



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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, 2012, and have issued our report thereon dated October 31, 2012. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As communicated in our engagement letter dated September 20, 2012, 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.

404 E. 25TH
P.O. BOX 1120
KEARNEY, NE 68848
PHONE 308-234-5565
FAX 308-234-2990

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated October 31, 2012.

Planned Scope and Timing of the Audit

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

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 year ending August 31, 2012. No matters have come to our attention that would require us, under professional standards, to inform you about the methods used to account for significant unusual transactions and 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.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements - cash basis - taken as a whole.

Significant Difficulties Encountered during the Audit

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

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 the letter dated October 31, 2012.

Management's Consultations with Other Accountants

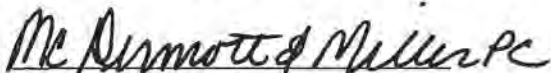
In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

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 Lexington Public School District #1, 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 the entity's auditors. However, as set forth in our Report on Internal Control over Financial Reporting on page 59 of the audit report, we identified a significant deficiency in internal control relating to the lack of segregation of duties at Lexington Public School District #1. A significant deficiency is a deficiency that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.



Kearney, Nebraska
October 31, 2012

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

FINANCIAL REPORT

AUGUST 31, 2012

LEXINGTON PUBLIC SCHOOL DISTRICT #1
AUGUST 31, 2012

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**LEXINGTON PUBLIC SCHOOL DISTRICT #1
AUGUST 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information – cash basis – of Lexington Public School District #1, Lexington, NE, (the “School District”), as of and for the year ended August 31, 2012, which collectively comprise the School District’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Lexington Public School District #1 prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis – of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District as of August 31, 2012, and the respective changes in financial position – cash basis thereof, for the year then ended in conformity with the basis of accounting described in Note 1.

404 E. 25TH
P.O. BOX 1120
KEARNEY, NE 68848
PHONE 308-234-5565
FAX 308-234-2990

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Financial Awards as listed on pages 56 through 58 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The supplemental Combined Schedule of Cash Receipts, Disbursements and Fund Balances on page 31, the Schedule of Disbursements for Operational Expenses – General Fund on pages 35 through 40, the Schedule of Cash Receipts, Disbursements, Transfers and Fund Balance - Activities Fund on pages 41 through 43, the Individual Fund Schedules of Cash Receipts, Disbursements and Fund Balance as listed on pages 44 through 50, the Schedule of Receipts and Disbursements - *American Recovery and Reinvestment Act of 2009* Funding on page 52 and the analysis of General, Special Building and Bond Fund tax accounts with County Treasurers on pages 53 through 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such

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

McDERMOTT AND MILLER, P.C.

McDermott & Miller PC

Kearney, Nebraska
October 31, 2012

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

This section of 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, 2012. 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 not recorded as disbursements until they are consumed, 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 generally accepted accounting principles (GAAP) accepted in the United States of America. The government-wide financial statements include two statements, the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets 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 assets." Net assets is one way of measuring the District's financial health or financial position. Over time, increases or decreases in the District's net assets are 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 assets 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 assets 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 hot 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 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 assets and a statement of changes in fiduciary net assets. 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.

Supplementary Information

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

FINANCIAL AND OPERATING HIGHLIGHTS

- The District's Net Assets for the fiscal year ended August 31, 2012, compared to the fiscal year ended August 31, 2011, decreased by \$3,477,745. The overall decrease in net assets can be attributed to the District's investment in construction projects at Bryan Elementary and Lexington Middle School.
- The District's General Fund disbursements and transfers in 2011-2012 were \$4,178,100 greater than the prior year's disbursements and transfers, resulting in an overall increase of 14%, which is primarily due to expenses related to the aforementioned construction projects.
- The District's General Fund receipts in 2011-2012 were \$31,781,327, compared to \$32,704,851 in 2010-2011 for a decrease of 3.00%, which is primarily due to a change in policy at the Nebraska Department of Education which affects the timing of when revenue is disbursed by the State.

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 \$21,646,061 for 2011-2012, which increased by \$1,797,722 (9%) from the prior year. State sources account for 68% of the total General Fund receipts, and Federal revenue accounts for 9% of General Fund receipts. Local and county receipts account for the remaining 23% of General Fund revenue.

Property taxes as a source of revenue for the District account for 20% of the total General Fund revenues. The amount of property taxes collected for 2011-2012 were \$282,942 more than the previous year.

The following table shows the property tax rates, by fund, for the 2005-2006 through 2011-2012 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 2011-2012 was \$1,230.31, slightly less than the previous year.

	2005-2006 Levy	2006-2007 Levy	2007-2008 Levy	2008-2009 Levy	2009-2010 Levy	2010-2011 Levy	2011-2012 Levy
General Fund	0.950864	0.944269	.945308	1.040016	1.040016	1.040016	1.040016
Building Fund	0.095724	0.098761	.098515	.008799	.008799	.008799	.008799
Bond Funds	0.2117	0.209628	.194451	.193983	.193983	.189032	0.18149
District Total	1.258288	1.25658	1.23827	1.24280	1.24280	1.23785	1.23031

General Fund Budgetary Highlights

The District's General Fund cash position for school year 2011-2012 decreased by \$1,907,288. This is shown by a difference in the beginning cash balance on September 1, 2011 of \$13,434,420 and the ending cash balance of \$11,527,132, as of August 31, 2012.

Below is a comparison of General Fund budgeted to actual receipts and disbursements for the 2011-2012 fiscal year.

Receipts	2011-2012 Budget	2011-2012 Actual	Over/(Under) Budget
Local Taxes	\$6,737,100	\$7,164,109	\$427,009
State Sources	\$21,534,724	\$21,646,061	\$111,337
County Sources	\$125,000	\$206,823	\$81,823
Other Federal	\$4,025,278	\$2,764,214	(\$1,261,064)
Other Non-revenue	\$3,500	\$120	(\$3,380)
Subtotal	\$32,425,602	\$31,781,327	(\$644,275)

Disbursements	2011-2012 Budget	2011-2012 Actual	(Over)/Under Budget
Instructional	\$18,830,648	\$19,038,015	(\$207,367)
Support Services	\$10,693,510	\$11,624,295	(\$930,785)
Federal & State Grants	\$3,098,682	\$2,945,481	\$153,201
Debt Services	\$500	\$324	\$176
Transfers to other Funds	\$950,500	\$80,500	\$870,000
Subtotal	\$33,573,840	\$33,688,615	(\$114,775)

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	2011-2012 Beginning	2011-2012 Ending	Increase/ (Decrease)
Special Building Fund	\$338,783	\$49,743	(\$289,040)
Depreciation Fund	\$4,190,204	\$3,098,914	(\$1,091,290)
Employee Benefits Fund	\$908,992	\$713,333	(\$195,659)

Debt Administration

At year-end, the Lexington Public Schools had \$2,984,129 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 \$80,500 made from the General Fund to the Activity Fund

Activity Fund	2011-2012 Actual	Net Change
Beginning Balance	\$262,259	
Receipts	\$555,647	
Disbursements	(\$525,772)	
Ending Balance	\$292,134	\$29,875
Payflex change in fund balance		<u>(437)</u>
Total Activity		\$29,438

School Lunch Fund Report

Lunch Fund operating receipts and disbursements shows a deteriorated cash position.

