

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

FINANCIAL STATEMENTS

August 31, 2009

**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, 2009. 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- 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. The construction of improvements of a classroom addition to our High School is over 95% completed. The Pershing Elementary construction project is scheduled to be completed in early 2010.
- The district's General Fund disbursements in 2008-2009 exceeded the prior year's disbursements by \$4,165,198, resulting in a 15.83% overall increase. Construction expenses related to the High School and Pershing projects account for \$3,049,524 of the increase in General Fund disbursements over the prior year. Adjusting for these special projects, General Fund disbursements increased by \$2,132,449 or 8.43%.
- The district's General Fund receipts in 2008-2009 were \$30,539,300 compared to \$27,157,347 in 2007-2008 for an increase of 12.45%.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The largest single source of receipts for Lexington Public Schools is State Aid, \$17,412,083 for 2008-2009, which increased by \$2,104,246 (13.75%) from the prior year. State sources accounted for 62% of the total General Fund receipts, and Federal revenue accounted for 15.57% of General Fund receipts.

Property taxes as a source of revenue for the District accounted for 20.84% of the total General Fund revenues. The amount of property taxes collected for 2008-2009 were \$731,322 more than the previous year.

The following table shows the property tax rates, by fund, for the 2004-2005 through 2009-2010 fiscal years. Levies are expressed in dollars and cents per \$100 of valuation. Using the following table the district total property tax on a property valued at \$100,000 in 2008-2009 was \$1,242.80 or \$4.53 more than the previous year.

	<b>2004-2005</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	<b>2009-2010</b>
	<b>Levy</b>	<b>Levy</b>	<b>Levy</b>	<b>Levy</b>	<b>Levy</b>	<b>Levy</b>
General Fund	1.02387	0.950864	0.944269	.945308	1.040016	1.040016
Building Fund	0.078514	0.095724	0.098761	.098515	.008799	.008799
Bond Funds	0.219933	0.2117	0.209628	.194451	.193983	.193983
District Total	1.322317	1.258288	1.25658	1.23827	1.24280	1.24280

## General Fund Budgetary Highlights

The District's General Fund cash position for school year 2008-2009 decreased by \$558,472. This is shown by a difference in beginning cash balance, September 1, 2008 of \$9,950,383 and the ending cash balance of \$9,391,910.

Below is a comparison of General Fund budgeted to actual receipts and disbursements for the 2008-2009 fiscal year.

	2008-2009 Budget	2008-2009 Actual	(Over)/Under Budget
<b>Receipts</b>			
Local Taxes	\$6,886,000	\$6,486,354	\$399,646
State Sources	\$18,215,638	\$19,019,622	-\$803,984
County Sources	\$163,000	\$201,024	-\$38,024
Other Federal	\$4,110,360	\$4,756,014	-\$645,654
Other Non-revenue	\$30,000	\$76,286	-\$46,286
<b>Subtotal</b>	<b>\$29,404,998</b>	<b>\$30,539,300</b>	<b>-\$1,134,302</b>
<b>Disbursements</b>			
Instructional	\$22,681,000	\$19,852,939	\$2,828,061
Support Services	\$7,581,600	\$7,009,557	\$572,043
Federal & State Grants	\$4,470,000	\$3,855,154	\$614,846
Debt Services	\$0	\$11,393	-\$11,393
Capital Outlay	\$0	\$368,729	-\$368,729
<b>Subtotal</b>	<b>\$34,732,600</b>	<b>\$31,097,772</b>	<b>\$3,634,828</b>

During fiscal year 2009, Lexington Public Schools amended the General Fund budget in December 2008, to allow for acquisition of real estate. In July 2009, the General Fund budget and the School Lunch Fund budget were amended to allow for the spending of American Recovery and Reinvestment Act stimulus monies.

