

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**ANNUAL FINANCIAL STATEMENTS AND
ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS**

AUGUST 31, 2014

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

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**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

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November 5, 2014

INDEPENDENT AUDITOR'S REPORT

Board of Education
School District #17 – Millard Public Schools
Douglas County, Nebraska

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund of School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, and each major fund of the District, as of August 31, 2014, and the respective changes in financial position - cash basis, thereof for the year ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information presented on pages 20-29 is presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparison information and schedule, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 5, 2014 on our consideration of the 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 the District's internal control over financial reporting and compliance.


HSMC ORIZON LLC

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

STATEMENT OF NET POSITION - CASH BASIS

AUGUST 31, 2014

ASSETS

	Governmental Activities
Cash	\$ 8,686,930
Investments	88,344,494
TOTAL ASSETS	\$ 97,031,424

NET POSITION

Restricted:	
Special building	\$ 34,852,390
School lunch	(1,222,755)
Debt service	19,334,322
Unrestricted:	
Board designated:	
Employee benefit	4,755,052
Depreciation	8,253,462
Contingency	1,075,307
Undesignated	29,983,646
TOTAL NET POSITION	\$ 97,031,424

See Notes to the Basic Financial Statements.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

STATEMENT OF ACTIVITIES - CASH BASIS

FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements)</u> <u>Receipts and</u> <u>Changes in Net Position</u> <u>School</u> <u>District</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
Governmental activities:				
Instructional services	\$ (118,219,640)	\$ 286,372	\$ 23,003,323	\$ (94,929,945)
Support services	(69,953,931)		1,074,480	(68,879,451)
Food services	(12,058,265)	8,411,763	2,874,481	(772,021)
Building maintenance and improvements	(42,864,828)			(42,864,828)
Debt service and lease payments	(17,035,769)			(17,035,769)
Other	(1,022,096)			(1,022,096)
Net program (disbursements) receipts	<u>\$ (261,154,529)</u>	<u>\$ 8,698,135</u>	<u>\$ 26,952,284</u>	<u>\$ (225,504,110)</u>
General receipts:				
Taxes collected				\$ 115,834,875
County receipts				964,864
State receipts				86,527,845
Investment earnings				16,515
Other				5,601,616
Total general receipts				<u>208,945,715</u>
Decrease in net position				(16,558,395)
Net position - beginning of year				<u>113,589,819</u>
Net position - end of year				<u>\$ 97,031,424</u>

See Notes to the Basic Financial Statements.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

STATEMENT OF FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS

AUGUST 31, 2014

	Special Revenue Funds				Total Governmental Funds
	General Fund	Special Building	School Lunch	Debt Service/Bond Fund	
ASSETS					
Cash	\$ 9,904,734		\$ (1,222,755)	\$ 4,951	\$ 8,686,930
Investments	34,162,733	\$ 34,852,390		19,329,371	88,344,494
TOTAL ASSETS	\$ 44,067,467	\$ 34,852,390	\$ (1,222,755)	\$ 19,334,322	\$ 97,031,424
FUND BALANCES					
Restricted for:					
Capital projects		\$ 34,852,390			\$ 34,852,390
Debt service				\$ 19,334,322	19,334,322
Committed to:					
Capital assets	\$ 8,253,462				8,253,462
Assigned to:					
Contingency	1,075,307				1,075,307
Employee benefits	4,755,052				4,755,052
Unassigned	29,983,646		\$ (1,222,755)		28,760,891
TOTAL FUND BALANCE - CASH BASIS	\$ 44,067,467	\$ 34,852,390	\$ (1,222,755)	\$ 19,334,322	\$ 97,031,424

See Notes to Basic Financial Statements.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

STATEMENT OF CHANGES IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2014

	Special Revenue Funds				Total Governmental Funds
	General Fund	Special Building	School Lunch	Debt Service/Bond Fund	
RECEIPTS:					
Local receipts	\$ 101,188,609	\$ 2,039,858	\$ 868,107	\$ 14,496,085	\$ 118,592,659
County receipts	964,864				964,864
State receipts	98,274,266	15,030	48,009	238,199	98,575,504
Federal receipts	12,078,153		2,826,472		14,904,625
Sales of lunches			7,543,656		7,543,656
Interest	6,177	8,031	1,195	1,112	16,515
Non-revenue receipts	<u>2,852,687</u>	<u>1,314,042</u>			<u>4,166,729</u>
TOTAL RECEIPTS	<u>215,364,756</u>	<u>3,376,961</u>	<u>11,287,439</u>	<u>14,735,396</u>	<u>244,764,552</u>
DISBURSEMENTS:					
Instructional services	110,342,490				110,342,490
Support services	72,352,057				72,352,057
Other salaries and benefits			4,713,786		4,713,786
Supplies and materials			115,165		115,165
Purchased services	28,015,291	15,527,735	7,036,833		50,579,859
Capital outlay	1,493,451	3,865,541	16,184		5,375,176
Building and site acquisition and improvement	147,079	291,649			438,728
Other	24,693	509	176,297		201,499
Redemption of principal		2,770,000		8,320,000	11,090,000
Debt service interest		<u>183,980</u>		<u>5,761,789</u>	<u>5,945,769</u>
TOTAL DISBURSEMENTS	<u>212,375,061</u>	<u>22,639,414</u>	<u>12,058,265</u>	<u>14,081,789</u>	<u>261,154,529</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,989,695</u>	<u>(19,262,453)</u>	<u>(770,826)</u>	<u>653,607</u>	<u>(16,389,977)</u>
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued				12,600,000	12,600,000
Premium on refunding bonds issued				830,000	830,000
Payment to refunded bond escrow agent				(13,430,000)	(13,430,000)
Transfers out			<u>(168,418)</u>		<u>(168,418)</u>
TOTAL OTHER FINANCING SOURCES (USES)			<u>(168,418)</u>		<u>(168,418)</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	2,989,695	(19,262,453)	(939,244)	653,607	(16,558,395)
FUND BALANCE - beginning of year	<u>41,077,772</u>	<u>54,114,843</u>	<u>(283,511)</u>	<u>18,680,715</u>	<u>113,589,819</u>
FUND BALANCE - end of year	<u>\$ 44,067,467</u>	<u>\$ 34,852,390</u>	<u>\$ (1,222,755)</u>	<u>\$ 19,334,322</u>	<u>\$ 97,031,424</u>

