

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**FINANCIAL REPORT**

**AUGUST 31, 2013**

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
AUGUST 31, 2013**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4 - 8
<b>BASIC FINANCIAL STATEMENTS – CASH BASIS:</b>	
Government – Wide Financial Statements:	
Statement of Net Position – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds	11
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds	12
Statement of Net Position – Cash Basis – Proprietary Fund	13
Statement of Receipts, Disbursements and Changes in Fund Net Position – Cash Basis – Proprietary Fund	14
Statement of Net Position – Cash Basis – Fiduciary Funds	15
Statement of Changes in Net Position – Cash Basis – Fiduciary Funds	16
Notes to Financial Statements	17 - 29
<b>SUPPLEMENTARY INFORMATION:</b>	
Combined Schedule of Cash Receipts, Disbursements and Fund Balances	30
Schedule of Cash Receipts, Disbursements and Fund Balance Budget and Actual – General Fund	31 - 33
Schedule of Cash Disbursements for Operational Expenses – General Fund	34 - 39
Schedule of Cash Receipts, Disbursements, Transfers and Fund Balance – Activities Fund	40 - 42
Individual Fund Schedules of Cash Receipts, Disbursements and Fund Balance	43 - 49
Notes to Supplementary Information	50
Analysis of General Fund Tax Accounts with County Treasurers	51
Analysis of Special Building Fund Tax Accounts with County Treasurers	52
Analysis of Bond Fund Tax Accounts with County Treasurers	53

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
AUGUST 31, 2013**

**TABLE OF CONTENTS (continued)**

**SINGLE AUDIT INFORMATION:**

Schedule of Expenditures of Federal Awards	54 - 56
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57 and 58
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133	59 - 61
Schedule of Findings and Questioned Costs	62 and 63



McDERMOTT + MILLER  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Lexington Public School District #1  
Lexington, NE

### **Report on the Financial Statements**

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public School District #1, Lexington, NE, (the "School District"), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Lexington Public School District #1's management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public School District #1, as of August 31, 2013, and the respective changes in financial position – cash basis thereof for the year then ended on the basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8 and budgetary comparison information on pages 31 through 33 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 Lexington Public School District #1's basic financial statements. The Combined Schedule of Cash Receipts, Disbursements and Fund Balances on page 30,

the Schedule of Cash Disbursements for Operational Expenses – General Fund on pages 34 through 39, the Schedule of Cash Receipts, Disbursements, Transfers and Fund Balance - Activities Fund on pages 40 through 42, the Individual Fund Schedules of Cash Receipts, Disbursements and Fund Balance as listed on pages 43 through 49, and the Schedule of Expenditures of Federal Awards as listed on pages 54 through 56, required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information identified is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The analysis of General, Special Building and Bond Fund tax accounts with County Treasurers on pages 51 through 53 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013, on our consideration of Lexington Public School District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lexington Public School District #1's internal control over financial reporting and compliance.

**McDERMOTT AND MILLER, P.C.**



Kearney, Nebraska  
October 18, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Dawson County School District 24-0001 (Lexington Public Schools)

This section of Lexington Public Schools' annual audit report presents our discussion and analysis of the school district's financial performance during the fiscal year that ended on August 31, 2013. Please read it in conjunction with the district's financial statements which follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Lexington Public Schools' financial statements. The provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board (GASB), "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," established standards for external financial reporting for all state and local government entities. These standards require three components for Lexington Public Schools' basic financial statements. They are: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These components are described below:

**Government-wide Financial Statements**

These statements are intended to provide a broad view of Lexington Public Schools' operations in a manner similar to the private sector, providing both a short-term and a long-term view of Lexington Public Schools' financial position. To meet this view, Lexington Public Schools would need to prepare its financial statements on the accrual basis of accounting. However, Lexington Public Schools did not prepare its government-wide statements on the accrual basis. Instead, Lexington Public Schools prepared its government-wide statements on the cash basis of accounting. Under the cash basis, receipts are not recorded until received, inventories are not recorded as disbursements until they are consumed, and accounts payable and accrued expenses (primarily payroll withholdings) have not been recognized as liabilities. Accordingly, Lexington Public Schools' government-wide financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles (GAAP) accepted in the United States of America. The government-wide financial statements include two statements, the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents all of Lexington Public Schools' assets and liabilities on the cash basis as described above with the difference between the two reported as "net position." Net position is one way of measuring the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and changes in the state school aid funding formula from the State of Nebraska.

The Statement of Activities presents information showing how Lexington Public Schools' net position changed during the reported year. Changes reported are on the cash basis as described above. The statement of activities demonstrates the degree to which the direct

disbursements/expenditures of a given function or segment are offset by program receipts/revenues. Direct disbursements/expenditures are those that are clearly identifiable with a specific function or segment. Program receipts/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. Appropriations and other items not properly included among program receipts/revenues are reported, instead, as general receipts/revenues.

In the statement of net position and the statement of activities, activities of the District are divided into two categories:

**Governmental Activities-** This category includes the District's basic instructional services, such as elementary and high school educational programs, and support services (guidance counselor, executive administration, board of education, business services, etc.). Property taxes, state grants, and federal grants finance most of these activities.

**Business-Type Activities-** The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The School Lunch Fund is the only business-type activity of the School.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting mechanisms that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- **Proprietary Funds** – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-and long-term financial information. The School Lunch Fund is the only proprietary fund maintained by the District.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The Activities Fund and Student Fee Fund are Fiduciary funds.



## **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 all of the basic financial statements.

### **Required Supplementary Information**

Following the basic financial statements and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information consists of the budgetary schedule and notes.

## **FINANCIAL AND OPERATING HIGHLIGHTS**

- The District's Net Position for the fiscal year ended August 31, 2013, compared to the fiscal year ended August 31, 2012, decreased by \$2,066,449. The overall decrease in net position can be attributed to the District's investment in construction projects at Bryan Elementary and Lexington Middle School.
- The District's General Fund disbursements and transfers in 2012-2013 were \$2,094,704 greater than the prior year's disbursements and transfers, resulting in an overall increase of 6%, which is primarily due to expenses related to the aforementioned construction projects.
- The District's General Fund receipts in 2012-2013 were \$34,137,946, compared to \$31,781,327 in 2011-2012 for an increase of 7.00%. This increase is partially due to the timing in which the District received Federal Aid payments. In addition, the District received additional State Aid that was a result of a data reporting error. As a result, State aid for 2013-2014 will include a prior year correction of \$1,354,359.43, which will decrease State Aid.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The largest single source of receipts for Lexington Public Schools is State revenue in the amount of \$23,028,725 for 2012-2013, which increased by \$1,382,664 (6%) from the prior year. State sources account for 68% of the total General Fund receipts, and Federal revenue accounts for 10% of General Fund receipts. Local and county receipts account for the remaining 22% of General Fund revenue.

Property taxes as a source of revenue for the District account for 20% of the total General Fund revenues. The amount of property taxes collected for 2012-2013 were \$325,791 more than the previous year.

The following table shows the property tax rates, by fund, for the 2006-2007 through 2012-2013 fiscal years. Levies are expressed in dollars and cents per \$100 of valuation. Using the following table the District total property tax on a property valued at \$100,000 in 2012-2013 was \$1,226.03, slightly less than the previous year.

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
	Levy	Levy	Levy	Levy	Levy	Levy	Levy
General Fund	0.944269	0.945308	1.040016	1.040016	1.040016	1.040016	1.040016
Building Fund	0.098761	0.098515	0.008799	0.008799	0.008799	0.008799	0.008799
Bond Funds	0.209628	0.194451	0.193983	0.193983	0.189032	0.181490	0.177216
District Total	01.25658	1.238270	1.242800	1.242800	1.237850	1.230310	1.226030

### General Fund Budgetary Highlights

The District's General Fund cash position for school year 2012-2013 decreased by \$1,645,373. This is shown by a difference in the beginning cash balance on September 1, 2012 of \$11,527,132 and the ending cash balance of \$9,881,759, as of August 31, 2013.

Below is a comparison of General Fund budgeted to actual receipts and disbursements for the 2012-2013 fiscal year.

Receipts	2012-2013 Budget	2012-2013 Actual	Over/(Under) Budget
Local Taxes	\$7,008,342	\$7,454,864	\$446,522
State Sources	\$22,800,914	\$23,028,725	\$227,811
County Sources	\$150,000	\$179,892	\$29,892
Other Federal	\$2,842,328	\$3,474,444	\$632,116
Other Non-revenue	\$3,500	\$21	(\$3,479)
<b>Subtotal</b>	<b>\$32,805,084</b>	<b>\$34,137,946</b>	<b>\$1,332,862</b>

Disbursements	2012-2013 Budget	2012-2013 Actual	(Over)/Under Budget
Instructional	\$19,772,484	\$20,146,550	(\$374,066)
Support Services	\$12,544,417	\$12,744,018	(\$199,601)
Federal & State Grants	\$2,888,035	\$2,811,927	\$76,108
Debt Services	\$324	\$324	\$0
Transfers to other Funds	\$1,434,586	\$80,500	\$1,354,086
<b>Subtotal</b>	<b>\$36,639,846</b>	<b>\$35,783,319</b>	<b>\$856,527</b>

### Financial Analysis of the Other Funds

The following financial information pertains to the beginning and ending cash positions of the Special Building Fund, Depreciation Fund, and Employee Benefit Fund.

