

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

FINANCIAL STATEMENTS

August 31, 2010

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

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

This section of the Lexington Public Schools' annual audit report presents our discussion and analysis of the school district's financial performance during the fiscal year that ended on August 31, 2010. Please read it in conjunction with the district's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the school district's own programs. The Activities Fund is a fiduciary fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data about the financial statements and school district's commitments, contingencies and long-term debt obligations that are not reported in the cash basis financial statements. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

FINANCIAL HIGHLIGHTS

- The district's total property assets increased as a result of construction activity paid from the General Fund and arrangements made with Lexington Public Schools Building Corporation. The Pershing Elementary construction project and the construction of Early Learning Academy classrooms at the Dawson County Opportunity Center were substantially completed in 2010.
- The district's General Fund disbursements in 2009-2010 were \$1,433,736 less than the prior year's disbursements, resulting in an overall decrease of 4.7%. The overall decrease in expenditures can be attributed to the timing of billings on construction progress, as construction expense decreased by \$2,084,212 from the previous year. Adjusting for construction projects, General Fund disbursements increased by \$650,925, or 2.37%.
- The district's General Fund receipts in 2009-10 were \$32,058,773 compared to \$30,539,300 in 2008-2009 for an increase of 5.0%.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The largest single source of receipts for Lexington Public Schools is State Aid in the amount of \$17,517,892 for 2009-2010, which increased by \$369,031 (2.15%) from the prior year. State sources accounted for 60% of the total General Fund receipts, and Federal revenue accounted for 19% of General Fund receipts.

Property taxes as a source of revenue for the District accounted for 19.88% of the total General Fund revenues. The amount of property taxes collected for 2009-2010 were \$12,046 more than the previous year.

The following table shows the property tax rates, by fund, for the 2004-2005 through 2010-2011 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 2009-2010 was \$1,242.80, remaining constant with the previous year.

	2004-2005 Levy	2005-2006 Levy	2006-2007 Levy	2007-2008 Levy	2008-2009 Levy	2009-2010 Levy	2010-2011 Levy
General Fund	1.02387	0.950864	0.944269	.945308	1.040016	1.040016	1.040016
Building Fund	0.078514	0.095724	0.098761	.098515	.008799	.008799	.008799
Bond Funds	0.219933	0.2117	0.209628	.194451	.193983	.193983	.189032
District Total	1.322317	1.258288	1.25658	1.23827	1.24280	1.24280	1.23785

General Fund Budgetary Highlights

The District's General Fund cash position for school year 2009-2010 increased by \$308,174. This is shown by a difference in the beginning cash balance on September 1, 2009 of \$9,931,910 and the ending cash balance of \$10,240,084 as of August 31, 2010.

Below is a comparison of General Fund budgeted to actual receipts and disbursements for the 2009-2010 fiscal year.

Receipts	2009-2010 Budget	2009-2010 Actual	Over/(Under) Budget
Local Taxes	\$6,724,129	\$6,506,954	-\$226,225
State Sources	\$21,199,052	\$19,262,285	-\$1,913,669
County Sources	\$163,000	\$182,821	\$19,821
Other Federal	\$5,422,322	\$6,106,713	\$684,391
Other Non-revenue	\$0	\$0	\$0
Subtotal	\$33,508,503	\$32,058,773	-\$1,435,682
Disbursements	2009-2010 Budget	2009-2010 Actual	(Over)/Under Budget
Instructional	\$19,014,667	\$16,654,301	\$2,360,366
Support Services Federal & State	\$8,810,420	\$8,361,818	\$448,602
Grants	\$6,442,323	\$5,800,810	\$641,513
Debt Services	\$1,000	\$16,868	-\$15,868
Capital Outlay	\$0	\$376,958	-\$376,958
Subtotal	\$34,268,410	\$31,210,755	\$3,057,655

Financial Analysis of the Other Funds

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

Cash Balances	2009-2010 Beginning	2009-2010 Ending	Increase/ (Decrease)
Special Building Fund	\$1,425,581	\$260,277	-\$1,165,304
Depreciation Fund	\$1,975,220	\$2,983,943	\$1,008,723
Employee Benefits Fund	\$1,160,760	\$1,172,971	\$12,211

Debt Administration

At year-end, the Lexington Public Schools had \$4,395,000.00 outstanding principal debt in General Obligation Bonds.

