

LEXINGTON INDEPENDENT
SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2014



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

LEXINGTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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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, 2014, at a meeting of the Board of Trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' 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 Auditors' 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, 2014, 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, 2014, 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 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.

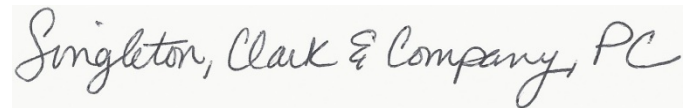
Other Information

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 21, 2014 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 gray rectangular background.

Singleton, Clark & Company, PC
Cedar Park, Texas

November 21, 2014

LEXINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014

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, 2014. Please read it in conjunction with the independent auditors' 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 \$1,035,888 as a result of this year's operations, to end at \$9,336,755.
- The General Fund of the District reported a fund balance decrease of \$4,007 for the year, to end at \$2,402,053.
- Total Governmental Funds of the District (the General Fund plus all Special Revenue Funds, the Capital Projects Fund, and the Debt Service Fund) reported an overall fund balance increase of \$3,939 to end at \$2,737,222.

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, 2014

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, 2014

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, 2014

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 and business-type activities.

Net position of the District's governmental activities increased from \$8,300,867 to \$9,336,755. 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 \$2,846,848 at August 31, 2014. The increase in governmental net position was primarily due to results from 2013-2014 operations. The District enrollment, and therefore, average daily attendance resulted in more state revenue than was anticipated. More information regarding the increase is presented in the paragraph following Table II on the next page.

Table I
LEXINGTON INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities 2014	Governmental Activities 2013	Change	Business- Type Activities 2014	Business- Type Activities 2013	Change
Current & other assets	\$ 3,484,216	\$ 3,518,426	\$ (34,210)	\$ 14,108	\$ 14,612	\$ (504)
Capital assets	9,279,056	8,524,650	754,406	-	-	-
Total assets	12,763,272	12,043,076	720,196	14,108	14,612	(504)
Current liabilities	338,348	443,692	(105,344)	-	1,091	(1,091)
Long-term liabilities	3,088,169	3,298,517	(210,348)	-	-	-
Total liabilities	3,426,517	3,742,209	(315,692)	-	1,091	(1,091)
Net Position:						
Net investment in capital assets	6,190,887	5,383,883	807,004	-	-	-
Restricted	299,020	295,046	3,974	-	-	-
Unrestricted	2,846,848	2,621,938	224,910	14,108	13,521	587
Total net position	\$ 9,336,755	\$ 8,300,867	\$ 1,035,888	\$ 14,108	\$ 13,521	\$ 587

**LEXINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014**

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

	Governmental Activities 2014	Governmental Activities 2013	Change	Business- Type Activities 2014	Business- Type Activities 2013	Change
Revenues:						
Program Revenues:						
Charges for services	\$ 275,769	\$ 480,375	\$ (204,606)	\$ 52,602	\$ 57,844	\$ (5,242)
Operating grants & contr.	1,159,117	1,074,260	84,857	-	-	-
General Revenues:						
Maintenance & operations taxes	3,457,179	3,385,817	71,362	-	-	-
Debt service taxes	260,132	258,440	1,692	-	-	-
State aid - formula grants	4,061,417	3,529,247	532,170	-	-	-
Grants & contributions not rest.	57,225	57,128	97	-	-	-
Investment earnings	31,022	40,421	(9,399)	-	-	-
Miscellaneous	104,462	-	104,462	-	-	-
Total Revenue	9,406,323	8,825,688	580,635	52,602	57,844	(5,242)
Expenses:						
Instruction	5,112,733	4,821,436	291,297	-	-	-
Instructional res. & media svcs.	176,648	158,707	17,941	-	-	-
Curriculum and staff dev.	72,074	60,839	11,235	-	-	-
Instructional leadership	57,192	86,589	(29,397)	-	-	-
School leadership	487,286	445,492	41,794	-	-	-
Guidance/counseling svcs.	222,399	148,446	73,953	-	-	-
Health services	61,741	59,882	1,859	-	-	-
Student transportation	356,353	329,764	26,589	-	-	-
Food services	514,054	531,599	(17,545)	-	-	-
Cocurricular/extracurricular act.	510,235	517,344	(7,109)	-	-	-
General administration	424,201	402,635	21,566	-	-	-
Plant maint. and operations	1,427,667	870,478	557,189	-	-	-
Security and monitoring svcs.	13,100	6,291	6,809	-	-	-
Data processing services	150,254	122,068	28,186	-	-	-
Community services	19,910	19,595	315	-	-	-
Debt service	128,784	136,931	(8,147)	-	-	-
Other intergovernmental chgs.	117,239	109,358	7,881	-	-	-
Business-type activities	-	-	-	52,015	55,497	(3,482)
Total Expenses	9,851,870	8,827,454	1,024,416	52,015	55,497	(3,482)
Gain (Loss) on sale of assets	5,535	-	5,535	-	-	-
Insurance Recovery	1,475,900	-	1,475,900	-	-	-
Change in net position	1,035,888	(1,766)	1,037,654	587	2,347	(1,760)
Net position at 9/1/13 and 9/1/12	8,300,867	8,302,633	(1,766)	13,521	11,174	2,347
Net position at 8/31/14 and 8/31/13	\$ 9,336,755	\$ 8,300,867	\$ 1,035,888	\$ 14,108	\$ 13,521	\$ 587

LEXINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014

THE DISTRICT'S FUNDS

As the District completed this annual period, the General Fund reported a fund balance of \$2,402,053, which is \$4,007 less than last year's total of \$2,406,060. The small change in fund balance is mainly attributable to the district's strong efforts to maintain a balanced budget.

