

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

August 31, 2017

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
FINANCIAL STATEMENTS - MODIFIED CASH BASIS	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Statement of Receipts, Disbursements, and Changes in Fund Balances - Governmental Funds	16
Statement of Net Position - Proprietary Fund	17
Statement of Receipts, Disbursements, and Changes in Fund Net Position - Proprietary Fund	18
Statement of Net Position - Fiduciary Funds	19
Notes to Financial Statements	20
SUPPLEMENTARY AND OTHER INFORMATION	
Budgetary Comparison Schedules	
General Fund	40
Depreciation Fund	41
Special Building Fund	42
Combining Balance Sheet - Other Governmental Funds	43
Combining Statement of Receipts, Disbursements, and Changes in Fund Balances - Other Governmental Funds	44
Statement of Cash Receipts, Disbursements, and Net Position - Fiduciary Funds -	
Activity Fund	45
Student Fee Fund	50
Statements of Accounts with County Treasurers	
General Fund	51
Special Building Fund	52
Bond Fund	53
Combining Statement of Net Position - Modified Cash Basis - Component Units	54
Combining Statement of Activities - Modified Cash Basis - Component Units	55

TABLE OF CONTENTS, Continued

	Page
SINGLE AUDIT REPORTS	
Schedule of Expenditures of Federal Awards	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
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	59
Schedule of Findings and Questioned Costs	61
Summary Schedule of Prior Audit Findings	63



INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lexington Public Schools - District #1
Dawson County, Nebraska

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of Lexington Public Schools - District #1 as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the financial statements of the School District's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified 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

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information, and the fiduciary funds of Lexington Public Schools - District #1, as of August 31, 2017, and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified 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 that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lexington Public Schools - District #1's financial statements. The management's discussion and analysis and supplementary and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The management's discussion and analysis, budgetary comparison schedules, combining nonmajor fund financial statements, fiduciary fund statements, combining component unit statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described in the first sentence of this paragraph and the schedule of expenditures of

federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

The county treasurer statements of receipts and disbursements have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017, on our consideration of Lexington Public Schools - 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lexington Public Schools - District #1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lexington Public Schools - District #1's internal control over financial reporting and compliance.

Almquist, Mattie

Galloway & Luth, P.C.

Grand Island, Nebraska
October 3, 2017

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended August 31, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Lexington Public Schools - District #1's annual financial report presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended August 31, 2017. Please read the MD&A in conjunction with the entire financial report, which immediately follows this section.

FINANCIAL HIGHLIGHTS

- General Fund revenues were \$35,992,697, \$1,083,615 more than expenses.
- General Fund operational costs were \$34,909,082, a 1.0 percent increase from the prior year.
- Lexington Public Schools - District #1's student enrollment decreased by 17 students (0.6 percent) to an Average Daily Membership (ADM) of 2,709 for the year ended August 31, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This audited annual financial report consists of three sections: management's discussion and analysis (MD&A) [this section], the financial statements, and supplementary and other information. The financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* show how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the District operates *like a business*, such as Nutrition Services.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended August 31, 2017**

- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary and other information that further explains and supports the financial statements with a comparison of the District's budget for the year and various other schedules and statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was higher on August 31, 2017 than it was the year before, increasing to \$13,992,089. The increase in the District's financial position came from its governmental activities, the net position of which increased \$1,633,892 to \$13,165,837 in 2017. In 2017, the net position of the District's business-type activities increased \$137,536 to \$826,252.

Summary Statements of Net Position

	August 31, <u>2017</u>	August 31, <u>2016</u>
Assets	\$ 13,992,089	\$ 12,220,661
Liabilities	<u>-</u>	<u>-</u>
Net Position:		
Restricted	455,980	365,451
Unrestricted	<u>13,536,109</u>	<u>11,855,210</u>
Total Net Position	<u><u>\$ 13,992,089</u></u>	<u><u>\$ 12,220,661</u></u>

LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended August 31, 2017

Governmental Activities

A summary of the governmental activities' receipts and expenses follows:

	Year Ended August 31, <u>2017</u>	Year Ended August 31, <u>2016</u>	Increase (Decrease)
Receipts:			
Charges for services	\$ 158,501	\$ 120,713	\$ 37,788
Operating grants	5,326,524	3,419,807	1,906,717
Taxes (property, motor vehicle, and other)	11,326,494	10,973,260	353,234
State aid	18,679,105	18,953,010	(273,905)
Activities reimbursement	200,000	-	200,000
Other revenue	721,990	698,197	23,793
Total receipts	<u>36,412,614</u>	<u>34,164,987</u>	<u>2,247,627</u>
Expenses:			
Instruction	21,394,484	20,672,183	722,301
Support services:			
Pupils	2,217,081	2,142,733	74,348
Staff	576,145	565,120	11,025
General administration	391,448	379,777	11,671
School administration	1,178,178	1,131,117	47,061
Business	726,449	709,536	16,913
Building and grounds	3,389,833	3,389,484	349
Pupil transportation	480,013	432,973	47,040
State categorical programs	277,390	261,106	16,284
Federal programs	2,368,637	2,466,216	(97,579)
Summer school	613,545	607,786	5,759
Transfer to activity fund	187,500	125,939	61,561
Capital outlay	978,019	959,860	18,159
Debt service	-	441,501	(441,501)
Total expenses	<u>34,778,722</u>	<u>34,285,331</u>	<u>493,391</u>
Increase (decrease) in net position - governmental funds	<u>\$ 1,633,892</u>	<u>\$ (120,344)</u>	<u>\$ 1,754,236</u>

Total receipts increased \$2,247,627 (6.6 percent), due to an increase in operating grants of \$1,906,717 (55.8 percent).

Total expenses increased \$493,391 (1.4 percent), due primarily to an increase in instruction expenses of \$722,301 (3.5 percent).

LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended August 31, 2017

Business-type Activities

A summary of the business-type activities' receipts and expenses follows:

	Year Ended August 31, <u>2017</u>	Year Ended August 31, <u>2016</u>	Increase (Decrease)
Receipts:			
Charges for services	\$ 216,994	\$ 215,374	\$ 1,620
Operating grants	1,791,915	1,716,068	75,847
Other income	15,977	11,181	4,796
Total receipts	<u>2,024,886</u>	<u>1,942,623</u>	<u>82,263</u>
Expenses:			
Nutrition Services	<u>1,887,350</u>	<u>1,825,960</u>	<u>61,390</u>
Increase in net position	<u>\$ 137,536</u>	<u>\$ 116,663</u>	<u>\$ 20,873</u>

In 2017, revenues of the District's business-type activities (nutrition program) increased 4.2 percent to \$2,024,886, and expenses increased 3.4 percent to \$1,887,350.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balances of \$13,165,837, \$1,633,892 more than last year's ending combined fund balances of \$11,531,945.

The following is a summary of receipts and disbursements for the governmental funds for the year ended August 31, 2017:

	<u>Receipts</u>	<u>Disbursements</u>	Receipts Over (Under) <u>Disbursements</u>
General	\$ 35,992,697	\$ 34,909,082	\$ 1,083,615
Depreciation	1,749,181	978,019	771,162
Special building	90,175	-	90,175
Employee benefit	11,363	385,368	(374,005)
Bond	354	-	354
Cooperative	110,769	48,178	62,591
Eliminations	(1,541,925)	(1,541,925)	-
Totals	<u>\$ 36,412,614</u>	<u>\$ 34,778,722</u>	<u>\$ 1,633,892</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended August 31, 2017**

The following is a summary of receipts and disbursements for the governmental funds for the year ended August 31, 2016:

	<u>Receipts</u>	<u>Disbursements</u>	Receipts Over (Under) <u>Disbursements</u>
General	\$ 33,897,118	\$ 33,895,559	\$ 1,559
Depreciation	1,325,423	959,860	365,563
Special building	87,203	-	87,203
Employee benefit	301,582	546,003	(244,421)
Bond	34,365	441,090	(406,725)
Cooperative	119,802	43,325	76,477
Eliminations	(1,600,506)	(1,600,506)	-
Totals	<u>\$ 34,164,987</u>	<u>\$ 34,285,331</u>	<u>\$ (120,344)</u>

As mentioned, the business-type activities' receipts exceeded expenses for 2017. In addition to the district-wide financial statements, food services are reported in greater detail in the proprietary fund statements.