Fiduciary Funds Report

The following report shows the District assets held in a trustee or agency capacity called the Lexington Public School Activity Funds. The total receipts include a transfer of \$65,599 made from the General Fund to the Activity Fund

Activity Funds	2009-2010 Budget	2009-2010 Actual	(Over)/Under Budget	Net Change
Beginning Balance		\$243,553		
Receipts	703,000	\$655,747	\$47,253	
Disbursements	703,000	\$603,317	\$99,683	
Ending Balance		\$295,984		\$52,431

Proprietary Fund Report

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

Lunch Fund	2009-2010 Budget	2009-2010 Actual	(Over)/Under Budget	Net Change
Beginning Balance		\$320,168		
Receipts	\$1,389,781	\$1,447,022	-\$87,241	
Disbursements	\$1,389,781	\$1,182,281	\$207,500	
Ending Balance		\$584,909		\$264,741

District's Financial Management

This financial report is designed to provide the citizens, taxpayers, students and bond-buyers a general overview of the District's finances and to demonstrate the District's accountability for the money with which it is entrusted. If you have questions about this report or need additional financial information, contact the Business Office, 300 S. Washington St., Lexington, NE 68850 or call (308) 324-1202 or erin.heineman@esu10.org.



CONTRYMAN ASSOCIATES, P.C.

Certified Public Accountants

615 West 1st Street
P.O. Box 700
Grand Island NE 68802
308-382-5720
Fax: 308-382-5945

2215 West 12th Street
P.O. Box 2026
Hastings NE 68902
402-463-6711
Fax: 402-463-6713

707 East Pacific
P.O. Drawer H
Lexington NE 68850
308-324-2368
Fax: 308-324-2360

315 West 60th, Suite 500
P.O. Box 1746
Kearney NE 68848
308-237-5930
Fax: 308-234-4410

1001 West 27th Street
P.O. Box 2246
Scottsbluff NE 69363
308-635-7705
Fax: 308-635-0599

1611 16th Street
P.O. Box 191
Central City NE 68826
308-946-3870
Fax: 308-946-3870

826 G Street
Geneva, NE 68361
402-759-4342
Fax: 402-759-4342

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public Schools, School District No. 1, Dawson County, Nebraska (District), as of and for the year ended August 31, 2010, as listed in the table of contents. We also audited the combining statement for nonmajor funds and the statement of receipts and disbursements for the ARRA funds of the District as of and for the year ended August 31, 2010, as displayed in the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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


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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as well as the combining nonmajor governmental funds and statement of cash receipts and disbursements of ARRA funds of the District, as of August 31, 2010 and the respective changes in financial position – cash basis thereof, for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The cash basis of accounting requires that management's discussion and analysis and budgetary comparison information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally 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 opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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 directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole on the basis of accounting described in Note 1.


Certified Public Accountants
Lexington, Nebraska

November 2, 2010

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

STATEMENT OF NET ASSETS - CASH BASIS

August 31, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	14,029,549	586,309	14,615,858
Cash with County Treasurers	2,020,388	0	2,020,388
TOTAL ASSETS	16,049,937	586,309	16,636,246
 LIABILITIES			
Payroll taxes withheld	0	1,401	1,401
 NET ASSETS:			
Restricted for:			
Capital projects	260,277	0	260,277
Debt service	905,022	0	905,022
Unrestricted	14,884,638	584,908	15,469,546
TOTAL NET ASSETS	16,049,937	584,908	16,634,845

See accompanying notes.

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

STATEMENT OF ACTIVITIES - CASH BASIS

Year Ended August 31, 2010

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instructional services	23,394,770	1,566,265	6,112,746	0
Support services	6,365,448	0	0	0
Capital outlay	3,165,870	0	0	0
Debt services	5,060,693	0	0	0
Interest expense	205,110	0	0	0
TOTAL GOVERNMENTAL ACTIVITIES	38,191,891	1,566,265	6,112,746	0
Business-type activities				
School Lunch	1,182,282	259,509	1,126,650	53,216
TOTAL GOVERNMENT	39,374,173	1,825,774	7,239,396	53,216

GENERAL RECEIPTS:

Taxes:

Property

Motor vehicle

County sources

State aid

Bond proceeds

Interest income

Miscellaneous

Transfers

TOTAL GENERAL RECEIPTS

CHANGE IN NET ASSETS

Net assets - beginning

NET ASSETS - ENDING

See accompanying notes.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business- type Activities	Total
(15,715,759)		(15,715,759)
(6,365,448)		(6,365,448)
(3,165,870)		(3,165,870)
(5,060,693)		(5,060,693)
(205,110)		(205,110)
<u>(30,512,880)</u>		<u>(30,512,880)</u>
	257,093	257,093
<u>(30,512,880)</u>	<u>257,093</u>	<u>(30,255,787)</u>
6,603,511	0	6,603,511
605,591	0	605,591
183,344	0	183,344
17,779,284	0	17,779,284
4,475,000	0	4,475,000
178,233	7,647	185,880
20,146	0	20,146
(65,599)	0	(65,599)
<u>29,779,510</u>	<u>7,647</u>	<u>29,787,157</u>
(733,370)	264,740	(468,630)
<u>16,783,307</u>	<u>320,168</u>	<u>17,103,475</u>
<u>16,049,937</u>	<u>584,908</u>	<u>16,634,845</u>

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

STATEMENT OF ASSETS AND FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS

August 31, 2010

	General Fund	Depreciation	Special Building
ASSETS:			
Cash	8,486,729	2,983,943	245,840
Cash with County Treasurer	1,753,355	0	14,437
TOTAL ASSETS	10,240,084	2,983,943	260,277
 FUND BALANCES:			
Reserved for:			
Capital projects	0	0	260,277
Debt service	0	0	0
Unreserved:			
Designated:			
Special revenue	0	2,983,943	0
Capital projects	0	0	0
Undesignated	10,240,084	0	0
TOTAL FUND BALANCES	10,240,084	2,983,943	260,277
 TOTAL LIABILITIES AND FUND BALANCES	 10,240,084	 2,983,943	 260,277

See accompanying notes.

LPS Building Corporation	Nonmajor Governmental Funds	Total Governmental Funds
480,862	1,832,175	14,029,549
0	252,596	2,020,388
<u>480,862</u>	<u>2,084,771</u>	<u>16,049,937</u>
0	0	260,277
0	905,022	905,022
0	1,179,749	4,163,692
480,862	0	480,862
0	0	10,240,084
<u>480,862</u>	<u>2,084,771</u>	<u>16,049,937</u>
<u>480,862</u>	<u>2,084,771</u>	<u>16,049,937</u>

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

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

Year Ended August 31, 2010

	General Fund	Depreciation	Special Building
RECEIPTS:			
Local sources:			
Property taxes	6,376,435	0	50,598
Tuition	9,050	0	0
Miscellaneous	16,240	0	0
Interest income	105,229	29,836	10,998
County sources	182,821	0	61
State sources	19,262,285	0	3,131
Federal sources	6,106,713	0	0
TOTAL RECEIPTS	32,058,773	29,836	64,788
DISBURSEMENTS:			
Current:			
Instructional services:			
Regular education	14,413,702	507,501	0
Special education	1,748,291	0	0
Support services:			
Pupil	1,083,887	0	0
Staff	260,931	0	0
General administration	570,685	0	0
School administration	1,239,011	0	0
Business	482,482	0	0
Building and grounds	2,187,921	0	0
Pupil transportation:			
Regular	303,911	0	0
Special education	42,126	0	0
State grants	22,301	0	0
Federal programs	6,292,962	13,900	0
Debt service:			
Principal	10,693	0	0
Interest and other charges	6,175	0	0
Capital outlay	376,958	440,666	1,230,092
TOTAL DISBURSEMENTS	29,042,036	962,067	1,230,092
RECEIPTS OVER (UNDER)			
DISBURSEMENTS	3,016,737	(932,231)	(1,165,304)

(Continued on next page)

<u>LPS Building Corporation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
0	805,166	7,232,199
0	0	9,050
0	3,907	20,147
5,140	27,027	178,230
0	462	183,344
0	54,019	19,319,435
0	0	6,106,713
<u>5,140</u>	<u>890,581</u>	<u>33,049,118</u>

0	0	14,921,203
0	0	1,748,291
0	0	1,083,887
0	0	260,931
0	174,093	744,778
0	0	1,239,011
0	0	482,482
0	0	2,187,921
0	0	303,911
0	0	42,126
0	0	22,301
0	0	6,306,862
0	5,050,000	5,060,693
0	198,934	205,109
1,534,668	0	3,582,384
<u>1,534,668</u>	<u>5,423,027</u>	<u>38,191,890</u>

(1,529,528) (4,532,446) (5,142,772)

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

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

Year Ended August 31, 2010

	<u>General Fund</u>	<u>Depreciation</u>	<u>Special Building</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net	0	0	
Transfers in	0	1,940,954	0
Transfers out	(2,168,563)	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(2,168,563)	1,940,954	0
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	848,174	1,008,723	(1,165,304)
Fund balances - beginning	9,391,910	1,975,220	1,425,581
FUND BALANCES - ENDING	10,240,084	2,983,943	260,277

See accompanying notes.

