

LEXINGTON INDEPENDENT  
SCHOOL DISTRICT

ANNUAL FINANCIAL AND  
COMPLIANCE REPORT

FOR THE YEAR ENDED  
AUGUST 31, 2013



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2013

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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, 2013, 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)

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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 proprietary activities, each major fund, and the aggregate remaining fund information of Lexington Independent School District as of and for the year ended August 31, 2013, 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 statements 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.

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## ***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 proprietary activities, each major fund, and the aggregate remaining fund information of Lexington Independent School District as of August 31, 2013, 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***

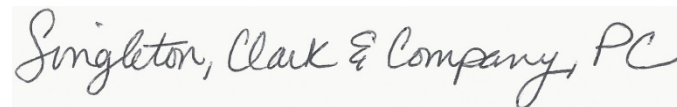
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lexington Independent School District's basic financial statements. The combining schedules, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2013 on our consideration of Lexington Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lexington Independent School District's internal control over financial reporting and compliance.

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

Singleton, Clark & Company, PC  
Austin, Texas

November 3, 2013

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2013

**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, 2013. 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 decreased by \$1,766 as a result of this year's operations, to end at \$8,300,867.
- The General Fund of the District reported a fund balance decrease of \$360,116 for the year, to end at \$2,406,060.
- Total Governmental Funds of the District (the General Fund plus all Special Revenue Funds, the Capital Project Fund, and the Debt Service Fund) reported an overall fund balance decrease of \$346,286, to end at \$2,733,283.

**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, 2013

**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, 2013

## **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, 2013

**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 decreased from \$8,401,903 to \$8,300,867. 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 – were \$2,621,938 at August 31, 2013. The decrease in governmental net position was primarily due to a restatement in net position due to a change in accounting principle from GASB 63 and 65.

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

	Governmental Activities 2013	Governmental Activities 2012	Change	Business- Type Activities 2013	Business- Type Activities 2012	Change
Current & other assets	\$ 3,441,392	\$ 4,017,593	\$ (576,201)	\$ 14,612	\$ 12,710	\$ 1,902
Capital assets	8,524,650	8,360,922	163,728	-	-	-
Restricted assets	77,034	79,858	(2,824)	-	-	-
<b>Total assets</b>	<b>12,043,076</b>	<b>12,458,373</b>	<b>(415,297)</b>	<b>14,612</b>	<b>12,710</b>	<b>1,902</b>
Current liabilities	443,692	3,523,965	(3,080,273)	1,091	1,536	(445)
Long-term liabilities	3,298,517	532,505	2,766,012	-	-	-
<b>Total liabilities</b>	<b>3,742,209</b>	<b>4,056,470</b>	<b>(314,261)</b>	<b>1,091</b>	<b>1,536</b>	<b>(445)</b>
Net Assets:						
Invested in capital assets, net of related debt	5,383,883	5,023,261	360,622	-	-	-
Restricted	295,046	362,257	(67,211)	-	-	-
Unrestricted	2,621,938	3,016,385	(394,447)	13,521	11,174	2,347
<b>Total net assets</b>	<b>\$ 8,300,867</b>	<b>\$ 8,401,903</b>	<b>\$ (101,036)</b>	<b>\$ 13,521</b>	<b>\$ 11,174</b>	<b>\$ 2,347</b>

**LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2013**

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

	Governmental Activities 2013	Governmental Activities 2012	Change	Business- Type Activities 2013	Business- Type Activities 2012	Change
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 480,375	\$ 295,253	\$ 185,122	\$ 57,844	\$ 63,643	\$ (5,799)
Operating grants & contr.	1,074,260	1,269,892	(195,632)	-	-	-
<b>General Revenues:</b>						
Maintenance & operations taxes	3,385,817	3,306,607	79,210	-	-	-
Debt service taxes	258,440	269,947	(11,507)	-	-	-
State aid - formula grants	3,529,247	3,675,169	(145,922)	-	-	-
Grants & contributions not rest.	57,128	3,801	53,327	-	-	-
Investment earnings	40,421	119,114	(78,693)	-	-	-
Miscellaneous	-	57,433	(57,433)	-	-	-
<b>Total Revenue</b>	<b>8,825,688</b>	<b>8,997,216</b>	<b>(171,528)</b>	<b>57,844</b>	<b>63,643</b>	<b>(5,799)</b>
<b>Expenses:</b>						
Instruction	4,821,436	5,139,958	(318,522)	-	-	-
Instructional res. & media svcs.	158,707	159,394	(687)	-	-	-
Curriculum and staff dev.	60,839	52,880	7,959	-	-	-
Instructional leadership	86,589	107,091	(20,502)	-	-	-
School leadership	445,492	484,741	(39,249)	-	-	-
Guidance/counseling svcs.	148,446	173,260	(24,814)	-	-	-
Health services	59,882	60,403	(521)	-	-	-
Student transportation	329,764	377,322	(47,558)	-	-	-
Food services	531,599	486,953	44,646	-	-	-
Cocurricular/extracurricular act.	517,344	473,066	44,278	-	-	-
General administration	402,635	412,691	(10,056)	-	-	-
Plant maint. and operations	870,478	940,065	(69,587)	-	-	-
Security and monitoring svcs.	6,291	4,194	2,097	-	-	-
Data processing services	122,068	127,212	(5,144)	-	-	-
Community services	19,595	10,155	9,440	-	-	-
Debt service	136,931	155,362	(18,431)	-	-	-
Other intergovernmental chgs.	109,358	107,782	1,576	-	-	-
Business-type activities	-	-	-	55,497	63,552	(8,055)
<b>Total Expenses</b>	<b>8,827,454</b>	<b>9,272,529</b>	<b>(445,075)</b>	<b>55,497</b>	<b>63,552</b>	<b>(8,055)</b>
Transfers in/(out)	-	8,276	(8,276)	-	(8,276)	8,276
<b>Change in net assets</b>	<b>(1,766)</b>	<b>(267,037)</b>	<b>265,271</b>	<b>2,347</b>	<b>(8,185)</b>	<b>10,532</b>
Net assets at 9/1/12 and 9/1/11	8,302,633	8,668,940	(366,307)	11,174	19,359	(8,185)
<b>Net assets at 8/31/13 and 8/31/12</b>	<b>\$ 8,300,867</b>	<b>\$ 8,401,903</b>	<b>\$ (101,036)</b>	<b>\$ 13,521</b>	<b>\$ 11,174</b>	<b>\$ 2,347</b>

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2013

**THE DISTRICT'S FUNDS**

As the District completed this annual period, the General Fund reported a fund balance of \$2,406,060, which is \$360,116 less than last year's total of \$2,766,176. The decrease in fund balance is mainly attributable to a transfer out of the general fund to a capital project fund for a middle school library construction project.

The District's IDEA - Part B, Discretionary fund reported a fund balance of \$0 and is a new fund this year. The purpose of the IDEA - Part B, Discretionary Fund is to account for the grant revenues and expenditures.

