

LEXINGTON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND  
COMPLIANCE REPORT

FOR THE YEAR ENDED  
AUGUST 31, 2015



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2015

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditor’s Report	2
Management's Discussion and Analysis	5
 <b><u>Basic Financial Statements</u></b>	
Government-Wide Statements:	
A-1 Statement of Net Position	12
B-1 Statement of Activities	13
Governmental Fund Financial Statements:	
C-1 Balance Sheet	15
C-1R Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
C-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	17
C-2R Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	19
Proprietary Fund Financial Statements:	
D-1 Statement of Net Position	20
D-2 Statement of Activities	21
D-3 Statement of Cash Flows	22
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	23
E-2 Statement of Changes in Fiduciary Fund Net Position	24
Notes to the Financial Statements	25
 <b><u>Required Supplementary Information</u></b>	
G-1 Schedule of the District’s Proportionate Share of the Net Pension Liability – Teacher Retirement System	48
G-2 Schedule of District Contributions – Teacher Retirement System	49
Notes to Required Supplementary Information	50
 <b><u>Combining Schedules as Supplementary Information</u></b>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet – Nonmajor Governmental Funds	51
H-2 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	53

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2015

TABLE OF CONTENTS  
(continued)

**Other Supplementary Information Section**

J-1	Schedule of Delinquent Taxes	55
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Fund	57
J-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Debt Service Fund	58
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
	Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	61
K-1	Schedule of Expenditures of Federal Awards	63
	Notes to Schedule of Expenditures of Federal Awards	64
	Schedule of Findings and Questioned Costs	
	Section I: Summary of Auditor's Results	65
	Section II: Financial Statement Findings	66
	Section III: Federal Awards Findings and Questioned Costs	66
L-1	Schedule of Required Responses to Selected School First Indicators	67

CERTIFICATE OF BOARD

Lexington Independent School District  
Name of School District

Lee  
County

144-902  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended August 31, 2015, at a meeting of the Board of Trustees of such school district on the 18<sup>th</sup> day of January, 2016.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)



UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY  
REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION INCLUDING THE  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

To the Board of Trustees of  
Lexington Independent School District

**Report on the Financial Statements**

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 Independent School District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Independent School District as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

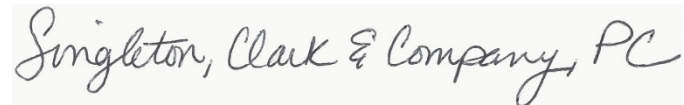
### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lexington Independent School District's basic financial statements. The combining schedules, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 on our consideration of Lexington Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lexington Independent School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, P.C.  
Cedar Park, Texas

November 20, 2015

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Lexington Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's net position for governmental activities increased by \$191,339 as a result of this year's operations, but declined by a prior period adjustment of \$891,884 resulting from GASB 68 and net pension liability recording, to end at \$8,636,210. Net position for business-type activities decreased by \$4,525 to end at \$9,583.
- The General Fund of the District reported a fund balance increase of \$409,474 for the year, to end at \$2,811,527.
- Total Governmental Funds of the District (the General Fund plus all Special Revenue Funds, Capital Project Funds, and the Debt Service Fund) reported an overall fund balance increase of \$7,214,947, to end at \$9,952,169.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Combining Schedules as Supplementary Information section contains even more information about the District's individual nonmajor funds. This information is not required by TEA, but is included for its usefulness. The Other Supplementary Information Section includes TEA Required Schedules and information required by federal monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2015

## Reporting the District as a Whole

### *The Statement of Net Position and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by the State of Texas in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, school districts are divided into two kinds of activities:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2015

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education in order to display separate accountability. The District's administration establishes many other funds to help it control and manage money for particular purposes (such as for campus activities). School districts use two different kinds of funds for operations, governmental and proprietary, which use different accounting approaches.

- A school district will use *governmental funds* to account for basic services. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the District). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a District's other programs and activities, such as a District's self-insurance programs.

## The District as Trustee

### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary fund financial statements. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2015

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis focuses on the net position (Table I below) and changes in net position (Table II below) of the District's governmental activities and business-type activities.

Net position of the District's governmental activities decreased from \$9,336,755 to \$8,636,210, which is a change of \$700,545. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$2,243,461 at August 31, 2015. The decrease in governmental net position was primarily due to the prior period adjustment related to the implementation of GASB 68 and the net pension liability recording. More information regarding the decrease is presented in the paragraph following Table II on the next page.

**Table I**  
**LEXINGTON INDEPENDENT SCHOOL DISTRICT**  
**NET POSITION**

	Governmental Activities 2015	Governmental Activities 2014	Change	Business- Type Activities 2015	Business- Type Activities 2014	Change
Current & other assets	\$ 10,734,159	\$ 3,484,216	\$ 7,249,943	\$ 9,583	\$ 14,108	\$ (4,525)
Capital assets	9,169,355	9,279,056	(109,701)	-	-	-
Deferred outflows	333,460	-	333,460	-	-	-
<b>Total assets</b>	<b>20,236,974</b>	<b>12,763,272</b>	<b>7,473,702</b>	<b>9,583</b>	<b>14,108</b>	<b>(4,525)</b>
Current liabilities	650,667	338,348	312,319	-	-	-
Long-term liabilities	10,709,295	3,088,169	7,621,126	-	-	-
Deferred inflows	240,802	-	240,802	-	-	-
<b>Total liabilities</b>	<b>11,600,764</b>	<b>3,426,517</b>	<b>8,174,247</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Position:						
Net investment in capital assets	6,179,484	6,190,887	(11,403)	-	-	-
Restricted	213,265	299,020	(85,755)	-	-	-
Unrestricted	2,243,461	2,846,848	(603,387)	9,583	14,108	(4,525)
<b>Total net position</b>	<b>\$ 8,636,210</b>	<b>\$ 9,336,755</b>	<b>\$ (700,545)</b>	<b>\$ 9,583</b>	<b>\$ 14,108</b>	<b>\$ (4,525)</b>

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2015

**Table II**  
**LEXINGTON INDEPENDENT SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**

	Governmental Activities 2015	Governmental Activities 2014	Change	Business- Type Activities 2015	Business- Type Activities 2014	Change
Revenues:						
Program Revenues:						
Charges for services	\$ 362,735	\$ 275,769	\$ 86,966	\$ 46,167	\$ 52,602	\$ (6,435)
Operating grants & contributions	1,062,301	1,159,117	(96,816)	-	-	-
General Revenues:						
Maintenance & operations taxes	4,005,897	3,457,179	548,718	-	-	-
Debt service taxes	312,788	260,132	52,656	-	-	-
State aid - formula grants	4,302,619	4,061,417	241,202	-	-	-
Grants & contributions not restr.	55,859	57,225	(1,366)	-	-	-
Investment earnings	61,799	31,022	30,777	-	-	-
Miscellaneous	31,116	104,462	(73,346)	-	-	-
Total Revenue	10,195,114	9,406,323	788,791	46,167	52,602	(6,435)
Expenses:						
Instruction	5,140,256	5,112,733	27,523	-	-	-
Instr. resources & media services	184,745	176,648	8,097	-	-	-
Curriculum and staff development	96,651	72,074	24,577	-	-	-
Instructional leadership	144,513	57,192	87,321	-	-	-
School leadership	383,474	487,286	(103,812)	-	-	-
Guidance/counseling services	281,072	222,399	58,673	-	-	-
Health services	64,742	61,741	3,001	-	-	-
Student transportation	326,615	356,353	(29,738)	-	-	-
Food services	527,112	514,054	13,058	-	-	-
Cocurricular/extracurricular act.	537,576	510,235	27,341	-	-	-
General administration	513,092	424,201	88,891	-	-	-
Plant maintenance and operations	1,115,609	1,427,667	(312,058)	-	-	-
Security and monitoring services	24,829	13,100	11,729	-	-	-
Data processing services	188,027	150,254	37,773	-	-	-
Community services	21,148	19,910	1,238	-	-	-
Debt service	316,949	128,784	188,165	-	-	-
Other intergovernmental charges	137,365	117,239	20,126	-	-	-
Business-type activities	-	-	-	50,692	52,015	(1,323)
Total Expenses	10,003,775	9,851,870	151,905	50,692	52,015	(1,323)
Gain (Loss) on sale of assets	-	5,535	(5,535)	-	-	-
Insurance Recovery	-	1,475,900	(1,475,900)	-	-	-
Change in net position	191,339	1,035,888	(844,549)	(4,525)	587	(5,112)
Net position at 9/1/14 and 9/1/13	9,336,755	8,300,867	1,035,888	14,108	13,521	587
Prior period adjustment	(891,884)	-	(891,884)	-	-	-
Net position at 8/31/15 and 8/31/14	\$ 8,636,210	\$ 9,336,755	\$ (700,545)	\$ 9,583	\$ 14,108	\$ (4,525)

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2015

**THE DISTRICT'S FUNDS**

As the District completed this annual period, the General Fund reported a fund balance of \$2,811,527, which is \$409,474 more than last year's total of \$2,402,053. The increase in fund balance is mainly attributable to greater than expected revenue and significantly lower than appropriated expenditures during the year.