Lunch Fund	2011-2012 Actual	Net Change
Beginning Balance	\$706,041	
Receipts	\$1,620,886	
Disbursements	(\$1,662,614)	
Ending Balance	\$664,313	(\$41,728)

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 ASSETS - CASH BASIS
August 31, 2012**

	Primary Government		2012 Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 14,580,375	\$ 664,313	\$ 15,244,688
Cash at county treasurer	<u>2,238,687</u>	<u>-</u>	<u>2,238,687</u>
Total assets	<u>\$ 16,819,062</u>	<u>\$ 664,313</u>	<u>\$ 17,483,375</u>
NET ASSETS			
Restricted for:			
Debt service	\$ 938,788	\$ -	\$ 938,788
Capital projects	3,639,809	-	3,639,809
Employee benefits	713,333	-	713,333
Unrestricted	<u>11,527,132</u>	<u>664,313</u>	<u>12,191,445</u>
Total net assets	<u>\$ 16,819,062</u>	<u>\$ 664,313</u>	<u>\$ 17,483,375</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended August 31, 2012

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		2012 Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities		
Primary government:							
Governmental activities:							
Regular Instruction	\$ 16,524,994	\$ 13,950	\$ -	\$ (16,511,044)	\$ -	\$ (16,511,044)	\$ (16,511,044)
Special Education Instruction	2,513,021	-	-	(2,513,021)	-	(2,513,021)	(2,513,021)
Support services:							
Pupils	1,245,116	-	-	(1,245,116)	-	(1,245,116)	(1,245,116)
Staff	367,601	-	-	(367,601)	-	(367,601)	(367,601)
Business	539,782	-	-	(539,782)	-	(539,782)	(539,782)
Maintenance and operation of business	7,168,534	-	-	(7,168,534)	-	(7,168,534)	(7,168,534)
Pupil transportation	405,481	-	-	(405,481)	-	(405,481)	(405,481)
General administration	543,111	-	-	(543,111)	-	(543,111)	(543,111)
Office of principal	1,252,970	-	-	(1,252,970)	-	(1,252,970)	(1,252,970)
State categorical programs	153,457	-	-	(153,457)	-	(153,457)	(153,457)
Federal programs	2,725,909	-	3,068,350	342,441	-	342,441	342,441
Capital outlay	2,014,228	-	-	(2,014,228)	-	(2,014,228)	(2,014,228)
Debt service	850,742	-	-	(850,742)	-	(850,742)	(850,742)
Transfers	80,500	-	-	(80,500)	-	(80,500)	(80,500)
Other	268,596	-	56,922	(211,674)	-	(211,674)	(211,674)
Total governmental activities	\$ 36,654,042	\$ 13,950	\$ 3,125,272	\$ (33,514,820)	\$ -	\$ (33,514,820)	\$ (33,514,820)
Functions/Programs Business-type activities:							
School lunch	\$ 1,662,614	\$ 225,114	\$ 1,376,608	\$ -	\$ (60,892)	\$ (60,892)	\$ (60,892)
Total business-type activities	\$ 1,662,614	\$ 225,114	\$ 1,376,608	\$ -	\$ (60,892)	\$ (60,892)	\$ (60,892)
Total primary government	\$ 38,316,656	\$ 239,064	\$ 4,501,880	\$ (33,514,820)	\$ (60,892)	\$ (33,575,712)	\$ (33,575,712)
General receipts:							
Taxes:							
Property				\$ 7,330,245	\$ -	\$ 7,330,245	\$ 7,330,245
Motor vehicle				593,136	-	593,136	593,136
Fines and licenses				215,923	-	215,923	215,923
State aid				21,646,061	-	21,646,061	21,646,061
Interest Income				81,614	1,499	83,113	83,113
Other				211,824	17,665	229,489	229,489
Total general receipts				\$ 30,078,803	\$ 19,164	\$ 30,097,967	\$ 30,097,967
Change in net assets				(3,436,017)	(41,728)	(3,477,745)	(3,477,745)
Net assets - beginning				20,255,079	706,041	20,961,120	20,961,120
Net assets - ending				\$ 16,819,062	\$ 664,313	\$ 17,483,375	\$ 17,483,375

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
August 31, 2012

	General	Depreciation	Special Building	LPS Building Corporation	Other Governmental Funds	2012 Total Governmental Funds
ASSETS						
Cash	\$ 9,560,097	\$ 3,098,914	\$ 33,550	\$ 491,152	\$ 1,396,662	\$ 14,580,375
Cash at county treasurer	1,967,035	-	16,193	-	255,459	2,238,687
Total assets	<u>\$ 11,527,132</u>	<u>\$ 3,098,914</u>	<u>\$ 49,743</u>	<u>\$ 491,152</u>	<u>\$ 1,652,121</u>	<u>\$ 16,819,062</u>
FUND BALANCES						
Fund balances:						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 938,788	\$ 938,788
Assigned	-	3,098,914	49,743	491,152	713,333	4,353,142
Unassigned	11,527,132	-	-	-	-	11,527,132
Total fund balances	<u>\$ 11,527,132</u>	<u>\$ 3,098,914</u>	<u>\$ 49,743</u>	<u>\$ 491,152</u>	<u>\$ 1,652,121</u>	<u>\$ 16,819,062</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, 2012

2012

	General	Depreciation	Special Building	LPS Building Corporation	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Taxes:						
Property	\$ 6,416,764	\$ -	\$ 57,935	\$ -	\$ 855,646	\$ 7,330,245
Motor vehicle	593,136	-	-	-	-	593,136
Fines and licenses	215,923	-	-	-	-	215,923
Tuition	13,950	-	-	-	-	13,950
State aid	21,646,061	-	304,136	-	-	21,646,061
Federal aid	2,764,214	-	-	-	-	3,066,350
Other categorical programs	47,122	-	-	-	-	47,122
Categorical / private grant revenue	9,800	-	-	-	-	9,800
Interest income	69,465	8,295	521	264	3,069	81,614
Other	4,892	-	-	203,000	3,932	211,824
Total receipts	\$ 31,781,327	\$ 8,295	\$ 362,492	\$ 203,264	\$ 862,647	\$ 33,218,025
DISBURSEMENTS						
Regular Instruction	\$ 16,524,994	\$ -	\$ -	\$ -	\$ -	\$ 16,524,994
Special Education Instruction	2,513,021	-	-	-	-	2,513,021
Support services:						
Pupils	1,245,116	-	-	-	-	1,245,116
Staff	367,601	-	-	-	-	367,601
Business	539,782	-	-	-	-	539,782
Maintenance and operation						
Pupil transportation	7,270,234	-	-	-	-	7,270,234
General administration	405,481	-	-	-	-	405,481
Office of principal	543,111	-	-	-	-	543,111
State categorical programs	1,252,970	-	-	-	-	1,252,970
Federal programs	153,457	-	-	-	-	153,457
Capital outlay	2,725,909	1,201,285	651,532	161,411	-	2,725,909
Debt service	-	-	-	-	850,418	2,014,228
Other	324	-	-	960	201,521	850,742
Total disbursements	\$ 33,608,115	\$ 1,201,285	\$ 651,532	\$ 162,371	\$ 1,051,939	\$ 36,675,242
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 101,700	\$ -	\$ -	\$ -	\$ 101,700
Transfers out	(80,500)	-	-	-	-	(80,500)
Total other financing sources (uses)	\$ (80,500)	\$ 101,700	\$ -	\$ -	\$ -	\$ 21,200
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (1,907,288)	\$ (1,091,290)	\$ (289,040)	\$ 40,893	\$ (189,292)	\$ (3,436,017)
Fund balances - beginning	\$ 13,434,420	\$ 4,190,204	\$ 338,783	\$ 450,259	\$ 1,841,413	\$ 20,255,079
Fund balances - ending	\$ 11,527,132	\$ 3,098,914	\$ 49,743	\$ 491,152	\$ 1,652,121	\$ 16,819,062

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF NET ASSETS - CASH BASIS
PROPRIETARY FUND
August 31, 2012

	<u>2012 School Lunch Fund</u>
ASSETS	
Cash	\$ 664,313
Total assets	<u>\$ 664,313</u>
NET ASSETS	
Unrestricted	\$ 664,313
Total net assets	<u>\$ 664,313</u>

See notes to financial statements.

