Annual Financial Report

City of Lexington

Lexington, Minnesota

For the Year Ended
December 31, 2020

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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City of Lexington, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF LEXINGTON
LEXINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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City of Lexington, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2020

ELECTED

Name	Title	Term Expires
Michael Murphy	Mayor	12/31/22
Kim DeVries	Council Member	12/31/22
Brandon Winge	Council Member	12/31/24
John Hughes	Council Member	12/31/22
Diane Harris	Council Member	12/31/24

APPOINTED

Bill Petracek	City Administrator

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FINANCIAL SECTION

CITY OF LEXINGTON
LEXINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lexington, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lexington, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Edina, MN 55436
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, starting on page 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 21, 2021

People + Process. Going Beyond the Numbers

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Management's Discussion and Analysis

As management of the City of Lexington, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $7,768,922 (net position). Of this amount, $3,696,898 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $600,499, primarily as a result of governmental activities.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2,385,217, an increase of $85,749 in comparison with the prior year.

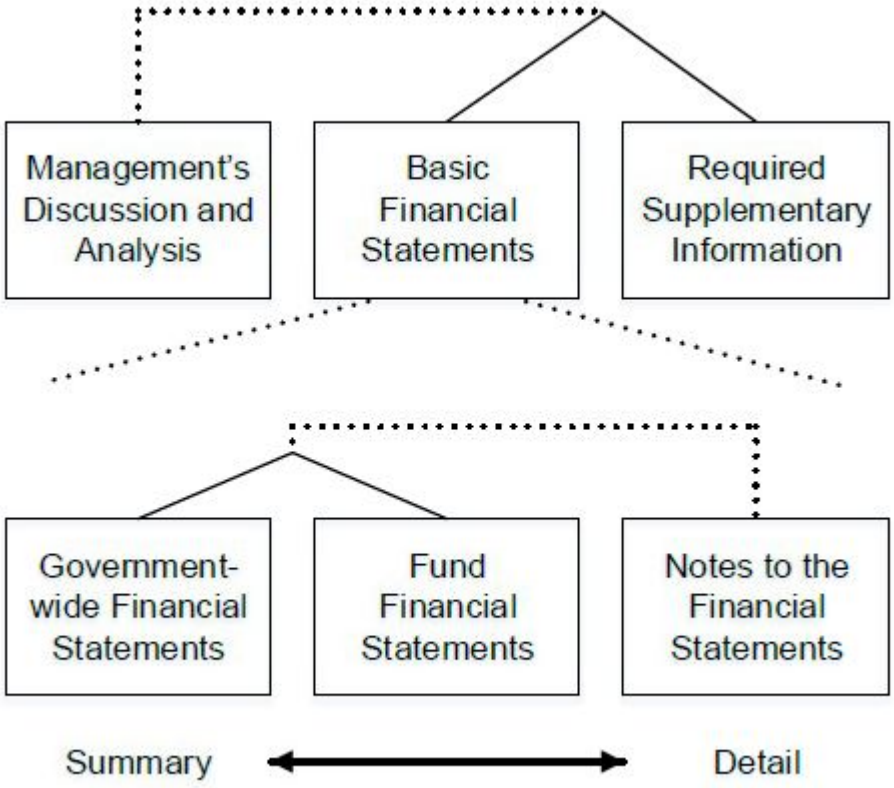
- At the end of the current fiscal year, unassigned fund balance for the General fund was $747,862, or 34.4 percent of 2020 actual expenditures and 34.5 percent of budgeted 2021 expenditures and transfers out.

- The City's total noncurrent liabilities decreased $228,579 or 9.3 percent during the current fiscal year. The decrease was the result of regularly scheduled payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the required parts of this annual report are arranged and relate to one another.

Organization of the City's Annual Financial Report



The following chart summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statements of Net Position • Statements of Revenues, Expenses and Changes in Net Position • Statements of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) 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 of the City include general government, public safety, public works, culture and recreation, and interest on long-term debt. The business-type activities of the City include water, sewer, municipal liquor, Lovell building, and storm sewer.

The government-wide financial statements start on page 29 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be 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 fiscal year. Such information may be useful in evaluating a 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 by 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*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, Capital Projects fund and TIF District #1-3 fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for the General fund. Budgetary comparison statements have been provided for the General fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements start on page 34 of this report.

***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 uses enterprise funds to account for its water, sewer, municipal liquor, Lovell building, and storm sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, municipal liquor, and Lovell building funds, which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 40 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 51 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 78 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $7,768,922 at the close of the most recent fiscal year.

A large portion of the City's net position (39.4 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Assets						
Current and other assets	$ 3,189,332	$ 2,760,465	$ 428,867	$ 2,734,406	$ 2,556,845	$ 177,561
Capital assets, net of depreciation	3,659,912	3,674,338	(14,426)	1,632,592	1,626,585	6,007
Total Assets	6,849,244	6,434,803	414,441	4,366,998	4,183,430	183,568
Deferred Outflows of Resources						
Deferred pension resource	38,539	34,050	4,489	32,424	24,968	7,456
Liabilities						
Noncurrent liabilities outstanding	1,948,391	2,091,352	(142,961)	957,418	977,189	(19,771)
Other liabilities	381,862	140,826	241,036	106,816	107,173	(357)
Total Liabilities	2,330,253	2,232,178	98,075	1,064,234	1,084,362	(20,128)
Deferred Inflows of Resources						
Deferred pension resource	102,805	122,899	(20,094)	20,991	69,389	(48,398)
Net Position						
Net investment in capital assets	2,017,600	1,904,246	113,354	1,045,047	967,262	77,785
Restricted	1,009,377	904,388	104,989	-	-	-
Unrestricted	1,427,748	1,305,142	122,606	2,269,150	2,087,385	181,765
Total Net Position	$ 4,454,725	$ 4,113,776	$ 340,949	$ 3,314,197	$ 3,054,647	$ 259,550

An additional portion of the City's net position ($1,009,377) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* ($3,696,898) may be used to meet the City's ongoing obligations to citizens and creditors.

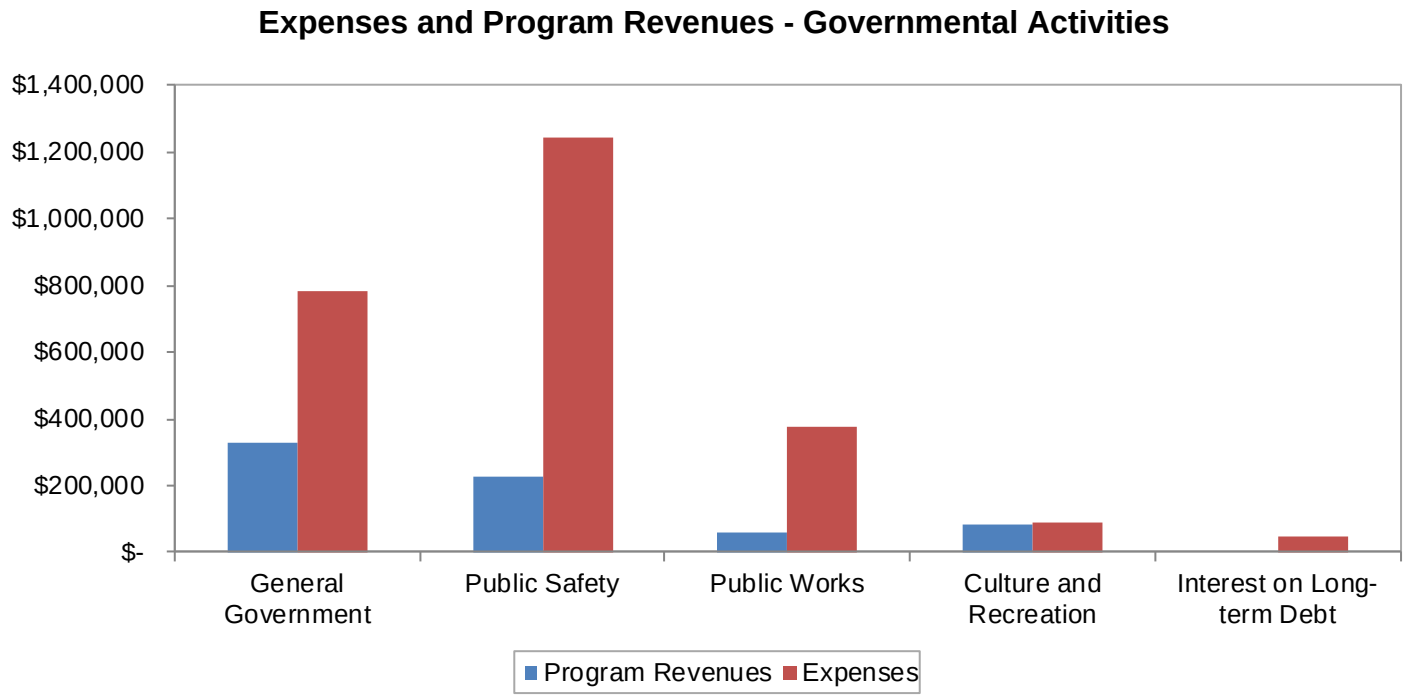
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