The District's other governmental funds reported a fund balance of \$327,223 as compared to \$313,393 in 2012, which is \$13,830 more than the previous year. The primary difference between fiscal year 2012 and fiscal year 2013 governmental funds was that the debt service fund balance increased by \$21,095 due to more property tax revenues from an increase in property values.

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of August 31, 2013, the District had \$8,524,650 (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 2013 and 2012 is as follows:

	Governmental Activities 2013	Governmental Activities 2012	Change
Land	\$ 276,800	\$ 276,800	\$ -
Buildings	12,264,455	12,154,632	109,823
Furniture and Equipment	2,727,979	2,620,160	107,819
Construction in Progress	420,933	46,022	374,911
Total	<u>15,690,167</u>	<u>15,097,614</u>	<u>592,553</u>
Less Accumulated Depreciation	<u>(7,165,517)</u>	<u>(6,736,692)</u>	<u>(428,825)</u>
Capital assets, net of depreciation	<u>\$ 8,524,650</u>	<u>\$ 8,360,922</u>	<u>\$ 163,728</u>

**LEXINGTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2013**

**Debt**

At year-end, the District had \$3,298,517 in bonds and other long-term debt outstanding versus \$3,523,965 last year. The decrease is attributable to scheduled payments on debt during fiscal 2013. A summary of the ending balances of long-term debt by type for both 2013 and 2012 is as follows:

	Governmental Activities 2013	Governmental Activities 2012	Change
General Obligation Bonds	\$ 2,880,000	\$ 2,987,727	\$ (107,727)
Notes Payable	157,750	186,304	(28,554)
Capital Leases Payable	260,767	349,934	(89,167)
Total	<u>\$ 3,298,517</u>	<u>\$ 3,523,965</u>	<u>\$ (225,448)</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 2013-2014 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 \$7.8 million for the 2013-2014 fiscal year. The budget increased from 2012-2013 to 2013-2014 by approximately \$457 thousand, a direct result from increased average daily attendance, which generates more state revenues.

For the 2013-2014 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 2013-2014 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2013-2014 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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2013

Data Control Codes	Primary Government			
	1 Governmental Activities	2 Business-Type Activities	3 Total	
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 2,764,460	\$ 14,612	\$ 2,779,072
1120	Current Investments	315,208	-	315,208
1225	Property Taxes Receivable (net)	249,902	-	249,902
1240	Due from Other Governments	110,395	-	110,395
1300	Inventories	1,427	-	1,427
	Capital Assets:			
1510	Land	276,800	-	276,800
1520	Buildings and Improvements, Net	6,779,177	-	6,779,177
1530	Furniture and Equipment, Net	1,047,740	-	1,047,740
1580	Construction in Progress	420,933	-	420,933
1800	Restricted Assets	77,034	-	77,034
1000	Total Assets	<u>12,043,076</u>	<u>14,612</u>	<u>12,057,688</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	81,420	1,091	82,511
2140	Interest Payable	5,686	-	5,686
2160	Accrued Wages Payable	247,606	-	247,606
2180	Due to Other Governments	34,133	-	34,133
2200	Accrued Expenses	74,847	-	74,847
	Noncurrent Liabilities:			
2501	Bonds, Loans & Other Payable - Due Within One Year	205,864	-	205,864
2502	Bonds Payable - Due in More than One Year	2,765,000	-	2,765,000
2530	Other Long-Term Debt - Due in More than One Year	327,653	-	327,653
2000	Total Liabilities	<u>3,742,209</u>	<u>1,091</u>	<u>3,743,300</u>
<b>NET POSITION</b>				
3200	Investments in Capital Assets, Net of Debt	5,383,883	-	5,383,883
	Restricted for:			
3820	Federal & State Programs	50,631	-	50,631
3850	Debt Service	165,954	-	165,954
3890	Other Restricted	78,461	-	78,461
3900	Unrestricted	2,621,938	13,521	2,635,459
3000	Total Net Position	<u>\$ 8,300,867</u>	<u>\$ 13,521</u>	<u>\$ 8,314,388</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, 2013

Data Control Codes	1 Expenses	Program Revenues	
		3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 4,821,436	\$ 195,359	\$ 896,300
12 Instructional Resources & Media Services	158,707	-	29,885
13 Curriculum & Staff Development	60,839	-	3,219
21 Instructional Leadership	86,589	-	39,591
23 School Leadership	445,492	-	21,824
31 Guidance/Counseling/Evaluation Services	148,446	-	6,372
33 Health Services	59,882	-	3,167
34 Student Transportation	329,764	-	17,890
35 Food Services	531,599	201,646	10,662
36 Extracurricular Activities	517,344	58,370	12,032
41 General Administration	402,635	-	14,079
51 Plant Maintenance and Operations	870,478	-	15,702
52 Security and Monitoring Services	6,291	-	-
53 Data Processing Services	122,068	-	2,583
61 Community Services	19,595	25,000	954
72 Interest on Long-Term Debt	133,000	-	-
73 Bond Issuance Cost & Fees	3,931	-	-
99 Other Intergovernmental Charges	109,358	-	-
TG Total Governmental Activities:	<u>8,827,454</u>	<u>480,375</u>	<u>1,074,260</u>
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Fund - Concession Stand Fund	55,497	57,844	-
TB Total Business-Type Activities:	<u>55,497</u>	<u>57,844</u>	<u>-</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 8,882,951</u>	<u>\$ 538,219</u>	<u>\$ 1,074,260</u>

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions, not Restricted
IE	Investment Earnings
TR	Total General Revenues, Special Items, and Transfers
CN	Change in Net Position
NB	Net Assets -- Beginning (as Restated)
NE	Net Assets -- Ending

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

Net (Expense) Rev. & Changes in Net Assets		
6	7	8
Primary Gov.		
Governmental Activities	Business-Type Activites	Total
\$ (3,729,777)	\$ -	\$ (3,729,777)
(128,822)	-	(128,822)
(57,620)	-	(57,620)
(46,998)	-	(46,998)
(423,668)	-	(423,668)
(142,074)	-	(142,074)
(56,715)	-	(56,715)
(311,874)	-	(311,874)
(319,291)	-	(319,291)
(446,942)	-	(446,942)
(388,556)	-	(388,556)
(854,776)	-	(854,776)
(6,291)	-	(6,291)
(119,485)	-	(119,485)
6,359	-	6,359
(133,000)	-	(133,000)
(3,931)	-	(3,931)
(109,358)	-	(109,358)
<u>(7,272,819)</u>	<u>-</u>	<u>(7,272,819)</u>
-	2,347	2,347
<u>-</u>	<u>2,347</u>	<u>2,347</u>
<u>(7,272,819)</u>	<u>2,347</u>	<u>(7,270,472)</u>
3,385,817	-	3,385,817
258,440	-	258,440
3,529,247	-	3,529,247
57,128	-	57,128
40,421	-	40,421
<u>7,271,053</u>	<u>-</u>	<u>7,271,053</u>
(1,766)	2,347	581
8,302,633	11,174	8,313,807
<u>\$ 8,300,867</u>	<u>\$ 13,521</u>	<u>\$ 8,314,388</u>