The District's Capital Projects Fund reported a fund balance of \$6,813,514 as of year end. This fund experienced a significant increase in ending fund balance related to capital related debt issued during the year. These resources will be used for the construction of new District facilities.

The District's other governmental funds reported a fund balance of \$327,128 as compared to \$335,169 in 2014, which is \$8,041 less than the previous year. This change relates primarily to lower than expected revenues in the Child Nutrition Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These amendments involved moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. None of the amendments were considered significant.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of August 31, 2015, the District had \$9,169,335 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. A summary of the ending balances of capital assets by major category for both 2015 and 2014 is as follows:

	Governmental Activities 2015	Governmental Activities 2014	Change
Land	\$ 276,800	\$ 276,800	\$ -
Buildings	13,812,221	13,812,221	-
Furniture and Equipment	2,881,948	2,742,558	139,390
Construction in Progress	241,664	-	241,664
Total	<u>17,212,633</u>	<u>16,831,579</u>	<u>381,054</u>
Less Accumulated Depreciation	<u>(8,043,278)</u>	<u>(7,552,523)</u>	<u>(490,755)</u>
Capital assets, net of depreciation	<u>\$ 9,169,355</u>	<u>\$ 9,279,056</u>	<u>\$ (109,701)</u>

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2015

**Debt**

At year-end, the District had \$10,709,295 in bonds, net pension liability, and other long-term debt outstanding versus \$3,875,354 last year. The increase is primarily attributable to the District's issuance of bonds during the year for capital projects. A summary of the ending balances of long-term debt by type for both 2015 and 2014 is as follows:

	Governmental Activities 2015	Governmental Activities 2014	Change
General Obligation Bonds	\$ 9,726,077	\$ 2,765,000	\$ 6,961,077
Capital Leases Payable	77,308	169,902	(92,594)
Net Pension Liability	905,910	940,452	(34,542)
Total	<u>\$ 10,709,295</u>	<u>\$ 3,875,354</u>	<u>\$ 6,833,941</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the fiscal year 2015-2016 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. A steadily increasing enrollment population, coupled with a moderate increase in property values, has led to a General Fund budget of \$8.5 million for the 2015-2016 fiscal year. The budget increased from 2014-2015 to 2015-2016 by approximately \$200 thousand, a direct result from increased average daily attendance, which generates more state revenues.

For the 2015-2016 budget year, the District has held constant its maintenance and operations tax rate at \$1.04 per hundred of taxable value. The District has the capability to call a tax ratification election which could authorize up to \$1.17 cents for maintenance and operations. The District has no current plans to call a tax ratification election. The District adopted a debt service tax rate of \$.18 for the 2015-2016 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2015-2016 budget year is \$1.22 per hundred of taxable value.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Lexington Independent School District, 8731 N. Hwy 77, Lexington, Texas 78947, or by calling (979) 773-2254.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2015

Data Control Codes	Primary Government			
	1 Governmental Activities	2 Business-Type Activities	3 Total	
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 8,010,352	\$ 9,333	\$ 8,019,685
1120	Current Investments	1,677,580	250	1,677,830
1225	Property Taxes Receivable (net)	241,725	-	241,725
1240	Due from Other Governments	611,041	-	611,041
1290	Other Receivables, net	95,756	-	95,756
1300	Inventories	13,368	-	13,368
1410	Deferred Expenditures or Expenses	6,533	-	6,533
	Capital Assets:			
1510	Land	276,800	-	276,800
1520	Buildings and Improvements, Net	7,634,293	-	7,634,293
1530	Furniture and Equipment, Net	1,016,598	-	1,016,598
1580	Construction in Progress	241,664	-	241,664
1800	Restricted Assets	77,804	-	77,804
1000	Total Assets	<u>19,903,514</u>	<u>9,583</u>	<u>19,913,097</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
1705	Deferred Outflows-Pension	333,460	-	333,460
	Total Deferred Outflows of Resources	<u>333,460</u>	<u>-</u>	<u>333,460</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	26,351	-	26,351
2140	Interest Payable	234,637	-	234,637
2150	Payroll Deductions & Withholdings	896	-	896
2160	Accrued Wages Payable	300,611	-	300,611
2180	Due to Other Governments	26,191	-	26,191
2200	Accrued Expenses	61,981	-	61,981
	Noncurrent Liabilities:			
2501	Bonds, Loans & Other Payable-Due Within One Year	287,308	-	287,308
2502	Bonds Payable - Due in More than One Year	8,630,000	-	8,630,000
2516	Unamortized Premium (Discount) on Bonds	886,077	-	886,077
2530	Other Long-Term Debt - Due in More than One Year	118,725	-	118,725
2540	Net Pension Liability	787,185	-	787,185
2000	Total Liabilities	<u>11,359,962</u>	<u>-</u>	<u>11,359,962</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2605	Deferred Inflows-Pension	240,802	-	240,802
	Total Deferred Inflows of Resources	<u>240,802</u>	<u>-</u>	<u>240,802</u>
<b>NET POSITION</b>				
3200	Net Investment in Capital Assets	6,179,484	-	6,179,484
	Restricted for:			
3820	Federal & State Programs	786	-	786
3850	Debt Service	212,479	-	212,479
3900	Unrestricted	2,243,461	9,583	2,253,044
3000	Total Net Position	<u>\$ 8,636,210</u>	<u>\$ 9,583</u>	<u>\$ 8,645,793</u>

The notes to the financial statements are an integral part of this statement.



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Rev. & Changes in Net Position
		3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 5,140,256	\$ 71,886	\$ 852,611	\$ (4,215,759)
12 Instructional Resources & Media Services	184,745	-	25,871	(158,874)
13 Curriculum & Staff Development	96,651	-	3,168	(93,483)
21 Instructional Leadership	144,513	-	51,239	(93,274)
23 School Leadership	383,474	-	21,062	(362,412)
31 Guidance/Counseling/Evaluation Services	281,072	-	14,463	(266,609)
33 Health Services	64,742	-	3,837	(60,905)
34 Student Transportation	326,615	-	18,527	(308,088)
35 Food Services	527,112	185,768	12,305	(329,039)
36 Extracurricular Activities	537,576	105,081	14,185	(418,310)
41 General Administration	513,092	-	14,682	(498,410)
51 Plant Maintenance and Operations	1,115,609	-	18,275	(1,097,334)
52 Security and Monitoring Services	24,829	-	-	(24,829)
53 Data Processing Services	188,027	-	10,919	(177,108)
61 Community Services	21,148	-	1,157	(19,991)
72 Interest on Long-Term Debt	313,449	-	-	(313,449)
73 Bond Issuance Cost & Fees	3,500	-	-	(3,500)
99 Other Intergovernmental Charges	137,365	-	-	(137,365)
TG Total Governmental Activities:	<u>10,003,775</u>	<u>362,735</u>	<u>1,062,301</u>	<u>(8,578,739)</u>
BUSINESS-TYPE ACTIVITIES:				
01 Enterprise Fund - Concession Stand Fund	50,692	46,167	-	-
TB Total Business-Type Activities:	<u>50,692</u>	<u>46,167</u>	<u>-</u>	<u>-</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 10,054,467</u>	<u>\$ 408,902</u>	<u>\$ 1,062,301</u>	<u>(8,578,739)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				4,005,897
DT Property Taxes, Levied for Debt Service				312,788
SF State Aid - Formula Grants				4,302,619
GC Grants and Contributions, not Restricted				55,859
IE Investment Earnings				61,799
MI Miscellaneous Local and Intermediate Revenue				31,116
Total General Revenues				<u>8,770,078</u>
CN Change in Net Position				191,339
NB Net Position -- Beginning				9,336,755
PA Prior Period Adjustment Required by GASB 68				(891,884)
NE Net Position -- Ending				<u>\$ 8,636,210</u>

The notes to the financial statements are an integral part of this statement.