Cash Balances	2012-2013 Beginning	2012-2013 Ending	Increase/ (Decrease)
Special Building Fund	\$49,743	\$88,251	\$38,508
Depreciation Fund	\$3,098,914	\$2,924,850	(\$174,064)
Employee Benefits Fund	\$713,333	\$741,068	\$27,735

### Debt Administration

At year-end, the Lexington Public Schools had \$2,136,279 outstanding principal and interest debt in General Obligation Bonds.

### Activity Fund Report

The following report shows the District assets held in a trustee or agency capacity called the Lexington Public School Activity Fund. The total receipts include a transfer of \$80,500 made from the General Fund to the Activity Fund

<b>Activity Fund</b>	<b>2012-2013 Actual</b>	<b>Net Change</b>
Beginning Balance	\$292,134	
Receipts	\$559,843	
Disbursements	(\$545,915)	
Ending Balance	\$306,062	\$13,928
Payflex change in fund balance		<u>321</u>
Total Net Change		\$14,249

### School Lunch Fund Report

Lunch Fund operating receipts and disbursements shows a deteriorated cash position.

<b>Lunch Fund</b>	<b>2012-2013 Actual</b>	<b>Net Change</b>
Beginning Balance	\$664,313	
Receipts	\$1,593,411	
Disbursements	(\$1,716,312)	
Ending Balance	\$541,412	(\$122,901)

### CONTACTING LEXINGTON PUBLIC SCHOOLS' FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, students and bond-buyers a general overview of the District's finances and to demonstrate the District's accountability for the money with which it is entrusted. If you have questions about this report or need additional financial information, contact

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Chief Financial Officer  
Lexington Public Schools  
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Lexington, NE 68850

The telephone number is (308) 324-1202 and e-mail address is [erin.heineman@lexschools.org](mailto:erin.heineman@lexschools.org).

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**STATEMENT OF NET POSITION - CASH BASIS  
August 31, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2013 Total</b>
<b>ASSETS</b>			
Cash	\$ 12,572,960	\$ 541,412	\$ 13,114,372
Cash at county treasurer	2,302,554	-	2,302,554
<b>Total assets</b>	<b><u>\$ 14,875,514</u></b>	<b><u>\$ 541,412</u></b>	<b><u>\$ 15,416,926</u></b>
<b>NET POSITION</b>			
Restricted for:			
Debt service	\$ 938,478	\$ -	\$ 938,478
Capital projects	3,314,209	-	3,314,209
Employee benefits	741,068	-	741,068
Unrestricted	9,881,759	541,412	10,423,171
<b>Total net position</b>	<b><u>\$ 14,875,514</u></b>	<b><u>\$ 541,412</u></b>	<b><u>\$ 15,416,926</u></b>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA

STATEMENT OF ACTIVITIES - CASH BASIS  
For the Year Ended August 31, 2013

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Position		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2013	
					Governmental Activities	Business-type Activities
<b>Primary government:</b>						
<b>Governmental activities:</b>						
Regular instruction	\$ 16,948,224	\$ 600	\$ -	\$ (16,947,624)	\$ -	\$ (16,947,624)
Special Education Instruction	2,898,326	-	-	(2,898,326)	-	(2,898,326)
<b>Support services:</b>						
Pupils	1,417,835	-	-	(1,417,835)	-	(1,417,835)
Staff	278,995	-	-	(278,995)	-	(278,995)
Business	568,724	-	-	(568,724)	-	(568,724)
Maintenance and operation of business	5,465,084	-	-	(5,465,084)	-	(5,465,084)
Pupil transportation	398,790	-	-	(398,790)	-	(398,790)
General administration	513,314	-	-	(513,314)	-	(513,314)
Office of principal	1,304,276	-	-	(1,304,276)	-	(1,304,276)
State categorical programs	29,002	-	-	(29,002)	-	(29,002)
Federal programs	2,717,284	-	3,474,444	757,160	-	757,160
Capital outlay	3,189,707	-	-	(3,189,707)	-	(3,189,707)
Debt service	848,174	-	-	(848,174)	-	(848,174)
Transfers	80,500	-	-	(80,500)	-	(80,500)
Other	340,427	-	65,694	(274,733)	-	(274,733)
<b>Total governmental activities</b>	<b>\$ 36,998,662</b>	<b>\$ 600</b>	<b>\$ 3,540,138</b>	<b>\$ (33,457,924)</b>	<b>\$ -</b>	<b>\$ (33,457,924)</b>
<b>Business-type activities:</b>						
School lunch	\$ 1,716,312	\$ 216,310	\$ 1,363,753	\$ -	\$ (136,249)	\$ (136,249)
<b>Total business-type activities</b>	<b>\$ 1,716,312</b>	<b>\$ 216,310</b>	<b>\$ 1,363,753</b>	<b>\$ -</b>	<b>\$ (136,249)</b>	<b>\$ (136,249)</b>
<b>Total primary government</b>	<b>\$ 38,714,974</b>	<b>\$ 216,910</b>	<b>\$ 4,903,891</b>	<b>\$ (33,457,924)</b>	<b>\$ (136,249)</b>	<b>\$ (33,594,173)</b>
<b>General receipts:</b>						
<b>Taxes:</b>						
Property				\$ 7,649,383	\$ -	\$ 7,649,383
Motor vehicle				610,560	-	610,560
Fines and licenses				190,788	-	190,788
Sale of property				500	-	500
State aid				23,028,725	-	23,028,725
Interest income				32,199	1,259	33,458
Other				2,221	12,089	14,310
<b>Total general receipts</b>				<b>\$ 31,514,376</b>	<b>\$ 13,348</b>	<b>\$ 31,527,724</b>
Change in net position				(1,943,548)	(122,901)	(2,066,449)
<b>Net position - beginning</b>				<b>16,819,062</b>	<b>664,313</b>	<b>17,483,375</b>
<b>Net position - ending</b>				<b>\$ 14,875,514</b>	<b>\$ 541,412</b>	<b>\$ 15,416,926</b>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1  
 LEXINGTON, NEBRASKA

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
 GOVERNMENTAL FUNDS  
 August 31, 2013

	General	Depreciation	Special Building	LPS Building Corporation	Other Governmental Funds	2013 Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 7,846,477	\$ 2,924,850	\$ 71,490	\$ 301,108	\$ 1,429,035	\$ 12,572,960
Cash at county treasurer	<u>2,035,282</u>	-	<u>16,761</u>	-	<u>250,511</u>	<u>2,302,554</u>
<b>Total assets</b>	<u>\$ 9,881,759</u>	<u>\$ 2,924,850</u>	<u>\$ 88,251</u>	<u>\$ 301,108</u>	<u>\$ 1,679,546</u>	<u>\$ 14,875,514</u>
<b>FUND BALANCES</b>						
Fund balances:						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 938,478	\$ 938,478
Assigned	-	2,924,850	88,251	301,108	741,068	4,055,277
Unassigned	<u>9,881,759</u>	-	-	-	-	<u>9,881,759</u>
<b>Total fund balances</b>	<u>\$ 9,881,759</u>	<u>\$ 2,924,850</u>	<u>\$ 88,251</u>	<u>\$ 301,108</u>	<u>\$ 1,679,546</u>	<u>\$ 14,875,514</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS

For the Year Ended August 31, 2013

	General	Depreciation	Special Building	LPS Building Corporation	Other Governmental Funds	2013 Total Governmental Funds
<b>RECEIPTS</b>						
Taxes:						
Property	\$ 6,742,555	\$ -	\$ 60,420	\$ -	\$ 846,408	\$ 7,649,383
Motor vehicle	610,560	-	-	-	-	610,560
Sale of property	-	-	500	-	-	500
Fines and licenses	190,788	-	-	-	-	190,788
Tuition	600	-	-	-	-	600
State aid	23,028,725	-	-	-	-	23,028,725
Federal aid	3,474,444	-	-	-	-	3,474,444
Other categorical programs	56,904	-	-	-	-	56,904
Categorical / private grant revenue	8,790	-	-	-	-	8,790
Interest income	22,409	6,479	118	561	2,632	32,199
Other	2,171	-	-	2,297,050	-	2,299,221
<b>Total receipts</b>	<b>\$ 34,137,946</b>	<b>\$ 6,479</b>	<b>\$ 61,038</b>	<b>\$ 2,297,611</b>	<b>\$ 849,040</b>	<b>\$ 37,352,114</b>
<b>DISBURSEMENTS</b>						
Regular instruction	\$ 17,248,224	\$ -	\$ -	\$ -	\$ -	\$ 17,248,224
Special Education Instruction	2,898,326	-	-	-	-	2,898,326
Support services:						
Pupils	1,417,835	-	-	-	-	1,417,835
Staff	278,995	-	-	-	-	278,995
Business	568,724	-	-	-	-	568,724
Maintenance and operation of business	8,262,084	-	-	-	-	8,262,084
Pupil transportation	398,790	-	-	-	-	398,790
General administration	513,314	-	-	-	-	513,314
Office of principal	1,304,276	-	-	-	-	1,304,276
State categorical programs	29,002	-	-	-	-	29,002
Federal programs	2,717,284	-	-	-	-	2,717,284
Capital outlay	-	680,543	22,530	2,486,634	-	3,189,707
Debt service	324	-	-	-	847,850	848,174
Other	65,641	-	-	1,021	273,765	340,427
<b>Total disbursements</b>	<b>\$ 35,702,819</b>	<b>\$ 680,543</b>	<b>\$ 22,530</b>	<b>\$ 2,487,655</b>	<b>\$ 1,121,615</b>	<b>\$ 40,015,162</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	\$ 500,000	\$ -	\$ -	\$ 300,000	\$ 800,000
Transfers out	(80,500)	-	-	-	-	(80,500)
<b>Total other financing sources (uses)</b>	<b>\$ (80,500)</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>\$ 719,500</b>
<b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b>	<b>\$ (1,645,373)</b>	<b>\$ (174,064)</b>	<b>\$ 38,508</b>	<b>\$ (190,044)</b>	<b>\$ 27,425</b>	<b>\$ (1,943,548)</b>
<b>Fund balances - beginning</b>	<b>\$ 11,527,132</b>	<b>\$ 3,098,914</b>	<b>\$ 49,743</b>	<b>\$ 491,152</b>	<b>\$ 1,652,121</b>	<b>\$ 16,819,062</b>
<b>Fund balances - ending</b>	<b>\$ 9,881,759</b>	<b>\$ 2,924,850</b>	<b>\$ 88,251</b>	<b>\$ 301,108</b>	<b>\$ 1,679,546</b>	<b>\$ 14,875,514</b>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION - CASH BASIS  
PROPRIETARY FUND  
August 31, 2013

	<u>2013 School Lunch Fund</u>
<b>ASSETS</b>	
Cash	\$ 541,412
<b>Total assets</b>	<u>\$ 541,412</u>
<b>NET POSITION</b>	
Unrestricted	\$ 541,412
<b>Total net position</b>	<u>\$ 541,412</u>

See notes to financial statements.