See Notes to the Basic Financial Statements.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

STATEMENT OF NET POSITION AND CHANGES IN NET POSITION - CASH BASIS - FIDUCIARY FUNDS

AS OF AND FOR THE YEAR ENDED AUGUST 31, 2014

<u>Activities Fund</u>	<u>Beginning Net Assets</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Ending Net Assets</u>
ADMINISTRATIVE OFFICE	\$ 449,360	\$ 524,511	\$ 669,321	\$ 496	\$ 305,046
HIGH SCHOOLS:					
North	532,078	1,187,367	1,160,784	48,140	606,801
South	709,088	1,140,675	1,128,444	40,600	761,919
West	517,144	1,331,575	1,533,904	47,900	362,715
MIDDLE SCHOOLS:					
Andersen	95,659	91,495	82,295	3,947	108,806
Beadle	64,038	110,021	119,221	5,162	60,000
Central	56,249	95,009	100,829	3,461	53,890
Kiewit	333,549	82,251	107,474	4,109	312,435
North	99,575	100,830	104,256	3,668	99,817
Russell	92,745	163,805	132,229	3,924	128,245
ELEMENTARY SCHOOLS:					
Abbott	27,145	21,959	23,774	65	25,395
Ackerman	26,717	41,221	34,490	164	33,612
Aldrich	20,963	17,509	13,954	119	24,637
Black Elk	45,362	62,692	45,560	87	62,581
Bryan	13,034	22,674	17,715	201	18,194
Cather	25,646	14,804	15,912		24,538
Cody	10,745	17,269	17,327	64	10,751
Cottonwood	20,163	12,043	9,427	149	22,928
Disney	6,241	5,907	5,248	240	7,140
Ezra Millard	23,195	21,461	24,948	209	19,917
Harvey Oaks	4,516	10,344	11,763	75	3,172
Hitchcock	27,521	9,044	9,640	160	27,085
Holling Heights	23,361	13,432	11,369	234	25,658
Montclair	25,391	36,887	50,581	191	11,888
Morton	7,190	20,959	21,567	101	6,683
Neihardt	13,634	29,707	27,402	558	16,497
Norris	29,877	10,404	11,437	272	29,116
Reagan	104,727	58,351	83,483	251	79,846
Reeder	16,669	29,436	30,012	179	16,272
Rockwell	24,475	16,522	14,665	231	26,563
Rohwer	23,372	14,341	24,224	142	13,631
Sandoz	20,585	14,488	16,299		18,774
Upchurch	17,758	36,654	28,316	156	26,252
Wheeler	23,291	32,158	34,788	195	20,856
Willowdale	17,214	13,289	16,224	148	14,427
SUMMER SCHOOL	84,910	81,322	162,428		3,804
HORIZON HIGH SCHOOL	<u>5,740</u>	<u>12,828</u>	<u>15,138</u>	<u>2,820</u>	<u>6,250</u>
Total activities fund	<u>\$ 3,638,927</u>	<u>\$ 5,505,244</u>	<u>\$ 5,916,448</u>	<u>\$ 168,418</u>	<u>\$ 3,396,141</u>
 <u>Student Fees Fund</u>					
ALL SCHOOLS	<u>\$ 357,590</u>	<u>\$ 1,151,504</u>	<u>\$ 1,207,357</u>		<u>\$ 301,737</u>
NET POSITION:					
Cash					\$ 2,934,017
Investments					<u>763,861</u>
TOTAL NET POSITION - CASH BASIS HELD IN TRUST					<u>\$ 3,697,878</u>

See Notes to the Basic Financial Statements.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

School District #17 – Millard Public Schools, Douglas County, Nebraska (the “District”) is a tax-exempt political subdivision and a Class 3 school district of the State of Nebraska.

Reporting Entity

The District’s financial statements are presented as the primary government and include all significant schools, departments, activities and organizations for which the District is financially accountable.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements present the District’s financial statements as governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Alternatively, business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not operate any business-type activities.

Fund Financial Statements – Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its cash, certificates of deposit, investments, fund balance, receipts and disbursements. Funds are organized into two major categories: governmental and fiduciary. The District currently has no proprietary funds. An emphasis is placed on major funds within the governmental and fiduciary categories. A fund is considered major if it is the primary operating fund of the District, meets specific mathematical criteria set forth by GASB or is identified as a major fund by the District’s management. In addition to the District’s funds meeting the required criteria, the District’s management has designated all remaining funds to be presented as major funds for financial reporting purposes.

GOVERNMENTAL FUND ACTIVITIES

The funds of the financial reporting entity are described below:

General Fund – This fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financing resources except those required to be accounted for in other funds. This fund also accounts for resources designated and maintained for the eventual purchase of capital assets and for the reserve of money for the benefit of School District employees for fringe benefits.