<u>LPS Building Corporation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	4,475,000	4,475,000
0	162,010	2,102,964
<u>0</u>	<u>0</u>	<u>(2,168,563)</u>
<u>0</u>	<u>4,637,010</u>	<u>4,409,401</u>
(1,529,528)	104,564	(733,371)
<u>2,010,390</u>	<u>1,980,207</u>	<u>16,783,308</u>
<u><u>480,862</u></u>	<u><u>2,084,771</u></u>	<u><u>16,049,937</u></u>

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

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

August 31, 2010

	Employee Benefits	Student Fees
ASSETS:		
Cash	1,172,971	6,778
Cash with County Treasurers	0	0
TOTAL ASSETS	1,172,971	6,778
 FUND BALANCES:		
Reserved for:		
Debt service	0	0
Unreserved		
Designated - special revenue	1,172,971	6,778
TOTAL FUND BALANCES	1,172,971	6,778

See accompanying notes.

<u>Debt Service - Bond Funds</u>	<u>Total Governmental Funds</u>
652,426	1,832,175
<u>252,596</u>	<u>252,596</u>
<u>905,022</u>	<u>2,084,771</u>
905,022	905,022
<u>0</u>	<u>1,179,749</u>
<u>905,022</u>	<u>2,084,771</u>

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

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

Year Ended August 31, 2010

	Employee Benefits	Student Fees
RECEIPTS:		
Local sources:		
Taxes	0	0
Miscellaneous	3,907	0
Interest	17,885	125
County sources	0	0
State sources	0	0
TOTAL RECEIPTS	21,792	125
DISBURSEMENTS:		
Current:		
Support Services - general administration	171,591	2,502
Debt services:		
Principal	0	0
Interest and other charges	0	0
TOTAL DISBURSEMENTS	171,591	2,502
RECEIPTS OVER (UNDER) DISBURSEMENTS	(149,799)	(2,377)
OTHER FINANCING SOURCES (USES):		
Proceeds from long-term debt, net	0	0
Transfers in	162,010	0
TOTAL OTHER FINANCING SOURCES (USES)	162,010	0
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	12,211	(2,377)
Fund balances - beginning	1,160,760	9,155
FUND BALANCES - ENDING	1,172,971	6,778

See accompanying notes.

<u>Debt Service - Bond Funds</u>	<u>Total Governmental Funds</u>
805,166	805,166
0	3,907
9,017	27,027
462	462
54,019	54,019
<u>868,664</u>	<u>890,581</u>
0	174,093
5,050,000	5,050,000
198,934	198,934
<u>5,248,934</u>	<u>5,423,027</u>
(4,380,270)	(4,532,446)
4,475,000	4,475,000
0	162,010
<u>4,475,000</u>	<u>4,637,010</u>
94,730	104,564
<u>810,292</u>	<u>1,980,207</u>
<u><u>905,022</u></u>	<u><u>2,084,771</u></u>

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

STATEMENT OF NET ASSETS - CASH BASIS
PROPRIETARY FUND

August 31, 2010

	<u>School Lunch Fund</u>
CURRENT ASSETS:	
Cash	<u>586,309</u>
CURRENT LIABILITIES	
Payroll taxes withheld	<u>1,401</u>
NET ASSETS:	
Total unrestricted net assets	<u><u>584,908</u></u>

See accompanying notes.

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

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

Year Ended August 31, 2010

	<u>School Lunch Fund</u>
OPERATING RECEIPTS:	
Charges for sales and services:	
Meals	230,789
Other food sales	28,720
TOTAL OPERATING RECEIPTS	<u>259,509</u>
 OPERATING DISBURSEMENTS:	
Salaries	388,260
Benefits	80,363
Food costs	611,854
Other operating expense	80,468
TOTAL OPERATING DISBURSEMENTS	<u>1,160,945</u>
 OPERATING LOSS	 <u>(901,436)</u>
 NON-OPERATING RECEIPTS (DISBURSEMENTS):	
State sources	8,654
Federal sources	1,171,213
Interest income	7,647
Capital outlay	(21,338)
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>1,166,176</u>
 CHANGE IN NET ASSETS	 264,740
 Total net assets - beginning	 <u>320,168</u>
 TOTAL NET ASSETS - ENDING	 <u><u>584,908</u></u>

See accompanying notes.