**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN NET POSITION - CASH BASIS  
PROPRIETARY FUND**

**For the Year Ended August 31, 2013**

	<u>2013 School Lunch Fund</u>
Operating receipts:	
Charges for sales and services:	
Sale of breakfast and lunch	\$ 216,310
<b>Total operating receipts</b>	<u>\$ 216,310</u>
 Operating disbursements:	
Cost of sales and services	\$ 1,716,312
<b>Total operating disbursements</b>	<u>\$ 1,716,312</u>
<b>Operating income (loss)</b>	<u>\$ (1,500,002)</u>
 Nonoperating receipts:	
USDA and State subsidies	\$ 1,363,753
Investment income	1,259
Other receipts	12,089
<b>Total nonoperating receipts</b>	<u>\$ 1,377,101</u>
<b>Increase (decrease) in net position</b>	<u>\$ (122,901)</u>
 Total net position - beginning	<u>664,313</u>
 Total net position - ending	<u>\$ 541,412</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**STATEMENT OF NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
August 31, 2013**

	<u>Activities Fund</u>	<u>Student Fee Fund</u>	<u>2013 Total Fiduciary Funds</u>
<b>ASSETS</b>			
Cash	\$ 359,825	\$ 5,369	\$ 365,194
<b>Total assets</b>	<u>\$ 359,825</u>	<u>\$ 5,369</u>	<u>\$ 365,194</u>
 <b>NET POSITION</b>			
	<u>\$ 359,825</u>	<u>\$ 5,369</u>	<u>\$ 365,194</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**STATEMENT OF CHANGES IN NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
For the Year Ended August 31, 2013**

	<u>Activities Fund</u>	<u>Student Fee Fund</u>	<u>2013 Total Fiduciary Funds</u>
<b>ADDITIONS</b>			
Activities receipts	\$ 479,343	\$ -	\$ 479,343
Payflex receipts	188,653	-	188,653
Interest income	-	12	12
Transfer from General	<u>80,500</u>	-	<u>80,500</u>
<b>Total additions</b>	<u>\$ 748,496</u>	<u>\$ 12</u>	<u>\$ 748,508</u>
<b>DEDUCTIONS</b>			
Purchased services and supplies	\$ 545,915	\$ -	\$ 545,915
Payflex disbursements	<u>188,332</u>	-	<u>188,332</u>
<b>Total deductions</b>	<u>\$ 734,247</u>	<u>\$ -</u>	<u>\$ 734,247</u>
<b>Increase in net position</b>	\$ 14,249	\$ 12	\$ 14,261
Net position - beginning	<u>345,576</u>	<u>5,357</u>	<u>350,933</u>
Net position - ending	<u>\$ 359,825</u>	<u>\$ 5,369</u>	<u>\$ 365,194</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - Lexington Public School District #1 (the "School District") is a tax-exempt political subdivision and a Class III school district of the State of Nebraska.

**Basis of Accounting** – The School District prepares its financial statements on the cash basis of accounting, which is consistent with the requirements of the Commissioner of Education and Nebraska Department of Education. Under the cash basis, revenues are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, these financial statements are not intended to present financial information in accordance with accounting principles generally accepted in the United States of America.

**Reporting Entity** – In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statements. These criteria state that the financial reporting entity consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on these criteria, the Lexington Public Schools Building Corporation should be included in the financial statements of the School District. The board of the component unit is appointed by the District board. Its purpose is to seek, hold, purchase, lease, and otherwise encumber real or personal property. The services of the component unit are so intertwined with the School District that it is in substance the same as the School District and is reported as part of the School District. Thus, the financial information of the component unit is blended in the School District's financial statements.

The School District has the following related organizations not considered to have a significant operational or financial relationship:

**Fundraising Organizations**

- The school has Parent Teacher organizations at the individual schools that raise money for various projects at the school.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation** – The School District has adopted the provisions of Statement No. 34 (“Statement 34”) of the Government Accounting Standards Board “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.” Statement 34 established standards for external financial reporting for all state and local government entities, which includes government-wide financial statements, fund financial statements and the classification of net position into two components – restricted and unrestricted.

**Government-wide and Fund Financial Statements** – The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Proprietary funds are used to account for the School District’s business-type activities. Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. The School Lunch Fund is considered a proprietary fund.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the School District's own programs. The Activities and Student Fee Funds are fiduciary funds.

Major Funds of the school are the General, Special Building, LPS Building Corporation and Depreciation Fund for the governmental funds and the Lunch Fund for the proprietary funds.

**Fund Types** – The accounts of the School District are organized on the basis of funds, which are grouped into the following fund types:

**Governmental Funds**

*General Fund* – Accounts for the financing of all facets of services rendered by the School District, inclusive of operation and maintenance.

*Depreciation Fund* – Accumulates funds for eventual significant future capital outlays. The Depreciation Fund shall be considered only a component of the General Fund

*Employee Benefits Fund* – Accounts for money utilized to pay for future employee benefits for School District retirees.

*Special Building Fund* – Accounts for the acquisition, erection, alteration, or improvement of buildings and sites.

*Bond Fund* – Accounts for tax receipts, investment interest, and the payment of bond principal, interest, and other related costs.

*Lexington Public Schools Building Corporation Fund* – Accounts for lease revenues from the General Fund that are specifically reserved for future building and improvement purchases.

**Proprietary Fund**

*School Lunch Fund* – Accounts for the proceeds of breakfast and lunch receipts, U.S. Department of Agriculture reimbursements and commodities receipts, which are restricted to disbursements for specified purposes.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fiduciary Funds**

*Activities Fund* – Accounts for the financial operations of quasi-independent student organizations, interschool athletics, and other self-supporting or partially self-supporting school activities not accounted for in another fund.

*Student Fee Fund* – Accounts for fees for extracurricular activities and related disbursements.

**General Statement** - The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The School District has applied all applicable GASB pronouncements.

**Accounts Receivable** – As a result of the use of the cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

**Capital Assets** – In accordance with the cash basis of accounting, capital assets are not recorded as assets on the government-wide or fund statements and depreciation is not recognized. Purchases of capital assets are recorded as disbursements by function in the financial statements.

**Compensated Absences** – The District has entered into negotiated agreements with certified and noncertified personnel. In those agreements they have agreed to benefits for vacation and sick leave. In accordance with the cash basis of accounting, these benefits are recorded as expenses when paid.

**Long-Term Debt** – In accordance with the cash basis of accounting, long-term debt is not reported as a liability in the government-wide or fund financial statements. Proceeds from long-term debt are reported as receipts and payments of principal are reported as disbursements in both the government-wide and fund financial statements.

**Equity** – In the government-wide statements, equity is classified as unrestricted and restricted net position. In the governmental fund statements, equity is classified as non-spendable, restricted, committed, assigned, and unassigned, see detail below.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Balance** – On August 31, 2011, the School District adopted Governmental Accounting Standards Board (GASB) No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” In accordance with GASB No. 54, the School District classifies governmental fund balances as follows:

*Non-spendable:* Fund balance amounts are considered non-spendable if they cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

*Restricted:* Fund balance amounts are considered restricted if they are constrained for specific purposes which are externally imposed by providers, such as creditors, or constrained due to constitutional provisions or enabling legislation.

*Committed:* Fund balance amounts are considered committed if they are constrained for specific purposes that are internally imposed by the government through formal action of the Board of Education and constraints do not lapse at year-end.

*Assigned:* Fund balance amounts are considered assigned if they are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by management.

*Unassigned:* Fund balance amounts are considered unassigned if they are positive fund balances within the General Fund that are not classified as one of the above or negative fund balances in other governmental funds.

The School District’s policy is to spend restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal restrictions that prohibit doing so. Additionally, the School District is to first spend committed, then assigned, and lastly unassigned amounts of fund balances when expenditures are made.

The School District’s policy is to strive to maintain the fund balances of the Depreciation and Employee Benefit funds at no less than 25% of the annual budget, excluding state and federal grants. The District does not have minimum fund balance policies for its other funds.



**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**2. BUDGET PROCESS**

The District follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

Prior to September 1, the Board of Education prepares a proposed operating budget on the cash basis for the general and bond funds for the fiscal year commencing the following September 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at a public meeting to obtain taxpayer comments.

Prior to September 20, the budget is legally adopted by the Board of Education through passage of a resolution.

Total expenditures may not legally exceed total appropriations. Appropriations lapse at year-end and any revisions require Board approval.

