

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1  
DAWSON COUNTY, NEBRASKA**

FINANCIAL STATEMENTS

August 31, 2007

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

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**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Dawson County School District 24-0001 (Lexington Public Schools)

This section of the Lexington Public Schools' annual audit reports presents our discussion and analysis of the school district's financial performance during the fiscal year that ended on August 31, 2007. Please read it in conjunction with the district's financial statements, which follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The School District has adopted the provisions of Statement No. 34 of the Governmental Accounting Standards Board "Basic financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local government entities, which includes government-wide financial statement, and fund financial statements.

This annual report consists of four parts: (1) Management's Discussion and Analysis; (2) the basic Financial Statements-Modified Cash Basis; (3) Supplemental Schedules; and (4) information on the Single Audit (Federal Funds).

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to an extent on fees and charges for support.

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 non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on going operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements. The School Lunch 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 Activities Fund is a fiduciary fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data about the financial statements and School Districts commitments, contingencies and long-term debt obligations that are not reported in the cash basis financial statements. The statements are followed by a section

of Required Supplementary Information that further explains and supports the information in the financial statements.

**FINANCIAL HIGHLIGHTS**

- The district’s total property assets increased through construction activity paid from the General Fund through and arrangements made with Lexington Public Schools Building Corporation for the construction of gymnasium and classroom addition to Morton Elementary School, and proposed construction of improvements of a classroom addition to our High School.
- The district’s General Fund Disbursements in 2006-2007 exceeded the prior year’s disbursements by \$4,293,456.99, resulting in a 19.59% increase. Of this amount, \$2,070,686 was expended on the Morton and High School expansion projects.
- The district’s General Fund Receipts in 2006-2007 were \$1,514,936.00 over the prior year’s revenue, an increase of 6.38%.

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

The largest single source of receipts for Lexington Public Schools is State Aid, \$13,791,365.39 for 2006-2007, which increased by \$1,564,610.16 (12.8%) from the prior year. State Aid accounted for 54.6% of the total general fund Receipts, and federal revenue accounted for 13.5% of general fund receipts.

Property taxes as a source of revenue for the District accounted for 22.2% of the total General Fund Revenues. The amount of property taxes collected for 2006-2007 were \$166,095 more than the previous year.

The following table shows the property tax rates, by fund, for the 2003-2004 through 2006-2007 fiscal years, which includes a calculation of percentage by which the total levy changed. Levies are expressed in dollars and cents per \$100 of valuation. Using the following table the district total property tax on a \$100,000 property in 2006-2007 would be \$1,238.27 or \$18.31 less than the previous year.

	2003-2004 Levy	2004-2005 Levy	2005-2006 Levy	2006-2007 Levy	Percent Change
General Fund	1.02387	0.950864	0.944269	.945308	
Building Fund	0.078514	0.095724	0.098761	.098515	
Bond Funds	0.219933	0.2117	0.209628	.194451	
District Total	1.322317	1.258288	1.25658	1.23827	-1.02

## General Fund Budgetary Highlights

The District's General Fund cash position for school year 2006-2007 decreased by \$957,744. This is shown by a difference in beginning cash balance, September 1, 2006 of \$11,373,395.32, and the ending cash balance of \$10,415,651.19. This reduction was anticipated and is due in large part to the cost of lease-purchase of additions to schools.

	<b>2006-2007 Budget</b>	<b>2006-2007 Actual</b>	<b>Difference</b>
<b>9/1/2006 Beginning Balance</b>	<u>\$8,238,938</u>	<u>\$11,373,696</u>	
Receipts:			
Local Taxes	\$5,948,000	\$6,010,421	\$62,421
State Sources	\$15,089,220	\$15,564,722	\$475,502
County Sources	\$150,000	\$213,395	\$63,395
Other Federal	\$2,484,700	\$3,406,580	\$921,880
Other Non-Revenue	\$15,000	\$61,571	
<b>Total Receipts</b>	<u>\$23,686,920</u>	<u>\$25,256,689</u>	<u>\$1,523,197</u>
Expenditures:			
Instructional Services	\$17,045,967	16,158,472.98	\$887,494
Support Services	\$6,190,072	\$6,173,707	\$16,365
Federal and State Grants	\$3,190,921	\$3,664,036	-\$473,115
Debt Services	\$310,000	\$123,445	\$186,555
Transfers Out	\$50,000	\$92,000	-\$42,000
Summer School		\$2,772	-\$2,772
<b>Total Expenditures</b>	<u>\$26,786,960</u>	<u>\$26,214,433</u>	<u>\$572,527</u>
<b>8/31/2007 Ending Balance</b>	<u>\$5,138,898</u>	<u>\$10,415,951</u>	

## Financial Analysis of the Other Funds

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

	<b>2006-2007 Beginning</b>	<b>2006-2007 Ending</b>	<b>Difference</b>
<b>Special Building Fund</b>	675,317	1,199,947	524,630
<b>Depreciation Fund</b>	1,062,242	890,760	(171,482)
<b>Employee Benefits Fund</b>	695,323	704,363	9,040

## Debt Administration

At year-end, the Lexington Public Schools had \$6,125,000.00 outstanding principal debt in General Obligation Bonds.