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**FUND BASIS FINANCIAL STATEMENTS**

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2013

Data	10			98	
Control	General	IDEA- Part B	Other	Total	
Codes	Fund	Discretionary	Funds	Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 2,289,981	\$ -	\$ 302,397	\$ 2,592,378
1120	Investments - Current	315,208	-	-	315,208
1220	Property Taxes - Delinquent	257,360	-	20,309	277,669
1230	Allow. for Uncollectible Taxes (Credit)	(25,736)	-	(2,031)	(27,767)
1240	Due from Other Governments	38,101	54,615	17,679	110,395
1260	Due from Other Funds	83,778	-	1,481	85,259
1310	Inventories	-	-	1,427	1,427
1800	Restricted Assets	-	-	77,034	77,034
1000	Total Assets	<u>\$ 2,958,692</u>	<u>\$ 54,615</u>	<u>\$ 418,296</u>	<u>\$ 3,431,603</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 46,882	\$ -	\$ 34,538	\$ 81,420
2160	Accrued Wages Payable	238,492	-	9,114	247,606
2170	Due to Other Funds	19,778	54,615	10,866	85,259
2180	Due to Other Governments	15,856	-	18,277	34,133
2000	Total Liabilities	<u>321,008</u>	<u>54,615</u>	<u>72,795</u>	<u>448,418</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2600	Deferred Inflows	231,624	-	18,278	249,902
	Total Deferred Inflows of Resources	<u>231,624</u>	<u>-</u>	<u>18,278</u>	<u>249,902</u>
<b>FUND BALANCES</b>					
Nonspendable:					
3410	Inventories	-	-	1,427	1,427
3425	Endowment Principal	-	-	77,034	77,034
Restricted for:					
3450	Federal or State Funds Restricted	-	-	50,631	50,631
3480	Retirement of Long-Term Debt	-	-	147,676	147,676
Committed for:					
3540	Self Insurance	76,682	-	-	76,682
Assigned for:					
3590	Other Assigned Fund Balance	-	-	50,455	50,455
3600	Unassigned Fund Balance	2,329,378	-	-	2,329,378
3000	Total Fund Balances	<u>2,406,060</u>	<u>-</u>	<u>327,223</u>	<u>2,733,283</u>
4000	Total Liabilities, Def. Inflows, and Fund Bal.	<u>\$ 2,958,692</u>	<u>\$ 54,615</u>	<u>\$ 418,296</u>	<u>\$ 3,431,603</u>

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

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2013

1

<b>Total Fund Balances - Governmental Funds</b>	\$ 2,733,283
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.	97,235
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 \$15,097,614 for capital assets and \$6,736,692 for accumulated depreciation to the Statement of Net Position was an increase in net position.	8,360,922
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.	599,281
4 Since capital assets are not reported in governmental funds, any gain or loss on disposal of capital assets is also not reported in governmental funds. Gains or losses on disposals of capital assets in the current year resulted in a decrease in net position.	(336)
5 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.	(435,217)
6 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.	(3,523,965)
7 Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Position. The effect of reducing long-term debt is an increase in net position.	199,524
8 Liabilities for employee retirement are not recognized in the governmental funds. The effect of recording the current year change in the liability for employee retirement to the Statement of Net Position is an increase in net position.	28,197
9 Accretion on long-term debt issued by governmental activities is treated as interest expense and as an increase in long-term debt. The effect of recording accretion on long-term debt is a decrease in net position.	(6,453)
10 Since long-term debt is not recorded in governmental funds, issuance premiums/discounts and related subsequent amortization is also not recorded. The net effect of recording amortization on premiums/discounts on long-term debt is an increase in net position.	4,180
11 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.	(5,686)
12 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.	249,902
<b>19 Net Position of Governmental Activities</b>	<b>\$ 8,300,867</b>

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, 2013

Data	10			98
Control Codes	General Fund	IDEA- Part B Discretionary	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 3,638,847	\$ -	\$ 492,491	\$ 4,131,338
5800 State Program Revenues	3,836,269	-	94,847	3,931,116
5900 Federal Program Revenues	57,128	54,615	617,776	729,519
5020 Total Revenues	<u>7,532,244</u>	<u>54,615</u>	<u>1,205,114</u>	<u>8,791,973</u>
<b>EXPENDITURES:</b>				
0011 Instruction	4,085,714	54,615	413,846	4,554,175
0012 Instructional Resources & Media Services	135,239	-	16,095	151,334
0013 Curriculum & Instructional Staff Development	56,067	-	1,945	58,012
0021 Instructional Leadership	57,653	-	24,913	82,566
0023 School Leadership	424,795	-	-	424,795
0031 Guidance, Counseling & Evaluation Services	141,549	-	-	141,549
0033 Health Services	57,100	-	-	57,100
0034 Student (Pupil) Transportation	385,700	-	5,409	391,109
0035 Food Services	-	-	488,240	488,240
0036 Cocurricular/Extracurricular Activities	493,310	-	-	493,310
0041 General Administration	373,508	-	-	373,508
0051 Plant Maintenance and Operations	885,722	-	-	885,722
0052 Security and Monitoring Services	5,999	-	-	5,999
0053 Data Processing Services	116,397	-	-	116,397
0061 Community Services	18,685	-	-	18,685
0071 Debt Service - Principal	89,167	-	110,000	199,167
0072 Debt Service - Interest	5,984	-	126,665	132,649
0073 Debt Service - Bond Issuance Costs	-	-	3,931	3,931
0081 Facilities Acquisition and Construction	-	-	455,733	455,733
0099 Other Intergovernmental Charges	104,278	-	-	104,278
6030 Total Expenditures	<u>7,436,867</u>	<u>54,615</u>	<u>1,646,777</u>	<u>9,138,259</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>95,377</u>	<u>-</u>	<u>(441,663)</u>	<u>(346,286)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	240	-	455,733	455,973
8911 Transfers Out	(455,733)	-	(240)	(455,973)
7080 Total Other Financing Sources (Uses)	<u>(455,493)</u>	<u>-</u>	<u>455,493</u>	<u>-</u>
1200 Net Change in Fund Balance	(360,116)	-	13,830	(346,286)
0100 Fund Balance - Beginning	2,766,176	-	313,393	3,079,569
3000 Fund Balance - Ending	<u>\$ 2,406,060</u>	<u>\$ -</u>	<u>\$ 327,223</u>	<u>\$ 2,733,283</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, 2013