The District's Capital Projects Fund did not report a fund balance in the current year or the prior year. The District did not operate a capital projects fund in the prior year and spent the entire amount of insurance recovery proceeds for capital projects in the current year.

The District's other governmental funds reported a fund balance of \$2,737,222 as compared to \$2,733,283 in 2013, which is \$3,939 more than the previous year. The primary reason fiscal year 2013 and fiscal year 2014 governmental funds did not realize a significant change was effective management of expenses in the funds.

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. The District made one significant budget amendment during the year to account for the insurance recovery proceeds and related expenditures related to the insurance recovery.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2014, the District had \$9,279,056 (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 2014 and 2013 is as follows:

	Governmental Activities 2014	Governmental Activities 2013	Change
Land	\$ 276,800	\$ 276,800	\$ -
Buildings	13,812,221	12,264,455	1,547,766
Furniture and Equipment	2,742,558	2,727,979	14,579
Construction in Progress	-	420,933	(420,933)
Total	<u>16,831,579</u>	<u>15,690,167</u>	<u>1,141,412</u>
Less Accumulated Depreciation	<u>(7,552,523)</u>	<u>(7,165,517)</u>	<u>(387,006)</u>
Capital assets, net of depreciation	<u>\$ 9,279,056</u>	<u>\$ 8,524,650</u>	<u>\$ 754,406</u>

**LEXINGTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014**

Debt

At year-end, the District had \$3,088,169 bonds and other long-term debt outstanding versus \$3,298,517 last year. The decrease is attributable to scheduled payments on debt during fiscal 2014. A summary of the ending balances of long-term debt by type for both 2014 and 2013 is as follows:

	Governmental Activities 2014	Governmental Activities 2013	Change
General Obligation Bonds	\$ 2,765,000	\$ 2,880,000	\$ (115,000)
Capital Leases Payable	169,902	260,767	(90,865)
Compensated Absences Payable	153,267	157,750	(4,483)
Total	<u>\$ 3,088,169</u>	<u>\$ 3,298,517</u>	<u>\$ (210,348)</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 2014-2015 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 \$8.3 million for the 2014-2015 fiscal year. The budget decreased from 2013-2014 to 2014-2015 by approximately \$169 thousand, due to insurance recovery proceeds and expenditures that will only be realized in the current year. .

For the 2014-2015 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 \$.079 for the 2014-2015 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2014-2015 budget year is \$1.119 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, 2014

Data Control Codes	Primary Government			
	1 Governmental Activities	2 Business-Type Activities	3 Total	
ASSETS				
1110	Cash and Cash Equivalents	\$ 1,013,527	\$ 14,108	\$ 1,027,635
1120	Current Investments	1,664,545	-	1,664,545
1225	Property Taxes Receivable (net)	277,697	-	277,697
1240	Due from Other Governments	284,340	-	284,340
1290	Other Receivables, net	150,906	-	150,906
1300	Inventories	15,734	-	15,734
	Capital Assets:			
1510	Land	276,800	-	276,800
1520	Buildings and Improvements, Net	7,980,618	-	7,980,618
1530	Furniture and Equipment, Net	1,021,638	-	1,021,638
1800	Restricted Assets	77,467	-	77,467
1000	Total Assets	<u>12,763,272</u>	<u>14,108</u>	<u>12,777,380</u>
LIABILITIES				
2110	Accounts Payable	26,779	-	26,779
2140	Interest Payable	5,333	-	5,333
2150	Payroll Deductions & Withholdings	1,554	-	1,554
2160	Accrued Wages Payable	257,472	-	257,472
2180	Due to Other Governments	4,003	-	4,003
2200	Accrued Expenses	43,207	-	43,207
	Noncurrent Liabilities:			
2501	Bonds, Loans & Other Payable-Due Within One Year	207,594	-	207,594
2502	Bonds Payable - Due in More than One Year	2,650,000	-	2,650,000
2520	Loans Payable - Due in More than One Year	77,308	-	77,308
2530	Other Long-Term Debt - Due in More than One Year	153,267	-	153,267
2000	Total Liabilities	<u>3,426,517</u>	<u>-</u>	<u>3,426,517</u>
NET POSITION				
3200	Investments in Capital Assets, Net of Debt	6,190,887	-	6,190,887
	Restricted for:			
3820	Federal & State Programs	36,434	-	36,434
3850	Debt Service	188,019	-	188,019
3890	Other Restricted	74,567	-	74,567
3900	Unrestricted	2,846,848	14,108	2,860,956
3000	Total Net Position	<u>\$ 9,336,755</u>	<u>\$ 14,108</u>	<u>\$ 9,350,863</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, 2014