	7	8
Business-Type Activities		Total
\$	-	\$ (4,215,759)
	-	(158,874)
	-	(93,483)
	-	(93,274)
	-	(362,412)
	-	(266,609)
	-	(60,905)
	-	(308,088)
	-	(329,039)
	-	(418,310)
	-	(498,410)
	-	(1,097,334)
	-	(24,829)
	-	(177,108)
	-	(19,991)
	-	(313,449)
	-	(3,500)
	-	(137,365)
	-	(8,578,739)
	(4,525)	(4,525)
	(4,525)	(4,525)
	(4,525)	(8,583,264)
	-	4,005,897
	-	312,788
	-	4,302,619
	-	55,859
	-	61,799
	-	31,116
	-	8,770,078
	(4,525)	186,814
	14,108	9,350,863
	-	(891,884)
\$	9,583	\$ 8,645,793

FUND BASIS FINANCIAL STATEMENTS

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2015

Data	10	60	98		
Control	General	Capital	Other	Total	
Codes	Fund	Projects Fund	Funds	Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 870,964	\$ 6,728,204	\$ 296,017	\$ 7,895,185
1120	Investments - Current	1,677,140	-	440	1,677,580
1220	Property Taxes - Delinquent	249,988	-	18,595	268,583
1230	Allowance for Uncollectible Taxes (Credit)	(24,999)	-	(1,859)	(26,858)
1240	Due from Other Governments	454,024	-	157,017	611,041
1260	Due from Other Funds	182,232	89,077	-	271,309
1290	Other Receivables	95,756	-	-	95,756
1310	Inventories	13,368	-	-	13,368
1410	Deferred Expenditures	6,533	-	-	6,533
1800	Restricted Assets	-	-	77,804	77,804
1000A	Total Assets	<u>\$ 3,525,006</u>	<u>\$ 6,817,281</u>	<u>\$ 548,014</u>	<u>\$ 10,890,301</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 12,779	\$ -	\$ 13,572	\$ 26,351
2150	Payroll Ded. and Withholdings Payable	896	-	-	896
2160	Accrued Wages Payable	291,856	-	8,755	300,611
2170	Due to Other Funds	182,959	-	155,633	338,592
2180	Due to Other Governments	-	-	26,191	26,191
2200	Accrued Expenditures	-	3,767	-	3,767
2000	Total Liabilities	<u>488,490</u>	<u>3,767</u>	<u>204,151</u>	<u>696,408</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2600	Deferred Inflows	224,989	-	16,735	241,724
	Total Deferred Inflows of Resources	<u>224,989</u>	<u>-</u>	<u>16,735</u>	<u>241,724</u>
<b>FUND BALANCES</b>					
Restricted for:					
3450	Federal or State Funds Restricted	-	-	786	786
3480	Retirement of Long-Term Debt	-	-	195,744	195,744
3490	Other Restricted Fund Balance	-	-	74,003	74,003
Committed for:					
3540	Self Insurance	76,682	-	-	76,682
Assigned for:					
3590	Other Assigned Fund Balance	-	-	56,595	56,595
3600	Unassigned Fund Balance	2,734,845	6,813,514	-	9,548,359
3000	Total Fund Balances	<u>2,811,527</u>	<u>6,813,514</u>	<u>327,128</u>	<u>9,952,169</u>
4000	Total Liab., Def. Inflows, and Fund Balances	<u>\$ 3,525,006</u>	<u>\$ 6,817,281</u>	<u>\$ 548,014</u>	<u>\$ 10,890,301</u>

The notes to the financial statements are an integral part of this statement.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2015

	1
<b>Total Fund Balances - Governmental Funds</b>	\$ 9,952,169
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. The effect of this consolidation is to increase net position.	124,236
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of recording the beginning of the year value of \$16,831,579 for capital assets and \$7,552,523 for accumulated depreciation to the Statement of Net Position was an increase in net position.	9,279,056
3 Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Position. The effect of capitalizing current expenditures for capital outlays during the year was an increase in net position.	381,054
4 Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The effect of recording depreciation expense to the Statement of Net Position is a decrease in net position.	(490,755)
5 Long-term debt issued by governmental activities is not a current financial liability and therefore not reported in governmental funds. The effect of recording the beginning of the year value for all long-term debt outstanding is a decrease in net position.	(3,088,169)
6 Long-term debt issued by governmental activities is treated as an inflow of financial resources and not reported as a liability. The effect of recording the long-term debt issued during the year as a liability on the Statement of Net Position is a decrease in net position.	(9,726,077)
7 Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Position. The effect of reducing long-term debt is an increase in net position.	2,892,136
8 Accrued interest related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds. The effect of recording accrued interest is a decrease in net position.	(234,637)
9 Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase in net position.	241,724
10 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability of the Teacher Retirement System of Texas (TRS) through a prior period adjustment as required by GASB 68 in the amount of \$891,884. The current period effect of deferred inflows and deferred outflows is an increase of \$197,357. This amounted overall to a net decrease in Net Position in the amount of \$694,527.	(694,527)
<b>19 Net Position of Governmental Activities</b>	\$ 8,636,210

The notes to the financial statements are an integral part of this statement.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

Data	10	60	98	Total
Control Codes	General Fund	Capital Projects Fund	Other Funds	Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 4,205,679	\$ 33,072	\$ 534,509	\$ 4,773,260
5800 State Program Revenues	4,686,959	-	105,157	4,792,116
5900 Federal Program Revenues	54,199	-	574,464	628,663
5020 Total Revenues	<u>8,946,837</u>	<u>33,072</u>	<u>1,214,130</u>	<u>10,194,039</u>
<b>EXPENDITURES:</b>				
0011 Instruction	4,681,466	-	367,164	5,048,630
0012 Instructional Resources & Media Services	165,078	-	10,476	175,554
0013 Curriculum & Instructional Staff Development	89,929	-	1,914	91,843
0021 Instructional Leadership	108,826	-	28,498	137,324
0023 School Leadership	373,773	-	-	373,773
0031 Guidance, Counseling & Evaluation Services	276,466	-	-	276,466
0033 Health Services	61,521	-	-	61,521
0034 Student (Pupil) Transportation	400,810	-	4,726	405,536
0035 Food Services	-	-	516,303	516,303
0036 Cocurricular/Extracurricular Activities	520,209	-	-	520,209
0041 General Administration	450,291	-	-	450,291
0051 Plant Maintenance and Operations	963,413	-	-	963,413
0052 Security and Monitoring Services	23,594	-	-	23,594
0053 Data Processing Services	176,209	-	2,464	178,673
0061 Community Services	20,096	-	-	20,096
0071 Debt Service - Principal	92,594	-	115,000	207,594
0072 Debt Service - Interest	2,557	-	61,032	63,589
0073 Debt Service - Bond Issuance Costs	-	-	3,500	3,500
0081 Facilities Acquisition and Construction	-	386,173	-	386,173
0099 Other Intergovernmental Charges	130,531	-	-	130,531
6030 Total Expenditures	<u>8,537,363</u>	<u>386,173</u>	<u>1,111,077</u>	<u>10,034,613</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>409,474</u>	<u>(353,101)</u>	<u>103,053</u>	<u>159,426</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital-Related Debt Issued	-	6,280,538	2,559,462	8,840,000
7916 Premium or Discount on Issuance of Bonds	-	886,077	-	886,077
8949 Other (Uses)	-	-	(2,670,556)	(2,670,556)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>7,166,615</u>	<u>(111,094)</u>	<u>7,055,521</u>
1200 Net Change in Fund Balance	409,474	6,813,514	(8,041)	7,214,947
0100 Fund Balance - Beginning	2,402,053	-	335,169	2,737,222
3000 Fund Balance - Ending	<u>\$ 2,811,527</u>	<u>\$ 6,813,514</u>	<u>\$ 327,128</u>	<u>\$ 9,952,169</u>

