



MCDERMOTT + MILLER

CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the basic financial statements - cash basis - of Lexington Public School District #1 as of and for the year ended August 31, 2015, and have issued our report thereon dated October 27, 2015. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 14, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity 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. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Lexington Public School District #1 solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and other matters noted during our audit in a separate letter to you dated October 27, 2015.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

The familiarity threat applies to our relationship with your entity due to our longstanding relationship as your financial statement auditors. We have reduced this threat to an acceptable level by practicing professional skepticism at all levels and in all areas of your audit.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Lexington Public School District #1 is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended August 31, 2015. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. Lexington Public School District #1 has no such significant disclosures.

Identified or Suspected Fraud

We have neither identified nor obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Lexington Public School District #1's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated October 27, 2015.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with Lexington Public School District #1, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Lexington Public School District #1's auditors.

This report is intended solely for the information and use of the school board and management of Lexington Public School District #1 and is not intended to be and should not be used by anyone other than these specified parties.

McDERMOTT & MILLER, P.C.

McDermott + Miller PC
October 27, 2015

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

FINANCIAL REPORT

AUGUST 31, 2015

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
AUGUST 31, 2015**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 8
BASIC FINANCIAL STATEMENTS – CASH BASIS:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds	11
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds	12
Statement of Net Position – Cash Basis – Proprietary Fund	13
Statement of Receipts, Disbursements and Changes in Net Position – Cash Basis – Proprietary Fund	14
Statement of Net Position – Cash Basis – Fiduciary Funds	15
Statement of Changes in Net Position – Cash Basis – Fiduciary Funds	16
Notes to Financial Statements	17 - 34
REQUIRED SUPPLEMENTARY AND OTHER INFORMATION:	
Combined Schedule of Cash Receipts, Disbursements and Fund Balances	35
Schedule of Cash Receipts, Disbursements and Fund Balance Budget and Actual – General Fund	36 - 38
Schedule of Cash Disbursements for Operational Expenses – General Fund	39 - 44
Schedule of Cash Receipts, Disbursements, Transfers and Fund Balance – Activities Fund	45 - 47
Individual Fund Schedules of Cash Receipts, Disbursements and Fund Balance	48 - 55
Notes to Supplementary Information	56
Analysis of General Fund Tax Accounts with County Treasurers	57
Analysis of Special Building Fund Tax Accounts with County Treasurers	58
Analysis of Bond Fund Tax Accounts with County Treasurers	59

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
AUGUST 31, 2015**

TABLE OF CONTENTS

	PAGE
SINGLE AUDIT INFORMATION:	
Schedule of Expenditures of Federal Awards	60 - 62
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63 and 64
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133	65 - 67
Schedule of Findings and Questioned Costs	68 and 69



McDERMOTT + MILLER
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public School District #1, Lexington, NE, (the "School District"), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public School District #1, as of August 31, 2015, and the respective changes in financial position – cash basis – thereof for the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8 and budgetary comparison information on pages 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lexington Public School District #1's basic financial statements. The Combined Schedule of Cash Receipts, Disbursements and Fund Balances on page 35, the Schedule of Cash Disbursements for Operational Expenses – General Fund on page 39

through 44, the Schedule of Cash Receipts, Disbursements, Transfers and Fund Balance – Activities Fund on pages 45 through 47, the Individual Fund Schedules of Cash Receipts, Disbursements and Fund Balance as listed on pages 48 through 55, and the Schedule of Expenditures of Federal Awards as listed on pages 60 through 62, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The analysis of General, Special Building and Bond Fund Tax Accounts with County Treasurers on pages 57 through 59 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015, on our consideration of Lexington Public School District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lexington Public School District #1's internal control over financial reporting and compliance.

McDERMOTT AND MILLER, P.C.

A handwritten signature in black ink that reads "McDermott + Miller PC". The signature is written in a cursive, flowing style and is positioned above a horizontal line.

Kearney, Nebraska
October 27, 2015

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

This section of the Lexington Public Schools' annual audit report presents our discussion and analysis of the school District's financial performance during the fiscal year that ended on August 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how Lexington Public Schools' net position changed during the reported year. Changes reported are on the cash basis as described above. The statement of activities demonstrates the degree to which the direct disbursements/expenditures of a given function or segment are offset by program receipts/revenues. Direct disbursements/expenditures are those that are clearly identifiable with a specific function or segment. Program receipts/revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Appropriations and other items not properly included among program receipts/revenues are reported, instead, as general receipts/revenues.

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

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

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

Fund Financial Statements

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

The District has three kinds of funds:

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements.

Required Supplementary Information

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

FINANCIAL AND OPERATING HIGHLIGHTS

- The District’s Net Position for the fiscal year ended August 31, 2015, compared to the fiscal year ended August 31, 2014, decreased by \$2,949,833. The overall decrease in net position can be attributed to the District’s investment in a construction project at Lexington High School.
- The District’s General Fund disbursements and transfers in 2014-2015 were \$681,298 more than the prior year’s disbursements and transfers, resulting in an overall increase of 2%.
- The District’s General Fund receipts in 2014-2015 were \$34,260,180, compared to \$31,701,350 in 2014-2015 for an increase of 8%.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The largest single source of receipts for Lexington Public Schools is State revenue in the amount of \$21,216,634 for 2014-2015, which increased by \$396,572 (2%) from the prior year. State sources account for 62% of the total General Fund receipts, and Federal revenue accounts for 10% of General Fund receipts. Local and county receipts account for the remaining 28% of General Fund revenue.

Property taxes as a source of revenue for the District account for 25% of the total General Fund revenues. The amount of property taxes collected for 2014-2015 were \$1,079,026 more than the previous year.

The following table shows the property tax rates, by fund, for the 2008-2009 through 2014-2015 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 2014-2015 was \$1,109, slightly less than the previous year.

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
	Levy	Levy	Levy	Levy	Levy	Levy	Levy
General Fund	1.040016	1.040016	1.040016	1.040016	1.040016	1.040016	1.040016
Building Fund	.008799	.008799	.008799	.008799	0.008799	0.008799	.008799
Bond Funds	.193983	.193983	.189032	0.18149	0.177216	0.162405	.059992
District Total	1.24280	1.24280	1.23785	1.23031	1.22603	1.21122	1.10881

General Fund Budgetary Highlights

The District’s General Fund cash position for school year 2014-2015 increased by \$129,395. This is shown by a difference in the beginning cash balance on September 1, 2014 of \$8,133,622 and the ending cash balance of \$8,263,017, as of August 31, 2015.

Below is a comparison of General Fund budgeted to actual receipts and disbursements for the 2014-2015 fiscal year.

	2014-2015	2014-2015	Over/(Under)
Receipts	Budget	Actual	Budget
Local Taxes	\$9,969,502	\$9,449,151	(\$520,351)
State Sources	\$21,230,517	\$21,216,634	(\$13,883)
County Sources	\$150,000	\$238,419	\$88,419
Other Federal	\$2,727,122	\$3,355,451	\$628,329
Other Non-revenue	\$0	\$525	\$525
Subtotal	\$34,077,141	\$34,260,180	\$183,039

Disbursements	2014-2015 Budget	2014-2015 Actual	(Over)/Under Budget
Instructional	\$20,903,491	\$21,113,581	(\$210,090)
Support Services	\$10,687,792	\$10,167,454	\$520,338
Federal & State Grants	\$2,794,466	\$2,724,426	\$70,040
Debt Services	\$324	\$324	\$0
Transfers to other Funds	\$1,116,649	\$125,000	\$991,649
Subtotal	\$35,502,722	\$34,130,785	\$1,371,937

Financial Analysis of the Other Funds

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

Cash Balances	2014-2015 Beginning	2014-2015 Ending	Increase/ (Decrease)
Special Building Fund	\$126,443	\$203,750	\$77,307
Depreciation Fund	\$4,332,855	\$1,774,939	(\$2,557,916)
Employee Benefits Fund	\$934,438	\$873,483	(\$60,955)

Debt Administration

At year-end, the Lexington Public Schools had \$441,090 outstanding principal and interest debt in General Obligation Bonds.