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

STATEMENT OF RECEIPTS AND DISBURSEMENTS
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 FUNDING

Year Ended August 31, 2010

	<u>General Fund</u>	<u>Depreciation</u>	<u>Lunch</u>
RECEIPTS:			
Federal sources:			
State Fiscal Stabilization Funds -			
TEEOSA Aid	2,297,160	0	0
IDEA Part B (611) Enrollment/Poverty	92,368	0	0
School Lunch Equipment	0	0	53,216
TOTAL RECEIPTS	2,389,528	0	53,216
DISBURSEMENTS:			
SFSF - TEEOSA Aid (Poverty):			
Salaries	1,623,486	0	0
Employee benefits	673,674	0	0
Total	2,297,160	0	0
IDEA Part B (611) Enrollment/Poverty:			
Purchased services	1,566	0	0
Supplies and materials	72,537	0	0
Capital outlay	0	13,900	0
Other expenses	7,608	0	0
Total	81,711	13,900	0
IDEA Part B Early Intervening Services:			
Supplies and materials	62,589	0	0
Other expenses	1,268	0	0
Total	63,857	0	0
IDEA Part C Special Projects:			
Supplies and materials	1,416	0	0

(Continued on next page)

<u>Special Building</u>	<u>Total Governmental Funds</u>
0	2,297,160
0	92,368
0	53,216
<u>0</u>	<u>2,442,744</u>
0	1,623,486
0	673,674
<u>0</u>	<u>2,297,160</u>
0	1,566
0	72,537
236,602	250,502
0	7,608
<u>236,602</u>	<u>332,213</u>
0	62,589
0	1,268
<u>0</u>	<u>63,857</u>
<u>0</u>	<u>1,416</u>

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

STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)
 AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 FUNDING

Year Ended August 31, 2010

	<u>General Fund</u>	<u>Depreciation</u>	<u>Lunch</u>
ESEA Title I, Part A:			
Salaries	2,706	0	0
Employee benefits	460	0	0
Purchased services	3,750	0	0
Supplies and materials	81,165	0	0
Capital outlay	31,148	0	0
Other expenses	449	0	0
Total	<u>119,678</u>	<u>0</u>	<u>0</u>
ESEA Title II, Part D Technology:			
Salaries	5,625	0	0
Employee benefits	958	0	0
Supplies and materials	26,707	0	0
Total	<u>33,290</u>	<u>0</u>	<u>0</u>
McKinney-Vento Homeless Education:			
Salaries	2,701	0	0
Employee benefits	471	0	0
Supplies and materials	3,867	0	0
Other expenses	3,052	0	0
Total	<u>10,091</u>	<u>0</u>	<u>0</u>
School Lunch Equipment:			
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>
 TOTAL DISBURSEMENTS	 <u>2,607,203</u>	 <u>13,900</u>	 <u>0</u>
RECEIPTS OVER (UNDER)			
DISBURSEMENTS	<u>(217,675)</u>	<u>(13,900)</u>	<u>53,216</u>

See accompanying notes.

Special Building	Total Governmental Funds
0	2,706
0	460
0	3,750
0	81,165
0	31,148
0	449
<u>0</u>	<u>119,678</u>
0	5,625
0	958
<u>0</u>	<u>26,707</u>
<u>0</u>	<u>33,290</u>
0	2,701
0	471
0	3,867
<u>0</u>	<u>3,052</u>
<u>0</u>	<u>10,091</u>
<u>0</u>	<u>0</u>
<u>236,602</u>	<u>2,857,705</u>
<u><u>(236,602)</u></u>	<u><u>(414,961)</u></u>

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

STATEMENT OF NET ASSETS - CASH BASIS
FIDUCIARY FUND

August 31, 2010

	<u>Activities Funds</u>
ASSETS:	
Cash	295,984
 NET ASSETS	 295,984

STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS
FIDUCIARY FUND

Year Ended August 31, 2010

ADDITIONS:	
Activity receipts	806,294
Transfer from general fund	65,599
TOTAL ADDITIONS	871,893
 DEDUCTIONS:	
Activity disbursements	819,462
 CHANGES IN NET ASSETS	 52,431
 Net assets - beginning	 243,553
 NET ASSETS - ENDING	 295,984

See accompanying notes.