	<b>Total Net Change in Fund Balances – Governmental Funds</b>	\$ (346,286)
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 a decrease in the change in net position.	(9,959)
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.	599,281
3	Since capital assets are not reported in governmental funds, any gain or loss on disposal of capital assets is also not reported in governmental funds. Gains or losses on disposals of capital assets in the current year resulted in a decrease in net position.	(336)
4	Since capital assets are not reported in governmental funds, any gain or loss on disposal of capital assets is also not reported in governmental funds. Gains or losses on disposals of capital assets in the current year resulted in a decrease in net position.	(435,217)
5	Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Position. The net effect of reducing long-term debt is an increase in the change in net position.	199,524
6	Liabilities for employee retirement are not recognized in the governmental funds. The effect of recording the current year change in the liability for employee retirement to the Statement of Net Position is an increase in net position.	28,197
7	Accretion on long-term debt issued by governmental activities is treated as interest expense and as an increase in long-term debt. The net effect of recording accretion on long-term debt is a decrease in the change in net position.	(6,453)
8	Since long-term debt is not recorded in governmental funds, issuance premiums/discounts and related subsequent amortization is also not recorded. The net effect of recording amortization on premiums/discounts on long-term debt is an increase in the change in net position.	4,180
9	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.	1,922
10	Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is a decrease in the change in net position.	(36,619)
19	<b>Change in Net Position of Governmental Activities</b>	\$ (1,766)

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

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
	<b>REVENUES:</b>				
5700	Local & Intermediate Sources	\$ 3,351,153	\$ 3,541,953	\$ 3,638,847	\$ 96,894
5800	State Program Revenues	3,907,669	3,849,469	3,836,269	(13,200)
5900	Federal Program Revenues	35,000	53,000	57,128	4,128
5020	Total Revenues	7,293,822	7,444,422	7,532,244	87,822
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	3,977,107	4,085,140	4,085,714	(574)
0012	Instructional Resources & Media Services	139,239	136,239	135,239	1,000
0013	Curriculum and Staff Development	50,267	56,267	56,067	200
0021	Instructional Leadership	105,480	85,440	57,653	27,787
0023	School Leadership	424,940	425,440	424,795	645
0031	Guidance/Counseling/Evaluation Services	140,364	142,364	141,549	815
0033	Health Services	56,494	57,194	57,100	94
0034	Student Transportation	406,087	392,948	385,700	7,248
0036	Extracurricular Activities	488,513	493,513	493,310	203
0041	General Administration	375,608	373,608	373,508	100
0051	Facilities Maintenance & Operations	853,669	893,169	885,722	7,447
0052	Security and Monitoring Services	4,100	6,100	5,999	101
0053	Data Processing Services	117,013	119,013	116,397	2,616
0061	Community Services	18,454	18,754	18,685	69
Debt Service:					
0071	Principal on Long Term Debt	63,000	89,167	89,167	-
0072	Interest on Long Term Debt	32,600	6,433	5,984	449
0099	Other Intergovernmental Charges	115,000	107,000	104,278	2,722
6030	Total Expenditures	7,367,935	7,487,789	7,436,867	50,922
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(74,113)	(43,367)	95,377	138,744
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	-	240	240
8911	Transfers Out	-	(460,000)	(455,733)	4,267
7080	Total Other Financing Sources (Uses)	-	(460,000)	(455,493)	4,507
1200	Net Change in Fund Balances	(74,113)	(503,367)	(360,116)	143,251
0100	Fund Balance-September 1 (Beginning)	2,766,176	2,766,176	2,766,176	-
3000	Fund Balance-August 31 (Ending)	\$ 2,692,063	\$ 2,262,809	\$ 2,406,060	\$ 143,251

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, 2013

Data Control Codes	Business-Type Activities Concession Stand Fund	Governmental Activities Internal Service Fund
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 14,612	\$ 172,082
1000 Total Assets	<u>14,612</u>	<u>172,082</u>
<b>LIABILITIES</b>		
2110 Accounts Payable	1,091	-
2200 Accrued Expenditures	-	74,847
2000 Total Liabilities	<u>1,091</u>	<u>74,847</u>
<b>NET POSITION</b>		
3900 Unrestricted Net Position	13,521	97,235
3000 Total Net Position	<u>\$ 13,521</u>	<u>\$ 97,235</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, 2013

Data Control Codes	Business-Type Activities Concession Stand Fund	Governmental Activities Internal Service Fund
<b>OPERATING REVENUES:</b>		
5700 Local and Intermediate Sources	\$ 57,844	\$ 70,334
5020 Total Revenues	<u>57,844</u>	<u>70,334</u>
<b>OPERATING EXPENSES:</b>		
6100 Payroll Costs	4,583	-
6300 Supplies and Materials	10,772	-
6400 Other Operating Costs	40,142	80,293
6030 Total Expenses	<u>55,497</u>	<u>80,293</u>
Income (Loss) before Contributions and Transfers	2,347	(9,959)
0100 Total Net Position - Beginning	11,174	107,194
3300 Total Net Position - Ending	<u>\$ 13,521</u>	<u>\$ 97,235</u>

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

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data	Business-Type Activities	Governmental Activities
Control	Concession	Internal
Codes	Stand Fund	Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 59,380	\$ 70,334
Cash Payments to Employees for Services	(4,583)	-
Cash Payments to Suppliers	(11,217)	-
Cash Payments for Other Operating Activities	(40,142)	(45,875)
Net Cash provided by (Used for) Operating Activities	<u>3,438</u>	<u>24,459</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,438	24,459
Cash and Cash Equivalents at Beginning of the Year	11,174	147,623
Cash and Cash Equivalents at the End of the Year:	<u>\$ 14,612</u>	<u>\$ 172,082</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ 2,347	\$ (9,959)
Effect of Increases and Decreases in Current		
Assets and Liabilities:		
(Increase) decrease in Due From Other Funds	1,536	4,277
Increase (decrease) in Accounts Payable	(445)	-
Increase (decrease) in Due to Other Funds	-	(612)
Increase (decrease) in Accrued Expenses	-	30,753
Net Cash Provided by (Used for) Operating Activities	<u>\$ 3,438</u>	<u>\$ 24,459</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, 2013

Data Control Codes	Private- Purpose Trusts	Trust/ Agency Funds
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 1,500	\$ 72,628
1000 Total Assets	<u>\$ 1,500</u>	<u>\$ 72,628</u>
<b>LIABILITIES</b>		
2190 Due to Student Groups	\$ -	\$ 72,628
2000 Total Liabilities	<u>-</u>	<u>\$ 72,628</u>
<b>NET ASSETS</b>		
3800 Held in Trust	<u>1,500</u>	
3000 Total Net Assets	<u>\$ 1,500</u>	

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



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Private- Purpose Trusts
<b>REVENUES:</b>	
5700 Local and Intermediate Sources	\$ 2,000
5020 Total Revenues	<u>2,000</u>
<b>EXPENSES:</b>	
6400 Other Operating Costs	500
6030 Total Expenses	<u>500</u>
1200 Change in Net Position	1,500
0100 Net Position - Beginning	-
3000 Net Position - Ending	<u><u>\$ 1,500</u></u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2013

**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.

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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.