The District has four additional special revenue funds: employee benefit, depreciation, contingency, and cooperative. However, in accordance with GASB Financial Reporting Standards, these funds have been consolidated into the general fund since their revenues are transfers from the general fund.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

GOVERNMENTAL FUND ACTIVITIES, CONTINUED

Special Revenue Fund – These funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the District. The reporting entity includes the following special revenue funds:

Special Building Fund – This fund accounts for taxes levied and other revenues specifically maintained to acquire or improve sites and/or to erect, alter or improve buildings.

School Lunch Fund – This fund accounts for the operations of the District's child nutrition programs.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term obligations principal, interest and related costs.

Bond Fund – This fund accounts for taxes levied and other revenues specifically earmarked for the retirement of bonded indebtedness.

FIDUCIARY FUND ACTIVITIES

Activities Fund – This fund is used to account for assets held by the District in a trustee capacity for various school organizations and activities.

Student Fees Fund – This fund is used to account for money collected from students that shall be expended for the purpose for which it was collected from the students.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

In both the government-wide financial statements and the fund financial statements, the governmental and fiduciary activities are presented using a cash basis measurement focus. Their reported net assets/fund balance is considered a measure of “available cash and investments.” The operating statements focus on cash received and cash disbursed.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting, Continued

Basis of Accounting

In the government-wide and the fund financial statements, the District prepares its financial statements using the cash basis of accounting. Accordingly, revenues are recognized when cash is received by the District and expenditures are recognized when cash is disbursed. This basis is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

This basis of accounting is applied to all transactions, including the disbursements for capital assets, receipt of proceeds from issuance of debt and the retirement of debt.

Equity Classification

Government-wide Statements

Equity is classified as net position and displayed in two components:

- a. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups, such as creditors, grantors, contributors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net position – All other amounts that do not meet the definition of “restricted.” However, if the funds have been designated by the Board of Education, these funds have been shown separately to distinguish their designation.

It is the District’s policy to use restricted net position, first, prior to the use of unrestricted net position, when a disbursement is made for purposes in which both restricted and unrestricted net position are available.

Fund Financial Statements

Governmental fund equity is reported as fund balance within each respective fund. For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- a. Nonspendable – This fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. At August 31, 2014, the District did not have any nonspendable funds.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classification, Continued

Fund Financial Statements, Continued

- b. Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Board of Education to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.
- c. Committed – This fund balance classification includes amounts that can only be used for the specific purposes imposed by formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Board of Education or a District Administrator delegated that authority by the Board of Education.
- e. Unassigned – This fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Interfund transfers, the flow of assets from one fund to another where repayment is not expected, are reported as cash receipts and disbursements.

Transfers between funds during the year were as follows:

<u>Purpose</u>	<u>Receiving Fund</u>	<u>Disbursing Fund</u>	<u>Amount</u>
Distributes vending revenue to school buildings	Activity Fund	School Lunch Fund	\$ 168,418
To create fund for self-insurance claims	Contingency Fund	General Fund	\$1,100,000

2. BUDGET PROCESS AND PROPERTY TAXES

The District is required by state law to adopt annual budgets for the General Fund, Special Building Fund, School Lunch Fund, Employee Benefit Fund, Contingency Fund, Depreciation Fund and Bond Fund. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

State Statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditures and/or tax levy limitations.

The District follows these procedures in establishing the budgetary data reflected in the accompanying financial statements:

- The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing September 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at a public meeting to obtain taxpayer comments.
- The budget is legally adopted by the Board of Education through passage of a resolution and is filed with the appropriate agencies on or before September 20.
- Total fund expenditures may not legally exceed total appropriations at the fund level or for “regular education” in the general fund without holding a public budget hearing and obtaining approval from the Board of Education. Appropriations lapse at fiscal year-end and any revisions require Board approval.

The District amended the bond fund budget for the 2013-2014 fiscal year.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

2. BUDGET PROCESS AND PROPERTY TAXES, CONTINUED

The property tax requirement resulting from the budget process is utilized to establish the tax levy in accordance with State statutes, which tax levy attaches as an enforceable lien on property within the District as of December 31. Taxes are due as of that date. One-half of the real estate taxes become delinquent after the following April 1, with the second one-half becoming delinquent after August 1.

The combined tax rate of the District for the year ended August 31, 2014 was \$1.230000 per \$100 of assessed valuation. Included in the District's combined rate, as described above, is \$0.95 per \$100 of Learning Communities monies for the general fund provided based on need.

3. DEPOSITS AND INVESTMENTS

Nebraska Statutes §79-408, §79-1042 and §79-1043 provide that the District may, by and with the consent of the Board of Education of the District, invest the funds of the District in securities, including repurchase agreements, the nature of which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another.

Deposits

At August 31, 2014, the carrying amount of the District's deposits was \$11,620,947 and the bank balance was \$11,895,069.

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental funds	\$ 8,686,930	\$ 8,754,673
Fiduciary funds	<u>2,934,017</u>	<u>3,140,396</u>
TOTAL	<u>\$ 11,620,947</u>	<u>\$ 11,895,069</u>

While the District maintains separate bank accounts for individual funds for cash flow and investment purposes the District occasionally pools cash as part of their cash management procedures.

Investments

Investments include \$68,884,496 in Nebraska School District Liquid Asset Fund Plus which is similar in nature to an open-end mutual fund designed specifically for Nebraska school entities, investing only in those securities allowable for such entities under Nebraska Law. These investments are reported at fair value. \$317 of these funds are in the fiduciary funds and \$68,884,179 are in the governmental funds.