BUDGET ANALYSIS

In 2017, General Fund disbursements were \$8,461,050 less than budgeted appropriations, with instructional actual costs \$7,292,937 less than the budget. Actual General Fund receipts were \$663,567 more than budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Significant additions (more than \$25,000 each) were:

- Phone system hardware - \$157,509
- Welding shop equipment - \$82,588
- Armory renovation - \$220,448
- 2018 Thomas bus - \$97,890
- 2017 Chevy van - \$28,027

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended August 31, 2017**

Long-term Debt

A summary of the District's debt follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Capital leases	<u>\$ 241,862</u>	<u>\$ 659,140</u>	<u>\$ (417,278)</u>

Long-term debt decreased \$417,278 (63.3 percent) due to scheduled payments.

(More detailed information about the District's long-term liabilities is presented in note E to the financial statements.)

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The General Fund tax asking for the year ending August 31, 2018 of \$11,480,675 is \$749,870 (7.0 percent) higher than the tax asking for the prior year (\$10,730,805). The District decreased its Special Building Fund tax asking \$90,787 to \$0.
- Certified state aid for next year is \$18,977,681. This represents a \$298,576 (1.6 percent) increase.
- As of August 31, 2017, the District had remaining contractual commitments of \$2,500 for the High School addition project.

LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended August 31, 2017

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This audited financial report is designed to provide the District's stakeholders (i.e., citizens, taxpayers, customers, investors and creditors) with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, please feel free to contact the following school official:

Erin Heineman
Finance Director

Lexington Public Schools
300 South Washington St.
Lexington, NE 68850
(308) 324-4681
(308) 324-2528 – fax

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

August 31, 2017

	Primary Government			Component <u>Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Cash (note C)	\$ 10,033,093	\$ 826,252	\$ 10,859,345	\$ 97,823
Cash restricted for building projects (note C)	359,005	-	359,005	-
Cash restricted for bond payments (note C)	74,852	-	74,852	-
Cash with County Treasurers (note D)	2,698,887	-	2,698,887	-
Total assets	<u>\$ 13,165,837</u>	<u>\$ 826,252</u>	<u>\$ 13,992,089</u>	<u>\$ 97,823</u>
LIABILITIES				
	\$ -	\$ -	\$ -	\$ -
NET POSITION				
Restricted	455,980	-	455,980	97,823
Unrestricted	12,709,857	826,252	13,536,109	-
Total net position	<u>\$ 13,165,837</u>	<u>\$ 826,252</u>	<u>\$ 13,992,089</u>	<u>\$ 97,823</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the year ended August 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	Program Receipts	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
Instruction	\$ 21,394,484	\$ 11,020	\$ 1,636,547
Support services:			
Pupils	2,217,081	-	-
Staff	576,145	-	-
General administration	391,448	-	-
School administration	1,178,178	-	-
Business	726,449	-	-
Building and grounds	3,389,833	147,481	-
Pupil transportation	480,013	-	-
State categorical programs	277,390	-	249,511
Federal programs	2,368,637	-	3,440,466
Summer school	613,545	-	-
Activities support	187,500	-	-
Capital outlay	978,019	-	-
	34,778,722	158,501	5,326,524
Business-type activities:			
Nutrition services	1,887,350	216,994	1,791,915
	\$ 36,666,072	\$ 375,495	\$ 7,118,439
Component units:			
Lexington Public School Building Corporation	\$ 737,670	\$ -	\$ -
Lexington Community Facilities Agency	189,066	-	-
	\$ 926,736	\$ -	\$ -

See notes to financial statements.

Program Receipts Capital Grants and Contributions	Net (Expenses) Receipts and Changes in Net Position			Component Units
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (19,746,917)		\$ (19,746,917)	
-	(2,217,081)		(2,217,081)	
-	(576,145)		(576,145)	
-	(391,448)		(391,448)	
-	(1,178,178)		(1,178,178)	
-	(726,449)		(726,449)	
-	(3,242,352)		(3,242,352)	
-	(480,013)		(480,013)	
-	(27,879)		(27,879)	
-	1,071,829		1,071,829	
-	(613,545)		(613,545)	
-	(187,500)		(187,500)	
-	(978,019)		(978,019)	
-	(29,293,697)	\$ -	(29,293,697)	
-	-	121,559	121,559	
\$ -	(29,293,697)	121,559	(29,172,138)	
\$ 91,000				\$ (646,670)
30,000				(159,066)
\$ 121,000				(805,736)
General receipts:				
Taxes:				
Property	9,828,222	-	9,828,222	-
Motor vehicle	676,958	-	676,958	-
Other taxes	821,314	-	821,314	-
Fines and licenses	255,452	-	255,452	-
State aid	18,679,105	-	18,679,105	-
State apportionment	387,161	-	387,161	-
Interest income	32,559	1,915	34,474	33
Gain on disposal of property	2,245	-	2,245	-
Activity Fund Reimbursement	200,000	-	200,000	-
Other	44,573	14,062	58,635	-
Total general receipts	30,927,589	15,977	30,943,566	33
Change in net position	1,633,892	137,536	1,771,428	(805,703)
Net position - August 31, 2016	11,531,945	688,716	12,220,661	903,526
Net position - August 31, 2017	\$ 13,165,837	\$ 826,252	\$ 13,992,089	\$ 97,823

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**BALANCE SHEET - GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS**

August 31, 2017

	<u>General Fund</u>	<u>Depreciation Fund</u>	<u>Special Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 6,671,427	\$ 2,911,664	\$ 359,005	\$ 524,854	\$ 10,466,950
Cash with County Treasurers	<u>2,676,764</u>	<u>-</u>	<u>22,123</u>	<u>-</u>	<u>2,698,887</u>
Total assets	<u>\$ 9,348,191</u>	<u>\$ 2,911,664</u>	<u>\$ 381,128</u>	<u>\$ 524,854</u>	<u>\$ 13,165,837</u>
LIABILITIES AND FUND BALANCES					
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:					
Restricted for:					
Building additions	-	-	381,128	-	381,128
Debt service	-	-	-	74,852	74,852
Assigned for:					
Capital outlay	-	2,911,664	-	-	2,911,664
Employee benefits	-	-	-	255,057	255,057
Maintenance	-	-	-	194,945	194,945
Budgetary stabilization	<u>9,348,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,348,191</u>
Total fund balances	<u>9,348,191</u>	<u>2,911,664</u>	<u>381,128</u>	<u>524,854</u>	<u>13,165,837</u>
Total liabilities and fund balances	<u>\$ 9,348,191</u>	<u>\$ 2,911,664</u>	<u>\$ 381,128</u>	<u>\$ 524,854</u>	<u>\$ 13,165,837</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS

For the year ended August 31, 2017

	<u>General</u> <u>Fund</u>	<u>Depreciation</u> <u>Fund</u>
RECEIPTS		
Taxes:		
Property	\$ 9,745,613	\$ -
Motor vehicle	676,958	-
Homestead exemption	148,535	-
Property tax credit	591,611	-
Pro-rate motor vehicle	27,356	-
Carline	18,165	-
In lieu of taxes	28,767	-
Fines and licenses	255,452	-
Tuition from other districts	11,020	-
Rental of facilities	37,140	-
State aid and grants	20,607,455	-
Federal grants	3,616,348	-
Interest income	24,603	5,011
Donations	168,987	-
Transfer from other funds	-	1,541,925
Reimbursement from Activity Fund	-	200,000
Sale of property/insurance proceeds	-	2,245
Other	34,687	-
Total receipts	<u>35,992,697</u>	<u>1,749,181</u>
DISBURSEMENTS		
Instruction	18,567,797	-
Special education programs	3,278,630	-
Support services:		
Pupils	2,288,695	-
Staff	576,145	-
General administration	391,448	-
School administration	1,178,178	-
Business	711,323	-
Vehicle acquisition and maintenance	148,126	-
Building and grounds	3,841,655	-
Pupil transportation	480,013	-
State categorical programs	277,390	-
Federal programs	2,368,637	-
Summer school/driver's education	613,545	-
Activities support	187,500	-
Capital outlay	-	978,019
Total disbursements	<u>34,909,082</u>	<u>978,019</u>
Excess (deficiency) of receipts over disbursements	1,083,615	771,162
Fund balances - August 31, 2016	<u>8,264,576</u>	<u>2,140,502</u>
Fund balances - August 31, 2017	<u>\$ 9,348,191</u>	<u>\$ 2,911,664</u>

See notes to financial statements.

