

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

FINANCIAL REPORT

AUGUST 31, 2014

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
AUGUST 31, 2014**

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McDERMOTT + MILLER

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Education
Lexington Public School District #1
Lexington, NE

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public School District #1, Lexington, NE, (the "School District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Lexington Public School District #1's 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 the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public School District #1, as of August 31, 2014, and the respective changes in financial position – cash basis thereof for the year then 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 opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8 and budgetary comparison information on pages 31 through 33 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 Public School District #1's basic financial statements. The Combined Schedule of Cash Receipts, Disbursements and Fund Balances on page 30,

the Schedule of Cash Disbursements for Operational Expenses – General Fund on pages 34 through 39, the Schedule of Cash Receipts, Disbursements, Transfers and Fund Balance - Activities Fund on pages 40 through 42, the Individual Fund Schedules of Cash Receipts, Disbursements and Fund Balance as listed on pages 43 through 49, and the Schedule of Expenditures of Federal Awards as listed on pages 54 through 56, required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

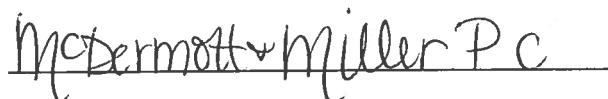
This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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, this information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The analysis of General, Special Building and Bond Fund tax accounts with County Treasurers on pages 51 through 53 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 also issued our report dated October 27, 2014, on our consideration of Lexington Public School District #1'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 Public School District #1's internal control over financial reporting and compliance.

McDERMOTT AND MILLER, P.C.

A handwritten signature in cursive script that reads "McDermott & Miller P.C." is written over a horizontal line.

Kearney, Nebraska
October 27, 2014

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

This section of Lexington Public Schools' annual audit report presents our discussion and analysis of the school district's financial performance during the fiscal year that ended on August 31, 2014. Please read it in conjunction with the district's financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Lexington Public Schools' financial statements. The provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board (GASB), "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," established standards for external financial reporting for all state and local government entities. These standards require three components for Lexington Public Schools' basic financial statements. They are: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These components are described below:

Government-wide Financial Statements

These statements are intended to provide a broad view of Lexington Public Schools' operations in a manner similar to the private sector, providing both a short-term and a long-term view of Lexington Public Schools' financial position. To meet this view, Lexington Public Schools would need to prepare its financial statements on the accrual basis of accounting. However, Lexington Public Schools did not prepare its government-wide statements on the accrual basis. Instead, Lexington Public Schools prepared its government-wide statements on the cash basis of accounting. Under the cash basis, receipts are not recorded until received, inventories are not recorded as disbursements until they are consumed, and accounts payable and accrued expenses (primarily payroll withholdings) have not been recognized as liabilities. Accordingly, Lexington Public Schools' government-wide financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles (GAAP) of the United States of America. The government-wide financial statements include two statements, the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents all of Lexington Public Schools' assets and liabilities on the cash basis as described above with the difference between the two reported as "net position." Net position is one way of measuring the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and changes in the state school aid funding formula from the State of Nebraska.

The Statement of Activities presents information showing how Lexington Public Schools' net position changed during the reported year. Changes reported are on the cash basis as described above. The statement of activities demonstrates the degree to which the direct

disbursements/expenditures of a given function or segment are offset by program receipts/revenues. Direct disbursements/expenditures are those that are clearly identifiable with a specific function or segment. Program receipts/revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Appropriations and other items not properly included among program receipts/revenues are reported, instead, as general receipts/revenues.

In the Statement of Net Position and the Statement of Activities, activities of the District are divided into two categories:

Governmental Activities- This category includes the District's basic instructional services, such as elementary and high school educational programs, and support services (guidance counselor, executive administration, board of education, business services, etc.). Property taxes, state grants, and federal grants finance most of these activities.

Business-Type Activities- The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The School Lunch Fund is the only business-type activity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting mechanisms that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- **Proprietary Funds** – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-and long-term financial information. The School Lunch Fund is the only proprietary fund maintained by the District.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The Activities Fund and Student Fee Fund are Fiduciary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements.

Required Supplementary Information

Following the basic financial statements and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information consists of the budgetary schedule and notes.

FINANCIAL AND OPERATING HIGHLIGHTS

- The District's Net Position for the fiscal year ended August 31, 2014, compared to the fiscal year ended August 31, 2013, decreased by \$238,437. The overall decrease in net position can be attributed to the District's investment in a construction project at Lexington Middle School.
- The District's General Fund disbursements and transfers in 2013-2014 were \$2,368,332 less than the prior year's disbursements and transfers, resulting in an overall decrease of 7%.
- The District's General Fund receipts in 2013-2014 were \$31,701,350, compared to \$34,137,946 in 2012-2013 for a decrease of 7%. The decrease is partially due to a prior year state aid correction and the timing in which the district received Federal Aid payments.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The largest single source of receipts for Lexington Public Schools is State revenue in the amount of \$20,820,062 for 2013-2014, which decreased by \$2,208,663 (10%) from the prior year. State sources account for 66% of the total General Fund receipts, and Federal revenue accounts for 8% of General Fund receipts. Local and county receipts account for the remaining 26% of General Fund revenue.

Property taxes as a source of revenue for the District account for 24% of the total General Fund revenues. The amount of property taxes collected for 2013-2014 were \$796,425 more than the previous year.

The following table shows the property tax rates, by fund, for the 2007-2008 through 2013-2014 fiscal years. Levies are expressed in dollars and cents per \$100 of valuation. Using the following table the District total property tax on a property valued at \$100,000 in 2013-2014 was \$1,211.22, slightly less than the previous year.

	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
	Levy	Levy	Levy	Levy	Levy	Levy	Levy
General Fund	0.945308	1.040016	1.040016	1.040016	1.040016	1.040016	1.040016
Building Fund	0.098515	0.008799	0.008799	0.008799	0.008799	0.008799	0.008799
Bond Funds	0.194451	0.193983	0.193983	0.189032	0.181490	0.177216	0.162405
District Total	1.238270	1.242800	1.242800	1.237850	1.230310	1.226030	1.211220

General Fund Budgetary Highlights

The District's General Fund cash position for school year 2013-2014 decreased by \$1,748,137. This is shown by a difference in the beginning cash balance on September 1, 2013 of \$9,881,759 and the ending cash balance of \$8,133,622, as of August 31, 2014.

Below is a comparison of General Fund budgeted to actual receipts and disbursements for the 2013-2014 fiscal year.

	2013-2014	2013-2014	Over/(Under)
Receipts	Budget	Actual	Budget
Local Taxes	\$8,733,551	\$8,312,332	(\$421,219)
State Sources	\$20,545,837	\$20,820,062	\$274,225
County Sources	\$150,000	\$180,357	\$30,357
Other Federal	\$2,517,181	\$2,388,587	(\$128,594)
Other Non-revenue	\$3,500	\$12	(\$3,488)
Subtotal	\$31,950,069	\$31,701,350	(\$248,719)
Disbursements	2013-2014	2013-2014	(Over)/Under
	Budget	Actual	Budget
Instructional	\$20,375,744	\$22,852,793	(\$2,477,049)
Support Services	\$8,693,606	\$8,253,035	\$440,571
Federal & State Grants	\$2,459,168	\$2,228,335	\$230,833
Debt Services	\$324	\$324	\$0
Transfers to other Funds	\$1,923,027	\$115,000	\$1,808,027
Subtotal	\$33,451,869	\$33,449,487	\$2,382

Financial Analysis of the Other Funds

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

Cash Balances	2013-2014	2013-2014	Increase/
	Beginning	Ending	(Decrease)
Special Building Fund	\$88,251	\$126,443	\$38,192
Depreciation Fund	\$2,924,850	\$4,332,855	\$1,408,005
Employee Benefits Fund	\$741,068	\$934,438	\$193,370

Debt Administration

At year-end, the Lexington Public Schools had \$1,288,995 outstanding principal debt in General Obligation Bonds.

Activity Fund Report

The following report shows the District assets held in a trustee or agency capacity called the Lexington Public School Activity Fund. The total receipts include a transfer of \$115,000 made from the General Fund to the Activity Fund.

Activity Fund	2013-2014 Actual	Net Change
Beginning Balance	\$306,062	
Receipts	\$657,817	
Disbursements	(\$580,756)	
Ending Balance	\$383,123	\$77,061
PayFlex change in fund balance		<u>14,553</u>
Total Activity		\$91,614

School Lunch Fund Report

Lunch Fund operating receipts and shows an improved cash position.