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
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 5,112,733	\$ 65,538	\$ 974,947	\$ (4,072,248)
12 Instructional Resources & Media Services	176,648	-	22,920	(153,728)
13 Curriculum & Staff Development	72,074	-	5,198	(66,876)
21 Instructional Leadership	57,192	-	40,303	(16,889)
23 School Leadership	487,286	-	22,827	(464,459)
31 Guidance/Counseling/Evaluation Services	222,399	-	10,643	(211,756)
33 Health Services	61,741	-	3,392	(58,349)
34 Student Transportation	356,353	-	18,522	(337,831)
35 Food Services	514,054	183,366	11,918	(318,770)
36 Extracurricular Activities	510,235	26,865	11,882	(471,488)
41 General Administration	424,201	-	15,319	(408,882)
51 Plant Maintenance and Operations	1,427,667	-	17,380	(1,410,287)
52 Security and Monitoring Services	13,100	-	-	(13,100)
53 Data Processing Services	150,254	-	2,846	(147,408)
61 Community Services	19,910	-	1,020	(18,890)
72 Interest on Long-Term Debt	128,299	-	-	(128,299)
73 Bond Issuance Cost & Fees	485	-	-	(485)
99 Other Intergovernmental Charges	117,239	-	-	(117,239)
TG Total Governmental Activities:	<u>9,851,870</u>	<u>275,769</u>	<u>1,159,117</u>	<u>(8,416,984)</u>
BUSINESS-TYPE ACTIVITIES:				
01 Enterprise Fund - Concession Stand Fund	52,015	52,602	-	-
TB Total Business-Type Activities:	<u>52,015</u>	<u>52,602</u>	<u>-</u>	<u>-</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 9,903,885</u>	<u>\$ 328,371</u>	<u>\$ 1,159,117</u>	<u>(8,416,984)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				3,457,179
DT Property Taxes, Levied for Debt Service				260,132
SF State Aid - Formula Grants				4,061,417
GC Grants and Contributions, not Restricted				57,225
IE Investment Earnings				31,022
MI Miscellaneous Local and Intermediate Revenue				104,462
S1 Gain on Sale of Capital Assets				5,535
S2 Insurance Recovery				1,475,900
TR Total General Revenues and Special Items				<u>9,452,872</u>
CN Change in Net Position				1,035,888
NB Net Position -- Beginning				8,300,867
NE Net Position -- Ending				<u>\$ 9,336,755</u>

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

	7	8
Business-Type Activities	Total	
\$ -	\$	(4,072,248)
-		(153,728)
-		(66,876)
-		(16,889)
-		(464,459)
-		(211,756)
-		(58,349)
-		(337,831)
-		(318,770)
-		(471,488)
-		(408,882)
-		(1,410,287)
-		(13,100)
-		(147,408)
-		(18,890)
-		(128,299)
-		(485)
-		(117,239)
-		(8,416,984)
587		587
587		587
587		(8,416,397)
-		3,457,179
-		260,132
-		4,061,417
-		57,225
-		31,022
-		104,462
-		5,535
-		1,475,900
-		9,452,872
587		1,036,475
13,521		8,314,388
\$ 14,108	\$	9,350,863

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LEXINGTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Funds	98 Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 543,908	\$ -	\$ 290,130	\$ 834,038
1120 Investments - Current	1,664,545	-	-	1,664,545
1220 Property Taxes - Delinquent	287,471	-	21,081	308,552
1230 Allowance for Uncollectible Taxes (Credit)	(28,747)	-	(2,108)	(30,855)
1240 Due from Other Governments	269,163	-	15,177	284,340
1260 Due from Other Funds	54,381	-	3,500	57,881
1290 Other Receivables	150,906	-	-	150,906
1310 Inventories	13,368	-	2,366	15,734
1800 Restricted Assets	-	-	77,467	77,467
1000 Total Assets	<u>\$ 2,954,995</u>	<u>\$ -</u>	<u>\$ 407,613</u>	<u>\$ 3,362,608</u>
LIABILITIES				
2110 Accounts Payable	\$ 14,687	\$ -	\$ 12,092	\$ 26,779
2150 Payroll Deductions and Withholdings Payable	1,554	-	-	1,554
2160 Accrued Wages Payable	252,210	-	5,262	257,472
2170 Due to Other Funds	25,767	-	32,114	57,881
2180 Due to Other Governments	-	-	4,003	4,003
2000 Total Liabilities	<u>294,218</u>	<u>-</u>	<u>53,471</u>	<u>347,689</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Deferred Inflows	258,724	-	18,973	277,697
Total Deferred Inflows of Resources	<u>258,724</u>	<u>-</u>	<u>18,973</u>	<u>277,697</u>
FUND BALANCES				
Nonspendable:				
3410 Inventories	13,368	-	2,366	15,734
Restricted for:				
3450 Federal or State Funds Restricted	-	-	36,434	36,434
3480 Retirement of Long-Term Debt	-	-	169,046	169,046
3490 Other Restricted Fund Balance	-	-	74,567	74,567
Committed for:				
3540 Self Insurance	76,682	-	-	76,682
Assigned for:				
3590 Other Assigned Fund Balance	-	-	52,756	52,756
3600 Unassigned Fund Balance	2,312,003	-	-	2,312,003
3000 Total Fund Balances	<u>2,402,053</u>	<u>-</u>	<u>335,169</u>	<u>2,737,222</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 2,954,995</u>	<u>\$ -</u>	<u>\$ 407,613</u>	<u>\$ 3,362,608</u>

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

LEXINGTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

	1
Total Fund Balances - Governmental Funds	\$ 2,737,222
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.	136,282
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 \$15,690,167 for capital assets and \$7,165,517 for accumulated depreciation to the Statement of Net Position was an increase in net position.	8,524,650
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.	1,237,947
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.	(483,541)
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.	(3,298,517)
6 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.	210,348
7 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.	(5,333)
8 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.	277,697
19 Net Position of Governmental Activities	\$ 9,336,755