Investments include \$20,223,859 in money market funds. These investments are reported at fair value. \$763,544 of these funds are in the fiduciary funds and \$19,460,315 are in the governmental funds.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

3. DEPOSITS AND INVESTMENTS, CONTINUED

Risks

The District attempts to mitigate the following types of deposit and investment risks through compliance with the State Statutes referred to above. The three types of deposit and investment risks are the following:

- Custodial Credit Risk – for deposits and investments, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the District will not be able to recover the value of its deposits or investments or collateral securities in the possession of a third party.
- Credit Risk – for deposits and investments, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits and investments, interest rate risk is the risk that the value of deposits and investments will decrease as a result of a rise in interest rates.

The bank balances of the District’s deposits, which includes the CD’s are insured through Federal Depository Insurance Corporation (“FDIC”) coverage or collateral held by the District’s agent in the District’s name. At August 31, 2014, all funds were covered by federal depository insurance or collateral held by the Districts agent in the District’s name.

The District’s investment policy does not restrict investment maturities. The District minimizes its interest rate risk by structuring its investment portfolio so that securities mature to meet the District’s cash needs, which is accomplished in part by investing primarily in short-term investments or in investment vehicles that allow for monthly cash draws.

4. FUNDS HELD BY COUNTY TREASURER

The following balances were held by the Sarpy, Douglas and Washington County Treasurers for the District as of August 31, 2014. The monies were transferred to the District subsequent to August 31, 2014 and are not included as receipts or cash balances in the financial statements:

	<u>Sarpy County</u>	<u>Douglas County</u>	<u>Washington County</u>
General Fund	\$ 230,076	\$ 500,926	
Debt Service Fund	63,270	984,288	
Special Building Fund	3,954	61,526	
Learning Community	620,756	1,552,952	\$22,828

5. NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

5. NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Funding Policy - In accordance with Nebraska Statutes §79-1531 and §79-1540, employee contributions are made in accordance with statute and the recommendation of an actuary (study as of June 30, 1996) and employer contributions are based upon 101% of employee contributions. Employee contribution requirements for the year ended August 31, 2014 were 9.78% of covered payroll. Actual employer and employee contributions made for the year ended August 31, 2014 were \$12,419,240 (9.88% of covered payroll) and \$12,296,277 (9.78% of covered payroll), respectively.

Actual employer and employee contributions made for the year ended August 31, 2013 were \$12,072,489 (9.88% of covered payroll) and \$11,952,959 (9.78% of covered payroll), respectively. Actual employer and employee contributions made for the year ended August 31, 2012 were \$10,942,056 (8.97% of covered payroll) and \$10,833,719 (8.88% of covered payroll), respectively.

6. COMMITMENTS AND CONTINGENCIES

The commitments of the District mainly consist of bonds payable, lease commitments and risk management.

Bonds Payable

The following is a summary of general obligation transactions of the District for the year ended August 31, 2014:

Balance, August 31, 2013	\$ 157,635,000
Additions:	
New Obligations	12,600,000
Deductions:	
Bonds refunded	(13,430,000)
Payment of principal	<u>(8,320,000)</u>
Balance, August 31, 2014	<u>\$ 148,485,000</u>

The following is the bonded indebtedness of the District as of August 31, 2014:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Final Maturity Year</u>
May 1, 2010	2.830%	\$ 37,290,000	2025
November 16, 2012	3.932%	11,025,000	2019
May 9, 2013	3.625%	47,570,000	2025
August 20, 2013	4.151%	40,000,000	2034
June 17, 2014	3.700%	<u>12,600,000</u>	2017
TOTAL		<u>\$ 148,485,000</u>	

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Aggregate principal and interest payments applicable to the District's bonds subsequent to August 31, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 8,655,000	\$ 5,440,613	\$ 14,095,613
2016	8,930,000	5,083,080	14,013,080
2017	8,310,000	4,809,380	13,119,380
2018	9,350,000	4,479,880	13,829,880
2019	9,140,000	4,067,468	13,207,468
2020-2024	52,630,000	15,177,088	67,807,088
2025-2029	27,055,000	7,354,788	34,409,788
2030-2034	<u>24,415,000</u>	<u>2,704,616</u>	<u>27,119,616</u>
TOTAL	<u>\$ 148,485,000</u>	<u>\$ 49,116,913</u>	<u>\$ 197,601,913</u>

Lease Commitment

The District has non-cancelable operating lease agreements for the following:

- Forty vans used for transportation of students in special education programs expiring on various dates through April 2019.
- Vehicles used by the administration and maintenance. These leases expire on various dates through May 2017.
- Several copiers used throughout the District expiring on various dates through 2019.

Future minimum lease payments for all leases are as follows:

<u>Fiscal Year-end:</u>	<u>Amount</u>
2015	\$ 227,008
2016	181,605
2017	100,471
2018	49,237
2019	23,396

The total paid for lease commitments for the year ended August 31, 2014 was \$279,769 all of which was paid-out of the General Fund.

In 2008-09, Certificates of Participation ("COPS") of \$4,265,000 were issued to purchase the land and building at 13737 Industrial Road. In 2009-10, \$4,200,000 of COPS were issued to renovate the building to house the Warehouse, Distribution Center, Technology Division, and other various support departments. In 2011-12, \$3,710,000 of COPS were issued to fund the replacement of desktops and laptops in District buildings.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Future minimum lease payments related to these COPS are as follows:

<u>Fiscal Year-end:</u>	<u>Amount</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,835,000	\$ 117,178	\$ 2,952,178
2016	<u>1,650,000</u>	<u>49,500</u>	<u>1,699,500</u>
Total	<u>\$ 4,485,000</u>	<u>\$ 166,678</u>	<u>\$ 4,651,678</u>

The total paid for these COPS lease commitments for the year ended August 31, 2014 was \$2,770,000, all paid out of the Special Building Fund.