Lunch Fund	2013-2014 Actual	Net Change
Beginning Balance	\$541,412	
Receipts	\$1,646,472	
Disbursements	(\$1,501,463)	
Ending Balance	\$686,421	\$145,009

CONTACTING LEXINGTON PUBLIC SCHOOLS' FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, students and bond-buyers a general overview of the District's finances and to demonstrate the District's accountability for the money with which it is entrusted. If you have questions about this report or need additional financial information, contact

Erin Heineman
Chief Financial Officer
Lexington Public Schools
300 S. Washington St.
PO Box 890
Lexington, NE 68850

The telephone number is (308) 324-1202 and e-mail address is erin.heineman@lexschools.org.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**STATEMENT OF NET POSITION - CASH BASIS
August 31, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	2014 Total
ASSETS			
Cash	\$ 12,022,802	\$ 686,421	\$ 12,709,223
Cash at county treasurer	2,469,266	-	2,469,266
Total assets	<u>\$ 14,492,068</u>	<u>\$ 686,421</u>	<u>\$ 15,178,489</u>
 NET POSITION			
Restricted for:			
Debt service	\$ 943,876	\$ -	\$ 943,876
Capital projects	4,480,132	-	4,480,132
Employee benefits	934,438	-	934,438
Unrestricted	<u>8,133,622</u>	<u>686,421</u>	<u>8,820,043</u>
Total net position	<u>\$ 14,492,068</u>	<u>\$ 686,421</u>	<u>\$ 15,178,489</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended August 31, 2014

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Position		2014 Total
	Disbursements	Operating		Primary Government		
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary government activities:						
Regular instruction	\$ 19,277,055	\$ 6,195	\$ -	\$ (19,270,860)	\$ -	\$ (19,270,860)
Special education instruction	2,786,067	-	-	(2,786,067)	-	(2,786,067)
Support services:						
Pupils	1,512,022	-	-	(1,512,022)	-	(1,512,022)
Staff	305,311	-	-	(305,311)	-	(305,311)
Business	623,657	-	-	(623,657)	-	(623,657)
Maintenance and operation of business	1,156,177	-	-	(1,156,177)	-	(1,156,177)
Pupil transportation	470,392	-	-	(470,392)	-	(470,392)
General administration	478,233	-	-	(478,233)	-	(478,233)
Office of principal	1,286,556	-	-	(1,286,556)	-	(1,286,556)
State categorical programs	30,132	-	-	(30,132)	-	(30,132)
Federal programs	2,198,203	-	2,388,567	190,364	-	190,364
Capital outlay	1,347,369	-	-	(1,347,369)	-	(1,347,369)
Debt service	847,608	-	-	(847,608)	-	(847,608)
Transfers	115,000	-	-	(115,000)	-	(115,000)
Other	598,310	-	130,007	(468,303)	-	(468,303)
Total governmental activities	\$ 33,032,092	\$ 6,195	\$ 2,518,594	\$ (30,507,303)	\$ -	\$ (30,507,303)
Business-type activities:						
School lunch	\$ 1,501,463	\$ 196,300	\$ 1,438,743	\$ -	\$ 133,580	\$ 133,580
Total business-type activities	\$ 1,501,463	\$ 196,300	\$ 1,438,743	\$ -	\$ 133,580	\$ 133,580
Total primary government	\$ 34,533,555	\$ 202,495	\$ 3,957,337	\$ (30,507,303)	\$ 133,580	\$ (30,373,723)
General receipts:						
Taxes:						
Property				\$ 8,450,892	\$ -	\$ 8,450,892
Motor vehicle				610,229	-	610,229
Fines and licenses				185,777	-	185,777
Sale of property				21,939	-	21,939
State aid				20,820,062	-	20,820,062
Interest income				23,986	961	24,947
Other				10,972	10,468	21,440
Total general receipts				\$ 30,123,857	\$ 11,429	\$ 30,135,286
Change in net position				(383,446)	145,009	(238,437)
Net position - beginning				14,875,514	541,412	15,416,926
Net position - ending				\$ 14,492,068	\$ 686,421	\$ 15,178,489

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
August 31, 2014

	General	Depreciation	Special Building	LPS Building Corporation	Other Governmental Funds	2014 Total Governmental Funds
ASSETS						
Cash	\$ 5,932,624	\$ 4,332,855	\$ 108,233	\$ 20,834	\$ 1,628,256	\$ 12,022,802
Cash at county treasurer	2,200,998	-	18,210	-	250,058	2,469,266
Total assets	<u>\$ 8,133,622</u>	<u>\$ 4,332,855</u>	<u>\$ 126,443</u>	<u>\$ 20,834</u>	<u>\$ 1,878,314</u>	<u>\$ 14,492,068</u>
FUND BALANCES						
Fund balances:						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 943,876	\$ 943,876
Assigned	-	4,332,855	126,443	20,834	934,438	5,414,570
Unassigned	8,133,622	-	-	-	-	8,133,622
Total fund balances	<u>\$ 8,133,622</u>	<u>\$ 4,332,855</u>	<u>\$ 126,443</u>	<u>\$ 20,834</u>	<u>\$ 1,878,314</u>	<u>\$ 14,492,068</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2014

	General	Depreciation	Special Building	LPS Building Corporation	Other Governmental Funds	2014 Total Governmental Funds
RECEIPTS						
Taxes:						
Property	\$ 7,531,706	\$ -	\$ 67,299	\$ -	\$ 851,887	\$ 8,450,892
Motor vehicle	610,229	-	-	-	-	610,229
Sale of property	-	-	21,939	-	-	21,939
Fines and licenses	185,777	-	-	-	-	185,777
Tuition	6,195	-	-	-	-	6,195
State aid	20,820,062	-	-	-	-	20,820,062
Federal aid	2,388,587	-	-	-	-	2,388,587
Other categorical programs	122,007	-	-	-	-	122,007
Categorical / private grant revenue	8,000	-	-	-	-	8,000
Interest income	17,815	4,137	122	33	1,879	23,986
Other	10,972	-	-	-	-	10,972
Total receipts	\$ 31,701,350	\$ 4,137	\$ 89,360	\$ 33	\$ 853,766	\$ 32,648,646
DISBURSEMENTS						
Regular instruction	\$ 19,887,722	\$ -	\$ -	\$ -	\$ -	\$ 19,887,722
Special education instruction	2,786,067	-	-	-	-	2,786,067
Support services:						
Pupils	1,512,022	-	-	-	-	1,512,022
Staff	305,311	-	-	-	-	305,311
Business	623,657	-	-	-	-	623,657
Maintenance and operation of business	3,576,864	-	-	-	-	3,576,864
Pupil transportation	470,392	-	-	-	-	470,392
General administration	478,233	-	-	-	-	478,233
Office of principal	1,286,556	-	-	-	-	1,286,556
State categorical programs	30,132	-	-	-	-	30,132
Federal programs	2,198,203	-	-	-	-	2,198,203
Capital outlay	-	1,016,819	51,168	279,382	-	1,347,369
Debt service	324	-	-	-	847,284	847,608
Other	179,004	-	-	925	418,381	598,310
Total disbursements	\$ 33,334,487	\$ 1,016,819	\$ 51,168	\$ 280,307	\$ 1,265,665	\$ 35,948,446
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 2,420,687	\$ -	\$ -	\$ 610,667	\$ 3,031,354
Transfers out	(115,000)	-	-	-	-	(115,000)
Total other financing sources (uses)	\$ (115,000)	\$ 2,420,687	\$ -	\$ -	\$ 610,667	\$ 2,916,354
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (1,748,137)	\$ 1,408,005	\$ 38,192	\$ (280,274)	\$ 198,768	\$ (383,446)
Fund balances - beginning	\$ 9,881,759	\$ 2,924,850	\$ 88,251	\$ 301,108	\$ 1,679,546	\$ 14,875,514
Fund balances - ending	\$ 8,133,622	\$ 4,332,855	\$ 126,443	\$ 20,834	\$ 1,878,314	\$ 14,492,068

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
August 31, 2014

	<u>2014 School Lunch Fund</u>
ASSETS	
Cash	\$ 686,421
Total assets	<u>\$ 686,421</u>
NET POSITION	
Unrestricted	\$ 686,421
Total net position	<u>\$ 686,421</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN NET POSITION - CASH BASIS
PROPRIETARY FUND
For the Year Ended August 31, 2014**

	<u>2014 School Lunch Fund</u>
Operating receipts:	
Charges for sales and services:	
Sale of breakfast and lunch	\$ 196,300
Total operating receipts	<u>\$ 196,300</u>
Operating disbursements:	
Cost of sales and services	\$ 1,501,463
Total operating disbursements	<u>\$ 1,501,463</u>
Operating income (loss)	<u>\$ (1,305,163)</u>
Nonoperating receipts:	
USDA and State subsidies	\$ 1,438,743
Investment income	961
Other receipts	10,468
Total nonoperating receipts	<u>\$ 1,450,172</u>
Increase in net position	\$ 145,009
Total net position - beginning	<u>541,412</u>
Total net position - ending	<u>\$ 686,421</u>

See notes to financial statements.