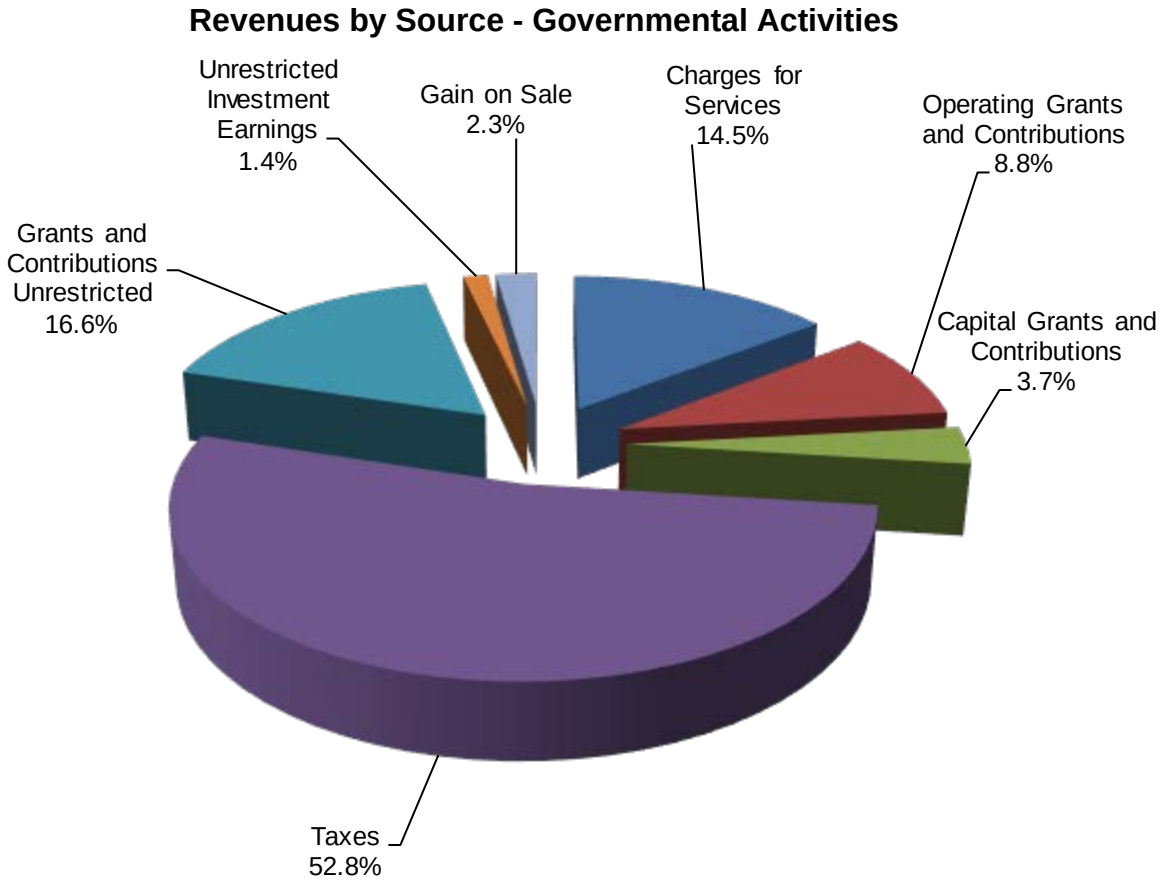
Governmental Activities. Governmental activities increased the City's net position by $340,949, thereby accounting for most of the growth in the net position of the City. Significant changes from the prior year are noted below:

City of Lexington's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 378,116	$ 307,884	$ 70,232	$ 4,718,034	$ 3,602,079	$ 1,115,955
Operating grants and contributions	228,490	79,523	148,967	-	-	-
Capital grants and contributions	95,786	106,450	(10,664)	207,886	2,193	205,693
General Revenues						
Taxes						
Property taxes	1,199,029	1,155,989	43,040	4,082	4,934	(852)
Franchise taxes	177,425	160,316	17,109	-	-	-
Grants and contributions not restricted to specific programs	433,449	408,793	24,656	-	-	-
Unrestricted investment earnings	35,302	65,023	(29,721)	23,528	65,787	(42,259)
Gain on sale of capital assets	58,690	200	58,490	-	-	-
Total Revenues	2,606,287	2,284,178	322,109	4,953,530	3,674,993	1,278,537
Expenses						
General government	783,245	493,936	289,309	-	-	-
Public safety	1,243,411	1,358,389	(114,978)	-	-	-
Public works	373,422	367,308	6,114	-	-	-
Culture and recreation	90,404	115,924	(25,520)	-	-	-
Economic development	-	-	-			
Interest on long-term debt	49,856	54,006	(4,150)	-	-	-
Water	-	-	-	179,077	180,248	(1,171)
Sewer	-	-	-	276,395	293,978	(17,583)
Municipal liquor	-	-	-	3,897,667	3,049,018	848,649
Lovell building	-	-	-	-	35,935	(35,935)
Storm sewer	-	-	-	65,841	62,301	3,540
Total Expenses	2,540,338	2,389,563	150,775	4,418,980	3,621,480	797,500
Change in Net Position Before Transfers	65,949	(105,385)	171,334	534,550	53,513	481,037
Transfers	275,000	120,000	155,000	(275,000)	(120,000)	(155,000)
Change in Net Position	340,949	14,615	326,334	259,550	(66,487)	326,037
Net Position, January 1	4,113,776	4,099,161	14,615	3,054,647	3,121,134	(66,487)
Net Position, December 31	$ 4,454,725	$ 4,113,776	$ 340,949	$ 3,314,197	$ 3,054,647	$ 259,550

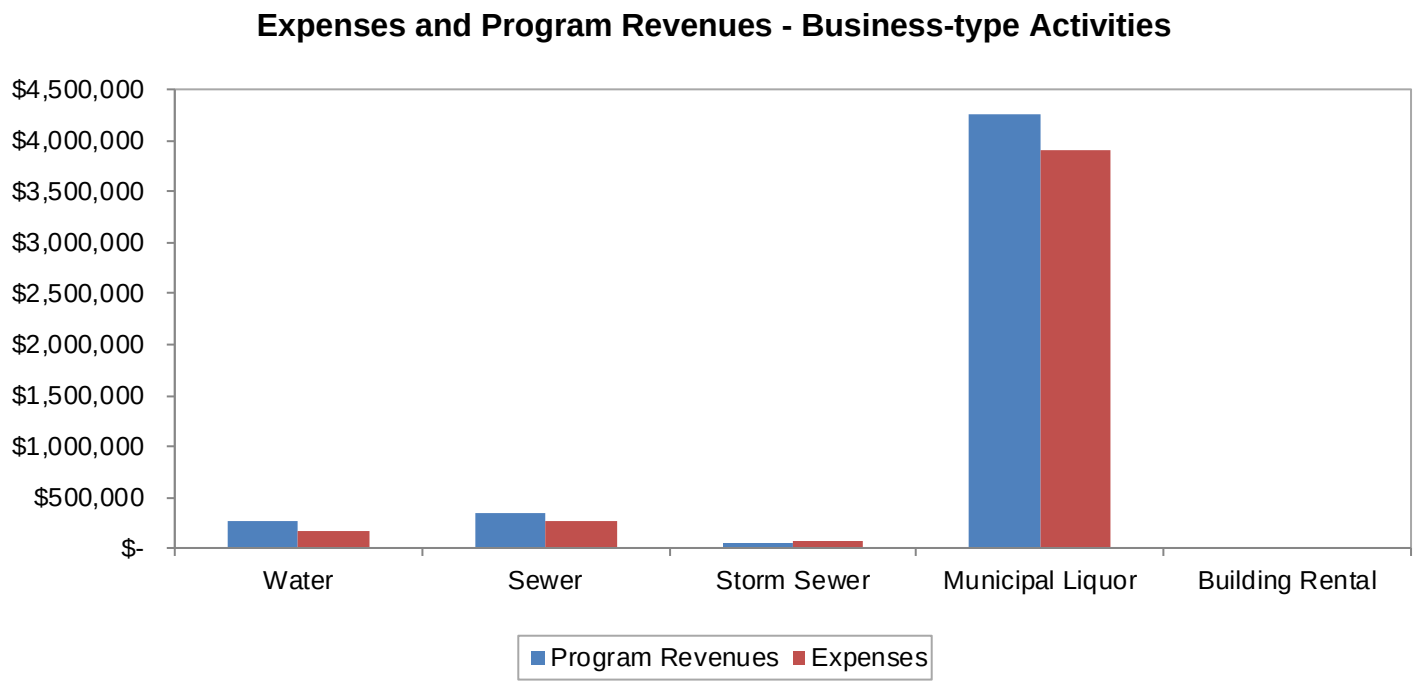
The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

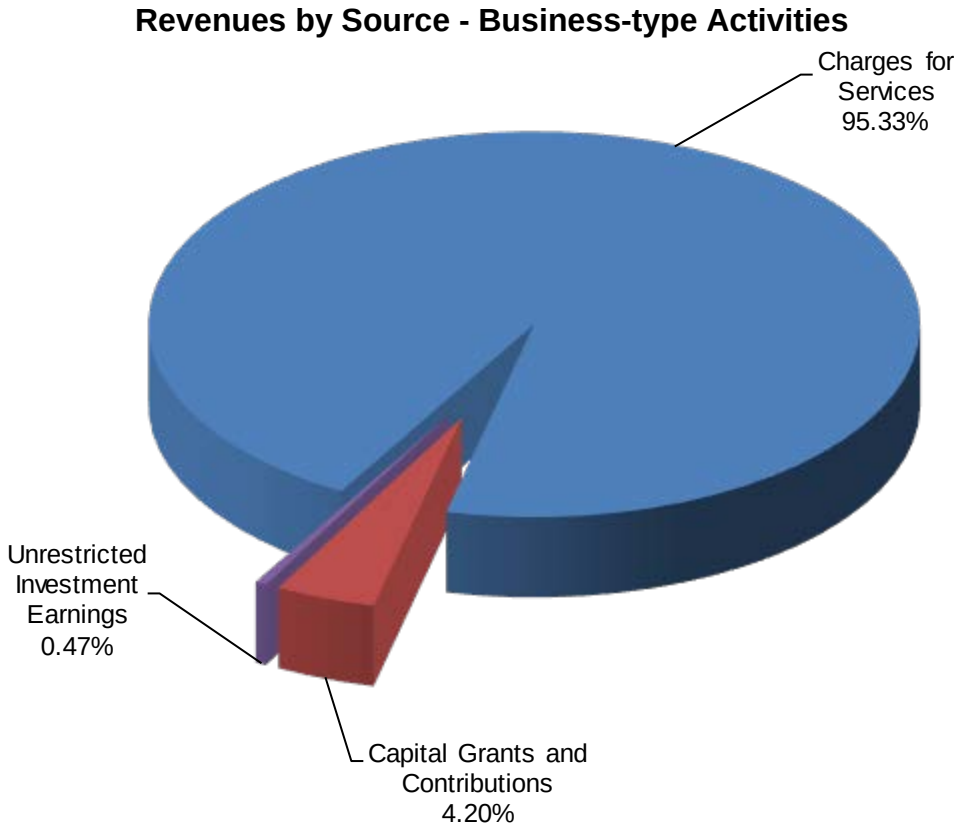




Business-type Activities. Business-type activities increased the City's net position by $259,550.