The property tax requirement resulting from the budget process is utilized by the County Assessor to establish the tax levy, which attaches as an enforceable lien on property within the District as of January 1. Taxes are due as of that date. All unpaid taxes are delinquent as of September 1.

**3. CASH**

Nebraska Statute §79-1043 provides that the School District may, by and with the consent of the Board of Education, invest the funds of the School District in securities, including repurchase agreements, the nature of which individuals of prudence, discretion and intelligence acquire or retain in dealing with the property of another.

**Deposits** – At year end, the School District's carrying amount of bank deposits was \$13,479,566 and the bank balance was \$14,925,385. All balances were covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.

The School District's deposits are categorized to give an indication of the level of risk assumed by the School District at August 31, 2013. The levels of risk are described as follows:

- (1) Insured or collateralized with securities held by the School or by the School's agent in the School's name.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**3. CASH (continued)**

- (2) Collateralized with securities held by the pledging financial institution's trust department, or agent, in the School's name.
- (3) Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the School's name).

Deposits and investments of the District at August 31, 2013, consisted of the following:

	Level 1	Level 2	Level 3
Cash - demand deposits	\$ 500,000	\$ 14,425,385	\$ -

The School District attempts to mitigate the following types of deposit and investment risks through compliance with the State Statutes. The types of deposit and investment risks are the following:

*Interest rate risk.* As a means of limiting its exposure to fair value losses arising from interest rate risk, the School District's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates.

*Credit risk.* The School District's investment policies regarding credit risk are governed by state statutes as described above.

*Concentrations of credit risk.* The School District's investment policy places no limits on the amounts that may be invested with any one issuer.

*Custodial credit risk – deposits.* Custodial credit risk for deposits is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's policy regarding custodial credit risk is determined by state statute as described above. As of August 31, 2013, all deposits were covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**3. CASH AND INVESTMENTS (continued)**

*Custodial credit risk – investments.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy regarding custodial credit risk is determined by state statute as described above.

None of the District's deposits in excess of the amount insured by the Federal Deposit Insurance Corporation shall be allowed to accumulate in any financial institution unless (a) the financial institution gives a surety bond, (b) the financial institution provides the School District with securities as collateral on the excess funds or (c) the financial institution issues a joint custody receipt to the benefit of the District where a third party financial institution actually holds the security.

**4. PENSION PLAN**

**Plan Description** – The Lexington Public School District #1 contributes to the Nebraska School Employees Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Nebraska Public Employees Retirement System (NPERS). NPERS provides retirement and disability benefits to plan members and beneficiaries. The School Employees Retirement Act establishes benefit provisions. NPERS issues a publicly available financial report that includes financial statements and required supplementary information for NPERS. That report may be obtained by writing the NPERS, 1526 K Street, Suite 400, P.O. Box 94816, Lincoln, NE 68509-4816 or by calling 1-800-245-5712.

**Funding Policy** – Plan members were required to contribute 8.28% of their annual covered salary from September 1, 2010 to August 31, 2011. Plan members were required to contribute 8.88% of their annual covered salary from September 1, 2011 to August 31, 2012. Plan members were required to contribute 9.78% of their annual covered salary from September 1, 2012 to August 31, 2013. The Lexington Public School District #1 is required to contribute 101% of the employee contribution. The contribution requirements of plan members and Lexington Public School District #1 are established by the Nebraska statutes.

The School District's contributions to NPERS for the years ending August 31, 2011, 2012 and 2013 totaled \$1,347,455, \$1,498,057, and \$1,713,563, respectively, equal to the required contributions for each year.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**5. LONG-TERM DEBT**

On September 3, 2009, Series 2009 General Obligation Refunding Bonds were issued in the amount of \$4,525,000. The 2009 Refunding Bonds have interest rates ranging from 0.75% to 2.80%. Interest is due semiannually starting December 15, 2009. Principal is due annually starting December 15, 2009.

The three-year schedule of maturities is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
August 31, 2014	\$ 805,000	\$ 42,284	\$ 847,284
2015	825,000	22,905	847,905
2016	<u>435,000</u>	<u>6,090</u>	<u>441,090</u>
	<u>\$ 2,065,000</u>	<u>\$ 71,279</u>	<u>\$ 2,136,279</u>

Total interest paid during the year ending August 31, 2013, on bonds outstanding was \$57,850.

**6. OPERATING LEASES**

On December 28, 2009, Lexington Public School District #1 entered into an agreement with Unite Private Networks, LLC for the lease and service of the School District's Wide Area Network. Monthly payments of \$4,137 were paid over a term starting July 1, 2010 and ending June 30, 2013.

On March 13, 2013, Lexington Public School District #1 entered into an agreement with Unite Private Networks, LLC for the lease and service of the School District's Wide Area Network. Annual payments of \$82,104 will be paid over a ten year term starting July 1, 2013 and ending June 30, 2023.

On August 31, 2012, Lexington Public School District #1 entered into an agreement with Great America Leasing Corporation for the lease of multiple copiers and printers. Monthly payments of \$4,802 will be paid over a term starting September 1, 2012 and ending August 31, 2017.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**6. OPERATING LEASES (continued)**

Lease payments for the next five years are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2014	\$ 139,731
2015	139,731
2016	139,731
2017	139,731
2018	<u>82,104</u>
Total	<u>\$ 641,028</u>

**7. LEXINGTON COMMUNITY FACILITIES AGENCY**

On April 24, 1995, the School District entered into an interlocal cooperation act agreement with the City of Lexington, Nebraska, to form the Lexington Community Facilities Agency. The Agency was formed to provide or contract for the acquisition, finance, construction, rehabilitation, ownership and operation of community and recreational buildings and facilities.

On February 14, 2012, the Lexington Community Facilities Agency, the City of Lexington, Nebraska, and the School District entered into a construction, management, and lease agreement relating to the Lexington Middle School and High School projects. The Agency shall lease the projects to the School District for a term beginning February 14, 2012 and ending April 25, 2030. These projects may include, but are not limited to, recreation facilities, classrooms, gymnasium, kitchen, cafeteria, and auditorium commons.

Under this agreement, the School District will contribute \$7,750,000, which will be used to fund construction costs related to the expansion projects. During the fiscal years ended August 31, 2013 and 2012, the School District remitted \$2,297,000 and \$4,057,940, respectively, to the Agency. The School District expects to remit the remaining \$1,395,060 to the Agency during the fiscal year ended August 31, 2014.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**8. FUND BALANCES**

As of August 31, 2013, governmental fund balances are classified as follows:

	<u>General</u>	<u>Depreciation</u>	<u>Special Building</u>	<u>LPS Building Corporation</u>	<u>Bond</u>	<u>Employee Benefit</u>
<b>Fund balances</b>						
<b>Restricted for:</b>						
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 938,478	\$ -
<b>Assigned to:</b>						
Capital projects	\$ -	\$ 2,924,850	\$ 88,251	\$ 301,108	\$ -	\$ -
Employee benefits	-	-	-	-	-	741,068
Total assigned	\$ -	\$ 2,924,850	\$ 88,251	\$ 301,108	\$ -	\$ 741,068
<b>Unassigned:</b>	<u>\$ 9,881,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total fund balances	<u>\$ 9,881,759</u>	<u>\$ 2,924,850</u>	<u>\$ 88,251</u>	<u>\$ 301,108</u>	<u>\$ 938,478</u>	<u>\$ 741,068</u>

**9. INTERFUND TRANSFERS**

A transfer of \$80,500 to the Activities Fund has been recorded in the General Fund. In addition, transfers of \$500,000 to the Depreciation Fund and \$300,000 to the Employee Benefit Fund have been recorded as operational disbursements in the General Fund in accordance with the basis of accounting described above. The transfer to the Activities Fund is for annual support of the activities department. The transfer to the Depreciation Fund is to save for future expenditures such as a bus, site improvements, computer equipment and new textbooks. The transfer to the Employee Benefit Fund is to cover the cost of health insurance benefits paid to retired District employees.

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

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**10. EARLY RETIREMENT INCENTIVE PLAN**

The District has adopted an early retirement incentive plan for certified employees who elect early retirement. No employee contributions are required; the District pays the entire cost of the plan. Benefits are available to certified employees over the age of 55 and who have at least 9 consecutive years of credited service in the Lexington Public School District #1.

Qualified certificated employees who elect to claim the early retirement incentive shall be paid an amount based upon the cost of a single health insurance premium from the School District's insurance carrier as of the participant's last year of employment. All future payments will be based on that amount and will not increase. The following table shows the number of annual premiums that will be paid for qualifying employees based on their number of years of service to the District.

<u>Years of Service</u>	<u>Number of annual premiums paid</u>
15	10
12	7
9	4

Annual benefits received under the early retirement incentive plan will be paid in four equal installments.

The District's Employee Benefits Fund has a fund balance at August 31, 2013, in the amount of \$741,068.

**11. RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and to the public; or acts of God. For the fiscal year ended August 31, 2013, the School had approved insurance coverage through the NASB All Lines Interlocal Cooperative Aggregate Pool (ALICAP), a public entity risk pool currently operating as a common risk management insurance pool.

If the pool becomes insolvent or is otherwise unable to discharge its legal liabilities and other obligations, the District may be assessed by the pool for additional contributions. The District has not paid any additional assessments to the pool in the last three fiscal years and no assessments are anticipated for the fiscal year 2014. The District has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**12. COMMITMENTS AND CONTINGENCIES**

The District participates in numerous federal and state assisted grant programs which are governed by various rules and regulations of the grantor agencies. These programs are subject to financial and compliance audits by the granting agencies. To the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

The District has elected under the Nebraska Unemployment Insurance Program to become a "reimbursable employer". Accordingly, the District is liable for payments to reimburse the state unemployment agency for benefits paid to former employees. The maximum payment to reimburse the state unemployment agency under current statute would not exceed \$9,464 (26 weeks at \$364/week) per claimant.