Activity Fund Report

The following report shows the District assets held in a trustee or agency capacity called the Lexington Public School Activity Fund. The total receipts include a transfer of \$125,000 made from the General Fund to the Activity Fund

Activity Fund	2014-2015 Actual	Net Change
Beginning Balance	\$383,123	
Receipts	\$667,276	
Disbursements	(\$599,602)	
Ending Balance	\$450,797	\$67,674
PayFlex change in fund balance		<u>(\$7,397)</u>
Total Activity		\$60,277

School Lunch Fund Report

Lunch Fund operating receipts and disbursements shows a decreased cash position. The decreased cash position is due to a \$177,000 investment in kitchen equipment related to the high school construction project.

Lunch Fund	2014-2015 Actual	Net Change
Beginning Balance	\$686,421	
Receipts	\$1,620,581	
Disbursements	(\$1,734,949)	
Ending Balance	\$572,053	(\$114,368)

CONTACTING LEXINGTON PUBLIC SCHOOLS' FINANCIAL MANAGEMENT

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

Erin Heineman
Chief Financial Officer
Lexington Public Schools
300 S. Washington St.
PO Box 890
Lexington, NE 68850

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

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

**STATEMENT OF NET POSITION - CASH BASIS
August 31, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	2015 Total
ASSETS			
Cash	\$ 9,332,363	\$ 572,053	\$ 9,904,416
Cash at county treasurer	2,324,240	-	2,324,240
Total assets	<u>\$ 11,656,603</u>	<u>\$ 572,053</u>	<u>\$ 12,228,656</u>
 NET POSITION			
Restricted for:			
Debt service	\$ 481,223	\$ -	\$ 481,223
Capital projects	1,983,003	-	1,983,003
Employee benefits	873,483	-	873,483
Cooperative fund	55,877	-	55,877
Unrestricted	8,263,017	572,053	8,835,070
Total net position	<u>\$ 11,656,603</u>	<u>\$ 572,053</u>	<u>\$ 12,228,656</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended August 31, 2015

	Program Receipts			Net (Disbursement) Receipt and Changes in Net Position		2015 Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Functions/Programs						
Primary government:						
Governmental activities:						
Regular instruction	\$ 17,649,820	\$ -	\$ -	\$ (17,649,820)	\$ -	\$ (17,649,820)
Special education instruction	2,988,761	-	-	(2,988,761)	-	(2,988,761)
Support services:						
Pupils	1,781,465	-	-	(1,781,465)	-	(1,781,465)
Staff	442,038	-	-	(442,038)	-	(442,038)
Business	578,321	-	-	(578,321)	-	(578,321)
Maintenance and operation of business	5,340,204	-	-	(5,340,204)	-	(5,340,204)
Pupil transportation	429,233	-	-	(429,233)	-	(429,233)
General administration	367,537	-	-	(367,537)	-	(367,537)
Office of principal	1,199,149	-	-	(1,199,149)	-	(1,199,149)
State categorical programs	76,300	-	-	(76,300)	-	(76,300)
Federal programs	2,389,688	3,355,451	-	965,763	-	965,763
Capital outlay	2,610,794	-	-	(2,610,794)	-	(2,610,794)
Debt service	848,229	-	-	(848,229)	-	(848,229)
Transfers	125,000	-	-	(125,000)	-	(125,000)
Other	828,393	159,339	-	(669,054)	-	(669,054)
Total governmental activities	\$ 37,654,932	\$ 3,514,790	\$ -	\$ (34,140,142)	\$ -	\$ (34,140,142)
Functions/Programs Business-type activities:						
School lunch	\$ 1,734,949	\$ 208,284	\$ 1,402,306	\$ -	\$ (124,359)	\$ (124,359)
Total business-type activities	\$ 1,734,949	\$ 208,284	\$ 1,402,306	\$ -	\$ (124,359)	\$ (124,359)
Total primary government	\$ 39,389,881	\$ 208,284	\$ 4,917,096	\$ (34,140,142)	\$ (124,359)	\$ (34,264,501)
General receipts:						
Taxes:						
Property				\$ 9,072,002	\$ -	\$ 9,072,002
Motor vehicle				646,906	-	646,906
Fines and licenses				244,219	-	244,219
Sale of property				1,020	-	1,020
State aid				21,216,634	-	21,216,634
Interest income				27,558	1,320	28,878
Other				96,338	8,671	105,009
Total general receipts				\$ 31,304,677	\$ 9,991	\$ 31,314,668
Change in net position				(2,835,465)	(114,368)	(2,949,833)
Net position - beginning				14,492,068	686,421	15,178,489
Net position - ending				\$ 11,656,603	\$ 572,053	\$ 12,228,656

LEXINGTON PUBLIC SCHOOL DISTRICT #1
 LEXINGTON, NEBRASKA

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS

August 31, 2015

	General	Depreciation	Special Building	LPS Building Corporation	Other Governmental Funds	2015 Total Governmental Funds
ASSETS						
Cash	\$ 6,043,723	\$ 1,774,939	\$ 185,463	\$ 4,314	\$ 1,323,924	\$ 9,332,363
Cash at county treasurer	2,219,294	-	18,287	-	86,659	2,324,240
Total assets	<u>\$ 8,263,017</u>	<u>\$ 1,774,939</u>	<u>\$ 203,750</u>	<u>\$ 4,314</u>	<u>\$ 1,410,583</u>	<u>\$ 11,656,603</u>
FUND BALANCES						
Fund balances:						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 537,100	\$ 537,100
Assigned	-	1,774,939	203,750	4,314	873,483	2,856,486
Unassigned	8,263,017	-	-	-	-	8,263,017
Total fund balances	<u>\$ 8,263,017</u>	<u>\$ 1,774,939</u>	<u>\$ 203,750</u>	<u>\$ 4,314</u>	<u>\$ 1,410,583</u>	<u>\$ 11,656,603</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2015

	General	Depreciation	Special Building	LPS Building Corporation	Other Governmental Funds	2015 Total Governmental Funds
RECEIPTS						
Taxes:						
Property	\$ 8,611,460	\$ -	\$ 76,016	\$ -	\$ 384,526	\$ 9,072,002
Motor vehicle	646,906	-	-	-	-	646,906
Sale of property	-	-	1,020	-	-	1,020
Fines and licenses	244,219	-	-	-	-	244,219
State aid	21,216,634	-	-	-	-	21,216,634
Federal aid	3,355,451	-	-	-	-	3,355,451
Other categorical programs	156,089	-	-	-	-	156,089
Categorical / private grant revenue	3,250	-	-	-	-	3,250
Interest income	18,151	6,849	271	2	2,285	27,558
Other	8,020	-	-	-	88,318	96,338
Total receipts	\$ 34,260,180	\$ 6,849	\$ 77,307	\$ 2	\$ 475,129	\$ 34,819,467
DISBURSEMENTS						
Regular instruction	\$ 18,124,820	\$ -	\$ -	\$ -	\$ -	\$ 18,124,820
Special education instruction	2,988,761	-	-	-	-	2,988,761
Support services:						
Pupils	1,781,465	-	-	-	-	1,781,465
Staff	442,038	-	-	-	-	442,038
Business	578,321	-	-	-	-	578,321
Maintenance and operation of business	5,369,711	-	-	-	-	5,369,711
Pupil transportation	429,233	-	-	-	-	429,233
General administration	367,537	-	-	-	-	367,537
Office of principal	1,199,149	-	-	-	-	1,199,149
State categorical programs	76,300	-	-	-	-	76,300
Federal programs	2,389,688	-	-	-	-	2,389,688
Capital outlay	-	2,594,272	-	16,522	-	2,610,794
Debt service	324	-	-	-	847,905	848,229
Other	258,438	-	-	-	569,955	828,393
Total disbursements	\$ 34,005,785	\$ 2,594,272	\$ -	\$ 16,522	\$ 1,417,860	\$ 38,034,439
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 29,507	\$ -	\$ -	\$ 475,000	\$ 504,507
Transfers out	(125,000)	-	-	-	-	(125,000)
Total other financing sources (uses)	\$ (125,000)	\$ 29,507	\$ -	\$ -	\$ 475,000	\$ 379,507
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 129,395	\$ (2,557,916)	\$ 77,307	\$ (16,520)	\$ (467,731)	\$ (2,835,465)
Fund balances - beginning	\$ 8,133,622	\$ 4,332,855	\$ 126,443	\$ 20,834	\$ 1,878,314	\$ 14,492,068
Fund balances - ending	\$ 8,263,017	\$ 1,774,939	\$ 203,750	\$ 4,314	\$ 1,410,583	\$ 11,656,603

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
August 31, 2015

	<u>2015 School Lunch Fund</u>
ASSETS	
Cash	\$ <u>572,053</u>
Total assets	<u>\$ <u>572,053</u></u>
 NET POSITION	
Unrestricted	\$ <u>572,053</u>
Total net position	<u>\$ <u>572,053</u></u>

See notes to financial statements.