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUNDS
August 31, 2014

	<u>Activities Fund</u>	<u>Student Fee Fund</u>	<u>2014 Total Fiduciary Funds</u>
ASSETS			
Cash	\$ 451,439	\$ 5,075	\$ 456,514
Total assets	<u>\$ 451,439</u>	<u>\$ 5,075</u>	<u>\$ 456,514</u>
NET POSITION	<u>\$ 451,439</u>	<u>\$ 5,075</u>	<u>\$ 456,514</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**STATEMENT OF CHANGES IN NET POSITION - CASH BASIS
FIDUCIARY FUNDS
For the Year Ended August 31, 2014**

	<u>Activities Fund</u>	<u>Student Fee Fund</u>	<u>2014 Total Fiduciary Funds</u>
ADDITIONS			
Activities receipts	\$ 542,817	\$ -	\$ 542,817
Payflex receipts	187,439	-	187,439
Interest income	-	8	8
Transfer from General	115,000	-	115,000
Total additions	<u>\$ 845,256</u>	<u>\$ 8</u>	<u>\$ 845,264</u>
DEDUCTIONS			
Purchased services and supplies	\$ 580,756	\$ 302	\$ 581,058
Payflex disbursements	172,886	-	172,886
Total deductions	<u>\$ 753,642</u>	<u>\$ 302</u>	<u>\$ 753,944</u>
Increase (decrease) in net position	\$ 91,614	\$ (294)	\$ 91,320
Net position - beginning	<u>359,825</u>	<u>5,369</u>	<u>365,194</u>
Net position - ending	<u>\$ 451,439</u>	<u>\$ 5,075</u>	<u>\$ 456,514</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Lexington Public School District #1 (the "School District") is a tax-exempt political subdivision and a Class III school district of the State of Nebraska.

Basis of Accounting – The School District prepares its financial statements on the cash basis of accounting, which is consistent with the requirements of the Commissioner of Education and Nebraska Department of Education. Under the cash basis, revenues are recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, these financial statements are not intended to present financial information in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity – In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statements. These criteria state that the financial reporting entity consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on these criteria, the Lexington Public Schools Building Corporation should be included in the financial statements of the School District. The board of the component unit is appointed by the District board. Its purpose is to seek, hold, purchase, lease, and otherwise encumber real or personal property. The services of the component unit are so intertwined with the School District that it is in substance the same as the School District and is reported as part of the School District. Thus, the financial information of the component unit is blended in the School District's financial statements.

The School District has the following related organizations not considered to have a significant operational or financial relationship:

Fundraising Organizations

- The school has Parent Teacher organizations at the individual schools that raise money for various projects at the school.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation – The School District has adopted the provisions of Statement No. 34 (“Statement 34”) of the Governmental Accounting Standards Board “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.” Statement 34 established standards for external financial reporting for all state and local government entities, which includes government-wide financial statements, fund financial statements and the classification of net position into two components – restricted and unrestricted.

Government-wide and Fund Financial Statements – The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general receipts.

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

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

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the School District's own programs. The Activities and Student Fee Funds are fiduciary funds.

Major Funds of the school are the General, Special Building, LPS Building Corporation and Depreciation Fund for the governmental funds and the Lunch Fund for the proprietary funds.

Fund Types – The accounts of the School District are organized on the basis of funds, which are grouped into the following fund types:

Governmental Funds

General Fund – Accounts for the financing of all facets of services rendered by the School District, inclusive of operation and maintenance.

Depreciation Fund – Accumulates funds for eventual significant future capital outlays. The Depreciation Fund shall be considered only a component of the General Fund

Employee Benefits Fund – Accounts for money utilized to pay for future employee benefits for School District retirees.

Special Building Fund – Accounts for the acquisition, erection, alteration, or improvement of buildings and sites.

Bond Fund – Accounts for tax receipts, investment interest, and the payment of bond principal, interest, and other related costs.

Lexington Public Schools Building Corporation Fund – Accounts for lease revenues from the General Fund that are specifically reserved for future building and improvement purchases.

Proprietary Fund

School Lunch Fund – Accounts for the proceeds of breakfast and lunch receipts, U.S. Department of Agriculture reimbursements and commodities receipts, which are restricted to disbursements for specified purposes.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Activities Fund – Accounts for the financial operations of quasi-independent student organizations, interschool athletics, and other self-supporting or partially self-supporting school activities not accounted for in another fund.

Student Fee Fund – Accounts for fees for extracurricular activities and related disbursements.

General Statement - The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The School District has applied all applicable GASB pronouncements.

Accounts Receivable – As a result of the use of the cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

Capital Assets – In accordance with the cash basis of accounting, capital assets are not recorded as assets on the government-wide or fund statements and depreciation is not recognized. Purchases of capital assets are recorded as disbursements by function in the financial statements.

Compensated Absences – The District has entered into negotiated agreements with certified and noncertified personnel. In those agreements they have agreed to benefits for vacation and sick leave. In accordance with the cash basis of accounting, these benefits are recorded as expenses when paid.

Long-Term Debt – In accordance with the cash basis of accounting, long-term debt is not reported as a liability in the government-wide or fund financial statements. Proceeds from long-term debt are reported as receipts and payments of principal are reported as disbursements in both the government-wide and fund financial statements.

Equity – In the government-wide statements, equity is classified as unrestricted and restricted net position. In the governmental fund statements, equity is classified as non-spendable, restricted, committed, assigned, and unassigned, see detail below.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance – On August 31, 2011, the School District adopted Governmental Accounting Standards Board (GASB) No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” In accordance with GASB No. 54, the School District classifies governmental fund balances as follows:

Non-spendable: Fund balance amounts are considered non-spendable if they cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted: Fund balance amounts are considered restricted if they are constrained for specific purposes which are externally imposed by providers, such as creditors, or constrained due to constitutional provisions or enabling legislation.

Committed: Fund balance amounts are considered committed if they are constrained for specific purposes that are internally imposed by the government through formal action of the Board of Education and constraints do not lapse at year-end.

Assigned: Fund balance amounts are considered assigned if they are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by management.

Unassigned: Fund balance amounts are considered unassigned if they are positive fund balances within the General Fund that are not classified as one of the above or negative fund balances in other governmental funds.

The School District’s policy is to spend restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal restrictions that prohibit doing so. Additionally, the School District is to first spend committed, then assigned, and lastly unassigned amounts of fund balances when expenditures are made.

The School District’s policy is to strive to maintain the fund balances of the Depreciation and Employee Benefit funds at no less than 25% of the annual budget, excluding state and federal grants. The District does not have minimum fund balance policies for its other funds.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

2. BUDGET PROCESS

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

Prior to September 1, the Board of Education prepares a proposed operating budget on the cash basis for the general and bond funds for the fiscal year commencing the following 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.

Prior to September 20, the budget is legally adopted by the Board of Education through passage of a resolution.

Total expenditures may not legally exceed total appropriations. Appropriations lapse at year-end and any revisions require Board approval.

The property tax requirement resulting from the budget process is utilized by the County Assessor to establish the tax levy, which attaches as an enforceable lien on property within the District as of January 1. Taxes are due as of that date. All unpaid taxes are delinquent as of September 1.

3. CASH

Nebraska Statute §79-1043 provides that the School District may, by and with the consent of the Board of Education, invest the funds of the School 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 year end, the School District's carrying amount of bank deposits was \$13,165,737 and the bank balance was \$11,968,613. All balances were covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.

The School District's deposits are categorized to give an indication of the level of risk assumed by the School District at August 31, 2014. The levels of risk are described as follows:

- (1) Insured or collateralized with securities held by the School or by the School's agent in the School's name.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

3. CASH (continued)

- (2) Collateralized with securities held by the pledging financial institution's trust department, or agent, in the School's name.
- (3) Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the School's name).