## Fiduciary Funds Report

The following report shows the District assets held in a trustee or agency capacity called the Lexington Public School Activity Funds. The total receipts include an additional year-end transfer of \$46,000 made from the general fund to the activity fund which may make a transfer in 2007-2008 unnecessary.

<b>Activity Fund:</b>	<b>2006-2007 Budget</b>	<b>Actual</b>	<b>Difference</b>
9/1/2006 Balance	135,997	223,046	87,049
Total Receipts	635,500	707,093	71,593
Total Disbursements	771,497	660,139	(111,358)
8/31/07 Balance	<u>0</u>	<u>269,999</u>	<u>269,999</u>

## Proprietary Fund Report

The Lexington Public Schools Lunch Fund operating receipts and disbursements for providing services and producing and delivering goods in connection with the fund's principal ongoing operations shows an improved cash position.

<b>Lunch Fund:</b>	<b>2006-2007 Budget</b>	<b>2006-2007 Actual</b>	<b>Difference</b>
9/1/2006 Balance	310,501	370,154	59,653
Total Receipts	976,700	1,126,727	150,027
Total Disbursements	1,113,000	1,105,448	(7,552)
8/31/07 Balance	<u>174,201</u>	<u>391,433</u>	<u>217,232</u>

## District's Financial Management

This financial report is designed to provide the citizens, taxpayers, students and bond-buyers a general overview of the District's finances and to demonstrate the District's accountability for the money with which it is entrusted. If you have questions about this report or need additional financial information, contact the Business Office, 1610 N. Washington St., Lexington, NE 68850 or call (308) 324-4681, or [bennett@esu10.org](mailto:bennett@esu10.org).



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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Lexington Public Schools  
School District No. 1  
Dawson County, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public Schools, School District No. 1, Dawson County, Nebraska (District), as of and for the year ended August 31, 2007, as listed in the table of contents. We also audited the combining nonmajor funds of the District as of and for the year ended August 31, 2007, as displayed in the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Lexington Public Schools, School District No. 1, Dawson County, Nebraska, prepares its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as well as the combining nonmajor governmental funds of the District, as of August 31, 2007 and the respective changes in financial position – modified cash basis thereof, for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or



on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the modified cash basis of accounting. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Contryman Associates, P.C.  
Certified Public Accountants  
Lexington, Nebraska

November 1, 2007

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

August 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash	13,137,688	391,433	13,529,121
Cash with County Treasurers	1,872,340	0	1,872,340
<b>TOTAL ASSETS</b>	<u>15,010,028</u>	<u>391,433</u>	<u>15,401,461</u>
<b>LIABILITIES:</b>			
Payroll taxes withheld	<u>694</u>	<u>0</u>	<u>694</u>
<b>NET ASSETS:</b>			
Unrestricted	13,105,002	391,433	13,496,435
Restricted for capital projects	1,199,947	0	1,199,947
Restricted for debt service	<u>704,385</u>	<u>0</u>	<u>704,385</u>
<b>TOTAL NET ASSETS</b>	<u><u>15,009,334</u></u>	<u><u>391,433</u></u>	<u><u>15,400,767</u></u>

*See accompanying notes.*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year Ended August 31, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>			
Instructional services	17,581,763	1,813,030	3,406,580
Support services	5,910,649	0	0
Capital outlay	2,056,256	0	0
Debt services	660,543	0	0
Interest expense	308,276	0	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>26,517,487</b>	<b>1,813,030</b>	<b>3,406,580</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>			
School Lunch	1,105,449	281,730	840,312
<b>TOTAL GOVERNMENT</b>	<b>27,622,936</b>	<b>2,094,760</b>	<b>4,246,892</b>

**GENERAL RECEIPTS**

Taxes:

Property

Motor vehicle

Fines and licenses

State aid

Interest income

Transfers out

Other

**TOTAL GENERAL RECEIPTS**

**CHANGE IN NET ASSETS**

Net assets - beginning of year

**NET ASSETS - END OF YEAR**

*See accompanying notes.*

Net (Disbursement) Receipt  
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(12,362,153)	0	(12,362,153)
(5,910,649)	0	(5,910,649)
(2,056,256)	0	(2,056,256)
(660,543)	0	(660,543)
(308,276)	0	(308,276)
<hr/>	<hr/>	<hr/>
(21,297,877)	0	(21,297,877)
<u>0</u>	<u>16,593</u>	<u>16,593</u>
<hr/>	<hr/>	<hr/>
(21,297,877)	16,593	(21,281,284)
<hr/>	<hr/>	<hr/>
6,322,579	0	6,322,579
597,101	0	597,101
213,395	0	213,395
13,791,365	0	13,791,365
420,188	4,686	424,874
(92,000)	0	(92,000)
85,800	0	85,800
<hr/>	<hr/>	<hr/>
21,338,428	4,686	21,343,114
<hr/>	<hr/>	<hr/>
40,551	21,279	61,830
<u>14,968,783</u>	<u>370,154</u>	<u>15,338,937</u>
<hr/>	<hr/>	<hr/>
<u>15,009,334</u>	<u>391,433</u>	<u>15,400,767</u>
<hr/>	<hr/>	<hr/>