Grant Program Involvement

The District participates in a number of state and federally assisted programs. These programs are subject to financial and compliance audits of various agencies and departments, many of which have not yet been performed. The District's management believes that the amount of expenditures, if any, which may be disallowed by the granting agencies would not be significant.

Compensated Absences

As a result of the District's use of the cash basis of accounting, accrued liabilities related to compensated absences (sick leave only; vacation does not vest) and any employer-related costs earned and unpaid, are not reflected in the government-wide or fund financial statements. Under the District plan, faculty, administrators and some support staff are paid \$60 to \$135 per day for any sick leave accumulated over 80 days. Employees receive 12 days of sick leave per year and cannot accumulate over 80 days. Faculty and administrators' accumulated sick leave over 80 days is paid at the end of the fiscal year.

Voluntary Early Separation Plan

The District has established a Voluntary Early Separation Plan that allows certain employees to receive benefits from the District during the period beginning when they take early retirement until their benefits from the NPERS system begin. As of August 31, 2014, the District estimates their liability under this plan at \$12.1 million with the final obligations payable in fiscal year 2018.

Learning Community Legislation

In June, 2005, the Board of Education of the Omaha Public Schools ("OPS") adopted a resolution commonly referred to as "One City, One School District." The purpose of the resolution was to seek a "takeover" of the suburban school district surrounding OPS.

In response to the "One City, One School District Resolution," the Nebraska Legislature enacted (and the Governor signed into law) LB1024 (2006) which protected the boundaries of all of the suburban school districts, but brought all of the eleven school districts in the two county area around Omaha into an "umbrella" organization referred to as a "learning community." The legislation also provided for a division of OPS into 3 separate school districts.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Learning Community Legislation, Continued

Subsequent to the enactment of LB1024 (2006), litigation was commenced challenging its constitutionality. The litigation, however, was rendered moot after the legislature enacted LB 641 (2007). Under this new law, OPS will not be divided. The learning community concept, however, remained in place. The effective date for the creation of the new learning community was January, 2009. Under LB641 (2007), LB 988 (2008), and LB 545 (2009), the eleven school districts in the two county area began (in FY 2010) to operate under a common property tax levy for their general funds (not to exceed 95 cents per hundred dollars of valuation) and their building fund (not to exceed 2 cents). Each of the eleven districts may elect to levy an additional amount (not exceeding the statutory limit) for funding either its general fund or its building fund or both.

In October, 2009, some taxpayers in the Learning Community (most from Sarpy County) commenced legal proceedings to have the Learning Community common property tax levies declared unconstitutional. The first lawsuit was dismissed in 2010 without reaching the issue of the constitutionality of the levy. Almost immediately, new litigation was filed challenging the tax. On September 23, 2011, the Sarpy County District Court issued an opinion and order which ruled that the Learning Community tax statutes are in violation of Neb. Const. art. VIII, §1A because they are property taxes for state purposes, and are thus unconstitutional. An appeal to the Supreme Court was filed immediately by several of the Defendants (not the District) and on October 6, 2011, the Nebraska Supreme Court issued an order which stayed the execution of the District Court's decision, and on October 7, 2011, the Nebraska Supreme Court entered an order which expedited the briefing and oral argument process and schedule.

This decision raises numerous issues about the levying, payment and collection and disbursement of the \$0.95 of the District's total \$1.04 general fund tax levy. The District will be participating in the appeal so as to advocate that if the Learning Community tax statutes are held to be unconstitutional, the ruling should be prospective to the next fiscal year. If \$0.95 had not been levied by the Learning Community, the District would have levied the same, and so taxpayers would have paid the same amount and taxpayers would not be harmed by a prospective ruling.

Litigation

In addition, the District is involved in various legal actions whereby certain parties are making claims for damages. Management believes the outcome of these proceedings will not have any material financial impact on the District.

Arbitrage

Investment earnings from bond proceeds during the current fiscal year could be subject to arbitrage rebate and other tax matters. Currently, the District's management believes that there is no liability at year-end.

Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Risk Management, Continued

The District manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors and omissions	Self-funded and purchased insurance	Deductible
b. Health	Self-funded and purchased insurance	Stop-loss
c. Workers compensation - employee injuries	Purchased commercial insurance	None
d. General liability	Self-funded and purchased insurance	Stop-loss
e. Auto liability	Self-funded and purchased insurance	Stop-loss
f. School Board liability	Self-funded and purchased insurance	Stop-loss
g. Physical property loss and natural disasters	Purchased commercial insurance	Deductible

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
GENERAL FUND**

FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2013		\$ 27,505,153	
Receipts:			
Local receipts:			
Local property taxes	\$ 89,210,953	87,190,909	\$ (2,020,044)
Motor vehicle taxes	11,000,000	10,501,242	(498,758)
Carline tax	5,000	21,090	16,090
Public power district sales tax	2,600,000	2,734,173	134,173
Tuition received from individuals - general education		286,372	286,372
Local fines and license fees	510,000	448,156	(61,844)
Community services activities		717	717
Other local receipts	<u>184,820</u>	<u>5,950</u>	<u>(178,870)</u>
	<u>103,510,773</u>	<u>101,188,609</u>	<u>(2,322,164)</u>
County receipts:			
County fines and license fees	<u>1,200,000</u>	<u>964,864</u>	<u>(235,136)</u>
State receipts:			
State aid	80,779,394	80,779,394	
Special education programs	11,200,000	10,869,574	(330,426)
Special education transportation	1,900,000	1,074,480	(825,520)
Pro rata motor vehicle		238,853	238,853
Homestead exemption	2,250,000	1,803,291	(446,709)
State apportionment	3,300,000	3,300,173	173
Textbook loan		55,596	55,596
Other state receipts	<u>2,250,000</u>	<u>152,905</u>	<u>(2,097,095)</u>
	<u>101,679,394</u>	<u>98,274,266</u>	<u>(3,405,128)</u>
Federal receipts:			
Title I	1,400,000	1,033,930	(366,070)
Special education - grants to states	1,195,373	2,584,422	1,389,049
Special education - additional funds	2,990,148	5,998,369	3,008,221
MEDICAID in public schools	500,000	479,251	(20,749)
Federal vocational and applied technology education	120,000	118,720	(1,280)
No child left behind	300,000	215,190	(84,810)
Other categorical	<u>2,722,842</u>	<u>1,648,271</u>	<u>(1,074,571)</u>
	<u>9,228,363</u>	<u>12,078,153</u>	<u>2,849,790</u>
Interest	<u>10,000</u>	<u>3,172</u>	<u>(6,828)</u>