## 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.

	2008-09 Beginning	2008-2009 Ending	Increase/ (Decrease)
Special Building Fund	\$1,298,794	\$1,425,580	\$126,786
Depreciation Fund	\$1,441,365	\$1,975,220	\$533,855
Employee Benefits Fund	\$1,213,676	\$1,160,760	-\$52,916

## Debt Administration

At year-end, the Lexington Public Schools had \$4,970,000.00 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 \$53,000 made from the General Fund to the Activity Fund

<b>Activity Funds</b>	<b>2008-2009 Budget</b>	<b>2008-2009 Actual</b>	<b>(Over)/Under Budget</b>	<b>Net Change</b>
Beginning Balance		\$258,944		
Receipts	\$646,000	\$849,617	-\$203,617	
Disbursements	\$825,000	\$865,008	-\$40,008	
Ending Balance		\$243,553		-\$15,391

## 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>2008-2009 Budget</b>	<b>2008-2009 Actual</b>	<b>(Over)/Under Budget</b>	<b>Net Change</b>
Beginning Balance		\$275,937		
Receipts	\$1,418,372	\$1,225,052	\$193,320	
Disbursements	\$1,431,190	\$1,180,821	\$250,369	
Ending Balance		\$320,168		\$44,231

## 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, extension 38, or [erin.heineman@esu10.org](mailto:erin.heineman@esu10.org).



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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Lexington Public Schools  
School District No. 1  
Lexington, 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, 2009, 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, 2009, 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 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 – 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, 2009 and the respective changes in financial position – 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 2, 2009, 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 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 PC.  
Certified Public Accountants  
Lexington, Nebraska

November 2, 2009

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

STATEMENT OF NET ASSETS - CASH BASIS

August 31, 2009

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and Equivalents	14,758,894	320,168	15,079,062
Cash with County Treasurers	2,024,413	0	2,024,413
<b>TOTAL ASSETS</b>	<b>16,783,307</b>	<b>320,168</b>	<b>17,103,475</b>
<b>NET ASSETS:</b>			
Restricted for:			
Capital projects	1,298,794	0	1,298,794
Debt Service	751,485	0	751,485
Unrestricted	14,733,028	320,168	15,053,196
<b>TOTAL NET ASSETS</b>	<b>16,783,307</b>	<b>320,168</b>	<b>17,103,475</b>

*See accompanying notes.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS**

Year Ended August 31, 2009

		Program Revenue	
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>
		<u>Services</u>	<u>Grants and</u>
			<u>Contributions</u>
Governmental Activities			
Instructional services	24,015,341	1,595,410	4,863,634
Support services	6,611,771	0	0
Capital outlay	326,561	0	0
Debt services	600,693	0	0
Interest expense	252,970	0	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>31,807,336</b>	<b>1,595,410</b>	<b>4,863,634</b>
Business-type activities			
School Lunch	1,257,351	261,330	1,028,367
<b>TOTAL GOVERNMENT</b>	<b>33,064,687</b>	<b>1,856,740</b>	<b>5,892,001</b>

**GENERAL RECEIPTS:**

Taxes:

Property

Motor vehicle

County sources

State aid

Interest income

Miscellaneous

Transfers

**TOTAL GENERAL RECEIPTS**

**CHANGE IN NET ASSETS**

Net assets - beginning

**NET ASSETS - ENDING**

*See accompanying notes.*

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business- type Activities	Total
(17,556,297)		(17,556,297)
(6,611,771)		(6,611,771)
(326,561)		(326,561)
(600,693)		(600,693)
(252,970)		(252,970)
<u>(25,348,292)</u>		<u>(25,348,292)</u>
	32,346	32,346
<u>(25,348,292)</u>	<u>32,346</u>	<u>(25,315,946)</u>
6,661,126	0	6,661,126
620,567	0	620,567
201,545	0	201,545
17,412,083	0	17,412,083
319,020	11,885	330,905
2,296,317	0	2,296,317
(53,000)	0	(53,000)
<u>27,457,658</u>	<u>11,885</u>	<u>27,469,543</u>
2,109,366	44,231	2,153,597
<u>14,673,941</u>	<u>275,937</u>	<u>14,949,878</u>
<u>16,783,307</u>	<u>320,168</u>	<u>17,103,475</u>