**LEXINGTON PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

August 31, 2007

	<u>General</u>	<u>Depreciation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash	8,927,451	890,760	3,319,477	13,137,688
Cash with County Treasurers	<u>1,488,200</u>	<u>0</u>	<u>384,140</u>	<u>1,872,340</u>
<b>TOTAL ASSETS</b>	<b><u><u>10,415,651</u></u></b>	<b><u><u>890,760</u></u></b>	<b><u><u>3,703,617</u></u></b>	<b><u><u>15,010,028</u></u></b>
 <b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Payroll taxes withheld	<u>694</u>	<u>0</u>	<u>0</u>	<u>694</u>
 <b>FUND BALANCES:</b>				
Undesignated	10,414,957	0	0	10,414,957
Designated	<u>0</u>	<u>890,760</u>	<u>1,799,285</u>	<u>2,690,045</u>
Unreserved	10,414,957	890,760	1,799,285	13,105,002
Reserved for capital projects	0	0	1,199,947	1,199,947
Reserved for debt service	<u>0</u>	<u>0</u>	<u>704,385</u>	<u>704,385</u>
<b>TOTAL FUND BALANCES</b>	<b><u><u>10,414,957</u></u></b>	<b><u><u>890,760</u></u></b>	<b><u><u>3,703,617</u></u></b>	<b><u><u>15,009,334</u></u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b><u><u>10,415,651</u></u></b>	 <b><u><u>890,760</u></u></b>	 <b><u><u>3,703,617</u></u></b>	 <b><u><u>15,010,028</u></u></b>

*See accompanying notes.*

**LEXINGTON PUBLIC SCHOOLS**  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA

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

Year Ended August 31, 2007

	<u>General</u>	<u>Depreciation</u>	<u>Nonmajor Governmental Funds</u>	<u>Elimi- nations</u>
<b>RECEIPTS:</b>				
Local sources:				
Taxes	5,601,208	0	1,318,472	0
Tuition	8,600	0	0	0
Miscellaneous	85,800	0	1,759,888	(1,759,888)
Interest	376,384	4,729	39,075	0
County sources	213,395	0	0	0
State sources	15,564,722	0	31,073	0
Federal sources	3,406,580	0	0	0
<b>TOTAL RECEIPTS</b>	<b>25,256,689</b>	<b>4,729</b>	<b>3,148,508</b>	<b>(1,759,888)</b>
<b>DISBURSEMENTS:</b>				
Current:				
Instructional services	15,677,615	0	0	(1,759,888)
Support services:				
Pupil	1,076,473	0	0	0
Staff	400,608	0	0	0
General administration	564,449	0	144,489	0
School administration	1,351,698	0	0	0
Business	435,012	0	0	0
Building and grounds	1,690,271	0	0	0
Pupil transportation	247,649	0	0	0
State grants	241,136	0	0	0
Federal programs	3,422,900	0	0	0
Capital outlay	709,676	175,564	1,171,016	0
Debt services:				
Capital lease payments	108,752	647	0	0
Long-term debt payments	6,144	0	545,000	0
Interest expense	8,549	0	299,727	0
<b>TOTAL DISBURSEMENTS</b>	<b>25,940,932</b>	<b>176,211</b>	<b>2,160,232</b>	<b>(1,759,888)</b>
<b>RECEIPTS OVER (UNDER)</b>				
<b>DISBURSEMENTS</b>	<b>(684,243)</b>	<b>(171,482)</b>	<b>988,276</b>	<b>0</b>

(Continued on next page)

Total

6,919,680  
8,600  
85,800  
420,188  
213,395  
15,595,795  
3,406,580  

---

26,650,038

13,917,727

1,076,473  
400,608  
708,938  
1,351,698  
435,012  
1,690,271  
247,649  
241,136  
3,422,900  
2,056,256  
  
109,399  
551,144  
308,276  

---

26,517,487

---

132,551

**LEXINGTON PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS (CONTINUED)**

Year Ended August 31, 2007

	<u>General</u>	<u>Depreciation</u>	<u>Nonmajor Governmental Funds</u>	<u>Elimi- nations</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	0	0	179,015	
Tranfers out	<u>(242,000)</u>	<u>0</u>	<u>(29,015)</u>	<u>          </u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(242,000)</u>	<u>0</u>	<u>150,000</u>	<u>0</u>
 <b>RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)</b>				
	(926,243)	(171,482)	1,138,276	0
 Fund balances-beginning of year	<u>11,341,200</u>	<u>1,062,242</u>	<u>2,565,341</u>	<u>0</u>
 <b>FUND BALANCES-END OF YEAR</b>	<u><u>10,414,957</u></u>	<u><u>890,760</u></u>	<u><u>3,703,617</u></u>	<u><u>0</u></u>

*See accompanying notes.*



Total

179,015  
(271,015)

(92,000)