**13. MAJOR REVENUE SOURCES AND DEPENDENCY OF OPERATIONS**

The District's ability to operate is dependent on the funding sources continuing to provide funds to the District. Changes by the funding sources due to economic, regulatory, or other factors could have an adverse legal effect on the District's ability to continue to operate at its current level. During the year ending August 31, 2013, the composition of the District's governmental fund receipts is as follows:

	<u>Receipts</u>	<u>% of Total</u>	
Local property taxes	\$ 8,259,943	23.56	%
County sources	190,788	0.54	
State sources	23,028,725	65.69	
Federal sources	3,474,444	9.91	
Other sources	<u>101,214</u>	<u>0.29</u>	
Total governmental funds	<u>\$ 35,055,114</u>	<u>100.00</u>	%

**14. SUBSEQUENT EVENTS**

Upon evaluation, Management notes that there were no material subsequent events between the date of the financial statements and the date that the financial statements were issued or available to be issued.



LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA

**COMBINED SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND FUND BALANCES**  
Year Ended August 31, 2013

	Fund Balances At Beginning of Year	Receipts	Disbursements	Transfers In (Out)	Excess (Deficiency) Of Receipts Over (Under) Disbursements	Fund Balances At End Of Year
GENERAL FUND	\$ 11,527,132	\$ 34,137,946	\$ 35,702,819	\$ (80,500)	\$ (1,645,373)	\$ 9,881,759
ACTIVITIES FUND	345,576	667,996	734,247	80,500	14,249	359,825
SCHOOL LUNCH FUND	664,313	1,593,411	1,716,312	-	(122,901)	541,412
DEPRECIATION FUND	3,098,914	6,479	680,543	500,000	(174,064)	2,924,850
SPECIAL BUILDING FUND	49,743	61,038	22,530	-	38,508	88,251
LPS BUILDING CORPORATION FUND	491,152	2,297,611	2,487,655	-	(190,044)	301,108
BOND FUND	938,788	847,540	847,850	-	(310)	938,478
EMPLOYEE BENEFITS FUND	713,333	1,500	273,765	300,000	27,735	741,068
STUDENT FEE FUND	5,357	12	-	-	12	5,369
<b>GRAND TOTAL - ALL FUNDS</b>	<b>\$ 17,834,308</b>	<b>\$ 39,613,533</b>	<b>\$ 42,465,721</b>	<b>\$ 800,000</b>	<b>\$ (2,052,188)</b>	<b>\$ 15,782,120</b>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND  
For the Fiscal Year Ended August 31, 2013**

	<b>Actual</b>	<b>Budget (Original and Final)</b>
<b>RECEIPTS</b>		
<b>LOCAL SOURCES:</b>		
Local district taxes	\$ 6,714,108	\$ 6,246,094
Carline taxes	28,447	30,000
Motor vehicle taxes	610,560	585,000
Interest received	22,409	65,000
Local license fees	7,396	6,500
Police court fines	3,500	2,000
Summer school and driver's ed tuition	600	1,200
Categorical / private grant revenue	8,790	10,000
Other categorical programs	56,904	60,148
Other local revenue	2,150	2,400
<b>Total Local Sources</b>	<b>\$ 7,454,864</b>	<b>\$ 7,008,342</b>
<b>COUNTY SOURCES:</b>		
Fines and licenses	\$ 179,892	\$ 150,000
<b>Total County Sources</b>	<b>\$ 179,892</b>	<b>\$ 150,000</b>
<b>STATE SOURCES:</b>		
State aid	\$ 21,074,415	21,074,414
Special education	1,105,915	1,060,000
Homestead exemption	113,407	65,000
Property tax credit	234,350	250,000
Pro-rate motor vehicle	24,256	12,000
Apportionment and in-lieu of school land tax	387,052	324,500
High ability learner	19,455	15,000
State early childhood	69,875	-
<b>Total State Sources</b>	<b>\$ 23,028,725</b>	<b>\$ 22,800,914</b>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND  
For the Fiscal Year Ended August 31, 2013**

	<b>Actual</b>	<b>Budget (Original and Final)</b>
<b>FEDERAL SOURCES:</b>		
ECIA-Chapter I, current	\$ 1,155,002	\$ 1,016,038
Medicaid Administrative	268,996	280,000
Carl Perkins grant	58,311	25,016
Title II Part A	64,548	77,801
IDEA Part B Enrollment/Poverty	508,403	439,200
IDEA Part B Early Intervening Services	55,791	24,998
IDEA Base	133,947	154,945
Title I Part C	709,438	415,000
Other federal categorical receipts	520,008	409,330
<b>Total Federal Sources</b>	<b>\$ 3,474,444</b>	<b>\$ 2,842,328</b>
<b>NON-REVENUE RECEIPTS:</b>		
Non-programmed receipts	\$ -	\$ 50
Other non-revenue receipts	21	3,450
<b>Total Non-Revenue Receipts</b>	<b>\$ 21</b>	<b>\$ 3,500</b>
<b>Total Receipts from all Sources</b>	<b>\$ 34,137,946</b>	<b>\$ 32,805,084</b>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND  
FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND  
For the Fiscal Year Ended August 31, 2013**

	<b>Actual</b>	<b>Budget (Original and Final)</b>
<b>DISBURSEMENTS</b>		
<b>PROGRAM:</b>		
Regular instruction	\$ 9,409,025	\$ 8,972,431
Special education programs	2,898,326	2,831,676
Limited English Proficiency programs	3,769,537	3,924,233
Poverty programs	3,475,445	3,459,482
Support services - Pupils	1,417,835	1,429,380
Support services-Instructional staff	278,995	275,542
Support services-General administration	513,314	538,626
Support services-Office of Principal	1,304,276	1,275,592
Support services-Business Services	568,724	552,315
Support services-Maintenance and Operation of Buildings	8,262,084	8,015,359
Support services-Regular pupil transportation	398,790	457,603
Summer school	594,217	584,662
Debt services	324	324
State programs - Grants	29,002	28,365
Federal programs	2,717,284	2,785,913
Other	65,641	73,757
Transfers to other funds	80,500	1,434,586
<b>Total Disbursements</b>	<b>\$ 35,783,319</b>	<b>\$ 36,639,846</b>
 <b>Fund Balance, August 31, 2012</b>	 <b>\$ 11,527,132</b>	
<b>Total Cash Receipts</b>	<b>\$ 34,137,946</b>	
<b>Total Funds Available</b>	<b>\$ 45,665,078</b>	
<b>Total Cash Disbursements</b>	<b>\$ 35,783,319</b>	
 <b>Fund Balance, August 31, 2013</b>	 <b>\$ 9,881,759</b>	

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -  
GENERAL FUND**

**For the Fiscal Year Ended August 31, 2013**

**REGULAR INSTRUCTION:**

Regular salaries of teachers	\$ 4,934,994
Substitute salaries	194,012
Clerical and paraprofessional staff salaries	17,963
Technical staff salaries	219,050
Classroom management salaries	6,360
Payroll taxes	400,140
Employee benefits	2,024,791
Purchased pupil services	333,162
Building, acquisition and improvement	90
Early childhood education programs	112,219
Supplies and materials	869,099
Textbooks and library books	65,524
Furniture and equipment replacement	122,163
Travel expense and mileage	3,546
Other expenses	105,912
<b>Total Regular Instruction</b>	<b><u>\$ 9,409,025</u></b>

**SPECIAL EDUCATION PROGRAMS:**

Regular salaries	\$ 1,298,346
Substitute salaries	43,723
Clerical and paraprofessional staff salaries	693,879
Payroll taxes	152,552
Employee benefits	522,334
Purchased services	91,520
Supplies and materials	77,015
Textbooks and library books	1,783
Travel expense and mileage	3,104
Other expenses	14,070
<b>Total Special Education Programs</b>	<b><u>\$ 2,898,326</u></b>

**LIMITED ENGLISH PROFICIENCY PROGRAMS:**

Regular salaries	\$ 2,087,972
Substitute salaries	77,410
Clerical and paraprofessional staff salaries	599,678
Payroll taxes	205,603
Employee benefits	797,845
Supplies and materials	123
Travel expense and mileage	906
<b>Total Limited English Proficiency Programs</b>	<b><u>\$ 3,769,537</u></b>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -  
GENERAL FUND (CONTINUED)**

**For the Fiscal Year Ended August 31, 2013**

**POVERTY PROGRAMS:**

Regular salaries of teachers	\$ 1,995,462
Substitute salaries	61,123
Clerical and paraprofessional staff salaries	349,193
Technical staff salaries	82,461
Payroll taxes	185,973
Employee benefits	767,543
Supplies and materials	26,042
Other expenses	<u>7,648</u>
<b>Total Poverty Programs</b>	<b><u>\$ 3,475,445</u></b>

**SUPPORT SERVICES - PUPILS:**

Regular salaries	\$ 943,442
Substitute salaries	2,863
Clerical and paraprofessional salaries	61,821
Payroll taxes	77,919
Employee benefits	214,049
Purchased services	29,844
Supplies and materials	52,803
Travel expense and mileage	1,568
Other expenses	<u>33,526</u>
<b>Total Support Services - Pupils</b>	<b><u>\$ 1,417,835</u></b>