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

**STATEMENT OF ASSETS AND FUND BALANCES**  
**CASH BASIS - GOVERNMENTAL FUNDS**

August 31, 2009

	General Fund	Depreciation	Special Building
<b>ASSETS:</b>			
Cash	7,635,474	1,975,220	1,411,134
Cash with County Treasurer	1,756,436	0	14,446
<b>TOTAL ASSETS</b>	<b>9,391,910</b>	<b>1,975,220</b>	<b>1,425,580</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Capital projects	0	0	1,425,580
Debt service	0	0	0
Unreserved:			
Designated:			
Special revenue	0	1,975,220	0
Capital projects	0	0	0
Undesignated	9,391,910	0	0
<b>TOTAL FUND BALANCES</b>	<b>9,391,910</b>	<b>1,975,220</b>	<b>1,425,580</b>

*See accompanying notes.*

<u>LPS Building Corporation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
2,010,390	1,726,676	14,758,894
<u>0</u>	<u>253,531</u>	<u>2,024,413</u>
<u>2,010,390</u>	<u>1,980,207</u>	<u>16,783,307</u>
0	0	1,425,580
0	810,292	810,292
0	1,169,915	3,145,135
2,010,390	0	2,010,390
<u>0</u>	<u>0</u>	<u>9,391,910</u>
<u>2,010,390</u>	<u>1,980,207</u>	<u>16,783,307</u>

# LEXINGTON PUBLIC SCHOOLS

SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA

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

Year Ended August 31, 2009

	General Fund	Depreciation	Special Building
<b>RECEIPTS:</b>			
Local sources:			
Property taxes	6,364,389	0	115,155
Miscellaneous	76,286	0	0
Interest income	121,965	64,621	59,632
County sources	201,024	0	61
State sources	19,019,622	0	3,300
Federal sources	4,756,014	0	0
<b>TOTAL RECEIPTS</b>	<b>30,539,300</b>	<b>64,621</b>	<b>178,148</b>
<b>DISBURSEMENTS:</b>			
Current:			
Instructional services:			
Regular education	17,515,571	0	0
Special education	2,337,368	0	0
Support services:			
Pupil	1,025,245	0	0
Staff	237,864	0	0
General administration	513,372	0	0
School administration	1,270,911	0	0
Business	501,927	0	0
Building and grounds	2,498,134	0	0
Pupil transportation:			
Regular	247,872	0	0
Special education	91,232	0	0
State grants	58,923	0	0
Federal programs	3,796,231	0	0
Debt service:			
Principal	10,693	0	0
Interest and other charges	700	0	0
Capital outlay	368,729	30,766	51,361
<b>TOTAL DISBURSEMENTS</b>	<b>30,474,772</b>	<b>30,766</b>	<b>51,361</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>64,528</b>	<b>33,855</b>	<b>126,787</b>

(Continued on next page)

<u>LPS Building Corporation</u>	<u>Nonmajor Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
0	823,699	0	7,303,243
2,236,231	0	(2,236,231)	76,286
292	72,509	0	319,019
0	460	0	201,545
0	54,441	0	19,077,363
0	0	0	4,756,014
<u>2,236,523</u>	<u>951,109</u>	<u>(2,236,231)</u>	<u>31,733,470</u>

0	0	0	17,515,571
0	0	0	2,337,368
0	0	0	1,025,245
0	0	0	237,864
0	174,132	0	687,504
0	0	0	1,270,911
0	0	0	501,927
0	0	0	2,498,134
0	0	0	247,872
0	0	0	91,232
0	0	0	58,923
0	0	0	3,796,231
0	590,000	0	600,693
0	252,270	0	252,970
234,033	0	(2,236,231)	(1,551,342)
<u>234,033</u>	<u>1,016,402</u>	<u>(2,236,231)</u>	<u>29,571,103</u>