Deposits and investments of the District at August 31, 2014, consisted of the following:

	Level 1	Level 2	Level 3
Cash - demand deposits	\$ 284,659	\$ 11,683,954	\$ -

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

Interest rate risk. As a means of limiting its exposure to fair value losses arising from interest rate risk, the School District's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates.

Credit risk. The School District's investment policies regarding credit risk are governed by state statutes as described above.

Concentrations of credit risk. The School District's investment policy places no limits on the amounts that may be invested with any one issuer.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's policy regarding custodial credit risk is determined by state statute as described above. As of August 31, 2014, all deposits were covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

3. CASH (continued)

Custodial credit risk – investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy regarding custodial credit risk is determined by state statute as described above.

None of the District's deposits in excess of the amount insured by the Federal Deposit Insurance Corporation shall be allowed to accumulate in any financial institution unless (a) the financial institution gives a surety bond, (b) the financial institution provides the School District with securities as collateral on the excess funds or (c) the financial institution issues a joint custody receipt to the benefit of the District where a third party financial institution actually holds the security.

4. PENSION PLAN

Plan Description – The Lexington Public School District #1 contributes to the Nebraska School Employees Retirement System, 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, 1526 K Street, Suite 400, P.O. Box 94816, Lincoln, NE 68509-4816 or by calling 1-800-245-5712.

Funding Policy – Plan members were required to contribute 8.88% of their annual covered salary from September 1, 2011 to August 31, 2012. Plan members were required to contribute 9.78% of their annual covered salary from September 1, 2012 to August 31, 2013 and from September 1, 2013 to August 31, 2014. The Lexington Public School District #1 is required to contribute 101% of the employee contribution. The contribution requirements of plan members and Lexington Public School District #1 are established by the Nebraska statutes.

The School District's contributions to NPERS for the years ending August 31, 2012, 2013 and 2014 totaled \$1,498,057, \$1,713,563, and \$1,721,072, respectively, equal to the required contributions for each year.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

5. LONG-TERM DEBT

On September 3, 2009, Series 2009 General Obligation Refunding Bonds were issued in the amount of \$4,525,000. The 2009 Refunding Bonds have interest rates ranging from 0.75% to 2.80%. Interest is due semiannually starting December 15, 2009. Principal is due annually starting December 15, 2009.

The two-year schedule of maturities is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
August 31, 2015	\$ 825,000	\$ 22,905	\$ 847,905
2016	<u>435,000</u>	<u>6,090</u>	<u>441,090</u>
	<u>\$ 1,260,000</u>	<u>\$ 28,995</u>	<u>\$ 1,288,995</u>

Total interest paid during the year ending August 31, 2014, on bonds outstanding was \$42,284.

6. OPERATING LEASES

On March 12, 2013, Lexington Public School District #1 entered into an agreement with Unite Private Networks, LLC for the lease and service of the School District's Wide Area Network. Annual payments of \$82,104 will be paid over a ten year term starting July 1, 2013 and ending June 30, 2023.

On August 31, 2012, Lexington Public School District #1 entered into an agreement with Great America Leasing Corporation for the lease of multiple copiers and printers. Monthly payments of \$4,802 will be paid over a term starting September 1, 2012 and ending August 31, 2017.

On May 10, 2014, Lexington Public School District #1 entered into a lease purchase agreement with Apple Inc. for 910 MacBook Pro computers. The agreement is being financed with a 2.3% annual interest rate. Annual payments of \$217,350 will be paid over a term beginning May 10, 2014 and ending May 10, 2017.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

6. OPERATING LEASES (continued)

Lease payments for the next four years are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2015	\$ 357,078
2016	357,078
2017	357,078
2018	<u>82,104</u>
Total	<u>\$1,153,338</u>

7. LEXINGTON COMMUNITY FACILITIES AGENCY

On April 24, 1995, the School District entered into an interlocal cooperation act agreement with the City of Lexington, Nebraska, to form the Lexington Community Facilities Agency. The Agency was formed to provide or contract for the acquisition, finance, construction, rehabilitation, ownership and operation of community and recreational buildings and facilities.

On February 14, 2012, the Lexington Community Facilities Agency, the City of Lexington, Nebraska, and the School District entered into a construction, management, and lease agreement relating to the Lexington Middle School and High School projects. The Agency shall lease the projects to the School District for a term beginning February 14, 2012 and ending April 25, 2030. These projects may include, but are not limited to, recreation facilities, classrooms, gymnasium, kitchen, cafeteria, and auditorium commons.

Under this agreement, the School District will contribute \$7,750,000, which will be used to fund construction costs related to the expansion projects. During the fiscal years ended August 31, 2014 and 2013, the School District remitted \$428,243 and \$2,297,000, respectively, to the Agency. With the completion of construction on the middle school project, the School District does not expect to remit any additional funds to the Agency.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

8. FUND BALANCES

As of August 31, 2014, governmental fund balances are classified as follows:

	<u>General</u>	<u>Depreciation</u>	<u>Special Building</u>	<u>LPS Building Corporation</u>	<u>Bond</u>	<u>Employee Benefit</u>
Fund balances						
Restricted for:						
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 943,876	\$ -
Assigned to:						
Capital projects	\$ -	\$ 4,332,855	\$ 126,443	\$ 20,834	\$ -	\$ -
Employee benefits	-	-	-	-	-	934,438
Total assigned	\$ -	\$ 4,332,855	\$ 126,443	\$ 20,834	\$ -	\$ 934,438
Unassigned:	<u>\$ 8,133,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total fund balances	<u>\$ 8,133,622</u>	<u>\$ 4,332,855</u>	<u>\$ 126,443</u>	<u>\$ 20,834</u>	<u>\$ 943,876</u>	<u>\$ 934,438</u>

9. INTERFUND TRANSFERS

A transfer of \$115,000 to the Activities Fund has been recorded in the General Fund. In addition, transfers of \$2,420,687 to the Depreciation Fund and \$610,667 to the Employee Benefit Fund have been recorded as operational disbursements in the General Fund in accordance with the basis of accounting described above. The transfer to the Activities Fund is for annual support of the activities department. The transfer to the Depreciation Fund is to save for future expenditures such as a bus, site improvements, computer equipment and new textbooks. The transfer to the Employee Benefit Fund is to cover the cost of health insurance benefits paid to retired District employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

10. EARLY RETIREMENT INCENTIVE PLAN

The District has adopted an early retirement incentive plan for certified employees who elect early retirement. No employee contributions are required; the District pays the entire cost of the plan. Benefits are available to certified employees over the age of 55 and who have at least 9 consecutive years of credited service in the Lexington Public School District #1.

Qualified certificated employees who elect to claim the early retirement incentive shall be paid an amount based upon the cost of a single health insurance premium from the School District's insurance carrier as of the participant's last year of employment. All future payments will be based on that amount and will not increase. The following table shows the number of annual premiums that will be paid for qualifying employees based on their number of years of service to the District.

<u>Years of Service</u>	<u>Number of annual premiums paid</u>
15	10
12	7
9	4

Annual benefits received under the early retirement incentive plan will be paid in four equal installments.

The District's Employee Benefits Fund has a fund balance at August 31, 2014, in the amount of \$934,438.

11. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and to the public; or acts of God. For the fiscal year ended August 31, 2014, the School had approved insurance coverage through the NASB All Lines Interlocal Cooperative Aggregate Pool (ALICAP), a public entity risk pool currently operating as a common risk management insurance pool.

If the pool becomes insolvent or is otherwise unable to discharge its legal liabilities and other obligations, the District may be assessed by the pool for additional contributions. The District has not paid any additional assessments to the pool in the last three fiscal years and no assessments are anticipated for the fiscal year 2014. The District has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

12. COMMITMENTS AND CONTINGENCIES

The District participates in numerous federal and state assisted grant programs which are governed by various rules and regulations of the grantor agencies. These programs are subject to financial and compliance audits by the granting agencies. 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. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

The District has elected under the Nebraska Unemployment Insurance Program to become a "reimbursable employer". Accordingly, the District is liable for payments to reimburse the state unemployment agency for benefits paid to former employees. The maximum payment to reimburse the state unemployment agency under current statute would not exceed \$9,672 (26 weeks at \$372/week) per claimant.