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

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

For the Year Ended August 31, 2015

	<u>2015 School Lunch Fund</u>
Operating receipts:	
Charges for sales and services:	
Sale of breakfast and lunch	\$ 208,284
Total operating receipts	<u>\$ 208,284</u>
 Operating disbursements:	
Cost of sales and services	\$ 1,734,949
Total operating disbursements	<u>\$ 1,734,949</u>
 Operating income (loss)	 <u>\$ (1,526,665)</u>
 Nonoperating receipts:	
USDA and State subsidies	\$ 1,402,306
Investment income	1,320
Other receipts	8,671
Total nonoperating receipts	<u>\$ 1,412,297</u>
 Increase (decrease) in net position	 <u>\$ (114,368)</u>
 Total net position - beginning	 <u>686,421</u>
 Total net position - ending	 <u>\$ 572,053</u>

See notes to financial statements.

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

**STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUNDS
August 31, 2015**

	Activities Fund	Student Fee Fund	2015 Total Fiduciary Funds
ASSETS			
Cash	\$ 511,716	\$ 5,057	\$ 516,773
Total assets	\$ 511,716	\$ 5,057	\$ 516,773
 NET POSITION	 \$ 511,716	 \$ 5,057	 \$ 516,773

See notes to financial statements.

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

**STATEMENT OF CHANGES IN NET POSITION - CASH BASIS
FIDUCIARY FUNDS
For the Year Ended August 31, 2015**

	<u>Activities Fund</u>	<u>Student Fee Fund</u>	<u>2015 Total Fiduciary Funds</u>
ADDITIONS			
Activities receipts	\$ 542,276	\$ -	\$ 542,276
Payflex receipts	194,103	-	194,103
Interest income	-	9	9
Transfer from General	<u>125,000</u>	-	<u>125,000</u>
Total additions	<u>\$ 861,379</u>	<u>\$ 9</u>	<u>\$ 861,388</u>
DEDUCTIONS			
Purchased services and supplies	\$ 599,602	\$ 27	\$ 599,629
Payflex disbursements	<u>201,500</u>	-	<u>201,500</u>
Total deductions	<u>\$ 801,102</u>	<u>\$ 27</u>	<u>\$ 801,129</u>
Increase (decrease) in net position	\$ 60,277	\$ (18)	\$ 60,259
Net position - beginning	<u>451,439</u>	<u>5,075</u>	<u>456,514</u>
Net position - ending	<u>\$ 511,716</u>	<u>\$ 5,057</u>	<u>\$ 516,773</u>

See notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Fundraising Organizations

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation – The School District has adopted the provisions of Statement No. 34 (“Statement 34”) of the 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 statements, fund financial statements and the classification of net position into two components – restricted and unrestricted.

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

The statement of activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general receipts.

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

Proprietary funds are used to account for the School District’s business-type activities. Proprietary funds distinguish operating receipts and disbursements from 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 ongoing 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.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Governmental Funds

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

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund

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

Fiduciary Funds

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

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance – The School District has adopted Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” In accordance with Statement No. 54, the School District classifies governmental fund balances as follows:

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

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

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

Assigned: Fund balance amounts are considered assigned if they are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balances may be assigned by management.

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

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. BUDGET PROCESS

The School District is required by state law to adopt annual budgets for the General Fund, Employee Benefit Fund, Bond Fund, Special Building Fund, Depreciation Fund, Cooperative Fund, and School Lunch Fund. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act and the basis of accounting used in presenting the basic financial statements. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

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

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

2. BUDGET PROCESS (continued)

One-half of the real estate taxes due January 1 become delinquent after the following May 1, with the second one-half becoming delinquent after September 1.

3. CASH

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

Deposits – At year end, the School District’s carrying amount of bank deposits was \$10,408,971 and the bank balance was \$13,118,291. All balances were covered by federal depository insurance or collateralized with securities held by the pledging financial institution’s trust department or agent in the School District’s name.

The School District's deposits are categorized to give an indication of the level of risk assumed by the School District at August 31, 2015. The levels of risk are described as follows:

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

Deposits and investments of the District at August 31, 2015, consisted of the following:

	Level 1	Level 2	Level 3
Cash - demand deposits	\$ 264,080	\$ 12,854,211	\$ -

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

3. CASH (continued)

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

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

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

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's policy regarding custodial credit risk is determined by state statute as described above. As of August 31, 2015, all deposits were covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.

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

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

4. RETIREMENT PLAN

Plan Description

Lexington Public School District #1 contributes to the Nebraska School Employees Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Nebraska Public Employees Retirement System (NPERS). NPERS provides retirement and disability benefits to plan members and beneficiaries. The School Employees Retirement Act establishes benefit provisions.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

4. RETIREMENT PLAN (continued)

In 1945, the Nebraska Legislature enacted the law establishing a retirement plan for school employees of the State. During the NPERS fiscal year ended June 30, 2014, there were 270 participating school districts. These were the districts that had contributions during the fiscal year. All regular public school employees in Nebraska, other than those who have their own retirement plans (Class V school districts, Nebraska State Colleges, University of Nebraska, Community Colleges), are members of the plan.

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

4. RETIREMENT PLAN (continued)

For the District's year ended August 31, 2015, the District's total payroll for all employees was \$19,566,562. Total covered payroll was \$18,305,247. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

Contributions

The State's contribution is based on an annual actuarial valuation. In addition, the State contributes an amount equal to two percent of the compensation of all members. This contribution is considered a nonemployer contribution since school employees are not employees of the State. The employee contribution was equal to 9.78 percent from September 1, 2013, to August 31, 2014, and from September 1, 2014, to August 31, 2015. The school district (employer) contribution is 101 percent of the employee contribution. The District's contributions to the Plan for its years ended August 31, 2015 and 2014, were \$1,808,143 and \$1,721,072, respectively.

Pension Liabilities

At June 30, 2014, the District had a liability of \$8,244,211 for its proportionate share of the net pension liability. (This liability is not recorded in the accompanying cash basis financial statements.) The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of that date. The NPERS School Plan was 90.65% funded as of June 30, 2014, based on actuarial calculations comparing total pension liability to the plan fiduciary net position. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the District's proportion was 0.848 percent, which was a decrease of 2.009 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2014, the District's allocated pension expense (revenue) was (\$82,603).

Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

4. RETIREMENT PLAN (continued)

Price Inflation	3.25 percent
Wage Inflation	4.00 percent
Salary increases, including wage inflation	4.00 – 9.00 percent
Cost of Living Adjustment	Members hired before July 1, 2013: 2.50% with a floor benefit equal to 75% purchasing power of original benefit. Members hired on/after July 1, 2013: 1.00%
Long-term Rate of Return, net of investment expense, including price inflation	8.00 percent
Municipal Bond Index Rate	4.35 percent
Year FNP is Projected to be Depleted	N/A
Single Equivalent Int. Rate, net of investment expense, including price inflation	8.00 percent

* 1% and no floor benefit for members joining on or after July 1, 2013

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

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

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

The actuarial assumptions used in the July 1, 2014, valuations for the School plan are based on the results of the most recent actuarial experience study, which covered the five year period ending June 30, 2011. The experience study report is dated August 20, 2012.