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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.

IDEA-Part B, Discretionary Fund- The District accounts for resources restricted, committed, or assigned for specific purposes by the District for the IDEA-Part B, Discretionary Grant in a special revenue fund. This fund met the criteria this year to be considered a major fund.

The District reports the following major proprietary funds:

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

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.

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.

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.

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.

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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 state leave 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 related to this policy at year end was \$157,750.



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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.

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*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 2013, 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 Statewide data base for policy development and funding plans.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
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**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

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

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

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

Fund Balance - Special Revenue Funds	
Appropriated Budget Funds - Child Nutrition	\$ 52,058
Non-Appropriated Budget Funds - Campus Activity Funds	50,455
Non-Appropriated Budget Funds - Permanent Scholarship Fund	77,034
All Special Revenue Funds	\$ 179,547

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The District reported expenditures in excess of appropriations in Function 11 of the General Fund in the amount of \$547.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
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**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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$2,853,201 and the bank balance was \$2,935,862. 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.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Round Top State Bank of Round Top, Texas.
- b. The fair market value of collateral pledged to the District, as of the date of the highest combined balance on deposit was \$6,856,071.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$5,402,190. These balances occurred during the month of February 2013.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$500,000.
- 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.

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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, 2013, Lexington Independent School District had the following investments.

<u>Investment Name</u>	<u>Investment Type</u>	Less than 1	1-5	6-10	More Than 10	Recording Fund
TexPool	Investment Pools	\$ 24,394	\$ -	\$ -	\$ -	199
TexStar	Investment Pools	15,072	-	-	-	199
LoneStar	Investment Pools	275,742	-	-	-	199
Total Investments		<u>\$ 315,208</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, 2013, the district's investments in TexPool were rated AAAM by Standard & Poor's, the Lone Star Investment Pool has earned Standard & Poor's rating of AAA, and the TexStar Investment Pool has earned Standard & Poor's rating of AAAM.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
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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 1<sup>st</sup> of the year following the year in which imposed. On June 30<sup>th</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

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

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**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at August 31, 2013, consisted of the following amounts:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
General Fund	\$ 18,297	\$ 18,297
Special Revenue Funds	65,481	-
Debt Service Fund	-	1,481
Total General Fund	<u>83,778</u>	<u>19,778</u>
Special Revenue Funds:		
General Fund	-	65,481
Total Special Revenue Funds	<u>-</u>	<u>65,481</u>
Debt Service Fund:		
General Fund	1,481	-
Total Debt Service Fund	<u>1,481</u>	<u>-</u>
Grand Total	<u>\$ 85,259</u>	<u>\$ 85,259</u>

Interfund transfers for the year ended August 31, 2013, consisted of the following individual amounts:

The Noneducational Community-Based Fund transferred \$240 to the General Fund to provide for supplemental financing needs.

The General Fund transferred \$455,733 to the Capital Project Fund to provide for supplemental financing needs.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2013, were as follows:

	<u>Property Taxes (net)</u>	<u>Other Governments</u>	<u>Due from Other Funds</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$ 231,624	\$ 38,101	\$ 83,778	\$ 353,503
IDEA- Part B, Discretionary	-	54,615	-	54,615
Other Governmental Funds	18,278	17,679	1,481	37,438
Total-Governmental Activities	<u>\$ 249,902</u>	<u>\$ 110,395</u>	<u>\$ 85,259</u>	<u>\$ 445,556</u>

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Payables at August 31, 2013, were as follows:

	Accounts Payable	Salaries/ Benefits	Due to Other Funds	Due to Other Governments	Total Payables
Governmental Activities:					
General Fund	\$ 46,882	\$ 238,492	\$ 19,778	\$ 15,856	\$ 321,008
IDEA-Part B, Discretionary	-	-	54,615	-	54,615
Other Governmental Funds	34,538	9,114	10,866	18,277	72,795
Total-Governmental Activities	<u>\$ 81,420</u>	<u>\$ 247,606</u>	<u>\$ 85,259</u>	<u>\$ 34,133</u>	<u>\$ 448,418</u>

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2013, was as follows:

	Beginning Balance 9/1/12				Ending Balance 8/31/13
	Additions	Retirements	Adjustments		
Governmental Activities:					
Land	\$ 276,800	\$ -	\$ -	\$ -	\$ 276,800
Buildings and Improvements	12,154,632	34,800	-	75,023	12,264,455
Furniture and Equipment	2,620,160	114,547	(6,728)	-	2,727,979
Construction in Progress	46,022	449,934	-	(75,023)	420,933
Totals at Historical Cost	<u>15,097,614</u>	<u>599,281</u>	<u>(6,728)</u>	<u>-</u>	<u>15,690,167</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(5,177,689)	(307,589)	-	-	(5,485,278)
Furniture and Equipment	(1,559,003)	(127,628)	6,392	-	(1,680,239)
Total Accumulated Depreciation	<u>(6,736,692)</u>	<u>(435,217)</u>	<u>6,392</u>	<u>-</u>	<u>(7,165,517)</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,360,922</u>	<u>\$ 164,064</u>	<u>\$ (336)</u>	<u>\$ -</u>	<u>\$ 8,524,650</u>



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
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Depreciation expense was charged to governmental functions as follows:

	Function	Depreciation Allocation
11	Instruction	\$ 237,464
12	Instructional Resources & Media	7,891
13	Curriculum & Staff Development	3,025
21	Instructional Leadership	4,305
23	School Leadership	22,150
31	Guidance/Counseling/Evaluation Services	7,381
33	Health Services	2,977
34	Student Transportation	20,393
35	Food Services	25,458
36	Cocurricular/Extracurricular Activities	25,722
41	General Administration	19,475
51	Plant Maintenance and Operations	46,183
52	Security and Monitoring Services	313
53	Data Processing Services	6,069
61	Community Services	974
99	Other Intergovernmental Charges	5,437
	Totals	\$ 435,217

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
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**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, 2013 is as follows:

Description	Interest Rate	Original Issue	Current Year Interest	Outstanding 9/1/12	Additions	Deletions	Current Accretion	Outstanding 8/31/13	Due in One Year
Bonds Payable - Principal									
U/L Tax Refunding Bonds - Series 2005- CIBs	2.7-4.65%	\$3,104,133	\$ 126,665	\$2,892,727	\$ -	\$ (12,727)	\$ -	\$2,880,000	\$ 115,000
U/L Tax Refunding Bonds - Series 2005- CABs			-	90,820		(97,273)	6,453	-	-
Total Bonds Payable			126,665	2,983,547	-	(110,000)	6,453	2,880,000	115,000
Bonds Payable Premium and Discounts									
U/L Tax Refunding Bonds - Premium				4,180	-	(4,180)	-	-	-
Total Bond Premium and Discounts				4,180	-	(4,180)	-	-	-
Total Bonds Payable				2,987,727	-	(114,180)	6,453	2,880,000	115,000
Compensated Absences									
Accrued Retirement Payout				186,304	-	(28,554)	-	157,750	-
Total Compensated Absences				186,304	-	(28,554)	-	157,750	-
Capital Leases Payable									
Zion's First National Bank	1.89%	733,959	5,984	349,934	-	(89,167)	-	260,767	90,864
Total Capital Leases Payable			5,984	349,934	-	(89,167)	-	260,767	90,864
Grand Total Long-Term Debt			\$ 132,649	\$3,523,965	\$ -	\$ (231,901)	\$ 6,453	\$3,298,517	\$ 205,864

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, 2013.