**SUPPORT SERVICES - INSTRUCTIONAL STAFF:**

Regular salaries	\$ 162,914
Substitute salaries	2,214
Payroll taxes	12,051
Employee benefits	53,280
Supplies and materials	46,952
Other expenses	<u>1,584</u>
<b>Total Support Services - Instructional Staff</b>	<b><u>\$ 278,995</u></b>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -  
GENERAL FUND (CONTINUED)**

**For the Fiscal Year Ended August 31, 2013**

**SUPPORT SERVICES - GENERAL ADMINISTRATION:**

**BOARD OF EDUCATION:**

Legal services	\$ 66,329
Professional and technical services	15,934
Advertising and printing	14,415
Dues and fees	15,823
Travel expense and mileage	500
Other expenses	18,424

**EXECUTIVE ADMINISTRATION SERVICES:**

Regular salaries	260,026
Clerical salaries	32,395
Payroll taxes	21,879
Employee benefits	59,954
Purchased services	703
Supplies and materials	166
Other expenses	6,766

<b>Total Support Services - General Administration</b>	<b>\$ 513,314</b>
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**SUPPORT SERVICES - SCHOOL ADMINISTRATION:**

**OFFICE OF THE PRINCIPAL SERVICES:**

Regular salaries	\$ 658,436
Clerical assistants	288,711
Payroll taxes	70,075
Employee benefits	267,997
Travel expense and mileage	2,063
Other expenses	16,994

<b>Total Support Services - School Administration</b>	<b>\$ 1,304,276</b>
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See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -  
GENERAL FUND (CONTINUED)  
For the Fiscal Year Ended August 31, 2013**

**SUPPORT SERVICES - GENERAL ADMINISTRATION:**

**BUSINESS SERVICES:**

Regular salaries	\$ 89,259
Clerical staff	48,035
Payroll taxes	10,358
Employee benefits	25,829
Contracted services	310,577
Postage	23,405
Supplies and materials	5,009
Dues and fees	325
Travel expense and mileage	203
Other expenses	18,844

**VEHICLE ACQUISITION AND MAINTENANCE:**

Vehicle acquisition	22,835
Vehicle maintenance	14,045

**Total Support Services - General Administration** \$ 568,724

**SUPPORT SERVICES - MAINTENANCE AND  
OPERATION OF BUILDINGS:**

Regular salaries	\$ 464,903
Payroll taxes	34,471
Employee benefits	157,668
Purchased services	875,853
Fuel	125,287
Electricity	460,769
Water, sewer and trash	60,695
Distance education and telecommunications	65,344
Supplies	431,993
Site acquisition and improvement	5,566,863
Furniture and equipment replacement	9,380
Travel expense and mileage	368
Other expenses	8,490

**Total Support Services - Maintenance  
and Operation of Buildings** \$ 8,262,084

See notes to financial statements.



**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -  
GENERAL FUND (CONTINUED)**

**For the Fiscal Year Ended August 31, 2013**

**SUPPORT SERVICES - PUPIL TRANSPORTATION:**

Regular salaries	\$ 165,243
Payroll taxes	12,605
Employee benefits	23,041
Supplies	680
Purchased services	71,861
Gas and oil	111,461
Travel reimbursements	192
Repair and maintenance	4,385
Other expenses	<u>9,322</u>
<b>Total Support Services - Pupil Transportation</b>	<b><u>\$ 398,790</u></b>

**SUMMER SCHOOL**

Regular salaries	\$ 371,311
Clerical and paraprofessional staff salaries	106,327
Payroll taxes	36,365
Employee benefits	43,515
Contracted services	485
Supplies	36,152
Other expenses	<u>62</u>
<b>Total Summer School</b>	<b><u>\$ 594,217</u></b>

**DEBT SERVICES**

Debt service interest	\$ <u>324</u>
<b>Total Debt Services</b>	<b><u>\$ 324</u></b>

**STATE PROGRAMS - GRANTS:**

Salaries	\$ 15,265
Payroll taxes	1,168
Employee benefits	3,096
Purchased services	5,634
Supplies	2,676
Other expenses	<u>1,163</u>
<b>Total State Programs - Grants</b>	<b><u>\$ 29,002</u></b>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -  
GENERAL FUND (CONTINUED)  
For the Fiscal Year Ended August 31, 2013**

**FEDERAL PROGRAMS:**

IDEA	\$ 144,098
IDEA Enrollment/Poverty (611)	459,335
IDEA Part B	9,345
IDEA Part C	6,499
Title I	1,248,907
Title II Part A	138,422
Title III	135,798
Carl Perkins	26,902
Title I Part C	347,035
Title IV Part B	175,197
Other Federal Programs	<u>25,746</u>
<b>Total Federal Programs</b>	<b><u>\$ 2,717,284</u></b>

**OTHER:**

Categorical grants from private interests	\$ 8,236
Other categorical programs	<u>57,405</u>
<b>Total Other</b>	<b><u>\$ 65,641</u></b>

**TRANSFERS TO ACTIVITY FUND**

<b>Total Transfers Out</b>	<b><u>\$ 80,500</u></b>
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<b>Total Disbursements</b>	<b><u>\$ 35,783,319</u></b>
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See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS  
AND FUND BALANCE - ACTIVITIES FUND  
For the Fiscal Year Ended August 31, 2013**

	<b>Balance (Deficit) 8/31/2012</b>	<b>Receipts</b>	<b>Transfers In (Out)</b>	<b>Disbursements</b>	<b>Balance (Deficit) 8/31/2013</b>
HS Athletics	\$ 16,205	\$ 99,272	\$ 39,794	\$ 139,775	\$ 15,496
Activity Tickets	3,814	1,895	-	-	5,709
Early Learning Academy	712	4,758	-	4,558	912
Elementary Recorders	318	1,174	-	1,055	437
NE Special Olympics	2,241	191	-	-	2,432
Gifted Programs	172	-	-	-	172
4th Grade Museum Day	52	-	-	-	52
Kindergarten Mats	154	-	-	-	154
MONA	230	-	-	-	230
Student Computer Fees	136,808	80,068	-	64,450	152,426
Student Laptop Bags	3,955	2,105	-	-	6,060
Student USB Drives	435	14	-	-	449
HS Welding	-	762	-	1,080	(318)
HS Wood Shop Resale	1,487	10,487	-	8,780	3,194
FFA	12,071	8,293	-	6,759	13,605
Athletic Letter Club	1,442	1,115	-	890	1,667
HS Student Council	5,642	2,367	-	3,005	5,004
HS Fines	5,689	-	-	2,190	3,499
HS Recycling	279	209	-	-	488
Concessions	-	29,488	-	30,521	(1,033)
Honor Society	63	282	-	243	102
Secretary Funds	1,995	1,244	-	1,775	1,464
Ambassadors of Music	5,369	15,283	-	9,211	11,441
Art Lab Fees	319	-	-	-	319
FBLA	3,027	-	-	-	3,027
TMH Voc Club	51	-	-	-	51
HS Yo Yo Club	-	1,116	-	267	849
HS Computer Lab Fees	648	-	-	-	648
HS Fine Arts Resale	606	1,440	-	-	2,046
HS Band Donations	655	-	-	-	655
DC Senior Trip	2,542	25,973	-	25,240	3,275
Ronald C. Murdock	425	-	-	-	425
Training Room Fundraising	(2,979)	24,557	-	13,761	7,817
Senior Tribute	3,917	1,010	-	867	4,060
Miscellaneous Memorial Funds	307	-	-	-	307
Science and Math Club	36	-	-	-	36
HS Library	2,498	2,359	-	2,090	2,767
Octagon Club	676	-	-	-	676
Around the Mundo	1,411	481	-	1,777	115
Don Bader Scholarship	610	-	-	200	410
HS Pep Club	3,221	1,478	-	1,568	3,131
Prevention/Intervention	214	-	-	-	214
HS Softball Fundraising	677	485	-	715	447

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS  
AND FUND BALANCE - ACTIVITIES FUND (CONTINUED)  
For the Fiscal Year Ended August 31, 2013**

	Balance (Deficit) 8/31/2012	Receipts	Transfers In (Out)	Disbursements	Balance (Deficit) 8/31/2013
Football Fundraising	\$ 9,160	\$ 8,910	\$ -	\$ 8,346	\$ 9,724
Volleyball Fundraising	1,456	361	-	51	1,766
Boys Basketball Fundraising	2,552	11,383	-	8,618	5,317
Boys Soccer Fundraising	1,051	8,317	-	7,298	2,070
All School Play	187	-	-	-	187
Drill Team	-	12,250	1,000	9,877	3,373
Musical Productions	566	-	-	-	566
Speech	-	1,337	1,962	3,299	-
HS Cheerleaders	1,527	15,231	1,000	18,989	(1,231)
Band/Chorus Trip	-	-	713	713	-
Weight Room	-	1,159	-	3,008	(1,849)
Training Room	-	2,057	-	2,217	(160)
HS Powerlifting	-	5,470	2,000	9,997	(2,527)
HS Band	-	663	8,673	9,336	-
HS Vocal	-	-	807	807	-
HS One Act Play	-	-	845	845	-
Annual	2,458	3,122	6,990	12,570	-
Class of 2016	149	-	-	-	149
Class of 2014	926	9,220	-	6,481	3,665
Class of 2015	2,126	-	-	-	2,126
Class of 2013	1,069	5,607	-	6,390	286
HS General Activities	(27,634)	293	-	27,836	(55,177)
HS Printing/Advertising	256	169	-	-	425
HS Miscellaneous	584	6,690	-	6,517	757
MS Fines	3,398	536	-	-	3,934
MS Miscellaneous	4,391	2,736	-	3,359	3,768
MS Annual	2,846	6,984	-	5,539	4,291
MS Student Council	2,253	3,718	-	4,965	1,006
MS Pop Concessions	-	-	470	470	-
Multiple Choices	3,314	-	-	170	3,144
MS Teammates Mentoring	10,341	-	-	-	10,341
Science Fair	2,284	-	-	-	2,284
MS Library Fees/Fines	1,024	5,781	-	4,679	2,126
MS Music Resale	3,356	3,061	-	6,486	(69)
MS Band Concerts	-	-	75	75	-
Minutemen Music Festival	142	-	-	-	142
MS Band Lab Fees	1,157	2,857	-	-	4,014
MS Agenda Fund	1,966	-	-	-	1,966
Reading Banquet	2,995	-	-	2,062	933
PE Clothing	1,140	3,042	-	4,142	40
Independence Ink	4,549	1,012	-	949	4,612
MS Patriots	814	-	-	-	814