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, 2014

Data	10	60	98	
Control	General	Capital	Other	Total
Codes	Fund	Projects	Funds	Governmental
		Fund		Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 3,939,989	\$ 1,126,833	\$ 469,056	\$ 5,535,878
5800 State Program Revenues	4,387,226	-	207,603	4,594,829
5900 Federal Program Revenues	56,071	-	626,859	682,930
5020 Total Revenues	<u>8,383,286</u>	<u>1,126,833</u>	<u>1,303,518</u>	<u>10,813,637</u>
EXPENDITURES:				
0011 Instruction	4,355,551	-	520,093	4,875,644
0012 Instructional Resources & Media Services	157,551	-	10,414	167,965
0013 Curriculum & Instructional Staff Development	65,179	-	3,352	68,531
0021 Instructional Leadership	26,640	-	27,741	54,381
0023 School Leadership	463,333	-	-	463,333
0031 Guidance, Counseling & Evaluation Services	211,467	-	-	211,467
0033 Health Services	58,706	-	-	58,706
0034 Student (Pupil) Transportation	394,628	-	5,337	399,965
0035 Food Services	-	-	488,785	488,785
0036 Cocurricular/Extracurricular Activities	518,053	-	-	518,053
0041 General Administration	403,349	-	-	403,349
0051 Plant Maintenance and Operations	1,357,489	-	-	1,357,489
0052 Security and Monitoring Services	12,456	-	-	12,456
0053 Data Processing Services	142,868	-	-	142,868
0061 Community Services	18,931	-	-	18,931
0071 Debt Service - Principal	90,864	-	115,000	205,864
0072 Debt Service - Interest	4,287	-	124,365	128,652
0073 Debt Service - Bond Issuance Costs	-	-	485	485
0081 Facilities Acquisition and Construction	-	1,126,833	-	1,126,833
0099 Other Intergovernmental Charges	111,476	-	-	111,476
6030 Total Expenditures	<u>8,392,828</u>	<u>1,126,833</u>	<u>1,295,572</u>	<u>10,815,233</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,542)	-	7,946	(1,596)
OTHER FINANCING SOURCES (USES):				
7912 Sale of Property	5,535	-	-	5,535
7080 Total Other Financing Sources (Uses)	<u>5,535</u>	<u>-</u>	<u>-</u>	<u>5,535</u>
1200 Net Change in Fund Balance	(4,007)	-	7,946	3,939
0100 Fund Balance - Beginning	2,406,060	-	327,223	2,733,283
3000 Fund Balance - Ending	<u>\$ 2,402,053</u>	<u>\$ -</u>	<u>\$ 335,169</u>	<u>\$ 2,737,222</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, 2014

	Total Net Change in Fund Balances – Governmental Funds	\$ 3,939
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 increase in the change in net position.	39,047
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.	1,237,947
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.	(483,541)
4	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.	210,348
5	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 an increase in the change in net position.	353
6	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 the change in net position.	27,795
19	Change in Net Position of Governmental Activities	\$ 1,035,888

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, 2014

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
REVENUES:				
5700 Local & Intermediate Sources	\$ 3,645,581	\$ 4,989,733	\$ 3,939,989	\$ (1,049,744)
5800 State Program Revenues	4,156,296	4,389,355	4,387,226	(2,129)
5900 Federal Program Revenues	23,000	40,000	56,071	16,071
5020 Total Revenues	<u>7,824,877</u>	<u>9,419,088</u>	<u>8,383,286</u>	<u>(1,035,802)</u>
EXPENDITURES:				
Current:				
0011 Instruction	4,228,935	4,358,694	4,355,551	3,143
0012 Instructional Resources & Media Services	162,333	161,133	157,551	3,582
0013 Curriculum and Staff Development	58,838	66,038	65,179	859
0021 Instructional Leadership	31,250	27,250	26,640	610
0023 School Leadership	432,228	464,228	463,333	895
0031 Guidance/Counseling/Evaluation Services	216,864	216,864	211,467	5,397
0033 Health Services	58,725	58,725	58,706	19
0034 Student Transportation	436,294	407,294	394,628	12,666
0036 Extracurricular Activities	534,933	559,533	518,053	41,480
0041 General Administration	393,387	403,387	403,349	38
0051 Facilities Maintenance & Operations	906,848	1,359,682	1,357,489	2,193
0052 Security and Monitoring Services	14,100	14,100	12,456	1,644
0053 Data Processing Services	120,128	143,128	142,868	260
0061 Community Services	19,674	19,674	18,931	743
Debt Service:				
0071 Principal on Long Term Debt	88,540	91,040	90,864	176
0072 Interest on Long Term Debt	6,800	4,300	4,287	13
0099 Other Intergovernmental Charges	115,000	115,000	111,476	3,524
6030 Total Expenditures	<u>7,824,877</u>	<u>8,470,070</u>	<u>8,392,828</u>	<u>77,242</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	949,018	(9,542)	(958,560)
OTHER FINANCING SOURCES (USES):				
7912 Sale of Property	-	-	5,535	5,535
8911 Transfers Out	-	(1,050,018)	-	1,050,018
7080 Total Other Financing Sources (Uses)	-	(1,050,018)	5,535	1,055,553
1200 Net Change in Fund Balances	-	(101,000)	(4,007)	96,993
0100 Fund Balance-September 1 (Beginning)	2,406,060	2,406,060	2,406,060	-
3000 Fund Balance-August 31 (Ending)	<u>\$ 2,406,060</u>	<u>\$ 2,305,060</u>	<u>\$ 2,402,053</u>	<u>\$ 96,993</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, 2014

Data Control Codes	Business-Type Activities Concession Stand Fund	Governmental Activities Internal Service Fund
ASSETS		
1110 Cash and Cash Equivalents	\$ 14,108	\$ 179,489
1000 Total Assets	<u>14,108</u>	<u>179,489</u>
LIABILITIES		
2200 Accrued Expenditures	-	43,207
2000 Total Liabilities	<u>-</u>	<u>43,207</u>
NET POSITION		
3900 Unrestricted Net Position	14,108	136,282
3000 Total Net Position	<u>\$ 14,108</u>	<u>\$ 136,282</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, 2014

Data	Business-Type	Governmental
Control	Activities	Activities
Codes	Concession	Internal
	Stand Fund	Service Fund
OPERATING REVENUES:		
5700 Local and Intermediate Sources	\$ 52,602	\$ 40,791
5020 Total Revenues	<u>52,602</u>	<u>40,791</u>
OPERATING EXPENSES:		
6100 Payroll Costs	4,711	1,744
6300 Supplies and Materials	24,020	-
6400 Other Operating Costs	23,284	-
6030 Total Expenses	<u>52,015</u>	<u>1,744</u>
Income (Loss) before Contributions and Transfers	587	39,047
0100 Total Net Position - Beginning	13,521	97,235
3300 Total Net Position - Ending	<u>\$ 14,108</u>	<u>\$ 136,282</u>