13. MAJOR REVENUE SOURCES AND DEPENDENCY OF OPERATIONS

The District's ability to operate is dependent on the funding sources continuing to provide funds to the District. Changes by the funding sources due to economic, regulatory, or other factors could have an adverse legal effect on the District's ability to continue to operate at its current level. During the year ending August 31, 2014, the composition of the District's governmental fund receipts is as follows:

	Receipts	% of Total
Local property taxes	\$ 9,061,121	27.75 %
County sources	185,777	0.57
State sources	20,820,062	63.77
Federal sources	2,388,587	7.32
Other sources	193,099	0.59
Total governmental funds	\$ 32,648,646	100.00 %

14. SUBSEQUENT EVENTS

Upon evaluation, management notes that there were no material subsequent events between the date of the financial statements and the date that the financial statements were issued or available to be issued, October 27, 2014.

SUPPLEMENTARY INFORMATION

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA

COMBINED SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND FUND BALANCES
Year Ended August 31, 2014

	Fund Balances At Beginning of Year	Receipts	Disbursements	Transfers In (Out)	Excess (Deficiency) Of Receipts Over (Under) Disbursements	Fund Balances At End Of Year
GENERAL FUND	\$ 9,881,759	\$ 31,701,350	\$ 33,334,487	\$ (115,000)	\$ (1,748,137)	\$ 8,133,622
ACTIVITIES FUND	359,825	730,256	753,642	115,000	91,614	451,439
SCHOOL LUNCH FUND	541,412	1,646,472	1,501,463	-	145,009	686,421
DEPRECIATION FUND	2,924,850	4,137	1,016,819	2,420,687	1,408,005	4,332,855
SPECIAL BUILDING FUND	88,251	89,360	51,168	-	38,192	126,443
LPS BUILDING CORPORATION FUND	301,108	33	280,307	-	(280,274)	20,834
BOND FUND	938,478	852,682	847,284	-	5,398	943,876
EMPLOYEE BENEFITS FUND	741,068	1,084	418,381	610,667	193,370	934,438
STUDENT FEE FUND	5,369	8	302	-	(294)	5,075
GRAND TOTAL - ALL FUNDS	\$ 15,782,120	\$ 35,025,382	\$ 38,203,853	\$ 3,031,354	\$ (147,117)	\$ 15,635,003

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended August 31, 2014**

	<u>Actual</u>	<u>Budget (Original and Final)</u>
RECEIPTS		
LOCAL SOURCES:		
Local district taxes	\$ 7,510,533	\$ 7,900,000
Carline taxes	21,173	30,000
Motor vehicle taxes	610,229	585,000
Interest received	17,815	30,000
Local license fees	59	6,500
Police court fines	5,361	2,000
Summer school and driver's ed tuition	6,195	1,200
Categorical / private grant revenue	8,000	10,000
Other categorical programs	122,007	166,451
Other local revenue	10,960	2,400
Total Local Sources	<u>\$ 8,312,332</u>	<u>\$ 8,733,551</u>
COUNTY SOURCES:		
Fines and licenses	\$ 180,357	\$ 150,000
Total County Sources	<u>\$ 180,357</u>	<u>\$ 150,000</u>
STATE SOURCES:		
State aid	\$ 18,709,337	18,709,337
Special education	1,325,836	1,105,000
Homestead exemption	113,327	70,000
Property tax credit	256,596	250,000
Pro-rate motor vehicle	24,554	12,000
Apportionment and in-lieu of school land tax	371,751	384,500
High ability learner	18,661	15,000
Total State Sources	<u>\$ 20,820,062</u>	<u>\$ 20,545,837</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2014**

	Actual	Budget (Original and Final)
FEDERAL SOURCES:		
ECIA-Chapter I, current	\$ 989,842	\$ 1,091,150
Medicaid Administrative	290,508	255,000
Carl Perkins grant	727	25,736
Title II Part A	76,224	72,655
IDEA Part B Enrollment/Poverty	440,350	400,000
IDEA Part B Early Intervening Services	18,201	23,422
IDEA Base	162,706	154,461
Title I Part C	35,904	79,000
Other federal categorical receipts	374,125	415,757
Total Federal Sources	\$ 2,388,587	\$ 2,517,181
 NON-REVENUE RECEIPTS:		
Non-programmed receipts	\$ 2	\$ 50
Other non-revenue receipts	10	3,450
Total Non-Revenue Receipts	\$ 12	\$ 3,500
Total Receipts from all Sources	\$ 31,701,350	\$ 31,950,069

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND FUND
BALANCE BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2014**

	Actual	Budget (Original and Final)
DISBURSEMENTS		
PROGRAM:		
Regular instruction	\$ 11,816,402	\$ 8,953,568
Special education programs	2,786,067	2,919,428
Limited English proficiency programs	3,736,626	3,933,454
Poverty programs	3,681,125	3,788,200
Support services - Pupils	1,512,022	1,452,032
Support services - Instructional staff	305,311	286,465
Support services - General administration	478,233	580,354
Support services - Office of principal	1,286,556	1,299,254
Support services - Business services	623,657	570,565
Support services - Maintenance and operation of buildings	3,576,864	4,053,854
Support services - Regular pupil transportation	470,392	451,082
Summer school	653,569	599,200
Debt services	324	324
State programs - grants	30,132	30,131
Federal programs	2,198,203	2,429,037
Other	179,004	181,894
Transfers to other funds	115,000	1,923,027
Total Disbursements	\$ 33,449,487	\$ 33,451,869
 Fund Balance, August 31, 2013	 \$ 9,881,759	
Total Cash Receipts	\$ 31,701,350	
Total Funds Available	\$ 41,583,109	
Total Cash Disbursements	\$ 33,449,487	
 Fund Balance, August 31, 2014	 \$ 8,133,622	

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND
For the Fiscal Year Ended August 31, 2014**

REGULAR INSTRUCTION:

Regular salaries of teachers	\$ 4,913,833
Substitute salaries	175,430
Clerical and paraprofessional staff salaries	18,846
Technical staff salaries	273,140
Classroom management salaries	7,552
Payroll taxes	405,252
Employee benefits	2,415,880
Purchased pupil services	189,688
Early childhood education programs	134,391
Supplies and materials	3,027,642
Textbooks and library books	75,637
Furniture and equipment replacement	61,848
Travel expense and mileage	4,722
Other expenses	<u>112,541</u>
Total Regular Instruction	\$ <u>11,816,402</u>

SPECIAL EDUCATION PROGRAMS:

Regular salaries	\$ 1,274,524
Substitute salaries	31,310
Clerical and paraprofessional staff salaries	651,751
Payroll taxes	146,970
Employee benefits	505,780
Purchased services	121,943
Supplies and materials	34,061
Textbooks and library books	379
Travel expense and mileage	3,136
Other expenses	<u>16,213</u>
Total Special Education Programs	\$ <u>2,786,067</u>

LIMITED ENGLISH PROFICIENCY PROGRAMS:

Regular salaries	\$ 1,968,909
Substitute salaries	117,934
Clerical and paraprofessional staff salaries	628,268
Payroll taxes	201,291
Employee benefits	818,685
Supplies and materials	1,388
Travel expense and mileage	135
Other expenses	<u>16</u>
Total Limited English Proficiency Programs	\$ <u>3,736,626</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2014**

POVERTY PROGRAMS:

Regular salaries of teachers	\$ 2,138,491
Substitute salaries	63,298
Clerical and paraprofessional staff salaries	380,987
Technical staff salaries	42,829
Payroll taxes	195,710
Employee benefits	848,844
Other expenses	<u>10,966</u>
Total Poverty Programs	<u>\$ 3,681,125</u>

SUPPORT SERVICES - PUPILS:

Regular salaries	\$ 979,505
Substitute salaries	2,933
Clerical and paraprofessional salaries	67,480
Payroll taxes	84,881
Employee benefits	231,321
Purchased services	23,078
Supplies and materials	33,772
Travel expense and mileage	2,460
Other expenses	<u>86,592</u>
Total Support Services - Pupils	<u>\$ 1,512,022</u>

SUPPORT SERVICES - INSTRUCTIONAL STAFF:

Regular salaries	\$ 177,571
Substitute salaries	1,183
Payroll taxes	13,503
Employee benefits	59,845
Supplies and materials	49,559
Other expenses	<u>3,650</u>
Total Support Services - Instructional Staff	<u>\$ 305,311</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2014**

SUPPORT SERVICES - GENERAL ADMINISTRATION:

BOARD OF EDUCATION:

Legal services	\$	44,238
Professional and technical services		16,626
Advertising and printing		20,182
Dues and fees		21,548
Travel expense and mileage		666
Other expenses		14,593

EXECUTIVE ADMINISTRATION SERVICES:

Regular salaries		250,724
Clerical salaries		26,489
Payroll taxes		18,570
Employee benefits		54,506
Purchased services		1,900
Supplies and materials		3,292
Other expenses		4,899

Total Support Services - General Administration	\$	<u>478,233</u>
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SUPPORT SERVICES - SCHOOL ADMINISTRATION:

OFFICE OF THE PRINCIPAL SERVICES:

Regular salaries	\$	654,041
Clerical assistants		285,539
Payroll taxes		69,521
Employee benefits		261,364
Travel expense and mileage		1,435
Other expenses		14,656

Total Support Services - School Administration	\$	<u>1,286,556</u>
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See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2014**

SUPPORT SERVICES - GENERAL ADMINISTRATION:

BUSINESS SERVICES:

Regular salaries	\$	96,729
Clerical staff		50,172
Payroll taxes		10,945
Employee benefits		27,578
Contracted services		368,529
Postage		25,080
Supplies and materials		10,448
Dues and fees		401
Insurance		0
Travel expense and mileage		43
Other expenses		17,606

VEHICLE ACQUISITION AND MAINTENANCE:

Vehicle maintenance		16,126
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Total Support Services - General Administration	\$	<u>623,657</u>
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**SUPPORT SERVICES - MAINTENANCE AND
OPERATION OF BUILDINGS:**

Regular salaries	\$	469,608
Payroll taxes		34,638
Employee benefits		167,286
Purchased services		887,046
Fuel		134,807
Electricity		482,627
Water, sewer and trash		64,338
Distance education and telecommunications		133,521
Supplies		257,467
Site acquisition and improvement		915,690
Furniture and equipment replacement		21,759
Travel expense and mileage		555
Other expenses		7,522

Total Support Services - Maintenance and Operation of Buildings	\$	<u>3,576,864</u>
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See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2014**

SUPPORT SERVICES - PUPIL TRANSPORTATION:

Regular salaries	\$	182,790
Payroll taxes		13,902
Employee benefits		27,764
Supplies		11,815
Purchased services		89,477
Gas and oil		135,606
Travel reimbursements		56
Repair and maintenance		6,378
Other expenses		2,604
Total Support Services - Pupil Transportation	\$	<u>470,392</u>

SUMMER SCHOOL

Regular salaries	\$	420,356
Clerical and paraprofessional staff salaries		114,456
Payroll taxes		39,870
Employee benefits		45,767
Supplies		25,745
Other expenses		7,375
Total Summer School	\$	<u>653,569</u>

DEBT SERVICES

Debt service interest	\$	<u>324</u>
Total Debt Services	\$	<u>324</u>

STATE PROGRAMS - GRANTS:

Salaries	\$	8,624
Payroll taxes		652
Employee benefits		1,778
Purchased services		15,940
Supplies		2,913
Other expenses		225
Total State Programs - Grants	\$	<u>30,132</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES -
GENERAL FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2014**

FEDERAL PROGRAMS:	
IDEA	\$ 160,317
IDEA Enrollment/Poverty (611)	426,343
IDEA Part B	81
Title I	1,034,207
Title II Part A	105,253
Title III	120,128
Carl Perkins	35,286
Title I Part C	87,603
Title IV Part B	204,276
Other Federal Programs	24,709
Total Federal Programs	<u>\$ 2,198,203</u>
OTHER:	
Categorical grants from private interests	\$ 18,532
Other categorical programs	160,472
Total Other	<u>\$ 179,004</u>
TRANSFERS TO ACTIVITY FUND	<u>\$ 115,000</u>
Total Transfers Out	<u>\$ 115,000</u>
Total Disbursements	<u>\$ 33,449,487</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS
AND FUND BALANCE - ACTIVITIES FUND
For the Fiscal Year Ended August 31, 2014**

	Balance (Deficit) 8/31/2013	Receipts	Transfers In (Out)	Disbursements	Balance (Deficit) 8/31/2014
HS Athletics	\$ 15,496	\$ 97,057	\$ 53,296	\$ 126,239	\$ 39,610
Activity Tickets	5,709	1,088	-	-	6,797
Early Learning Academy	912	8,588	-	8,366	1,134
Elementary Recorders	437	895	-	1,000	332
NE Special Olympics	2,432	-	-	-	2,432
Gifted Programs	172	-	-	-	172
4th Grade Museum Day	52	-	-	-	52
Kindergarten Mats	154	-	-	-	154
MONA	230	-	-	-	230
Student Computer Fees	152,426	78,438	-	56,197	174,667
Student Laptop Bags	6,060	475	-	35	6,500
Student USB Drives	449	70	-	-	519
HS Welding	(318)	898	-	215	365
HS Wood Shop Resale	3,194	3,189	-	-	6,383
FFA	13,605	7,570	-	16,404	4,771
Athletic Letter Club	1,667	1,626	-	2,777	516
HS Student Council	5,004	2,293	-	3,393	3,904
HS Fines	3,499	212	-	1,099	2,612
HS Recycling	488	334	-	-	822
Concessions	(1,033)	37,113	-	31,924	4,156
Honor Society	102	701	-	501	302
Secretary Funds	1,464	86	-	918	632
Ambassadors of Music	11,441	1,701	-	2,345	10,797
Art Lab Fees	319	-	-	-	319
FBLA	3,027	-	-	-	3,027
TMH Voc Club	51	-	-	-	51
HS Yo Yo Club	849	760	-	400	1,209
HS Computer Lab Fees	648	-	-	63	585
HS Fine Arts Resale	2,046	-	-	-	2,046
HS Band Donations	655	-	-	-	655
DC Senior Trip	3,275	27,177	-	26,771	3,681
Ronald C. Murdock	425	-	-	-	425
Training Room Fundraising	7,817	18,463	-	14,498	11,782
Senior Tribute	4,060	1,675	-	2,542	3,193
Miscellaneous Memorial Funds	307	-	-	-	307
Science and Math Club	36	-	-	-	36
HS Library	2,767	1,985	-	2,873	1,879
Octagon Club	676	-	-	-	676
Around the Mundo	115	-	-	-	115
Don Bader Scholarship	410	-	-	-	410
HS Pep Club	3,131	646	-	646	3,131
Prevention/Intervention	214	-	-	-	214

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS
AND FUND BALANCE - ACTIVITIES FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2014**

	Balance (Deficit) 8/31/2013	Receipts	Transfers In (Out)	Disbursements	Balance (Deficit) 8/31/2014
HS Softball Fundraising	\$ 447	\$ 101	\$ -	\$ 151	\$ 397
Football Fundraising	9,724	14,210	-	7,075	16,859
Volleyball Fundraising	1,766	10,063	-	10,974	855
Boys Basketball Fundraising	5,317	19,785	-	21,492	3,610
Girls Basketball Fundraising	-	5,926	-	60	5,866
Boys Soccer Fundraising	2,070	11,192	-	8,553	4,709
All School Play	187	-	-	-	187
Drill Team	3,373	10,518	-	12,892	999
Swing Choir	-	728	1,849	2,577	-
Musical Productions	566	-	-	-	566
Speech	-	1,599	2,591	4,190	-
HS Cheerleaders	(1,231)	24,693	790	24,252	-
Weight Room	(1,849)	1,934	-	2,006	(1,921)
Training Room	(160)	1,431	-	1,389	(118)
HS Powerlifting	(2,527)	10,619	3,000	15,238	(4,146)
HS Band	-	1,896	4,843	6,739	-
HS Vocal	-	-	1,507	1,507	-
HS One Act Play	-	-	1,154	1,154	-
Annual	-	1,370	8,675	10,045	-
Class of 2017	286	-	-	-	286
Class of 2016	149	-	-	-	149
Class of 2015	2,126	7,997	-	6,191	3,932
Class of 2014	3,665	4,692	-	6,145	2,212
HS General Activities	(55,177)	21,301	20,209	31,092	(44,759)
HS Printing/Advertising	425	-	-	-	425
HS Miscellaneous	757	2,790	-	3,044	503
MS Fines	3,934	72	-	-	4,006
MS Miscellaneous	3,768	3,833	-	3,166	4,435
MS Annual	4,291	10,064	-	7,444	6,911
MS Student Council	1,006	4,639	-	6,087	(442)
MS Pop Concessions	-	-	1,137	1,137	-
Multiple Choices	3,144	-	-	-	3,144
MS Teammates Mentoring	10,341	-	-	-	10,341
Science Fair	2,284	-	-	-	2,284
MS Library Fees/Fines	2,126	2,232	-	3,749	609
MS Music Resale	(69)	5,711	-	2,493	3,149
MS Band Concerts	-	-	75	75	-
Minutemen Music Festival	142	-	-	75	67
MS Band Lab Fees	4,014	-	-	3,600	414
MS Agenda Fund	1,966	-	-	-	1,966
Reading Banquet	933	3,721	-	1,509	3,145
PE Clothing	40	3,141	-	3,881	(700)