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

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

For the Year Ended August 31, 2012

	<u>2012 School Lunch Fund</u>
Operating receipts:	
Charges for sales and services:	
Sale of breakfast and lunch	\$ 225,114
Total operating receipts	<u>\$ 225,114</u>
Operating disbursements:	
Cost of sales and services	\$ 1,662,614
Total operating disbursements	<u>\$ 1,662,614</u>
Operating loss	<u>\$ (1,437,500)</u>
Nonoperating receipts:	
USDA and State subsidies	\$ 1,376,608
Investment income	1,499
Other receipts	<u>17,665</u>
Total nonoperating receipts	<u>\$ 1,395,772</u>
Increase (decrease) in net assets	\$ (41,728)
Total net assets - beginning	<u>706,041</u>
Total net assets - ending	<u>\$ 664,313</u>

See notes to financial statements.

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

**STATEMENT OF NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
August 31, 2012**

	Activities Fund	Student Fee Fund	2012 Total Fiduciary Funds
ASSETS			
Cash	\$ 345,576	\$ 5,357	\$ 350,933
Total assets	\$ 345,576	\$ 5,357	\$ 350,933
 NET ASSETS	 \$ 345,576	 \$ 5,357	 \$ 350,933

See notes to financial statements.

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

**STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
For the Year Ended August 31, 2012**

	<u>Activities Fund</u>	<u>Student Fee Fund</u>	<u>2012 Total Fiduciary Funds</u>
ADDITIONS			
Activities receipts	\$ 475,147	\$ -	\$ 475,147
Payflex receipts	241,848	-	241,848
Interest income	-	11	11
Transfer from General	80,500	-	80,500
Total additions	<u>\$ 797,495</u>	<u>\$ 11</u>	<u>\$ 797,506</u>
DEDUCTIONS			
Purchased services and supplies	\$ 525,772	\$ 80	\$ 525,852
Payflex disbursements	242,285	-	242,285
Student activity fees waived	-	90	90
Total deductions	<u>\$ 768,057</u>	<u>\$ 170</u>	<u>\$ 768,227</u>
Increase (decrease) in net assets	\$ 29,438	\$ (159)	\$ 29,279
Net assets - beginning	<u>316,138</u>	<u>5,516</u>	<u>321,654</u>
Net assets - ending	<u>\$ 345,576</u>	<u>\$ 5,357</u>	<u>\$ 350,933</u>

See notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

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, 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 consist 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, 2012**

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 Government 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 assets into two components – restricted and unrestricted.

Government-wide and Fund Financial Statements – The government-wide financial statements report information on all of the nonfiduciary 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 nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. The School Lunch Fund is considered a proprietary fund.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. In accordance with GASB Statement No. 20 – *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting* – the District has elected to apply all applicable Financial Accounting Standards Board pronouncements including those issued on or before November 30, 1989 except for those pronouncements which conflict with or contradict 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, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Use of Estimates – The preparation of financial statements in conformity with the cash basis of accounting, an other comprehensive basis of accounting, used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance – On August 31, 2011, the School District adopted Governmental Accounting Standards Board (GASB) No. 54 “Fund Balance reporting and Governmental Fund Type Definitions.” In accordance with GASB 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 or 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.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The District does not have a formal minimum fund balance policy.

2. BUDGET PROCESS

The 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 the general and bond funds for the fiscal year commencing the following 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. All unpaid taxes are delinquent as of September 1.

3. CASH AND INVESTMENTS

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.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

3. CASH AND INVESTMENTS (continued)

Deposits – At year end, the School District’s carrying amount of bank deposits was \$15,661,318 and the bank balance was \$15,824,951. 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, 2012. 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, 2012, consisted of the following:

	Level 1	Level 2	Level 3
Cash - demand deposits	\$ 1,208,465	\$ 12,452,853	\$ -
Certificates of deposit	-	2,000,000	-
	\$ 1,208,465	\$ 14,452,853	\$ -

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:

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.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

3. CASH AND INVESTMENTS (continued)

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, 2012, 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. PENSION PLAN

Plan Description – The 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. 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, 1221 N Street, Suite 325, P.O. Box 94816, Lincoln, NE 68509-4816 or by calling 1-800-245-5712.

Funding Policy – Plan members were required to contribute 8.28% of their annual covered salary from September 1, 2009 to August 31, 2011. Plan members were required to contribute 8.88% of their annual covered salary from September 1, 2011 to August 31, 2012. The Lexington Public School District #1 is required to contribute 101% of the employee contribution. The contribution requirements of plan members and Lexington Public School District #1 are established by the Nebraska statutes.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

4. PENSION PLAN (continued)

The School District's contributions to NPERS for the years ending August 31, 2010, 2011 and 2012 totaled \$1,324,670, \$1,347,455, and \$1,498,057, respectively, equal to the required contributions for each year.

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.

The four-year schedule of maturities is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
August 31, 2013	\$ 790,000	\$ 57,850	\$ 847,850
2014	805,000	42,284	847,284
2015	825,000	22,905	847,905
2016	435,000	6,090	441,090
	<u>\$ 2,855,000</u>	<u>\$ 129,129</u>	<u>\$ 2,984,129</u>

Total interest paid during the year ending August 31, 2012, on bonds outstanding was \$70,418.

6. OPERATING LEASES

On February 23, 2007, Lexington Public School District #1 entered into an agreement with Eakes Office Plus for the lease of multiple copiers and printers. Monthly payments of \$10,024 were paid over a term beginning February 23, 2007 and ending January 23, 2012.

On December 28, 2009, 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. Monthly payments of \$4,137 will be paid over a term starting July 1, 2010 and ending June 30, 2015.