40,551

14,968,783

15,009,334

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS

August 31, 2007

		Capital Projects		
		Special Building	Qualified Capital Purpose Undertaking Fund	LPS Building Corporation
	<u>Employee Benefits</u>	<u>Building</u>	<u>Fund</u>	<u>Corporation</u>
<b>ASSETS:</b>				
Cash	704,363	1,051,334	0	1,085,069
Cash with County Treasurers	<u>0</u>	<u>148,613</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u><u>704,363</u></u>	<u><u>1,199,947</u></u>	<u><u>0</u></u>	<u><u>1,085,069</u></u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Payroll taxes withheld	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES:</b>				
Undesignated	0	0	0	0
Designated	704,363	0	0	1,085,069
Reserved for capital projects	0	1,199,947	0	0
Reserved for debt service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUND BALANCES</b>	<u><u>704,363</u></u>	<u><u>1,199,947</u></u>	<u><u>0</u></u>	<u><u>1,085,069</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>704,363</u></u>	<u><u>1,199,947</u></u>	<u><u>0</u></u>	<u><u>1,085,069</u></u>

*See accompanying notes.*

Student Fees	Debt Service			Total Nonmajor Governmental Funds
	1993 Bonds	High School Bonds	Middle School Bonds	
9,853	84,179	227,080	157,599	3,319,477
0	44,258	106,052	85,217	384,140
<u>9,853</u>	<u>128,437</u>	<u>333,132</u>	<u>242,816</u>	<u>3,703,617</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0
9,853	0	0	0	1,799,285
0	0	0	0	1,199,947
0	128,437	333,132	242,816	704,385
<u>9,853</u>	<u>128,437</u>	<u>333,132</u>	<u>242,816</u>	<u>3,703,617</u>
<u>9,853</u>	<u>128,437</u>	<u>333,132</u>	<u>242,816</u>	<u>3,703,617</u>

**LEXINGTON PUBLIC SCHOOLS**  
**SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

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

Year Ended August 31, 2007

	Employee <u>Benefits</u>	Special <u>Building</u>	Capital Projects Qualified Capital Purpose Undertaking <u>Fund</u>	LPS Building <u>Corporation</u>
<b>RECEIPTS:</b>				
Local sources:				
Taxes	0	503,317	0	0
Miscellaneous	0	0	0	1,759,888
Interest	3,529	10,371	0	18,447
State sources	0	10,942	0	0
<b>TOTAL RECEIPTS</b>	<u>3,529</u>	<u>524,630</u>	<u>0</u>	<u>1,778,335</u>
<b>DISBURSEMENTS:</b>				
Current:				
Support services:				
General administration	144,489	0	0	0
Capital outlay	0	0	0	1,171,016
Debt services:				
Capital lease payments	0	0	0	0
Long-term debt payments	0	0	0	0
Interest expense	0	0	34	2,257
<b>TOTAL DISBURSEMENTS</b>	<u>144,489</u>	<u>0</u>	<u>34</u>	<u>1,173,273</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(140,960)	524,630	(34)	605,062
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	150,000	0	0	0
Tranfers out	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>150,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)</b>	9,040	524,630	(34)	605,062
Fund balances-beginning of year	<u>695,323</u>	<u>675,317</u>	<u>34</u>	<u>480,007</u>
<b>FUND BALANCES-END OF YEAR</b>	<u><u>704,363</u></u>	<u><u>1,199,947</u></u>	<u><u>0</u></u>	<u><u>1,085,069</u></u>

See accompanying notes.

Student Fees	Debt Service			Total Nonmajor Governmental Funds
	1993 Bonds	High School Bonds	Middle School Bonds	
0	142,745	374,760	297,650	1,318,472
0	0	0	0	1,759,888
49	943	3,285	2,451	39,075
0	4,175	8,007	7,949	31,073
<u>49</u>	<u>147,863</u>	<u>386,052</u>	<u>308,050</u>	<u>3,148,508</u>
0	0	0	0	144,489
0	0	0	0	1,171,016
0	0	0	0	0
0	130,000	245,000	170,000	545,000
0	26,428	133,304	137,704	299,727
<u>0</u>	<u>156,428</u>	<u>378,304</u>	<u>307,704</u>	<u>2,160,232</u>
49	(8,565)	7,748	346	988,276
0	29,015	0	0	179,015
<u>0</u>	<u>0</u>	<u>(29,015)</u>	<u>0</u>	<u>(29,015)</u>
<u>0</u>	<u>29,015</u>	<u>(29,015)</u>	<u>0</u>	<u>150,000</u>
49	20,450	(21,267)	346	1,138,276
<u>9,804</u>	<u>107,987</u>	<u>354,399</u>	<u>242,470</u>	<u>2,565,341</u>
<u>9,853</u>	<u>128,437</u>	<u>333,132</u>	<u>242,816</u>	<u>3,703,617</u>

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

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

August 31, 2007

	School Lunch <u>Fund</u>
CURRENT ASSETS:	
Cash	391,433
TOTAL CURRENT ASSETS	<u>391,433</u>
NET ASSETS:	
Unrestricted	<u>391,433</u>
TOTAL NET ASSETS	<u>391,433</u>

*See accompanying notes.*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

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

Year Ended August 31, 2007

	<u>School Lunch Fund</u>
<b>OPERATING RECEIPTS:</b>	
Charges for sales and services:	
Meals	260,920
Other food sales	20,810
<b>TOTAL OPERATING RECEIPTS</b>	<u>281,730</u>
<b>OPERATING DISBURSEMENTS:</b>	
Salaries	367,013
Benefits	55,617
Food costs	515,679
Other operating expenses	134,165
<b>TOTAL OPERATING DISBURSEMENTS</b>	<u>1,072,474</u>
<b>OPERATING LOSS</b>	<u>(790,744)</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>	
State sources	7,657
Federal sources	832,655
Interest income	4,686
Capital outlay	(32,975)
<b>TOTAL NONOPERATING RECEIPTS (DISBURSEMENTS)</b>	<u>812,023</u>
<b>CHANGE IN NET ASSETS</b>	21,279
Total net assets - beginning of year	<u>370,154</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u><u>391,433</u></u>