The notes to the financial statements are an integral part of this statement.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2015

	<b>Total Net Change in Fund Balances – Governmental Funds</b>	\$ 7,214,947
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities. The net effect of this consolidation is to decrease in the change in net position.	(12,046)
2	Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Position. The net effect of capitalizing current expenditures for capital outlays during the year was an increase in the change in net position.	381,054
3	Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The net effect of recording depreciation expense to the Statement of Net Position is a decrease in the change in net position.	(490,755)
4	Long-term debt issued by governmental activities is treated as an inflow of financial resources for the governmental funds but an increase in liabilities on the Statement of Net Position. The net effect of this difference is a decrease in the change in net position.	(9,726,077)
5	Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Position. The net effect of reducing long-term debt is an increase in the change in net position.	2,892,136
6	Accrued interest related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds. The effect of recording accrued interest is a decrease in the change in net position.	(229,304)
7	Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is a decrease in the change in net position.	(35,973)
8	The implementation of GASB 68 required that certain expenditures be de-expended and recorded as Deferred Resource Outflows. These pension related expenditures to the Teacher Retirement System of Texas (TRS) made after the measurement date of 8/31/14 caused the change in the ending net position to increase in the amount of \$270,118. The District's share of the unrecognized Deferred Inflows and Outflows for TRS as of the measurement date had to be amortized. This caused a decrease in the change in net position in the amount of \$72,761. The overall impact of all of these is to increase the change in net position by \$197,357.	197,357
19	<b>Change in Net Position of Governmental Activities</b>	\$ 191,339

The notes to the financial statements are an integral part of this statement.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
<b>REVENUES:</b>				
5700 Local & Intermediate Sources	\$ 3,716,594	\$ 4,106,335	\$ 4,205,679	\$ 99,344
5800 State Program Revenues	4,548,103	4,639,103	4,686,959	47,856
5900 Federal Program Revenues	45,000	48,530	54,199	5,669
5020 Total Revenues	<u>8,309,697</u>	<u>8,793,968</u>	<u>8,946,837</u>	<u>152,869</u>
<b>EXPENDITURES:</b>				
0011 Instruction	4,499,514	4,818,539	4,681,466	137,073
0012 Instructional Resources & Media Services	165,245	169,145	165,078	4,067
0013 Curriculum and Staff Development	64,913	94,213	89,929	4,284
0021 Instructional Leadership	109,177	109,177	108,826	351
0023 School Leadership	385,789	385,789	373,773	12,016
0031 Guidance/Counseling/Evaluation Services	287,164	287,164	276,466	10,698
0033 Health Services	60,923	61,523	61,521	2
0034 Student Transportation	429,252	437,252	400,810	36,442
0036 Extracurricular Activities	554,356	555,856	520,209	35,647
0041 General Administration	401,501	452,251	450,291	1,960
0051 Facilities Maintenance & Operations	926,033	963,533	963,413	120
0052 Security and Monitoring Services	26,300	26,300	23,594	2,706
0053 Data Processing Services	179,959	184,155	176,209	7,946
0061 Community Services	20,356	20,356	20,096	260
Debt Service:				
0071 Principal on Long Term Debt	97,715	95,155	92,594	2,561
0072 Interest on Long Term Debt	-	2,560	2,557	3
Intergovernmental:				
0099 Other Intergovernmental Charges	100,000	131,000	130,531	469
6030 Total Expenditures	<u>8,308,197</u>	<u>8,793,968</u>	<u>8,537,363</u>	<u>256,605</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,500</u>	<u>-</u>	<u>409,474</u>	<u>409,474</u>
1200 Net Change in Fund Balances	1,500	-	409,474	409,474
0100 Fund Balance-September 1 (Beginning)	<u>2,402,053</u>	<u>2,402,053</u>	<u>2,402,053</u>	<u>-</u>
3000 Fund Balance-August 31 (Ending)	<u>\$ 2,403,553</u>	<u>\$ 2,402,053</u>	<u>\$ 2,811,527</u>	<u>\$ 409,474</u>

The notes to the financial statements are an integral part of this statement.



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2015

Data	Business-Type	Governmental	Total
Control	Activities	Activities	Proprietary
Codes	Concession	Internal	Funds
	Stand Fund	Service Fund	
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 9,333	\$ 115,167	\$ 124,500
1120 Investments - Current	250	-	250
1260 Due from Other Funds	-	67,283	67,283
1000 Total Assets	<u>9,583</u>	<u>182,450</u>	<u>192,033</u>
<b>LIABILITIES</b>			
2200 Accrued Expenditures	-	58,214	58,214
2000 Total Liabilities	<u>-</u>	<u>58,214</u>	<u>58,214</u>
<b>NET POSITION</b>			
3900 Unrestricted Net Position	9,583	124,236	133,819
3000 Total Net Position	<u>\$ 9,583</u>	<u>\$ 124,236</u>	<u>\$ 133,819</u>

The notes to the financial statements are an integral part of this statement.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Business-Type Activities Concession Stand Fund	Governmental Activities Internal Service Fund	Total Proprietary Funds
<b>OPERATING REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 46,167	\$ 37,048	\$ 83,215
5020 Total Revenues	46,167	37,048	83,215
<b>OPERATING EXPENSES:</b>			
6100 Payroll Costs	4,683	-	4,683
6300 Supplies and Materials	22,087	-	22,087
6400 Other Operating Costs	23,922	49,094	73,016
6030 Total Expenses	50,692	49,094	99,786
Income (Loss) before Contributions and Transfers	(4,525)	(12,046)	(16,571)
0100 Total Net Position - Beginning	14,108	136,282	150,390
3300 Total Net Position - Ending	\$ 9,583	\$ 124,236	\$ 133,819

The notes to the financial statements are an integral part of this statement.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Business-Type Governmental		Total Proprietary Funds
	Activities Concession Stand Fund	Activities Internal Service Fund	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 46,167	\$ (30,235)	\$ 15,932
Cash Payments to Employees for Services	(4,683)	-	(4,683)
Cash Payments to Suppliers	(22,087)	15,007	(7,080)
Cash Payments for Other Operating Activities	(23,922)	(49,094)	(73,016)
Net Cash provided by (Used for) Operating Activities	<u>(4,525)</u>	<u>(64,322)</u>	<u>(68,847)</u>
<u>Cash Flows from Investing Activities:</u>			
Maturities/(Purchases) of Investments	(250)	-	(250)
Net Cash provided by (Used for) Investing Activities	<u>(250)</u>	<u>-</u>	<u>(250)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,775)	(64,322)	(69,097)
Cash and Cash Equivalents at Beginning of the Year	14,108	179,489	193,597
Cash and Cash Equivalents at the End of the Year:	<u>\$ 9,333</u>	<u>\$ 115,167</u>	<u>\$ 124,500</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss):	\$ (4,525)	\$ (12,046)	\$ (16,571)
Effect of Increases and Decreases in Current Assets and Liabilities:			
(Increase) decrease in Due From Other Funds	-	(67,283)	(67,283)
Increase (decrease) in Accrued Expenses	-	15,007	15,007
Net Cash Provided by (Used for) Operating Activities	<u>\$ (4,525)</u>	<u>\$ (64,322)</u>	<u>\$ (68,847)</u>

The notes to the financial statements are an integral part of this statement.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 AUGUST 31, 2015

Data Control Codes	Private Purpose Trust Fund	Student Activity Funds
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 4,500	\$ 65,204
1000 Total Assets	<u>4,500</u>	<u>65,204</u>
<b>LIABILITIES</b>		
2190 Due to Student Groups	-	65,204
2000 Total Liabilities	<u>-</u>	<u>\$ 65,204</u>
<b>NET POSITION</b>		
3800 Held in Trust	<u>4,500</u>	
3000 Total Net Position	<u>\$ 4,500</u>	

The notes to the financial statements are an integral part of this statement.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Private Purpose Trust Fund
<b>REVENUES:</b>	
5700 Local and Intermediate Sources	\$ 3,500
5020 Total Revenues	<u>3,500</u>
<b>EXPENSES:</b>	
6400 Other Operating Costs	500
6030 Total Expenses	<u>500</u>
1200 Change in Net Position	3,000
0100 Net Position - Beginning	<u>1,500</u>
3000 Net Position - Ending	<u><u>\$ 4,500</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lexington Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

**A. REPORTING ENTITY**

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its *Statement No. 14, The Financial Reporting Entity*. There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Lexington Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from's on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

**D. FUND ACCOUNTING**

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund. For the current year, this fund met the criteria to be reported as a major fund.