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, 2014

Data Control Codes	Business-Type Activities Concession Stand Fund	Governmental Activities Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 52,602	\$ 40,791
Cash Payments to Employees for Services	(4,711)	he
Cash Payments to Suppliers	(25,111)	-
Cash Payments for Other Operating Activities	(23,284)	(31,640)
Net Cash provided by (Used for) Operating Activities	<u>(504)</u>	<u>9,151</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(504)	9,151
Cash and Cash Equivalents at Beginning of the Year	14,612	172,082
Cash and Cash Equivalents at the End of the Year:	<u>\$ 14,108</u>	<u>\$ 181,233</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ 587	\$ 39,047
Effect of Increases and Decreases in Current Assets and Liabilities:		
Increase (decrease) in Accounts Payable	(1,091)	-
Increase (decrease) in Accrued Expenses	-	(31,640)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (504)</u>	<u>\$ 7,407</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, 2014

Data Control Codes	Private Purpose Trust Fund	Student Activity Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 2,000	\$ 60,944
1000 Total Assets	<u>2,000</u>	<u>60,944</u>
LIABILITIES		
2190 Due to Student Groups	500	60,944
2000 Total Liabilities	<u>500</u>	<u>\$ 60,944</u>
NET POSITION		
3800 Held in Trust	1,500	
3000 Total Net Position	<u>\$ 1,500</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, 2014

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 froms 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, 2014

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, 2014

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. 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
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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.

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

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. State Leave and Sick Leave

It is the District's policy to permit 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 \$153,267.

LEXINGTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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
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FOR THE YEAR ENDED AUGUST 31, 2014

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. 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 2014, 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.

8. 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, 2014

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. The following amendments were significant:

The District increased the transfers out expenditure line item and the facilities maintenance and operations expenditure line item to account for an unanticipated insurance recovery and related repair expenditures during the year. The transfers out line item increased by \$1,050,018 and the facilities maintenance and operations line item increased by \$452,834.

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	\$ 38,800
Non-Appropriated Budget Funds - Permanent Scholarship Fund	74,567
Non-Appropriated Budget Funds - Campus Activity Funds	52,756
All Special Revenue Funds	\$ 166,123

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.

LEXINGTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

C. DEFICIT FUND EQUITY

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

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, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$2,517,240 and the bank balance was \$2,353,988. 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 \$6,208,607.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$2,813,753. These balances occurred during the month of October 2013.
- 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, 2014

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, 2014, 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	\$1,349,195	\$ -	\$ -	\$ -	General Fund
TexStar	Investment Pool	15,077	-	-	-	General Fund
LoneStar	Investment Pool	275,870	-	-	-	General Fund
TexPool	Investment Pool	24,403	-	-	-	General Fund
Total Investments		<u>\$1,664,545</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, 2014, 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
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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 1st of the year following the year in which imposed. On June 30th 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, 2014

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2014, consisted of the following amounts:

	Due From Other Funds	Due To Other Funds
General Fund:		
General Fund	\$ 22,267	\$ 22,267
Special Revenue Funds	11,314	-
Debt Service Fund	20,800	3,500
Total General Fund	54,381	25,767
Special Revenue Funds:		
General Fund	-	11,314
Total Special Revenue Funds	-	11,314
Debt Service Fund:		
General Fund	3,500	20,800
Total Debt Service Fund	3,500	20,800
Grand Total	\$ 57,881	\$ 57,881

The District did not make any interfund transfers for the year ended August 31, 2014.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2014, were as follows:

	Property Taxes (net)	Other Governments	Other Receivables	Total Receivables
Governmental Activities:				
General Fund	\$ 258,724	\$ 269,163	\$ 150,906	\$ 678,793
Other Governmental Funds	18,973	15,177	-	34,150
Total-Governmental Activities	\$ 277,697	\$ 284,340	\$ 150,906	\$ 712,943

Payables at August 31, 2014, were as follows:

	Accounts Payable	Salaries/ Benefits	Due to Other Governments	Total Payables
Governmental Activities:				
General Fund	\$ 14,687	\$ 253,764	\$ -	\$ 268,451
Other Governmental Funds	12,092	5,262	4,003	21,357
Total-Governmental Activities	\$ 26,779	\$ 259,026	\$ 4,003	\$ 289,808

LEXINGTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2014, was as follows:

	Beginning Balance				Ending Balance
	9/1/13	Additions	Retirements	Adjustments	8/31/14
Governmental Activities:					
Land	\$ 276,800	\$ -	\$ -	\$ -	\$ 276,800
Buildings and Improvements	12,264,455	1,066,440	-	481,326	13,812,221
Furniture and Equipment	2,727,979	111,114	(96,535)	-	2,742,558
Construction in Progress	420,933	60,393	-	(481,326)	-
Totals at Historical Cost	15,690,167	1,237,947	(96,535)	-	16,831,579
Less Accumulated Depreciation for:					
Buildings and Improvements	(5,485,278)	(346,325)	-	-	(5,831,603)
Furniture and Equipment	(1,680,239)	(137,216)	96,535	-	(1,720,920)
Total Accumulated Depreciation	(7,165,517)	(483,541)	96,535	-	(7,552,523)
Governmental Activities Capital Assets, Net	\$ 8,524,650	\$ 754,406	\$ -	\$ -	\$ 9,279,056

Depreciation expense was charged to governmental functions as follows:

Function	Depreciation Allocation
11 Instruction	\$ 252,054
12 Instructional Resources & Media	8,683
13 Curriculum & Staff Development	3,543
21 Instructional Leadership	2,811
23 School Leadership	23,953
31 Guidance/Counseling/Evaluation Services	10,932
33 Health Services	3,035
34 Student Transportation	20,677
35 Food Services	25,269
36 Cocurricular/Extracurricular Activities	26,782
41 General Administration	20,852
51 Plant Maintenance and Operations	70,178
52 Security and Monitoring Services	644
53 Data Processing Services	7,386
61 Community Services	979
99 Other Intergovernmental Charges	5,763
Totals	\$ 483,541

LEXINGTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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, 2014 is as follows:

Description	Interest Rate	Original Issue	Current Year Interest	Outstanding 9/1/13	Additions	Deletions	Outstanding 8/31/14	Due in One Year
Bonds Payable - Principal								
Unlimited Tax Refunding Bonds - Series 2005- CIBs	2.7-4.65%	\$ 3,104,133	\$ 124,365	\$ 2,880,000	\$ -	\$ (115,000)	\$ 2,765,000	\$ 115,000
Total Bonds Payable			124,365	2,880,000	-	(115,000)	2,765,000	115,000
Capital Leases Payable								
Zion's First National Bank	1.89%	733,959	4,287	260,767	-	(90,865)	169,902	92,594
Total Capital Leases Payable			4,287	260,767	-	(90,865)	169,902	92,594
Other Long-Term Debt Payable								
Compensated Absences			-	157,750	-	(4,483)	153,267	-
Total Capital Leases Payable			-	157,750	-	(4,483)	153,267	-
Grand Total Long-Term Debt			\$ 128,652	\$ 3,298,517	\$ -	\$ (210,348)	\$ 3,088,169	\$ 207,594

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, 2014.

LEXINGTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2014

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

Debt service requirements for bonds are as follows:

Year Ended August 31,	General Obligations		Total Requirements
	Principal	Interest	
2015	\$ 115,000	\$ 119,765	\$ 234,765
2016	125,000	114,965	239,965
2017	130,000	109,784	239,784
2018	140,000	104,215	244,215
2019	140,000	98,440	238,440
2020-2024	820,000	392,450	1,212,450
2025-2029	1,050,000	184,420	1,234,420
2030-2034	245,000	5,696	250,696
Totals	<u>\$ 2,765,000</u>	<u>\$ 1,129,735</u>	<u>\$ 3,894,735</u>

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

Year Ended August 31,	Principal	Interest	Total Requirements
2015	\$ 92,594	\$ 2,557	\$ 95,151
2016	77,308	795	78,103
	<u>\$ 169,902</u>	<u>\$ 3,352</u>	<u>\$ 173,254</u>

I. DEFINED BENEFIT PENSION PLAN

Plan Description

Lexington Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

LEXINGTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2014

Funding Policy

State law provides for fiscal years 2012, 2013 and 2014 a state contribution rate of 6.0%, 6.4%, and 6.8%, respectively, and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state's contribution percentage. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's 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.

A summary of contributions made to the plan for the last three fiscal years is as follows:

Fiscal Year	Employee Contributions	State Contributions	District
		Made to TRS On-Behalf of Employees	Contributions Related to Above Statutory Minimum Salaries
2014	\$ 340,545	\$ 321,330	\$ 38,583
2013	354,089	317,684	29,908
2012	333,930	339,770	26,595

J. EMPLOYEE HEALTH CARE COVERAGE

For the year ended August 31, 2014, 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 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.

LEXINGTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2014

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 2014, 2013, and 2012.

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.

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

<u>Medicare Part-D</u>	
Fiscal Year	Medicare Part-D State On-Behalf Payments
2014	\$ 14,131
2013	13,152
2012	13,216

3. Early Retiree Reinsurance Program (ERRP)

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program.

Fiscal Year	Early Retiree Reinsurance Program State On-Behalf Payments
2014	\$ -
2013	-
2012	12,498

LEXINGTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2014

L. 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, 2014, 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	\$ 269,163	\$ -	\$ 269,163
Non-Major Governmental Funds	8,414	6,763	15,177
Total	<u>\$ 277,577</u>	<u>\$ 6,763</u>	<u>\$ 284,340</u>

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Type	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Proprietary Funds	Total
Property Taxes	\$ 3,430,080	\$ -	\$ 259,437	\$ -	\$ 3,689,517
Tuition and Fees	19,530	-	-	-	19,530
Investment Income	28,485	-	2,536	1,204	32,225
Gifts	37,000	-	-	-	37,000
Insurance Recovery	362,514	1,126,833	-	-	1,489,347
Food Sales	-	-	183,366	-	183,366
Athletics	26,865	-	-	-	26,865
Extracurricular Activities	6,977	-	-	-	6,977
Interfund Services	-	-	-	39,587	39,587
Enterprising Revenues	-	-	23,717	52,602	76,319
Miscellaneous Local Revenue	28,538	-	-	-	28,538
Total	<u>\$ 3,939,989</u>	<u>\$ 1,126,833</u>	<u>\$ 469,056</u>	<u>\$ 93,393</u>	<u>\$ 5,629,271</u>

N. LITIGATION

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

O. SUBSEQUENT EVENTS

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

LEXINGTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

P. 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.

S. WORKERS' COMPENSATION

The District participates in a self- insured Workers' Compensation Pool administered through a third party. The District provides fixed cost payments to the pool and accumulates reserves to cover the District's loss fund maximum each year. The accrued liability for workers' compensation self-insurance of \$43,207 includes incurred but not reported claims of \$24,436. The liability reported in the fund at August 31, 2014 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for a claims be reported if information prior to the issuance of financial statements indicated that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result in an exact amount. The liability recorded was the undiscounted estimated of the actuary at August 31, 2014.