*See accompanying notes.*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUND

August 31, 2007

	<u>Activities Fund</u>
ASSETS:	
Cash	<u>269,999</u>
NET ASSETS	<u><u>269,999</u></u>

STATEMENT OF CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
FIDUCIARY FUND

Year Ended August 31, 2007

ADDITIONS:	
Activities receipts	615,093
Transfer from general fund	<u>92,000</u>
TOTAL ADDITIONS	<u><u>707,093</u></u>
DEDUCTIONS:	
Activities disbursements	<u>660,140</u>
CHANGE IN NET ASSETS	46,953
Net assets - beginning of year	<u>223,046</u>
NET ASSETS - END OF YEAR	<u><u>269,999</u></u>

*See accompanying notes.*



**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS

August 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government

Lexington Public Schools, School District No. 1, Dawson County, Nebraska (the District) provides public education from kindergarten through high school and is located in central Nebraska. It is governed by a six member Board of Education elected by residents of the District.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

Reporting Entity

The basic financial statements report on the District as a whole. They include Lexington Public Schools and its component unit. The blended component unit reflects the financial information of the Lexington Public Schools Building Corporation. The board of the component unit is appointed by the District board. Its purpose is to seek, hold, purchase, lease, and otherwise encumber real or personal property. The services of the component unit are so intertwined with the District that it is in substance the same as the District and is reported as part of the District. Thus, the financial information of the component unit is blended in the District's financial statements.

Basis of Accounting

The government-wide and fund financial statements are presented using the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures which result from cash transactions. As a result, fixed assets, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

*(Continued on next page)*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Basis of Accounting (Continued)

Certain accrued expenses (primarily payroll withholdings) have been recognized as liabilities. Property taxes are recognized when received by the County Treasurer.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for the proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting as well as the fiduciary funds.

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

In the government-wide statements, the governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, and financial position. All assets and liabilities arising from cash transactions (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

The Statement of Activities reports the gross and net cost of each of the District's functions. Gross expenses are reduced by related program revenues, and operating grants and contributions. Program revenues must be directly associated with the program or function. Operating grants include operation-specific and discretionary grants. The net costs of each function are also supported by general revenues (property taxes, certain intergovernmental revenues, etc.)

*(Continued on next page)*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, receipts and disbursements.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities arising from cash transactions are generally included on their statements of assets, liabilities and fund balances. Capital assets acquired are accounted for as capital outlay. Debt proceeds (if any) are reported as other financing sources and payments of principal and interest are reported as expenditures. Their operating statements present sources and uses of available spendable financial resources during a given period. Fund balances are the measure of available spendable financial resources at the end of the period.

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

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore, cannot be used to support the District’s own programs. The Activities Fund is a fiduciary fund and receives transfers supporting athletic activities from the General Fund.

Fund Types-The accounts of the District are organized on the basis of funds which are grouped in the following fund types:

Governmental Fund Types:

General Fund-This fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financing resources except those required by law, contractual agreement, or administrative action to be accounted for in other funds.

*Continued on next page)*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Governmental Fund Types (Continued):

Employee Benefit Fund-This fund accounts for monies transferred from the General Fund that are being accumulated for future employee benefit payments and is reported as a nonmajor fund.

Depreciation Fund-This fund accounts for monies transferred from the General Fund that are being accumulated to purchase capital items and is reported as a major fund.

Student Fees Fund – This fund accounts for fees for extracurricular activities and related disbursements and is reported as a nonmajor fund.

Capital Projects Funds:

Special Building Fund - This fund accounts for taxes levied and monies transferred from the General Fund that are specifically reserved for future building and improvement purchases and is reported as a nonmajor fund.

Qualified Capital Purpose Undertaking Fund – This fund accounts for financial operations of the hazardous materials abatement and programs to eliminate accessibility barriers and is reported as a nonmajor fund.

Lexington Public Schools Building Corporation - This fund accounts for lease revenues from the General Fund that are specifically reserved for future building and improvement purchases and is reported as a nonmajor fund.

Debt Service Fund-This fund accounts for taxes levied and other revenue specifically reserved for the retirement of bonds and is reported as a nonmajor fund.

Proprietary Fund Types:

School Lunch Fund-This fund is designated to account for the operations of the District's lunch program and is reported as a major fund.

*(Continued on next page)*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Governmental Fund Types (Continued):

Fiduciary Fund Types:

Activities Fund - This fund is used to account for assets held by the District in a trustee capacity for various school organizations and activities which are self-supporting or partially self-supporting.

Financial Statement Amounts

Equity

In the government-wide statements, equity is classified as net assets and displayed in two components:

- 1) Restricted net assets – Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- 2) Unrestricted net assets – All other net assets that do not meet the definition of “restricted”.