Below are the graphs showing the business-type activities revenue and expense comparisons.





Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2,385,217, an increase of $85,749 in comparison with the prior year. Approximately 49.9 percent of this total amount ($1,189,700) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance ($3,574,917) is not available for new spending because it is either 1) nonspendable ($1,946,832), 2) restricted ($779,425) or 3) assigned ($848,660). For further classification, refer to page 34 of this report.

Major Funds	Fund Balance December 31, 2020	Fund Balance December 31, 2019	Increase (Decrease)
General	$ 1,008,063	$ 1,015,161	$ (7,098)
The City budgeted for a use of fund balance. The General fund's decrease in fund balance was $7,098. The decrease can be attributed to a settlement payout.			
Debt Service	$ 449,739	$ 429,154	$ 20,585
The fund balance of the Debt Service fund increased due to taxes and assessments over debt payments.			
Capital Projects	$ 2,638,847	$ 2,591,813	$ 47,034
The increase in the fund balance of the capital project fund was mainly due to franchise taxes, interest on interfund loan and intergovernmental revenue.			
TIF District #1-3	$ (1,937,562)	$ (1,879,623)	$ (57,939)
This is a fund financed with an interfund loan intended to be paid back with future tax increment collections. The decrease is due to interest on the interfund loan.			

General Fund Budgetary Highlights

The City's General Fund budget was not amended during the year. The budget called for no change in fund balance.

- Actual revenues were $136,830 over budget and expenditures were $147,528 over budget.
- The largest favorable revenue variance was in licenses and permits for service revenue exceeding the budget by $71,667 mainly due to the following higher than expected permits related to nonbusiness: building, mechanical, plumbing, permits and licenses.
- General government expenditures were over budget by $102,984.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to $3,062,647 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads and utility infrastructure. Major capital asset events during the current fiscal year included the following:

- New fire department equipment (hoses, turn out gear extractor, SCBA fill station).
- Roof replacement - Concessions
- Memorial parking lot improvements
- New Bobcat loader
- Parking lot overlay
- Digital billboard replacement

City of Lexington's Capital Assets
(Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Land	$ 63,403	$ 63,403	$ -	$ 51,950	$ 51,950	$ -
Construction in Progress	34,239	-	34,239	36,650	-	36,650
Buildings and Improvements	1,373,862	1,426,030	(52,168)	306,397	289,224	17,173
Infrastructure	1,533,433	1,603,439	(70,006)	1,138,828	1,208,507	(69,679)
Machinery and Equipment	654,975	581,466	73,509	98,767	76,904	21,863
Total	$ 3,659,912	$ 3,674,338	$ (14,426)	$ 1,632,592	$ 1,626,585	$ 6,007

Additional information on the City's capital assets can be found in Note 3B starting on page 61 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $2,229,857. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
G.O. Improvement Bonds	$ 1,642,312	$ 1,799,113	$ (156,801)	$ 107,545	$ 109,323	$ (1,778)
G.O. Utility Revenue Bonds	-	-	-	480,000	550,000	(70,000)
Total	$ 1,642,312	$ 1,799,113	$ (156,801)	$ 587,545	$ 659,323	$ (71,778)

The City's total noncurrent liabilities decreased $228,579 (9.3 percent) during the current fiscal year, due to regularly scheduled bond payments.

The City maintains an "AA" rating from Standard and Poor's for general obligation debt.

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The City currently has no debt subject to the limit.

Additional information on the City's long-term debt can be found in Note 3D starting on page 63 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic factors affect the preparation of annual budgets. Properties, and their taxable market value, continued to increase in 2020 and are predicted to increase in 2021. The City adjusts their tax rate for inflation to stay ahead of the cost of providing services to the citizens.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed by writing to the City of Lexington, 9180 Lexington Avenue, Lexington, Minnesota 55014 or by calling (763) 784-2792.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LEXINGTON
LEXINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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City of Lexington, Minnesota
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	$ 2,631,603	$ 2,109,175	$ 4,740,778
Receivables			
Accounts	51,760	169,556	221,316
Accrued interest	3,109	-	3,109
Taxes	82,761	3,939	86,700
Special assessments	256,519	26,322	282,841
Due from other governments	12,792	2,792	15,584
Inventories	-	421,252	421,252
Prepaid items	3,111	1,370	4,481
Net pension asset	147,677	-	147,677
Capital assets			
Land and construction in progress	97,642	88,600	186,242
Depreciable assets (net of accumulated depreciation)	3,562,270	1,543,992	5,106,262
Total Assets	6,849,244	4,366,998	11,216,242
Deferred Outflows of Resources			
Deferred pension resources	38,539	32,424	70,963
Liabilities			
Accounts payable	334,151	43,756	377,907
Accrued salaries payable	28,130	14,644	42,774
Due to other governments	-	40,222	40,222
Accrued interest payable	19,581	8,194	27,775
Noncurrent liabilities			
Due within one year			
Long-term liabilities	108,709	92,295	201,004
Due in more than one year			
Long-term liabilities	1,565,510	515,767	2,081,277
Net pension liability	274,172	349,356	623,528
Total Liabilities	2,330,253	1,064,234	3,394,487
Deferred Inflows of Resources			
Deferred pension resources	102,805	20,991	123,796
Net investment in capital assets	2,017,600	1,045,047	3,062,647
Restricted for			
Debt service	679,691	-	679,691
Fire equipment	77,331	-	77,331
Cable TV equipment	29,715	-	29,715
Parks	222,640	-	222,640
Unrestricted	1,427,748	2,269,150	3,696,898
Total Net Position	$ 4,454,725	$ 3,314,197	$ 7,768,922

The notes to the financial statements are an integral part of this statement.

City of Lexington, Minnesota
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General government	$ 783,245	$ 172,456	$ 158,893	$ -
Public safety	1,243,411	121,135	44,304	64,344
Public works	373,422	-	25,293	31,442
Culture and recreation	90,404	84,525	-	-
Interest on long-term debt	49,856	-	-	-
Total Governmental Activities	2,540,338	378,116	228,490	95,786
Business-type Activities				
Water	179,077	172,024	-	107,000
Sewer	276,395	247,340	-	99,000
Municipal liquor	3,897,667	4,255,828	-	-
Storm sewer	65,841	42,842	-	1,886
Total Business-type Activities	4,418,980	4,718,034	-	207,886
Total	$ 6,959,318	$ 5,096,150	$ 228,490	$ 303,672

General Revenues	
Taxes	
Property taxes, levied for general purposes	
Property taxes, levied for debt service	
Franchise taxes	
Grants and contributions not restricted to specific programs	
Unrestricted investment earnings	
Gain on sale of capital assets	
Transfers	
Total General Revenues and Transfers	
Change in Net Position	
Net Position, January 1	
Net Position, December 31	

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (451,896)	$ -	$ (451,896)
(1,013,628)	-	(1,013,628)
(316,687)	-	(316,687)
(5,879)	-	(5,879)
(49,856)	-	(49,856)
(1,837,946)	-	(1,837,946)
-	99,947	99,947
-	69,945	69,945
-	358,161	358,161
-	(21,113)	(21,113)
-	506,940	506,940
(1,837,946)	506,940	(1,331,006)
1,061,193	4,082	1,065,275
137,836	-	137,836
177,425	-	177,425
433,449	-	433,449
35,302	23,528	58,830
58,690	-	58,690
275,000	(275,000)	-
2,178,895	(247,390)	1,931,505
340,949	259,550	600,499
4,113,776	3,054,647	7,168,423
$ 4,454,725	$ 3,314,197	$ 7,768,922

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF LEXINGTON
LEXINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Lexington, Minnesota
Balance Sheet
Governmental Funds
December 31, 2020

	General	Debt Service	Capital Projects	TIF District #1-3	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and temporary investments	$ 1,279,316	$ 444,995	$ 658,503	$ 6,159	$ 242,630	$ 2,631,603
Receivables						
Accounts	681	-	51,079	-	-	51,760
Accrued interest	3,109	-	-	-	-	3,109
Taxes	70,954	11,807	-	-	-	82,761
Special assessments	-	242,470	-	-	14,049	256,519
Due from other governments	12,792	-	-	-	-	12,792
Advance to other funds	-	-	1,943,721	-	-	1,943,721
Prepaid items	3,111	-	-	-	-	3,111
Total Assets	$ 1,369,963	$ 699,272	$ 2,653,303	$ 6,159	$ 256,679	$ 4,985,376
Liabilities						
Accounts payable	$ 303,195	$ -	$ 14,456	$ -	$ 16,500	$ 334,151
Accrued salaries payable	28,130	-	-	-	-	28,130
Advance from other funds	-	-	-	1,943,721	-	1,943,721
Total Liabilities	331,325	-	14,456	1,943,721	16,500	2,306,002
Deferred Inflows of Resources						
Unavailable revenue - delinquent taxes	30,575	7,063	-	-	-	37,638
Unavailable revenue - special assessments	-	242,470	-	-	14,049	256,519
Total Deferred Inflows of Resources	30,575	249,533	-	-	14,049	294,157
Fund Balances						
Nonspendable						
Advance to other funds	-	-	1,943,721	-	-	1,943,721
Prepaid items	3,111	-	-	-	-	3,111
Restricted for						
Debt service	-	449,739	-	-	-	449,739
Fire equipment	-	-	77,331	-	-	77,331
Cable TV equipment	-	-	29,715	-	-	29,715
Parks	-	-	-	-	222,640	222,640
Assigned to						
Future capital	257,090	-	588,080	-	3,490	848,660
Unassigned	747,862	-	-	(1,937,562)	-	(1,189,700)
Total Fund Balances	1,008,063	449,739	2,638,847	(1,937,562)	226,130	2,385,217
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,369,963	$ 699,272	$ 2,653,303	$ 6,159	$ 256,679	$ 4,985,376

The notes to the financial statements are an integral part of this statement.