2,002,490                      (65,293)                      0                      2,162,367



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

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

Year Ended August 31, 2009

	<u>General Fund</u>	<u>Depreciation</u>	<u>Special Building</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	0	500,000	0
Transfers out	(623,000)	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(623,000)	500,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	(558,472)	533,855	126,787
Fund balances - beginning	9,950,382	1,441,365	1,298,793
FUND BALANCES - ENDING	9,391,910	1,975,220	1,425,580

*See accompanying notes.*

<u>LPS Building Corporation</u>	<u>Nonmajor Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
0	70,000	0	570,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>(623,000)</u>
0	70,000	0	(53,000)
2,002,490	4,707	0	2,109,367
<u>7,900</u>	<u>1,975,500</u>	<u>0</u>	<u>14,673,940</u>
<u><u>2,010,390</u></u>	<u><u>1,980,207</u></u>	<u><u>0</u></u>	<u><u>16,783,307</u></u>

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

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

August 31, 2009

	Employee Benefits	Student Fees
<b>ASSETS:</b>		
Cash	1,160,760	9,155
Cash with County Treasurers	0	0
<b>TOTAL ASSETS</b>	<b>1,160,760</b>	<b>9,155</b>
 <b>FUND BALANCES:</b>		
Reserved for:		
Debt service	0	0
Unreserved		
Designated	1,160,760	9,155
<b>TOTAL FUND BALANCES</b>	<b>1,160,760</b>	<b>9,155</b>

*See accompanying notes.*

Debt Service

---

1993 Bonds	High School Bonds	Middle School Bonds	Total Governmental Funds
97,230	281,283	178,248	1,726,676
47,589	108,611	97,331	253,531
144,819	389,894	275,579	1,980,207
144,819	389,894	275,579	810,292
0	0	0	1,169,915
144,819	389,894	275,579	1,980,207

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

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

Year Ended August 31, 2009

	Employee Benefits	Student Fees
<b>RECEIPTS:</b>		
Local sources:		
Taxes	0	0
County sources	0	0
State sources	0	0
<b>TOTAL RECEIPTS</b>	49,629	403
<b>DISBURSEMENTS:</b>		
Current:		
Support Services - general administration	172,545	1,587
Debt services:		
Principal	0	0
Interest and other charges	0	0
<b>TOTAL DISBURSEMENTS</b>	172,545	1,587
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(122,916)	(1,184)
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	70,000	0
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)</b>	(52,916)	(1,184)
Fund balances - beginning	1,213,676	10,339
<b>FUND BALANCES - ENDING</b>	1,160,760	9,155

*See accompanying notes.*

Debt Service			Total Governmental Funds
1993 Bonds	High School Bonds	Middle School Bonds	
147,477	369,536	306,686	823,699
0	460		460
10,119	23,485	20,837	54,441
<u>161,521</u>	<u>404,837</u>	<u>334,719</u>	<u>951,109</u>
0	0	0	174,132
135,000	265,000	190,000	590,000
16,055	113,146	123,069	252,270
<u>151,055</u>	<u>378,146</u>	<u>313,069</u>	<u>1,016,402</u>
10,466	26,691	21,650	(65,293)
<u>0</u>	<u>0</u>	<u>0</u>	<u>70,000</u>
10,466	26,691	21,650	4,707
<u>134,353</u>	<u>363,203</u>	<u>253,929</u>	<u>1,975,500</u>
<u>144,819</u>	<u>389,894</u>	<u>275,579</u>	<u>1,980,207</u>

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

STATEMENT OF NET ASSETS - CASH BASIS  
PROPRIETARY FUND

August 31, 2009

	<u>School Lunch Fund</u>
CURRENT ASSETS:	
Cash	<u>320,168</u>
NET ASSETS:	
Total net assets	<u><u>320,168</u></u>