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 on over a term starting September 1, 2012 and ending August 31, 2017.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

6. OPERATING LEASES (continued)

Lease payments for the next five years are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2013	\$ 107,271
2014	107,271
2015	98,997
2016	57,627
2017	<u>57,627</u>
Total	<u>\$ 428,793</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 \$6,500,000, which will be used to fund construction costs related to the expansion projects. During the fiscal year ended August 31, 2012, the School District remitted \$4,057,940 to the Agency. The School District expects to remit an additional \$2,500,000 to the Agency during the fiscal year ended August 31, 2013.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

8. FUND BALANCES

As of August 31, 2012, 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>
Fund balances						
Restricted for:						
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 938,788	\$ -
Assigned to:						
Capital projects	\$ -	\$ 3,098,914	\$ 49,743	\$ 491,152	\$ -	\$ -
Employee benefits	-	-	-	-	-	713,333
Total assigned	\$ -	\$ 3,098,914	\$ 49,743	\$ 491,152	\$ -	\$ 713,333
Unassigned	\$ 11,527,132	\$ -	\$ -	\$ -	\$ -	\$ -
Total fund balances	<u>\$ 11,527,132</u>	<u>\$ 3,098,914</u>	<u>\$ 49,743</u>	<u>\$ 491,152</u>	<u>\$ 938,788</u>	<u>\$ 713,333</u>

9. INTERFUND TRANSFERS

A transfer of \$80,500 to the Activity Fund has been recorded in the General Fund. In addition, a transfer of \$101,700 to the Depreciation Fund has been recorded as an operational disbursement in the General Fund in accordance with the basis of accounting described above. The transfer to the Activity Fund is for annual support of the activities department. The transfer to the Depreciation Fund is to save for future expenditures such as a route bus, activity bus, boiler replacement and roof repair.

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, 2012**

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 9 consecutive years of credited service in the Lexington Public School District #1.

Qualified certificated 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>
15	10
12	7
9	4

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, 2012, in the amount of \$713,333.

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, 2012, 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 2012. 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, 2012**

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 \$9,204 (26 weeks at \$354/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, 2012, the composition of the District's governmental fund receipts is as follows:

	<u>Receipts</u>	<u>% of Total</u>
Local property taxes	\$ 7,923,381	23.85
County sources	215,923	0.65
State sources	21,646,061	65.16
Federal sources	3,068,350	9.24
Other sources	364,310	1.10
Total governmental funds	<u>\$ 33,218,025</u>	<u>100.00</u>

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

14. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

All ARRA money has been expended and reimbursed by the state at August 31, 2012. ARRA expenditures for the McKinney-Vento Homeless grant were \$0 during the fiscal year ended August 31, 2012. The School District received reimbursement in the amount of \$162 during the fiscal year ended August 31, 2012.

ARRA expenditures for Title I Part A were \$18,951 for the fiscal year ended August 31, 2012. The School District received reimbursement in the amount of \$57,034 during the fiscal year ended August 31, 2012.

ARRA expenditures for IDEA Part C were (\$5,280) for the fiscal year ended August 31, 2012. The School District received reimbursement in the amount of \$5,482 during the fiscal year ended August 31, 2012.

ARRA expenditures for Education Jobs were \$12,929 for the fiscal year ended August 31, 2012. The School District received reimbursement in the amount of \$12,929 during the fiscal year ended August 31, 2012.

ARRA expenditures for IDEA Enrollment/Poverty were \$88,070 for the fiscal year ended August 31, 2012. The School District received reimbursement in the amount of \$733,237 during the fiscal year ended August 31, 2012.

ARRA expenditures for IDEA Preschool Enrollment/Poverty were \$20,905 for the fiscal year ended August 31, 2012. The School District received reimbursement of \$26,685 during the fiscal year ended August 31, 2012.

15. SUBSEQUENT EVENTS

Upon evaluation, Management notes that there were no material subsequent events between the date of the financial statements and 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, 2012

	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	\$ 13,434,420	\$ 31,781,327	\$ 33,608,115	\$ (80,500)	\$ (1,907,288)	\$ 11,527,132
ACTIVITIES FUND	316,138	716,995	768,057	80,500	29,438	345,576
SCHOOL LUNCH FUND	706,041	1,620,886	1,662,614	-	(41,728)	664,313
DEPRECIATION FUND	4,190,204	8,295	1,201,285	101,700	(1,091,290)	3,098,914
SPECIAL BUILDING FUND	338,783	362,492	651,532	-	(289,040)	49,743
LPS BUILDING CORPORATION FUND	450,259	203,264	162,371	-	40,893	491,152
BOND FUND	932,421	856,785	850,418	-	6,367	938,788
EMPLOYEE BENEFITS FUND	908,992	5,862	201,521	-	(195,659)	713,333
STUDENT FEE FUND	5,516	11	170	-	(159)	5,357
GRAND TOTAL - ALL FUNDS	\$ 21,282,774	\$ 35,555,917	\$ 39,106,083	\$ 101,700	\$ (3,448,466)	\$ 17,834,308

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, 2012**

	<u>Actual</u>	<u>Budget (Original and Final)</u>
RECEIPTS		
LOCAL SOURCES:		
Local district taxes	\$ 6,391,980	\$ 6,000,000
Carline taxes	24,784	35,000
Motor vehicle taxes	593,136	585,000
Interest received	69,465	100,000
Local license fees	6,205	2,500
Police court fines	2,895	2,000
Summer school and driver's ed tuition	13,950	11,600
Categorical / private grant revenue	9,800	-
Other categorical programs	47,122	-
Other local revenue	4,772	1,000
Total Local Sources	<u>\$ 7,164,109</u>	<u>\$ 6,737,100</u>
COUNTY SOURCES:		
Fines and licenses	\$ 206,823	\$ 125,000
Total County Sources	<u>\$ 206,823</u>	<u>\$ 125,000</u>
STATE SOURCES:		
State aid	\$ 19,746,035	19,746,035
Special education	1,057,655	1,034,368
Homestead exemption	131,306	225,000
Property tax credit	239,759	-
Pro-rate motor vehicle	23,687	25,000
Apportionment and in-lieu of school land tax	329,754	340,000
High ability learner	19,821	19,821
State early childhood	53,486	125,000
Other state receipts	44,558	19,500
Total State Sources	<u>\$ 21,646,061</u>	<u>\$ 21,534,724</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
For the Fiscal Year Ended August 31, 2012**

	Actual	Budget (Original and Final)
FEDERAL SOURCES:		
ECIA-Chapter I, current	\$ 993,225	\$ 992,453
Medicaid Administrative	252,309	382,000
Carl Perkins grant	33,322	35,107
Title II Part A	96,082	83,302
ARRA IDEA Part B	429,101	669,393
ARRA IDEA Preschool	26,685	-
ARRA IDEA Part C	5,482	-
Title II Part D	2,810	2,810
Education Jobs	12,929	-
IDEA Part B Enrollment/Poverty	-	422,311
IDEA Part B Early Intervening Services	41,913	48,113
IDEA Base	-	154,951
ARRA ESEA Title I Part A	57,034	57,065
ARRA ESEA McKinney-Vento Homeless	162	162
Title I Part C	459,345	800,000
Other federal categorical receipts	353,815	377,611
Total Federal Sources	\$ 2,764,214	\$ 4,025,278
NON-REVENUE RECEIPTS:		
Non-programmed receipts	\$ 120	\$ 50
Other non-revenue receipts	-	3,450
Total Non-Revenue Receipts	\$ 120	\$ 3,500
Total Receipts from all Sources	\$ 31,781,327	\$ 32,425,602