Special Building Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
\$ 82,453	\$ 156	\$ -	\$ 9,828,222
-	-	-	676,958
1,257	-	-	149,792
5,005	-	-	596,616
231	-	-	27,587
154	-	-	18,319
233	-	-	29,000
-	-	-	255,452
-	-	-	11,020
-	110,341	-	147,481
-	-	-	20,607,455
-	-	-	3,616,348
842	2,103	-	32,559
-	-	-	168,987
-	-	(1,541,925)	-
-	-	-	200,000
-	-	-	2,245
-	9,886	-	44,573
<u>90,175</u>	<u>122,486</u>	<u>(1,541,925)</u>	<u>36,412,614</u>
-	385,368	(837,311)	18,115,854
-	-	-	3,278,630
-	-	(71,614)	2,217,081
-	-	-	576,145
-	-	-	391,448
-	-	-	1,178,178
-	-	-	711,323
-	-	(133,000)	15,126
-	48,178	(500,000)	3,389,833
-	-	-	480,013
-	-	-	277,390
-	-	-	2,368,637
-	-	-	613,545
-	-	-	187,500
-	-	-	978,019
<u>-</u>	<u>433,546</u>	<u>(1,541,925)</u>	<u>34,778,722</u>
90,175	(311,060)	<u>\$ -</u>	1,633,892
<u>290,953</u>	<u>835,914</u>		<u>11,531,945</u>
<u>\$ 381,128</u>	<u>\$ 524,854</u>		<u>\$ 13,165,837</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENT OF NET POSITION - PROPRIETARY FUND -
MODIFIED CASH BASIS**

August 31, 2017

	<u>Nutrition Fund</u>
ASSETS	
Cash	\$ 826,252
LIABILITIES	<u>-</u>
NET POSITION	
Unrestricted	<u><u>\$ 826,252</u></u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

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

For the year ended August 31, 2017

	<u>Nutrition Fund</u>
Operating receipts:	
Lunch sales	\$ 216,994
State sources	73,648
Federal sources	1,601,668
USDA commodities	116,599
Other revenue	14,062
Total operating receipts	2,022,971
 Operating disbursements:	
Salaries and employee benefits	727,655
Food and food service supplies	1,154,984
Capital outlay	85
Other	4,626
Total operating disbursements	1,887,350
Operating receipts in excess of disbursements	135,621
 Nonoperating receipts:	
Interest income	1,915
Receipts in excess of disbursements	137,536
Net position - August 31, 2016	688,716
Net position - August 31, 2017	\$ 826,252

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS -
MODIFIED CASH BASIS**

August 31, 2017

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 538,648
LIABILITIES	
For the obligations of the Activity Fund	530,037
For the obligations of the Student Fees Fund	<u>8,611</u>
Total liabilities	<u>538,648</u>
NET POSITION	<u><u>\$ -</u></u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the District’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Reporting Entity

Lexington Public Schools - District #1 is a tax-exempt political subdivision and a Class III school district of the State of Nebraska. The District has considered whether any other organizations should be included in the reporting entity based upon the significance of the operational or financial relationship with the District and has concluded that no organization should be included. Therefore, the financial statements present the District as the primary government.

The Lexington Public Schools Building Corporation is a non-profit organization, which is engaged primarily in raising funds for capital projects for Lexington Public Schools. Support is received primarily through contributions and fundraising programs. As a non-profit organization, the Lexington Public Schools Building Corporation is exempt from income taxes in accordance with Internal Revenue Code Section 501(c).

The Lexington Community Facilities Agency is joint venture with the City of Lexington which is engaged primarily in raising funds for capital projects for Lexington Public Schools. Support is received primarily through contributions and fundraising programs.

2. Basis of Presentation

The School District has adopted the provisions of Statement No. 34 (“Statement 34”) of the Governmental Accounting Standards Board, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Effective September 1, 2010, the District adopted GASB Statement No. 54 regarding classification of governmental fund balances. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Committed—Amounts that can be used only for specific purposes determined by a formal action by School Board resolution.

Assigned—Amounts that are designated by the Superintendent for a specific purpose but are not spendable until a budget ordinance is passed by the School Board.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 15). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the School Board or the Assignment has been changed by the Superintendent. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

The District's financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the nonfiduciary financial activities of the District. The effect of interfund activity has been eliminated from these statements. These statements report those activities of the District that are governmental (i.e., generally supported by taxes and intergovernmental revenues) and business-type (i.e., generally supported by fees for service). Fiduciary funds are not included in the government-wide financial statements.

The statement of net position presents the financial position of the District's governmental and business-type activities at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions (including related investment earnings) that are restricted to meeting the operational or capital requirements of a particular program.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Government-wide Financial Statements, continued

Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or draws from the general revenues.

Fund Financial Statements – The District maintains fund accounting in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at a more detailed level.

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 Nutrition Fund is considered a proprietary fund.

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 Activity Fund and Student Fee Fund are fiduciary funds.

3. Basis of Accounting/Measurement Focus

The financial statements of the District have been prepared on the modified cash basis of accounting in that county treasurer cash is recorded. This basis recognizes assets, liabilities, net position, revenues and expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Basis of Accounting/Measurement Focus, continued

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and capital assets) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, accrued expenses and liabilities and long-term debt) *are not recorded* in these financial statements. Accordingly, the financial statements and supplementary schedules are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. There are no differences between the government-wide financial statements and the fund financial statements.

The government-wide financial statements are prepared using the economic resources measurement focus and the modified cash basis of accounting, as are the proprietary fund and fiduciary fund financial statements.

The governmental fund financial statements are prepared using a flow of current financial resources measurement focus and the modified cash basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The Lexington Public Schools Building Corporation and Lexington Community Facilities Agency (component units) use the modified-cash basis of accounting.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Fund Types

Governmental Funds – Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they are to be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District’s major governmental funds:

General Fund: This fund is the operating fund of the District. It is used to account for all financing resources except those required to be accounted for in other funds.

Depreciation Fund: The Depreciation Fund was established to facilitate future purchases of capital assets by reserving money from the General Fund.

Special Building Fund: Accounts for taxes levied and other revenue specifically maintained for future building purchases.

The other governmental funds are:

Employee Benefit Fund: Accounts for monies specifically reserved by the General Fund to be used for unemployment claims or early retirement benefits.

Bond Fund: The Bond Fund accounts for taxes levied and other revenues specifically earmarked for the retirement of bonded indebtedness.

Cooperative Fund: Accounts for rents received and expenses paid for the rental of school facilities.

Proprietary Funds – Proprietary funds include enterprise funds. Enterprise funds account for ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is upon the determination of change in net position. The District’s only proprietary fund is the following fund:

Nutrition Fund: Accounts for the operations of the District’s nutrition program.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Fund Types, continued

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

Activity Fund: This fund is used to account for assets held by the District in a trustee/agency capacity for various school organizations and activities.