The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the pension plan assets. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

4. RETIREMENT PLAN (continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014, (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Large Cap US Equity	26.10%	4.4%
Small Cap US Equity	2.90%	4.9%
Global Equity	15.00%	5.0%
International Developed Equity	11.14%	5.0%
Emerging Markets Equity	2.36%	6.2%
Fixed Income	25.00%	1.7%
Bank Loans	5.00%	2.0%
Real Estate	7.50%	4.7%
Private Equity	5.00%	6.5%
Total	100.00%	

*Geometric mean, net of investment expenses

Discount Rate

The discount rate used to measure the Total Pension Liability at both June 30, 2013, and June 30, 2014, was 8 percent. The discount rate is reviewed as part of the actuarial experience study, which was last performed for the period July 1, 2006, through June 30, 2011. The actuarial experience study is reviewed by the NPERS Board, which must vote to change the discount rate.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from employers and nonemployers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability. The projected future benefit payments for all current plan members were projected through 2113.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

4. RETIREMENT PLAN (continued)

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

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

	Discount Rate	District's Proportionate Share of Net Pension Liability (Asset)
1% decrease	7.0%	\$19,661,210
Current discount rate	8.0%	\$8,244,211
1% increase	9.0%	(\$1,244,328)

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Nebraska Public Employees Retirement System Plan financial report. NPERS issues a publicly available financial report that includes financial statements and required supplementary information for NPERS. That report may be obtained by writing the NPERS, P.O. Box 94816, Lincoln, NE 68509-4816, by calling 1-800-245-5712, or via the internet at http://www.auditors.nebraska.gov/APA_Reports/2015/SA185-03112015-July_1_2013_through_June_30_2014_Audit_Report.pdf.

5. LONG-TERM DEBT

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

5. LONG-TERM DEBT (continued)

The one-year schedule of maturities is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
August 31, 2016	\$ 435,000	\$ 6,090	\$ 441,090
	<u>\$ 435,000</u>	<u>\$ 6,090</u>	<u>\$ 441,090</u>

Total interest paid during the year ending August 31, 2015, on bonds outstanding was \$22,905.

6. OPERATING LEASES

On March 12, 2013, Lexington Public School District #1 entered into an agreement with Unite Private Networks, LLC for the lease and service of the School District's Wide Area Network. Annual payments of \$82,104 will be paid over a ten year term starting July 1, 2013 and ending June 30, 2023.

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

On May 10, 2014, Lexington Public School District #1 entered into a lease purchase agreement with Apple Inc. for 910 MacBook Pro computers. The agreement is being financed with a 2.3% annual interest rate. Annual payments of \$217,350 will be paid over a term beginning May 10, 2014 and ending May 10, 2017.

On May 19, 2015, Lexington Public School District #1 entered into a lease purchase agreement with Apple Inc. for 750 MacBook Pro computers. The agreement is being financed with a 2.3% annual interest rate. Annual payments of \$179,015 will be paid over a term beginning June 19, 2015 and ending June 19, 2018.

On January 13, 2015, Lexington Public School District #1 entered into an agreement with MailFinance Inc. for online shipping software and shipping equipment. Quarterly payments of \$780 will be paid over a term beginning February 6, 2015 and ending May 6, 2021.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

6. OPERATING LEASES (continued)

Lease payments for the next five years are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2016	\$ 539,213
2017	539,213
2018	264,239
2019	85,224
2020	<u>85,224</u>
Total	<u><u>\$1,513,113</u></u>

7. LEXINGTON COMMUNITY FACILITIES AGENCY

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

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

Under this agreement, the School District will contribute \$7,750,000, which will be used to fund construction costs related to the expansion projects. During the fiscal years ended August 31, 2015 and 2014, the School District remitted \$0 and \$428,243, respectively, to the Agency. With the completion of construction on the middle school project, the School District does not expect to remit any additional funds to the Agency.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

8. FUND BALANCES

As of August 31, 2015, governmental fund balances are classified as follows:

	<u>General</u>	<u>Depreciation</u>	<u>Special Building</u>	<u>LPS Building Corporation</u>	<u>Bond</u>	<u>Employee Benefit</u>	<u>Cooperative</u>	<u>Total</u>
Fund balances								
Restricted for:								
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 481,223	\$ -	\$ -	\$ 481,223
Cooperative fund	-	-	-	-	-	-	55,877	55,877
Total restricted	\$ -	\$ -	\$ -	\$ -	\$ 481,223	\$ -	\$ 55,877	\$ 537,100
Assigned to:								
Capital projects	\$ -	\$ 1,774,939	\$ 203,750	\$ 4,314	\$ -	\$ -	\$ -	\$ 1,983,003
Employee benefits	-	-	-	-	-	873,483	-	873,483
Total assigned	\$ -	\$ 1,774,939	\$ 203,750	\$ 4,314	\$ -	\$ 873,483	\$ -	\$ 2,856,486
Unassigned:	\$ 8,263,017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,263,017
Total fund balances	<u>\$ 8,263,017</u>	<u>\$ 1,774,939</u>	<u>\$ 203,750</u>	<u>\$ 4,314</u>	<u>\$ 481,223</u>	<u>\$ 873,483</u>	<u>\$ 55,877</u>	<u>\$ 11,656,603</u>

9. INTERFUND TRANSFERS

A transfer of \$125,000 to the Activities Fund has been recorded in the General Fund. In addition, transfers of \$29,507 to the Depreciation Fund and \$475,000 to the Employee Benefit Fund have been recorded as operational disbursements in the General Fund in accordance with the basis of accounting described above. The transfer to the Activities Fund is for annual support of the activities department. The transfer to the Depreciation Fund is to save for future expenditures such as a bus, site improvements, computer equipment and new textbooks. The transfer to the Employee Benefit Fund is to cover the cost of health insurance benefits paid to retired District employees.

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

10. EARLY RETIREMENT INCENTIVE PLAN

The District has adopted an early retirement incentive plan for certified employees who elect early retirement. No employee contributions are required; the District pays the entire cost of the plan. Benefits are available to certified employees over the age of 55 and who have at least 20 consecutive years of credited service in the Lexington Public School District #1.

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

<u>Years of Service</u>	<u>Number of annual premiums paid</u>
20	10

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

The District's Employee Benefits Fund has a fund balance at August 31, 2015, in the amount of \$873,483.

11. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and to the public; or acts of God. For the fiscal year ended August 31, 2015, the School had approved insurance coverage through the NASB All Lines Interlocal Cooperative Aggregate Pool (ALICAP), a public entity risk pool currently operating as a common risk management insurance pool.

If the pool becomes insolvent or is otherwise unable to discharge its legal liabilities and other obligations, the District may be assessed by the pool for additional contributions. The District has not paid any additional assessments to the pool in the last three fiscal years and no assessments are anticipated for the fiscal year ended August 31, 2015. The District has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

12. COMMITMENTS AND CONTINGENCIES

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

The District has elected under the Nebraska Unemployment Insurance Program to become a "reimbursable employer". Accordingly, the District is liable for payments to reimburse the state unemployment agency for benefits paid to former employees. The maximum payment to reimburse the state unemployment agency under current statute would not exceed \$9,880 (26 weeks at \$380/week) per claimant.