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

NOTES TO FINANCIAL STATEMENTS

August 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government

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

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

Reporting Entity

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

Basis of Accounting

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

(Continued on next page)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

(Continued on next page)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

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

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

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

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

Governmental Fund Types:

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

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

(Continued on next page)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types (Continued)

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

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

Capital Projects Funds:

Special Building Fund - This fund accounts for taxes levied that are specifically reserved for future building and improvement purchases and is reported as a major fund.

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

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

Proprietary Fund Types:

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

Fiduciary Fund Types:

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

(Continued on next page)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Amounts

Equity

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

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

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

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

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

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

Receipts

The District receives significant federal and state funding from the State of Nebraska in the general fund. They comprise 79% of the general fund receipts.

Expenditures

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

(Continued on next page)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2010

NOTE 2: INTERFUND BALANCES AND ACTIVITY

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

<u>Transfers Out:</u>	Transfer In			
<u>Activity</u>	<u>Depreciation</u>	<u>Nonmajor</u>	<u>Total</u>	
<u>Fund</u>	<u>Fund</u>	<u>Funds</u>		
General	65,599	1,940,954	162,010	2,168,563

NOTE 3: CUSTODIAL CREDIT RISK – DEPOSITS - State law requires that all funds held in depositories be fully insured or collateralized. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned.

NOTE 4: RESTRICTED CASH – The Special Building Fund and Debt Service Funds have restricted cash and cash with county treasurer in the amount of \$280,360 and \$905,022 respectively.

NOTE 5: PROPERTY TAXES

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

(Continued on next page)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2010

NOTE 6: RETIREMENT PLAN

Plan Description

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

Funding Policy

Plan members were required to contribute 7.28%, 7.28% and 8.28% of their annual covered salary for the years ended August 31, 2008, 2009, and 2010 respectively. The District is required to contribute 101% of the employee contribution. The contribution requirements of plan members and the District are established by the Nebraska statutes. The District's contributions to NSERS for the years ending August 31, 2008, 2009 and 2010, were \$1,052,450, \$1,136,524, and \$1,324,670 respectively, equal to the required contributions for each year.

NOTE 7: RISK MANAGEMENT

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

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

The District has not paid any additional assessments to the pool in the last three fiscal years and no assessments are anticipated for the fiscal year 2011. The District has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

(Continued on next page)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2010

NOTE 8: COMMITMENTS AND CONTINGENCIES

Capital Leases

The following is an analysis of capital leases as of August 31, 2010:

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

Bonds Payable

The following is a summary of the general obligation indebtedness for Lexington Public Schools, School District No. 1, Dawson County, Nebraska, for the year ended August 31, 2010:

<u>Description</u>	<u>Balance at September 1, 2009</u>	<u>Issued (Retired)</u>	<u>Balance at August 31, 2010</u>
Date issued: August 1, 2002 Dates due: August 31, 2004 through August 31, 2016 Interest: 2.9% to 5.0%			
Original issue: 9,145,000	<u>4,970,000</u>	<u>(4,970,000)</u>	<u>0</u>
Date issued: September 3, 2009 Dates due: August 31, 2010 through August 31, 2016 Interest: .75% to 2.8%			
Original issue: 4,475,000	<u>0</u>	<u>4,475,000</u> <u>(80,000)</u>	<u>4,395,000</u>

Interest expense on bonds was \$126,495.

(Continued on next page)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2010

NOTE 8: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Note Payable

<u>Description</u>	Balance at September 1, <u>2009</u>	Note Payments	Balance at August 31, <u>2010</u>
Nebraska Energy Office			
Date of note: June 1, 1997			
Due date: June 1, 2011			
Interest: none			
Security: Energy equipment/materials			
Semi-annual payments: \$3,072	12,288	<u>6,144</u>	<u>6,144</u>
Future maturities for the above bonds and note are as follows:			

<u>Year Ended</u> <u>August 31,</u>	<u>Bond</u> <u>Principal</u>	<u>Note</u> <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	760,000	6,144	80,633	846,777
2012	780,000		70,418	850,418
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
TOTAL	<u>4,395,000</u>	<u>6,144</u>	<u>280,180</u>	<u>4,681,324</u>