City of Lexington, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2020

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

Total Fund Balances - Governmental Funds	$ 2,385,217
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.	
Cost of capital assets	6,751,236
Less accumulated depreciation	(3,091,324)
Long-term assets from pensions reported in governmental activities are not current financial resources and therefore are not reported as assets in the funds.	
Net pension asset	147,677
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of	
Compensated absences payable	(31,907)
Net pension liability	(274,172)
Bonds payable	(1,642,312)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	37,638
Special assessments receivable	256,519
Governmental funds do not report a liability for accrued interest until due and payable.	(19,581)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	38,539
Deferred inflows of pension resources	(102,805)
Total Net Position - Governmental Activities	$ 4,454,725

The notes to the financial statements are an integral part of this statement.

City of Lexington, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General	Debt Service	Capital Projects	TIF District #1-3	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes						
Property taxes	$ 1,053,683	$ 137,836	$ -	$ 7,954	$ -	$ 1,199,473
Franchise taxes	-	4,146	173,279	-	-	177,425
Licenses and permits	157,617	-	-	-	-	157,617
Intergovernmental	502,285	-	43,242	-	158,893	704,420
Charges for services	104,140	-	6,877	-	84,525	195,542
Fines and forfeitures	12,133	-	-	-	-	12,133
Special assessments	-	40,732	-	-	4,779	45,511
Investment earnings	11,549	3,550	81,901	34	2,365	99,399
Miscellaneous	8,045	-	26,144	-	-	34,189
Total Revenues	1,849,452	186,264	331,443	7,988	250,562	2,625,709
Expenditures						
Current						
General government	718,254	-	-	1,830	28,566	748,650
Public safety	1,168,273	-	-	-	128,882	1,297,155
Public works	203,139	-	-	-	1,445	204,584
Culture and recreation	85,484	-	-	-	-	85,484
Capital outlay						
General government	-	-	16,036	-	-	16,036
Public safety	-	-	98,725	-	-	98,725
Public works	-	-	19,184	-	75,340	94,524
Culture and recreation	-	-	56,064	-	-	56,064
Debt service						
Principal	-	156,802	-	-	-	156,802
Interest and other	-	51,529	-	64,097	-	115,626
Total Expenditures	2,175,150	208,331	190,009	65,927	234,233	2,873,650
Excess (Deficiency) of Revenues Over (Under) Expenditures	(325,698)	(22,067)	141,434	(57,939)	16,329	(247,941)
Other Financing Sources (Uses)						
Transfers in	275,000	42,652	-	-	94,400	412,052
Sale of capital assets	58,690	-	-	-	-	58,690
Transfers out	(15,090)	-	(94,400)	-	(27,562)	(137,052)
Total Other Financing Sources (Uses)	318,600	42,652	(94,400)	-	66,838	333,690
Net Change in Fund Balances	(7,098)	20,585	47,034	(57,939)	83,167	85,749
Fund Balances, January 1	1,015,161	429,154	2,591,813	(1,879,623)	142,963	2,299,468
Fund Balances, December 31	$ 1,008,063	$ 449,739	$ 2,638,847	$ (1,937,562)	$ 226,130	$ 2,385,217

The notes to the financial statements are an integral part of this statement.

City of Lexington, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2020

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

Total Net Change in Fund Balances - Governmental Funds	$	85,749
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays		239,581
Depreciation expense		(254,007)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal repayments		156,802
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		1,673
Long-term pension activity is not reported in governmental funds.		
Pension expense		122,637
Pension revenue from state contributions		761
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Special assessments		(14,332)
Property taxes		(444)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		2,529
Change in Net Position - Governmental Activities	$	340,949

The notes to the financial statements are an integral part of this statement.

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City of Lexington, Minnesota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,049,531	$ 1,049,531	$ 1,053,683	$ 4,152
Licenses and permits	85,950	85,950	157,617	71,667
Intergovernmental	508,133	508,133	502,285	(5,848)
Charges for services	48,100	48,100	104,140	56,040
Fines and forfeitures	15,000	15,000	12,133	(2,867)
Interest on investments	2,908	2,908	11,549	8,641
Miscellaneous	3,000	3,000	8,045	5,045
Total Revenues	1,712,622	1,712,622	1,849,452	136,830
Expenditures				
Current				
General government	615,270	615,270	718,254	(102,984)
Public safety	1,096,758	1,096,758	1,168,273	(71,515)
Public works	218,596	218,596	203,139	15,457
Culture and recreation	96,998	96,998	85,484	11,514
Total Expenditures	2,027,622	2,027,622	2,175,150	(147,528)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(315,000)	(315,000)	(325,698)	(10,698)
Other Financing Sources (Uses)				
Transfers in	275,000	275,000	275,000	-
Sales of capital assets	-	-	58,690	58,690
Transfers out	-	-	(15,090)	(15,090)
Total Other Financing Sources (Uses)	275,000	275,000	318,600	43,600
Net Change in Fund Balances	(40,000)	(40,000)	(7,098)	32,902
Fund Balances, January 1	1,015,161	1,015,161	1,015,161	-
Fund Balances, December 31	$ 975,161	$ 975,161	$ 1,008,063	$ 32,902

The notes to the financial statements are an integral part of this statement.

City of Lexington, Minnesota
Statement of Net Position (Continued on the Following Pages)
Proprietary Funds
December 31, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Municipal Liquor
Assets			
Current Assets			
Cash and temporary investments	$ (53,523)	$ 996,255	$ 617,588
Receivables			
Accounts	42,125	59,034	57,541
Taxes	-	-	-
Special assessments	9,259	10,485	-
Due from other governments	-	2,792	-
Inventories	-	-	421,252
Prepaid items	-	-	1,370
Total Current Assets	(2,139)	1,068,566	1,097,751
Noncurrent Assets			
Capital assets			
Land	-	-	51,950
Buildings and improvements	-	-	900,040
Infrastructure	1,449,301	1,316,113	-
Machinery and equipment	54,259	157,160	284,089
Construction in progress	-	-	36,650
Less accumulated depreciation	(786,584)	(1,081,792)	(825,217)
Total Capital Assets (Net of Accumulated Depreciation)	716,976	391,481	447,512
Total Assets	714,837	1,460,047	1,545,263
Deferred Outflows of Resources			
Deferred pension resources	3,919	3,538	24,050
Liabilities			
Current Liabilities			
Accounts payable	5,352	2,567	37,131
Accrued salaries payable	-	-	14,644
Due to other governments	2,457	-	37,765
Accrued interest payable	2,479	4,516	-
Compensated absences payable - current	-	-	20,517
Bonds payable - current	25,000	45,000	-
Total Current Liabilities	35,288	52,083	110,057

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds		
Lovell Building	Nonmajor Storm Sewer	Total
$ 679,193	$ (130,338)	$ 2,109,175
-	10,856	169,556
-	3,939	3,939
-	6,578	26,322
-	-	2,792
-	-	421,252
-	-	1,370
679,193	(108,965)	2,734,406
-	-	51,950
-	-	900,040
-	98,871	2,864,285
-	-	495,508
-	-	36,650
-	(22,248)	(2,715,841)
-	76,623	1,632,592
679,193	(32,342)	4,366,998
-	917	32,424
(2,227)	933	43,756
-	-	14,644
-	-	40,222
-	1,199	8,194
-	-	20,517
-	1,778	71,778
(2,227)	3,910	199,111

The notes to the financial statements are an integral part of this statement.

City of Lexington, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Municipal Liquor
Noncurrent Liabilities			
Bonds payable	$ 145,000	$ 265,000	$ -
Net pension liability	44,767	39,812	255,135
Total Noncurrent Liabilities	189,767	304,812	255,135
Total Liabilities	225,055	356,895	365,192
Deferred Inflows of Resources			
Deferred pension resources	2,536	2,290	15,571
Net Position			
Net investment in capital assets	546,976	81,481	447,512
Unrestricted	(55,811)	1,022,919	741,038
Total Net Position	$ 491,165	$ 1,104,400	$ 1,188,550

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds		
Lovell Building	Nonmajor Storm Sewer	Total
$ -	$ 105,767	$ 515,767
-	9,642	349,356
-	115,409	865,123
(2,227)	119,319	1,064,234
-	594	20,991
-	(30,922)	1,045,047
681,420	(120,416)	2,269,150
$ 681,420	$ (151,338)	$ 3,314,197

The notes to the financial statements are an integral part of this statement.