In the fund statements, equity is classified as fund balance and includes:

- 1) Reserved
- 2) Unreserved (designated and undesignated)

The Proprietary fund equity is classified the same as in the government-wide statements.

It is the District’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Receipts

The District receives significant funding from the State of Nebraska in the general fund. It comprises 72% of the general fund receipts.

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**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Financial Statement Amounts Continued

Expenditures

Expenditures are classified by function for government-wide activities. In the governmental fund statements, expenditures are classified by character (current, capital outlay, debt service, and other activities).

NOTE 2: INTERFUND BALANCES AND ACTIVITY

The transfers below are routine in nature and done by the District on an annual basis. Amounts reported as Interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and fiduciary activities. This amount is reported as a net amount in the General Receipts.

<u>Transfers Out:</u>	Transfer In		Total
	Nonmajor Funds	Fiduciary Funds	
General	150,000	92,000	242,000
Non-Major Funds	29,015	0	29,015
Total	179,015	92,000	271,015

NOTE 3: CUSTODIAL CREDIT RISK – DEPOSITS - State law requires that all funds held in depositories be fully insured or collateralized. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. For financial reporting, \$15,060,669 is considered uninsured and fully collateralized.

NOTE 4: RESTRICTED CASH – The Capital Projects Fund has restricted cash in the amount of \$1,199,947. Debt Service Funds have restricted cash of \$704,385.

*(Continued on next page)*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 5: PROPERTY TAXES

Real estate taxes are levied December 1 of each year and become a lien on the real property January 1 of the next year. Personal property taxes on owned or leased property are assessed as of January 1 of each year and become a lien on all personal property owned as of December 31 of that year. The first half of both taxes is delinquent May 1 and the second half delinquent September 1 of the following year. Taxes not paid by the due dates become delinquent and interest is assessed at 14%.

NOTE 6: RETIREMENT PLAN:

The District contributes to the Nebraska School Employee Retirement System (NSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Nebraska Public Employees Retirement System (NPERS). NPERS provides retirement and disability benefits to plan members and beneficiaries. The School Employees Retirement Act establishes benefit provisions. NPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing NPERS, 1221 N Street, Suite 325, PO Box 94816, Lincoln, NE 68509-4816 or by calling 1-800-245-5712.

Plan members were required to contribute 7.25%, 7.98% and 7.83% of their annual covered salary for the years ended August 31, 2005, 2006, and 2007 respectively. The District is required to contribute 101% of the employee contribution. The contribution requirements of plan members and the District are established by the Nebraska statutes. The District's contributions to NSERS for the years ending August 31, 2005, 2006 and 2007, were \$816,016, \$971,147, and \$1,062,566 respectively, equal to the required contributions for each year.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the NASB All Lines Interlocal Cooperative Aggregate Pool (ALICAP), a public entity risk pool currently operating as a common risk management and insurance pool.

If the pool becomes insolvent or is otherwise unable to discharge its legal liabilities and other obligations, the District may be assessed by the pool for additional contributions.

The District has not paid any additional assessments to the pool in the last three fiscal years and no assessments are anticipated for the fiscal year 2008. The District has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

*(Continued on next page)*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 8: COMMITMENTS AND CONTINGENCIES

Capital Leases

The following is an analysis of capital leases as of August 31, 2007:

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance at September 1, 2006</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at August 31, 2007</u>
Computer equipment	Jul-07	7.55%	100,606	0	100,606	0
Notebook computers	Jun-08	5.973%	14,953	0	8,793	6,160
<b>TOTALS</b>			<u>115,559</u>	<u>0</u>	<u>109,399</u>	<u>6,160</u>

The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments as of August 31, 2007:

<u>Year Ending August 31, 2007</u>	<u>Capital Leases</u>
	6,298
Less: amount representing interest	<u>(138)</u>
Present value of future minimum lease payments	<u>6,160</u>

Bonds Payable

The following is a summary of the general obligation indebtedness for Lexington Public Schools, School District No. 1, Dawson County, Nebraska, for the year ended August 31, 2007:

<u>Description</u>	<u>Balance at September 1, 2006</u>	<u>Issued (Retired)</u>	<u>Balance at August 31, 2007</u>
Date issued: August 1, 2002			
Dates due: August 31, 2004 through August 31, 2016			
Interest: 2.9% to 5.0%			
Original issue: 9,145,000	<u>6,670,000</u>	<u>(545,000)</u>	<u>6,125,000</u>

(Continued on next page)



**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 8: COMMITMENTS AND CONTINGENCIES (CONTINUED):

Note Payable

<u>Description</u>	Balance at September 1, <u>2006</u>	Note <u>Payments</u>	Balance at August 31, <u>2007</u>
Nebraska Energy Office			
Date of note: June 1, 1997			
Due date: June 1, 2011			
Interest: none			
Security: Energy equipment/materials			
Semi-annual payments: \$3,072	<u>30,720</u>	<u>6,144</u>	<u>24,576</u>

Future maturities for the above bonds and note are as follows:

<u>Year Ended</u> <u>August 31,</u>	<u>Bond</u> <u>Principal</u>	<u>Note</u> <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	565,000	6,144	275,924	847,068
2009	590,000	6,144	252,670	848,814
2010	620,000	6,144	227,400	853,544
2011	635,000	6,144	199,144	840,288
2012	675,000	0	168,031	843,031
2013-2016	3,040,000	0	313,250	3,353,250
<b>TOTAL</b>	<u><u>6,125,000</u></u>	<u><u>24,576</u></u>	<u><u>1,436,419</u></u>	<u><u>7,585,995</u></u>

Operating Leases

The District has the following noncancellable operating leases for a variety of equipment:

<u>Starting Date</u>	<u>Expiration</u> <u>Date</u>	<u>Monthly</u> <u>Payments</u>
May, 2004	March, 2009	592
December, 2004	November, 2009	655
February, 2007	January, 2012	10,024

(Continued on next page)

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 8: COMMITMENTS AND CONTINGENCIES (CONTINUED):

Minimum future lease payments under these noncancellable operating leases as of August 31, 2007, for each of the next five years and in the aggregate are:

<u>Year Ending August 31,</u>	<u>Amount</u>
2008	135,246
2009	126,394
2010	120,285
2011	120,285
2012	<u>50,119</u>
Total	<u>552,329</u>

Rent expense for the year ended August 31, 2007, was \$121,342

Nebraska Unemployment Insurance Program – The District has elected under the Nebraska Unemployment Insurance Program to be a "reimbursable employer". Accordingly, the School District is liable for payments to reimburse the state unemployment agency for benefits paid to former employees. The maximum payment to reimburse the state unemployment agency under current statute would not exceed \$7,488 (26 weeks @ \$288 per week) per claimant.

Federal and State Award Programs

The District receives funds under various federal and state grant programs and such assistance is to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

Construction Commitments

The District has the following commitments with respect to building purchases or construction projects as of August 31, 2007:

<u>Project</u>	<u>Commitment</u>
Morton addition & equipment	321,700
City library building	40,000

(Continued on next page)

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2007

NOTE 9: SUBSEQUENT EVENT

Subsequent to August 31, 2007, the District approved the construction of an addition to the high school for approximately \$3,030,000.

REQUIRED  
SUPPLEMENTARY INFORMATION

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
GENERAL FUND**

August 31, 2007

	Original/ Final Budget	Actual
Total available resources before property taxes	26,725,858	31,028,877
Total real/personal property tax	5,200,000	5,601,208
Total disbursements	(26,786,960)	(26,214,434)
Necessary cash reserve	5,138,898	10,415,651

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
DEPRECIATION FUND**

August 31, 2007

	Original/ Final Budget	Actual
Total available resources before property taxes	2,074,890	1,066,971
Total real/personal property tax	0	0
Total disbursements	(2,074,890)	(176,211)
Necessary cash reserve	0	890,760

*See accompanying notes to budgetary comparison schedules.*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO BUDGETARY COMPARISON SCHEDULES

August 31, 2007

BUDGET PROCESS AND PROPERTY TAXES

The appropriated budget adopted by the District is prepared on a cash basis.

The budget prepared on a cash basis differs from that used to present the financial statements in accordance with the modified cash basis. Such differences and their effect on the General Fund are summarized as follows:

Total disbursements (budgetary basis)	<u>General</u> 26,214,434
Adjustments:	
Change in payroll taxes withheld	<u>(31,502)</u>
Total disbursements (modified cash basis)	<u>26,182,932</u>

SINGLE AUDIT SECTION

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended August 31, 2007

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>U. S. Department of Agriculture:</u>		
Passed through Nebraska Department of Education:		
Cluster Programs:		
School Breakfast Program	10.553	89,053
National School Lunch Program	10.555	717,422
Summer Food Services Program	10.559	26,179
Total Cluster Program		832,654
Passed through Nebraska Department of Social Services:		
Food Donation Program	10.550	44,889
Total Department of Agriculture		877,543
<u>U. S. Department of Education:</u>		
Mentoring Grant	84.184	417,605
Migrant Even Start	84.214	123,727
Total Direct - U.S. Department of Education		541,332
Passed through Educational Service Unit 10:		
Continuous Improvement	84.027	6,314
Interagency Planning Grant	84.181	980
Title II, Part D	84.318	1,650
Title II, Part A	84.367	20,250
		29,194
Passed through Southeast Kansas Education Service Center - Greenbush:		
Migrant Education Even Start	84.214	94,089

*Continued on next page*



**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

Year Ended August 31, 2007

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>U. S. Department of Education (Continued):</u>		
Passed through Nebraska Department of Education:		
Title I, Part A	84.010	1,163,659
Title I - Part C (Migrant)	84.011	584,119
IDEA Base	84.027	143,545
IDEA Enrollment/Poverty	84.027	437,503
Career/Technical Education - Basic Grants	84.048	31,647
IDEA Base Preschool	84.173	10,822
Safe and Drug Free Schools	84.186	16,609
Career and Technical Education - Tech Prep	84.243	37,688
21st Century After School Learning Center	84.287	115,500
Title V	84.298	17,949
Title II, Part D	84.318	13,970
Title III	84.365	79,577
Title II, Part A	84.367	63,110
Star Grant - NCLB	84.369	10,053
		<u>2,725,751</u>
 Total Department of Education		<u>3,390,366</u>
 <u>U. S. Department of Health and Human Services:</u>		
Passed through Nebraska Association of School Boards:		
Medical Administrative Outreach	93.778	463,766
Passed through Nebraska Department of Health & Human Services:		
Medicaid in Public Schools	93.778	4,470
		<u>4,470</u>
 Total Department of Health and Human Services		<u>468,236</u>
 <b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>4,736,145</b>

*See accompanying notes to schedule of expenditures of federal awards*

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2007

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lexington Public Schools and is presented on the modified cash basis of accounting.