Operating Leases

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

<u>Starting Date</u>	<u>Expiration</u> <u>Date</u>	<u>Payments</u>
February, 2007	January, 2012	10,024 monthly
July, 2010	June, 2015	120,282 yearly

(Continued on next page)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2010

NOTE 8: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases (Continued)

Minimum future lease payments under these noncancellable operating leases as of August 31, 2010, for each of the next three years and in the aggregate are:

<u>Year Ending August 31,</u>	<u>Amount</u>
2011	240,567
2012	101,209
2013	51,090
2014	<u>51,090</u>
Total	<u>443,956</u>

Rent expense for the year ended August 31, 2010, was \$242,941

Nebraska Unemployment Insurance Program – The District has elected under the Nebraska Unemployment Insurance Program to be a "reimbursable employer". Accordingly, the School District is liable for payments to reimburse the state unemployment agency for benefits paid to former employees. The maximum payment to reimburse the state unemployment agency under current statute would not exceed \$8,268 (26 weeks @ \$318 per week) per claimant.

Federal and State Award Programs

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

Construction Commitments

The District has the following commitments with respect to construction projects as of August 31, 2010:

<u>Project</u>	<u>Remaining Commitment</u>
Opportunity Center project	32,575
Pershing Elementary project	7,890

REQUIRED
SUPPLEMENTARY INFORMATION

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND

Year Ended August 31, 2010

	Original/Final Budget	Actual
Total available resources before property taxes	35,877,332	35,074,248
Total real/personal property tax	6,033,129	6,376,435
Total disbursements	(34,268,410)	(31,210,599)
Necessary cash reserve	7,642,051	10,240,084

BUDGETARY COMPARISON SCHEDULE - CASH BASIS
DEPRECIATION FUND

Year Ended August 31, 2010

	Original/Final Budget	Actual
Total available resources before property taxes	2,960,599	3,946,010
Total real/personal property tax	0	0
Total disbursements	(2,960,599)	(962,067)
Necessary cash reserve	0	2,983,943

See accompanying notes to budgetary comparison schedules.

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS
SPECIAL BUILDING FUND

Year Ended August 31, 2010

	Original/Final Budget	Actual
Total available resources before property taxes	1,960,974	1,439,771
Total real/personal property tax	51,045	50,598
Total disbursements	(2,012,019)	(1,230,092)
Necessary cash reserve	0	260,277

BUDGETARY COMPARISON SCHEDULE - CASH BASIS
LPS BUILDING CORPORATION FUND

Year Ended August 31, 2010

	Original/Final Budget	Actual
Total available resources before property taxes	0	2,015,530
Total real/personal property tax	0	0
Total disbursements	0	(1,534,668)
Necessary cash reserve	0	480,862

See accompanying notes to budgetary comparison schedules.

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

NOTES TO BUDGETARY COMPARISON SCHEDULES

August 31, 2010

BUDGET PROCESS AND PROPERTY TAXES

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

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

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

SINGLE AUDIT SECTION

LEXINGTON PUBLIC SCHOOLS
SCHOOL DISTRICT NO. 1, DAWSON COUNTY, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	<u>Expenditures</u>
<u>U. S. Department of Agriculture:</u>		
Passed through Nebraska Department of Education:		
Cluster Programs:		
National School Lunch Program	10.555	1,058,888
Summer Food Services Program	10.559	36,273
Total Cluster Program		1,095,161
Passed through Nebraska Department of Education:		
Fruit and Vegetable Program	10.582	24,593
Passed through Nebraska Department of Social Services:		
Food Donation Program	10.550	70,196
Total Department of Agriculture		1,189,950
<u>U. S. Department of Education:</u>		
Migrant Even Start	84.214	422,570
Passed through Educational Service Unit 10:		
Title II, Part A	84.367	19,950
Passed through Educational Service Unit 8:		
Title II, Part B	84.366	1,504
Passed through Nebraska Department of Education:		
Title I, Part A Cluster:		
Title I, Part A	84.010	943,073
ARRA - Title I, Part A	84.389A	119,678
		1,062,751
Educational Technology State Grants Cluster:		
Title II, Part D	84.318	8,429
ARRA -Title II, Part D	84.386	33,290
		41,719
Education of Homeless Children and Youth Cluster:		
Homeless Grant	84.196	6,027
ARRA -McKinney-Vento Homeless Education	84.387	10,091
		16,118