The District reports the following major proprietary funds:

Concession Stand Fund - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

Workers' Compensation Internal Service Fund - The District's internal service fund is used to account for and closely monitor its workers' compensation insurance costs.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds - The District accounts for resources restricted, committed, or assigned for specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Permanent Fund - The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs in a permanent fund.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

Fiduciary Funds:

Private Purpose Trust Funds - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District in a private purpose trust fund.

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. Student activity funds are accounted for using an agency fund.

**E. OTHER ACCOUNTING POLICIES**

1. Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. Inventories

The District reports inventories of supplies at weighted average cost for cafeteria food inventory. Supplies are recorded as expenditures when they are consumed.

3. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, unless the straight-line method is not materially different, in which case the straight-line method is used. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense in the year of issuance of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. Vacation and Sick Leave

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. The policy states that if employees retire from the District they shall receive \$25 for each of the first 30 days of unused state leave accrued while employed in the District and \$12.50 for any additional unused state leave accrued while employed in the District. The potential liability from this policy is deemed to be immaterial to the financial statements. It is also the District's policy to pay employees, upon retirement, their current daily rate of pay multiplied by the number of years of service to the District. The accrued liability for this policy at year end was \$118,725.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2015

5. Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-40
Furniture and Equipment	5-30

6. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

*Nonspendable Fund Balance* represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted Fund Balance* represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

*Committed Fund Balance* represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

*Assigned Fund Balance* represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

*Unassigned Fund Balance* represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

#### 7. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 8. 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. During fiscal year 2015, the District purchased commercial insurance to cover general liabilities. Employees of the District were covered during the year by a workers' compensation insurance plan, which is described within Section III of the Notes to the Financial Statements. There were no significant reductions in coverage in the past fiscal year, and no settlements exceeding insurance coverage for each of the past three fiscal years.

#### 9. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a state-wide data base for policy development and funding plans.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2015

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Child Nutrition Fund and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears as Exhibit C-3 and the other two reports are Exhibits J-4 and J-5, respectively.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to the end of each fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to the first day of the fiscal year, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

Fund Balance - Special Revenue Funds	
Appropriated Budget Funds - Child Nutrition	\$ 786
Non-Appropriated Budget Funds - Campus Activity Funds	56,595
Non-Appropriated Budget Funds - Permanent Scholarship Fund	74,003
All Special Revenue Funds	\$ 131,384

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

There were no expenditures reported in excess of appropriations during the year in relation to any of the District's legally adopted budgets.

**C. DEFICIT FUND EQUITY**

The District had no funds with deficit fund equity at year end.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

District Policies and Legal and Contractual Provisions Governing Deposits

The funds of the District must be deposited and invested under terms of a contract, contents of which are set out in Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agency bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$8,089,389 and the bank balance was \$8,347,201. The District's combined deposits were fully insured at all times by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Round Top State Bank, Texas.
- b. The fair market value of collateral pledged to the District, as of the date of the highest combined balance on deposit was \$12,740,350.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$10,765,171. These balances occurred during the month of May 2015.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000.
- e. The amount of unsecured deposits was \$-0-.

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk for Deposits

The District does not invest in securities relating to foreign currencies and therefore has no foreign currency risk.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2015

District Policies and Legal and Contractual Provisions Governing Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Lexington Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2015, Lexington Independent School District had the following investments:

Investment Name	Investment Type	Maturity in Years				Recording Fund
		Less than 1	1-5	6-10	More Than 10	
Round Top State Bank	Certificate of Deposit	\$1,362,293	\$ -	\$ -	\$ -	General Fund
TexStar	Investment Pool	15,086	-	-	-	General Fund
LoneStar	Investment Pool	276,036	-	-	-	General Fund
TexPool	Investment Pool	24,415	-	-	-	General Fund
Total Investments		<u>\$1,677,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Additional policies and contractual provisions governing investments for Lexington Independent School District are specified below:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in the U.S. Government or the State of Texas or its agencies and instrumentalities, commercial paper, corporate bonds, and mutual bond funds to only ones with quality ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2015, the district's investments in TexPool, TexStar, and Lone Star were rated AAAM, AAA, and AAA by Standard & Poor's, respectively.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. However, investments in local government investment pools are excluded from this 5% requirement due to the low-risk nature of the underlying investments within government investment pools.

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments

The District does not invest in securities relating to foreign currencies and therefore has no foreign currency risk relating to investments.

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent and subject to interest if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On June 30<sup>th</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at August 31, 2015, consisted of the following amounts:

	Due From Other Funds	Due To Other Funds
General Fund:		
General Fund	\$ 113,523	\$ 182,960
Special Revenue Funds	66,055	-
Debt Service Fund	2,654	-
Total General Fund	182,232	182,960
Special Revenue Funds:		
General Fund	-	152,978
Total Special Revenue Funds	-	152,978
Debt Service Fund:		
General Fund	-	2,654
Total Debt Service Fund	-	2,654
Capital Projects Fund		
General Fund	89,077	-
Total Capital Projects Fund	89,077	-
Enterprise Funds		
General Fund	67,283	-
Total Enterprise Funds	67,283	-
Grand Total	\$ 338,592	\$ 338,592

Interfund transfers for the year ended August 31, 2015, consisted of the following individual amounts:

The District did not make any interfund transfers for the year ended August 31, 2015.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2015, were as follows:

	Property Taxes (net)	Other Governments	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 224,989	\$ 454,024	\$ 95,756	\$ 774,769
Other Governmental Funds	16,736	157,017	-	173,753
Total - Governmental Activities	\$ 241,725	\$ 611,041	\$ 95,756	\$ 948,522

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

Payables at August 31, 2015, were as follows:

	Accounts Payable	Salaries/ Benefits	Due to Other Govs.	Accrued Expenditures	Total Payables
Governmental Activities:					
General Fund	\$ 12,779	\$ 292,752	\$ -	\$ -	\$ 305,531
Capital Projects Fund	-	-	-	3,767	3,767
Other Governmental Funds	13,572	8,755	26,191	-	48,518
Total - Governmental Activities	<u>\$ 26,351</u>	<u>\$ 301,507</u>	<u>\$ 26,191</u>	<u>\$ 3,767</u>	<u>\$ 357,816</u>

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

	Beginning Balance 9/1/14			Additions	Retirements	Ending Balance 8/31/15
Governmental Activities:						
Land	\$ 276,800	\$ -	\$ -			\$ 276,800
Buildings and Improvements	13,812,221	-	-			13,812,221
Furniture and Equipment	2,742,558	139,390	-			2,881,948
Construction in Progress	-	241,664	-			241,664
Totals at Historical Cost	<u>16,831,579</u>	<u>381,054</u>	<u>-</u>			<u>17,212,633</u>
Less Accumulated Depreciation for:						
Buildings and Improvements	(5,831,603)	(346,325)	-			(6,177,928)
Furniture and Equipment	(1,720,920)	(144,430)	-			(1,865,350)
Total Accumulated Depreciation	<u>(7,552,523)</u>	<u>(490,755)</u>	<u>-</u>			<u>(8,043,278)</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,279,056</u>	<u>\$ (109,701)</u>	<u>\$ -</u>			<u>\$ 9,169,355</u>