13. MAJOR REVENUE SOURCES AND DEPENDENCY OF OPERATIONS

The District's ability to operate is dependent on the funding sources continuing to provide funds to the District. Changes by the funding sources due to economic, regulatory, or other factors could have an adverse legal effect on the District's ability to continue to operate at its current level. During the year ending August 31, 2015, the composition of the District's governmental fund receipts is as follows:

	Receipts	% of Total
Local property taxes	\$ 9,718,909	27.91 %
County sources	244,219	0.70
State sources	21,216,634	60.93
Federal sources	3,355,451	9.64
Other sources	284,254	0.82
Total governmental funds	\$ 34,819,467	100.00 %

14. SUBSEQUENT EVENTS

Upon evaluation, management notes that there were no material subsequent events between the date of the financial statements and October 27, 2015 the date that the financial statements were issued or available to be issued.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

COMBINED SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND FUND BALANCES
Year Ended August 31, 2015

	Fund Balances At Beginning of Year	Receipts	Disbursements	Transfers In (Out)	Excess (Deficiency) Of Receipts Over (Under) Disbursements	Fund Balances At End Of Year
GENERAL FUND	\$ 8,133,622	\$ 34,260,180	\$ 34,005,785	\$ (125,000)	\$ 129,395	\$ 8,263,017
ACTIVITIES FUND	451,439	736,379	801,102	125,000	60,277	511,716
SCHOOL LUNCH FUND	686,421	1,620,581	1,734,949	-	(114,368)	572,053
DEPRECIATION FUND	4,332,855	6,849	2,594,272	29,507	(2,557,916)	1,774,939
SPECIAL BUILDING FUND	126,443	77,307	-	-	77,307	203,750
LPS BUILDING CORPORATION FUND	20,834	2	16,522	-	(16,520)	4,314
BOND FUND	943,876	385,252	847,905	-	(462,653)	481,223
EMPLOYEE BENEFITS FUND	934,438	1,559	537,514	475,000	(60,955)	873,483
COOPERATIVE FUND	-	88,318	32,441	-	55,877	55,877
STUDENT FEE FUND	5,075	9	27	-	(18)	5,057
GRAND TOTAL - ALL FUNDS	\$ 15,635,003	\$ 37,176,436	\$ 40,570,517	\$ 504,507	\$ (2,889,574)	\$ 12,745,429

See notes to financial statements.

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

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended August 31, 2015**

	<u>Actual</u>	<u>Budget (Original and Final)</u>
RECEIPTS		
LOCAL SOURCES:		
Local district taxes	\$ 8,589,559	\$ 9,121,551
Carline taxes	21,901	30,000
Motor vehicle taxes	646,906	610,000
Interest received	18,151	22,000
Local license fees	63	7,000
Police court fines	5,737	4,300
Categorical / private grant revenue	3,250	8,000
Other categorical programs	156,089	165,451
Other local revenue	7,495	1,200
Total Local Sources	<u>\$ 9,449,151</u>	<u>\$ 9,969,502</u>
COUNTY SOURCES:		
Fines and licenses	\$ 238,419	\$ 150,000
Total County Sources	<u>\$ 238,419</u>	<u>\$ 150,000</u>
STATE SOURCES:		
State aid	\$ 19,089,506	\$ 19,089,506
Special education	1,187,859	1,330,000
Homestead exemption	120,756	215,000
Property tax credit	343,866	125,000
Pro-rate motor vehicle	25,653	24,000
Apportionment and in-lieu of school land tax	398,086	380,000
High ability learner	19,390	18,661
Other state receipts	31,518	48,350
Total State Sources	<u>\$ 21,216,634</u>	<u>\$ 21,230,517</u>

See notes to financial statements.

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

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2015**

	Actual	Budget (Original and Final)
FEDERAL SOURCES:		
ECIA-Chapter I, current	\$ 1,620,858	\$ 1,236,027
Medicaid Administrative	145,122	245,000
Carl Perkins grant	33,049	25,736
Title II Part A	124,371	74,281
IDEA Part B Enrollment/Poverty	598,081	460,464
IDEA Part B Early Intervening Services	25,000	25,000
IDEA Base	244,160	154,233
Title I Part C	132,284	79,146
Other federal categorical receipts	432,526	427,235
Total Federal Sources	\$ 3,355,451	\$ 2,727,122
NON-REVENUE RECEIPTS:		
Non-programmed receipts	\$ 525	\$ -
Total Non-Revenue Receipts	\$ 525	\$ -
Total Receipts from all Sources	\$ 34,260,180	\$ 34,077,141

See notes to financial statements.

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

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2015**

DISBURSEMENTS	<u>Actual</u>	<u>Budget (Original and Final)</u>
PROGRAM:		
Regular instruction	\$ 9,724,772	\$ 9,450,486
Special education programs	2,988,761	3,013,206
Limited English proficiency programs	4,015,633	3,991,785
Poverty programs	3,902,841	3,908,524
Support services - Pupils	1,781,465	1,752,413
Support services - Instructional staff	442,038	460,497
Support services - General administration	367,537	456,251
Support services - Office of principal	1,199,149	1,155,386
Support services - Business services	578,321	722,168
Support services - Maintenance and operation of buildings	5,369,711	5,601,191
Support services - Regular pupil transportation	429,233	539,886
Summer school	481,574	539,490
Debt services	324	324
State programs - grants	76,300	76,293
Federal programs	2,389,688	2,482,772
Other	258,438	235,451
Transfers to other funds	125,000	1,116,649
Total Disbursements	<u>\$ 34,130,785</u>	<u>\$ 35,502,772</u>
 Fund Balance, August 31, 2014	 \$ 8,133,622	
Total Cash Receipts	<u>\$ 34,260,180</u>	
Total Funds Available	\$ 42,393,802	
Total Cash Disbursements	<u>\$ 34,130,785</u>	
 Fund Balance, August 31, 2015	 <u>\$ 8,263,017</u>	

See notes to financial statements.

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

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND
For the Fiscal Year Ended August 31, 2015**

REGULAR INSTRUCTION:

Regular salaries of teachers	\$ 5,055,690
Substitute salaries	249,429
Clerical and paraprofessional staff salaries	21,192
Technical staff salaries	327,115
Classroom management salaries	4,662
Payroll taxes	420,616
Employee benefits	2,406,111
Purchased pupil services	298,057
Early childhood education programs	148,119
Supplies and materials	617,515
Textbooks and library books	21,483
Furniture and equipment replacement	32,922
Travel expense and mileage	4,633
Other expenses	<u>117,228</u>
Total Regular Instruction	<u>\$ 9,724,772</u>

SPECIAL EDUCATION PROGRAMS:

Regular salaries	\$ 1,288,832
Substitute salaries	33,296
Clerical and paraprofessional staff salaries	749,638
Payroll taxes	156,132
Employee benefits	544,196
Purchased services	159,972
Supplies and materials	38,326
Textbooks and library books	103
Travel expense and mileage	2,105
Other expenses	<u>16,161</u>
Total Special Education Programs	<u>\$ 2,988,761</u>

LIMITED ENGLISH PROFICIENCY PROGRAMS:

Regular salaries	\$ 2,062,799
Substitute salaries	155,079
Clerical and paraprofessional staff salaries	701,553
Payroll taxes	218,728
Employee benefits	874,773
Supplies and materials	593
Travel expense and mileage	130
Other expenses	<u>1,978</u>
Total Limited English Proficiency Programs	<u>\$ 4,015,633</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2015

POVERTY PROGRAMS:

Regular salaries of teachers	\$ 2,124,105
Substitute salaries	57,901
Clerical and paraprofessional staff salaries	419,646
Technical staff salaries	54,087
Payroll taxes	197,574
Employee benefits	873,242
Supplies and materials	40,707
Other expenses	<u>135,579</u>
Total Poverty Programs	<u>\$ 3,902,841</u>

SUPPORT SERVICES - PUPILS:

Regular salaries	\$ 1,092,623
Substitute salaries	3,334
Clerical and paraprofessional salaries	114,533
Payroll taxes	97,199
Employee benefits	273,157
Purchased services	68,781
Supplies and materials	39,469
Travel expense and mileage	2,775
Other expenses	<u>89,594</u>
Total Support Services - Pupils	<u>\$ 1,781,465</u>

SUPPORT SERVICES - INSTRUCTIONAL STAFF:

Regular salaries	\$ 278,987
Substitute salaries	702
Payroll taxes	21,089
Employee benefits	86,942
Purchased services	1,785
Supplies and materials	48,600
Travel expense and mileage	296
Other expenses	<u>3,637</u>
Total Support Services - Instructional Staff	<u>\$ 442,038</u>

See notes to financial statements.