NOTE B: REPORTING ENTITY

The District, for purposes of the Schedule of Expenditures of Federal Awards, includes all funds for which the District is financially accountable.

NOTE C: PASS THROUGH AWARDS

The District receives certain federal awards in the form of pass-through awards from the State of Nebraska and other various agencies. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

NOTE D: FOOD DISTRIBUTION

The National School Lunch Program involves both cash and non-cash awards to the District. Such non-cash awards consist of donated commodities which are separately identified in the Schedule of Expenditures of Federal Awards.

NOTE E: CONTINGENCIES

The District receives funds under various federal grant programs and such assistance is to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all material aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.



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## 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*

Board of Education  
Lexington Public Schools  
School District No. 1  
Dawson County, Nebraska

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Lexington Public Schools, School District No. 1, Dawson County, Nebraska, as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the financial statements differed from the standard report because the District's financial statements were prepared on the modified cash basis of accounting (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, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control of financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described as items 2007-1, 2007-2, and 2007-3 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the accompany schedule of findings and questioned costs, we consider items 2007-1, 2007-2, and 2007-3 to be material weaknesses.

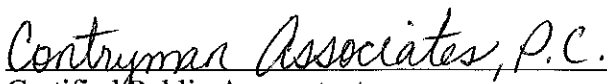
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 or out tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs.

We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the board of education, management, Nebraska Department of Education, State Auditor, state and federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than those specified parties.

  
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Certified Public Accountants  
Lexington, Nebraska

November 1, 2007

**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2007

SECTION I-SUMMARY OF AUDITORS' RESULTS

*Financial Statements*

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
• Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	None

Identification of major programs:	Name of Federal Program or Cluster
CFDA Number	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program
84.010	Title I, Part A
84.011	Title I, Part C - Migrant
84.027 & 84.173	IDEA, Part B and Preschool
84.184	Mentoring Grant
93.778	Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Low risk auditee?	No
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**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended August 31, 2007

SECTION II-FINANCIAL STATEMENT FINDINGS

Finding 2007 - 1

Condition: Lexington Public Schools does not have adequate procedures in place to ensure that all transactions are recorded in the books that clear the bank. The District needs to reconcile the general ledger in a timely manner to the bank accounts to ensure that revenue direct deposited and interest revenue from certificates of deposits are recorded.

Management Response: Lexington Public Schools has developed procedures which have been added to the "Business Office Desk Manual" which require that all transactions are recorded in the books of LPS in a timely and appropriate manner.

Finding 2007-2

Condition: Lexington Public Schools does not have review policies and procedures relating to the complete recording of transactions.

Management Response: Lexington Public Schools has developed procedures which have been added to the "Business Office Desk Manual" which provide for review policies relating to the complete recording of transactions.

Finding 2007-3

Condition: During the current year, Lexington Public School pooled some of their cash accounts. The District does not have review procedures in place to ensure transactions are recorded in the correct fund.

Management Response: Lexington Public Schools has developed procedures which have been added to the "Business Office Desk Manual" which relate to proper coding of pooled funds. Further, LPS will provide additional training both from in-house and outside providers as new staff members gain experience and a better understanding of Nebraska school accounting requirements with respect to pooled funds.



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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors  
Lexington Public Schools  
School District No. 1  
Dawson County, Nebraska

### Compliance

We have audited the compliance of Lexington Public Schools, School District No. 1 with types of compliance requirements describe in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Lexington Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2007.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the

requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of education, finance committee, management, Nebraska Department of Education, State Auditor, federal and state awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than those specified parties.

*Contryman Associates, P.C.*  
\_\_\_\_\_  
Certified Public Accountants  
Lexington, Nebraska

November 1, 2007



**LEXINGTON PUBLIC SCHOOLS  
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended August 31, 2007

Finding 2006-1

Condition: Lexington Public Schools does not have procedures in place to review the recording and approval of adjusting journal entries.

Recommendation: Lexington Public Schools needs to develop procedures for the preparation, recording and approval of adjusting journal entries.

Status: Lexington Public Schools has developed procedures to document the recording, and approval of journal entries.

Finding 2006-2

Condition: The District's bank deposits were under-insured during August, 2006.

Recommendation: The District needs to establish a policy to monitor the cash balances and obtain pledged securities from the bank when FDIC coverage is exceeded.

Status: Lexington Public Schools has developed procedures to monitor the bank deposits in the future and obtain the necessary pledged securities when FDIC coverage is exceeded.

Finding 2006-3            Title I, Part A – Title I, Part C – IDEA, Part B

Condition: The District does not maintain detailed records of fixed assets purchased with federal monies.

Recommendation: The District needs to develop a detailed list of fixed assets and maintain it.

Management Response: The District has information of fixed assets available and are updating the list on an annual basis.