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, 2012**

	Actual	Budget (Original and Final)
DISBURSEMENTS		
PROGRAM:		
Regular instruction	\$ 9,027,427	\$ 9,054,206
Special education programs	2,513,021	2,499,843
Limited English Proficiency programs	3,395,963	3,266,698
Poverty programs	3,448,881	3,505,168
Support services - Pupils	1,245,116	1,255,105
Support services-Instructional staff	367,601	378,220
Support services-General administration	543,111	545,473
Support services-Office of Principal	1,252,970	1,255,843
Support services-Business Services	539,782	542,931
Support services-Maintenance and Operation of Buildings	7,270,234	6,312,737
Support services-Regular pupil transportation	405,481	403,201
Summer school	652,723	504,733
Debt services	324	500
State programs - Grants	153,457	153,646
Federal programs	2,725,909	2,869,769
Other	66,115	75,267
Transfers to other funds	80,500	950,500
Total Disbursements	\$ 33,688,615	\$ 33,573,840
 Fund Balance, August 31, 2011	 \$ 13,434,420	
Total cash receipts	\$ 31,781,327	
Total Funds Available	 \$ 45,215,747	
Total cash disbursements	\$ 33,688,615	
 Fund Balance, August 31, 2012	 \$ 11,527,132	

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, 2012**

REGULAR INSTRUCTION:

Regular salaries of teachers	\$ 5,270,896
Substitute salaries	187,563
Clerical and paraprofessional staff salaries	7,058
Technical staff salaries	205,615
Payroll taxes	421,147
Employee benefits	1,587,765
Purchased pupil services	197,429
Building, acquisition and improvement	24,087
Early childhood education programs	99,178
Supplies and materials	725,420
Textbooks and library books	25,664
Furniture and equipment replacement	139,153
Travel expense and mileage	2,687
Other expenses	<u>133,765</u>
Total Regular Instruction	\$ <u>9,027,427</u>

SPECIAL EDUCATION PROGRAMS:

Regular salaries	\$ 1,163,675
Substitute salaries	28,700
Clerical and paraprofessional staff salaries	607,060
Payroll taxes	134,721
Employee benefits	424,934
Purchased services	97,368
Supplies and materials	33,810
Textbooks and library books	900
Travel expense and mileage	3,469
Other expenses	<u>18,384</u>
Total Special Education Programs	\$ <u>2,513,021</u>

LIMITED ENGLISH PROFICIENCY PROGRAMS:

Regular salaries	\$ 1,773,975
Substitute salaries	88,150
Clerical and paraprofessional staff salaries	655,436
Payroll taxes	187,779
Employee benefits	653,565
Supplies and materials	450
Travel expense and mileage	444
Other expenses	<u>36,164</u>
Total Limited English Proficiency Programs	\$ <u>3,395,963</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, 2012**

POVERTY PROGRAMS:

Regular salaries of teachers	\$ 1,964,082
Substitute salaries	54,901
Clerical and paraprofessional staff salaries	297,313
Technical staff salaries	85,374
Payroll taxes	179,998
Employee benefits	684,223
Supplies and materials	152,739
Other expenses	30,251
Total Poverty Programs	<u>\$ 3,448,881</u>

SUPPORT SERVICES - PUPILS:

Regular salaries	\$ 901,001
Substitute salaries	1,756
Clerical and paraprofessional salaries	30,593
Payroll taxes	72,234
Employee benefits	173,883
Purchased services	12,695
Supplies and materials	14,312
Travel expense and mileage	5,223
Other expenses	33,419
Total Support Services - Pupils	<u>\$ 1,245,116</u>

SUPPORT SERVICES - INSTRUCTIONAL STAFF:

Regular salaries	\$ 152,581
Substitute salaries	1,720
Clerical and paraprofessional salaries	471
Payroll taxes	11,285
Employee benefits	49,281
Purchased services	89,301
Supplies and materials	51,550
Other expenses	11,412
Total Support Services - Instructional Staff	<u>\$ 367,601</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, 2012**

SUPPORT SERVICES - GENERAL ADMINISTRATION:

BOARD OF EDUCATION:

Legal services	\$ 47,754
Professional and technical services	34,995
Advertising and printing	16,926
Dues and fees	15,757
Travel expense and mileage	482
Other expenses	31,108

EXECUTIVE ADMINISTRATION SERVICES:

Regular salaries	267,075
Clerical salaries	34,626
Payroll taxes	20,004
Employee benefits	60,832
Purchased services	1,918
Supplies and materials	3,171
Other expenses	8,463

Total Support Services - General Administration \$ 543,111

SUPPORT SERVICES - SCHOOL ADMINISTRATION:

OFFICE OF THE PRINCIPAL SERVICES:

Regular salaries	\$ 652,572
Clerical assistants	272,136
Payroll taxes	68,599
Employee benefits	237,544
Travel expense and mileage	2,565
Other expenses	19,554

Total Support Services - School Administration \$ 1,252,970

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, 2012**

SUPPORT SERVICES - GENERAL ADMINISTRATION:

BUSINESS SERVICES:

Regular salaries	\$	86,047
Clerical staff		38,905
Payroll taxes		9,354
Employee benefits		25,198
Contracted services		282,391
Postage		19,140
Supplies and materials		10,713
Dues and fees		85
Travel expense and mileage		299
Other expenses		19,110

VEHICLE ACQUISITION AND MAINTENANCE:

Vehicle maintenance		48,540
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Total Support Services - General Administration	\$	<u>539,782</u>
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**SUPPORT SERVICES - MAINTENANCE AND
OPERATION OF BUILDINGS:**

Regular salaries	\$	468,508
Payroll taxes		35,070
Employee benefits		152,539
Purchased services		881,982
Fuel		87,372
Electricity		458,311
Water, sewer and trash		29,040
Distance education and telecommunications		98,799
Supplies		73,802
Site acquisition and improvement		4,960,765
Furniture and equipment replacement		18,676
Travel expense and mileage		72
Other expenses		5,298

Total Support Services - Maintenance and Operation of Buildings	\$	<u>7,270,234</u>
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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, 2012**

SUPPORT SERVICES - PUPIL TRANSPORTATION:

Regular salaries	\$	201,742
Payroll taxes		15,443
Employee benefits		26,556
Supplies		903
Purchased services		49,712
Mileage to parents		1,622
Gas and oil		95,306
Travel reimbursements		267
Repair and maintenance		8,636
Other expenses		5,294
Total Support Services - Pupil Transportation	\$	<u>405,481</u>

SUMMER SCHOOL

Regular salaries	\$	449,602
Clerical and paraprofessional staff salaries		89,203
Payroll taxes		41,238
Employee benefits		33,644
Transportation services		860
Supplies		37,091
Other expenses		1,085
Total State Programs	\$	<u>652,723</u>

DEBT SERVICES

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

STATE PROGRAMS - GRANTS:

Salaries	\$	60,261
Substitute salaries		2,233
Payroll taxes		4,766
Employee benefits		10,613
Supplies		47,297
Furniture and equipment replacement		27,486
Other expenses		801
Total State Programs	\$	<u>153,457</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, 2012**

FEDERAL PROGRAMS:

IDEA	\$ 133,947
IDEA Enrollment/Poverty (611)	516,434
IDEA Part B	60,581
IDEA Special Projects	(1,132)
Title I	1,091,955
Title II Part A	64,548
Title III - LEP	178,528
ARRA IDEA Enrollment/Poverty	88,070
Carl Perkins	32,909
ARRA IDEA Part C	(5,280)
ARRA IDEA Preschool (619) Enrollment/Poverty	20,905
ARRA ESEA Title I Part A	18,951
Education Jobs - LEP	12,929
Title I Part C	411,906
Title IV Part B	94,026
Other Federal Programs	6,632
Total Federal Programs	<u>\$ 2,725,909</u>