(Continued on next page)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended August 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	<u>Expenditures</u>
<u>U. S. Department of Education (Continued):</u>		
Passed through Nebraska Department of Education (Continued):		
IDEA Cluster:		
IDEA Base	84.027	143,545
IDEA Enrollment/Poverty	84.027	525,355
IDEA Base Preschool	84.173	10,946
IDEA Part B Special Projects	84.027	5,159
ARRA - IDEA Part B (Section 611)	84.391	396,070
ARRA - IDEA Part B - Early Intervening Services	84.392	72,301
ARRA - IDEA Part C Special Projects	84.393	1,416
		<u>1,154,792</u>
Title I - Part C (Migrant)	84.011	513,710
Career/Technical Education - Basic Grants	84.048	28,032
Safe and Drug Free Schools	84.186	15,775
Even Start Grant	84.213	5,386
21st Century After School Learning Center	84.287	243,792
Title III	84.365	63,451
Title II, Part A	84.367	82,275
ARRA - State Fiscal Stabilization Funds-TEEOSA Aid (Poverty)	84.394	2,297,160
		<u>3,249,581</u>
Total Department of Education		<u>5,968,985</u>
<u>U. S. Department of Health and Human Services:</u>		
Passed through Nebraska Association of School Boards:		
Medical Administrative Outreach	93.778	467,735
Passed through Nebraska Department of Health & Human Services:		
Medicaid in Public Schools	93.778	24,417
		<u>492,152</u>
Total Department of Health and Human Services		<u>492,152</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		7,651,087

See accompanying notes to schedule of expenditures of federal awards

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2010

NOTE A: BASIS OF PRESENTATION

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

NOTE B: REPORTING ENTITY

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

NOTE C: PASS THROUGH AWARDS

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

NOTE D: FOOD DISTRIBUTION

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

NOTE E: CONTINGENCIES

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



CONTRYMAN ASSOCIATES, P.C.

Certified Public Accountants

615 West 1st Street
P.O. Box 700
Grand Island NE 68802
308-382-5720
Fax: 308-382-5945

2215 West 12th Street
P.O. Box 2026
Hastings NE 68902
402-463-6711
Fax: 402-463-6713

707 East Pacific
P.O. Drawer H
Lexington NE 68850
308-324-2368
Fax: 308-324-2360

315 West 60th, Suite 500
P.O. Box 1746
Kearney NE 68848
308-237-5930
Fax: 308-234-4410

1001 West 27th Street
P.O. Box 2246
Scottsbluff NE 69363
308-635-7705
Fax: 308-635-0599

1611 16th Street
P.O. Box 191
Central City NE 68826
308-946-3870
Fax: 308-946-3870

826 G Street
Geneva, NE 68361
402-759-4342
Fax: 402-759-4342

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

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

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information as well as the combining nonmajor funds and ARRA statements of Lexington Public Schools, School District No. 1, Dawson County, Nebraska, as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the financial statements differed from the standard report because the District's financial statements were prepared on the cash basis of accounting (which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America).

Internal Control Over Financial Reporting

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

A 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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily to identify all deficiencies in the 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.

Compliance and Other Matters

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

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

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

November 2, 2010

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2010

SECTION I-SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:	Name of Federal Program or Cluster
CFDA Number	
10.555	National School Lunch Program
10.559	Summer Food Service Program
84.010 & 84.389 ARRA	Title I, Part A
84.011	Title I, Part C - Migrant
84.027, 84.173 & 84.391 ARRA, 84.392 ARRA, 84.393 ARRA	IDEA, Part B, Preschool and Special Projects
84.214	Migrant Even Start Program
84.394 ARRA	State Fiscal Stabilization Funds
93.778	Medical Assistance Program

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended August 31, 2010

SECTION II-FINANCIAL STATEMENT FINDINGS

Current Year – None

Prior Year - None

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year – None

Prior Year - None



CONTRYMAN ASSOCIATES, P.C.

Certified Public Accountants

615 West 1st Street
P.O. Box 700
Grand Island NE 68802
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2215 West 12th Street
P.O. Box 2026
Hastings NE 68902
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P.O. Box 1746
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P.O. Box 2246
Scottsbluff NE 69363
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Geneva, NE 68361
402-759-4342
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Lexington Public Schools, School District No. 1's compliance with types of compliance requirements describe in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major programs for the year ended August 31, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Lexington Public Schools complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010.


Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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


Certified Public Accountants
Lexington, Nebraska

November 2, 2010