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

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2015**

SUPPORT SERVICES - GENERAL ADMINISTRATION:

BOARD OF EDUCATION:

Legal services	\$ 30,615
Professional and technical services	11,665
Advertising and printing	15,645
Dues and fees	20,816
Travel expense and mileage	2,907
Other expenses	20,624

EXECUTIVE ADMINISTRATION SERVICES:

Regular salaries	168,191
Clerical salaries	29,713
Payroll taxes	11,901
Employee benefits	49,640
Purchased services	1,000
Supplies and materials	2,799
Other expenses	2,021

Total Support Services - General Administration \$ 367,537

SUPPORT SERVICES - SCHOOL ADMINISTRATION:

OFFICE OF THE PRINCIPAL SERVICES:

Regular salaries	\$ 598,782
Clerical assistants	272,896
Payroll taxes	64,096
Employee benefits	241,044
Travel expense and mileage	2,565
Other expenses	19,766

Total Support Services - School Administration \$ 1,199,149

See notes to financial statements.

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

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2015**

SUPPORT SERVICES - BUSINESS SERVICES:

Regular salaries	\$ 107,056
Clerical staff	56,955
Payroll taxes	12,152
Employee benefits	29,459
Contracted services	320,705
Postage	13,738
Supplies and materials	13,773
Dues and fees	180
Travel expense and mileage	337
Other expenses	15,694

VEHICLE ACQUISITION AND MAINTENANCE:

Vehicle maintenance	8,272
Total Support Services - General Administration	\$ 578,321

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

Regular salaries	\$ 530,729
Payroll taxes	39,354
Employee benefits	193,939
Purchased services	1,003,063
Fuel	159,374
Electricity	523,892
Water, sewer and trash	62,270
Distance education and telecommunications	66,288
Supplies	236,392
Site acquisition and improvement	2,541,451
Furniture and equipment replacement	2,731
Travel expense and mileage	286
Other expenses	9,942

Total Support Services - Maintenance and Operation of Buildings	\$ 5,369,711
--	---------------------

See notes to financial statements.

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

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2015**

SUPPORT SERVICES - REGULAR PUPIL TRANSPORTATION:

Regular salaries	\$ 170,781
Payroll taxes	13,112
Employee benefits	25,605
Supplies	8,438
Purchased services	100,221
Mileage to parents	2,365
Gas and oil	86,963
Travel reimbursements	125
Repair and maintenance	15,789
Other expenses	5,834
Total Support Services - Regular Pupil Transportation	<u>\$ 429,233</u>

SUMMER SCHOOL:

Regular salaries	\$ 274,865
Clerical and paraprofessional staff salaries	92,572
Payroll taxes	28,026
Employee benefits	33,808
Supplies	52,303
Total Summer School	<u>\$ 481,574</u>

DEBT SERVICES:

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

STATE PROGRAMS - GRANTS:

Salaries	\$ 9,363
Payroll taxes	715
Employee benefits	501
Purchased services	11,674
Supplies	35,522
Furniture and equipment replacement	17,272
Other expenses	1,253
Total State Programs - Grants	<u>\$ 76,300</u>

See notes to financial statements.

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

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2015**

FEDERAL PROGRAMS:

IDEA	\$ 101,865
IDEA Enrollment/Poverty (611)	478,772
IDEA Part B	4,841
Title I	1,285,420
Title II Part A	17,629
Title III	119,648
Carl Perkins	22,337
Title I Part C	155,296
Title IV Part B	180,146
Other Federal Programs	23,734
Total Federal Programs	<u>\$ 2,389,688</u>

OTHER:

Categorical grants from private interests	\$ 66,467
Other categorical programs	191,971
Total Other	<u>\$ 258,438</u>

TRANSFERS TO ACTIVITY FUND

Total Transfers Out	<u>\$ 125,000</u>
----------------------------	--------------------------

Total Disbursements	<u>\$ 34,130,785</u>
----------------------------	-----------------------------

See notes to financial statements.

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

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS
AND FUND BALANCE - ACTIVITIES FUND
For the Fiscal Year Ended August 31, 2015**

	Balance (Deficit) 8/31/2014	Receipts	Transfers In (Out)	Disbursements	Balance (Deficit) 8/31/2015
HS Athletics	\$ 39,610	\$ 82,320	\$ 72,602	\$ 146,944	\$ 47,588
Activity Tickets	6,797	1,680	-	8,477	-
Student Fee Waivers	-	-	-	923	(923)
Early Learning Academy	1,134	6,252	-	5,982	1,404
Elementary Recorders	332	1,026	-	614	744
NE Special Olympics	2,432	-	-	-	2,432
Gifted Programs	172	471	-	1,122	(479)
4th Grade Museum Day	52	-	-	-	52
Kindergarten Mats	154	-	-	-	154
Majestic Theatre	-	35,801	-	23,369	12,432
MONA	230	-	-	-	230
Student Computer Fees	174,667	76,297	-	2,220	248,744
Student Laptop Bags	6,500	120	-	-	6,620
Student USB Drives	519	-	-	-	519
HS Skills USA	-	740	4,059	4,799	-
HS Auto Resale	-	475	-	-	475
HS Welding	365	4,994	-	5,064	295
HS Wood Shop Resale	6,383	4,718	-	2,219	8,882
FFA	4,771	14,522	-	11,371	7,922
Athletic Letter Club	516	1,451	-	236	1,731
HS Student Council	3,904	976	-	1,736	3,144
HS Fines	2,612	1,609	-	333	3,888
HS Recycling	822	180	-	-	1,002
Concessions	4,156	37,603	-	39,193	2,566
Honor Society	302	704	-	1,320	(314)
Secretary Funds	632	34	-	507	159
Ambassadors of Music	10,797	997	-	2,361	9,433
Art Lab Fees	319	-	-	-	319
FBLA	3,027	-	-	-	3,027
TMH Voc Club	51	-	-	-	51
HS Yo Yo Club	1,209	-	-	446	763
HS Computer Lab Fees	585	-	-	-	585
HS Animation/Comic Book Club	-	149	-	-	149
HS Fine Arts Resale	2,046	20	-	-	2,066
HS Band Donations	655	-	-	-	655
DC Senior Trip	3,681	35,576	-	32,108	7,149
Ronald C. Murdock	425	-	-	-	425
Training Room Fundraising	11,782	19,587	-	17,901	13,468
Senior Tribute	3,193	1,306	-	1,721	2,778
Miscellaneous Memorial Funds	307	-	-	-	307
Science and Math Club	36	-	-	-	36
HS Library	1,879	2,069	-	2,626	1,322
Octagon Club	676	-	-	-	676

See notes to financial statements.

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

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS
AND FUND BALANCE - ACTIVITIES FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2015**

	Balance (Deficit) 8/31/2014	Receipts	Transfers In (Out)	Disbursements	Balance (Deficit) 8/31/2015
Around the Mundo	\$ 115	\$ 25	\$ -	\$ -	\$ 140
Don Bader Scholarship	410	-	-	360	50
HS Pep Club	3,131	-	-	675	2,456
Prevention/Intervention	214	-	-	-	214
HS Softball Fundraising	397	120	-	518	(1)
Football Fundraising	16,859	11,940	-	15,060	13,739
Volleyball Fundraising	855	1,470	-	1,305	1,020
Boys Basketball Fundraising	3,610	15,657	-	15,976	3,291
Girls Basketball Fundraising	5,866	156	-	1,206	4,816
Boys Soccer Fundraising	4,709	6,629	-	7,510	3,828
Girls Soccer Fundraising	-	8,860	-	9,368	(508)
All School Play	187	-	-	-	187
Drill Team	999	11,916	2,518	15,433	-
Musical Productions	566	4,633	3,865	9,064	-
Speech	-	2,272	4,276	6,548	-
HS Cheerleaders	-	18,513	-	17,263	1,250
Band/Chorus Trip	-	1,260	-	1,190	70
Weight Room	(1,921)	-	1,989	68	-
Training Room	(118)	6,954	-	12,836	(6,000)
HS Powerlifting	(4,146)	12,087	5,138	13,079	-
HS Band	-	995	3,754	4,749	-
HS Vocal	-	-	1,258	1,258	-
HS One Act Play	-	-	1,189	1,189	-
Annual	-	3,401	6,952	10,353	-
Class of 2017	286	-	-	-	286
Class of 2016	149	7,862	-	4,768	3,243
Class of 2015	3,932	240	-	2,674	1,498
Class of 2014	2,212	681	-	-	2,893
HS General Activities	(44,759)	44,168	5,387	38,698	(33,902)
HS Printing/Advertising	425	-	-	-	425
HS Miscellaneous	503	38	-	351	190
MS Fines	4,006	12	-	142	3,876
MS Miscellaneous	4,435	3,858	-	5,605	2,688
MS Annual	6,911	1,611	-	4,789	3,733
MS Student Council	(442)	2,835	-	4,232	(1,839)
Multiple Choices	3,144	-	-	581	2,563
MS Teammates Mentoring	10,341	-	-	10,341	-
Science Fair	2,284	-	-	-	2,284
MS Library Fees/Fines	609	5,891	-	5,434	1,066
MS Music Resale	3,149	4,692	-	3,773	4,068
MS Band Concerts	-	-	227	227	-