OTHER:

Categorical grants from private interests	\$ 10,171
Other categorical programs	55,944
Total Other	<u>\$ 66,115</u>

TRANSFERS TO ACTIVITY FUND

\$ 80,500

Total Disbursements

\$ 33,688,615

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, 2012**

	Balance (Deficit) 8/31/2011	Receipts	Transfers In (Out)	Disbursements	Balance (Deficit) 8/31/2012
HS Athletics	\$ 14,404	\$ 112,121	\$ 26,771	\$ 137,091	\$ 16,205
Activity Tickets	3,089	725	-	-	3,814
Early Learning Academy	833	4,473	-	4,594	712
Elementary Recorders	164	836	-	682	318
NE Special Olympics	1,557	684	-	-	2,241
Gifted Programs	172	-	-	-	172
4th Grade Museum Day	52	-	-	-	52
Kindergarten Mats	154	-	-	-	154
MONA	230	-	-	-	230
Student Computer Fees	114,208	86,779	-	64,179	136,808
Student Laptop Bags	-	3,970	-	15	3,955
Student USB Drives	-	435	-	-	435
HS Wood Shop Resale	1,274	7,242	-	7,029	1,487
FFA	16,353	11,694	-	15,976	12,071
Athletic Letter Club	47	2,794	-	1,399	1,442
HS Student Council	4,049	5,835	-	4,242	5,642
HS Fines	6,889	-	-	1,200	5,689
HS Recycling	163	116	-	-	279
Concessions	(152)	34,541	2,386	36,775	-
Honor Society	64	421	-	422	63
Secretary Funds	2,197	590	-	792	1,995
Ambassadors of Music	3,538	3,453	-	1,622	5,369
Art Lab Fees	409	-	-	90	319
FBLA	3,027	-	-	-	3,027
TMH Voc Club	51	-	-	-	51
HS Computer Lab Fees	648	-	-	-	648
HS Fine Arts Resale	1,154	12	-	560	606
HS Band Donations	655	-	-	-	655
DC Senior Trip	2,242	1,950	-	1,650	2,542
Ronald C. Murdock	425	-	-	-	425
Training Room Fundraising	3,669	24,204	-	30,852	(2,979)
Senior Tribute	3,247	891	-	221	3,917
Miscellaneous Memorial Funds	307	-	-	-	307
Science and Math Club	36	-	-	-	36
HS Library	2,702	2,151	-	2,355	2,498
Octagon Club	676	-	-	-	676
Around the Mundo	620	4,765	-	3,974	1,411
Don Bader Scholarship	610	-	-	-	610
HS Pep Club	2,560	661	-	-	3,221
Prevention/Intervention	214	-	-	-	214
HS Softball Fundraising	582	1,668	-	1,573	677
Football Fundraising	6,110	16,499	-	13,449	9,160
Volleyball Fundraising	2,243	8,733	-	9,520	1,456

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, 2012**

	Balance (Deficit) 8/31/2011	Receipts	Transfers In (Out)	Disbursements	Balance (Deficit) 8/31/2012
Boys Basketball Fundraising	\$ 2,552	\$ 4,016	\$ -	\$ 4,016	\$ 2,552
C. Estrada Soccer Scholarship	537	1,014	-	500	1,051
All School Play	333	-	-	146	187
Drill Team	843	9,595	3,325	13,763	-
Swing Choir	(464)	398	478	412	-
Musical Productions	566	-	-	-	566
Speech	(325)	1,813	1,352	2,840	-
HS Cheerleaders	(703)	22,872	(652)	19,990	1,527
Band/Chorus Trip	163	-	1,810	1,973	-
Weight Room	(1,019)	-	1,345	326	-
Training Room	(4,191)	2,480	4,492	2,781	-
HS Band	(8,062)	198	12,657	4,793	-
HS Vocal	(1,242)	-	1,853	611	-
HS One Act Play	-	87	995	1,082	-
Annual	2,468	3,455	-	3,465	2,458
Class of 2008	149	-	-	-	149
Class of 2010	926	-	-	-	926
Class of 2011	2,126	-	-	-	2,126
Class of 2012	441	3,938	1,619	5,998	-
Class of 2013	409	9,129	-	8,469	1,069
HS General Activities	(6,754)	1,616	8,872	31,368	(27,634)
HS Printing/Advertising	256	-	-	-	256
HS Miscellaneous	669	2,454	-	2,539	584
MS Fines	3,118	280	-	-	3,398
MS Miscellaneous	3,381	3,507	-	2,497	4,391
MS Annual	1,758	8,089	-	7,001	2,846
MS Student Council	3,150	2,693	-	3,590	2,253
MS Pop Concessions	-	-	997	997	-
Multiple Choices	3,314	-	-	-	3,314
MS Teammates Mentoring	10,314	27	-	-	10,341
Science Fair	2,284	-	-	-	2,284
MS Library Fees/Fines	1,550	5,612	-	6,138	1,024
MS Music Resale	1,166	5,067	-	2,877	3,356
MS Band Concerts	29	-	172	201	-
Minutemen Music Festival	142	-	-	-	142
MS Vocal Concerts	126	-	258	384	-
MS Band Lab Fees	947	210	-	-	1,157
MS Agenda Fund	1,966	-	-	-	1,966
Reading Banquet	2,138	1,828	-	971	2,995
PE Clothing	1,687	3,460	1,245	5,252	1,140
Independence Ink	3,858	1,185	-	494	4,549
MS Padlock Fees	95	-	-	-	95

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, 2012**

	Balance (Deficit) 8/31/2011	Receipts	Transfers In (Out)	Disbursements	Balance (Deficit) 8/31/2012
MS Patriots	\$ 814	\$ -	\$ -	\$ -	\$ 814
MS Athletics	751	1,793	10,025	11,589	980
MS Booster Donation	2,069	2,814	-	3,512	1,371
S. C. Health Partners	339	-	-	-	339
Walk for Life	220	1,453	-	1,673	-
Corporate	2,414	783	-	1,297	1,900
Relay for Life	240	1,311	-	934	617
HS Wellness	-	651	-	344	307
HS Student Wellness	-	400	-	100	300
HS Student Teammaker	-	3,127	-	-	3,127
Student Leadership	-	19	-	-	19
Sing Around Nebraska	-	946	-	946	-
Student Agendas	927	470	-	456	941
Interest	111	83	-	159	35
Coke Machines	429	101	-	-	530
Autism Awareness	250	-	-	-	250
Staff Resale	-	1,327	-	1,327	-
Bryan Elementary Activities	4,718	7,851	-	4,948	7,621
Morton Elementary Activities	5,218	10,192	-	8,627	6,783
Pershing Elementary Activities	8,318	3,189	-	8,613	2,894
Sandoz Elementary Activities	3,268	5,371	500	5,511	3,628
Subtotal	\$ 262,259	\$ 475,147	\$ 80,500	\$ 525,772	\$ 292,134
Payflex	\$ 53,879	\$ 241,848	\$ -	\$ 242,285	\$ 53,442
Total Activity	\$ 316,138	\$ 716,995	\$ 80,500	\$ 768,057	\$ 345,576