COMBINING SCHEDULES

LEXINGTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	211 ESEA, Title I, Part A	224 IDEA-Part B, Formula	225 IDEA-Part B, Preschool	226 IDEA-Part B, Discretionary	240 National Breakfast and Lunch Program
ASSETS					
1110 Cash and Cash Equivalents	\$ -	\$ 3,775	\$ -	\$ -	\$ 46,280
1220 Property Taxes - Delinquent	-	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-	-
1240 Due from Other Governments	-	-	-	-	6,763
1260 Due from Other Funds	-	-	-	-	-
1310 Inventories	-	-	-	-	2,366
1800 Restricted Assets	-	-	-	-	-
1000A Total Assets	<u>\$ -</u>	<u>\$ 3,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,409</u>
LIABILITIES					
2110 Accounts Payable	\$ -	\$ 745	\$ -	\$ -	\$ 11,347
2160 Accrued Wages Payable	-	-	-	-	5,262
2170 Due to Other Funds	-	-	-	-	-
2180 Due to Other Governments	-	3,030	-	-	-
2000 Total Liabilities	<u>-</u>	<u>3,775</u>	<u>-</u>	<u>-</u>	<u>16,609</u>
DEFERRED INFLOWS OF RESOURCES					
2600 Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable:					
3410 Inventories	-	-	-	-	2,366
Restricted for:					
3450 Federal or State Funds Restricted	-	-	-	-	36,434
3480 Retirement of Long-Term Debt	-	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-	-
Assigned for:					
3590 Other Assigned Fund Balance	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,800</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ -</u>	<u>\$ 3,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,409</u>

255	263	385	409	410	461	479	599	Total
ESEA, Title II, Part A	Title III, Part A	State Supplemental Visually Impaired	High School Completion and Success	State Textbook Fund	Campus Activity Funds	Permanent Fund	Debt Service Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 973	\$ 52,756	\$ -	\$ 186,346	\$ 290,130
-	-	-	-	-	-	-	21,081	21,081
-	-	-	-	-	-	-	(2,108)	(2,108)
-	-	-	8,414	-	-	-	-	15,177
-	-	-	-	-	-	-	3,500	3,500
-	-	-	-	-	-	-	-	2,366
-	-	-	-	-	-	77,467	-	77,467
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,414</u>	<u>\$ 973</u>	<u>\$ 52,756</u>	<u>\$ 77,467</u>	<u>\$ 208,819</u>	<u>\$ 407,613</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,092
-	-	-	-	-	-	-	-	5,262
-	-	-	8,414	-	-	2,900	20,800	32,114
-	-	-	-	973	-	-	-	4,003
-	-	-	8,414	973	-	2,900	20,800	53,471
-	-	-	-	-	-	-	18,973	18,973
-	-	-	-	-	-	-	18,973	18,973
-	-	-	-	-	-	-	-	2,366
-	-	-	-	-	-	-	-	36,434
-	-	-	-	-	-	-	169,046	169,046
-	-	-	-	-	-	74,567	-	74,567
-	-	-	-	-	52,756	-	-	52,756
-	-	-	-	-	52,756	74,567	169,046	335,169
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,414</u>	<u>\$ 973</u>	<u>\$ 52,756</u>	<u>\$ 77,467</u>	<u>\$ 208,819</u>	<u>\$ 407,613</u>

LEXINGTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	211 ESEA, Title I, Part A	224 IDEA-Part B, Formula	225 IDEA-Part B, Preschool	226 IDEA-Part B, Discretionary	240 National Breakfast and Lunch Program
REVENUES:					
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ 183,686
5800 State Program Revenues	-	-	-	-	13,636
5900 Federal Program Revenues	115,504	147,016	5,763	34,979	278,205
5020 Total Revenues	<u>115,504</u>	<u>147,016</u>	<u>5,763</u>	<u>34,979</u>	<u>475,527</u>
EXPENDITURES:					
0011 Instruction	115,504	112,343	5,763	34,979	-
0012 Instructional Resources & Media Services	-	-	-	-	-
0013 Curriculum & Instructional Staff Development	-	1,595	-	-	-
0021 Instructional Leadership	-	27,741	-	-	-
0034 Student (Pupil) Transportation	-	5,337	-	-	-
0035 Food Services	-	-	-	-	488,785
0071 Debt Service - Principal	-	-	-	-	-
0072 Debt Service - Interest	-	-	-	-	-
0073 Debt Service - Bond Issuance Costs	-	-	-	-	-
6030 Total Expenditures	<u>115,504</u>	<u>147,016</u>	<u>5,763</u>	<u>34,979</u>	<u>488,785</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	(13,258)
0100 Fund Balance - Beginning	-	-	-	-	52,058
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,800</u>

255	263	385	409	410	461	479	599	Total Non-Major Governmental Funds
ESEA, Title II, Part A	Title III, Part A	State Supplemental Visually Impaired	High School Completion and Success	State Textbook Fund	Campus Activity Funds	Permanent Fund	Debt Service Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,717	\$ 433	\$ 261,220	\$ 469,056
-	-	1,250	65,852	126,865	-	-	-	207,603
45,080	312	-	-	-	-	-	-	626,859
45,080	312	1,250	65,852	126,865	23,717	433	261,220	1,303,518
43,323	312	1,250	65,852	126,865	11,002	2,900	-	520,093
-	-	-	-	-	10,414	-	-	10,414
1,757	-	-	-	-	-	-	-	3,352
-	-	-	-	-	-	-	-	27,741
-	-	-	-	-	-	-	-	5,337
-	-	-	-	-	-	-	-	488,785
-	-	-	-	-	-	-	115,000	115,000
-	-	-	-	-	-	-	124,365	124,365
-	-	-	-	-	-	-	485	485
45,080	312	1,250	65,852	126,865	21,416	2,900	239,850	1,295,572
-	-	-	-	-	2,301	(2,467)	21,370	7,946
-	-	-	-	-	50,455	77,034	147,676	327,223
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,756	\$ 74,567	\$ 169,046	335,169