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
GENERAL FUND, CONTINUED**

FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Receipts (continued):			
Non-revenue receipts:			
Sale of property		\$ 5,649	\$ 5,649
Other		<u>1,025,066</u>	<u>1,025,066</u>
		<u>1,030,715</u>	<u>1,030,715</u>
 Total receipts	 <u>\$ 215,628,530</u>	 <u>213,539,779</u>	 <u>(2,088,751)</u>
 Disbursements:			
Non-special education	107,254,748	106,703,015	551,733
Special education programs	23,292,384	22,815,328	477,056
Support services - pupils	14,391,237	14,719,527	(328,290)
Support services - staff	9,519,608	8,600,834	918,774
Board of education	1,937,721	2,140,035	(202,314)
Executive administration services	2,778,994	2,785,494	(6,500)
Office of the principal	11,783,375	11,732,427	50,948
General administration - business services	5,812,537	5,380,427	432,110
Vehicle acquisition and maintenance	489,500	320,287	169,213
Support services - maintenance and operation of building and site	22,011,111	21,218,577	792,534
Support services - regular pupil transportation	2,143,338	2,021,454	121,884
Support services - school age special education transportation	3,284,916	2,649,328	635,588
Community services	8,000	3,936	4,064
State categorical programs	56,583	56,145	438
Federal programs and other categorical aid	6,188,179	7,340,130	(1,151,951)
Summer school	175,000	480,875	(305,875)
Other	1,446,104	993,467	452,637
 Operational transfers to the Contingency fund	 <u>1,100,000</u>	 <u>1,100,000</u>	 <u> </u>
 Total disbursements	 <u>212,573,335</u>	 <u>211,061,286</u>	 <u>2,612,049</u>
 Excess (deficiency) of receipts over disbursements	 <u>\$ 3,055,195</u>	 <u>2,478,493</u>	 <u>\$ 523,298</u>
 Budgetary fund balance, August 31, 2014		 <u>\$ 29,983,646</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
SPECIAL BUILDING FUND**

FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2013		\$ 54,114,843	
Receipts:			
Local receipts:			
Local property taxes	\$ 911,795	863,936	\$ (47,859)
Carline taxes		76	76
Public power district sales tax		27,364	27,364
Other local receipts		1,148,482	1,148,482
State reimbursement:			
Homestead exemptions		12,466	12,466
Pro rata motor vehicle		2,564	2,564
Interest		8,031	8,031
Non-revenue receipts		1,314,042	1,314,042
Total receipts	911,795	3,376,961	2,465,166
Disbursements:			
Purchased services		15,527,735	(15,527,735)
Capital outlays		3,865,541	(3,865,541)
Building, acquisition and improvement	50,325,152	291,649	50,033,503
Lease payments		2,953,980	(1,698,050)
Other		509	(509)
Total disbursements	50,325,152	22,639,414	28,941,668
Excess (deficiency) of receipts over disbursements	\$ (49,413,357)	(19,262,453)	\$ 30,150,904
Budgetary fund balance, August 31, 2014		\$ 34,852,390	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
SCHOOL LUNCH FUND**

FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2013		\$ (283,511)	
Receipts:			
Sale of lunches/milk	\$ 11,250,000	7,543,656	\$ (3,706,344)
Interest	4,000	1,195	(2,805)
Local receipts	1,015,241	868,107	(147,134)
State reimbursement	50,000	48,009	(1,991)
Federal reimbursement	<u>2,400,000</u>	<u>2,826,472</u>	<u>426,472</u>
Total receipts	<u>14,719,241</u>	<u>11,287,439</u>	<u>(3,431,802)</u>
Disbursements:			
Salaries and benefits	5,410,000	4,713,786	696,214
Supplies and materials	1,030,000	115,165	914,835
Contracted services	7,060,000	7,036,833	23,167
Capital outlays	500,000	16,184	483,816
Other		176,297	(176,297)
Operational disbursements to the Activities fund		<u>168,418</u>	<u>(168,418)</u>
Total disbursements	<u>14,000,000</u>	<u>12,226,683</u>	<u>1,773,317</u>
Excess (deficiency) of receipts over disbursements	<u>\$ 719,241</u>	<u>(939,244)</u>	<u>\$ (1,658,485)</u>
Budgetary fund balance, August 31, 2014		<u>\$ (1,222,755)</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
EMPLOYEE BENEFIT FUND**

FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2013		\$ 3,977,925	
Receipts:			
Interest income		826	\$ 826
Other receipts	\$ 1,500,000	1,821,972	321,972
Operational transfers from the General fund	<u>25,500,000</u>	<u>26,969,620</u>	<u>1,469,620</u>
Total receipts	27,000,000	28,792,418	1,792,418
Disbursements:			
Purchased services	<u>31,402,240</u>	<u>28,015,291</u>	<u>3,386,949</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (4,402,240)</u>	<u>777,127</u>	<u>\$ 5,179,367</u>
Budgetary fund balance, August 31, 2014		<u>\$ 4,755,052</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
DEPRECIATION FUND**