Student Fee Fund: This fund is used to account for student fees collected from students by the District in a trustee capacity for extracurricular activities.

5. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

6. Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – BUDGET PROCESS AND PROPERTY TAXES

The District is required by state law to adopt annual budgets for all funds. The supplementary information presents budgets for the General Fund, the Depreciation Fund, and the Special Building Fund (the major governmental funds). Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE B – BUDGET PROCESS AND PROPERTY TAXES, continued

State Statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. As of August 1, or shortly thereafter, Administration of the District prepares a proposed operating budget for the fiscal year commencing the following September 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to the budget filing date, the budget is legally adopted by the Board of Education through passage of a resolution.
4. Total actual expenditures may not legally exceed the Total Budget of Expenditures. Appropriations for expenditures lapse at year end and any revisions require a public hearing and Board approval.
5. The county clerk certifies a preliminary property tax rate for each fund of the School District, which levied property taxes in the county the previous year. For school systems with multiple school districts, the county clerk certifies to each school district the combined valuation of the school system and the proportion of valuation of each district. The county clerk also certifies the preliminary levies based on the combined valuation and the amount requested for the school system for the prior year. The preliminary levy shall be the final levy unless the School Board passes, by a majority vote, a resolution setting a levy at a different amount. For school systems with multiple school districts, the School Board of the Class III school district, or kindergarten through grade twelve district, shall have the authority to set the tax rate for the school system.
6. The property tax requirement resulting from the budget process is utilized to establish the tax levy in accordance with the procedures discussed above, which attaches as an enforceable lien on property within the District as of January 1. Taxes are due as of that date. The first half of the real estate taxes due January 1 become delinquent after the following May 1, with the second half becoming delinquent after September 1.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE B – BUDGET PROCESS AND PROPERTY TAXES, continued

The assessed value for Lexington Public Schools - District #1 at August 31, 2016, upon which the 2017 levy was based, was \$1,031,792,298.

The tax levy per \$100 of assessed valuation of taxable property for the year ended August 31, 2017 was as follows:

General Fund levy subject to levy limit	\$ 1.040016
Qualified Capital Purpose Undertaking Fund	<u>0.008799</u>
	<u>\$ 1.048815</u>

NOTE C – CASH

Cash

At August 31, 2017, the carrying value of the District's deposits was \$11,831,850 and the bank balance was \$12,842,982. For reporting purposes, the collateral on the School District bank deposits is classified in these categories:

1. Insured or collateralized with securities held by the School District or by its agent in the School District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.
3. Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the School District's name.

The bank balances of the School District's deposits as of August 31, 2017 are entirely insured or collateralized. All securities are held by the pledging financial institution, but not in the School District's name.

Cash for the School District at August 31, 2017 consisted of the following:

Demand deposits and money market accounts	<u><u>\$ 11,831,850</u></u>
---	-----------------------------

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE C – CASH, continued

Summary of Carrying Values

The carrying values of cash shown above are included in the fund financial statements at August 31, 2017, as follows:

Carrying value:	
Cash	<u>\$ 11,831,850</u>
Included in the following fund financial statements captions:	
Statement of Net Position – Governmental Funds –	
Cash	\$ 10,033,093
Cash restricted for building projects	359,005
Cash restricted for bond payments	74,852
Statement of Net Position – Proprietary Fund –	
Cash	826,252
Statement of Net Position – Fiduciary Funds	
Activities Fund and Student Fees Fund-Cash	<u>538,648</u>
	<u>\$ 11,831,850</u>

Component Unit

The carrying value of cash for the component units is made up of the following at August 31, 2017:

Carrying value:	
Demand deposits and money market accounts:	
Lexington Public School Building Corporation	\$ 8,045
Lexington Community Facilities Agency	<u>89,778</u>
Total component unit cash	<u>\$ 97,823</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE D – FUNDS HELD BY COUNTY TREASURERS

The following receipts were held by the County Treasurers for the School District at August 31, 2017. The receipts were transferred subsequent to the fiscal year ended August 31, 2017.

General Fund	\$ 2,676,764
Building Fund	22,123
Total cash with County Treasurers at August 31, 2017	\$ 2,698,887

NOTE E – LONG-TERM DEBT

Following is a summary of changes in the District’s governmental activities long-term debt for the year ended August 31, 2017:

	Balance August 31, 2016	<u>Additions</u>	<u>Deletions</u>	Balance August 31, 2017	Due Within <u>One Year</u>
Capital leases	\$ 659,140	\$ -	\$ (417,278)	\$ 241,862	\$ 208,263

The General Fund will pay capital leases.

Capital Leases

On May 10, 2014, the District entered into a capital lease for 910 MacBook Pro computers with Apple, Inc. The original principal amount was \$845,385. The lease bears interest at 2.30 percent and is due in four annual payments of \$217,350, commencing May 10, 2014 through May 10, 2017.

On June 19, 2015, the District entered into a capital lease for 750 MacBook Pro computers with Apple, Inc. The original principal amount was \$696,385. The lease bears interest at 2.30 percent and is due in four annual payments of \$179,042, commencing June 19, 2015 through June 19, 2018.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE E – LONG-TERM DEBT, continued

Capital Leases, continued

On May 12, 2016, the District entered into a capital lease for 150 MacBook Pro computers with Apple, Inc. The original principal amount was \$132,381. The lease bears interest at 3.19 percent and is due in four annual payments of \$34,670, commencing May 12, 2016 through May 12, 2019.

Following is a summary of remaining annual debt service requirements to maturity on the District’s governmental activities long-term debt:

Year Ending <u>August 31,</u>	Principal <u>Payments</u>	Interest <u>Payments</u>	Total Annual <u>Requirements</u>
2018	\$ 208,263	\$ 5,449	\$ 213,712
2019	33,599	1,072	34,671
Totals	<u>\$ 241,862</u>	<u>\$ 6,521</u>	<u>\$ 248,383</u>

NOTE F – PENSION PLAN

Plan Description

Lexington Public Schools - 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.

In 1945, the Nebraska Legislature enacted the law establishing a retirement plan for school employees of the State. During the NPERS fiscal year ended June 30, 2016, there were 266 participating school districts. These were the districts that had contributions during the fiscal year. All regular public school employees in Nebraska, other than those who have their own retirement plans (Class V school districts, Nebraska State Colleges, University of Nebraska, Community Colleges), are members of the plan.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE F – PENSION PLAN, continued

Plan Description, continued

Normal retirement is at age 65. For an employee who became a member before July 1, 2013, the monthly benefit is equal to the greater of the following: 1) the sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the three 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor of two percent, and an actuarial factor based on age.

For an employee who became a member on or after July 1, 2013, the monthly benefit is equal to the greater of the following: 1) the sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the five 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor of two percent, and an actuarial factor based on age.

Benefit calculations vary with early retirement. Employees' benefits are vested after five years of plan participation or when termination occurs at age 65 or later.

For school employees who became members prior to July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost of living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary is adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit.

For school employees who became members on or after July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost of living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or one percent.

For the District's year ended August 31, 2017, the District's total payroll for all employees was \$21,118,195. Total covered payroll was \$20,062,773. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE F – PENSION PLAN, continued

Contributions

The State's contribution is based on an annual actuarial valuation. In addition, the State contributes an amount equal to two percent of the compensation of all members. This contribution is considered a nonemployer contribution since school employees are not employees of the State. The employee contribution was equal to 9.78 percent from July 1, 2015, to June 30, 2016 (and from July 1, 2016 through August 31, 2017). The school district (employer) contribution is 101 percent of the employee contribution. The District's contribution to the Plan for its year ended August 31, 2017, was \$1,981,761.