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS  
AND FUND BALANCE - ACTIVITIES FUND (CONTINUED)  
For the Fiscal Year Ended August 31, 2013**

	<b>Balance (Deficit) 8/31/2012</b>	<b>Receipts</b>	<b>Transfers In (Out)</b>	<b>Disbursements</b>	<b>Balance (Deficit) 8/31/2013</b>
MS Padlock Fees	\$ 95	\$ -	\$ -	\$ -	\$ 95
MS Athletics	980	2,368	14,856	16,541	1,663
MS Booster Donation	1,371	314	-	314	1,371
S. C. Health Partners	339	-	-	-	339
Walk for Life	-	1,658	-	-	1,658
Corporate	1,900	239	-	1,460	679
Relay for Life	617	743	-	1,120	240
HS Wellness	307	744	-	188	863
HS Student Wellness	300	467	-	713	54
HS Student Teammaker	3,127	-	-	300	2,827
HS Student Support	-	-	1,315	-	1,315
HS Pioneer Scholarship	-	1,400	-	-	1,400
HS Welding Scholarship	-	1,500	-	-	1,500
HS Help Restore Hope	-	211	-	-	211
Student Leadership	19	-	-	-	19
Student Agendas	941	100	-	456	585
Interest	35	9	-	33	11
Coke Machines	530	391	-	380	541
Autism Awareness	250	-	-	-	250
Bryan Elementary Activities	7,621	8,352	-	7,511	8,462
Morton Elementary Activities	6,783	8,483	-	8,657	6,609
Pershing Elementary Activities	2,894	3,624	-	3,672	2,846
Sandoz Elementary Activities	3,628	8,868	-	7,702	4,794
<b>Subtotal</b>	<b>\$ 292,134</b>	<b>\$ 479,343</b>	<b>\$ 80,500</b>	<b>\$ 545,915</b>	<b>\$ 306,062</b>
Payflex	\$ 53,442	\$ 188,653	\$ -	\$ 188,332	\$ 53,763
<b>Total Activity</b>	<b>\$ 345,576</b>	<b>\$ 667,996</b>	<b>\$ 80,500</b>	<b>\$ 734,247</b>	<b>\$ 359,825</b>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE - SCHOOL LUNCH FUND  
For the Fiscal Year Ended August 31, 2013**

<b>Fund Balance, August 31, 2012</b>	\$	664,313
<b>CASH RECEIPTS:</b>		
Sale of breakfast and lunch	\$	216,310
Interest		1,259
Other receipts		12,089
Federal reimbursements		1,354,697
State reimbursements		<u>9,056</u>
<b>Total Cash Receipts</b>	<b>\$</b>	<b><u>1,593,411</u></b>
<b>Total Funds Available</b>	<b>\$</b>	<b>2,257,724</b>
<b>CASH DISBURSEMENTS:</b>		
Purchased services	\$	193
Personnel		633,291
Food		1,022,184
Supplies		55,460
Other expenses		<u>5,184</u>
<b>Total Cash Disbursements</b>	<b>\$</b>	<b><u>1,716,312</u></b>
<b>Fund Balance, August 31, 2013</b>	<b>\$</b>	<b><u>541,412</u></b>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE - DEPRECIATION FUND  
For the Fiscal Year Ended August 31, 2013

<b>Fund Balance, August 31, 2012</b>	\$ 3,098,914
<b>CASH RECEIPTS:</b>	
Interest income	\$ 6,479
Transfer from General	<u>500,000</u>
<b>Total Cash Receipts</b>	<u>\$ 506,479</u>
<b>Total Funds Available</b>	\$ 3,605,393
<b>CASH DISBURSEMENTS:</b>	
Capital outlay	\$ 679,590
Furniture and equipment acquisition	<u>953</u>
<b>Total Cash Disbursements</b>	<u>\$ 680,543</u>
<b>Fund Balance, August 31, 2013</b>	<u>\$ 2,924,850</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE - SPECIAL BUILDING FUND  
For the Fiscal Year Ended August 31, 2013**

<b>Fund Balance, August 31, 2012</b>	\$	49,743
<b>CASH RECEIPTS:</b>		
Property taxes	\$	56,806
Carline taxes		241
Pro-rate motor vehicle		205
Homestead exemption		941
Property tax credit		2,002
In lieu of school land tax		225
Sale of property		500
Interest income		<u>118</u>
<b>Total Cash Receipts</b>	<b>\$</b>	<b><u>61,038</u></b>
<b>Total Funds Available</b>	<b>\$</b>	<b>110,781</b>
<b>CASH DISBURSEMENTS:</b>		
Capital outlay	\$	<u>22,530</u>
<b>Total Cash Disbursements</b>	<b>\$</b>	<b><u>22,530</u></b>
<b>Fund Balance, August 31, 2013</b>	<b>\$</b>	<b><u>88,251</u></b>

See notes to financial statements.



**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE - LPS BUILDING CORPRATION FUND**

**For the Fiscal Year Ended August 31, 2013**

<b>Fund Balance, August 31, 2012</b>	\$ 491,152
<b>CASH RECEIPTS:</b>	
Interest income	\$ 561
Other income	<u>2,297,050</u>
<b>Total Cash Receipts</b>	<u>\$ 2,297,611</u>
<b>Total Funds Available</b>	\$ 2,788,763
<b>CASH DISBURSEMENTS:</b>	
Capital outlay	\$ 2,486,634
Purchased services	980
Other expenses	<u>41</u>
<b>Total Cash Disbursements</b>	<u>\$ 2,487,655</u>
<b>Fund Balance, August 31, 2013</b>	<u>\$ 301,108</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE - BOND FUND  
For the Fiscal Year Ended August 31, 2013**

<b>Fund Balance, August 31, 2012</b>	<b>\$ 938,788</b>
<b>CASH RECEIPTS:</b>	
Property tax collections	\$ 792,517
Pro-rate motor vehicle	2,933
Carline taxes	3,300
Property tax credit	26,448
Homestead exemption	16,717
In lieu of school land tax	4,493
Interest income	<u>1,132</u>
<b>Total Cash Receipts</b>	<b>\$ <u>847,540</u></b>
<b>Total Funds Available</b>	<b>\$ 1,786,328</b>
<b>CASH DISBURSEMENTS:</b>	
Bond principal	\$ 790,000
Bond interest	<u>57,850</u>
<b>Total Cash Disbursements</b>	<b>\$ <u>847,850</u></b>
<b>Fund Balance, August 31, 2013</b>	<b>\$ <u>938,478</u></b>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE - EMPLOYEE BENEFITS FUND  
For the Fiscal Year Ended August 31, 2013**

<b>Fund Balance, August 31, 2012</b>	<b>\$ 713,333</b>
<b>CASH RECEIPTS:</b>	
Interest income	\$ 1,500
Transfer from General	<u>300,000</u>
<b>Total Cash Receipts</b>	<b><u>\$ 301,500</u></b>
<b>Total Funds Available</b>	<b>\$ 1,014,833</b>
<b>CASH DISBURSEMENTS:</b>	
Employee wellness screening	\$ 6,419
Unemployment benefits paid	6,384
Health insurance for retirees	<u>260,962</u>
<b>Total Cash Disbursements</b>	<b><u>\$ 273,765</u></b>
<b>Fund Balance, August 31, 2013</b>	<b><u>\$ 741,068</u></b>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND FUND BALANCE - STUDENT FEE FUND  
For the Fiscal Year Ended August 31, 2013**

<b>Fund Balance, August 31, 2012</b>	\$	5,357
<b>CASH RECEIPTS:</b>		
Interest income	\$	<u>12</u>
<b>Total Funds Available</b>	\$	<u>5,369</u>
<b>Fund Balance, August 31, 2013</b>	\$	<u>5,369</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013**

**1. BUDGET ACCOUNTING**

The School District prepares its budget for all funds on the cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the basic financial statements. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**ANALYSIS OF GENERAL FUND  
TAX ACCOUNTS WITH COUNTY TREASURERS  
Year Ended August 31, 2013**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
<b>Cash Balance-Beginning</b>	<u>\$ 1,931,526</u>	<u>\$ 35,509</u>	<u>\$ 1,967,035</u>
<b>Collections:</b>			
Local property taxes	\$ 6,560,920	\$ 218,797	\$ 6,779,717
Motor vehicle taxes	606,474	10,151	616,625
Homestead exemption	111,998	1,423	113,421
Pro-rate motor vehicle	23,885	371	24,256
In-lieu-of tax	27,848	33	27,881
Carline	28,447	-	28,447
Tax credit	231,154	8,815	239,969
Fines and licenses	182,764	628	183,392
<b>Total Collections</b>	<u>\$ 7,773,490</u>	<u>\$ 240,218</u>	<u>\$ 8,013,708</u>
<b>Disbursements:</b>			
To School Treasurer	\$ 7,644,988	\$ 223,166	\$ 7,868,154
County Treasurer fees	75,105	2,202	77,307
<b>Total Disbursements</b>	<u>\$ 7,720,093</u>	<u>\$ 225,368</u>	<u>\$ 7,945,461</u>
<b>Cash Balance-Ending</b>	<u>\$ 1,984,923</u>	<u>\$ 50,359</u>	<u>\$ 2,035,282</u>