City of Lexington, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Municipal Liquor
Operating Revenues			
Sales	$ -	$ -	$ 4,255,639
Cost of sales	-	-	(3,198,144)
Gross Profit	-	-	1,057,495
Charges for services	172,024	245,103	-
Total Operating Revenues	172,024	245,103	1,057,495
Operating Expenses			
Personnel services	76,907	72,645	505,472
Supplies	14,030	1,283	1,862
Other services and charges	45,823	149,733	150,147
Depreciation	36,115	41,497	42,042
Total Operating Expenses	172,875	265,158	699,523
Operating Income (Loss)	(851)	(20,055)	357,972
Nonoperating Revenues (Expenses)			
Investment earnings	-	10,306	5,987
Miscellaneous revenue	-	2,237	189
Property taxes	-	-	-
Interest expense	(6,202)	(11,237)	-
Total Nonoperating Revenues (Expenses)	(6,202)	1,306	6,176
Income (Loss) Before Contributions and Transfers	(7,053)	(18,749)	364,148
Capital Contributions	107,000	99,000	-
Transfers Out	-	-	(125,000)
Change in Net Position	99,947	80,251	239,148
Net Position, January 1	391,218	1,024,149	949,402
Net Position, December 31	$ 491,165	$ 1,104,400	$ 1,188,550

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds		
Lovell Building	Nonmajor Storm Sewer	Total
$ -	$ -	$ 4,255,639
-	-	(3,198,144)
-	-	1,057,495
-	42,842	459,969
-	42,842	1,517,464
-	19,788	674,812
-	424	17,599
-	40,178	385,881
-	2,471	122,125
-	62,861	1,200,417
-	(20,019)	317,047
7,235	-	23,528
-	-	2,426
-	4,082	4,082
-	(2,980)	(20,419)
7,235	1,102	9,617
7,235	(18,917)	326,664
-	1,886	207,886
(150,000)	-	(275,000)
(142,765)	(17,031)	259,550
824,185	(134,307)	3,054,647
$ 681,420	$ (151,338)	$ 3,314,197

The notes to the financial statements are an integral part of this statement.

City of Lexington, Minnesota
Statement of Cash Flows (Continued on the Following Pages)
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Municipal Liquor
Cash Flows from Operating Activities			
Receipts from customers and users	$ 167,094	$ 236,779	$ 4,233,181
Other operating receipts	-	2,237	189
Payments to suppliers	(58,203)	(151,202)	(3,431,007)
Payments to employees	(81,511)	(73,685)	(502,493)
Net Cash Provided (Used) by Operating Activities	27,380	14,129	299,870
Cash Flows from Noncapital Financing Activities			
Transfers to other funds	-	-	(125,000)
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(24,477)	(24,477)	(79,178)
Property taxes collected	-	-	-
Capital contributions	107,000	99,000	-
Principal paid on long-term debt	(25,000)	(45,000)	-
Interest p g	(6,515)	(11,800)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	51,008	17,723	(79,178)
Cash Flows from Investing Activities			
Interest received on investments	-	10,306	5,987
Net Increase (Decrease) in Cash and Cash Equivalents	78,388	42,158	101,679
Cash and Cash Equivalents, January 1	(131,911)	954,097	515,909
Cash and Cash Equivalents, December 31	$ (53,523)	$ 996,255	$ 617,588

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds		
Lovell Building	Nonmajor Storm Sewer	Total
$ -	$ 39,768	$ 4,676,822
-	-	2,426
(855)	(40,758)	(3,682,025)
-	(18,964)	(676,653)
(855)	(19,954)	320,570
(150,000)	-	(275,000)
-	-	(128,132)
-	402	402
-	1,886	207,886
-	(1,778)	(71,778)
-	(2,989)	(21,304)
-	(2,479)	(12,926)
7,235	-	23,528
(143,620)	(22,433)	56,172
822,813	(107,905)	2,053,003
$ 679,193	$ (130,338)	$ 2,109,175

The notes to the financial statements are an integral part of this statement.

City of Lexington, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Municipal Liquor
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ (851)	$ (20,055)	$ 357,972
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	36,115	41,497	42,042
Other income	-	2,237	189
(Increase) decrease in assets			
Accounts receivable	(4,543)	(6,244)	(22,458)
Special assessments receivable	(387)	712	-
Due from other governments	-	(2,792)	-
Inventories	-	-	(79,137)
Prepaid items	-	-	214
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	(623)	(794)	(5,752)
Increase (decrease) in liabilities			
Accounts payable	1,518	(186)	(7,611)
Due to other governments	132	-	5,680
Accrued salaries payable	-	-	2,006
Deposits payable	-	-	-
Compensated absences payable	-	-	3,254
Net pension liability	2,643	5,090	38,752
Decrease in deferred inflows of resources			
Deferred pension resources	(6,624)	(5,336)	(35,281)
Net Cash Provided (Used) By Operating Activities	$ 27,380	$ 14,129	$ 299,870

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds		
Lovell Building	Nonmajor Storm Sewer	Total
$ -	$ (20,019)	$ 317,047
-	2,471	122,125
-	-	2,426
-	(4,535)	(37,780)
-	1,461	1,786
-	-	(2,792)
-	-	(79,137)
-	-	214
-	(287)	(7,456)
-	(156)	(6,435)
-	-	5,812
-	-	2,006
(855)	-	(855)
-	-	3,254
-	2,268	48,753
-	(1,157)	(48,398)
$ (855)	$ (19,954)	$ 320,570

The notes to the financial statements are an integral part of this statement.

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Lexington, Minnesota (the City) operates under "Optional Plan A" as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and four-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City does not have any component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, 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 expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as 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.*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial 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 imposed by the provider have been met.

Governmental fund 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

The *Capital Projects fund* accounts for the financial resources to be used for capital equipment acquisitions of the City's governmental activities.

The *TIF District #1-3* fund accounts for the activity of the TIF district.

The City reports the following major proprietary funds:

The W*ater fund* accounts for the activities of the water distribution system the City maintains.

The S*ewer fund* accounts for the activities of the City's sewage collection operations.

The *Municipal Liquor fund* accounts for the costs associated with the City's off-sale liquor store operation.

The *Lovell Building fund* accounts for the remaining sales proceeds of the building.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds 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.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 60 and are valued using quoted market prices (Level 2 inputs).

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2020:

- Negotiable certificates of deposits of $1,011,336 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County and tax settlements are made to the City during January, June and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2020. The City annually certifies delinquent water, sewer and storm sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivable upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items of the City are accounted for using the consumption method.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than the amounts defined below (amount not rounded) and an estimated useful life in excess of one year. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land/Land Improvements	$ 10,000
Other Improvements	25,000
Buildings	25,000
Building Improvements	25,000
Machinery and Equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other Assets	5,000

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City has elected not to retroactively capitalize the general infrastructure acquired prior to January 1, 2004. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. Capital asset improvement costs are capitalized if the costs exceed the capitalization threshold and either the value of the asset or estimated life is increased by 25 percent of the original cost, or the cost results in an increase in the capacity of the asset, or the efficiency of the asset is increased by more than 10 percent. Donated capital assets are recorded at acquisition value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and Improvements	15 to 50
Machinery and Equipment	5 to 10
Infrastructure	20 to 50

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1: Summary of Significant Accounting Policies (Continued)

For purposes of measuring the net pension liability (asset), deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by PERA through the Statewide Volunteer Firefighter Retirement Plan (SVF) for the Lexington Firefighter's Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employees Retirement Plan and the Lexington Fire Relief Association is as follows :

	Public Employees Retirement Association of Minnesota (PERA) GERP	Fire Relief Association	Total All Plans
Pension Expense	$ 18,259	$ (89,371)	$ (71,112)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off benefits to a maximum of 400 hours. All paid time off pay is accrued when incurred in the government-wide and proprietary funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Union employees are allowed severance equal to their unused compensatory time. In governmental fund types the cost of these benefits is recognized when payments are made to the employees. The General fund is typically used to liquidate governmental compensated absences.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

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

Unavailable revenue arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, *unavailable revenue,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 45 percent of budgeted expenditures for cash-flow timing needs.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments in 2020.

B. Deficit Fund Equity

The following funds had a net position deficit at December 31, 2020:

Fund	Amount
Major	
TIF District #1-3	$ 1,937,562
Nonmajor Enterprise Fund	
Storm Sewer	151,338

This deficit will be eliminated with future charges for services, tax increment collections, special assessment collections, future bond proceeds or transfers in.

C. Excess of Expenditures Over Appropriations

For the year ended December 31, 2020, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	$ 2,027,622	$ 2,175,150	$ 147,528

These excess expenditures were funded with revenues in excess of budget and other financing sources.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

Note 3: Detailed Notes on All Funds (Continued)

Investments

At year end, the City's investment balances were as follows:

Investment Type	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M fund	N/A	less than 6 months	$ 2,441,446			
Broker money market	N/A	less than 6 months	285,336			
Non-pooled Investments at Fair Value						
Negotiable certificates of deposit	N/A	less than 1 year	499,888	$ -	$ 499,888	$ -
Negotiable certificates of deposit	N/A	1 to 3 years	511,448	-	511,448	-
U.S. treasury securities	AAA	less than 1 year	999,860	-	-	-
Total Investments			$ 4,737,978	$ -	$ 1,011,336	$ -

(1) Ratings are provided by various rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk in disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

The investments of the City are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 53 of the notes.

- *Custodial Credit Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City's investment policy limits its exposure by obtaining collateral or bond for all uninsured amounts on deposit and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by disallowing purchases of investments that, at the time of investment, cannot be held to maturity. The City's investment policy states the City's investment portfolio, as much as possible, will contain both short-term and long-term investments. The City attempts to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields.

- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not address concentration of credit risk, placing no limit on the amount that may be invested in any one issuer.