Pension Liabilities

At June 30, 2016 the District had a liability of \$12,908,921 for its proportionate share of the net pension liability. (This liability is not recorded in the accompanying modified cash basis financial statements.) The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NPERS School Plan was 86.54% funded as of June 30, 2016 based on actuarial calculations comparing total pension liability to the plan fiduciary net position.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the District's proportion was 0.857826 percent, which was an increase of 0.010982 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District's allocated pension expense was \$771,381.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE F – PENSION PLAN, continued

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	3.25 percent
Wage Inflation	4.00 percent
Salary increases, including wage inflation	4.00-9.0 percent
Cost-of-Living Adjustment	Members hired before July, 2013: 2.50% with a floor benefit equal to 75% purchasing power of original benefit. Members hired on/after July 1, 2013: 1.00% with no floor benefit
Investment Rate of Return, net of investment expense, including inflation	8.00 percent

The School Plan’s pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using scale AA, set back one year (sex distinct with 55 percent of male rates for males and 40 percent of female rates for females).

The School Plan’s post-retirement rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct).

The School Plan’s disability mortality rates were based on the 1983 Railroad Retirement Board Disabled Annuitants Mortality (unisex).

The actuarial assumptions used in the July 1, 2016, valuations for the School plan is based on the results of the most recent actuarial experience study, which covered the five year period ending June 30, 2011. The experience study report is dated August 20, 2012. A new experience study has been completed and adopted by the PERB in October 2016. The new actuarial assumptions will be reflected in the 2017 actuarial valuation.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE F – PENSION PLAN, continued

Actuarial Assumptions, continued

The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the pension plan assets. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016, (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
US Equity	26.10%	4.3%
Non-US Equity	2.90%	5.4%
Global Equity	15.00%	5.1%
Fixed Income	11.14%	1.4%
Private Equity	2.36%	6.4%
Real Estate	25.00%	3.6%
Total	100.00%	

*Geometric mean, net of investment expenses.

Discount Rate

The discount rate used to measure the Total Pension Liability at both June 30, 2015 and June 30, 2016, was 8 percent. The discount rate is reviewed as part of the actuarial experience study, which was last performed for the period July 1, 2006, through June 30, 2011. The actuarial experience study is reviewed by the NPERS Board, which must vote to change the discount rate. A new experience study has been completed and adopted by the PERB in October 2016. The new actuarial assumptions will be reflected in the 2017 actuarial valuation.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE F – PENSION PLAN, continued

Discount Rate, continued

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from employers and nonemployers will be made at the contractually rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projected future benefit payments for all current plan members were projected through 2115.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	<u>Discount rate</u>	<u>District's proportionate Share of net pension liability</u>
1% decrease	7.0%	\$ 25,226,344
Current discount rate	8.0%	\$ 12,908,921
1% increase	9.0%	\$ 2,668,364

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE F – PENSION PLAN, continued

Plan Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is available in the separately issued Nebraska Public Employees Retirement Systems Plan financial report. NPERS issues a publicly available financial report that includes financial statements and required supplementary information for NPERS. That report may be obtained via the internet at http://www.auditors.nebraska.gov/APA_Reports.

NOTE G – RISK MANAGEMENT

The School District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year, the District carried commercial insurance for general liability, public officials’ liability, property coverage, workers’ compensation coverage, commercial excess liability coverage and fidelity bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk 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 investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the School District’s investments at August 31, 2017 are held in the name of the School District. The underlying securities consist of money market accounts.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, 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. The School District does not have any investments with maturity dates.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The School District’s investments consist of only money market accounts, minimizing credit risk associated with the School District’s investment portfolio.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE G – RISK MANAGEMENT, continued

Deposits and Investments, continued

Concentration of Credit Risk. The School District’s investment policy places no limit on the amount that may be invested in any one issuer. At August 31, 2017, the School District’s deposits consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank	\$ 11,818,278
Great Western Bank	13,572
	<u>\$ 11,831,850</u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The School District’s investments had no exposure to foreign currency risk and the School District held no investments denominated in foreign currency at August 31, 2017.

NOTE H – INTERFUND TRANSFERS

During the year ended August 31, 2017, the General Fund transferred \$187,500 to the Activity Fund to support various organizations.

Also during the year ended August 31, 2017, the General Fund transferred \$1,541,925 to the Depreciation Fund. This transfer was eliminated on page 16.

NOTE I – SECTION 125 PLAN

The District has a Section 125 Cafeteria Plan for the benefit of its employees. At August 31, 2017, the Section 125 checking account had a balance of \$67,278. The balance of unclaimed employee funds for the plan year as of August 31, 2017 was \$19,296. The \$47,982 remaining cash balance represents prior year employee forfeitures.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE J – OPERATING LEASES

On March 12, 2013, the District entered into a lease agreement with Unite Private Networks, LLC, for the District’s wide area network. This lease qualifies as an operating lease for accounting purposes. The lease agreement requires annual payments of \$93,828 until termination of the lease on June 30, 2024.

On February 6, 2015, the District entered into a lease agreement with MailFinance, Inc. for mailing equipment. This lease qualifies as an operating lease for accounting purposes. The lease agreement requires quarterly payments of \$780 until termination of the lease on May 6, 2020.

On October 29, 2015, the District entered into a lease agreement with MailFinance, Inc. for a folder/insert machine. This lease qualifies as an operating lease for accounting purposes. The lease agreement requires quarterly payments of \$1,049 until termination of the lease on October 29, 2020.

On May 3, 2016, the District entered into a lease agreement with Eakes Office Plus, for copiers. This lease qualifies as an operating lease for accounting purposes. The lease agreement requires monthly payments of \$14,150 until termination of the lease on May 3, 2021.

Rent expense was \$177,117 for the year ended August 31, 2017.

The future minimum lease payments are as follows for years ending August 31:

2018	\$ 364,773
2019	270,945
2020	269,385
2021	192,878
2022	93,828
Thereafter	<u>93,828</u>
	<u>\$ 1,285,637</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS, Continued

August 31, 2017

NOTE K – CONSTRUCTION COMMITMENTS

Construction commitments consisted of the following as of August 31, 2017:

	<u>Contract</u>	<u>Paid as of 8/31/17</u>	<u>Remaining Obligation</u>	<u>Expected Completion Date</u>
High School addition: Windows and doors	<u>\$ 131,284</u>	<u>\$ 128,784</u>	<u>\$ 2,500</u>	Fall 2017

NOTE L – TAX ABATEMENTS

The District is subject to tax abatements granted by the City of Lexington, who has entered into tax increment financing (TIF) agreements with various redevelopers. This TIF program has the stated purpose of increasing business activity and employment in the community.

Under the TIF program, redevelopers can apply for TIF financing whereby the property tax they pay on the increased valuation of property under a TIF agreement is returned to the redeveloper by the City to finance the project for a period of up to 15 years.

Information relevant to the abatements impacting Lexington Public Schools - District #1 for the year ended August 31, 2017, is as follows:

<u>Tax Abatement Program</u>	<u>Amount Abated During the Year</u>
Tax Increment Financing	\$420,500

NOTE M – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 3, 2017, the date on which the financial statements were available for issue.