*See accompanying notes.*

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

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

Year Ended August 31, 2009

	<u>School Lunch Fund</u>
<b>OPERATING RECEIPTS:</b>	
Charges for sales and services:	
Meals	247,433
Other food sales	13,897
<b>TOTAL OPERATING RECEIPTS</b>	<u>261,330</u>
<b>OPERATING DISBURSEMENTS:</b>	
Salaries	397,046
Benefits	70,298
Food costs	634,816
Other operating expense	78,661
<b>TOTAL OPERATING DISBURSEMENTS</b>	<u>1,180,821</u>
<b>OPERATING LOSS</b>	<u>(919,491)</u>
<b>NON-OPERATING RECEIPTS (DISBURSEMENTS):</b>	
State sources	8,493
Federal sources	1,019,873
Interest income	11,885
Capital outlay	(76,529)
<b>TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)</b>	<u>963,722</u>
<b>CHANGE IN NET ASSETS</b>	44,231
Total net assets - beginning	<u>275,937</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u><u>320,168</u></u>

*See accompanying notes.*



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

**STATEMENT OF NET ASSETS - CASH BASIS**  
**FIDUCIARY FUND**

August 31, 2009

	<u>Activities Funds</u>
<b>ASSETS:</b>	
Cash	243,553
 <b>NET ASSETS</b>	 243,553

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

Year Ended August 31, 2009

<b>ADDITIONS:</b>	
Activity receipts	796,617
Transfer from general fund	53,000
<b>TOTAL ADDITIONS</b>	<b>849,617</b>
 <b>DEDUCTIONS:</b>	
Activity disbursements	865,008
 <b>CHANGES IN NET ASSETS</b>	 (15,391)
Net assets - beginning	258,944
 <b>NET ASSETS - ENDING</b>	 <b>243,553</b>

*See accompanying notes.*

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

NOTES TO FINANCIAL STATEMENTS

August 31, 2009

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 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, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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 fund.

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 fund. 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 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.)

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.

*(Continued on next page)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities arising from cash transactions are generally included on the 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. The 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.

Employee Benefit Fund-This special revenue 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.

*(Continued on next page)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types (Continued)

Depreciation Fund-This special revenue 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 special revenue 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 that are specifically reserved for future building and improvement purchases and is reported as a major 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 major 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.

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.

*(Continued on next page)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 federal and state funding from the State of Nebraska in the general fund. They comprises 72% of the general fund receipts.

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).

*(Continued on next page)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009

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			
<u>Activity</u>	<u>Depreciation</u>	<u>Nonmajor</u>	<u>Total</u>	
<u>Fund</u>	<u>Fund</u>	<u>Funds</u>		
General	53,000	500,000	70,000	623,000

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.

NOTE 4: RESTRICTED CASH – The Capital Projects Fund has restricted cash and cash with county treasurer in the amount of \$1,425,580. Debt Service Funds have restricted cash of \$810,292.

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%.

*(Continued on next page)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009

NOTE 6: RETIREMENT PLAN

Plan Description

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 for NPERS. 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.

Funding Policy

Plan members were required to contribute 7.83%, 7.28% and 7.28% of their annual covered salary for the years ended August 31, 2007, 2008, and 2009 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, 2007, 2008 and 2009, were \$1,062,566, \$1,052,450, and \$1,136,524 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 2009. 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, 2009

NOTE 8: COMMITMENTS AND CONTINGENCIES

Capital Leases

The following is an analysis of capital leases as of August 31, 2009:

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance at September 1, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at August 31, 2009</u>
Vehicles	April, 2010	9.69%	<u>7,917</u>	<u>0</u>	<u>4,549</u>	<u>3,368</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, 2009:

<u>Year Ending</u>	<u>Capital Leases</u>
August 31, 2010	4,598
Less: amount representing interest	<u>(1,230)</u>
Present value of future minimum lease payments	<u>3,368</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, 2009:

<u>Description</u>	<u>Balance at September 1, 2008</u>	<u>Issued (Retired)</u>	<u>Balance at August 31, 2009</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>5,560,000</u>	<u>(590,000)</u>	<u>4,970,000</u>

(Continued on next page)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009

NOTE 8: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Note Payable

<u>Description</u>	Balance at September 1, <u>2008</u>	Note <u>Payments</u>	Balance at August 31, <u>2009</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>18,432</u>	<u>6,144</u>	<u>12,288</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>
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	705,000	0	134,375	839,375
2014	740,000	0	98,250	838,250
2015-2016	1,595,000	0	80,625	1,675,625
<b>TOTAL</b>	<u>4,970,000</u>	<u>12,288</u>	<u>907,825</u>	<u>5,890,113</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>
December, 2004	November, 2009	639
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, 2009

NOTE 8: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Minimum future lease payments under these noncancellable operating leases as of August 31, 2009, for each of the next three years and in the aggregate are:

<u>Year Ending August 31,</u>	<u>Amount</u>
2010	122,201
2011	120,285
2012	<u>50,119</u>
Total	<u>292,605</u>

Rent expense for the year ended August 31, 2009, was \$132,877

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 \$8,008 (26 weeks @ \$308 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 construction projects as of August 31, 2009:

<u>Project</u>	<u>Remaining Commitment</u>
High school addition	150,000
Pershing Elementary project	2,285,000

*(Continued on next page)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2009

NOTE 9: SUBSEQUENT EVENTS

On September 3, 2009, the District called the bonds outstanding and paid them with the proceeds of a new bond issue totaling \$4,475,000.

During the month of September, 2009, the District made the following commitments:

Dawson Public Power Building purchase	987,000
Preschool remodel project	822,000

REQUIRED  
SUPPLEMENTARY INFORMATION

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

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

Year Ended August 31, 2009

	Original Budget	Final Budget	Actual
Total available resources before property taxes	32,502,464	33,013,506	34,125,293
Total real/personal property tax	5,910,000	5,910,000	6,364,389
Total disbursements	<u>(31,994,000)</u>	<u>(34,732,600)</u>	<u>(31,097,772)</u>
Necessary cash reserve	<u><u>6,418,464</u></u>	<u><u>4,190,906</u></u>	<u><u>9,391,910</u></u>

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

Year Ended August 31, 2009

	Original Budget	Final Budget	Actual
Total available resources before property taxes	1,339,260	1,339,260	2,005,986
Total real/personal property tax	0	0	0
Total disbursements	<u>(1,339,260)</u>	<u>(1,339,260)</u>	<u>(30,766)</u>
Necessary cash reserve	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>1,975,220</u></u>

*See accompanying notes to budgetary comparison schedules.*

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

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
SPECIAL BUILDING**

Year Ended August 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total available resources before property taxes	1,784,817	1,784,817	1,361,786
Total real/personal property tax	50,000	50,000	115,155
Total disbursements	<u>(1,834,817)</u>	<u>(1,834,817)</u>	<u>(51,361)</u>
Necessary cash reserve	<u>0</u>	<u>0</u>	<u>1,425,580</u>

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
LPS BUILDING CORPORATION**

Year Ended August 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Total available resources before property taxes	0	0	2,244,423
Total real/personal property tax	0	0	0
Total disbursements	<u>0</u>	<u>0</u>	<u>(234,033)</u>
Necessary cash reserve	<u>0</u>	<u>0</u>	<u>2,010,390</u>

*See accompanying notes to budgetary comparison schedules.*

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

NOTES TO BUDGETARY COMPARISON SCHEDULES

August 31, 2009

BUDGET PROCESS AND PROPERTY TAXES

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

Total available resources before property taxes include the beginning fund balance.

LPS Building Corporation is not required by law to adopt a budget. The expenditures from general fund are budgeted by it. These expenditures become the revenue for the LPS Building Corporation.