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

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS
AND FUND BALANCE - ACTIVITIES FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2015**

	Balance (Deficit) 8/31/2014	Receipts	Transfers In (Out)	Disbursements	Balance (Deficit) 8/31/2015
Minutemen Music Festival	\$ 67	\$ -	\$ -	\$ -	\$ 67
MS Band Lab Fees	414	-	-	105	309
MS Agenda Fund	1,966	-	-	-	1,966
Reading Banquet	3,145	1,259	-	659	3,745
PE Clothing	(700)	2,232	-	-	1,532
Independence Ink	4,612	-	-	-	4,612
MS Patriots	227	-	-	-	227
MS Padlock Fees	100	30	-	-	130
MS Athletics	1,370	2,020	11,786	12,975	2,201
MS Booster Donation	2,366	-	-	-	2,366
S. C. Health Partners	339	-	-	-	339
Walk for Life	1,040	865	-	-	1,905
Corporate	4,479	1,262	-	5,973	(232)
Relay for Life	350	483	-	833	-
HS Wellness	3,505	-	-	1,778	1,727
HS Student Teammaker	2,827	-	-	-	2,827
HS Student Support	3,448	1,419	-	-	4,867
HS Pioneer Scholarship	1,000	500	-	1,000	500
HS Welding Scholarship	1,000	-	-	1,000	-
Booster Club	(2,396)	1,786	-	11,395	(12,005)
Student Leadership	19	-	-	-	19
Student Agendas	1,019	-	-	500	519
Interest	17	33	-	201	(151)
Coke Machines	747	688	-	734	701
Autism Awareness	250	236	-	232	254
Bryan Elementary Activities	8,762	5,053	-	2,592	11,223
Morton Elementary Activities	6,467	1,180	-	3,269	4,378
Pershing Elementary Activities	3,526	7,605	-	6,622	4,509
Sandoz Elementary Activities	6,509	5,172	-	9,519	2,162
Subtotal	\$ 383,123	\$ 542,276	\$ 125,000	\$ 599,602	\$ 450,797
Payflex	\$ 68,316	\$ 194,103	\$ -	\$ 201,500	\$ 60,919
Total Activity	\$ 451,439	\$ 736,379	\$ 125,000	\$ 801,102	\$ 511,716

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - SCHOOL LUNCH FUND
For the Fiscal Year Ended August 31, 2015

Fund Balance, August 31, 2014	\$	<u>686,421</u>
CASH RECEIPTS:		
Sale of breakfast and lunch	\$	208,284
Interest		1,320
Other receipts		8,671
Federal reimbursements		1,368,949
State reimbursements		<u>33,357</u>
Total Cash Receipts	\$	<u>1,620,581</u>
Total Funds Available	\$	<u>2,307,002</u>
CASH DISBURSEMENTS:		
Personnel	\$	650,863
Furniture and equipment		203,739
Food		836,237
Supplies		38,820
Other expenses		<u>5,290</u>
Total Cash Disbursements	\$	<u>1,734,949</u>
Fund Balance, August 31, 2015	\$	<u>572,053</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - DEPRECIATION FUND
For the Fiscal Year Ended August 31, 2015

Fund Balance, August 31, 2014	\$ 4,332,855
CASH RECEIPTS:	
Interest income	\$ 6,849
Transfer from General	<u>29,507</u>
Total Cash Receipts	\$ 36,356
Total Funds Available	\$ 4,369,211
CASH DISBURSEMENTS:	
Capital outlay	\$ 2,573,045
Furniture and equipment acquisition	<u>21,227</u>
Total Cash Disbursements	\$ 2,594,272
Fund Balance, August 31, 2015	\$ 1,774,939

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - SPECIAL BUILDING FUND
For the Fiscal Year Ended August 31, 2015

Fund Balance, August 31, 2014	\$	<u>126,443</u>
CASH RECEIPTS:		
Property taxes	\$	72,706
Carline taxes		185
Pro-rate motor vehicle		217
Homestead exemption		992
Property tax credit		2,909
In lieu of school land tax		(993)
Sale of property		1,020
Interest income		<u>271</u>
Total Cash Receipts	\$	<u>77,307</u>
Total Funds Available	\$	<u>203,750</u>
CASH DISBURSEMENTS:		
Capital outlay	\$	<u>-</u>
Total Cash Disbursements	\$	<u>-</u>
Fund Balance, August 31, 2015	\$	<u>203,750</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - LPS BUILDING CORPORATION FUND
For the Fiscal Year Ended August 31, 2015

Fund Balance, August 31, 2014	\$	20,834
CASH RECEIPTS:		
Interest income	\$	2
Total Cash Receipts	\$	2
Total Funds Available	\$	20,836
CASH DISBURSEMENTS:		
Capital outlay	\$	16,522
Total Cash Disbursements	\$	16,522
Fund Balance, August 31, 2015	\$	4,314

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - BOND FUND
For the Fiscal Year Ended August 31, 2015

Fund Balance, August 31, 2014	\$ 943,876
CASH RECEIPTS:	
Property tax collections	\$ 369,014
Pro-rate motor vehicle	1,384
Carline taxes	878
Property tax credit	12,251
Homestead exemption	6,179
In lieu of school land tax	(5,180)
Interest income	726
Total Cash Receipts	\$ 385,252
Total Funds Available	\$ 1,329,128
CASH DISBURSEMENTS:	
Bond principal	\$ 825,000
Bond interest	22,905
Total Cash Disbursements	\$ 847,905
Fund Balance, August 31, 2015	\$ 481,223

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - EMPLOYEE BENEFITS FUND
For the Fiscal Year Ended August 31, 2015

Fund Balance, August 31, 2014	\$	934,438
CASH RECEIPTS:		
Interest income	\$	1,559
Transfer from General		<u>475,000</u>
Total Cash Receipts	\$	<u>476,559</u>
Total Funds Available	\$	<u>1,410,997</u>
CASH DISBURSEMENTS:		
Employee wellness screening	\$	11,745
Unemployment benefits paid		5,579
Health insurance for retirees		<u>520,190</u>
Total Cash Disbursements	\$	<u>537,514</u>
Fund Balance, August 31, 2015	\$	<u>873,483</u>

See notes to financial statements.

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

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - COOPERATIVE FUND
For the Fiscal Year Ended August 31, 2015**

Fund Balance, August 31, 2014	\$ <u> -</u>
CASH RECEIPTS:	
Rental of facilities	\$ <u> 88,318</u>
Total Cash Receipts	\$ <u> 88,318</u>
Total Funds Available	\$ <u> 88,318</u>
CASH DISBURSEMENTS:	
Contracted services	\$ <u> 32,441</u>
Total Cash Disbursements	\$ <u> 32,441</u>
Fund Balance, August 31, 2015	\$ <u> 55,877</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - STUDENT FEE FUND
For the Fiscal Year Ended August 31, 2015

Fund Balance, August 31, 2014	\$	<u>5,075</u>
CASH RECEIPTS:		
Interest income	\$	<u>9</u>
Total Funds Available	\$	<u>5,084</u>
CASH DISBURSEMENTS:		
Supplies	\$	<u>27</u>
Total Cash Disbursements	\$	<u>27</u>
Fund Balance, August 31, 2015	\$	<u>5,057</u>

See notes to financial statements.