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**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	
2014	\$ 115,000	\$ 124,365	\$ 239,365
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
2019-2023	780,000	427,038	1,207,038
2024-2028	995,000	231,416	1,226,416
2029-2033	480,000	22,552	502,552
Totals	<u>\$ 2,880,000</u>	<u>\$ 1,254,100</u>	<u>\$ 4,134,100</u>

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

Year Ended August 31,			Total Requirements
	Principal	Interest	
2014	\$ 90,864	\$ 4,287	\$ 95,151
2015	92,594	2,557	95,151
2016	77,309	795	78,104
	<u>\$ 260,767</u>	<u>\$ 7,639</u>	<u>\$ 268,406</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 8701, 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](http://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, 2013

*Funding Policy*

State law provides for fiscal years 2011, 2012 and 2013 a state contribution rate of 6.644%, 6.0%, and 6.4%, 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	
2013	\$ 354,089	\$ 317,684	\$	29,908	
2012	333,930	339,770		26,595	
2011	357,536	381,333		32,237	

**J. EMPLOYEE HEALTH CARE COVERAGE**

For the year ended August 31, 2013, 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 dependants) 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 Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2013

*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 2013, 2012, and 2011.

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:

Fiscal Year	Medicare Part-D State On-Behalf Payments
2013	\$ 18,887
2012	13,216
2011	13,511

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
2013	\$ -
2012	12,498
2011	-

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2013

**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, 2013, 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	\$ 38,101	\$ -	\$ 38,101
IDEA Part-B, Discretionary	-	54,615	54,615
Non-Major Governmental Funds	10,002	7,677	17,679
Total	<u>\$ 48,103</u>	<u>\$ 62,292</u>	<u>\$ 110,395</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	Non-Major Governmental Funds	Proprietary Funds	Trust Funds	Total
Property Taxes	\$ 3,421,363	\$ 259,513	\$ -	\$ -	\$ 3,680,876
Tuition and Fees	34,607	-	-	-	34,607
Investment Income	36,375	2,904	1,142	-	40,421
Gifts	25,000	-	-	2,000	27,000
Insurance Recovery	13,448	-	-	-	13,448
Food Sales	-	201,646	-	-	201,646
Athletics	29,942	-	-	-	29,942
Extracurricular Activities	6,149	-	-	-	6,149
Interfund Services	-	-	69,192	-	69,192
Enterprising Revenues	-	28,428	57,844	-	86,272
Miscellaneous Local Revenue	71,963	-	-	-	71,963
Total	<u>\$ 3,638,847</u>	<u>\$ 492,491</u>	<u>\$ 128,178</u>	<u>\$ 2,000</u>	<u>\$ 4,261,516</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, 2013

**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.

**Q. RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disaster. During fiscal year 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**R. WORKER'S COMPENSATION**

The District participates in a self-insured Worker's 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 worker's compensation self-insurance of \$74,847 includes incurred but not reported claims of \$31,332. The liability reported in the fund at August 31, 2013 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for a claim 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, 2013.



LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2013

**S. RESTATEMENT OF NET POSITION**

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) which is effective for periods beginning after December 15, 2012, with early application encouraged. This statement specifies that costs related to the issuance of debt will no longer be recorded as a deferred charge and amortized over the life of the debt. These costs should instead be recognized as an expense in the period incurred. Accounting changes to comply with this statement should be applied retroactively by restating financial statements for all periods presented. If restatement is impractical, the cumulative effect of applying this statement should be reported as a restatement of beginning net position for the earliest period presented.

The cumulative effect of the application of GASB 65 and restatement of beginning net position is as follows:

Net Position as Previously Stated at August 31, 2012	\$ 8,401,903
Cumulative Effect of Change in Accounting Principle Related to Removal of Deferred Bond Issuance Costs from the Statement of Net Position	<u>(99,270)</u>
Net Position as Restated at August 31, 2012	<u><u>\$ 8,302,633</u></u>

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## COMBINING SCHEDULES

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

Data	211	224	225	240	255
Control				National Breakfast and	
Codes	ESEA, Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool	Lunch Program	ESEA, Title II, Part A
<b>ASSETS</b>					
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 65,047	\$ -
1220 Property Taxes - Delinquent	-	-	-	-	-
1230 Allow. for Uncollectible Taxes (Credit)	-	-	-	-	-
1240 Due from Other Governments	-	-	864	6,813	-
1260 Due from Other Funds	-	-	-	-	-
1310 Inventories	-	-	-	1,427	-
1800 Restricted Assets	-	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 864</u>	<u>\$ 73,287</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 12,115	\$ -
2160 Accrued Wages Payable	-	-	-	9,114	-
2170 Due to Other Funds	-	-	864	-	-
2180 Due to Other Governments	-	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>864</u>	<u>21,229</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2600 Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable:					
3410 Inventories	-	-	-	1,427	-
3425 Endowment Principal	-	-	-	-	-
Restricted for:					
3450 Federal or State Funds Restricted	-	-	-	50,631	-
3480 Retirement of Long-Term Debt	-	-	-	-	-
Assigned for:					
3590 Other Assigned Fund Balance	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,058</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 864</u>	<u>\$ 73,287</u>	<u>\$ -</u>

287	385	392	404	409	410	461	479
Education Jobs Fund	State Supplemental Visually Impaired	Noneducational Community- Based Support	Student Success Initiative	High School Completion and Success	State Textbook Fund	Campus Activity Funds	Permanent Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,455	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,358	3,257	4,387	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	77,034
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,358</u>	<u>\$ 3,257</u>	<u>\$ 4,387</u>	<u>\$ 50,455</u>	<u>\$ 77,034</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	2,358	3,257	4,387	-	-
-	-	-	-	-	-	-	-
-	-	-	2,358	3,257	4,387	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	50,455	-
-	-	-	-	-	-	50,455	77,034
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,358</u>	<u>\$ 3,257</u>	<u>\$ 4,387</u>	<u>\$ 50,455</u>	<u>\$ 77,034</u>