SINGLE AUDIT SECTION

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended August 31, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U. S. Department of Agriculture:</u>		
Passed through Nebraska Department of Education:		
Cluster Programs:		
National School Lunch Program	10.555	968,741
Summer Food Services Program	10.559	40,584
Total Cluster Program		1,009,325
Passed through Nebraska Department of Education:		
ARRA School Lunch Equipment Program	10.579A	54,179
Fruit and Vegetable Program	10.582	10,549
Passed through Nebraska Department of Social Services:		
Food Donation Program	10.550	52,110
Total Department of Agriculture		1,126,163
<u>U. S. Department of Education:</u>		
Migrant Even Start	84.214	389,299
Passed through Educational Service Unit 10:		
Title II, Part A	84.367	32,000
Passed through Educational Service Unit 8:		
Title II, Part B	84.366	3,237
Passed through Nebraska Department of Education:		
Title I Cluster:		
Title I, Part A	84.010	1,069,666
ARRA - Title I, Part A	84.389A	434,976
		1,504,642

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended August 31, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	<u>Expenditures</u>
<u>U. S. Department of Education (Continued):</u>		
Passed through Nebraska Department of Education (Continued):		
IDEA Cluster:		
IDEA Base	84.027	143,545
IDEA Enrollment/Poverty	84.027	418,882
IDEA Base Preschool	84.173	10,946
IDEA Part B Special Projects	84.027	4,849
IDEA Part B - Early Intervening Services	84.027	78,658
ARRA - IDEA Part B (Section 611)	84.391A	79,718
ARRA - IDEA Part B (Section 611) Early Intervening Services	84.391A	64,011
		800,609
Title I - Part C (Migrant)	84.011	448,933
Career/Technical Education - Basic Grants	84.048	34,241
Safe and Drug Free Schools	84.186	1,200
Homeless Grant	84.196	3,952
Even Start Grant	84.213	90,868
21st Century After School Learning Center	84.287	277,478
Title V	84.298	316
Title II, Part D	84.318	14,968
Title III	84.365	122,389
Title II, Part A	84.367	60,982
		1,055,327
Total Department of Education		3,785,114
<u>U. S. Department of Health and Human Services:</u>		
Passed through Nebraska Association of School Boards:		
Medical Administrative Outreach	93.778	460,000
Passed through Nebraska Department of Health & Human Services:		
Medicaid in Public Schools	93.778	34,779
		494,779
Total Department of Health and Human Services		494,779
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>5,406,056</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, 2009

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 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 as well as the combining nonmajor funds of Lexington Public Schools, School District No. 1, Dawson County, Nebraska, as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2009. 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 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.

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 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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lexington Public Schools, in a separate letter dated November 2, 2009.

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.

  
Certified Public Accountants  
Lexington, Nebraska

November 2, 2009

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended August 31, 2009

**SECTION I-SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• 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	
10.555	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
84.214	Migrant Even Start Program
84.389A	ARRA – Title I
84.391A	ARRA - IDEA
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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*(Continued on next page)*





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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, 2009. 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, 2009.



## 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.

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

November 2, 2009

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended August 31, 2008

Finding 2008 - 1

Condition: Activity Funds - Lexington Public Schools does not have adequate procedures in place to ensure that all transactions are recorded in the books and that reports are provided to the School Board in a timely manner.

Status: Lexington Public Schools has developed procedures such that reports for the Activity Funds are provided to the School Board in a timely manner.

Finding 2008-2

Condition: Activity Funds –Deposits by Lexington Public Schools in their Activity Funds are not made in a timely manner.

Status: All schools except the high school have made deposits in a timely manner.

Finding 2008-3

Condition: Activity Funds - Lexington Public School does not adequately monitor activities to insure that balances of activities remain positive.

Status: Balances in the athletic activities at the high school and middle school have negative balances.