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

Depreciation expense was charged to governmental functions as follows:

	Function	Depreciation Allocation
11	Instruction	\$ 264,317
12	Instructional Resources & Media	9,191
13	Curriculum & Staff Development	4,808
21	Instructional Leadership	7,189
23	School Leadership	19,569
31	Guidance/Counseling/Evaluation Services	14,474
33	Health Services	3,221
34	Student Transportation	21,231
35	Food Services	27,031
36	Cocurricular/Extracurricular Activities	27,235
41	General Administration	23,575
51	Plant Maintenance and Operations	50,439
52	Security and Monitoring Services	1,235
53	Data Processing Services	9,354
61	Community Services	1,052
99	Other Intergovernmental Charges	6,834
	Totals	\$ 490,755

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2015

**G. BONDS, NOTES, AND CAPITAL LEASES PAYABLE**

Bonded indebtedness of the District is reflected in the government-wide financial statements. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2015 is as follows:

Description	Interest Rate	Original Issue	Current Year Interest	Outstanding 9/1/14	Additions	Deletions	Outstanding 8/31/15	Due in One Year
<b>Bonds Payable - Principal</b>								
U/L Tax Refunding Bonds - Series 2005- CIBs	2.7-4.65%	\$ 3,104,133	\$ 61,033	\$ 2,765,000	\$ -	\$ (2,765,000)	\$ -	\$ -
U/L Tax School Building and Refunding Bonds, 2015	2.0-4.0%	8,840,000	-	-	8,840,000	-	8,840,000	210,000
<b>Total Bonds Payable - Principal</b>			<b>61,033</b>	<b>2,765,000</b>	<b>8,840,000</b>	<b>(2,765,000)</b>	<b>8,840,000</b>	<b>210,000</b>
<b>Bonds Payable Premium</b>								
U/L Tax School Building and Refunding Bonds, 2015		886,077	-	-	886,077	-	886,077	-
<b>Total Bonds Premium</b>			<b>-</b>	<b>-</b>	<b>886,077</b>	<b>-</b>	<b>886,077</b>	<b>-</b>
<b>Total Bonds Payable</b>			<b>61,033</b>	<b>2,765,000</b>	<b>9,726,077</b>	<b>(2,765,000)</b>	<b>9,726,077</b>	<b>210,000</b>
<b>Capital Leases Payable</b>								
Zion's First National Bank	1.89%	733,959	2,557	169,902	-	(92,594)	77,308	77,308
<b>Total Capital Leases Payable</b>			<b>2,557</b>	<b>169,902</b>	<b>-</b>	<b>(92,594)</b>	<b>77,308</b>	<b>77,308</b>
<b>Other Long-Term Debt</b>								
Compensated Absences			-	153,267	-	(34,542)	118,725	-
Net Pension Liability			-	787,185	-	-	787,185	-
<b>Total Other Long-Term Debt</b>			<b>-</b>	<b>940,452</b>	<b>-</b>	<b>(34,542)</b>	<b>905,910</b>	<b>-</b>
<b>Grand Total Long-Term Debt</b>			<b>\$ 63,590</b>	<b>\$ 3,875,354</b>	<b>\$ 9,726,077</b>	<b>\$ (2,892,136)</b>	<b>\$ 10,709,295</b>	<b>\$ 287,308</b>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2015.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2015

During the year, the District issued \$8.84 million of Unlimited Tax School Building and Refunding Bonds, Series 2015. A portion of the Series 2015 issue was used to refund \$2.65 million of the District's Unlimited Tax Refunding Bonds, Series 2005. The refunding was undertaken to obtain a more favorable interest rate and as a result reduce future debt service payments. The transaction resulted in a decrease in total future debt service payments related to the refunded bonds of \$631,438 and a net present value savings of \$536,545.

**H. DEBT SERVICE REQUIREMENTS – BONDS, NOTES, AND CAPITAL LEASES PAYABLE**

Debt service requirements for bonds are as follows:

Year Ended August 31,	General Obligations		
	Principal	Interest	Total Requirements
2016	\$ 210,000	\$ 414,155	\$ 624,155
2017	335,000	288,600	623,600
2018	340,000	281,850	621,850
2019	350,000	274,950	624,950
2020	355,000	267,900	622,900
2021-2025	1,940,000	1,179,700	3,119,700
2026-2030	2,295,000	808,250	3,103,250
2031-2035	3,015,000	289,025	3,304,025
Totals	<u>\$ 8,840,000</u>	<u>\$ 3,804,430</u>	<u>\$ 12,644,430</u>

Debt service requirements for notes payable and capital leases are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2016	\$ 77,308	\$ 795	\$ 78,103
	<u>\$ 77,308</u>	<u>\$ 795</u>	<u>\$ 78,103</u>

**I. DEFINED BENEFIT PENSION PLAN**

*Plan Description*

Lexington Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2015

*Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	(132,779,243,085)
Net Pension Liability	<u>\$ 26,716,832,801</u>
 Net Position as a Percentage of Total Pension Liability	 83.25%

*Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

*Contributions*

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2015

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

<u>Contribution Rates</u>	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

District Contribution Information

Employer Contribution	\$ 192,443	\$ 270,118
Member Contributions	340,545	366,602
State On-Behalf Contributions	321,330	367,209

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement local funds.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2015

*Actuarial Assumptions*

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry
Age Normal Amortization Method of Payroll, Open	Level Percentage
Remaining Amortization Period	30 years
Asset Valuation Method Value	5 Year Market
Discount Rate	8.00%
Long-Term Expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.5%

*\*Includes Inflation at 3%*

The mortality rates for health lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

*Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2014 are summarized below:



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	100%		8.7%

*Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less or 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate 8.0%	1% Increase in Discount Rate (9.0%)
District's Proportionate Share of the Net Pension Liability:	\$ 1,406,651	\$ 787,185	\$ 323,939

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At August 31, 2015, Lexington Independent School District reported a liability of \$787,185 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Lexington Independent School District. The amount recognized by Lexington Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Lexington Independent School District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 787,185
State's Proportionate Share that is Associated with the District	3,131,425
Total	\$ 3,918,610

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .0029470%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 9/1/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, Lexington Independent School District recognized pension expense of \$72,761 and revenue of \$367,209 for support provided by the State.

At August 31, 2015, Lexington Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 12,174	\$ -
Changes in Actuarial Assumptions	51,168	-
Difference Between Projected and Actual Investment Earnings	-	240,596
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	-	206
Contributions Paid to TRS Subsequent to the Measurement Date	270,118	-
Total	\$ 333,460	\$ 240,802

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended 8/31:	Pension Expense Amount
2016	\$ (49,498)
2017	(49,498)
2018	(49,498)
2019	10,651
Thereafter	9,881

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

**J. EMPLOYEE HEALTH CARE COVERAGE**

For the year ended August 31, 2015, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$192 per month per employee to the Plan with the State providing an additional \$75. Employees, at their option may authorize payroll withholdings to pay premiums for dependent coverage. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. The Plan is administered by Blue Cross and Blue Shield of Texas while Medco Health was assigned the prescription drug plan.

**K. RETIREE HEALTH CARE PLANS**

1. TRS-Care

*Plan Description*

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

*Funding Policy*

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2015, 2014, and 2013.

2. Medicare Part-D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part-D. One of the provisions of Medicare Part-D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

A summary of the subsidy payments received by TRS-Care on behalf of the District for the last three fiscal years is as follows:

Fiscal Year	Medicare Part-D State On-Behalf Payments
2015	\$ 15,471
2014	14,131
2013	13,152

**L. UNEARNED REVENUE**

The District had no unearned revenue amounts at August 31, 2015.