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the statement of net position for the City follows:

Investments	$ 4,737,978
Cash on hand	2,800
Total	$ 4,740,778

B. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	$ 63,403	$ -	$ -	$ 63,403
Construction in progress	-	34,239		34,239
Total Capital Assets not Being Depreciated	63,403	34,239	-	97,642
Capital Assets Being Depreciated				
Buildings and improvements	2,498,132	16,563	-	2,514,695
Infrastructure	2,226,338	-	-	2,226,338
Machinery and equipment	1,768,214	188,779	(44,432)	1,912,561
Total Capital Assets being depreciated	6,492,684	205,342	(44,432)	6,653,594
Less Accumulated Depreciation for				
Buildings and improvements	(1,072,102)	(68,731)	-	(1,140,833)
Infrastructure	(622,899)	(70,006)	-	(692,905)
Machinery and equipment	(1,186,748)	(115,270)	44,432	(1,257,586)
Total Accumulated Depreciation	(2,881,749)	(254,007)	44,432	(3,091,324)
Total Capital Assets Being Depreciated, Net	3,610,935	(48,665)	-	3,562,270
Governmental Activities Capital Assets, Net	$ 3,674,338	$ (14,426)	$ -	$ 3,659,912

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental Activities	
General Government	$ 47,388
Public Safety	97,875
Public Works	100,091
Culture and Recreation	8,653
Total Depreciation Expense - Governmental Activities	$ 254,007

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	$ 51,950	$ -	$ -	$ 51,950
Construction in progress	-	36,650		36,650
Total Capital Assets not Being Depreciated	51,950	36,650	-	88,600
Capital Assets Being Depreciated				
Buildings and improvements	857,512	42,528	-	900,040
Infrastructure	2,864,285	-	-	2,864,285
Machinery and equipment	446,554	48,954	-	495,508
Total Capital Assets being Depreciated	4,168,351	91,482	-	4,259,833
Less Accumulated Depreciation for				
Buildings and improvements	(568,288)	(25,355)	-	(593,643)
Infrastructure	(1,655,778)	(69,679)	-	(1,725,457)
Machinery and equipment	(369,650)	(27,091)	-	(396,741)
Total Accumulated Depreciation	(2,593,716)	(122,125)	-	(2,715,841)
Total Capital Assets Being Depreciated, Net	1,574,635	(30,643)	-	1,543,992
Business-type Activities Capital Assets, Net	$ 1,626,585	$ 6,007	$ -	$ 1,632,592

Depreciation expense was charged to programs of the business-type activities as follows:

Business-type Activities	
Water	$ 36,115
Sewer	41,497
Municipal Liquor	42,042
Storm Sewer	2,471
Total Depreciation Expense - Business-type Activities	$ 122,125

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payable and Transfers

The composition of interfund transfers at December 31, 2020 is as follows:

	Transfer in			
Fund	General	Debt Service	Nonmajor Governmental	Total
Transfer Out				
General	$ -	$ 15,090	$ -	$ 15,090
Capital Projects	-		94,400	94,400
Nonmajor Governmental	-	27,562	-	27,562
Municipal Liquor	275,000	-	-	275,000
Total Transfers In	$ 275,000	$ 42,652	$ 94,400	$ 412,052

The City annually budgets transfers for specific purposes. Annual transfers include transfers made to cover annual operations and part of capital improvement plans.

An interfund loan was set up between the Capital Project Fund and TIF District #1-3 for the establishment of the TIF District. The amount of the loan is $1,943,721 including unpaid interest, expected to be refunded from the future tax increment at a 4 percent interest rate.

D. Long-term Debt

General Obligation (G.O.) Bonds

The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, G.O. bonds have been issued to refund bond issues.

G.O. Improvement Bonds

The following bonds were used to finance improvements and buildings. They will be repaid with ad valorem taxes and special assessments levied against the properties. The bonds are backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement and Crossover Refunding Bonds, Series 2012A	$ 445,000	1.00 - 1.70 %	06/14/12	02/01/21	$ 5,000
G.O. Improvement Bonds of 2014A	655,000	1.3 - 3.25	05/28/14	02/01/31	605,000
G.O. Capital Notes, Series 2016A	31,952	2.00	4/14/16	02/01/24	14,857
G.O. Improvement Bonds, Series 2017A	1,260,000	3.00	08/24/17	02/01/38	1,125,000
Total G.O. Improvement Bonds					$ 1,749,857

The G.O. Improvement and Refunding Bonds, Series 2012A were issued by the City of Circle Pines, refunding the Capital Improvement Plan Bonds of 2005A. The 2005A issue was for the construction of a police station per the joint powers agreement in Note 7. The $445,000 represents the City of Lexington's remaining portion of the 2012A issue.

Note 3: Detailed Notes on All Funds (Continued)

The G.O. Capital Note, Series 2016A were issued by the City of Circle Pines. The 2016A was issued for the purpose to finance capital equipment purchases per the joint powers agreement in Note 7. The $31,952 represents the City of Lexington's remaining portion of the 2016A issue.

Annual debt service requirements to maturity for G.O. improvement bonds are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	$ 76,802	$ 46,317	$ 123,119	$ 1,778	$ 2,863	$ 4,641
2022	133,004	43,523	176,527	10,666	2,745	13,411
2023	133,093	40,063	173,156	10,666	2,532	13,198
2024	133,183	36,551	169,734	10,666	2,308	12,974
2025	125,223	33,035	158,258	9,777	2,083	11,860
2026 - 2030	662,563	107,929	770,492	52,437	5,984	58,421
2031 - 2035	313,445	23,818	337,263	11,555	188	11,743
2036 - 2038	64,999	2,700	67,699	-	-	-
Total	$ 1,642,312	$ 333,936	$ 1,976,248	$ 107,545	$ 18,703	$ 126,248

G.O. Utility Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future operating revenues pledged from the Water and Sewer fund and are backed by the taxing power of the City. Annual principal and interest payments on the G.O. utility revenue bonds are expected to require less than 25 and 30 percent of operating revenues from the Water and Sewer funds, respectively. For 2020, principal and interest paid and total customer operating revenues for the Water fund were $31,515 and $172,024, respectively. For 2020, principal and interest paid and total customer operating revenues for the Sewer fund were $56,800 and $245,103, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Utility Revenue Bonds, Series 2010A	$ 1,040,000	1.85 - 3.75 %	07/14/10	02/01/26	$ 480,000

Annual debt service requirements to maturity for G.O. utility revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2021	$ 70,000	$ 15,670	$ 85,670
2022	75,000	13,350	88,350
2023	80,000	10,750	90,750
2024	85,000	7,863	92,863
2025	85,000	4,781	89,781
2026	85,000	1,594	86,594
Total	$ 480,000	$ 54,008	$ 534,008

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
G.O. Improvement Bonds	$ 1,799,113	$ -	$ (156,801)	$ 1,642,312	$ 76,802
Compensated Absences Payable	34,436	-	(2,529)	31,907	31,907
Governmental Activities Long-term Liabilities	$ 1,833,549	$ -	$ (159,330)	$ 1,674,219	$ 108,709
Business-type Activities					
G.O. Improvement Bonds	$ 109,323	$ -	$ (1,778)	$ 107,545	$ 1,778
G.O. Utility Revenue Bonds	550,000		(70,000)	480,000	70,000
Total Bonds Payable	659,323	-	(71,778)	587,545	71,778
Capital Lease Payable	-	-	-	-	-
Compensated Absences Payable	17,263	30,959	(27,705)	20,517	20,517
Business-type Activities Long-term Liabilities	$ 676,586	$ 30,959	$ (99,483)	$ 608,062	$ 92,295

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota *statutes*, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature.

Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent of pay for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2020, 2019 and 2018 were $57,739, $53,272 and $53,678, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of $623,528 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million to the fund in 2020. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $19,190. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportion was 0.0104 percent which was a 0.0003 percent an increase from its proportion measured as of June 30, 2019.

City's Proportionate Share of the Net Pension Liability	$ 623,528
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	19,190
Total	$ 642,718

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended December 31, 2020, the City recognized pension expense of $16,589 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized $1,670 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	$ 6,804	$ 2,506
Changes in Actuarial Assumptions	623	23,466
Net Difference Between Projected and Actual Earnings on Plan Investments	8,971	-
Changes in Proportion	13,958	12,554
Contributions Paid to PERA Subsequent to the Measurement Date	29,161	-
Total	$ 59,517	$ 38,526

The $29,161 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	$ (38,693)
2022	(1,023)
2023	16,481
2024	15,065

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
International Stocks	17.50	5.30
Cash	2.00	-
Total	100.00 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	$ 999,298	$ 623,528	$ 313,547

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 5: Public Employees Defined Contribution Plans

A. Plan Description

The Lexington Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2019, the plan covered 18 active firefighters and 9 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353 G.

B. Benefits Provided

The SVF provides lump-sum retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The benefit is selected from 71 possible levels in $100 increments ranging from $500 to $7,500 per year of service. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions. The State of Minnesota contributed $11,446 in fire state aid to the fund for the year ended December 31, 2020. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2020 were $11,446. The City's contributions were equal to the required contributions as set by state statute, if applicable. The City made no voluntary contributions to the plan.

D. Pension Costs

At December 31, 2020, the City reported a net pension asset of $147,677 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension asset during the year:

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2019	$ 572,569	$ 605,062	$ (32,493)
Changes for the Year			
Service cost	29,395	-	29,395
Interest on pension liability (asset)	36,118	-	36,118
Actuarial experience (gains)/losses	(27,979)	-	(27,979)
Projected investment earnings	-	36,304	(36,304)
Contributions (employer)	-	29,453	(29,453)
Contributions (State)	-	11,095	(11,095)
Asset (gain)/loss	-	76,716	(76,716)
Administrative costs	-	(850)	850
Total Net Changes	37,534	152,718	(115,184)
Ending Balance December 31, 2020	$ 610,103	$ 757,780	$ (147,677)

For the year ended December 31, 2020, the City recognized pension expense of $89,371.

At December 31, 2020, the City reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ -	$ 43,132
Changes in Actuarial Assumptions		
Actuarial Experience (Gains)/Losses	-	42,138
Contributions to Plan Subsequent to the Measurement Date	11,446	-
Total	$ 11,446	$ 85,270

Deferred outflows of resources totaling $11,446 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2020	$ (28,022)
2021	(24,051)
2022	(13,158)
2023	(20,039)

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

E. Actuarial Assumptions

The total pension liability at December 31, 2019 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation	3.00% per year
Investment Rate of Return	6.00%

There were no changes in actuarial assumptions in 2019.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the SVF plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's net pension liability (asset) for the SVF plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
SVF	$ (127,758)	$ (147,677)	$ (166,445)

H. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11A and chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

The SBI made no significant changes to their investment policy during fiscal year 2019 for the SVF plan.

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

I. Asset Allocation

The long-term expected rate of return on pension plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. All economic assumptions were based on input from various published sources and projected future financial data available.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.00 %	5.10 %
International Stocks	15.00	5.30
Bonds	45.00	0.75
Cash	5.00	-
Total	100.00 %	

The 6.0 percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

The SBI made no significant changes to their investment policy during fiscal year 2020 for the Volunteer Firefighter Fund.