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, 2012**

Fund Balance, August 31, 2011	\$ 706,041
CASH RECEIPTS:	
Sale of breakfast and lunch	\$ 225,114
Interest	1,499
Other receipts	17,665
Federal reimbursements	1,367,499
State reimbursements	<u>9,109</u>
Total Cash Receipts	\$ 1,620,886
Total Funds Available	\$ 2,326,927
CASH DISBURSEMENTS:	
Purchased services	\$ 37,837
Personnel	588,178
Furniture and equipment	64,755
Food	890,256
Supplies	72,978
Other expenses	<u>8,610</u>
Total Cash Disbursements	\$ 1,662,614
Fund Balance, August 31, 2012	\$ <u>664,313</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, 2012**

Fund Balance, August 31, 2011	\$ 4,190,204
CASH RECEIPTS:	
Interest income	\$ 8,295
Transfer from General	<u>101,700</u>
Total Cash Receipts	\$ <u>109,995</u>
Total Funds Available	\$ 4,300,199
CASH DISBURSEMENTS:	
Capital outlay	\$ 1,179,726
Furniture and equipment acquisition	<u>21,559</u>
Total Cash Disbursements	\$ <u>1,201,285</u>
Fund Balance, August 31, 2012	\$ <u>3,098,914</u>

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, 2012**

Fund Balance, August 31, 2011	\$	338,783
CASH RECEIPTS:		
Property taxes	\$	54,087
Carline taxes		210
Pro-rate motor vehicle		200
Homestead exemption		1,108
Property tax credit		2,031
ARRA IDEA Part B		304,136
In lieu of school land tax		199
Interest income		<u>521</u>
Total Cash Receipts	\$	<u>362,492</u>
Total Funds Available	\$	701,275
CASH DISBURSEMENTS:		
Capital outlay	\$	<u>651,532</u>
Total Cash Disbursements	\$	<u>651,532</u>
Fund Balance, August 31, 2012	\$	<u>49,743</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, 2012

Fund Balance, August 31, 2011	\$	450,259
CASH RECEIPTS:		
Interest income	\$	264
Other income		<u>203,000</u>
Total Cash Receipts	\$	<u>203,264</u>
Total Funds Available	\$	653,523
CASH DISBURSEMENTS:		
Capital outlay	\$	161,411
Purchased services		950
Other expenses		<u>10</u>
Total Cash Disbursements	\$	<u>162,371</u>
Fund Balance, August 31, 2012	\$	<u>491,152</u>

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, 2012**

Fund Balance, August 31, 2011	\$ 932,421
CASH RECEIPTS:	
Property tax collections	\$ 796,883
Pro-rate motor vehicle	3,026
Carline taxes	2,985
Property tax credit	27,918
Homestead exemption	20,729
In lieu of school land tax	4,105
Interest income	<u>1,139</u>
Total Cash Receipts	<u>\$ 856,785</u>
Total Funds Available	\$ 1,789,206
CASH DISBURSEMENTS:	
Bond principal	\$ 780,000
Bond interest	<u>70,418</u>
Total Cash Disbursements	<u>\$ 850,418</u>
Fund Balance, August 31, 2012	<u>\$ 938,788</u>

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, 2012

Fund Balance, August 31, 2011	\$	908,992
CASH RECEIPTS:		
Interest income	\$	1,930
Non-revenue receipts		<u>3,932</u>
Total Cash Receipts	\$	<u>5,862</u>
Total Funds Available	\$	914,854
CASH DISBURSEMENTS:		
Employee wellness screening	\$	11,135
Unemployment benefits paid		17,890
Health insurance for retirees		<u>172,496</u>
Total Cash Disbursements	\$	<u>201,521</u>
Fund Balance, August 31, 2012	\$	<u>713,333</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, 2012

Fund Balance, August 31, 2011	\$	5,516
CASH RECEIPTS:		
Interest income	\$	<u>11</u>
 Total Funds Available	\$	5,527
CASH DISBURSEMENTS:		
Supplies	\$	80
Student activity fees waived		<u>90</u>
 Total Cash Disbursements	\$	<u>170</u>
Fund Balance, August 31, 2012	\$	<u>5,357</u>

See notes to financial statements.

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

**NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012**

1. BUDGET PROCESS

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.

The District overspent the general fund budget by \$114,775 and the activity fund budget by \$68,057. Overall, the District's total expenditures did not exceed total appropriations for the year.

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

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS-
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 FUNDING
For the Fiscal Year Ended August 31, 2012**

ARRA Federal Funds - Receipts

GENERAL FUND:

IDEA Part C	\$	5,482
IDEA Part B		429,101
IDEA Preschool		26,685
ESEA Title I, Part A		57,034
ESEA McKinney-Vento Homeless		162
Education Jobs		<u>12,929</u>
Total ARRA Federal Funds - General Fund	\$	<u>531,393</u>

SPECIAL BUILDING FUND:

IDEA Part B	\$	<u>304,136</u>
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TOTAL ARRA RECEIPTS	\$	<u>835,529</u>
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ARRA Federal Funds - Disbursements

GENERAL FUND:

IDEA Part C	\$	(5,280)
IDEA Enrollment/Poverty		88,070
IDEA Preschool Enrollment/Poverty		20,905
ESEA Title I, Part A		18,951
Education Jobs - LEP		<u>12,929</u>

Total ARRA Federal Funds - General Fund	\$	<u>135,575</u>
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TOTAL ARRA DISBURSEMENTS	\$	<u>135,575</u>
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See notes to financial statements.

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

**ANALYSIS OF GENERAL FUND
TAX ACCOUNTS WITH COUNTY TREASURERS
Year Ended August 31, 2012**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
Cash Balance-Beginning	\$ 1,873,690	\$ 27,648	\$ 1,901,338
Collections:			
Local property taxes	\$ 6,259,154	\$ 197,390	\$ 6,456,544
Motor vehicle taxes	587,953	11,063	599,016
Homestead exemption	130,765	1,537	132,302
Pro-rate motor vehicle	23,397	290	23,687
In-lieu-of tax	24,766	33	24,799
Carline	24,784	-	24,784
Tax credit	234,041	8,386	242,427
Fines and licenses	208,804	399	209,203
Total Collections	<u>\$ 7,493,664</u>	<u>\$ 219,098</u>	<u>\$ 7,712,762</u>
Disbursements:			
To School Treasurer	\$ 7,363,709	\$ 209,248	\$ 7,572,957
County Treasurer fees	72,119	1,989	74,108
Total Disbursements	<u>\$ 7,435,828</u>	<u>\$ 211,237</u>	<u>\$ 7,647,065</u>
Cash Balance-Ending	<u>\$ 1,931,526</u>	<u>\$ 35,509</u>	<u>\$ 1,967,035</u>

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

**ANALYSIS OF SPECIAL BUILDING FUND
TAX ACCOUNTS WITH COUNTY TREASURERS
Year Ended August 31, 2012**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
Cash Balance-Beginning	\$ 15,475	\$ 221	\$ 15,696
Collections:			
Local property taxes	\$ 52,962	\$ 1,670	\$ 54,632
Tax credit	1,980	71	2,051
Homestead exemption	1,106	13	1,119
Pro-rate motor vehicle	198	2	200
In-lieu-of tax	199	-	199
Carline	210	-	210
Total Collections	<u>\$ 56,655</u>	<u>\$ 1,756</u>	<u>\$ 58,411</u>
Disbursements:			
To School Treasurer	\$ 55,668	\$ 1,670	\$ 57,338
County Treasurer fees	559	17	576
Total Disbursements	<u>\$ 56,227</u>	<u>\$ 1,687</u>	<u>\$ 57,914</u>
Cash Balance-Ending	<u>\$ 15,903</u>	<u>\$ 290</u>	<u>\$ 16,193</u>