**M. DUE FROM STATE AGENCIES**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2015, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies

Fund	State Entitlements	Federal Grants	Total
General Fund	\$ 454,024	\$ -	\$ 454,024
Non-Major Governmental Funds	86,923	70,094	157,017
Total	<u>\$ 540,947</u>	<u>\$ 70,094</u>	<u>\$ 611,041</u>

**N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

During the current year, revenues from local and intermediate sources consisted of the following:

Type	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Proprietary Funds	Total
Property Taxes	\$ 4,039,632	\$ -	\$ -	\$ 315,025	\$ -	\$ 4,354,657
Tuition and Fees	23,956	-	-	-	-	23,956
Investment Income	26,010	-	-	2,718	1,224	29,952
Gifts	32,717	-	33,072	4,580	-	73,869
Food Sales	-	-	-	185,768	-	185,768
Athletics	26,989	-	-	-	-	26,989
Extracurricular Activities	9,245	-	-	-	-	9,245
Interfund Services	-	-	-	-	35,824	35,824
Enterprising Revenues	-	-	-	25,618	46,167	71,785
Miscellaneous Local Revenue	47,130	-	-	800	-	47,930
Total	<u>\$ 4,205,679</u>	<u>\$ -</u>	<u>\$ 33,072</u>	<u>\$ 534,509</u>	<u>\$ 83,215</u>	<u>\$ 4,859,975</u>

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

**O. LITIGATION**

As of year end, there was either no litigation pending against the District or no litigation meeting the requirements of disclosure.

**P. SUBSEQUENT EVENTS**

There were no subsequent events that occurred after year end meeting the requirements for disclosure.

**Q. COMMITMENTS AND CONTINGENCIES**

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, 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 and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**R. PRIOR PERIOD ADJUSTMENT**

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume its proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (\$891,884). The restated beginning net position is \$8,444,871.

REQUIRED SUPPLEMENTARY INFORMATION

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2015

	2015
District's Proportion of the Net Pension Liability	0.00002947
District's Proportionate Share of the Net Pension Liability	\$ 787,185
State's Proportionate Share of the Net Pension Liability Associated with the District	3,131,425
Total	\$ 3,918,610
 District's Covered-Employee Payroll	\$ 5,471,675
 District's Proportionate Share of the Net Pension Liability as a percentage of its covered-employee payroll	14.4%
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS –  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2015

	2015
Contractually Required Contribution	\$ 270,118
Contribution in Relation to the Contractually Required Contribution	(270,118)
Contribution Deficiency (Excess)	\$ -
District's Covered-Employee Payroll	\$ 5,471,675
Contributions as a Percentage of Covered-Employee Payroll	4.9%



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2015

*Changes of Benefit Terms*

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

*Changes of Assumptions*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

## COMBINING SCHEDULES

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data	211	224	225	240	255	
Control				National Breakfast and Lunch Program		
Codes	ESEA, Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool	ESEA, Title II, Part A		
<b>ASSETS</b>						
1110	Cash and Cash Equivalents	\$ -	\$ 26,191	\$ -	\$ 14,787	\$ -
1120	Investments - Current	-	-	-	440	-
1220	Property Taxes - Delinquent	-	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-	-
1240	Due from Other Governments	46,427	-	360	7,839	15,468
1800	Restricted Assets	-	-	-	-	-
1000A	<b>Total Assets</b>	<u>\$ 46,427</u>	<u>\$ 26,191</u>	<u>\$ 360</u>	<u>\$ 23,066</u>	<u>\$ 15,468</u>
<b>LIABILITIES</b>						
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 13,525	\$ -
2160	Accrued Wages Payable	-	-	-	8,755	-
2170	Due to Other Funds	46,427	-	360	-	15,468
2180	Due to Other Governments	-	26,191	-	-	-
2000	<b>Total Liabilities</b>	<u>46,427</u>	<u>26,191</u>	<u>360</u>	<u>22,280</u>	<u>15,468</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
2600	Unavailable Revenue	-	-	-	-	-
	<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Restricted for:						
3450	Federal or State Funds Restricted	-	-	-	786	-
3480	Retirement of Long-Term Debt	-	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-	-
Assigned for:						
3590	Other Assigned Fund Balance	-	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>786</u>	<u>-</u>
4000	<b>Total Liab., Def. Inflows, and Fund Balances</b>	<u>\$ 46,427</u>	<u>\$ 26,191</u>	<u>\$ 360</u>	<u>\$ 23,066</u>	<u>\$ 15,468</u>

263	385	410	461	479	599	
Title III, Part A	State Supplemental Visually Impaired	State Textbook Fund	Campus Activity Funds	Permanent Fund	Debt Service Fund	Total Non- Major Governmental Funds
\$ -	\$ -	\$ -	\$ 56,642	\$ -	\$ 198,397	\$ 296,017
-	-	-	-	-	-	440
-	-	-	-	-	18,595	18,595
-	-	-	-	-	(1,859)	(1,859)
-	-	86,923	-	-	-	157,017
-	-	-	-	77,804	-	77,804
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,923</u>	<u>\$ 56,642</u>	<u>\$ 77,804</u>	<u>\$ 215,133</u>	<u>\$ 548,014</u>
\$ -	\$ -	\$ -	\$ 47	\$ -	\$ -	\$ 13,572
-	-	-	-	-	-	8,755
-	-	86,923	-	3,801	2,654	155,633
-	-	-	-	-	-	26,191
<u>-</u>	<u>-</u>	<u>86,923</u>	<u>47</u>	<u>3,801</u>	<u>2,654</u>	<u>204,151</u>
-	-	-	-	-	16,735	16,735
-	-	-	-	-	16,735	16,735
-	-	-	-	-	-	786
-	-	-	-	-	195,744	195,744
-	-	-	-	74,003	-	74,003
-	-	-	56,595	-	-	56,595
-	-	-	56,595	74,003	195,744	327,128
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,923</u>	<u>\$ 56,642</u>	<u>\$ 77,804</u>	<u>\$ 215,133</u>	<u>\$ 548,014</u>

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	211 ESEA, Title I, Part A	224 IDEA-Part B, Formula	225 IDEA-Part B, Preschool	240 Breakfast and Lunch Program	255 ESEA, Title II, Part A
<b>REVENUES:</b>					
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 185,851	\$ -
5800 State Program Revenues	-	-	-	2,786	-
5900 Federal Program Revenues	98,180	141,537	5,755	289,652	38,840
5020 Total Revenues	<u>98,180</u>	<u>141,537</u>	<u>5,755</u>	<u>478,289</u>	<u>38,840</u>
<b>EXPENDITURES:</b>					
0011 Instruction	96,020	106,095	5,755	-	38,840
0012 Instructional Resources & Media Services	-	-	-	-	-
0013 Curriculum & Instructional Staff Dev.	-	1,914	-	-	-
0021 Instructional Leadership	2,160	26,338	-	-	-
0034 Student (Pupil) Transportation	-	4,726	-	-	-
0035 Food Services	-	-	-	516,303	-
0053 Data Processing Services	-	2,464	-	-	-
0071 Debt Service - Principal	-	-	-	-	-
0072 Debt Service - Interest	-	-	-	-	-
0073 Debt Service - Bond Issuance Costs	-	-	-	-	-
6030 Total Expenditures	<u>98,180</u>	<u>141,537</u>	<u>5,755</u>	<u>516,303</u>	<u>38,840</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(38,014)	-
<b>OTHER FINANCING SOURCES (USES):</b>					
7911 Capital-Related Debt Issued	-	-	-	-	-
8949 Other (Uses)	-	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	(38,014)	-
0100 Fund Balance - Beginning	-	-	-	38,800	-
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 786</u>	<u>\$ -</u>