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of December 31, 2019 is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

Note 6: Other Information

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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

Note 7: Joint Ventures

Centennial Lake Police Department

The Centennial Lakes Police Department (the Department) was formed under the authority of Minnesota statutes 436.06 in 2005 by agreement of the member cities of Centerville, Circle Pines and Lexington. The Department was created to provide police protection services to its member cities. The Department is managed through a three tier system consisting of a Governing Board, an Operations Committee, and a Chief of Police. The Governing Board consists of six members, two elected officials appointed by each member city. The Operations Committee is made up of the City administrators from each member city and the Chief of Police. The Chief of Police is appointed by mutual agreement of the City Councils of all member cities. Annual contributions required by each member city are calculated based on complaint history, population, and staffing formulas. The City's equity interest and its share of the net income (loss) of the Department is not measurable; therefore, no equity interest is reported in the government–wide financial statements. Contributions made by member cities for 2020 were as follows:

City of Lexington	$ 693,778	26.41 %
City of Circle Pines	1,072,072	40.80
City of Centerville	861,589	32.79
Total	$ 2,627,439	100.00 %

The following information is from the financial statements of the Department as of December 31, 2020. The amounts reported for the Department are those presented in its government-wide financial statements. These financial statements are available for viewing at the Lexington City hall.

	Centennial Lakes Police Department
Total Assets	$ 1,140,421
Total Deferred Outflows or Resources	841,276
Total Liabilities	1,977,520
Total Deferred Inflows or Resources	1,284,620
Total Net Position	(1,386,312)
Total Revenue	2,791,747
Total Expenses	2,801,515

North Metro Telecommunications Commission (the Commission)

The purpose of the Commission is to monitor the operations and activities of the cable commissions of the member cities. The member cities include the City of Blaine, Centerville, Circle Pines, Ham Lake, Lexington, Lino Lakes, and Spring Lake Park. Each member has a representative on the Commissions Board. The Commission also provides coordination, administration and enforcement of the franchises for the cable communication system. The City's equity interest and its share of the net income (loss) of the Commission are not explicit; therefore, no equity interest is reported in the government–wide financial statements.

Financial statements for the Commission can be obtained by writing to: North Metro Telecommunications Commission at 12520 Polk Street NE, Blaine, Minnesota 55434.

Note 7: Joint Ventures (Continued)

Anoka County Fire Protection Council (ACFPC)

The purpose of the ACFPC is to improve the efficiency and effectiveness of fire and emergency services to the public and address the Members' long term needs for fire-fighting and emergency equipment, fire records data systems, fire-fighter and EMS training, fire prevention, fire inspection, fire-related public education, and other fire- and emergency-related essentials The member cities include the City of Andover, Anoka, Bethel, Blaine, Centerville, Champlin, Circle Pines, Columbia Heights, Coon Rapids, East Bethel, Fridley, Ham Lake, Hilltop, Lexington, Lino Lakes, Mounds View, Nowthen, Oak Grove, Ramsey, Spring Lake Park, St. Francis, and the Township of Linwood. Each member has a representative on the ACFPC Board. The City's equity interest and its share of the net income (loss) of the Commission are not explicit; therefore, no equity interest is reported in the government–wide financial statements.

Note 8: COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEXINGTON
LEXINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Lexington, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2020

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pensior Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2020	0.0104 %	$ 623,528	$ 19,190	$ 642,718	$ 740,027	84.3 %	79.0 %
6/30/2019	0.0101	558,406	17,333	575,739	713,371	78.3	80.2
6/30/2018	0.0104	576,949	18,852	595,801	698,367	82.6	79.5
6/30/2017	0.0106	676,697	8,547	685,244	686,204	98.6	75.9
6/30/2016	0.0109	885,026	11,619	885,026	656,576	134.8	68.9
6/30/2015	0.0117	606,355	-	606,355	684,463	90.0	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Covered Payroll (b/c)
12/31/2020	$ 57,739	$ 57,739	$ -	$ 769,853	7.5 %
12/31/2019	53,272	53,272	-	710,297	7.5
12/31/2018	53,678	53,678	-	715,712	7.5
12/31/2017	51,556	51,556	-	687,409	7.5
12/31/2016	50,089	50,089	-	667,856	7.5
12/31/2015	51,360	51,360	-	684,800	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Notes to the Required Supplementary Information - General Employees Fund (Continued)

Changes in Plan Provisions

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/20	$ 11,445	$ 11,445	$ -
12/31/19	11,095	11,095	-
12/31/18	12,071	12,071	-
12/31/17	27,487	27,487	-
12/31/16	18,507	18,507	-
12/31/15	11,306	22,972	(11,666)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2020 (Fire Relief Report Date 2019)	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability						
Service cost	$ 29,396	$ 28,566	$ 25,411	$ 21,664	$ 24,730	$ 19,732
Interest on pension liability (asset)	36,118	30,743	26,951	27,113	22,496	17,627
Changes of benefit terms	-	51,173	(11,812)	(55,777)	55,778	-
Differences between expected and actual experience	(27,979)	(21,726)	60,249	(14,480)	(9,892)	81,469
Benefit payments	-	-	(81,500)	-	-	-
Net Change in Total Pension Liability	37,535	-	19,299	(21,480)	93,112	118,828
Total Pension Liability - January 1	572,569	483,813	464,514	485,994	392,882	274,054
Total Pension Liability - December 31	$ 610,104	$ 572,569	$ 483,813	$ 464,514	$ 485,994	$ 392,882
Plan Fiduciary Net Position						
Contributions - State	$ 11,095	$ 12,071	$ 8,909	$ 9,066	$ 9,084	$ 11,749
Fire supplemental aid	-	-	2,156	2,199	2,223	-
Employer contributions	29,453	-	-	-	11,666	9,151
Net investment income	113,020	(23,586)	78,295	37,687	418	30,356
Required municipal contribution	-	-	16,422	7,241	-	-
Administrative expense	(849)	(846)	(810)	(690)	(690)	(750)
Benefit Payments	-	-	(81,500)	-	-	-
Other	-	-	(37)	(41)	(17)	-
Net Change in Plan Fiduciary Net Position	152,719	(12,361)	23,435	55,462	22,684	50,506
Plan Fiduciary Net Position - January 1	605,062	617,423	593,988	538,526	515,842	465,336
Plan Fiduciary Net Position - December 31	$ 757,781	$ 605,062	$ 617,423	$ 593,988	$ 538,526	$ 515,842
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	$ (147,677)	$ (32,493)	$ (133,610)	$ (129,474)	$ (52,532)	$ (122,960)
Plan fiduciary net position as a percentage of the total pension liability (b/a)	124.21%	105.67%	127.62%	127.87%	110.81%	131.30%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A

Note: Schedule is intended to show 10-year trend. Additional years will be reported as the become available.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF LEXINGTON
LEXINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Lexington, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2020

	Special Revenue **229** CARES	Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	$ -	$ 242,630	$ 242,630
Receivables			
Special assessments	-	14,049	14,049
Total Assets	$ -	$ 256,679	$ 256,679
Liabilities			
Accounts payable	$ -	$ 16,500	$ 16,500
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	14,049	14,049
Fund Balances			
Restricted			
Parks	-	222,640	222,640
Assigned for future capital	-	3,490	3,490
Total Fund Balances	-	226,130	226,130
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ -	$ 256,679	$ 256,679

City of Lexington, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2020

	Special Revenue **229** CARES	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Intergovernmental	$ 158,893	$ -	$ 158,893
Charges for services	-	84,525	84,525
Special assessments	-	4,779	4,779
Investment earnings	-	2,365	2,365
Total Revenues	158,893	91,669	250,562
Expenditures			
Current			
General government	28,566	-	28,566
Public safety	128,882	-	128,882
Public works	1,445	-	1,445
Capital outlay			
Public works	-	75,340	75,340
Total Expenditures	158,893	75,340	234,233
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	16,329	16,329
Other Financing Sources (Uses)			
Transfers in	-	94,400	94,400
Transfers out	-	(27,562)	(27,562)
Total Other Financing Sources (Uses)	-	66,838	66,838
Net Change in Fund Balances	-	83,167	83,167
Fund Balances, January 1	-	142,963	142,963
Fund Balances, December 31	$ -	$ 226,130	$ 226,130

City of Lexington, Minnesota
Nonmajor Capital Project Funds
Combining Balance Sheet
December 31, 2020

	440 2015 Street Improvements	418 Lake Drive Project	419 Jackson Ave.	417 2017 Street Improvements	405 Park Dedication Fees	Total Capital Project Funds
Assets						
Cash and temporary investments	$ 16,500	$ -	$ 3,490	$ -	$ 222,640	$ 242,630
Special assessments receivable						
Deferred	-	-	14,049	-	-	14,049
Total Assets	$ 16,500	$ -	$ 17,539	$ -	$ 222,640	$ 256,679
Liabilities						
Accounts payable	$ 16,500	$ -	$ -	$ -	$ -	$ 16,500
Deferred Inflows of Resources						
Unavailable revenue - special assessments	-	-	14,049	-	-	14,049
Fund Balances						
Restricted for parks	-	-	-	-	222,640	222,640
Assigned for future capital projects	-	-	3,490	-	-	3,490
Total Fund Balances	-	-	3,490	-	222,640	226,130
Total Liabilities and Fund Balances	$ 16,500	$ -	$ 17,539	$ -	$ 222,640	$ 256,679

City of Lexington, Minnesota
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2020