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

**NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

1. BUDGET ACCOUNTING

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

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

**ANALYSIS OF GENERAL FUND
TAX ACCOUNTS WITH COUNTY TREASURERS
Year Ended August 31, 2015**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
Cash Balance-Beginning	\$ 2,185,392	\$ 15,606	\$ 2,200,998
Collections:			
Local property taxes	\$ 8,326,776	\$ 354,059	\$ 8,680,835
Motor vehicle taxes	644,126	9,217	653,343
Homestead exemption	117,971	2,812	120,783
Pro-rate motor vehicle	25,155	498	25,653
In-lieu-of tax	(10,173)	33	(10,140)
Carline	21,901	-	21,901
Miscellaneous	-	27	27
Tax credit	328,682	15,184	343,866
Fines and licenses	241,618	2,601	244,219
Total Collections	<u>\$ 9,696,056</u>	<u>\$ 384,431</u>	<u>\$ 10,080,487</u>
Disbursements:			
To school treasurer	\$ 9,632,823	\$ 331,628	\$ 9,964,451
County treasurer fees	94,171	3,569	97,740
Total Disbursements	<u>\$ 9,726,994</u>	<u>\$ 335,197</u>	<u>\$ 10,062,191</u>
Cash Balance-Ending	<u>\$ 2,154,454</u>	<u>\$ 64,840</u>	<u>\$ 2,219,294</u>

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

**ANALYSIS OF SPECIAL BUILDING FUND
TAX ACCOUNTS WITH COUNTY TREASURERS
Year Ended August 31, 2015**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
Cash Balance-Beginning	\$ 18,092	\$ 118	\$ 18,210
Collections:			
Local property taxes	\$ 70,448	\$ 2,996	\$ 73,444
Motor vehicle taxes	3	-	3
Tax credit	2,781	128	2,909
Homestead exemption	998	24	1,022
Pro-rate motor vehicle	213	4	217
In-lieu-of tax	(993)	-	(993)
Carline	185	-	185
Total Collections	<u>\$ 73,635</u>	<u>\$ 3,152</u>	<u>\$ 76,787</u>
Disbursements:			
To school treasurer	\$ 73,235	\$ 2,704	\$ 75,939
County treasurer fees	741	30	771
Total Disbursements	<u>\$ 73,976</u>	<u>\$ 2,734</u>	<u>\$ 76,710</u>
Cash Balance-Ending	<u>\$ 17,751</u>	<u>\$ 536</u>	<u>\$ 18,287</u>

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

**ANALYSIS OF BOND FUND
TAX ACCOUNTS WITH COUNTY TREASURERS
Year Ended August 31, 2015**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
Cash Balance-Beginning	\$ 249,473	\$ 585	\$ 250,058
Collections:			
Local property taxes	\$ 365,648	\$ 7,021	\$ 372,669
Motor vehicle taxes	24	-	24
Tax credit	11,993	258	12,251
Homestead exemption	6,361	48	6,409
Pro-rate motor vehicle	1,373	11	1,384
In-lieu-of tax	(5,180)	-	(5,180)
Carline	878	-	878
Total Collections	<u>\$ 381,097</u>	<u>\$ 7,338</u>	<u>\$ 388,435</u>
Disbursements:			
To school treasurer	\$ 541,150	\$ 6,775	\$ 547,925
County treasurer fees	3,838	71	3,909
Total Disbursements	<u>\$ 544,988</u>	<u>\$ 6,846</u>	<u>\$ 551,834</u>
Cash Balance-Ending	<u>\$ 85,582</u>	<u>\$ 1,077</u>	<u>\$ 86,659</u>

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2015**

Federal Grantor Pass Through Grantor Program Title	CFDA Number	Grant/ Contract Number	Disbursements
<u>U.S. Department of Agriculture</u>			
Passed through Nebraska Department of Education			
School Lunch Program, Breakfast, Snack	10.555	24-0001	\$ 1,282,046 *
Summer Food Service Program to Children	10.559	24-0001	51,794 *
Lunch Program Subtotal			<u>\$ 1,333,840</u>
Fruit/Vegetable Program	10.582	24-0001	\$ 58,601
Passed through Nebraska Department of Health and Human Services			
Food Donation Program**	10.550	47600238200	\$ 83,968
<u>U. S. Department of Health and Human Services</u>			
Passed through Nebraska Department of Health and Human Services			
State Children's Insurance Program	93.767	051405NE5021	\$ 6,925
Passed through Nebraska Association of School Boards			
Medicaid in Administrative Outreach	93.778	24-0001	\$ 149,782
<u>U.S. Department of Education</u>			
Passed through Nebraska Department of Education			
IDEA Enrollment/Poverty	84.027	15-10-024-0001-00	\$ 478,772
IDEA Base	84.027	15-10-024-0001-00	91,183
IDEA Preschool	84.173	15-10-024-0001-00	10,683
IDEA Part B	84.027	24-0001-248-2B17B-14	4,841
IDEA Subtotal			<u>\$ 585,479</u>

* Major Programs

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

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended August 31, 2015

Federal Grantor Pass Through Grantor Program Title	CFDA Number	Grant/ Contract Number	Disbursements
<u>U.S. Department of Education</u>			
Passed through Nebraska Department of Education (continued)			
Title I	84.010	14-10-024-0001-00	\$ 1,141,229
Title I Accountability	84.010	15-10-024-0001-00	144,190
Career/Technical Education Basic Grants	84.048	15-10-024-0001-00	22,337
21st Century After School Learning Center	84.287	240001-162010-14	180,146 *
Title II Part A	84.367	15-10-024-0001-00	17,629
Title III	84.365	15-10-024-0001-00	119,648
Migrant	84.011	15-10-024-0001-00	155,296
Homeless Grant	84.196	15-10-024-0001-00	<u>23,734</u>
Totals			<u>\$ 4,022,804</u>

* Major Programs

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

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015**

1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lexington Public School District #1 under programs of the federal government for the year ended August 31, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position or cash flows of Lexington Public School District #1.

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

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

Federal Assistance - General (Page 44)	\$ 2,389,688
Included in Lunch (Page 48)	1,368,949
Non-cash: Commodities	<u>83,968</u>
	\$ 3,842,605
Included in Instructional Services	<u>180,199</u>
Total Federal Expenditures Reconciled (Page 61)	<u><u>\$ 4,022,804</u></u>



McDERMOTT + MILLER

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public School District #1 as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Lexington Public School District #1's basic financial statements, and have issued our report thereon dated October 27, 2015.

Internal Control over Financial Reporting

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

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

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

deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

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

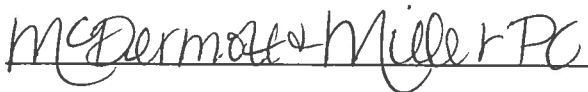
Lexington Public School District #1's Response to Findings

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

Purpose of this Report

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

McDERMOTT AND MILLER, P.C.



Kearney, Nebraska
October 27, 2015



McDERMOTT + MILLER

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited Lexington Public School District #1's (School District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Lexington Public School District #1's major federal programs for the year ended August 31, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lexington Public School District #1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2015-001, which we consider to be a significant deficiency.

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

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

McDERMOTT AND MILLER, P.C.

McDermott + Miller PC

Kearney, Nebraska
October 27, 2015

LEXINGTON PUBLIC SCHOOL DISTRICT #1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting

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

Federal Awards

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

Internal control over major programs

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

Identification of major programs

CFDA Number(s)

Name of Federal Program or Cluster

10.555 & 10.559
84.287

Child Nutrition Cluster
21st Century After School Learning Center

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED AUGUST 31, 2015**

I. SUMMARY OF AUDITOR'S RESULTS (continued)

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

Auditee qualified as low risk auditee? X Yes No

II. FINANCIAL STATEMENT FINDINGS

Finding 2015-001: Lack of Segregation of Duties in One or More Areas

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

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

Cause: The entity has a limited number of personnel.

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

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

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

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-001: Lack of Segregation of Duties in One or More Areas

See Section II above.

IV. FINDINGS FOR THE YEAR ENDED AUGUST 31, 2014

Finding for the year ended August 31, 2014: Lack of segregation of duties in one or more areas.

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