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, TRANSFERS
AND FUND BALANCE - ACTIVITIES FUND (CONTINUED)
For the Fiscal Year Ended August 31, 2014**

	Balance (Deficit) 8/31/2013	Receipts	Transfers In (Out)	Disbursements	Balance (Deficit) 8/31/2014
Independence Ink	\$ 4,612	\$ -	\$ -	\$ -	\$ 4,612
MS Patriots	814	-	-	587	227
MS Padlock Fees	95	5	-	-	100
MS Athletics	1,663	4,276	15,874	20,443	1,370
MS Booster Donation	1,371	995	-	-	2,366
S. C. Health Partners	339	-	-	-	339
Walk for Life	1,658	490	-	1,108	1,040
Corporate	679	4,405	-	605	4,479
Relay for Life	240	1,247	-	1,137	350
HS Wellness	917	3,541	-	953	3,505
HS Student Teammaker	2,827	-	-	-	2,827
HS Student Support	1,315	2,133	-	-	3,448
HS Pioneer Scholarship	1,400	1,000	-	1,400	1,000
HS Welding Scholarship	1,500	1,000	-	1,500	1,000
HS Help Restore Hope	211	137	-	348	-
Booster Club	-	22,317	-	24,713	(2,396)
Student Leadership	19	-	-	-	19
Sing Around Nebraska	-	616	-	616	-
Student Agendas	585	434	-	-	1,019
Interest	11	6	-	-	17
Coke Machines	541	206	-	-	747
Autism Awareness	250	-	-	-	250
Bryan Elementary Activities	8,462	5,247	-	4,947	8,762
Morton Elementary Activities	6,609	3,118	-	3,260	6,467
Pershing Elementary Activities	2,846	5,037	-	4,357	3,526
Sandoz Elementary Activities	4,794	7,309	-	5,594	6,509
Subtotal	\$ 306,062	\$ 542,817	\$ 115,000	\$ 580,756	\$ 383,123
Payflex	\$ 53,763	\$ 187,439	\$ -	\$ 172,886	\$ 68,316
Total Activity	\$ 359,825	\$ 730,256	\$ 115,000	\$ 753,642	\$ 451,439

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - SCHOOL LUNCH FUND
For the Fiscal Year Ended August 31, 2014**

Fund Balance, August 31, 2013	\$	541,412
CASH RECEIPTS:		
Sale of breakfast and lunch	\$	196,300
Interest		961
Other receipts		10,468
Federal reimbursements		1,427,213
State reimbursements		<u>11,530</u>
Total Cash Receipts	\$	<u>1,646,472</u>
Total Funds Available	\$	2,187,884
CASH DISBURSEMENTS:		
Personnel	\$	636,064
Food		821,879
Supplies		37,793
Other expenses		<u>5,727</u>
Total Cash Disbursements	\$	<u>1,501,463</u>
Fund Balance, August 31, 2014	\$	<u>686,421</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - DEPRECIATION FUND
For the Fiscal Year Ended August 31, 2014**

Fund Balance, August 31, 2013	\$ 2,924,850
CASH RECEIPTS:	
Interest income	\$ 4,137
Transfer from General	<u>2,420,687</u>
Total Cash Receipts	<u>\$ 2,424,824</u>
Total Funds Available	\$ 5,349,674
CASH DISBURSEMENTS:	
Capital outlay	\$ 862,781
Furniture and equipment acquisition	<u>154,038</u>
Total Cash Disbursements	<u>\$ 1,016,819</u>
Fund Balance, August 31, 2014	<u>\$ 4,332,855</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - SPECIAL BUILDING FUND
For the Fiscal Year Ended August 31, 2014**

Fund Balance, August 31, 2013	\$	88,251
CASH RECEIPTS:		
Property taxes	\$	63,567
Carline taxes		179
Pro-rate motor vehicle		208
Homestead exemption		941
Property tax credit		2,170
In lieu of school land tax		234
Sale of property		21,939
Interest income		<u>122</u>
Total Cash Receipts	\$	<u>89,360</u>
Total Funds Available	\$	177,611
CASH DISBURSEMENTS:		
Capital outlay	\$	<u>51,168</u>
Total Cash Disbursements	\$	<u>51,168</u>
Fund Balance, August 31, 2014	\$	<u>126,443</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - LPS BUILDING CORPORATION FUND
For the Fiscal Year Ended August 31, 2014**

Fund Balance, August 31, 2013	\$ 301,108
CASH RECEIPTS:	
Interest income	\$ <u>33</u>
Total Cash Receipts	\$ <u>33</u>
Total Funds Available	\$ 301,141
CASH DISBURSEMENTS:	
Capital outlay	\$ 279,382
Purchased services	<u>925</u>
Total Cash Disbursements	\$ <u>280,307</u>
Fund Balance, August 31, 2014	\$ <u>20,834</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - BOND FUND
For the Fiscal Year Ended August 31, 2014**

Fund Balance, August 31, 2013	\$ 938,478
CASH RECEIPTS:	
Property tax collections	\$ 801,128
Pro-rate motor vehicle	2,711
Carline taxes	2,262
Property tax credit	25,622
Homestead exemption	15,808
In lieu of school land tax	4,356
Interest income	<u>795</u>
Total Cash Receipts	<u>\$ 852,682</u>
Total Funds Available	\$ 1,791,160
CASH DISBURSEMENTS:	
Bond principal	\$ 805,000
Bond interest	<u>42,284</u>
Total Cash Disbursements	<u>\$ 847,284</u>
Fund Balance, August 31, 2014	<u>\$ 943,876</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - EMPLOYEE BENEFITS FUND
For the Fiscal Year Ended August 31, 2014**

Fund Balance, August 31, 2013	\$ 741,068
CASH RECEIPTS:	
Interest income	\$ 1,084
Transfer from General	<u>610,667</u>
Total Cash Receipts	\$ <u>611,751</u>
Total Funds Available	\$ 1,352,819
CASH DISBURSEMENTS:	
Employee wellness screening	\$ 10,220
Unemployment benefits paid	23,118
Health insurance for retirees	<u>385,043</u>
Total Cash Disbursements	\$ <u>418,381</u>
Fund Balance, August 31, 2014	\$ <u>934,438</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND FUND BALANCE - STUDENT FEE FUND
For the Fiscal Year Ended August 31, 2014**

Fund Balance, August 31, 2013	\$	5,369
CASH RECEIPTS:		
Interest income	\$	<u>8</u>
Total Funds Available	\$	<u>5,377</u>
CASH DISBURSEMENTS:		
Supplies	\$	<u>302</u>
Total Cash Disbursements	\$	<u>302</u>
Fund Balance, August 31, 2014	\$	<u>5,075</u>

See notes to financial statements.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014**

1. BUDGET ACCOUNTING

The School District prepares its budget for all 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.

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**ANALYSIS OF GENERAL FUND
TAX ACCOUNTS WITH COUNTY TREASURERS
Year Ended August 31, 2014**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
Cash Balance-Beginning	\$ 1,984,923	\$ 50,359	\$ 2,035,282
Collections:			
Local property taxes	\$ 7,374,192	\$ 215,782	\$ 7,589,974
Motor vehicle taxes	606,263	10,024	616,287
Homestead exemption	111,655	1,689	113,344
Pro-rate motor vehicle	24,122	432	24,554
In-lieu-of tax	28,864	33	28,897
Carline	21,173	-	21,173
Miscellaneous	-	43	43
Tax credit	246,841	9,755	256,596
Fines and licenses	184,034	1,743	185,777
Total Collections	<u>\$ 8,597,144</u>	<u>\$ 239,501</u>	<u>\$ 8,836,645</u>
Disbursements:			
To school treasurer	\$ 8,313,291	\$ 272,079	\$ 8,585,370
County treasurer fees	83,384	2,175	85,559
Total Disbursements	<u>\$ 8,396,675</u>	<u>\$ 274,254</u>	<u>\$ 8,670,929</u>
Cash Balance-Ending	<u>\$ 2,185,392</u>	<u>\$ 15,606</u>	<u>\$ 2,200,998</u>