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

**ANALYSIS OF BOND FUND
TAX ACCOUNTS WITH COUNTY TREASURERS
Year Ended August 31, 2012**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
Cash Balance-Beginning	\$ 256,231	\$ 1,400	\$ 257,631
Collections:			
Local property taxes	\$ 794,950	\$ 9,982	\$ 804,932
Tax credit	27,826	422	28,248
Homestead exemption	20,808	78	20,886
Pro-rate motor vehicle	3,011	15	3,026
In-lieu-of tax	4,105	-	4,105
Carline	2,985	-	2,985
Total Collections	<u>\$ 853,685</u>	<u>\$ 10,497</u>	<u>\$ 864,182</u>
Disbursements:			
To School Treasurer	\$ 847,751	\$ 10,067	\$ 857,818
County Treasurer fees	8,435	101	8,536
Total Disbursements	<u>\$ 856,186</u>	<u>\$ 10,168</u>	<u>\$ 866,354</u>
Cash Balance-Ending	<u>\$ 253,730</u>	<u>\$ 1,729</u>	<u>\$ 255,459</u>

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA
SCHEDULE OF FEDERAL FINANCIAL AWARDS
Year Ended August 31, 2012**

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	\$ 1,222,028 *
Summer food Service Program to Children	10.559	24-0001	66,773 *
Fruit/Vegetable Program	10.582	24-0001	<u>78,698</u>
Passed through Nebraska Department of Health and Human Services			
Food Donation Program**	10.550	47600238200	<u>\$ 87,082</u>
<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	051205NE5021	\$ 10,718
Passed through Nebraska Association of School Boards			
Medicaid in Administrative Outreach	93.778	24-0001	<u>241,591</u>
<u>U.S. Department of Education</u>			
Passed through Nebraska Department of Education			
IDEA Enrollment/Poverty	84.027	24-0001-480-BEP-11	\$ 41,913 *
IDEA Part B Projects - ARRA	84.391	24-0001-480-BBA-11	733,237 *
IDEA Preschool - ARRA	84.392	24-0001-480-BBA-11	26,685 *
IDEA Part C Projects - ARRA	84.393	24-0001 ARRA-C-09	<u>5,482</u>
IDEA Subtotal			<u>\$ 807,317</u>

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

* Major Programs

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA
SCHEDULE OF FEDERAL FINANCIAL AWARDS
Year Ended August 31, 2012**

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	11-10-024-0001-00	\$ 993,225
Title I - ARRA	84.389	10-10-024-0001-00	57,034
Career/Technical Education Basic Grants	84.048	11-10-024-0001-00	33,322
21st Century After School Learning Center	84.287	240001-162100-09	93,318
Title II Part D	84.318	11-10-024-0001-00	2,810
Title II Part A	84.367	11-10-024-0001-00	82,732
Title III	84.365	11-10-024-0001-00	83,456
Migrant	84.011	11-10-024-0001-00	459,345 *
Education Jobs - ARRA	84.410	11-10-024-0001-00	12,929 *
Homeless Grant	84.196	10-10-024-0001-00	181
Homeless Grant - ARRA	84.387	10-10-024-0001-00	162
Passed through Educational Service Unit #10			
Title II Part A	84.367	10-10-000-0010-00	13,350
Passed through Educational Service Unit #16			
Title II Part A	84.367	10-10-000-0010-00	<u>2,143</u>
Totals			<u>\$ 4,348,214</u>

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

* Major Programs

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA
SCHEDULE OF FEDERAL FINANCIAL AWARDS
Year Ended August 31, 2012**

1. SCHEDULE OF FEDERAL AWARDS

The accompanying Schedule 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, 2012. 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 assets 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 40)	\$ 2,725,909
Included in Lunch (Page 44)	1,367,499
Non-cash: Commodities	<u>87,082</u>
	\$ 4,180,490
Included in Instructional Services	<u>167,724</u>
Total Federal Expenditures Reconciled (Page 57)	<u><u>4,348,214</u></u>



**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 the financial statements – cash basis of Lexington Public School District #1 as of and for the year ended August 31, 2012, and have issued our report thereon dated October 31, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lexington Public School District #1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lexington Public School District #1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lexington Public School District #1's internal control over financial reporting.

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.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, 12-1, that we consider to be a significant deficiency in internal control over financial reporting. 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.

404 E. 25TH
P.O. BOX 1120
KEARNEY, NE 68848
PHONE 308-234-5565
FAX 308-234-2990

Lexington Public School District #1
Page Two

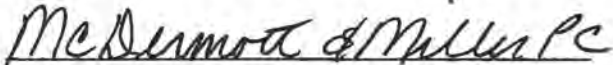
Lexington Public School District #1's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Lexington Public School District #1's response and, accordingly, we express no opinion on it.

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*.

This report is intended for the information of the Board of Education, administration, State of Nebraska Department of Education, State of Nebraska Auditor of Public Accounts and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McDERMOTT AND MILLER, P.C.



Kearney, Nebraska
October 31, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

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

Compliance

We have audited the compliance of Lexington Public School District #1 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended August 31, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the 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, 2012. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

404 E. 25TH
P.O. BOX 1120
KEARNEY, NE 68848
PHONE 308-234-5565
FAX 308-234-2990

Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-1 to be significant deficiencies.

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. We did not audit Lexington Public School District #1's response and, accordingly, we express no opinion on the response.

Lexington Public School District #1
Page Three

This report is intended for the information and use of the Board of Education, administration, the Nebraska Department of Education and Auditor of Public Accounts and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McDERMOTT AND MILLER, P.C.

McDermott & Miller PC

Kearney, Nebraska
October 31, 2012

LEXINGTON PUBLIC SCHOOL DISTRICT #1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2012**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting

- Material weakness(es) identified ___ Yes X No
- Significant deficiency(ies) identified X Yes ___ No

Noncompliance material to financial statements noted

___ Yes X No

Federal Awards

Internal control over major programs

- Material weakness(es) identified ___ Yes X No
- Significant deficiency(ies) identified X Yes ___ No

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

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 ___ Yes X No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555 & 10.559	School Lunch Program, Breakfast & Snack & Summer Food Service Program for Children
84.027, 84.391 & 84.392	Special Education Cluster (IDEA) – Part B ARRA & IDEA Part B
84.011	Migrant Education
84.410	ARRA Education Jobs

LEXINGTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2012

I. SUMMARY OF AUDITORS' 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 12-1 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 positions 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 insure 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 12-1 Lack of Segregation of Duties in One or More Areas

See Section II above.

IV. FINDINGS FOR THE YEAR ENDED AUGUST 31, 2011

Finding for the year ended August 31, 2011: Lack of segregation of duties in one or more areas.

Auditee response: We will segregate duties as we are able. Adding personnel cost is prohibitive due to budget restraints.