FOR THE YEAR ENDED AUGUST 31, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2013		\$ 9,594,694	
Receipts:			
Interest income		2,179	\$ 2,179
Operational transfers from the General fund		<u>297,119</u>	<u>297,119</u>
Total receipts		<u>299,298</u>	<u>299,298</u>
Disbursements:			
Capital outlays:			
Furniture and equipment	\$ 5,700,110	1,493,451	4,206,659
Building and site acquisition and improvement	<u> </u>	<u>147,079</u>	<u>(147,079)</u>
Total disbursements	<u>5,700,110</u>	<u>1,640,530</u>	<u>4,059,580</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (5,700,110)</u>	<u>(1,341,232)</u>	<u>\$ 4,061,759</u>
Budgetary fund balance, August 31, 2014		<u>\$ 8,253,462</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
CONTINGENCY FUND**

FOR THE YEAR ENDED AUGUST 31, 2014

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2013		\$ _____	
Operational transfers from the General fund		1,100,000	\$ 1,100,000
Total receipts		1,100,000	1,100,000
Disbursements:			
Insurance claims		24,693	(24,693)
Total disbursements		24,693	(24,693)
Excess (deficiency) of receipts over disbursements		(24,693)	\$ (24,693)
Budgetary fund balance, August 31, 2014		\$ 1,075,307	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
BOND FUND**

FOR THE YEAR ENDED AUGUST 31, 2014

	Original Budget	Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2013			<u>\$ 18,680,715</u>	
Receipts:				
Local receipts:				
Local property taxes	\$ 14,588,901	\$ 14,588,901	14,057,058	\$ (531,843)
Carline taxes			1,178	1,178
Public power district			437,849	437,849
State reimbursement:				
Homestead exemptions			198,967	198,967
Pro rata motor vehicle			39,232	39,232
Interest			1,112	1,112
Proceeds from refunding bonds		14,000,000	13,430,000	(570,000)
Total receipts	14,588,901	28,588,901	28,165,396	146,495
Disbursements:				
Redemption of principal	8,320,000	8,320,000	8,320,000	
Bond refunding	1,000,000	15,000,000	13,430,000	1,570,000
Debt service interest	5,988,748	5,988,748	5,761,789	226,959
Total disbursements	15,308,748	29,308,748	27,511,789	1,796,959
Excess (deficiency) of receipts over disbursements	\$ (719,847)	\$ (719,847)	653,607	\$ (1,650,464)
Budgetary fund balance, August 31, 2014			<u>\$ 19,334,322</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**NOTES TO OTHER SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED AUGUST 31, 2014**

1. BUDGETARY ACCOUNTING

The District prepares its budget for the Governmental Funds on the cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the basic financial statements. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

The term “Budgetary Fund Balance” used in these supplementary schedules is synonymous with the terms “Fund Balance – Cash Basis” used in the basic financial statements.

2. PRESENTATION

Government Auditing Standards requires that for reporting purposes, the General Fund include all activity of funds that do not generate a significant amount of revenues from outside sources. Therefore, in the fund financial statements, the Depreciation Fund, Employee Benefit Fund and Contingency Fund have been included in the General Fund since their revenues are mainly derived from transfers from the General Fund. However, since the Depreciation Fund, Employee Benefit Fund and Contingency Fund are required by State law to adopt their own budget, their respective budgetary schedules have been included here.

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

SCHEDULE OF CHANGES IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2014

	General Fund	Contingency	Employee Benefit	Depreciation	Total General Funds	Special Revenue Funds		Debt Service/Bond Fund	Total Governmental Funds
						Special Building	School Lunch		
RECEIPTS:									
Local receipts	\$ 101,188,609				\$ 101,188,609	\$ 2,039,858	\$ 868,107	\$ 14,496,085	\$ 118,592,659
County receipts	964,864				964,864				964,864
State receipts	98,274,266				98,274,266	15,030	48,009	238,199	98,575,504
Federal receipts	12,078,153				12,078,153		2,826,472		14,904,625
Sales of lunches							7,543,656		7,543,656
Interest	3,172		\$ 826	\$ 2,179	6,177	8,031	1,195	1,112	16,515
Non-revenue receipts	1,030,715		1,821,972		2,852,687	1,314,042			4,166,729
TOTAL RECEIPTS	213,539,779		1,822,798	2,179	215,364,756	3,376,961	11,287,439	14,735,396	244,764,552
DISBURSEMENTS:									
Instructional services	110,342,490				110,342,490				110,342,490
Support services	72,352,057				72,352,057				72,352,057
Other salaries and benefits							4,713,786		4,713,786
Supplies and materials							115,165		115,165
Purchased services			28,015,291		28,015,291	15,527,735	7,036,833		50,579,859
Capital outlay				1,493,451	1,493,451	3,865,541	16,184		5,375,176
Building and site acquisition and improvement				147,079	147,079	291,649			438,728
Other		\$ 24,693			24,693	509	176,297		201,499
Redemption of principal						2,770,000		8,320,000	11,090,000
Debt service interest						183,980		5,761,789	5,945,769
TOTAL DISBURSEMENTS	182,694,547	24,693	28,015,291	1,640,530	212,375,061	22,639,414	12,058,265	14,081,789	261,154,529
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	30,845,232	(24,693)	(26,192,493)	(1,638,351)	2,989,695	(19,262,453)	(770,826)	653,607	(16,389,977)
OTHER FINANCING SOURCES (USES):									
Proceeds from issuance of bonds payable									
Refunding bonds issued									
Premium on refunding bonds issued								13,430,000	13,430,000
Payment to refunded bond escrow agent								(13,430,000)	(13,430,000)
Transfers in		1,100,000	26,969,620	297,119	28,366,739				28,366,739
Transfers out	(28,366,739)				(28,366,739)		(168,418)		(28,535,157)
TOTAL OTHER FINANCING SOURCES (USES)	(28,366,739)	1,100,000	26,969,620	297,119			(168,418)		(168,418)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	2,478,493	1,075,307	777,127	(1,341,232)	2,989,695	(19,262,453)	(939,244)	653,607	(16,558,395)
FUND BALANCE - beginning of year	27,505,153		3,977,925	9,594,694	41,077,772	54,114,843	(283,511)	18,680,715	113,589,819
FUND BALANCE - end of year	\$ 29,983,646	\$ 1,075,307	\$ 4,755,052	\$ 8,253,462	\$ 44,067,467	\$ 34,852,390	\$ (1,222,755)	\$ 19,334,322	\$ 97,031,424