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**ANALYSIS OF SPECIAL BUILDING FUND
TAX ACCOUNTS WITH COUNTY TREASURERS
Year Ended August 31, 2014**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
Cash Balance-Beginning	\$ 16,346	\$ 415	\$ 16,761
Collections:			
Local property taxes	\$ 62,389	\$ 1,826	\$ 64,215
Motor vehicle taxes	5	-	5
Tax credit	2,088	82	2,170
Homestead exemption	945	14	959
Pro-rate motor vehicle	204	4	208
In-lieu-of tax	234	-	234
Carline	179	-	179
Total Collections	<u>\$ 66,044</u>	<u>\$ 1,926</u>	<u>\$ 67,970</u>
Disbursements:			
To school treasurer	\$ 63,645	\$ 2,205	\$ 65,850
County treasurer fees	653	18	671
Total Disbursements	<u>\$ 64,298</u>	<u>\$ 2,223</u>	<u>\$ 66,521</u>
Cash Balance-Ending	<u>\$ 18,092</u>	<u>\$ 118</u>	<u>\$ 18,210</u>

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA**

**ANALYSIS OF BOND FUND
TAX ACCOUNTS WITH COUNTY TREASURERS
Year Ended August 31, 2014**

	<u>Dawson County</u>	<u>Gosper County</u>	<u>Totals</u>
Cash Balance-Beginning	\$ 248,202	\$ 2,309	\$ 250,511
Collections:			
Local property taxes	\$ 800,014	\$ 9,111	\$ 809,125
Motor vehicle taxes	91	-	91
Tax credit	24,864	758	25,622
Homestead exemption	16,148	71	16,219
Pro-rate motor vehicle	2,692	19	2,711
In-lieu-of tax	4,356	-	4,356
Carline	2,262	-	2,262
Total Collections	<u>\$ 850,427</u>	<u>\$ 9,959</u>	<u>\$ 860,386</u>
Disbursements:			
To school treasurer	\$ 840,749	\$ 11,591	\$ 852,340
County treasurer fees	8,407	92	8,499
Total Disbursements	<u>\$ 849,156</u>	<u>\$ 11,683</u>	<u>\$ 860,839</u>
Cash Balance-Ending	<u>\$ 249,473</u>	<u>\$ 585</u>	<u>\$ 250,058</u>

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2014

Federal Grantor Pass Through Grantor Program Title	CFDA Number	Grant/ Contract Number	Disbursements
<u>U.S. Department of Agriculture</u>			
Passed through Nebraska Department of Education			
School Lunch Program, Breakfast, Snack	10.555	24-0001	\$ 1,299,632
Summer Food Service Program to Children	10.559	24-0001	68,228
Lunch Program Subtotal			<u>\$ 1,367,860</u>
Fruit/Vegetable Program	10.582	24-0001	\$ 59,353
Passed through Nebraska Department of Health and Human Services			
Food Donation Program**	10.550	47600238200	\$ 86,496
<u>U. S. Department of Health and Human Services</u>			
Passed through Nebraska Department of Health and Human Services			
State Children's Insurance Program	93.767	051405NE5021	\$ 6,849
Passed through Nebraska Association of School Boards			
Medicaid in Administrative Outreach	93.778	24-0001	\$ 264,685
<u>U.S. Department of Education</u>			
Passed through Nebraska Department of Education			
IDEA Base	84.027	14-10-024-0001-00	\$ 152,730 *
IDEA Enrollment/Poverty	84.027	14-10-024-0001-00	401,343 *
IDEA Enrollment/Poverty EIS	84.027	14-10-024-0001-00	25,000 *
IDEA Part B	84.027	24-0001-248-2B17B-14	81 *
IDEA Base Preschool	84.173	14-10-024-0001-00	7,587 *
IDEA Subtotal			<u>\$ 586,741</u>

* Major Programs

**The Food Donation Program is the value of surplus commodities received and used by the Lexington Public School District #1

LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended August 31, 2014

Federal Grantor Pass Through Grantor Program Title	CFDA Number	Grant/ Contract Number	Disbursements
<u>U.S. Department of Education</u>			
Passed through Nebraska Department of Education (continued)			
Title I	84.010	14-10-024-0001-00	\$ 953,678 *
Title I Accountability	84.010	14-10-024-0001-00	80,529 *
Career/Technical Education Basic Grants	84.048	14-10-024-0001-00	35,286
21st Century After School Learning Center	84.287	24001-162100-14	204,276
Title III	84.365	14-10-024-0001-00	120,128
Title II Part A	84.367	14-10-024-0001-00	105,253
Migrant	84.011	14-10-024-0001-00	87,603
Homeless Grant	84.196	14-10-024-0001-00	23,029
Passed through Educational Service Unit #16			
Title II Part B	84.366	14-10-024-0001-00	\$ 1,680
Totals			<u>\$ 3,983,446</u>

* Major Programs

**The Food Donation Program is the value of surplus commodities received and used by the Lexington Public School District #1

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
LEXINGTON, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014**

1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lexington Public School District #1 under programs of the federal government for the year ended August 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position or cash flows of Lexington Public School District #1.

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**2. RECONCILIATION WITH STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES
– CASH BASIS – GOVERNMENTAL FUNDS**

Federal Assistance - General (Page 39)	\$	2,198,203
Included in Lunch (Page 43)		1,427,213
Non-cash: Commodities		<u>86,496</u>
	\$	3,711,912
Included in Instructional Services		<u>271,534</u>
Total Federal Expenditures Reconciled (Page 55)		<u><u>3,983,446</u></u>



McDERMOTT + MILLER

CERTIFIED PUBLIC ACCOUNTANTS

**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***

To the Board of Education
Lexington Public School District #1
Lexington, NE

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lexington Public School District #1 as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Lexington Public School District #1's basic financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lexington Public School District #1'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 Public School District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lexington Public School District #1'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies

may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs, 14-1, that we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lexington Public School District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lexington Public School District #1's Response to Findings

Lexington Public School District #1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lexington Public School District #1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

McDERMOTT AND MILLER, P.C.

McDermott + Miller PC

Kearney, Nebraska
October 27, 2014



MCDERMOTT + MILLER

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Lexington Public School District #1
Lexington, NE

Report on Compliance for Each Major Federal Program

We have audited Lexington Public School District #1's (School District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Lexington Public School District #1's major federal programs for the year ended August 31, 2014. The 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 Public School District #1'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 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 Public School District #1's compliance.

Opinion on Each Major Federal Program

In our opinion, Lexington Public School District #1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control over Compliance

Management of Lexington Public School District #1 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 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 as a basis for designing 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 School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 14-1, that we consider to be a significant deficiency.

Lexington Public School District #1's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lexington Public School District #1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

McDERMOTT AND MILLER, P.C.

McDermott & Miller P.C.

Kearney, Nebraska
October 27, 2014

LEXINGTON PUBLIC SCHOOL DISTRICT #1

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting

- Material weakness identified Yes No
- Significant deficiency identified Yes No
- Noncompliance material to financial statements noted Yes No

Federal Awards

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

Internal control over major programs

- Material weakness identified Yes No
- Significant deficiency identified Yes No
- Any audit findings disclosed that are required to be reported in accordance 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
84.010

Special Education (IDEA)
Title I and Title I – Accountability

**LEXINGTON PUBLIC SCHOOL DISTRICT #1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS (continued)

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

Auditee qualified as low risk auditee? X Yes No

II. FINANCIAL STATEMENT FINDINGS

Finding 14-1 Lack of Segregation of Duties in One or More Areas

Criteria: Proper internal controls require that an entity has adequate segregation of duties within a significant account process.

Condition: The entity does not have adequate personnel to assign responsibilities in such a way that different employees handle different portions of a transaction.

Cause: The entity has a limited number of personnel.

Effect: An individual controlling a transaction from beginning to conclusion does not have oversight from other individuals to ensure that the transaction was properly executed and recorded.

Recommendation: We would recommend that the Board of Education take an active part in internal controls and closely monitor all accounting functions, while seeking ways to continue to strengthen compensating controls.

Auditee Response: The entity's Board continually evaluates the distribution of duties to employees and closely monitors all accounting functions.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 14-1 Lack of Segregation of Duties in One or More Areas

See Section II above.

IV. FINDINGS FOR THE YEAR ENDED AUGUST 31, 2013

Finding for the year ended August 31, 2013: Lack of segregation of duties in one or more areas.

Auditee response: The entity's Board continually evaluates the distribution of duties to employees and closely monitors all accounting functions.