2036 - 2040	2,480,740	5,890	2,486,630
2041 - 2044	2,127,686	2,324	2,130,010
	<u>11,696,970</u>	<u>60,532</u>	<u>11,757,502</u>

Compensated Absences

Compensated absences are payable upon separation from employment which could occur at any time and are, therefore, considered payable within one year and are liquidated by the governmental activity responsible for generating the liability with an accumulated total of \$72,541.

Discretely Presented Component Unit

Changes in debt for the year ended September 30, 2025, consisted of the following:

	Balance October 1, 2024	Additions	Retirements	Balance September 30, 2025	Due in One Year
Bonds Payable	49,787		(24,139)	25,648	25,648
Direct Borrowings (Notes Payable)					
Housing	30,000			30,000	30,000
Total governmental long-term liabilities	<u>79,787</u>		<u>(24,139)</u>	<u>55,648</u>	<u>55,648</u>

Bonds Payable

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

25,648

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Discretely Presented Component Unit (Continued)

Bonds Payable (Continued)

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

Years Ending September 30,	Principal	Interest	Total
2026	<u>25,648</u>	<u>696</u>	<u>26,344</u>

Direct Borrowings - Notes Payable

Note payable issued October 1, 2007, with 0.00% interest and no stated maturity.	<u>30,000</u>
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NOTE 8. LEASES

Lessor

The City leases a property to Lexcares, Inc., a nonprofit corporation, for the purposes of operating an assisted living and independent living facility with the City of Lexington, Nebraska. Unless earlier termination of the lease is agreed upon between both parties, this lease is in force for ten years expiring July, 2032. The tenant has the right to extend the lease on the same terms for two consecutive five year periods. Quarterly payments of \$33,400 are due beginning in November 2022. No interest rate was explicitly stated within the agreement and therefore the present value of the lease payments and related deferred revenue was calculated using the City's incremental borrowing rate.

The City leases rental space on water towers to various cellular phone providers. Expiration of these lease agreements range from January 2027 to June 2038.

Lessee

The City leases equipment under a non-cancelable lease with an interest rate of 2.52% maturing in August of 2025 within the governmental funds. As of September 30, 2025, the City has capitalized a right-to-use asset on the government-wide statement of net position in the amount of \$462,486 and accumulated amortization of \$462,486.

The City leases a solar electrical generating facility and carport which matures in February of 2027 within the business-type funds. As of September 30, 2025, the City has capitalized a right-to-use asset of \$177,289 and accumulated amortization of \$118,192.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. LEASES (Continued)

Aggregate annual principal and interest allocations applicable to lease obligations of the governmental activities are:

Years Ending September 30,	Principal	Interest	Total
2026	<u>170,295</u>	<u> </u>	<u>170,295</u>

Aggregate annual principal and interest allocations applicable to lease obligations of the business-type activities are:

Years Ending September 30,	Principal	Interest	Total
2026	13,678	5,122	18,800
2027	88,762	4,438	93,200
	<u>102,440</u>	<u>9,560</u>	<u>112,000</u>

Lease obligation activity for the year ended September 30, 2025 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental	296,144		125,849	170,295
Business-Type	115,467		13,027	102,440

NOTE 9. INTERFUND TRANSACTIONS

Interfund receivable and payable activity represents transactions between the different funds under the City's control. In most cases, these balances represent short-term advances from one fund to another. However, the City estimates that those balances exceeding \$500,000 will not be paid back within one year. The interfund balances are as follows:

Fund	Due From	Due To
General		1,190,000
Federal grants		
Street	187,442	
Electric	1,921,464	
Ambulance		135,778
Water		93,721
Sewer		689,407
	<u>2,108,906</u>	<u>2,108,906</u>

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. INTERFUND TRANSACTIONS (Continued)

Transfers are used to move revenues from the fund that a statute or the budget requires to collect them, to the fund that a statute or the budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to report other cost allocations between funds. The interfund transfers are as follows:

Fund	Transfers In	Transfers Out
General		2,047,770
Street	2,214,070	750,409
Economic Development	333,500	
Debt Service	978,194	166,000
Electric	2,575	564,160
Sanitation		15,000
Landfill	15,000	
	<u>3,543,339</u>	<u>3,543,339</u>

NOTE 10. 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, are required to participate in a defined contribution plan contributing a minimum of 6% of their salary to the plan. These employee contributions are 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. All plan contributions are held and invested by the Union Bank and Trust of Lincoln with respect to their duties, but are reimbursed by Nebraska Public Employees Retirement Systems (NPERS) for their actual and necessary expenses incurred in the performance of their duties.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLANS (Continued)

Police and Firefighters Plan (Pre-1984)

As of September 30, 2025, 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.

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% 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.

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 makes contributions based on voluntary services for fire fighters.

Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan assets are held in trust and all are solely the property and rights of the plan. They are not subject to the general creditors of the City. Thus, they are not included in these financial statements. Contributions by the City for each employee is outlined in their employment agreements.

NOTE 11. LANDFILL CLOSURE COSTS

State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty year after closure. The \$283,412 reported as post closure care liability at September 30, 2025, 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.

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, 2025, cash of \$306,397 is held for these purposes. The City may need to cover any additional expenses with future contributions.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. CONTINGENCIES

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

NOTE 13. RISK MANAGEMENT

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 officials' liability, property coverage, workers' compensation coverage, commercial excess liability coverage, and crime and blanket bond coverage to minimize the effects of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the City's insurance coverage.

NOTE 14. AGREEMENTS

Management Agreement

The City has an agreement with Lexington Public Schools (the 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 (the County), 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 (the District) for the City to provide fire and rescue protection for the 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.

CITY OF LEXINGTON, NEBRASKA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. 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 16. SUBSEQUENT EVENT

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 9, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

#NAME?
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ALL-PURPOSE FUND
YEAR ENDED SEPTEMBER 30, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes			
Property taxes	1,778,717	2,415,789	637,072
Sales taxes	2,800,000	3,126,278	326,278
Franchise fees	1,296,200	1,258,555	(37,645)
Other taxes	265,000	265,881	881
Charges for services	29,929,997	28,572,965	(1,357,032)
Licenses, fees, and permits	26,000	37,553	11,553
Intergovernmental	5,656,759	3,622,424	(2,034,335)
Loan principal collected	906,931	874,143	(32,788)
Interest	257,500	282,101	24,601
Donations and private grants	197,500	324,010	126,510
Miscellaneous	636,650	1,101,189	464,539
Debt proceeds	2,500,000		(2,500,000)
Transfers in	3,907,378	3,543,339	(364,039)
Total revenues	<u>50,158,632</u>	<u>45,424,227</u>	<u>(4,734,405)</u>
EXPENDITURES			
Governmental			
General government	757,591	2,769,380	(2,011,789)
Public Safety	3,904,150	2,719,366	1,184,784
Public Works	1,564,833	1,533,487	31,346
Health and Welfare	114,367	257,752	(143,385)
Culture and Recreation	2,372,819	2,266,697	106,122
Community Development	7,406,884	1,000,820	6,406,064
Business-Type			
Electric	17,851,450	18,003,812	(152,362)
Water	1,505,028	1,496,922	8,106
Sewer	1,565,961	1,440,465	125,496
Sanitation and Landfill	1,009,671	662,789	346,882
Ambulance	1,568,722	43,752	1,524,970
Capital outlay	8,237,194	5,777,641	2,459,553
Debt service	2,216,038	1,681,900	534,138
Transfers out	3,907,378	3,543,339	364,039
Total expenditures	<u>53,982,086</u>	<u>43,198,122</u>	<u>10,783,964</u>

#NAME?
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ALL-PURPOSE FUND
YEAR ENDED SEPTEMBER 30, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
NET CHANGE IN FUND BALANCE		2,226,105	
FUND BALANCE, beginning of year		<u>15,745,928</u>	
FUND BALANCE, end of year		<u><u>17,972,033</u></u>	

CITY OF LEXINGTON, NEBRASKA
NOTES TO BUDGETARY COMPARISON SCHEDULES

NOTE 1. BUDGETARY INFORMATION

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

Revenue over expenditures and other financing sources (uses) - Budgetary Basis	2,226,105
Accrual adjustments	<u>2,221,115</u>
Revenue over expenditures and other financing sources (uses) - Generally Accepted Accounting Principles	<u>4,447,221</u>



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Lexington, Nebraska, as of and for the year ended September 30, 2025, 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 September 9, 2026.

Report on 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 over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001, that we consider to be a significant deficiency.

Report on 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*.

City of Lexington, Nebraska's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Lexington, Nebraska's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Lexington, Nebraska's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Dana F Cole + Company, LLP

Minden, Nebraska
September 9, 2026

CITY OF LEXINGTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2025

2025-001 RELAINCE UPON THE AUDITOR

Criteria

As described in our engagement letter, management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of financial statements, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America.

Condition and Context

Management should possess the ability to prepare the entire financial statement package in accordance with accounting principles generally accepted in the United States of America without the assistance from the auditors. The auditors provided adjusting entries during the year to adjust trial balance accounts for use in preparing the financial statements.

Cause

City personnel relied on the auditor to provide certain year-end adjusting entries.

Potential Effect

The potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Recommendation

We recommend that the City review and approve the adequacy of the financial statements and disclosures and also approve and record the adjusting journal entries provided.

Views of Responsible Officials and Corrective Action Plan

The City relied of the auditor to record necessary adjustments for proper presentation of the financial statements and note disclosures. The City review such financial statements and approves all adjustments. The City also uses analytic procedures among other procedures necessary to complete the management discussion and analysis.

CITY OF LEXINGTON, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2025

None reported.