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	599	699	Total	
Data			Non-Major	
Control	Debt Service	Capital	Governmental	
Codes	Fund	Project Fund	Funds	
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 164,472	\$ 22,423	\$ 302,397
1220	Property Taxes - Delinquent	20,309	-	20,309
1230	Allow. for Uncollectible Taxes (Credit)	(2,031)	-	(2,031)
1240	Due from Other Governments	-	-	17,679
1260	Due from Other Funds	1,481	-	1,481
1310	Inventories	-	-	1,427
1800	Restricted Assets	-	-	77,034
1000	Total Assets	<u>\$ 184,231</u>	<u>\$ 22,423</u>	<u>\$ 418,296</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ 22,423	\$ 34,538
2160	Accrued Wages Payable	-	-	9,114
2170	Due to Other Funds	-	-	10,866
2180	Due to Other Governments	18,277	-	18,277
2000	Total Liabilities	<u>18,277</u>	<u>22,423</u>	<u>72,795</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2600	Unavailable Revenue	18,278	-	18,278
	Total Deferred Inflows of Resources	<u>18,278</u>	<u>-</u>	<u>18,278</u>
<b>FUND BALANCES</b>				
Nonspendable:				
3410	Inventories	-	-	1,427
3425	Endowment Principal	-	-	77,034
Restricted for:				
3450	Federal or State Funds Restricted	-	-	50,631
3480	Retirement of Long-Term Debt	147,676	-	147,676
Assigned for:				
3590	Other Assigned Fund Balance	-	-	50,455
3000	Total Fund Balances	<u>147,676</u>	<u>-</u>	<u>327,223</u>
4000	Total Liabilities and Fund Balances	<u>\$ 184,231</u>	<u>\$ 22,423</u>	<u>\$ 418,296</u>

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data	211	224	225	240	255
Control Codes	ESEA, Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool	National Breakfast and Lunch Program	ESEA, Title II, Part A
<b>REVENUES:</b>					
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 201,646	\$ -
5800 State Program Revenues	-	-	-	13,565	-
5900 Federal Program Revenues	153,079	137,288	6,156	274,663	42,065
5020 Total Revenues	<u>153,079</u>	<u>137,288</u>	<u>6,156</u>	<u>489,874</u>	<u>42,065</u>
<b>EXPENDITURES:</b>					
0011 Instruction	152,929	105,171	6,156	-	42,065
0012 Instructional Resources & Media Services	-	-	-	-	-
0013 Curriculum & Instructional Staff Dev.	150	1,795	-	-	-
0021 Instructional Leadership	-	24,913	-	-	-
0034 Student (Pupil) Transportation	-	5,409	-	-	-
0035 Food Services	-	-	-	488,240	-
0071 Debt Service - Principal	-	-	-	-	-
0072 Debt Service - Interest	-	-	-	-	-
0073 Debt Service - Bond Issuance Costs	-	-	-	-	-
0081 Facilities Acquisition and Construction	-	-	-	-	-
6030 Total Expenditures	<u>153,079</u>	<u>137,288</u>	<u>6,156</u>	<u>488,240</u>	<u>42,065</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	1,634	-
<b>OTHER FINANCING SOURCES (USES):</b>					
7915 Transfers In	-	-	-	-	-
8911 Transfers Out	-	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	1,634	-
0100 Fund Balance - Beginning	-	-	-	50,424	-
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,058</u>	<u>\$ -</u>



287	385	392	404	409	410	461	479
Education Jobs Fund	State Supplemental Visually Impaired	Noneducational Community- Based Support	Student Success Initiative	High School Completion and Success	State Textbook Fund	Campus Activity Funds	Permanent Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,428	\$ 726
-	800	-	3,336	3,257	73,889	-	-
4,525	-	-	-	-	-	-	-
4,525	800	-	3,336	3,257	73,889	28,428	726
4,525	800	-	3,336	3,257	73,889	16,882	4,836
-	-	-	-	-	-	16,095	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,525	800	-	3,336	3,257	73,889	32,977	4,836
-	-	-	-	-	-	(4,549)	(4,110)
-	-	-	-	-	-	-	-
-	-	(240)	-	-	-	-	-
-	-	(240)	-	-	-	-	-
-	-	(240)	-	-	-	(4,549)	(4,110)
-	-	240	-	-	-	55,004	81,144
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,455	\$ 77,034

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	599	699	Total
Data Control Codes	Debt Service Fund	Capital Project Fund	Non-Major Governmental Funds
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 261,691	\$ -	\$ 492,491
5800 State Program Revenues	-	-	94,847
5900 Federal Program Revenues	-	-	617,776
5020 Total Revenues	<u>261,691</u>	<u>-</u>	<u>1,205,114</u>
<b>EXPENDITURES:</b>			
0011 Instruction	-	-	413,846
0012 Instructional Resources & Media Services	-	-	16,095
0013 Curriculum & Instructional Staff Dev.	-	-	1,945
0021 Instructional Leadership	-	-	24,913
0034 Student (Pupil) Transportation	-	-	5,409
0035 Food Services	-	-	488,240
0071 Debt Service - Principal	110,000	-	110,000
0072 Debt Service - Interest	126,665	-	126,665
0073 Debt Service - Bond Issuance Costs	3,931	-	3,931
0081 Facilities Acquisition and Construction	-	455,733	455,733
6030 Total Expenditures	<u>240,596</u>	<u>455,733</u>	<u>1,646,777</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	21,095	(455,733)	(441,663)
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	455,733	455,733
8911 Transfers Out	-	-	(240)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>455,733</u>	<u>455,493</u>
1200 Net Change in Fund Balance	21,095	-	13,830
0100 Fund Balance - Beginning	126,581	-	313,393
3000 Fund Balance - Ending	<u>\$ 147,676</u>	<u>\$ -</u>	<u>327,223</u>

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TEA REQUIRED SCHEDULES

LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FOR THE YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31,	1		2	3
	Tax Rates			Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service		
2004	and prior years	Various	Various	\$ Various
2005		1.47870	0.06880	187,855,242
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	(School year under audit)	1.04000	0.07900	314,758,341
TOTALS				

10	20	31	32	40	50
Beginning Balance 9/1/12	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/13
\$ 10,073	\$ -	\$ 106	\$ 5	\$ 2	\$ 9,964
2,452	-	47	2	-	2,403
6,595	-	306	13	-	6,276
8,112	-	1,110	63	-	6,939
14,339	-	3,252	200	(69)	10,818
26,390	-	6,962	495	610	19,543
47,130	-	19,109	1,452	266	26,835
64,447	-	26,944	2,047	199	35,655
135,320	-	72,750	5,526	3,271	60,315
-	3,522,146	3,225,645	245,025	47,445	98,921
<u>\$ 314,858</u>	<u>\$ 3,522,146</u>	<u>\$ 3,356,231</u>	<u>\$ 254,828</u>	<u>\$ 51,724</u>	<u>\$ 277,669</u>