263	385	410	461	479	599	Total Non-Major
Title III, Part A	Supplemental Visually Impaired	State Textbook Fund	Campus Activity Funds	Permanent Fund	Debt Service Fund	Governmental Funds
\$ -	\$ -	\$ -	\$ 30,998	\$ 336	\$ 317,324	\$ 534,509
-	1,650	100,721	-	-	-	105,157
500	-	-	-	-	-	574,464
500	1,650	100,721	30,998	336	317,324	1,214,130
500	1,650	100,721	16,683	900	-	367,164
-	-	-	10,476	-	-	10,476
-	-	-	-	-	-	1,914
-	-	-	-	-	-	28,498
-	-	-	-	-	-	4,726
-	-	-	-	-	-	516,303
-	-	-	-	-	-	2,464
-	-	-	-	-	115,000	115,000
-	-	-	-	-	61,032	61,032
-	-	-	-	-	3,500	3,500
500	1,650	100,721	27,159	900	179,532	1,111,077
-	-	-	3,839	(564)	137,792	103,053
-	-	-	-	-	2,559,462	2,559,462
-	-	-	-	-	(2,670,556)	(2,670,556)
-	-	-	-	-	(111,094)	(111,094)
-	-	-	3,839	(564)	26,698	(8,041)
-	-	-	52,756	74,567	169,046	335,169
\$ -	\$ -	\$ -	\$ 56,595	\$ 74,003	\$ 195,744	\$ 327,128

## TEA REQUIRED SCHEDULES

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FOR THE YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31,	1		2		3	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes	
	Maintenance	Debt Service				
2006	and prior years	Various	Various	Various		
2007		1.34260	0.07670	\$	245,133,985	
2008		1.04000	0.06400		272,151,648	
2009		1.04000	0.07390		301,249,865	
2010		1.04000	0.07900		313,964,850	
2011		1.04000	0.07900		312,417,113	
2012		1.04000	0.07900		314,110,055	
2013		1.04000	0.07900		314,758,341	
2014		1.04000	0.07900		328,345,425	
2015	(School year under audit)	1.04000	0.07900		378,709,219	
TOTALS						



10	20	31	32	40	50
Beginning Balance 9/1/14	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/15
\$ 14,848	\$ -	\$ 1,498	\$ 86	\$ (1,290)	\$ 11,974
5,562	-	1,780	102	(589)	3,091
8,747	-	2,019	124	(479)	6,125
13,640	-	3,664	260	(280)	9,436
20,060	-	7,519	571	(186)	11,784
25,929	-	10,269	780	(235)	14,645
44,177	-	16,622	1,263	(273)	26,019
63,931	-	28,780	2,186	(217)	32,748
111,658	-	55,893	4,246	(1,987)	49,532
-	4,237,756	3,830,801	290,993	(12,733)	103,229
<u>\$ 308,552</u>	<u>\$ 4,237,756</u>	<u>\$ 3,958,845</u>	<u>\$ 300,611</u>	<u>\$ (18,269)</u>	<u>\$ 268,583</u>

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
REVENUES:					
5700	Local & Intermediate Sources	\$ 215,216	\$ 215,216	\$ 185,851	\$ (29,365)
5800	State Program Revenues	17,146	17,146	2,786	(14,360)
5900	Federal Program Revenues	279,500	279,500	289,652	10,152
5020	Total Revenues	<u>511,862</u>	<u>511,862</u>	<u>478,289</u>	<u>(33,573)</u>
EXPENDITURES:					
0035	Food Services	511,862	520,918	516,303	4,615
6030	Total Expenditures	<u>511,862</u>	<u>520,918</u>	<u>516,303</u>	<u>4,615</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(9,056)</u>	<u>(38,014)</u>	<u>(28,958)</u>
1200	Net Change in Fund Balances	-	(9,056)	(38,014)	(28,958)
0100	Fund Balance-September 1 (Beginning)	38,799	38,799	38,799	-
3000	Fund Balance-August 31 (Ending)	<u>\$ 38,799</u>	<u>\$ 29,743</u>	<u>\$ 785</u>	<u>\$ (28,958)</u>

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget	
	Original	Final			
REVENUES:					
5700	Local & Intermediate Sources	\$ 234,765	\$ 234,765	\$ 317,324	\$ 82,559
5020	Total Revenues	234,765	234,765	317,324	82,559
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	115,000	115,000	115,000	-
0072	Interest on Long Term Debt	116,265	116,265	61,032	55,233
0073	Bond Issuance Cost and Fees	3,500	3,500	3,500	-
6030	Total Expenditures	234,765	234,765	179,532	55,233
OTHER FINANCING SOURCES (USES):					
7911	Capital-Related Debt Issued	-	2,670,556	2,559,462	(111,094)
8949	Other (Uses)	-	(2,670,556)	(2,670,556)	-
7080	Total Other Finance Sources (Uses)	-	-	(111,094)	(111,094)
1200	Net Change in Fund Balances	-	-	26,698	26,698
0100	Fund Balance-September 1 (Beginning)	169,046	169,046	169,046	-
3000	Fund Balance-August 31 (Ending)	\$ 169,046	\$ 169,046	\$ 195,744	\$ 26,698

FEDERAL AWARDS SECTION



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 Trustees of  
Lexington Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Lexington Independent School District's basic financial statements, and have issued our report thereon dated November 20, 2015.

### **Internal Control Over Financial Reporting**

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

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

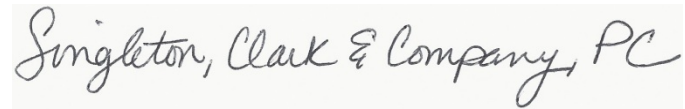
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lexington Independent School District's financial statements are free from 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*.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company, P.C.  
Cedar Park, Texas

November 20, 2015



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

To the Board of Trustees of  
Lexington Independent School District

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

**Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

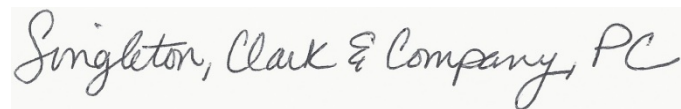
*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Lexington Independent School District as of and for the year ended August 31, 2015, and have issued our report thereon dated November 20, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, P.C.  
Cedar Park, Texas

November 20, 2015



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	1 Federal CFDA Number	2a Pass-Through Entity Identifying Number	3 Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Texas Education Agency:</u>			
ESEA-Title I, Part A	84.010A	15610101144902	\$ 98,180
IDEA-Part B, Formula*	84.027A	156600011449026000	141,537
IDEA-Part B, Preschool*	84.173A	156610011449026000	5,755
Title II, Part A, Improving Teacher Quality	84.367A	15694501144902	38,840
Title III, Part A, Language	84.365A	15-144902	500
Total Passed Through State Department of Education			284,812
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			284,812
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through Texas Education Agency:</u>			
School Breakfast Program*	10.553	71401501	61,881
National School Lunch Program - Cash Assistance*	10.555	71301501	200,296
Total Passed Through Texas Education Agency			262,177
<u>Passed Through the Texas Department of Agriculture:</u>			
Non-Cash Assistance - Food Distribution Program*	10.555	15-144902	27,475
Total Passed Through Texas Department of Agriculture			27,475
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			289,652
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 574,464
School Health and Related Services (SHARS) Revenue - <i>Not considered Federal Financial Assistance</i>			\$ 54,199
<b>TOTAL FEDERAL REVENUE PER THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE</b>			<b>\$ 628,663</b>

\* Clustered programs as defined in OMB Compliance Supplement 2015.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2015

**General** – The accompanying schedule of expenditures of federal awards presents all federal expenditures of the Lexington Independent School District (the “District”).

**Basis of Accounting** – The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program, and the Food Distribution Program. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, School Breakfast Program, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the accompanying schedule of expenditures of federal awards in an amount equal to revenue for balancing purposes only.

**Relationship to the Basic Financial Statements** – Expenditures of federal awards are reported in the District’s basic financial statements in special revenue funds.

**Relationship to Federal Financial Reports** – Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

**Valuation of Non-cash Programs** – The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2015

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

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

IDEA-Part B, Formula	Unmodified
IDEA-Part B, Preschool	Unmodified

Any audit findings disclosed that are required to be Reported with section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027A, 84.173A	IDEA – Part B – Special Education Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED AUGUST 31, 2015

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2015 and 2014.

---

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Section 510(c) of OMB Circular A-133:

No findings or questioned costs required to be reported in accordance with Section 510(c) of OMB Circular A-133 for the years ended August 31, 2015 and 2014.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		1 Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies as applicable?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end	\$ 787,185
SF13	Pension Expense (6147) at fiscal year-end	\$ 72,761