

## 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, and the aggregate remaining fund information of Lexington Public Schools - District #1 as of and for the year ended August 31, 2018, 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

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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, and the aggregate remaining fund information of Lexington Public Schools - District #1, as of August 31, 2018, 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 25, 2018, 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.

*August, Mattan*  
Catherine Luth, P.C.

Grand Island, Nebraska  
October 25, 2018

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended August 31, 2018**

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**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, 2018. Please read the MD&A in conjunction with the entire financial report, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

- General Fund revenues were \$36,644,484, \$651,302 more than expenses.
- General Fund operational costs were \$35,993,182, a 3.1 percent increase from the prior year.
- Lexington Public Schools - District #1's student enrollment increased by 85 students (3.1 percent) to an Average Daily Membership (ADM) of 2,794 for the year ended August 31, 2018.

**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, 2018**

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- *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, 2018 than it was the year before, increasing to \$15,740,035. The increase in the District's financial position came from its governmental activities, the net position of which increased \$1,844,110 to \$15,009,947 in 2018. In 2018, the net position of the District's business-type activities decreased \$96,164 to \$730,088.

**Summary Statements of Net Position**

	August 31, <u>2018</u>	August 31, <u>2017</u>
Assets	\$ 15,740,035	\$ 13,992,089
Liabilities	<u>-</u>	<u>-</u>
Net Position:		
Restricted	214,059	455,980
Unrestricted	<u>15,525,976</u>	<u>13,536,109</u>
Total Net Position	<u>\$ 15,740,035</u>	<u>\$ 13,992,089</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended August 31, 2018**

**Governmental Activities**

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

	Year Ended August 31, 2018	Year Ended August 31, 2017	Increase (Decrease)
<b>Receipts:</b>			
Charges for services	\$ 125,101	\$ 158,501	\$ (33,400)
Operating grants	4,725,901	5,326,524	(600,623)
Taxes (property, motor vehicle, and other)	12,171,122	11,326,494	844,628
State aid	18,977,681	18,679,105	298,576
Activities reimbursement	-	200,000	(200,000)
Other revenue	847,452	721,990	125,462
Total receipts	36,847,257	36,412,614	434,643
<b>Expenses:</b>			
Instruction	21,130,773	21,394,484	(263,711)
Support services:			
Pupils	1,224,929	2,217,081	(992,152)
Staff	2,193,522	576,145	1,617,377
General administration	373,349	391,448	(18,099)
School administration	1,200,525	1,178,178	22,347
Business	935,654	726,449	209,205
Building and grounds	3,266,228	3,389,833	(123,605)
Pupil transportation	550,870	480,013	70,857
State categorical programs	293,196	277,390	15,806
Federal programs	2,311,236	2,368,637	(57,401)
Summer school	483,916	613,545	(129,629)
Transfer to activity fund	175,000	187,500	(12,500)
Capital outlay	863,949	978,019	(114,070)
Total expenses	35,003,147	34,778,722	224,425
Increase in net position	\$ 1,844,110	\$ 1,633,892	\$ 210,218

Total receipts increased \$434,643 (1.2 percent), due to an increase in taxes of \$844,628 (7.5 percent).

Total expenses increased \$224,425 (0.6 percent), due primarily to an increase in staff support services of \$1,617,377 (280.7 percent) which was partially offset by a decrease of \$992,152 (44.8 percent) in pupils support services.



**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended August 31, 2018**

**Business-type Activities**

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

	Year Ended August 31, <u>2018</u>	Year Ended August 31, <u>2017</u>	Increase (Decrease)
Receipts:			
Charges for services	\$ 249,794	\$ 216,994	\$ 32,800
Operating grants	1,880,448	1,791,915	88,533
Other income	10,016	15,977	(5,961)
Total receipts	<u>2,140,258</u>	<u>2,024,886</u>	<u>115,372</u>
Expenses:			
Nutrition services	<u>2,236,422</u>	<u>1,887,350</u>	<u>349,072</u>
Increase (decrease) in net position	<u>\$ (96,164)</u>	<u>\$ 137,536</u>	<u>\$ (233,700)</u>

In 2018, revenues of the District's business-type activities (nutrition program) increased 5.7 percent to \$2,140,258, and expenses increased 18.5 percent to \$2,236,422.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds reported combined fund balances of \$15,009,947, \$1,844,110 more than last year's ending combined fund balances of \$13,165,837.

The following is a summary of receipts and disbursements for the governmental funds for the year ended August 31, 2018:

	<u>Receipts</u>	<u>Disbursements</u>	Receipts Over (Under) <u>Disbursements</u>
General	\$ 36,644,484	\$ 35,993,182	\$ 651,302
Depreciation	2,041,671	611,743	1,429,928
Special building	9,299	252,206	(242,907)
Employee benefit	155,230	217,034	(61,804)
Bond	986	-	986
Cooperative	123,309	56,704	66,605
Eliminations	<u>(2,127,722)</u>	<u>(2,127,722)</u>	-
Totals	<u>\$ 36,847,257</u>	<u>\$ 35,003,147</u>	<u>\$ 1,844,110</u>

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended August 31, 2018**

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>

As mentioned, the business-type activities' expenses exceeded receipts for 2018. In addition to the district-wide financial statements, food services are reported in greater detail in the proprietary fund statements.