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**ANALYSIS OF SPECIAL BUILDING FUND  
TAX ACCOUNTS WITH COUNTY TREASURERS  
Year Ended August 31, 2013**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
<b>Cash Balance-Beginning</b>	\$ 15,903	\$ 290	\$ 16,193
<b>Collections:</b>			
Local property taxes	\$ 55,508	\$ 1,851	\$ 57,359
Tax credit	1,956	75	2,031
Homestead exemption	948	12	960
Pro-rate motor vehicle	202	3	205
In-lieu-of tax	225	-	225
Carline	241	-	241
<b>Total Collections</b>	<u>\$ 59,080</u>	<u>\$ 1,941</u>	<u>\$ 61,021</u>
<b>Disbursements:</b>			
To School Treasurer	\$ 58,055	\$ 1,797	\$ 59,852
County Treasurer fees	582	19	601
<b>Total Disbursements</b>	<u>\$ 58,637</u>	<u>\$ 1,816</u>	<u>\$ 60,453</u>
<b>Cash Balance-Ending</b>	<u>\$ 16,346</u>	<u>\$ 415</u>	<u>\$ 16,761</u>

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA**

**ANALYSIS OF BOND FUND  
TAX ACCOUNTS WITH COUNTY TREASURERS  
Year Ended August 31, 2013**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
<b>Cash Balance-Beginning</b>	\$ 253,730	\$ 1,729	\$ 255,459
<b>Collections:</b>			
Local property taxes	\$ 790,097	\$ 10,319	\$ 800,416
Tax credit	26,137	414	26,551
Homestead exemption	17,083	67	17,150
Pro-rate motor vehicle	2,915	18	2,933
In-lieu-of tax	4,493	-	4,493
Carline	3,300	-	3,300
<b>Total Collections</b>	<u>\$ 844,025</u>	<u>\$ 10,818</u>	<u>\$ 854,843</u>
<b>Disbursements:</b>			
To School Treasurer	\$ 841,222	\$ 10,134	\$ 851,356
County Treasurer fees	8,331	104	8,435
<b>Total Disbursements</b>	<u>\$ 849,553</u>	<u>\$ 10,238</u>	<u>\$ 859,791</u>
<b>Cash Balance-Ending</b>	<u>\$ 248,202</u>	<u>\$ 2,309</u>	<u>\$ 250,511</u>



**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended August 31, 2013**

<u>Federal Grantor Pass Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Disbursements</u>
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Nebraska Department of Education			
School Lunch Program, Breakfast, Snack	10.555	24-0001	\$ 1,224,551 *
Summer Food Service Program to Children	10.559	24-0001	65,196 *
<b>Lunch Program Subtotal</b>			<b><u>\$ 1,289,747</u></b>
Fruit/Vegetable Program	10.582	24-0001	\$ 64,950
Passed through Nebraska Department of Health and Human Services			
Food Donation Program**	10.550	47600238200	\$ 67,011
<b><u>U. S. Department of Health and Human Services</u></b>			
Passed through Nebraska Department of Health and Human Services			
State Children's Insurance Program	93.767	051305NE5021	\$ 5,510
Passed through Nebraska Association of School Boards			
Medicaid in Administrative Outreach	93.778	24-0001	\$ 241,220
<b><u>U.S. Department of Education</u></b>			
Passed through Nebraska Department of Education			
IDEA Base	84.027	13-10-024-0001-00	\$ 143,958
IDEA Enrollment/Poverty	84.027	13-10-024-0001-00	459,335
IDEA Part B	84.027	24-0001-248-2B26B-13	9,345
IDEA Base Preschool	84.173	13-10-024-0001-00	140
<b>IDEA Subtotal</b>			<b><u>\$ 612,778</u></b>

\* Major Programs

\*\*The Food Donation Program is the value of surplus commodities received and used by the Lexington Public School District #1

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
LEXINGTON, NEBRASKA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended August 31, 2013**

<b>Federal Grantor Pass Through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Grant/ Contract Number</b>	<b>Disbursements</b>
<b><u>U.S. Department of Education</u></b>			
Passed through Nebraska Department of Education (continued)			
Title I	84.010	13-10-024-0001-00	\$ 1,088,835 *
Title I Accountability	84.010	12-10-024-0001-00	160,072 *
Career/Technical Education Basic Grants	84.048	13-10-024-0001-00	26,902
21st Century After School Learning Center	84.287	240001-162100-09	175,197
Title III	84.365	13-10-024-0001-00	135,798 *
Title II Part A	84.367	13-10-024-0001-00	138,422
Migrant	84.011	13-10-024-0001-00	347,035
IDEA Part C	84.196	13-10-024-0001-00	6,499
Homeless Grant	84.196	13-10-024-0001-00	23,256
Passed through Educational Service Unit #16			
Title II Part B	84.366	11-10-024-0001-00	<u>\$ 2,490</u>
<b>Totals</b>			<b><u>\$ 4,385,722</u></b>

\* Major Programs

\*\*The Food Donation Program is the value of surplus commodities received and used by the Lexington Public School District #1

**LEXINGTON PUBLIC SCHOOL DISTRICT #1  
 LEXINGTON, NEBRASKA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended August 31, 2013**

**1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lexington Public School District #1 under programs of the federal government for the year ended August 31, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position or cash flows of Lexington Public School District #1.

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**2. RECONCILIATION WITH STATEMENT OF RECEIPTS,  
 DISBURSEMENTS AND CHANGES IN FUND BALANCES  
 – CASH BASIS – GOVERNMENTAL FUNDS**

Federal Assistance - General (Page 39)	\$ 2,717,284
Included in Lunch (Page 43)	1,354,697
Non-cash: Commodities	<u>67,011</u>
	\$ 4,138,992
Included in Instructional Services	<u>246,730</u>
Total Federal Expenditures Reconciled (Page 55)	<u><u>4,385,722</u></u>



McDERMOTT + MILLER

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education  
Lexington Public School District #1  
Lexington, NE

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public School District #1 as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Lexington Public School District #1's basic financial statements, and have issued our report thereon dated October 18, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lexington Public School District #1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lexington Public School District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lexington Public School District #1's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies

may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs, 13-1, that we consider to be a significant deficiency in internal control over financial reporting.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lexington Public School District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Lexington Public School District #1's Response to Findings**

Lexington Public School District #1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lexington Public School District #1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

**McDERMOTT AND MILLER, P.C.**



Kearney, Nebraska  
October 18, 2013



McDERMOTT + MILLER

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Lexington Public School District #1  
Lexington, NE

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

We have audited Lexington Public School District #1's (School District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Lexington Public School District #1's major federal programs for the year ended August 31, 2013. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lexington Public School District #1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lexington Public School District #1's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Lexington Public School District #1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

### **Report on Internal Control over Compliance**

Management of Lexington Public School District #1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 13-1, that we consider to be a significant deficiency.

Lexington Public School District #1's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lexington Public School District #1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

**McDERMOTT AND MILLER, P.C.**

*McDermott & Miller PC*

Kearney, Nebraska

October 18, 2013



**LEXINGTON PUBLIC SCHOOL DISTRICT #1**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended August 31, 2013**

**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: unmodified

Internal control over financial reporting

- Material weakness identified      Yes   X   No
- Significant deficiency identified   X   Yes      No
- Noncompliance material to financial statements noted      Yes   X   No

*Federal Awards*

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

Internal control over major programs

- Material weakness identified      Yes   X   No
- Significant deficiency identified   X   Yes      No
- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133      Yes   X   No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555 & 10.559	School Lunch Program, Breakfast & Snack & Summer Food Service Program for Children
84.010	Title I and Title I – Accountability
84.365	Title III

**LEXINGTON PUBLIC SCHOOL DISTRICT #1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended August 31, 2013**

**I. SUMMARY OF AUDITOR'S RESULTS (continued)**

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

Auditee qualified as low risk auditee?   X   Yes      No

**II. FINANCIAL STATEMENT FINDINGS**

Finding 13-1 Lack of Segregation of Duties in One or More Areas

Criteria: Proper internal controls require that an entity has adequate segregation of duties within a significant account process.

Condition: The entity does not have adequate personnel to assign responsibilities in such a way that different employees handle different positions of a transaction.

Cause: The entity has a limited number of personnel.

Effect: An individual controlling a transaction from beginning to conclusion does not have oversight from other individuals to ensure that the transaction was properly executed and recorded.

Recommendation: We would recommend that the Board of Education take an active part in internal controls and closely monitor all accounting functions, while seeking ways to continue to strengthen compensating controls.

Auditee Response: The entity's Board continually evaluates the distribution of duties to employees and closely monitors all accounting functions.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

*Finding 13-1 Lack of Segregation of Duties in One or More Areas*

See Section II above.

**IV. FINDINGS FOR THE YEAR ENDED AUGUST 31, 2012**

Finding for the year ended August 31, 2012: Lack of segregation of duties in one or more areas.

Auditee response: We will segregate duties as we are able. Adding personnel is cost prohibitive due to budget restraints.