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015  
 GENERAL AND SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Misc.	Total
611X-6146	PAYROLL COSTS	\$ 1,217	\$ -	\$ 158,560	\$ 125,179	\$ -	\$ 16	\$ 284,972
6149	Leave for Separating Employees in Fn 41 & 53				750			750
6149	Leave for Separating Emp. not in Fn 41 & 53				-			-
6211	Legal Services	-	-	18,913		-		18,913
6212	Audit Services				12,920			12,920
6213	Tax Appraisal/Collection - Appraisal in Fn 99		-					-
6214	Lobbying				-			-
621X	Other Professional Services	3,920	7,891	-	6,784	-	-	18,595
6220	Tuition & Transfer Pymts						-	-
6230	Education Service Centers	-	-	-	1,800	-	-	1,800
6240	Contr. Maint. And Repair					500		500
6250	Utilities					-		-
6260	Rentals	-	-	3,310	2,239	-	-	5,549
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	294	-	2,079	4,125	812	-	7,310
6410	Travel, Subst., Stipends	3,558	-	2,491	1,943	-	-	7,992
6420	Ins. And Bonding Costs	-	-	-	3,884	-	-	3,884
6430	Election Costs	2,097						2,097
6490	Miscellaneous Operating	986	-	2,275	1,505	3,460	-	8,226
6500	Debt Service						-	-
6600	Capital Outlay						-	-
6000	TOTAL	\$ 12,072	\$ 7,891	\$ 187,628	\$ 161,129	\$ 4,772	\$ 16	\$ 373,508

Total expenditures/expenses for General and Special Revenue Funds: 9 \$ 8,437,094

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	10	\$ 143,548
Total Debt & Lease (6500)	11	95,151
Plant Maintenance (Function 51, 6100-6400)	12	822,574
Food (Function 35, 6341 and 6499)	13	212,995
Column 4 (above) - Total Indirect Cost		161,129

Subtotal: 1,435,397

Net Allowed Direct Cost \$ 7,001,697

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	15	\$ 12,264,455
Historical Cost of Building over 50 years old	16	770,371
Amount of Federal Money in Building Cost (Net of #16)	17	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	18	2,727,979
Historical Cost of Furniture & Equipment over 16 years old	19	144,866
Amount of Federal Money in Furniture & Equipment (Net of #19)	20	-

8a Note-1 \$ - Fn 53 expenditures are included in this report on administrative costs.

8b Note-2 \$ - Fn 99 expenditures for appraisal district costs are included in this report on administrative costs.

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, 2013

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget
		Original	Final	Amounts (GAAP BASIS)	
		<b>REVENUES:</b>			
5700	Local & Intermediate Sources	\$ 202,593	\$ 199,593	\$ 201,646	\$ 2,053
5800	State Program Revenues	11,528	14,528	13,565	(963)
5900	Federal Program Revenues	265,000	265,000	274,663	9,663
5020	Total Revenues	<u>479,121</u>	<u>479,121</u>	<u>489,874</u>	<u>10,753</u>
<b>EXPENDITURES:</b>					
0035	Food Services	488,583	488,583	488,240	343
6030	Total Expenditures	<u>488,583</u>	<u>488,583</u>	<u>488,240</u>	<u>343</u>
1200	Net Change in Fund Balances	(9,462)	(9,462)	1,634	11,096
0100	Fund Balance-September 1 (Beginning)	50,424	50,424	50,424	-
3000	Fund Balance-August 31 (Ending)	<u>\$ 40,962</u>	<u>\$ 40,962</u>	<u>\$ 52,058</u>	<u>\$ 11,096</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, 2013

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
<b>REVENUES:</b>				
5700 Local & Intermediate Sources	\$ 237,106	\$ 241,106	\$ 261,691	\$ 20,585
5020 Total Revenues	237,106	241,106	261,691	20,585
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long Term Debt	110,000	110,000	110,000	-
0072 Interest on Long Term Debt	126,665	126,665	126,665	-
0073 Bond Issuance Cost and Fees	441	4,441	3,931	510
6030 Total Expenditures	237,106	241,106	240,596	510
1200 Net Change in Fund Balances	-	-	21,095	21,095
0100 Fund Balance-September 1 (Beginning)	126,581	126,581	126,581	-
3000 Fund Balance-August 31 (Ending)	\$ 126,581	\$ 126,581	\$ 147,676	\$ 21,095

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FEDERAL AWARDS SECTION

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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 proprietary activities, each major fund, and the aggregate remaining fund information of Lexington Independent School District, as of and for the year ended August 31, 2013, 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 3, 2013.

**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*.

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## **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, P.C." The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company, P.C.  
Austin, Texas

November 3, 2013

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

Independent Auditor's Report

To the Board of Trustees of  
Lexington Independent School District

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

We have audited Lexington Independent School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Lexington Independent School District's major federal programs for the year ended August 31, 2013. 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, 2013.

**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.

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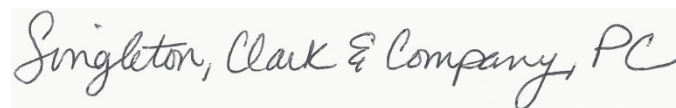
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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, 2013, and have issued our report thereon dated , which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, P.C.  
Austin, Texas

November 3, 2013

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

1	2	2a	3
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA-Title I, Part A	84.010A	1361010144902	\$ 153,079
IDEA-Part B, Formula	84.027A	136600011449026000	137,288
IDEA-Part B, Preschool	84.173A	136610011449026000	6,156
IDEA-Part B, Discretionary	84.027A	136600021449026000	54,615
Title II, Part A, Improving Teacher Quality	84.367A	13694501144902	42,065
Education Jobs Fund	84.410A	11550101144902	4,525
Total Passed Through State Dept of Education			<u>397,728</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>397,728</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through Texas Education Agency</u>			
School Breakfast Program*	10.553	71401301	65,898
National School Lunch Program - Cash Assistance*	10.555	71301301	181,395
<u>Passed Through the Texas Department of Human Services</u>			
Non-Cash Assistance - Food Distribution Program	10.555	71301301	27,370
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>274,663</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Health and Human Services Commission</u>			
Medical Assistance Program	93.778	144-902	57,128
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 729,519</u>

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

**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.

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2013

**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:

Special Education Cluster	Unmodified
---------------------------	------------

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2013

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**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 Section 510(c) of OMB Circular A-133 for the year ended August 31, 2013.

Prior year financial statement findings and questioned costs as required to be restated with current status:

2012-1

Criteria: Each year the District’s Board of Trustees adopts an appropriations budget which limits expenditure amounts within specific line items that can be made by management.

Condition Found: As of year-end, actual expenditure amounts in function 72 and 73 in the Debt Service Fund exceeded final amended budget amounts by \$1,114 and \$3,489, respectively.

Questioned Costs: Budget amendments were not made prior to year end for these line items.

Effect: The effect of this condition is a technical noncompliance with the legally adopted appropriations budget.

Recommendation: We recommend the District closely monitor expenditure items and amend the budget as required.

Current Status: We did not find any material noncompliance in the current year.

**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, 2013 and 2012.

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LEXINGTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 FOR THE YEAR ENDED AUGUST 31, 2013

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?	\$ -