**BUDGET ANALYSIS**

In 2018, General Fund disbursements were \$9,336,877 less than budgeted appropriations. Actual General Fund receipts were \$1,177,985 more than budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

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

- Band uniforms - \$176,095
- High School dishroom remodel - \$135,540
- High School football field lighting - \$252,206
- 2 – 2016 Dodge Caravans - \$39,600
- 150 MacBook Airs acquired under capital lease - \$114,600
- 850 iPads acquired under capital lease - \$241,400

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended August 31, 2018**

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**Long-term Debt**

A summary of the District's debt follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Capital leases	<u>\$ 278,459</u>	<u>\$ 241,862</u>	<u>\$ 36,597</u>

Long-term debt increased \$36,957 (15.1 percent) due to entering into two capital leases for MacBooks and iPads.

(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, 2019 of \$11,339,178 is \$141,497 (1.2 percent) less than the tax asking for the prior year (\$11,480,675).
- Certified state aid for next year is \$17,643,239. This represents a \$1,334,442 (7.0 percent) decrease.

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended August 31, 2018**

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**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, 2018**

	Primary Government			Component <u>Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
Cash (note C)	\$ 11,756,810	\$ 730,088	\$ 12,486,898	\$ 84,473
Cash restricted for building projects (note C)	138,220	-	138,220	-
Cash restricted for bond payments (note C)	75,838	-	75,838	-
Cash with County Treasurers (note D)	3,039,079	-	3,039,079	-
<b>Total assets</b>	<b>\$ 15,009,947</b>	<b>\$ 730,088</b>	<b>\$ 15,740,035</b>	<b>\$ 84,473</b>
<b>LIABILITIES</b>				
	\$ -	\$ -	\$ -	\$ -
<b>NET POSITION</b>				
Restricted	214,059	-	214,059	84,473
Unrestricted	14,795,888	730,088	15,525,976	-
<b>Total net position</b>	<b>\$ 15,009,947</b>	<b>\$ 730,088</b>	<b>\$ 15,740,035</b>	<b>\$ 84,473</b>

See notes to financial statements.

Program Receipts Capital Grants and Contributions	Net (Expenses) Receipts and Changes in Net Position			Component Units
	Primary Government			
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (19,586,694)		\$ (19,586,694)	
-	(1,224,929)		(1,224,929)	
-	(2,193,522)		(2,193,522)	
-	(373,349)		(373,349)	
-	(1,200,525)		(1,200,525)	
-	(935,654)		(935,654)	
-	(3,141,127)		(3,141,127)	
-	(550,870)		(550,870)	
-	(73,505)		(73,505)	
-	650,895		650,895	
-	(483,916)		(483,916)	
-	(175,000)		(175,000)	
-	(863,949)		(863,949)	
-	(30,152,145)	\$ -	(30,152,145)	
-	-	(106,180)	(106,180)	
\$ -	(30,152,145)	(106,180)	(30,258,325)	
\$ 9,778				\$ (3,573)
-				(9,778)
\$ 9,778				(13,351)
General receipts:				
Taxes:				
Property	10,525,320	-	10,525,320	-
Motor vehicle	722,771	-	722,771	-
Other taxes	923,031	-	923,031	-
Fines and licenses	277,393	-	277,393	-
State aid	18,977,681	-	18,977,681	-
State apportionment	401,594	-	401,594	-
Interest income	60,795	3,826	64,621	1
Gain on disposal of property	1,856	-	1,856	-
Other	105,814	6,190	112,004	-
Total general receipts	31,996,255	10,016	32,006,271	1
Change in net position	1,844,110	(96,164)	1,747,946	(13,350)
Net position - August 31, 2017	13,165,837	826,252	13,992,089	97,823
Net position - August 31, 2018	\$ 15,009,947	\$ 730,088	\$ 15,740,035	\$ 84,473

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

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

August 31, 2018

	<u>General Fund</u>	<u>Depreciation Fund</u>	<u>Special Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 6,960,415	\$ 4,341,592	\$ 138,220	\$ 530,641	\$ 11,970,868
Cash with County Treasurers	3,039,078	-	1	-	3,039,079
<b>Total assets</b>	<u>\$ 9,999,493</u>	<u>\$ 4,341,592</u>	<u>\$ 138,221</u>	<u>\$ 530,641</u>	<u>\$ 15,009,947</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:					
Restricted for:					
Building additions	-	-	138,221	-	138,221
Debt service	-	-	-	75,838	75,838
Assigned for:					
Capital outlay	-	4,341,592	-	-	4,341,592
Employee benefits	-	-	-	193,253	193,253
Maintenance	-	-	-	261,550	261,550
Budgetary stabilization	9,999,493	-	-	-	9,999,493
Total fund balances	<u>9,999,493</u>	<u>4,341,592</u>	<u>138,221</u>	<u>530,641</u>	<u>15,009,947</u>
<b>Total liabilities and fund balances</b>	<u>\$ 9,999,493</u>	<u>\$ 4,341,592</u>	<u>\$ 138,221</u>	<u>\$ 530,641</u>	<u>\$ 15,009,947</u>

See notes to financial statements.

Special Building Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
\$ 7,344	\$ 23	\$ -	\$ 10,525,320
130	-	-	49,816
-	-	-	29,675
-	-	-	722,771
(6)	-	-	152,570
-	-	-	618,293
-	-	-	43,505
78	621	-	29,172
-	-	-	277,393
-	122,232	-	125,101
-	-	-	21,096,070
-	-	-	2,962,131
1,753	2,350	-	60,795
-	-	-	46,975
-	100,000	(2,127,722)	-
-	-	-	1,856
-	54,299	-	105,814
<u>9,299</u>	<u>279,525</u>	<u>(2,127,722)</u>	<u>36,847,257</u>
-	-	(203,608)	17,666,336
-	-	-	3,464,437
-	-	-	1,224,929
-	-	(254,522)	2,193,522
-	-	-	373,349
-	-	-	1,200,525
-	217,034	-	935,654
-	56,704	(1,580,075)	3,266,228
-	-	(89,517)	550,870
-	-	-	293,196
-	-	-	2,311,236
-	-	-	483,916
-	-	-	175,000
252,206	-	-	863,949
<u>252,206</u>	<u>273,738</u>	<u>(2,127,722)</u>	<u>35,003,147</u>
(242,907)	5,787	\$ -	1,844,110
<u>381,128</u>	<u>524,854</u>		<u>13,165,837</u>
<u>\$ 138,221</u>	<u>\$ 530,641</u>		<u>\$ 15,009,947</u>



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

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

August 31, 2018

	<b>Nutrition Fund</b>
<b>ASSETS</b>	
Cash	\$ 730,088
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 730,088</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, 2018**

	<b><u>Nutrition Fund</u></b>
<b>Operating receipts:</b>	
Lunch sales	\$ 249,794
State sources	53,991
Federal sources	1,684,262
USDA commodities	142,195
Other revenue	6,190
Total operating receipts	2,136,432
<b>Operating disbursements:</b>	
Salaries and employee benefits	801,113
Food and food service supplies	1,429,887
Other	5,422
Total operating disbursements	2,236,422
Operating disbursements in excess of receipts	(99,990)
<b>Nonoperating receipts:</b>	
Interest income	3,826
Disbursements in excess of receipts	(96,164)
Net position - August 31, 2017	826,252
Net position - August 31, 2018	\$ 730,088

See notes to financial statements.

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

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

**August 31, 2018**

	<b><u>Agency Funds</u></b>
<b>ASSETS</b>	
Cash	\$ 636,323
 <b>LIABILITIES</b>	
For the obligations of the Activity Fund	633,275
For the obligations of the Student Fees Fund	<u>3,048</u>
Total liabilities	<u>636,323</u>
 <b>NET POSITION</b>	 <u><u>\$ -</u></u>

See notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**NOTE B – BUDGET PROCESS AND PROPERTY TAXES, continued**

The assessed value for Lexington Public Schools - District #1 at August 31, 2017, upon which the 2018 levy was based, was \$1,093,397,583.

The tax levy per \$100 of assessed valuation of taxable property for the year ended August 31, 2018 was as follows:

General Fund levy subject to levy limit	\$ <u>1.050000</u>
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**NOTE C – CASH**

*Cash*

At August 31, 2018, the carrying value of the District's deposits was \$13,337,279 and the bank balance was \$13,907,212. 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, 2018 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, 2018 consisted of the following:

Demand deposits and money market accounts	\$ <u>13,337,279</u>
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**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1  
DAWSON COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**August 31, 2018**

**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, 2018, as follows:

Carrying value:		
Cash		<u>\$ 13,337,279</u>
Included in the following fund financial statements captions:		
Statement of Net Position – Governmental Funds –		
Cash	\$ 11,756,810	
Cash restricted for building projects	138,220	
Cash restricted for bond payments	75,838	
Statement of Net Position – Proprietary Fund –		
Cash	730,088	
Statement of Net Position – Fiduciary Funds		
Activities Fund and Student Fees Fund-Cash	636,323	
		<u>\$ 13,337,279</u>

**Component Unit**

The carrying value of cash for the component units is made up of the following at August 31, 2018:

Carrying value:		
Demand deposits and money market accounts:		
Lexington Public School Building Corporation	\$ 4,473	
Lexington Community Facilities Agency	80,000	
Total component unit cash		<u>\$ 84,473</u>

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**August 31, 2018**

**NOTE D – FUNDS HELD BY COUNTY TREASURERS**

The following receipts were held by the County Treasurers for the School District at August 31, 2018. The receipts were transferred subsequent to the fiscal year ended August 31, 2018.

General Fund		\$ 3,039,078	
Building Fund		1	
Total cash with County Treasurers at August 31, 2018		\$ 3,039,079	

**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, 2018:

	Balance August 31, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance August 31, <u>2018</u>	Due Within <u>One Year</u>
Capital leases	<u>\$ 241,862</u>	<u>\$ 356,000</u>	<u>\$ (319,403)</u>	<u>\$ 278,459</u>	<u>\$ 140,478</u>

The General Fund will pay capital leases.

Capital Leases

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**August 31, 2018**

**NOTE E – LONG-TERM DEBT, continued**

Capital Leases, continued

On May 4, 2018, the District entered into a capital lease for 150 MacBook Pro computers with Apple, Inc. The original principal amount was \$114,600. The lease bears interest at 1.99 percent and is due in four annual payments of \$29,553, commencing June 5, 2018 through June 5, 2021.

On May 4, 2018, the District entered into a capital lease for 850 iPads with Apple, Inc. The original principal amount was \$241,400. The lease bears interest at 1.99 percent and is due in three annual payments of \$82,196, commencing June 5, 2018 through June 5, 2020.

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>
2019	\$ 140,478	\$ 5,941	\$ 146,419
2020	109,005	2,744	111,749
2021	28,976	577	29,553
Totals	<u>\$ 278,459</u>	<u>\$ 9,262</u>	<u>\$ 287,721</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, 2017, there were 265 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, 2018**

**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. There is no purchasing power floor for employees who fall under this tier.

For the District's year ended August 31, 2018, the District's total payroll for all employees was \$21,456,651. Total covered payroll was \$20,539,766. 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, 2018**

**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, 2016, to June 30, 2017 (and from July 1, 2017 through August 31, 2018). 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, 2018, was \$2,028,877.

**Pension Liabilities**

At June 30, 2017 the District had a liability of \$14,099,034 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, 2017, 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 87.25% funded as of June 30, 2017 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, 2017, the District's proportion was 0.890222 percent, which was an increase of 0.032396 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District's allocated pension expense was \$1,366,232.



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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**August 31, 2018**

**NOTE F – PENSION PLAN, continued**

**Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases, including wage inflation	3.50-8.50 percent
Cost-of-Living Adjustment	Members hired before July 1, 2013: 2.25% 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	7.50 percent

The School Plan's pre-retirement mortality rates were based on the RP-2014 White Collar Table for Employees (100% of male rates for males, 55% of female rates for female), projected generationally with MP-2015.

The School Plan's post-retirement mortality rates were based on the RP-2014 White Collar Table for Employees, set back two years, scaled (males: under 80, 1.008; over 80, 1.449; females: under 85, 0.924; over 85, 1.5855; geometrically blended), projected generationally with a Society of Actuaries projection scale tool using 0.5% ultimate rate in 2035.

The School Plan's disability mortality rates were based on the RP-2014 Disabled Lives table (static table).

The actuarial assumptions used in the July 1, 2017, valuations for the School plan is based on the results of the most recent actuarial experience study, which covered the four year period ending June 30, 2015. The experience study report is dated November 17, 2016.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

August 31, 2018

**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 arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017, (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*
Large Cap US Equity	26.1%	5.83%
Small Cap US Equity	2.9%	7.56%
Global Equity	15.0%	6.51%
International Developed Equity	10.8%	6.80%
Emerging Markets	2.7%	10.55%
Core Bonds	20.0%	1.63%
High Yield	3.5%	5.22%
Bank Loans	5.0%	2.78%
International Bonds	1.5%	1.41%
Private Equity	5.0%	9.70%
Real Estate	7.5%	5.18%
Total	100.0%	

\*Arithmetic mean, net of investment expenses.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**August 31, 2018**

**NOTE F – PENSION PLAN, continued**

**Discount Rate**

The discount rate used to measure the Total Pension Liability at June 30, 2017, was 7.5 percent. The discount rate used to measure the Total Pension Liability at 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, 2011, through June 30, 2015. The actuarial experience study is reviewed by the NPERS Board, which must vote to change the discount rate.

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 2116.

**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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>Discount rate</u>	<u>District's proportionate Share of net pension liability</u>
1% decrease	6.5%	\$ 29,099,700
Current discount rate	7.5%	\$ 14,099,034
1% increase	8.5%	\$ 1,709,004

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**August 31, 2018**

**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](http://www.auditors.nebraska.gov/APA%20Reports).

**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, 2018 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, 2018**

**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, 2018, the School District's deposits consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank	\$ 13,323,651
Great Western Bank	13,628
	<u>\$ 13,337,279</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, 2018.

**NOTE H – INTERFUND TRANSFERS**

During the year ended August 31, 2018, the General Fund transferred \$175,000 to the Activity Fund to support various organizations.

Also during the year ended August 31, 2018, the General Fund transferred \$2,027,722 to the Depreciation Fund and \$100,000 to the Employee Benefit Fund. These transfers were 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, 2018, the Section 125 checking account had a balance of \$46,908. The balance of unclaimed employee funds for the plan year as of August 31, 2018 was \$29,416. The \$17,492 remaining cash balance represents prior year employee forfeitures.

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**August 31, 2018**

**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.

On June 27, 2016, the District entered into a lease agreement with Eakes Office Plus, for eGoldFax service. This lease qualifies as an operating lease for accounting purposes. The lease agreement requires monthly payments of \$180 until termination of the lease on June 27, 2021.

Rent expense was \$273,105 for the year ended August 31, 2018.

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

2019	\$ 273,105
2020	271,545
2021	194,318
2022	93,828
2023	93,828
Thereafter	-
	<u>\$ 926,624</u>

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

**NOTES TO FINANCIAL STATEMENTS, Continued**

**August 31, 2018**

**NOTE K – 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, 2018, is as follows:

<u>Tax Abatement Program</u>	<u>Amount Abated During the Year</u>
Tax Increment Financing	\$ 414,649

**NOTE L -- SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 25, 2018, 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, 2018

Function Code		Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RECEIPTS</b>				
Local receipts:				
1110	Local property taxes	\$ 11,365,868	\$ 10,517,953	\$ (847,915)
1115	Carline	20,000	49,686	29,686
1120	Public power sales tax	30,000	29,675	(325)
1125	Motor vehicle	555,000	722,771	167,771
1410	Interest	15,000	44,526	29,526
1610	Local license fees	6,000	5,240	(760)
1620	Police court fines	-	3,448	3,448
1910	Rental of facilities	-	2,869	2,869
1920	Donations	-	46,975	46,975
1950	Postsecondary receipts	-	630	630
1990	Other	61,000	50,775	(10,225)
	Total local receipts	<u>12,052,868</u>	<u>11,474,548</u>	<u>(578,320)</u>
County receipts:				
2110	Fines and licenses	120,000	268,705	148,705
2210	ESU receipts	-	110	110
	Total county receipts	<u>120,000</u>	<u>268,815</u>	<u>148,815</u>
State receipts:				
3110	State aid	18,977,681	18,977,681	-
3120	Special education programs	1,260,000	1,472,486	212,486
3125	Special education transportation	25,000	24,618	(382)
3130	Homestead exemption	-	152,576	152,576
3131	Property tax credit	-	618,293	618,293
3132	Personal property tax credit	-	43,505	43,505
3135	Payments for high ability learners	19,000	18,657	(343)
3180	Pro-rate motor vehicle	27,000	28,473	1,473
3200	State apportionment	387,000	401,594	14,594
3500	State categorical programs	229,450	-	(229,450)
3541	Early childhood endowment	-	199,837	199,837
3990	Other	1,000	1,197	197
	Total state receipts	<u>20,926,131</u>	<u>21,938,917</u>	<u>1,012,786</u>
4000	Federal grants	2,367,500	2,962,131	594,631
Non-revenue receipts:				
5300	Sale of property	-	73	73
	Total receipts	<u>35,466,499</u>	<u>36,644,484</u>	<u>1,177,985</u>
<b>DISBURSEMENTS</b>				
1100	Instructional services	27,455,501	17,869,944	(9,585,557)
1200	Special education programs	3,446,868	3,464,437	17,569
Support services:				
2100	Pupil	2,261,040	1,224,929	(1,036,111)
2200	Instructional staff	742,470	2,448,044	1,705,574
2300	General administration	411,048	373,349	(37,699)
2400	School administration	1,335,551	1,200,525	(135,026)
2500	Business	735,035	718,620	(16,415)
2520	Vehicle acquisition and maintenance	20,000	-	(20,000)
2600	Building and grounds	4,686,715	4,789,599	102,884
2700	Pupil transportation	512,950	640,387	127,437
3000	Community services	30,795	-	(30,795)
3500	State categorical programs	229,450	293,196	63,746
4000	Federal programs	2,650,536	2,311,236	(339,300)
6000	Summer school/driver's education	637,100	483,916	(153,184)
8000	Activities support	175,000	175,000	-
	Total disbursements	<u>45,330,059</u>	<u>35,993,182</u>	<u>(9,336,877)</u>
<b>RECEIPTS OVER (UNDER)</b>				
<b>DISBURSEMENTS</b>		<u>\$ (9,863,560)</u>	651,302	<u>\$ 10,514,862</u>
Fund balances - August 31, 2017			9,348,191	
Fund balances - August 31, 2018			<u>\$ 9,999,493</u>	

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

**BUDGETARY COMPARISON SCHEDULE -  
DEPRECIATION FUND**

**Year ended August 31, 2018**

Function Code		Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RECEIPTS</b>				
	Local receipts:			
1410	Interest income	\$ 2,000	\$ 12,166	\$ 10,166
	Non-revenue receipts:			
5300	Sale of property	2,500	1,783	(717)
5500	Transfer from other funds	1,000,000	2,027,722	1,027,722
	Total non-revenue receipts	<u>1,002,500</u>	<u>2,029,505</u>	<u>1,027,005</u>
	Total receipts	1,004,500	2,041,671	1,037,171
<b>DISBURSEMENTS</b>				
2500	Capital outlay	<u>3,403,432</u>	<u>611,743</u>	<u>(2,791,689)</u>
	<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<u>\$ (2,398,932)</u>	1,429,928	<u>\$ 3,828,860</u>
	Fund balances - August 31, 2017		<u>2,911,664</u>	
	Fund balances - August 31, 2018		<u>\$ 4,341,592</u>	

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

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL BUILDING FUND**

**Year ended August 31, 2018**

Function Code	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RECEIPTS</b>			
Local receipts:			
1110	Local property taxes	\$ -	\$ 7,344
1115	Carline	115	130
1410	Interest income	400	1,753
	Total local receipts	515	8,712
State receipts:			
3130	Homestead exemption	-	(6)
3180	Pro-rate motor vehicle	6,500	78
	Total state receipts	6,500	(6,428)
	Total receipts	7,015	2,284
<b>DISBURSEMENTS</b>			
2500	Capital outlay	364,490	(112,284)
	<b>RECEIPTS OVER (UNDER)</b>		
	<b>DISBURSEMENTS</b>	\$ (357,475)	\$ 114,568
	Fund balances - August 31, 2017	381,128	
	Fund balances - August 31, 2018	\$ 138,221	

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

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

August 31, 2018

	Employee Benefit <u>Fund</u>	Bond <u>Fund</u>	Cooperative <u>Fund</u>	Total Other Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash	\$ 193,253	\$ 75,838	\$ 261,550	\$ 530,641
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Restricted for:				
Debt service	-	75,838	-	75,838
Assigned for:				
Employee benefits	193,253	-	-	193,253
Maintenance	-	-	261,550	261,550
Total fund balances	<u>193,253</u>	<u>75,838</u>	<u>261,550</u>	<u>530,641</u>
<b>Total liabilities and fund balances</b>	<u>\$ 193,253</u>	<u>\$ 75,838</u>	<u>\$ 261,550</u>	<u>\$ 530,641</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, 2018

	Employee Benefit <u>Fund</u>	Bond <u>Fund</u>	Cooperative <u>Fund</u>	Total Other Governmental <u>Funds</u>
<b>RECEIPTS</b>				
Taxes:				
Property	\$ -	\$ 23	\$ -	\$ 23
Pro-rate motor vehicle	-	621	-	621
Rental of facilities	-	-	122,232	122,232
Interest income	931	342	1,077	2,350
Transfers from other funds	100,000	-	-	100,000
Other	54,299	-	-	54,299
Total receipts	155,230	986	123,309	279,525
<b>DISBURSEMENTS</b>				
Employee benefits	217,034	-	-	217,034
Building and grounds	-	-	56,704	56,704
Total disbursements	217,034	-	56,704	273,738
<b>Receipts over (under) disbursements</b>	(61,804)	986	66,605	5,787
Fund balances - August 31, 2017	255,057	74,852	194,945	524,854
Fund balances - August 31, 2018	\$ 193,253	\$ 75,838	\$ 261,550	\$ 530,641

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

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

**Year ended August 31, 2018**

	Balance August 31, <u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance August 31, <u>2018</u>
Adult activity tickets	\$ 3,000	\$ 1,600	\$ -	\$ 4,600
Ambassadors of music	1,186	1,876	2,000	1,062
Annual	(751)	22,376	21,625	-
Around the mundo	150	-	-	150
Art lab fees	319	-	-	319
Athletic letter club	1,241	70	40	1,271
Autism awareness	369	-	-	369
Autism programs	228	885	716	397
Band/chorus trip	(325)	325	-	-
Booster club	2,578	9,744	10,020	2,302
Boys basketball fundraising	3,118	1,388	3,859	647
Boys golf	(999)	3,733	2,734	-
Boys soccer	909	4,238	2,436	2,711
Boys tennis	(102)	2,959	2,857	-
Bryan bobcat	7,716	3,096	3,276	7,536
Bryan library	132	91	-	223
Bryan PE	75	-	-	75
Bryan pop	312	88	-	400
Bryan school supplies	568	-	100	468
Central office coke machine	772	50	-	822
Class of 2017	1,684	-	843	841
Class of 2018	5,730	-	690	5,040
Class of 2019	1,498	2,298	183	3,613
Class of 2020	1,549	-	-	1,549
Concessions	8,372	38,179	33,530	13,021
Corporate	2,113	2,410	2,192	2,331
Cross country	(3,712)	10,461	6,749	-
DC senior trip	11,410	30,780	29,592	12,598
Don Bader Scholarship	50	-	-	50
Drill team	(1,581)	4,213	2,143	489
Early learning academy	1,258	9,163	8,899	1,522
Elementary recorders	270	1,158	1,121	307
FBLA	3,027	-	-	3,027
FFA	5,631	10,419	9,486	6,564
Flower garden	572	164	183	553
Football fundraising	18,772	24,487	24,762	18,497
Gifted programs	1,024	3,048	254	3,818
Girls basketball fundraising	2,559	1,111	1,574	2,096
Girls golf	(374)	3,386	3,012	-

**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, 2018

	Balance August 31, <u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance August 31, <u>2018</u>
Girls soccer	6,651	4,255	1,198	9,708
Girls soccer fundraising	(2,208)	2,501	2,625	(2,332)
Girls tennis	101	902	1,003	-
High School cheerleading fundraising	835	22,670	30,038	(6,533)
High School cross country fundraising	1,602	4,578	5,021	1,159
High School drill team fundraising	(1,899)	19,746	15,912	1,935
High School gate receipts	-	4,539	-	4,539
High School girls golf fundraising	232	-	492	(260)
High School officials	-	41,215	41,215	-
High School orange & black fundraising	7,728	24,542	13,965	18,305
High School powerlifting	3,007	10,191	13,198	-
High School powerlifting fundraising	7,276	20,794	14,305	13,765
High School prom fundraising	-	8,658	8,658	-
High School recycling	1,402	300	-	1,702
High School robotics club	-	378	85	293
High School softball fundraising	(235)	293	58	-
High School SpEd fundraising	1,727	2,806	-	4,533
High School speech fundraising	252	-	-	252
High School student support	3,094	-	507	2,587
High School student teammaker	2,827	-	-	2,827
High School team travel	-	31,963	31,963	-
High School technology club	246	347	308	285
High School track	(4,044)	11,306	7,262	-
High school track fundraising	39	1,020	600	459
High school unified bowling	(339)	1,535	1,196	-
High School wrestling fundraising	(46)	46	-	-
High School yearbook fundraising	272	3,837	3,560	549
Honor society	(526)	943	762	(345)
HS animation/comic book club	149	-	-	149
HS athletic physicals	831	-	-	831
HS athletics resale	949	-	-	949
HS auto resale	1,338	1,166	899	1,605
HS Band	(4,373)	8,470	4,097	-
HS boys basketball	17,370	11,657	12,622	16,405
HS boys soccer fundraising	306	6,082	8,387	(1,999)
HS cheerleaders	3,329	3,491	2,405	4,415
HS fine arts resale	574	-	-	574
HS fines	5,057	1,869	825	6,101
HS football	7,362	12,989	13,358	6,993

**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, 2018**

	Balance August 31, <u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance August 31, <u>2018</u>
HS general activities	-	40,543	40,543	-
HS girls basketball	18,539	6,948	7,692	17,795
HS girls softball	21,202	4,254	9,871	15,585
HS library	2,281	1,628	1,967	1,942
HS miscellaneous	2,585	835	1,326	2,094
HS one act play	(1,345)	2,584	1,239	-
HS pep club	2,353	-	-	2,353
HS pioneer scholarship	500	-	-	500
HS printing/advertising	425	-	-	425
HS Skills USA	1,157	10,296	10,774	679
HS student council	3,059	2,119	2,864	2,314
HS vocal	(2,492)	4,600	2,108	-
HS volleyball	7,442	6,576	3,349	10,669
HS welding	390	190	-	580
HS wood shop resale	6,760	7,037	12,266	1,531
HS wrestling	(1,007)	10,335	6,740	2,588
HS yo yo club	763	-	150	613
Independence ink	4,612	-	-	4,612
Interest	(141)	534	-	393
Lexington Academy	11,844	3,703	6,065	9,482
Majestic Theatre	72,270	22,290	-	94,560
Minuteman music festival	67	-	-	67
Miscellaneous memorial funds	307	-	-	307
Mock trial	-	309	309	-
MONA	230	-	-	230
Morton activity	3,040	1,941	2,277	2,704
Morton library	200	2,120	2,046	274
Morton memorial	-	915	-	915
Morton pencils	208	-	-	208
Morton pop	321	-	-	321
Morton popcorn	814	555	63	1,306
Morton recycling	175	315	-	490
MS agenda fund	1,966	-	-	1,966
MS annual	7,910	13,158	11,572	9,496
MS athletics/resale	1,517	-	-	1,517
MS band lab fees	2,788	-	45	2,743
MS booster donation	2,366	-	-	2,366
MS boys basketball	-	117	117	-
MS boys track	-	1,012	1,012	-



**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, 2018**

	Balance August 31, <u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance August 31, <u>2018</u>
MS cross country	-	272	272	-
MS fines	3,569	38	-	3,607
MS football	-	10,004	10,004	-
MS general athletics	-	110	110	-
MS girls basketball	-	975	374	601
MS girls track	-	1,886	1,886	-
MS library fees/fines	2,325	4,336	6,334	327
MS miscellaneous	-	395	-	395
MS music resale	6,665	11,345	13,748	4,262
MS officials	-	11,687	11,687	-
MS padlock fees	250	30	-	280
MS patriots	227	-	-	227
MS pop concessions	(1,754)	3,141	1,387	-
MS student council	1,324	2,513	1,867	1,970
MS volleyball	49	941	990	-
MS wrestling	602	1,906	828	1,680
Multiple choices	1,875	5,622	963	6,534
Musical productions	336	5,016	5,352	-
NE Special Olympics	2,432	-	-	2,432
Octagon club	676	-	-	676
PE shirts	(6,557)	1,858	3,503	(8,202)
PE shorts	977	-	-	977
Pershing activity	4,463	5,128	3,589	6,002
Pershing kitchen	111	-	-	111
Pershing library	1,615	444	508	1,551
Pershing PE	190	1,548	1,738	-
Pershing playground	500	-	-	500
Pershing refreshments	279	144	258	165
Ronald C. Murdock	425	-	-	425
S.C. health partners	339	-	-	339
Sandoz activity and pop	3,784	2,868	1,346	5,306
Sandoz field trips	76	400	-	476
Sandoz honor choir	448	252	252	448
Sandoz library	552	20	217	355
Science and math club	36	-	-	36
Science fair	2,284	-	-	2,284
Secretary funds	(980)	1,558	578	-
Senior tribute	2,476	2,420	2,013	2,883
Social work fundraising	2,028	-	382	1,646

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, 2018

	Balance <u>8/31/2017</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>8/31/2018</u>
Student Fees	<u>\$ 8,611</u>	<u>\$ 660</u>	<u>\$ 6,223</u>	<u>\$ 3,048</u>

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

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

**Year ended August 31, 2018  
(Unaudited)**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Total</u>
Fund Balance - August 31, 2017	\$ 2,595,526	\$ 81,238	\$ 2,676,764
Receipts:			
Local property taxes	10,221,570	381,051	10,602,621
Carline	49,686	-	49,686
5% gross	28,397	-	28,397
Payments in lieu of taxes	1,245	33	1,278
Motor vehicle taxes	711,424	11,347	722,771
Homestead exemption	150,291	2,285	152,576
Property tax credit	586,861	31,432	618,293
Personal property tax credit	43,413	92	43,505
Pro-rate motor vehicle	27,799	674	28,473
Fines and licenses	269,543	2,610	272,153
Interest on taxes	29,229	107	29,336
Total receipts	<u>12,119,458</u>	<u>429,631</u>	<u>12,549,089</u>
Total funds available	14,714,984	510,869	15,225,853
Disbursements:			
To School District	11,630,544	442,227	12,072,771
Treasurers' fees	110,193	3,811	114,004
Total disbursements	<u>11,740,737</u>	<u>446,038</u>	<u>12,186,775</u>
Fund Balance - August 31, 2018	<u>\$ 2,974,247</u>	<u>\$ 64,831</u>	<u>\$ 3,039,078</u>

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

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

Year ended August 31, 2018  
(Unaudited)

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Total</u>
Fund Balance - August 31, 2017	\$ -	\$ -	\$ -
Receipts:			
Local property taxes	16	-	16
Pro-rate motor vehicle	621	-	621
Interest on taxes	7	-	7
Total receipts	644	-	644
Total funds available	644	-	644
Disbursements:			
To School District	644	-	644
Fund Balance - August 31, 2018	\$ -	\$ -	\$ -

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

August 31, 2018

	<u>Lexington Public Schools Building Corporation</u>	<u>Lexington Community Facilities Agency</u>	<u>Total Component Units</u>
<b>ASSETS</b>			
Cash	\$ 4,473	\$ 80,000	\$ 84,473
<b>LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Restricted	<u>\$ 4,473</u>	<u>\$ 80,000</u>	<u>\$ 84,473</u>

	Net (Expenses) Revenues and Changes in Net Position		
	Lexington Public Schools Building Corporation	Lexington Community Facilities Agency	Total Component Units
<u>Capital Grants and Contributions</u>			
\$ 9,778	\$ (3,573)	\$ -	\$ (3,573)
-	-	(9,778)	(9,778)
<u>\$ 9,778</u>	(3,573)	(9,778)	(13,351)
General revenues:			
Interest income	1	-	1
Change in net position	(3,572)	(9,778)	(13,350)
Net position - beginning of year	8,045	89,778	97,823
Net position - end of year	<u>\$ 4,473</u>	<u>\$ 80,000</u>	<u>\$ 84,473</u>

**SINGLE AUDIT REPORTS**

**LEXINGTON PUBLIC SCHOOLS - DISTRICT #1  
DAWSON COUNTY, NEBRASKA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended August 31, 2018**

<u>Federal Grantor and Program Title</u>	<u>Pass-Through Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>Department of Education</u></b>			
Passed Through Nebraska Department of Education:			
Title I Grants to Local Educational Agencies	24-0001-000	84.010	\$ 979,129
Twenty-First Century Community Learning Centers	24-0001-000	84.287	193,110
Career and Technical Education - Basic Grants to States	24-0001-000	84.048	25,354
Migrant Education—State Grant Program	24-0001-000	84.011	246,579
English Language Acquisition State Grants	24-0001-000	84.365	187,679
Education for Homeless Children and Youth	24-0001-000	84.196	23,451
Special Education (IDEA) Cluster:			
Special Education - Grants to States	24-0001-000	84.027	575,920 *
Special Education - Preschool Grants	24-0001-000	84.173	4,139 *
Total Special Education/IDEA Cluster			580,059
Total Department of Education			2,235,361
<b><u>Department of Agriculture</u></b>			
Child Nutrition Cluster:			
Passed Through Nebraska Department of Education:			
National School Lunch Program	24-0001-000	10.555	1,626,335 *
Summer Food Service Program for Children	24-0001-000	10.559	57,906 *
Total Child Nutrition Cluster passed through Nebraska Department of Education			1,684,241
Passed Through State Department of Health and Human Services:			
National School Lunch Program (Food Donation) (note B)	47-6002382	10.555	142,195 *
Total Child Nutrition Cluster			1,826,436
Passed Through Nebraska Department of Education:			
Fresh Fruit and Vegetable Program	24-0001-000	10.582	39,539
Total Department of Agriculture			1,865,975
<b><u>Department of Health and Human Services</u></b>			
Passed Through State Department of Health and Human Services:			
Medical Assistance Program	47-6002382	93.778	42,240
<b>Total Expenditures of Federal Awards</b>			<b>\$ 4,143,576</b>

\* 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**

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, and the aggregate remaining fund information of Lexington Public Schools - District #1 as of and for the year ended August 31, 2018, 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 25, 2018. 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

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  
Tracy A. Cannon

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Grand Island, NE 68802  
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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 2018-001 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.

*Almaquist, Matthew*  
Matthew A. Almaquist, P.C.

Grand Island, Nebraska  
October 25, 2018



**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

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**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, 2018. 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, 2018.

## 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.

*Alvin J. Miller*  
Controller, Litch, P.C.

Grand Island, Nebraska  
October 25, 2018

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year ended August 31, 2018**

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, 2018 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: #10.555 – National School Lunch Program, #10.559 – Summer Food Service Program for Children, #84.027 – Special Education-Below Age Five, and #84.173 – IDEA Base Pre-School Special Education.
- (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.

LEXINGTON PUBLIC SCHOOLS - DISTRICT #1  
DAWSON COUNTY, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued

Year ended August 31, 2018

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

2018-001 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.

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, 2018

Program

Findings for the year ended August 31, 2017:

There were no prior audit findings.