	418 Lake Drive Project	**419** Jackson Ave.	**417** 2017 Street Improvements	**405** Park Dedication Fees	Total Capital Project Funds
Revenues					
Charges for services	$ -	$ -	$ -	$ 84,525	$ 84,525
Special assessments	-	4,779	-	-	4,779
Investment earnings	69	-	299	1,997	2,365
Total Revenues	69	4,779	299	86,522	91,669
Expenditures					
Capital outlay					
Public works	-	73,513	1,827	-	75,340
Excess (Deficiency) of Revenues Over (Under) Expenditures	69	(68,734)	(1,528)	86,522	16,329
Other Financing Sources (Uses)					
Transfers in	-	94,400	-	-	94,400
Transfers out	(69)	-	(27,493)	-	(27,562)
Total Other Financing Sources (Uses)	(69)	94,400	(27,493)	-	66,838
Net Change in Fund Balances	-	25,666	(29,021)	86,522	83,167
Fund Balances, January 1	-	(22,176)	29,021	136,118	142,963
Fund Balances, December 31	$ -	$ 3,490	$ -	$ 222,640	$ 226,130

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City of Lexington, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Taxes					
Property taxes	$ 1,049,531	$ 1,049,531	$ 1,053,683	$ 4,152	$ 1,026,025
Licenses and permits					
Business	43,150	43,150	29,725	(13,425)	40,666
Nonbusiness	42,800	42,800	127,892	85,092	115,476
Total licenses and permits	85,950	85,950	157,617	71,667	156,142
Intergovernmental					
State					
Local government aid	432,637	432,637	433,449	812	407,297
PERA aid	1,496	1,496	-	(1,496)	1,496
Fire aid	10,000	10,000	4,370	(5,630)	12,039
Police aid	40,000	40,000	39,173	(827)	40,180
Other	-	-	-	-	618
County					
Recycling grant	24,000	24,000	25,293	1,293	26,064
Total intergovernmental	508,133	508,133	502,285	(5,848)	487,694
Charges for services					
General government	48,100	48,100	104,140	56,040	119,139
Fines and forfeitures	15,000	15,000	12,133	(2,867)	19,362
Investment earnings	2,908	2,908	11,549	8,641	21,358
Miscellaneous					
Other	3,000	3,000	8,045	5,045	6,810
Total Revenues	1,712,622	1,712,622	1,849,452	136,830	1,836,530

City of Lexington, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	$ 37,139	$ 37,139	$ 36,062	$ 1,077	$ 26,370
Other services and charges	1,550	1,550	1,410	140	119
Total mayor and city council	38,689	38,689	37,472	1,217	26,489
Administration					
Personnel services	251,158	251,158	249,679	1,479	208,361
Supplies	5,000	5,000	3,989	1,011	2,767
Other services and charges	307,342	307,342	411,969	(104,627)	197,326
Total administration	563,500	563,500	665,637	(102,137)	408,454
Elections					
Personnel services	11,801	11,801	13,421	(1,620)	1,567
Other services and charges	1,280	1,280	1,724	(444)	539
Total elections	13,081	13,081	15,145	(2,064)	2,106
Total general government	615,270	615,270	718,254	(102,984)	437,049
Public safety					
Police protection and administration					
Other services and charges	793,778	793,778	788,914	4,864	769,669
Fire fighting and administration					
Personnel services	144,948	144,948	129,688	15,260	132,484
Supplies	16,572	16,572	12,443	4,129	16,443
Other services and charges	67,960	67,960	61,713	6,247	53,472
Total fire fighting and administration	229,480	229,480	203,844	25,636	202,399
Building inspection					
Other services and charges	73,000	73,000	175,515	(102,515)	176,879
Animal control					
Other services and charges	500	500	-	500	214
Total public safety	1,096,758	1,096,758	1,168,273	(71,515)	1,149,161

City of Lexington, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Public works					
General public works					
Personnel services	$ 94,515	$ 94,515	$ 95,869	$ (1,354)	$ 103,238
Supplies	54,437	54,437	36,226	18,211	41,367
Other services and charges	37,590	37,590	44,002	(6,412)	36,221
Total general public works	186,542	186,542	176,097	10,445	180,826
Recycling					
Personnel services	14,504	14,504	14,643	(139)	16,779
Supplies	2,000	2,000	2,556	(556)	1,972
Other services and charges	15,550	15,550	9,843	5,707	15,463
Total recycling	32,054	32,054	27,042	5,012	34,214
Total public works	218,596	218,596	203,139	15,457	215,040
Culture and recreation					
Parks					
Personnel services	61,481	61,481	61,626	(145)	67,128
Supplies	9,637	9,637	5,837	3,800	7,220
Other services and charges	25,880	25,880	18,021	7,859	30,781
Total culture and recreation	96,998	96,998	85,484	11,514	105,129
Total Expenditures	2,027,622	2,027,622	2,175,150	(147,528)	1,906,379
Excess (Deficiency) of Revenues Over (Under) Expenditures	(315,000)	(315,000)	(325,698)	(10,698)	(69,849)
Other Financing Sources (Uses)					
Transfers in	275,000	275,000	275,000	-	120,000
Sale of capital assets	-	-	58,690	58,690	-
Transfers out	-	-	(15,090)	(15,090)	-
Total Other Financing Sources (Uses)	275,000	275,000	318,600	43,600	120,000
Net Change in Fund Balances	(40,000)	(40,000)	(7,098)	32,902	50,151
Fund Balances, January 1	1,015,161	1,015,161	1,015,161	-	965,010
Fund Balances, December 31	$ 975,161	$ 975,161	$ 1,008,063	$ 32,902	$ 1,015,161

City of Lexington, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2020

	585 Improvement Bonds of 2004	599 G.O. Refunding Bonds of 2012	591 Improvement Bonds of 2014	592 Improvement Bonds of 2017	551 Improvement Bonds of 2016	Total
Assets						
Cash and temporary investments	$ -	$ 30,543	$ 98,216	$ 316,236	$ -	$ 444,995
Receivables						
Taxes	-	6,288	677	4,842	-	11,807
Special assessments	-	-	26,229	216,241	-	242,470
Total Assets	$ -	$ 36,831	$ 125,122	$ 537,319	$ -	$ 699,272
Deferred Inflows of Resources						
Unavailable revenue - delinquent taxes	$ -	$ 4,418	$ -	$ 2,645	$ -	$ 7,063
Unavailable revenue - special assessments	-	-	26,229	216,241	-	242,470
Total Deferred Inflows of Resources	-	4,418	26,229	218,886	-	249,533
Fund Balances						
Restricted for debt service	-	32,413	98,893	318,433	-	449,739
Total Deferred Inflows of Resources and Fund Balances	$ -	$ 36,831	$ 125,122	$ 537,319	$ -	$ 699,272

City of Lexington, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2020

	585 Improvement Bonds of 2004	599 G.O. Refunding Bonds of 2012	591 Improvement Bonds of 2014	592 Improvement Bonds of 2017	551 Improvement Bonds of 2016	Total
Revenues						
Taxes						
Property	$ -	$ 62,155	$ 8,846	$ 66,835	$ -	$ 137,836
Franchise	-	-	-	-	4,146	4,146
Special assessments	-	-	10,404	30,328	-	40,732
Investment earnings	-	183	951	2,416	-	3,550
Total Revenues	-	62,338	20,201	99,579	4,146	186,264
Expenditures						
Debt service						
Principal	20,000	60,000	8,222	65,000	3,580	156,802
Interest and other	470	1,470	13,823	35,200	566	51,529
Total Expenditures	20,470	61,470	22,045	100,200	4,146	208,331
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,470)	868	(1,844)	(621)	-	(22,067)
Other Financing Sources						
Transfers in	15,090	-	-	27,562	-	42,652
Net Change in Fund Balances	(5,380)	868	(1,844)	26,941	-	20,585
Fund Balances, January 1	5,380	31,545	100,737	291,492	-	429,154
Fund Balances, December 31	$ -	$ 32,413	$ 98,893	$ 318,433	$ -	$ 449,739

City of Lexington, Minnesota

Summary Financial Report

Revenues and Expenditures For General Operations - Governmental Funds

For the Years Ended December 31, 2020 and 2019

	Total		Percent Increase (Decrease)
	2020	2019	
Revenues			
Taxes			
Property taxes	$ 1,199,473	$ 1,146,825	4.59 %
Franchise taxes	177,425	160,316	10.67
Licenses and permits	157,617	156,142	0.94
Intergovernmental	704,420	556,194	26.65
Charges for services	195,542	125,570	55.72
Fines and forfeitures	12,133	19,362	(37.34)
Special assessments	45,511	46,204	(1.50)
Investment earnings	99,399	147,040	(32.40)
Miscellaneous	34,189	31,105	9.91
Total Revenues	$ 2,625,709	$ 2,388,758	9.92 %
Per Capita	$ 1,114	$ 1,133	(1.60) %
Expenditures			
Current			
General government	$ 748,650	$ 438,655	70.67 %
Public safety	1,297,155	1,149,161	12.88
Public works	204,584	215,040	(4.86)
Culture and recreation	85,484	105,129	(18.69)
Capital outlay			
General government	16,036	75,400	(78.73)
Public safety	98,725	114,886	(14.07)
Public works	94,524	49,906	89.40
Culture and recreation	56,064	4,973	1,027.37
Housing	-	-	N/A
Debt service			
Principal	156,802	156,713	0.06
Interest and other	115,626	137,723	(16.04)
Total Expenditures	$ 2,873,650	$ 2,447,586	17.41 %
Per Capita	$ 1,220	$ 1,161	5.10 %
Total Long-term Indebtedness	$ 1,642,312	$ 1,799,113	(8.72) %
Per Capita	697	853	(18.28)
General Fund Balance - December 31	$ 1,008,063	$ 1,015,161	(0.70) %
Per Capita	428	481	(11.11)

The purpose of this report is to provide a summary of financial information concerning the City of Lexington to interested citizens. The complete financial statements may be examined at City Hall, 9180 Lexington Avenue, Lexington, MN 55014. Questions about this report should be directed to Bill Petracek, City Administrator at (763) 784-2792.

OTHER REQUIRED REPORT

CITY OF LEXINGTON
LEXINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Lexington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lexington, Minnesota (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 21, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 21, 2021

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