**SCHOOL DISTRICT #17 - MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2014

<u>Federal Grantor/Pass Through Entity/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER:		
<i>Passed through Nebraska Department of Education</i>		
National School Lunch Program	10.555	\$ 2,874,481
<i>Passed through the Nebraska Department of Health and Human Services</i>		
Food Distribution Program	10.550	<u>592,955</u>
Total U.S. Department of Agriculture		<u>3,467,436</u>
<i>Passed through Nebraska Department of Education</i>		
TITLE I, PART A CLUSTER		
Title I of the Elementary and Secondary Education Act	84.010	<u>1,371,480</u>
Total Title I, Part A Cluster		<u>1,371,480</u>
SPECIAL EDUCATION CLUSTER (IDEA)		
Special Education - Grants to States (IDEA, Part B)	84.027	4,128,747
Special Education - Preschool Grants (IDEA Preschool)	84.173	<u>237,923</u>
Total Special Education Cluster (IDEA)		<u>4,366,670</u>
EARLY INTERVENTION SERVICES (IDEA) CLUSTER		
IDEA Part C Ages Birth - 3	84.181	<u>26,329</u>
Total Early Intervention Services (IDEA) Cluster		<u>26,329</u>
Perkins Grant	84.048	124,061
English Language Acquisition - Title III	84.365	58,124
Improving Teacher Quality - Title II, A	84.367	280,960
State Personnel Development	84.323	<u>34,690</u>
Total U.S. Department of Education		<u>6,262,314</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<i>Passed through Nebraska Department of Health and Human Services System</i>		
MEDICAID CLUSTER		
Medical Assistance Program	93.778	<u>479,251</u>
TOTAL		<u>\$ 10,209,001</u>

See Note to the Schedule of Expenditures of Federal Awards.

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**NOTES TO SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards has been prepared on a cash basis of accounting with the exception of commodities received under the food distribution of \$592,955. Under this method, expenditures are recognized when disbursements are made. Some programs are funded jointly by District appropriations and Federal funds.

Expenditure Presentation – Expenditures of Federal funds for the National School Lunch Program, Medicaid in Public Schools and Food Distribution are not separately identifiable in the accounting records of the District. These programs are jointly funded with District monies and expenditures and are not required to be accumulated in the accounting records by funding source. For report purposes, the amount of Federal expenditures is shown equal to the amount of Federal funds received.

Program Activity – Various reimbursement procedures are used for Federal awards received by the District. Additionally, most Federal grant periods end June 30, while the District's year-end is August 31. Consequently, timing differences between expenditures and program reimbursement can exist at the beginning and end of the year. These timing differences will be resolved over the term of the grants.

2. REPORTING ENTITY

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

3. PASS-THROUGH AWARDS

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

4. NON-CASH AWARDS

The National School Lunch Program involves both cash and non-cash awards to the District. Such non-cash awards consist of donated commodities which are separately identified in the Schedule of Expenditures of Federal Awards. Donated commodity expenditures are determined on a first-in, first-out basis.

5. CONTINGENCIES

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

November 5, 2014

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

Board of Education
School District #17 – Millard Public Schools
Douglas County, Nebraska

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 and each major fund of School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2014

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 the 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 Standard*.

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.

HSMC Orizon LLC
HSMC ORIZON LLC

November 5, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education
School District #17 – Millard Public Schools
Douglas County, Nebraska

Report on Compliance for Each Major Federal Program

We have audited School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District") 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 District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of the 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 the 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 the District's internal control over compliance.

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

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

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

HSMC Orizon LLC

HSMC ORIZON LLC

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

Section I: Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	___ Yes	<u>X</u> No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u>X</u> None Reported
Is any noncompliance material to financial statements noted?	___ Yes	<u>X</u> No

Federal Awards

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

Internal control over major program compliance:

Are any material weaknesses identified?	___ Yes	<u>X</u> No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u>X</u> None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. <u>Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a)</u> ?	___ Yes	<u>X</u> No

Identification of major programs:

Child Nutrition Cluster	National School Lunch Program
10.555	Food Distribution Program
10.550	
Medicaid Cluster	Medical Assistance Program
93.778	
Title 1, Part A Cluster	Title 1
84.010	

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$ 306,270
Is the auditee qualified as a low-risk auditee?	Yes <input checked="" type="checkbox"/> No

Section II: Financial Statement Findings

None

Section III: Federal Awards Findings and Questioned Costs

None

**SCHOOL DISTRICT #17 – MILLARD PUBLIC SCHOOLS
DOUGLAS COUNTY, NEBRASKA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014**

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.