SUPPLEMENTARY AND OTHER INFORMATION

LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND

Year ended August 31, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) <u>Final Budget</u>
RECEIPTS			
Taxes:			
Property	\$ 10,623,497	\$ 9,745,613	\$ (877,884)
Motor vehicle	660,093	676,958	16,865
Homestead exemption	-	148,535	148,535
Property tax credit	-	591,611	591,611
Pro-rate motor vehicle	25,000	27,356	2,356
Carline	20,000	18,165	(1,835)
In lieu of taxes	60,000	28,767	(31,233)
Fines and licenses	203,500	255,452	51,952
Tuition from other districts	-	11,020	11,020
Rental of facilities	-	37,140	37,140
State aid and grants	21,154,881	20,607,455	(547,426)
Federal grants	2,480,507	3,616,348	1,135,841
Interest	20,000	24,603	4,603
Donations	-	168,987	168,987
Transfers from other funds	74,152	-	(74,152)
Other	7,500	34,687	27,187
	35,329,130	35,992,697	663,567
DISBURSEMENTS			
Instructional services	29,139,364	21,846,427	(7,292,937)
Support services:			
Pupil	2,632,263	2,288,695	(343,568)
Instructional staff	721,121	576,145	(144,976)
General administration	409,724	391,448	(18,276)
School administration	1,200,000	1,178,178	(21,822)
Business	823,652	711,323	(112,329)
Vehicle acquisition and maintenance	204,497	148,126	(56,371)
Building and grounds	3,742,500	3,841,655	99,155
Pupil transportation	442,433	480,013	37,580
State categorical programs	50,000	277,390	227,390
Federal programs	3,000,000	2,368,637	(631,363)
Summer school/driver's education	767,078	613,545	(153,533)
Activities support	187,500	187,500	-
Transfer to other funds	50,000	-	(50,000)
	43,370,132	34,909,082	(8,461,050)
RECEIPTS OVER (UNDER)			
DISBURSEMENTS	\$ (8,041,002)	1,083,615	\$ 9,124,617
Fund balances - August 31, 2016		8,264,576	
Fund balances - August 31, 2017		\$ 9,348,191	

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -
DEPRECIATION FUND**

Year ended August 31, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) <u>Final Budget</u>
RECEIPTS			
Interest income	\$ 2,000	\$ 5,011	\$ 3,011
Transfer from other funds	1,000,000	1,541,925	541,925
Reimbursement from Activity Fund	-	200,000	200,000
Sale of property/insurance proceeds	-	2,245	2,245
Total receipts	1,002,000	1,749,181	747,181
DISBURSEMENTS			
Capital outlay	2,850,357	978,019	(1,872,338)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,848,357)	771,162	\$ 2,619,519
Fund balances - August 31, 2016		2,140,502	
Fund balances - August 31, 2017		\$ 2,911,664	

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL BUILDING FUND**

Year ended August 31, 2017

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) <u>Final Budget</u>
RECEIPTS			
Taxes:			
Property	\$ 89,880	\$ 82,453	\$ (7,427)
Homestead exemption	-	1,257	1,257
Property tax credit	-	5,005	5,005
Pro-rate motor vehicle	225	231	6
Carline	180	154	(26)
In lieu of taxes	-	233	233
Interest income	773	842	69
Total receipts	91,058	90,175	(883)
DISBURSEMENTS			
Capital outlay	359,410	-	(359,410)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (268,352)	90,175	\$ 358,527
Fund balances - August 31, 2016		290,953	
Fund balances - August 31, 2017		\$ 381,128	

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**COMBINING BALANCE SHEET - OTHER GOVERNMENTAL
FUNDS - MODIFIED CASH BASIS**

August 31, 2017

	Employee Benefit <u>Fund</u>	Bond <u>Fund</u>	Cooperative <u>Fund</u>	Total Other Governmental <u>Funds</u>
ASSETS				
Cash	<u>\$ 255,057</u>	<u>\$ 74,852</u>	<u>\$ 194,945</u>	<u>\$ 524,854</u>
LIABILITIES AND FUND BALANCES				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Restricted for:				
Debt service	-	74,852	-	74,852
Assigned for:				
Employee benefits	255,057	-	-	255,057
Maintenance	-	-	194,945	194,945
Total fund balances	<u>255,057</u>	<u>74,852</u>	<u>194,945</u>	<u>524,854</u>
Total liabilities and fund balances	<u>\$ 255,057</u>	<u>\$ 74,852</u>	<u>\$ 194,945</u>	<u>\$ 524,854</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - OTHER
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

Year ended August 31, 2017

	Employee Benefit <u>Fund</u>	Bond <u>Fund</u>	Cooperative <u>Fund</u>	Total Other Governmental <u>Funds</u>
RECEIPTS				
Taxes:				
Property	\$ -	\$ 156	\$ -	\$ 156
Rental of facilities	-	-	110,341	110,341
Interest income	1,477	198	428	2,103
Other	9,886	-	-	9,886
Total receipts	11,363	354	110,769	122,486
DISBURSEMENTS				
Employee benefits	385,368	-	-	385,368
Building and grounds	-	-	48,178	48,178
Total disbursements	385,368	-	48,178	433,546
Receipts over (under) disbursements	(374,005)	354	62,591	(311,060)
Fund balances - August 31, 2016	629,062	74,498	132,354	835,914
Fund balances - August 31, 2017	\$ 255,057	\$ 74,852	\$ 194,945	\$ 524,854

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND NET POSITION -
FIDUCIARY FUND - ACTIVITY FUND**

Year ended August 31, 2017

	Balance August 31, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance August 31, <u>2017</u>
Adult activity tickets	\$ -	\$ 3,000	\$ -	\$ 3,000
After school programs	-	13,886	2,042	11,844
All school play	336	-	-	336
Ambassadors of music	2,974	2,048	3,836	1,186
Annual	(5,916)	15,817	10,652	(751)
Around the mundo	150	-	-	150
Art lab fees	319	-	-	319
Athletic letter club	1,211	60	30	1,241
Autism awareness	254	458	343	369
Band/chorus trip	-	-	980	(980)
Booster club	(6,253)	23,837	15,006	2,578
Boys basketball fundraising	1,771	1,957	610	3,118
Boys golf	-	1,155	2,154	(999)
Boys soccer	-	4,809	3,900	909
Boys tennis	-	683	785	(102)
Bryan bobcat	8,243	2,157	2,684	7,716
Bryan library	2,662	92	2,622	132
Bryan PE	75	-	-	75
Bryan pop	225	87	-	312
Bryan school supplies	568	-	-	568
Central office coke machine	975	32	235	772
Class of 2017	4,480	-	2,796	1,684
Class of 2018	2,893	7,518	4,681	5,730
Class of 2019	1,498	-	-	1,498
Class of 2020	1,549	-	-	1,549
Concessions	5,309	32,793	29,730	8,372
Corporate	584	3,811	2,282	2,113
Cross country	-	3,374	7,086	(3,712)
DC senior trip	11,745	45,052	45,387	11,410
Don Bader Scholarship	50	-	-	50
Drill team	416	4,906	6,903	(1,581)
Early learning academy	917	7,217	6,876	1,258
Elementary recorders	594	1,429	1,753	270
FBLA	3,027	-	-	3,027
FFA	8,303	4,604	7,276	5,631
Flower garden	371	477	276	572
Football fundraising	13,597	16,681	11,506	18,772
Gifted programs	-	1,199	175	1,024
Girls basketball fundraising	4,267	-	1,708	2,559

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND NET POSITION -
FIDUCIARY FUND - ACTIVITY FUND, continued**

Year ended August 31, 2017

	Balance August 31, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance August 31, <u>2017</u>
Girls golf	-	1,277	1,651	(374)
Girls soccer	5,175	4,575	3,099	6,651
Girls soccer fundraising	(1,251)	540	1,497	(2,208)
Girls tennis	-	883	782	101
GNAC	12,443	6,055	18,498	-
High School cheerleading fundraising	-	4,430	3,595	835
High School cross country fundraising	-	3,380	1,778	1,602
High School drill team fundraising	-	8,306	10,205	(1,899)
High School girls golf fundraising	-	232	-	232
High School officials	-	30,255	30,255	-
High School powerlifting	1,366	7,640	5,999	3,007
High School powerlifting fundraising	-	17,192	9,916	7,276
High School prom fundraising	-	2,601	2,601	-
High School recycling	1,206	196	-	1,402
High School softball fundraising	258	929	1,422	(235)
High School speech fundraising	252	-	-	252
High School student support	4,635	2,135	3,676	3,094
High School student teammaker	2,827	-	-	2,827
High School team travel	-	39,194	39,194	-
High School technology club	-	333	87	246
High School track	-	6,724	10,768	(4,044)
High school track fundraising	-	39	-	39
High school unified bowling	-	1,418	1,757	(339)
High School wellness	1,727	-	-	1,727
High School wrestling fundraising	-	50	96	(46)
High School yearbook fundraising	-	3,809	3,537	272
Honor society	(229)	488	785	(526)
HS animation/comic book club	149	-	-	149
HS athletic physicals	831	-	-	831
HS athletics resale	949	-	-	949
HS auto resale	708	1,445	815	1,338
HS Band	-	-	4,373	(4,373)
HS band donations	655	-	-	655
HS boys basketball	12,663	7,552	2,845	17,370
HS boys soccer fundraising	3,030	5,143	7,867	306
HS cheerleaders	2,467	19,411	18,549	3,329
HS fine arts resale	(202)	776	-	574
HS fines	4,919	1,215	1,077	5,057
HS football	(2,194)	15,998	6,442	7,362

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND NET POSITION -
FIDUCIARY FUND - ACTIVITY FUND, continued**

Year ended August 31, 2017

	Balance August 31, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance August 31, <u>2017</u>
HS general activities	(51,408)	89,064	37,656	-
HS girls basketball	15,219	5,901	2,581	18,539
HS girls softball	19,024	4,055	1,877	21,202
HS library	1,027	1,575	321	2,281
HS miscellaneous	83	2,502	-	2,585
HS one act play	-	-	1,345	(1,345)
HS pep club	2,353	-	-	2,353
HS pioneer scholarship	500	-	-	500
HS printing/advertising	425	-	-	425
HS Skills USA	-	9,971	8,814	1,157
HS student council	3,037	1,452	1,430	3,059
HS vocal	-	-	2,492	(2,492)
HS volleyball	5,269	5,365	3,192	7,442
HS welding	323	67	-	390
HS wood shop resale	11,086	3,830	8,156	6,760
HS wrestling	-	7,482	8,489	(1,007)
HS yo yo club	763	-	-	763
Independence ink	4,612	-	-	4,612
Interest	-	61	202	(141)
Majestic Theatre	49,702	22,568	-	72,270
Minuteman music festival	67	-	-	67
Miscellaneous memorial funds	307	-	-	307
MONA	230	-	-	230
Morton activity	3,198	11,832	11,990	3,040
Morton autism	423	60	255	228
Morton library	224	1,467	1,491	200
Morton pencils	208	-	-	208
Morton pop	321	-	-	321
Morton popcorn	286	528	-	814
Morton recycling	380	1,571	1,776	175
MS agenda fund	1,966	-	-	1,966
MS annual	4,751	10,662	7,503	7,910
MS athletics/resale	1,460	57	-	1,517
MS band lab fees	89	2,774	75	2,788
MS booster donation	2,366	-	-	2,366
MS boys track	-	291	291	-
MS fines	3,569	-	-	3,569
MS football	-	1,801	1,801	-
MS general athletics	-	93	93	-

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND NET POSITION -
FIDUCIARY FUND - ACTIVITY FUND, continued**

Year ended August 31, 2017

	Balance August 31, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance August 31, <u>2017</u>
MS girls basketball	-	893	893	-
MS girls track	-	298	298	-
MS library fees/fines	886	5,766	5,540	1,112
MS miscellaneous	(962)	1,552	590	-
MS music resale	7,884	8,490	9,709	6,665
MS officials	-	10,412	10,412	-
MS padlock fees	190	60	-	250
MS patriots	227	-	-	227
MS pop concessions	-	-	1,754	(1,754)
MS student council	(1,628)	3,373	421	1,324
MS volleyball	-	863	814	49
MS wrestling	1,444	-	842	602
Multiple choices	2,508	-	633	1,875
Musical productions	-	8,805	8,805	-
NE Special Olympics	2,432	-	-	2,432
Octagon club	676	-	-	676
PE shirts	(4,989)	1,935	3,503	(6,557)
PE shorts	977	-	-	977
Pershing activity	3,721	5,514	4,772	4,463
Pershing kitchen	111	-	-	111
Pershing library	1,810	269	464	1,615
Pershing PE	254	-	64	190
Pershing playground	500	-	-	500
Pershing refreshments	180	99	-	279
Reading banquet	1,760	48	595	1,213
Ronald C. Murdock	425	-	-	425
S.C. health partners	339	-	-	339
Sandoz activity and pop	1,870	3,174	1,260	3,784
Sandoz field trips	-	100	24	76
Sandoz honor choir	448	-	-	448
Sandoz hosts	527	-	527	-
Sandoz library	425	127	-	552
Science and math club	36	-	-	36
Science fair	2,284	-	-	2,284
Secretary funds	(363)	-	617	(980)
Senior tribute	1,610	2,437	1,571	2,476
Sing around Nebraska	(792)	792	-	-
Social work fundraising	-	2,933	905	2,028
Speech	-	7,331	7,331	-

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND NET POSITION -
FIDUCIARY FUND - ACTIVITY FUND, continued**

Year ended August 31, 2017

	Balance August 31, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance August 31, <u>2017</u>
Staff resale	19	370	370	19
Student computer fees	319,279	83,052	231,591	170,740
Student fee waivers	(1,651)	1,651	1,029	(1,029)
Student laptop bags	6,620	25	-	6,645
Student leadership	19	-	-	19
Student USB drives	589	105	-	694
Training room	-	8,040	8,040	-
Training room fundraising	9,042	19,974	21,288	7,728
Volleyball fundraising	11,642	7,371	13,931	5,082
Walk for life	1,905	-	-	1,905
Weight room	-	86	86	-
	<u>\$ 573,692</u>	<u>\$ 764,334</u>	<u>\$ 807,989</u>	<u>\$ 530,037</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND NET POSITION -
FIDUCIARY FUND - STUDENT FEE FUND**

Year ended August 31, 2017

	Balance <u>8/31/2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>8/31/2017</u>
Student Fees	<u>\$ 4,719</u>	<u>\$ 3,892</u>	<u>\$ -</u>	<u>\$ 8,611</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENTS OF ACCOUNTS WITH COUNTY TREASURERS -
GENERAL FUND**

**Year ended August 31, 2017
(Unaudited)**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Total</u>
Fund Balance - August 31, 2016	\$ 2,497,616	\$ 103,885	\$ 2,601,501
Receipts:			
Local property taxes	9,414,767	405,370	9,820,137
Motor vehicle taxes	667,005	9,953	676,958
Carline	18,165	-	18,165
Pro-rate motor vehicle	26,711	645	27,356
Homestead exemption	146,358	2,177	148,535
Property tax credit	564,370	27,241	591,611
5% gross	27,488	-	27,488
Payments in lieu of taxes	1,245	34	1,279
Fines and licenses	247,402	2,296	249,698
Interest on taxes	30,270	705	30,975
Total receipts	<u>11,143,781</u>	<u>448,421</u>	<u>11,592,202</u>
Total funds available	13,641,397	552,306	14,193,703
Disbursements:			
To School District	10,944,432	467,008	11,411,440
Treasurers' fees	101,439	4,060	105,499
Total disbursements	<u>11,045,871</u>	<u>471,068</u>	<u>11,516,939</u>
Fund Balance - August 31, 2017	<u>\$ 2,595,526</u>	<u>\$ 81,238</u>	<u>\$ 2,676,764</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENTS OF ACCOUNTS WITH COUNTY TREASURERS -
SPECIAL BUILDING FUND**

**Year ended August 31, 2017
(Unaudited)**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Total</u>
Fund Balance - August 31, 2016	\$ 20,623	\$ 868	\$ 21,491
Receipts:			
Local property taxes	79,653	3,430	83,083
Carline	154	-	154
Pro-rate motor vehicle	226	5	231
Homestead exemption	1,238	18	1,256
Property tax credit	4,775	230	5,005
5% gross	233	-	233
Interest on taxes	256	5	261
Total receipts	<u>86,535</u>	<u>3,688</u>	<u>90,223</u>
Total funds available	107,158	4,556	111,714
Disbursements:			
To School District	84,859	3,841	88,700
Treasurers' fees	857	34	891
Total disbursements	<u>85,716</u>	<u>3,875</u>	<u>89,591</u>
Fund Balance - August 31, 2017	<u>\$ 21,442</u>	<u>\$ 681</u>	<u>\$ 22,123</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

**STATEMENTS OF ACCOUNTS WITH COUNTY TREASURERS -
BOND FUND**

**Year ended August 31, 2017
(Unaudited)**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Total</u>
Fund Balance - August 31, 2016	\$ -	\$ -	\$ -
Receipts:			
Local property taxes	126	-	126
Pro-rate motor vehicle	-	-	-
Interest on taxes	31	-	31
Total receipts	<u>157</u>	<u>-</u>	<u>157</u>
Total funds available	157	-	157
Disbursements:			
To School District	156	-	156
Treasurers' fees	1	-	1
Total disbursements	<u>157</u>	<u>-</u>	<u>157</u>
Fund Balance - August 31, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
COMBINING STATEMENT OF NET POSITION -
MODIFIED CASH BASIS - COMPONENT UNITS

August 31, 2017

	Lexington Public Schools Building Corporation	Lexington Community Facilities Agency	Total Component Units
ASSETS			
Cash	\$ 8,045	\$ 89,778	\$ 97,823
LIABILITIES	-	-	-
NET POSITION			
Restricted	\$ 8,045	\$ 89,778	\$ 97,823

LEXINGTON PUBLIC SCHOOLS - DISTRICT #1

**COMBINING STATEMENT OF ACTIVITIES -
MODIFIED CASH BASIS - COMPONENT UNITS**

For the year ended August 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Lexington Public School Building Corporation:			
Capital outlay	\$ 737,670	\$ -	\$ -
Lexington Community Facilities Agency:			
Capital outlay	<u>189,066</u>	<u>-</u>	<u>-</u>
Total component units	<u><u>\$ 926,736</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

	Net (Expenses) Revenues and Changes in Net Position		
	Lexington Public Schools Building Corporation	Lexington Community Facilities Agency	Total Component Units
Capital Grants and Contributions	\$ 91,000	\$ (646,670)	\$ (646,670)
	30,000	-	(159,066)
	<u>\$ 121,000</u>	(646,670)	(159,066)
General revenues:			
Interest income	33	-	33
Total general revenues	<u>33</u>	<u>-</u>	<u>33</u>
Change in net position	(646,637)	(159,066)	(805,703)
Net position - beginning of year	<u>654,682</u>	<u>248,844</u>	<u>903,526</u>
Net position - end of year	<u>\$ 8,045</u>	<u>\$ 89,778</u>	<u>\$ 97,823</u>

SINGLE AUDIT REPORTS

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended August 31, 2017

<u>Federal Grantor and Program Title</u>	<u>Pass-Through Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Education</u>			
Passed Through Nebraska Department of Education:			
Title I Grants to Local Educational Agencies	24-0001-000	84.010	\$ 1,069,003
Improving Teacher Quality State Grants	24-0001-000	84.367	29,029
Twenty-First Century Community Learning Centers	24-0001-000	84.287	187,436
Career and Technical Education - Basic Grants to States	24-0001-000	84.048	27,803
Migrant Education—State Grant Program	24-0001-000	84.011	196,297
English Language Acquisition State Grants	24-0001-000	84.365	145,326
Education for Homeless Children and Youth	24-0001-000	84.196	30,636
Special Education (IDEA) Cluster:			
Special Education - Grants to States	24-0001-000	84.027	576,668
Special Education - Preschool Grants	24-0001-000	84.173	5,721
Total Special Education/IDEA Cluster			582,389
Total Department of Education			2,267,919
<u>Department of Agriculture</u>			
Child Nutrition Cluster:			
Passed Through Nebraska Department of Education:			
School Breakfast Program	24-0001-000	10.553	1,322,525 *
National School Lunch Program	24-0001-000	10.555	211,049 *
Summer Food Service Program for Children	24-0001-000	10.559	68,094 *
Total Child Nutrition Cluster passed through Nebraska Department of Education			1,601,668
Passed Through State Department of Health and Human Services:			
National School Lunch Program (Food Donation) (note B)	47-6002382	10.555	116,599 *
Total Child Nutrition Cluster			1,718,267
Passed Through Nebraska Department of Education:			
Fresh Fruit and Vegetable Program	24-0001-000	10.582	63,846
Total Department of Agriculture			1,782,113
<u>Department of Health and Human Services</u>			
Passed Through State Department of Health and Human Services:			
Medical Assistance Program (Medicaid Cluster)	47-6002382	93.778	122,830
Total Expenditures of Federal Awards			\$ 4,172,862

* Major Programs

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lexington Public Schools - District #1 and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Lexington Public Schools - District #1 did not elect to use the 10% de minimis indirect cost rate.

NOTE B - FOOD DONATION PROGRAM

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.



**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**

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf

To the Board of Education
Lexington Public Schools - District #1
Dawson County, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information and the fiduciary funds of Lexington Public Schools - District #1 as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the School District's financial statements, and have issued our report thereon dated October 3, 2017. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the School District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of Nebraska, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lexington Public Schools - 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lexington Public Schools - 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

1203 W 2nd Street
PO Box 1407
Grand Island, NE 68802
Ph. 308-381-1810
Fax 308-381-4824
Email: cpa@gicpas.com

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 that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 that we consider to be significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Lexington Public Schools - 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 Schools - District #1's Response to Findings

Lexington Public Schools - District #1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District'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.


August Mullen, CPA

Grand Island, Nebraska
October 3, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Lexington Public Schools - District #1
Dawson County, Nebraska

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk
Michael E. Hoback
Joseph P. Stump
Kyle R. Overturf

Report on Compliance for Each Major Federal Program

We have audited Lexington Public Schools - District #1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. Lexington Public Schools - District #1'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 Schools - 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 Schools - District #1's compliance.

Opinion on Each Major Federal Program

In our opinion, Lexington Public Schools - 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, 2017.

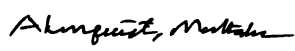
Report on Internal Control over Compliance

Management of Lexington Public Schools - 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 the Uniform Guidance, 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Colleen G. Smith, P.C.

Grand Island, Nebraska
October 3, 2017

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2017

1. A summary of auditor's results:
 - (i) Unmodified opinions were issued on all opinion units of Lexington Public Schools - District #1, as of August 31, 2017 and for the year then ended.
 - (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The condition is not reported as a material weakness.
 - (iii) The audit did not disclose any noncompliance which is material to the financial statements of Lexington Public Schools - District #1.
 - (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for Lexington Public Schools - District #1.
 - (v) An unmodified opinion was issued on compliance for major programs.
 - (vi) The audit did not disclose any audit findings which we are required to report under 2 CFR section 200.516(a).
 - (vii) Major Programs: #10.553 – School Breakfast Program, #10.555 – National School Lunch Program, and #10.559 – Summer Food Service Program for Children.
 - (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
 - (ix) Lexington Public Schools - District #1 did not qualify as a low-risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

2017-001 Due to a limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

Management's Response – It is impractical to further segregate duties due to the small size of the District.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

Year ended August 31, 2017

3. Findings and questioned costs for Federal awards which shall include audit findings as defined in 2 CFR section 200.516(a).

None

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1
DAWSON COUNTY, NEBRASKA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended August 31, 2017

Program

Findings for the year ended August 31, 2016:

There were no prior audit findings.