TEA REQUIRED SCHEDULES

LEXINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31,		1	2	3
		Tax Rates		Assessed/Appraised Value for School Tax Purposes
		Maintenance	Debt Service	
2005	and prior years	Various	Various	Various
2006		1.46910	0.06260	\$ 233,616,607
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	(School year under audit)	1.04000	0.07900	328,345,425
TOTALS				

10	20	31	32	40	50
Beginning Balance 9/1/13	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/14
\$ 12,367	\$ -	\$ 2,539	\$ 108	\$ (64)	\$ 9,656
6,276	-	1,028	44	(12)	5,192
6,939	-	1,289	74	(14)	5,562
10,818	-	2,033	125	87	8,747
19,543	-	5,498	391	(14)	13,640
26,835	-	6,531	496	252	20,060
35,655	-	9,561	726	561	25,929
60,315	-	15,623	1,187	672	44,177
98,921	-	32,528	2,471	9	63,931
-	3,674,185	3,305,265	251,073	(6,189)	111,658
<u>\$ 277,669</u>	<u>\$ 3,674,185</u>	<u>\$ 3,381,895</u>	<u>\$ 256,695</u>	<u>\$ (4,712)</u>	<u>\$ 308,552</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, 2014

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget
		Original	Final	Amounts	
				(GAAP BASIS)	
REVENUES:					
5700	Local & Intermediate Sources	\$ 201,493	\$ 201,493	\$ 183,686	\$ (17,807)
5800	State Program Revenues	14,920	14,920	13,636	(1,284)
5900	Federal Program Revenues	277,500	277,500	278,205	705
5020	Total Revenues	<u>493,913</u>	<u>493,913</u>	<u>475,527</u>	<u>(18,386)</u>
EXPENDITURES:					
0035	Food Services	493,913	493,913	488,785	5,128
6030	Total Expenditures	<u>493,913</u>	<u>493,913</u>	<u>488,785</u>	<u>5,128</u>
1200	Net Change in Fund Balances	-	-	(13,258)	(13,258)
0100	Fund Balance-September 1 (Beginning)	52,058	52,058	52,058	-
3000	Fund Balance-August 31 (Ending)	<u>\$ 52,058</u>	<u>\$ 52,058</u>	<u>\$ 38,800</u>	<u>\$ (13,258)</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, 2014

Data Control Codes	Budgeted Amounts		Actual	Variance With	
	Original	Final	Amounts (GAAP BASIS)	Final Budget	
REVENUES:					
5700	Local & Intermediate Sources	\$ 241,366	\$ 241,366	\$ 261,220	\$ 19,854
5020	Total Revenues	241,366	241,366	261,220	19,854
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	115,000	115,000	115,000	-
0072	Interest on Long Term Debt	121,866	124,366	124,365	1
0073	Bond Issuance Cost and Fees	4,500	2,000	485	1,515
6030	Total Expenditures	241,366	241,366	239,850	1,516
1200	Net Change in Fund Balances	-	-	21,370	21,370
0100	Fund Balance-September 1 (Beginning)	147,676	147,676	147,676	-
3000	Fund Balance-August 31 (Ending)	\$ 147,676	\$ 147,676	\$ 169,046	\$ 21,370

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, 2014, 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 21, 2014.

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.

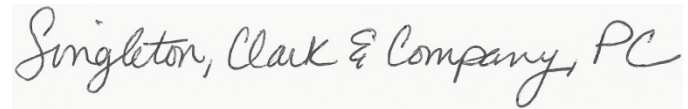
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Singleton, Clark & Company, PC
Cedar Park, Texas

November 21, 2014



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 Auditors' 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, 2014. 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, 2014.

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, 2014, and have issued our report thereon dated November 21, 2014, 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, PC
Cedar Park, Texas

November 21, 2014

LEXINGTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	1 Federal CFDA Number	2a Pass-Through Entity Identifying Number	3 Federal Expenditures
U.S DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education:</u>			
ESEA-Title I, Part A	84.010A	14-610101144902	\$ 115,504
IDEA-Part B, Formula*	84.027A	14-6600011449026000	147,016
IDEA-Part B, Preschool*	84.173A	14-6610011449026000	5,763
IDEA-Part B, Discretionary*	84.027A	14-660006144902	34,979
Title II, Part A, Improving Teacher Quality	84.367A	14-694501144902	45,080
Title III, Part A, Language	84.365A	14-144902	312
Total Passed Through State Dept of Education			348,654
TOTAL U.S. DEPARTMENT OF EDUCATION			348,654
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through Texas Education Agency:</u>			
School Breakfast Program*	10.553	71401401	58,609
National School Lunch Program - Cash Assistance*	10.555	71301401	188,504
<u>Passed Through the Texas Department of Agriculture:</u>			
Non-Cash Assistance - Food Distribution Program*	10.555	14-144902	31,092
TOTAL DEPARTMENT OF AGRICULTURE			278,205
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 626,859
School Health and Related Services (SHARS) Revenue - <i>Not considered Federal Financial Assistance</i>			\$ 46,760
E-rate Revenue - <i>Not considered Federal Financial Assistance</i>			9,311
TOTAL FEDERAL REVENUE PER THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE			\$ 682,930

* Clustered programs as defined in OMB Compliance Supplement 2014.

LEXINGTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

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, 2014

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:

National School Breakfast and Lunch Program	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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555	National School Breakfast and Lunch Program

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, 2014

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, 2014 and 2013.

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, 2014 and 2013.

LEXINGTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		1 Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ -