

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

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

**AUGUST 31, 2002**

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DOUGLAS COUNTY, NEBRASKA**

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FOR THE FISCAL YEAR ENDED AUGUST 31, 2002**

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November 1, 2002

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each fund of School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District"), as of August 31, 2002 and for the year then ended, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statements were prepared on a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the governmental activities and each fund of the District as of August 31, 2002 and the respective receipts and disbursements arising from cash transactions for the year then ended on the cash basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the District has elected to implement Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as it relates to the basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements from the previous year's presentation.



Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole on the cash basis of accounting as described in Note 1.

The required supplementary information, as listed in the accompanying table of contents, including Management's Discussion and Analysis and the Fund Budgetary Comparison Schedules and Notes, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.



*Denham + Bruce LLC*  
GRAEVE GARRELTS DENHAM & BRUCE, LLC

## I. INTRODUCTION

The audit of the finances of the Millard Public Schools for the fiscal year ending August 30, 2002 (FYE02) brings with it two significant changes.

First, the District has changed auditors. The past six years, the District engaged the services of Deloitte & Touche, LLP. This year, after receiving competitive proposals, it decided to engage the services of the firm of Graeve, Garrelts, Denham & Bruce, LLC. The firm is not new to the Millard Public Schools since it had done the audits for the District for many years prior to 1996.

Second, the audit report will be based upon the cash basis of accounting. In past years, the audit was presented on a modified cash basis with the accrual of some (but not all) revenues and expenditures. It is believed that reporting on a cash basis will be more meaningful to the board of education, administration, and the general public. Additionally, notes will be included in the audit to disclose amounts that would have been accrued under the previous method of accounting.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 34, the current year's Management's Discussion and Analysis (MD&A) does not include comparative analysis of government-wide data in the year the statement is adopted since it is not required to restate prior periods or prepare prior-year government-wide statements in order to make comparisons. Section IV does include comparative analysis of the individual governmental funds. In future years, a comparative analysis of government-wide data will be presented.

## II. USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This statement implements a new model of financial

reporting for state and local governments designed to enhance the usefulness of the District's annual report.

### A. Report Components

This annual report consists of five parts as follows:

#### 1. Government-Wide Financial Statements

The Statement of Net Assets–Cash Basis and the Statement of Activities–Cash Basis provide information about the activities of the District government-wide (or “as a whole”).

#### 2. Fund Financial Statements

Fund financial statements focus on the individual parts of the District's government. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant (“major”) funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

#### 3. Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### 4. Required Supplementary Information

This Management Discussion and Analysis (MD&A) and the Fund Budgetary Comparison Schedules represent financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes to the financial statements (referred to as “the basic financial statements”).

#### 5. Other Supplementary Information

This part of the annual report includes the schedule of federal expenditures. This other supplemental financial information is provided



to address certain specific needs of various users of the District's annual report.

## **B. Basis of Accounting**

The District has elected to present the government-wide and the fund financial statements using the cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues and expenses. Under the District's cash basis of accounting, revenues are recognized when cash is received by the District and expenditures are recognized when cash is disbursed by the District. Only cash and investment balances are reported as assets; liabilities are not recorded. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **C. Reporting the District as a Whole**

### **1. The District's Reporting Entity Presentation**

The District's financial statements are presented as the primary government and include all significant schools, departments, activities and organizations for which the District is financially accountable. The District has determined there are no potential component units that meet the criteria as set forth by GASB for inclusion in the financial statements.

### **2. The Government-Wide Statements**

The government-wide financial statements are presented on pages 12 and 13. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all of the District's activities resulting from the use of the cash basis of accounting; except for activities related to the Activities Fund and Student Fee

Fund which are reported in separate statement on page 15.

These two government-wide statements report the District's net assets and changes in them. Over time, increases or decreases in the District's cash and investments are one indicator of whether its financial health is improving or deteriorating. The reader also needs to consider the other assets and liabilities which are not presented in these financial statements and other non-financial factors, such as changes in the District's property tax base and the condition of the District's capital assets (mainly buildings) in order to assess the overall health of the District.

### **3. The Fund Financial Statement**

The analysis of the District's major funds begins on page 7. The fund financial statements begin on page 27 and provide detailed information about the District's funds – not the District as a whole.

Some funds are required to be established by State law, however the District is allowed to establish certain other funds to help it control and manage money for particular purposes.

The District's two kinds of funds (i.e., governmental funds and fiduciary funds) use different accounting approaches.

a. Governmental Funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of the those funds and the cash and investment balances left at year-end that are available for spending. Governmental fund information helps you determine (through a review of changes to fund balances) whether there is more or less available cash and investments that can be spent to finance the District's programs. The District considers all of its funds to be significant or major governmental funds.

b. Fiduciary Funds – These funds are used to account for assets that are held in a trustee or fiduciary capacity such as the school's activities and student fee funds.



The District currently has no proprietary funds. Proprietary funds are used to account for funds in which the District would charge a fee to customers to help it cover all or most of the cost of certain services it provides.

### III. OVERVIEW OF DISTRICT

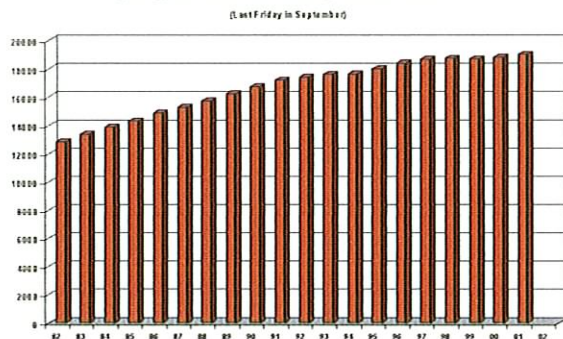
#### A. Schools

The Millard Public Schools is a K-12 school system located in the southwestern portion of the Omaha, Nebraska metropolitan area. The District is composed of 3 high schools (grades 9-12), 6 middle schools (grades 6-8), and 22 elementary schools (grades K-6). All of the buildings in the District are located in Douglas County, Nebraska; however, approximately ten percent of the taxable property value of the District is located in neighboring Sarpy County.

#### B. Students

Over the past few decades, there has been substantial growth in student enrollment in the District. In the fall of 1977, student enrollment was 9,267. In the fall of 2001, it was 18,917.

CHART 1  
STUDENT ENROLLMENT



Recently, the rate of enrollment growth in the District has slowed (see, Chart 1). In September of 2001, the secondary schools realized a gain of 182 students over the previous year, but, the elementary schools lost 107 students. The net gain was 75 students K-12 (i.e., a growth of less than ½ percent).

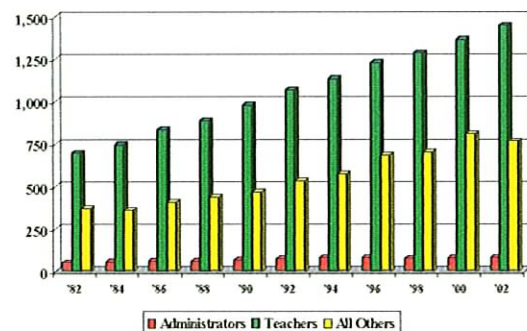
Another student demographic of note is the increase in enrollment in the western (new) part of the District accompanied by a decline in enrollment in the eastern (maturing) part of the District. This movement of student population has resulted in some elementary schools in the

eastern part of the District having unused space available while, at the same time, schools in the western part of the District are reaching maximum capacity (or over-capacity and have portable classrooms attached).

#### C. Personnel

In addition to student growth, the District has been experiencing growth in the number of its employees (see, Chart 2).

CHART 2  
PERSONNEL



This growth has been related not only to the growth in student enrollment but also to the increase in special education services provided by the District, the opening of new schools, and the implementing of new initiatives.

The growth in the number of employees, of course, has impacted the budget for personnel costs. In addition to the growth in the number of employees, the personnel budget has been impacted by the District's increases in salary and benefits for all employees (in order to remain competitive with other employers). The increase in salary and benefits for employees in FYE02 was about 5.1%.

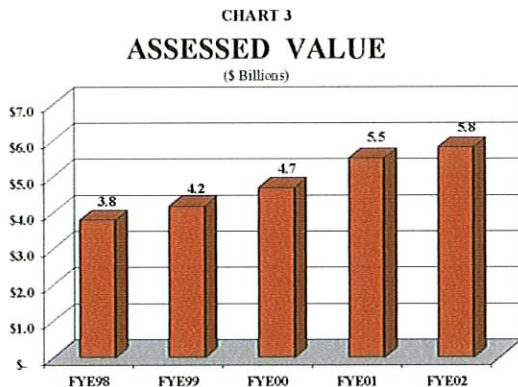
#### D. Valuation

The assessed valuation of property within the District has been increasing due to the revaluing of property as well as the growth in both residential and commercial development in the area (see, Chart 3).

The rate of growth in property values in the District has been somewhat difficult to predict from year to year. In FYE01, the valuation increase was 17%. In FYE02, the increase was only 6%. This change has created a concern that the District's property value growth may be

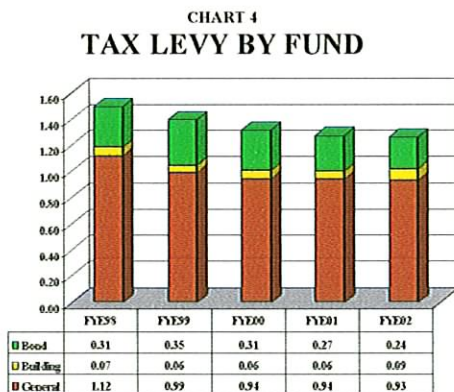


slowing. If so, this will have an impact on budgets in future years since the District is under a statutory levy lid (discussed herein below) which will limit the funds available for its budget.



### E. Tax Levy

Despite the fact that the District passed an \$89 million bond issue in 1997, the total property tax levy in the District has continued to decline (see Chart 4).



This decline has primarily been the result of the significant increase in the assessed value of property in the District. The increase in property values has exceeded the increase in total District spending, therefore, the total levy has declined.

Since the District is now budgeting at the maximum levy permitted by the tax levy lid (see, "Statutory Lids" herein below), it is likely that the total levy will remain at about the same level in future years (unless, of course, there are significant changes made in the lid laws).

Three of the District's eight funds receive moneys through the property tax levy. These

three are the general fund, the special building fund, and the bond fund. These funds are discussed in more detail herein below.

### F. Statutory Lids

The Nebraska legislature has enacted statutes which provide two "lids" on school district's budgets. One is a spending lid. The other is a tax levy lid.

The spending lid provides for a basic limit of 2.5% on the growth of the District's expenditures from one year to the next. This spending lid, however, has a special provision for "low spending" districts and, additionally, grants some limited discretion to local boards to exceed the basic lid.

The lid law provides that low-spending school districts may receive an additional percentage growth as determined by a statutory formula. Since the Millard School District has traditionally been a low-spending district, it qualifies for this additional growth. In FYE02 this amounted to an additional 0.98%.

The spending lid also provides an optional 1% that may be adopted by the local board of education at its sole discretion. In FYE02 (and previous years), the board took advantage of this option.

Finally, the spending lid provides for exclusions for certain categories of expenses in the budget. The exclusion categories that impacted MPS in FYE02 were: (1) special education, (2) grants, (3) early retirement, and (4) interlocal agreements.

In addition to the spending lid, the Nebraska legislature provided for a lid on the tax levies of school districts (and other political subdivisions). In FYE01, the tax levy lid was \$1.10 on the combined levy for the general fund and the building fund. In FYE02, the lid was reduced to \$1.00 (plus the costs associated with the District's early retirement program – about \$0.025).

In FYE02, the District's budget was at the maximum permitted under the tax levy lid. Since the District hit the levy lid before hitting the spending lid, it carries "unused budget authority" which may be used in future years if

the valuation permits a levy sufficient to fund the unused authority. Based upon current trends, it appears that this scenario is unlikely to occur in the near future. Therefore, the District will likely continue to budget at the maximum levy and carry “unused budget authority” into ensuing years.

#### IV. FUNDS

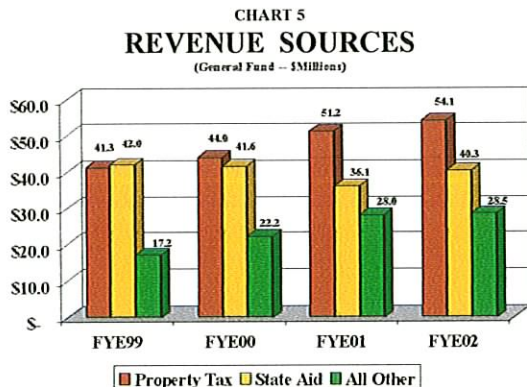
##### A. General Fund

Nebraska Department of Education Rule 92 NAC 2 §003.03A provides in relevant part as follows:

*The General Fund may finance all facets of services rendered by the school district, inclusive of operation and maintenance.*

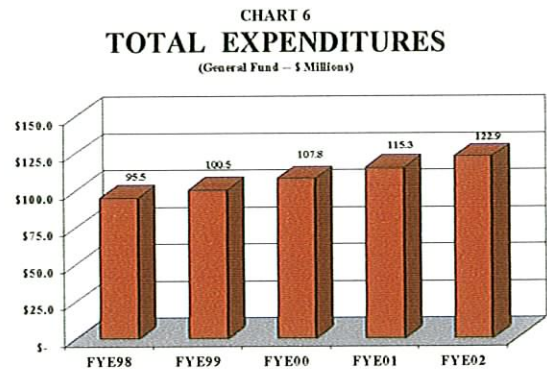
The General Fund is funded by three major categories of revenue – property taxes, state aid, and other sources (i.e., grants, fines, vehicle licenses, state apportionment, etc.).

During the past few years, the proportion of the funding from each of these sources has shifted somewhat and the District has become more reliant upon property tax than any other source (see, Chart 5). [Note: “All Other” includes changes, if any, in cash reserve.]



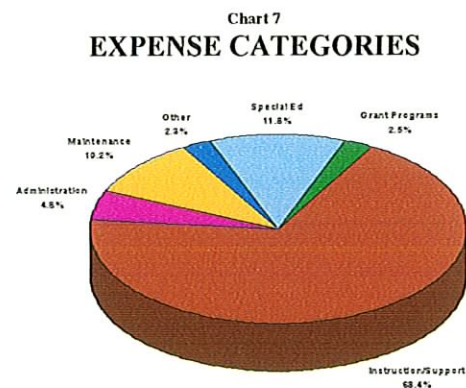
In FYE02, the budget was directed primarily toward the continuation of existing programs and services. There were no significant additions or reductions. The budget provided for a 5.1% increase in salaries and benefits for teachers (i.e., the largest group of employees). This increase included an increase of about 17% in health insurance costs. The salary and benefit packages for other employees were similar to

that granted to the teachers. Since education is a service industry, a majority of its costs are tied up in employee costs. In fact, approximately 80% of the District’s general fund expenditures are related to employee salaries and benefits.



The total increase in the FYE02 budget of expenditures was about 6.6% over the preceding year (see, Chart 6).

Of the services provided by the District, the largest portion of the budget is related to classroom instruction and support. Special Education (including transportation for special education students) is second (see, Chart 7).



It was anticipated that the cash reserve at the conclusion of FYE02 would be down significantly. However, due to the District under-spending its budget by about \$1 million and a receipt of an additional \$0.8 million in special education reimbursements, the cash reserve decreased by only \$0.2 million.

The cash reserve at the end of FYE02 was \$25.3 million (see, Chart 8). Note that the reserve in FYE01 was on the modified cash basis. The



reserve in FYE02 was on the cash basis. For comparison purposes, the reserve in FYE01 would have been about \$25.5 on a cash basis.

The cash reserve provides the District with moneys to pay its obligations (e.g., payroll) during the year when it has not yet received sufficient property taxes or state aid to cover those obligations.



With a sufficient cash reserve, the District has funds to invest when they are not needed to meet obligations. If the reserve is not sufficient, the District has to temporarily borrow moneys to meet its obligations. The first line of borrowing is from other District funds, namely the special building fund. The second line of funding is from commercial banks.

During FYE02, the District did not have to borrow any money to meet its general fund obligations. The lowest point in the District's general fund cash occurred during the month of April. At that time, the General Fund still had a balance of about \$2 million available (and invested).

In FYE03, the State of Nebraska will be reducing its state aid payments during the early months of the year and increasing them in the latter months in order to address its cash flow problems. The net result for the District will be that in April of 2003, the District will have received approximately \$4 million dollars less than it did during the current fiscal year. Thus, rather than having approximately \$2 million dollars to invest (as it had in FYE02), the District will likely have to borrow \$2 million dollars to meet its obligations. The borrowing

will likely come from the Special Building Fund (rather than from commercial banks).

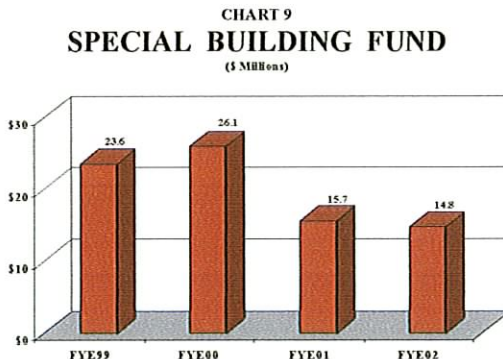
## B. Special Building Fund

Nebraska Department of Education Rule 92 NAC 2 §003.03H provides in relevant part as follows:

*A Special Building Fund shall be established when a school district decides to acquire or improve sites and/or to erect, alter, or improve buildings.*

In FYE02, the District elected to have a levy of approximately nine cents for its special building fund. This District uses this fund to address major capital issues (e.g., replacing roofs, parking lots, HVAC equipment, etc.).

In addition to the levy, the proceeds for bond issues are deposited into the Special Building Fund. Thus, the expenditures incurred in the fund are for both bond issue projects and special building projects.



At the end of FYE02, there was a balance of about \$14.8 million in the Special Building Fund – including both the bond issue moneys and the special levy moneys (see, Chart 9). Of this amount, approximately \$9.2 million was not designated for existing obligations or projects in planning (i.e., closeout of the MSHS construction projects, the MSHS gym floor replacement, the CMS drainage and track repair, the CMS roof, the arbitrage payments to the IRS, the MNHS and MSHS HVAC projects, and the bond moneys remaining for technology.)

The Fire Marshall from the Omaha Fire Department has requested some future

construction modification in the District's buildings. The extent of the cost of such requests is not clear at this time. These costs, if any, will need to come from the Special Building Fund, thus, reducing the uncommitted balance noted above.

The levy for the Special Building Fund is included under the tax levy lid (discussed above). As a result, the special building fund levy will not exist in FYE03 since the full taxing authority will be necessary to fund the requirements of the general fund. This will mean that the remaining balance in the special building fund will decline in future years.

If the District spends \$2-3 million per year in special projects (e.g., replacements of roofs, parking lots, HVAC systems, etc.), the funds in the Special Building Fund will be exhausted in about 3-4 years.

### C. School Lunch Fund

Nebraska Department of Education Rule 92 NAC 2 §003.03F provides in relevant part as follows:

*The School Lunch Fund is required to accommodate the financial activities of all Child Nutrition Programs. These include the School Lunch, School Breakfast, Special Milk, Child and Adult Care Food, and the Summer Food Service Programs.*

The District maintains a food service program in each of its schools. The District's food service program is self-supporting. Although the food service programs in some of the smaller elementary schools operate at a deficit, this is offset by the profit generated at the larger and more efficient secondary schools.

In FYE02, the District's food service program had a small profit of \$28,051. It is anticipated that the profit/loss results for FYE03 will be similar.

It should be noted that, although the food service program is self-supporting, the District does use the general fund to pay for utilities (e.g., gas, electricity, water, etc.) for all facilities and does not charge the food service program for these costs.

### D. Employee Benefit Fund

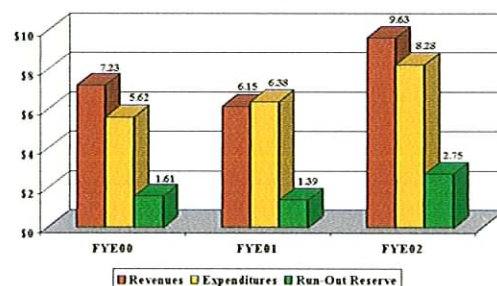
Nebraska Department of Education Rule 92 NAC 2 §003.03C provides in relevant part as follows:

*An Employee Benefit Fund may be established in order to specifically reserve General Fund money for the benefit of school district employees (unemployment compensation, early retirement, health insurance deductibles, etc.).*

In FYE96, the District received competitive proposals for its health insurance plan. As a result, it changed from Blue Cross Blue Shield (NSEA Plan) to United Health Care (UHC). The savings to the District in the first year with UHC was approximately \$600,000. The second year the savings increased to about \$900,000. In FYE00, the District commenced self-funding its health insurance program (with UHC as the third party administrator).

In addition to the cost savings, the District now has the capability of negotiating coverage issues with its employee groups and adjusting its health insurance plan accordingly.

CHART 10  
EMPLOYEE BENEFIT FUND  
(\$ Millions)



In order to fund its health insurance plan for employees, the District budgets for health insurance premiums in its general fund as it has in the past. Then "payments" for health insurance premiums are transferred monthly into the Employee Benefit Fund. As medical claims are filed, UHC processes the claims and sends statements to the District. The District then pays the claims from the Employee Benefit Fund (see, Chart 10).



The District retains a “run-out reserve” in the Employee Benefit Fund to provide funds to pay claims that have been incurred during the year but have not yet been submitted for payment. The goal is to have a reserve of approximately 25% of premiums. The actual reserve at the end of FYE02 was about 28%.

It is anticipated that expenses (i.e., the cost of medical benefits) in the Employee Benefit Fund will increase at the rate of 12%-15% for the next couple of years at least.

### E. Depreciation Fund

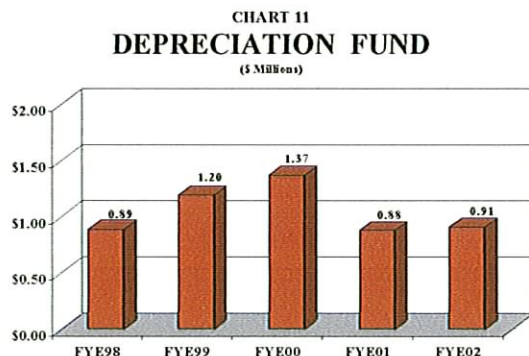
Nebraska Department of Education Rule 92 NAC 2 §003.03B provides in relevant part as follows:

*A Depreciation Fund may be established by a school district in order to facilitate the eventual purchase of a costly capital outlay by reserving such monies from the General Fund.*

During FYE02 there was little change in the balance in the Depreciation Fund. The transfers into the fund were, for the most part, off set by expenses incurred (see, Chart 11).

The moneys in the Depreciation Fund are used to purchase depreciable items (e.g., copy machines, pianos, computers, etc.).

Since the moneys in the Depreciation Fund originally come from the general fund, the constraints being created by the tax levy lid will likely result into lesser amounts being available for transfer from the general fund into the depreciation fund in future year.



### F. Cooperative Fund

Nebraska Department of Education Rule 92 NAC 2 §003.03J provides in relevant part as follows:

*The Cooperative Fund may be used by the school district acting as the fiscal agent for any cooperative activity between such district and one or more public agencies as defined in Section 13-803(2) R.R.S.*

In FYE02, the District maintained a cooperative fund for the purpose of accounting for payments to Educational Service Unit #3 (ESU #3) for conducting the driver’s education program for students in the District. Students who wished to take driver’s education paid their fees to the District which, in turn, paid ESU #3 to provide the summer program.

Commencing with FYE03, the District will no longer have a cooperative program with ESU #3 for the driver’s education program. Students will contract directly with private entities for the program.

### G. Bond Fund

Nebraska Department of Education Rule 92 NAC 2 §003.03G provides in relevant part as follows:

*The Bond Fund shall be used to record tax receipts and the payment of bond principal and interest.*

At the end of FYE02, the District had \$132,775,000 outstanding bonds carrying interest rates from 3.0% to 5.5%. The last bonds mature in 2019.

During FYE02, due to declining interest rates, the District refunded \$21,440,000 of its bonds and realized a savings of \$1,133,834 over the life of the refunded bonds.

The District’s maintains bond ratings of A1 (Moody’s) and AA- (Standard & Poor’s).

It is likely that the District will refund additional bonds in the coming year if interest rates remain low.

## H. Activities Fund

Nebraska Department of Education Rule 92 NAC 2 §003.03E provides in relevant part as follows:

*The Activities Fund is required to account for the financial operations of quasi-independent student organizations, interschool athletics, and other self-supporting or partially self-supporting school activities, not part of another fund.*

The central office and each of the 32 schools in the District maintains its own activities fund. These funds include such things as moneys received from sporting events, funds raised by student organizations, receipts from vending machines, etc. The activities funds do not receive any revenue from the General Fund or any other tax-supported funds. The audit report combines all of the activities funds in the District into one consolidated fund for reporting purposes.

## I. Student Fees Fund

The Student Fees Fund was recently established in LB1172 (2002). There is currently no student

fees fund description in 92 NAC 2. However, LB1172 (2002) provides as follows:


*Each school board shall establish a student fee fund. For purposes of this section, student fee fund means a separate school district fund not funded by tax revenue, into which all money collected from students pursuant to subdivisions (1), (3), and (8) of section 79-2,127 shall be deposited and from which money shall be expended for the purposes for which it was collected from students.*

Subdivisions (1), (3), and (8) referred to above relate to participation in extra-curricular activities, post-secondary education costs, and summer school and night school costs, respectively.

Since the District's Student Fees Fund did not come into existence until August, 2002, the balance shown in the fund for FYE02 reflects the receipts associated with the starting of the 02-03 school year (i.e., collections made in the schools in August, 2002). No expenditures were incurred prior to the close of the FYE02 fiscal year (i.e., August 31, 2002).

\* \* \* \* \*

This Management's Discussion and Analysis (MD&A) is respectfully submitted this 4<sup>th</sup> day of November, 2002.

  
Kenneth J. Fossen, J.D.  
Associate Superintendent  
General Administration

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

**STATEMENT OF NET ASSETS - CASH BASIS**

**AUGUST 31, 2002**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,899,797
Investments	<u>49,548,187</u>
 TOTAL ASSETS	 <u><u>\$ 57,447,984</u></u>
 <b>NET ASSETS</b>	
Restricted:	
Special building	\$ 14,777,292
School lunch	1,206,130
Debt service	12,506,837
Unrestricted:	
Board designated:	
Employee benefit	2,745,646
Depreciation	910,701
Undesignated	<u>25,301,378</u>
 TOTAL NET ASSETS	 <u><u>\$ 57,447,984</u></u>

See Notes to the Basic Financial Statements.



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

**STATEMENT OF ACTIVITIES - CASH BASIS**

**FOR THE YEAR ENDED AUGUST 31, 2002**

	Net (Disbursements)		Program cash receipts	
	Receipts and	Program		Operating
	Changes in	Cash	Charges for	Grants and
	Net Assets	Disbursements	Services	Contributions
<b>Governmental activities:</b>				
Instructional services	\$ (69,025,918)	\$ (79,916,640)	\$ 314,166	\$ 10,576,556
Support services	(26,417,685)	(27,631,856)		1,214,171
Food services	12,488	(5,490,622)	4,828,270	674,840
Building maintenance and improvements	(19,437,234)	(19,437,234)		
Principal and interest on indebtedness	(14,828,360)	(14,828,360)		
Other	(724,752)	(724,752)		
Net program (disbursements) receipts	<u>(130,421,461)</u>	<u>\$ (148,029,464)</u>	<u>\$ 5,142,436</u>	<u>\$ 12,465,567</u>
<b>General receipts:</b>				
Taxes collected	82,467,562			
County receipts	830,704			
State receipts	44,306,498			
Federal receipts	521,234			
Investment earnings	1,123,104			
Other	<u>1,626,397</u>			
Total general receipts	<u>130,875,499</u>			
Increase in net assets	454,038			
Net assets - beginning of year	<u>56,993,946</u>			
Net assets - end of year	<u>\$ 57,447,984</u>			

See Notes to the Basic Financial Statements.



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

STATEMENT OF FUND BALANCES - CASH BASIS,  
RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED AUGUST 31, 2002

	Special Revenue Funds							Debt Service Fund Bond	Total Governmental Funds
	General	Special Building	School Lunch	Employee Benefit	Depreciation	Cooperative			
<b>RECEIPTS</b>									
Local receipts	\$ 64,108,451	\$ 5,009,003	\$ 18,035					\$ 14,206,290	\$ 83,550,644
County receipts	830,704							145,057	830,704
State receipts	52,596,640	48,121	23,223						52,815,941
Federal receipts	3,810,661	8,060	651,617						4,470,338
Sales of lunches			4,809,035						4,809,035
Interest	223,492	685,248	15,563	\$ 32,055				166,746	1,123,104
Non-revenue receipts	144,402	431,714		9,601,326	\$ 615,726			200,000	10,093,168
<b>TOTAL RECEIPTS</b>	<b>\$ 121,723,370</b>	<b>\$ 6,242,746</b>	<b>\$ 5,518,672</b>	<b>\$ 9,633,381</b>	<b>\$ 615,726</b>			<b>\$ 14,778,093</b>	<b>\$ 158,700,554</b>
<b>DISBURSEMENTS</b>									
Instructional services	\$ 77,881,429								\$ 77,881,429
Support services	44,020,067								44,020,067
Other salaries and benefits			\$ 2,538,746						2,538,746
Supplies and materials			431,539						431,539
Purchased services		\$ 961,032		\$ 8,275,230			\$ 186,210		9,425,372
Food			2,407,651						2,407,651
Capital outlay		1,140,846	112,086		\$ 528,307				1,791,839
Building and site acquisition and improvement		4,900,584			50,249				4,950,833
Other		61,660							61,660
Redemption of principal								\$ 8,155,000	8,155,000
Debt service interest								6,879,372	6,879,372
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 121,001,516</b>	<b>\$ 6,983,022</b>	<b>\$ 5,490,622</b>	<b>\$ 8,275,230</b>	<b>\$ 578,556</b>		<b>\$ 186,210</b>	<b>\$ 15,034,372</b>	<b>\$ 158,452,528</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>									
	(176,146)	(740,276)	28,051	1,358,151	36,170		(545)	(255,379)	248,026
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from refunding bonds								21,536,525	21,536,525
Payment to bond refunding escrow agent								(21,330,513)	(21,330,513)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>								<b>206,012</b>	<b>206,012</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>									
	(176,146)	(740,276)	28,051	1,358,151	36,170		(545)	(419,367)	454,038
<b>FUND BALANCE - Beginning of year</b>	<b>25,475,314</b>	<b>15,517,598</b>	<b>1,178,079</b>	<b>1,387,495</b>	<b>874,531</b>			<b>12,556,204</b>	<b>56,963,646</b>
<b>FUND BALANCE - End of year</b>	<b>\$ 25,297,168</b>	<b>\$ 14,777,292</b>	<b>\$ 1,206,130</b>	<b>\$ 2,745,646</b>	<b>\$ 910,701</b>		<b>\$ 4,210</b>	<b>\$ 12,506,837</b>	<b>\$ 57,447,984</b>
<b>FUND BALANCE - CASH BASIS:</b>									
Cash and cash equivalents	\$ 7,302,603		\$ 592,904				\$ 4,210		\$ 7,895,797
Investments	17,994,465	\$ 14,777,292	613,226	\$ 2,745,646	\$ 910,701			\$ 12,506,837	40,548,187
<b>TOTAL FUND BALANCE - CASH BASIS - AUGUST 31, 2002</b>	<b>\$ 25,297,168</b>	<b>\$ 14,777,292</b>	<b>\$ 1,206,130</b>	<b>\$ 2,745,646</b>	<b>\$ 910,701</b>		<b>\$ 4,210</b>	<b>\$ 12,506,837</b>	<b>\$ 57,447,984</b>

See Notes to the Basic Financial Statements.

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

STATEMENT OF NET ASSETS - CASH BASIS,  
RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS  
FIDUCIARY FUNDS

AS OF AND FOR THE YEAR ENDED AUGUST 31, 2002

<u>Activities Fund</u>	Beginning <u>Net Assets</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending <u>Net Assets</u>
ADMINISTRATIVE OFFICE	\$ 302,634	\$ 250,119	\$ 333,635	\$ 219,118
HIGH SCHOOLS:				
North	549,336	966,755	1,014,537	501,554
South	378,954	853,328	850,086	382,196
West	276,297	1,065,342	1,039,340	302,299
MIDDLE SCHOOLS:				
Central	90,044	126,024	136,956	79,112
North	63,730	109,085	120,282	52,533
Beadle	3,121	49,838	41,952	11,007
Andersen	96,728	119,994	144,455	72,267
Kiewit	150,404	187,240	184,026	153,618
Russell	64,942	194,971	198,412	61,501
ELEMENTARY SCHOOLS:				
Abbott	12,030	30,519	30,763	11,786
Ackerman	24,518	47,534	53,514	18,538
Aldrich	1,987	15,248	12,887	4,348
Black Elk	5,913	46,886	44,090	8,709
Bryan	12,139	23,962	29,583	6,518
Cather	14,935	25,891	22,535	18,291
Cody	12,247	30,973	31,723	11,497
Cottonwood	8,342	11,405	12,128	7,619
Disney	15,095	19,024	19,471	14,648
Ezra Millard	16,208	17,912	20,393	13,727
Harvey Oaks	11,782	12,050	16,210	7,622
Hitchcock	7,672	20,989	22,515	6,146
Holling Heights	9,177	21,149	19,641	10,685
Montclair	7,555	59,174	57,770	8,959
Morton	5,841	34,395	32,430	7,806
Neihardt	18,939	47,821	45,018	21,742
Norris	5,069	24,107	21,761	7,415
Rockwell	25,413	30,667	32,154	23,926
Rohwer	9,007	26,424	23,263	12,168
Sandoz	8,594	33,623	35,438	6,779
Willowdale	12,054	25,334	23,173	14,215
Wheeler	11,210	33,805	28,489	16,526
SUMMER SCHOOL	2,050	3,866	120	5,796
MILLARD LEARNING CENTER	93	11,930	10,501	1,522
MSHS BUTTON FACTORY	49			49
ECHO HILLS SALES	249	721		970
MNHS LIFE SKILLS	1,060		594	466
Total Activities Fund	<u>\$ 2,235,418</u>	<u>\$ 4,578,105</u>	<u>\$ 4,709,845</u>	<u>\$ 2,103,678</u>
<u>Student Fee Fund</u>				
ALL SCHOOLS		<u>\$ 93,416</u>		<u>\$ 93,416</u>
NET ASSETS				
Cash and cash equivalents				\$ 1,383,761
Investments				813,333
TOTAL NET ASSETS - CASH BASIS HELD IN TRUST				<u>\$ 2,197,094</u>

See Notes to the Basic Financial Statements.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of School District #17 – Millard Public Schools, Douglas County, Nebraska's (the "District") significant accounting policies follows:

Except for the use of the cash basis of accounting as discussed below, the District complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended August 31, 2002, the District implemented the new financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 37, an *Omnibus Amendment to GASB 21 and 34*.

Implementation of GASB Statement No. 34

Although the District presents its annual financial statements on a comprehensive basis of accounting other than GAAP, the aspects of financial statement content and format, as prescribed by GASB Statement No. 34, have been implemented in the financial statements, effective for the year ended August 31, 2002.

The primary changes from the prior years' financial presentations include:

- The addition of a Management Discussion and Analysis as required supplementary information.
- A new format for the District's basic financial statements including a government-wide Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis, in addition to fund financial statements.
- The reporting of budget and actual information for the General Fund in a new format and presented as required supplementary information.
- Beginning net assets reported in the government-wide financial statements will differ from the amounts reported as ending fund equity in the prior year financial statements due to this implementation and the District's change in accounting method from a modified cash basis of accounting to the cash basis of accounting (see Note 11 for reconciliations).

Reporting Entity

The District's financial statements are presented as the primary government and include all significant schools, departments, activities and organizations for which the District is financially accountable. The District has determined that there are no potential component units that meet the criteria for inclusion in the financial statements.



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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Basis of Presentation

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

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

The funds of the financial reporting entity are described below:

**GOVERNMENTAL FUND TYPES**

General Fund – This fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financing resources except those required to be accounted for in other funds.

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

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

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

*Employee Benefit Fund* – This fund accounts for the reserve of money for the benefit of School District employees for fringe benefits through the transfer of monies from other funds.



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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**GOVERNMENTAL FUND TYPES, CONTINUED**

*Depreciation Fund* – This fund accounts for resources designated and maintained for the eventual purchase of capital assets through transfer of monies from the General Fund.

*Cooperative Fund* – This fund accounts for monies received for the Driver's Education program and then passed on to the ESU #3 so they can administer these classes.

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

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

**FIDUCIARY FUND TYPES**

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

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

**Measurement Focus and Basis of Accounting**

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

**Measurement Focus**

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

**Basis of Accounting**

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

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificate of deposit or short-term investments with an original maturity of three months or less.

Investments

Investments are carried at cost, which approximates fair value. Additional cash and investment disclosures are presented in Note 3.

Long-term Debt

Long-term debt arising from cash transactions for governmental funds is not reported as a liability in the government-wide or fund financial statements. The debt proceeds are, instead, reported as other financing receipts and payment of principal and interest reported as cash disbursements.

Equity Classification

*Government-Wide Statements:*

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

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

It is the District's policy to use restricted net assets, first, prior to the use of unrestricted net assets, when an expense is incurred for purposes in which both restricted and unrestricted net assets are available.

*Fund Financial Statements:*

Governmental fund equity is reported as fund balance within each respective fund.

Use of Estimates

The preparation of financial statements, in conformity with the cash basis of accounting, requires management to make estimates and assumptions that effect the reported amounts of assets and disclosure of contingent liabilities at the date of the financial statements and reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.



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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Internal and Interfund Balances and Activities

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

*Fund Financial Statements*

Interfund activity, if any, within and among the governmental fund categories is reported as follows in the fund financial statements:

- a. Interfund loans – amounts provided with a requirement for repayment are reported as interfund receivables and payables. The District does not have any such interfund balances as of August 31, 2002.
- b. Interfund reimbursements – repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- c. Interfund transfers – flow of assets from one fund to another where repayment is not expected are reported as cash receipts and disbursements.

*Government-Wide Financial Statements*

Amounts reported in the fund financial statements as interfund receivables and payables, if any, would be eliminated in the governmental activities columns of the Statement of Net Assets.

**2. BUDGET PROCESS AND PROPERTY TAXES**

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

State Statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditures and/or tax levy limitations. There were no amendments to the budget during the year ended August 31, 2002. The combined tax rate of the District for the year ended August 31, 2002 was \$1.25670 per \$100 of assessed valuation.

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

- Prior to September 20, the Superintendent submits to the Board of Education a proposed operating budget 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**2. BUDGET PROCESS AND PROPERTY TAXES, CONTINUED**

- On or before September 20, the budget is legally adopted by the Board of Education through passage of a resolution and is filed with the appropriate agencies on or before September 20.
- Total fund expenditures may not legally exceed total appropriations at the fund level or for "regular education" in the general fund without holding a public budget hearing and obtaining approval from the Board of Education. Appropriations lapse at fiscal year end and any revisions require Board approval.
- The property tax requirement resulting from the budget process is utilized to establish the tax levy in accordance with state statutes, which tax levy attaches as an enforceable lien on property within the District as of December 31. Taxes are due as of that date. One-half of the real estate taxes become delinquent after the following April 1, with the second one-half becoming delinquent after August 1.

**3. CASH AND INVESTMENTS**

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

At August 31, 2002, the District had bank deposits of \$10,510,738. Of this balance, \$7,409,310 was covered by federal depository insurance and/or collateralized by U.S. Government securities subject to joint custody safe keeping receipts issued by the custodial financial institution, which was not the pledging institution. The remaining \$3,101,428 was uncollateralized at August 31, 2002.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counter-party's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investment for which the securities are held by the counter-party or by its trust department or agent but not in the District's name.

Investments of \$37,332,296 consist of the Nebraska School District Liquid Asset Fund Plus and are carried at cost, which approximates fair value. The Nebraska School District Liquid Asset Fund Plus is similar in nature to an open-end mutual fund designed specifically for Nebraska school entities, investing only in those securities allowable for such entities under Nebraska Law. These investments are classified by risk level as Category 3.

Investments of \$12,502,303 consist principally of money market funds and debt securities of U.S. Government Agencies. These investments are classified by risk level as Category 2.

At August 31, 2002, the District also had \$526,921 of certificates of deposit, which have been included in investments on the financial statements, but included with bank deposits above.



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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**4. FUNDS HELD BY COUNTY TREASURER**

The following balances were held by the Sarpy and Douglas County Treasurers for the District as of August 31, 2002. The monies were transferred to the District subsequent to August 31 and are not included as receipts or cash balances in the financial statements:

	<u>Sarpy County</u>	<u>Douglas County</u>
General Fund	\$1,170,148	\$618,887
Special Building Fund	\$ 276,079	\$517,302
Debt Service Fund	\$ 98,397	\$184,267

**5. LONG-TERM DEBT**

The following is a summary of general long-term debt transactions of the District for the year ended August 31, 2002:

	<u>Loans/Lease Purchase Agreement</u>	<u>General Obligation Bonds</u>	<u>Total</u>
Balance, August 31, 2001	\$ 1,946	\$ 140,545,000	\$ 140,546,946
Additions:			
New obligations		21,440,000	21,440,000
Deductions:			
Refunding of debt		21,055,000	21,055,000
Payment of principal	<u>1,946</u>	<u>8,155,000</u>	<u>8,156,946</u>
Balance, August 31, 2002	<u>\$ 0</u>	<u>\$ 132,775,000</u>	<u>\$ 132,775,000</u>

Bonds Payable - The following individual general obligation bond issues are outstanding at August 31, 2002:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Final Maturity Date</u>
October 1, 1997	4.70% to 5.125%	\$ 26,190,000	2017
November 15, 1998	4.15% to 5.10%	30,000,000	2019
July 1, 1999	4.70% to 4.75%	26,145,000	2017
November 1, 1999	5.00% to 5.50%	29,000,000	2016
October 15, 2001	3.00% to 3.20%	<u>21,440,000</u>	2008
TOTAL		<u>\$132,775,000</u>	

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**5. LONG-TERM DEBT, CONTINUED**

Aggregate principal and interest payments applicable to the District's bonds subsequent to August 31, 2002 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 8,725,000	\$ 6,009,528	\$ 14,734,528
2004	9,155,000	5,645,130	14,800,130
2005	9,560,000	5,255,782	14,815,782
2006	9,855,000	4,872,995	14,727,995
2007	10,290,000	4,420,289	14,710,289
2008-2012	35,505,000	17,223,084	52,728,084
2013-2017	42,035,000	7,410,622	49,445,622
2018-2019	<u>7,650,000</u>	<u>494,585</u>	<u>8,144,585</u>
TOTAL	<u>\$132,775,000</u>	<u>\$51,332,015</u>	<u>\$184,107,015</u>

Bond Defeasance

On October 15, 2001, the District issued \$21,440,000 in General Obligation Bonds with an average interest rate of 3.1% to advance refund \$21,055,000 of outstanding 1993 and 1996A Series bonds with an average interest rate of 4.9%.

As a result of this refunding, the District reduced its total debt service payments over the next six years by almost \$1,000,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$900,000.

**6. SPECIAL BUILDING FUND COMMITMENTS**

The District has approximately \$343,011 of commitments for the construction of new buildings, building additions, improvements and related building and site costs as of August 31, 2002.

**7. LEASE COMMITMENTS**

The District has entered into non-cancelable operating lease agreements for 17 vans used for transportation of students in special education programs. These leases expire on various dates through August 2006.

The District has also entered into non-cancelable lease agreements for vehicles used by the administration and maintenance. These leases expire on various dates through September 2005.



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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**7. LEASE COMMITMENTS, CONTINUED**

Future minimum lease payments for all vehicle leases are approximately as follows:

	<u>Amount</u>
2003	\$ 52,730
2004	24,807
2005	24,807
2006	12,409
TOTAL	<u>\$ 114,753</u>

Rent expense for the year ended August 31, 2002 was \$97,606 and was paid out of the General Fund.

**8. NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The District participates in the Nebraska School Employee Retirement System ("NSERS"). NSERS is a cost-sharing, multiple-employer public employees retirement system. NSERS is established and regulated in accordance with Chapter 79, Section 15 of the Nebraska Statutes. The total payroll for the School District employees covered by NSERS for the year ended August 31, 2002 was \$77,476,135. The total payroll for all School District employees for the year ended August 31, 2002 was \$83,252,924.

All School District employees who work 15 hours or more per week by August 15 preceding the school year participate in NSERS. Normal retirement is after completion of five years of service and age 65 or under the rule of 85 (when age plus years of service equals 85 and age must be at least 60). A monthly benefit is provided through either a savings and service annuity or a formula benefit annuity, whichever is greater. Early retirement is available on a reduced benefits basis. There are also vesting provisions for termination prior to retirement, as well as death and disability benefits established by Nebraska Statutes.

In accordance with Nebraska Statutes §79-1531 and §79-1540, employee contributions are made in accordance with statute and the recommendation of an actuary (study as of June 30, 1996) and employer contributions are based upon 101% of employee contributions. Employee contribution requirements for the year ended August 31, 2002 were 7.25% of covered payroll. Actual employer and employee contributions made for the year ended August 31, 2002 were \$5,673,190 (7.32% of covered payroll) and \$5,617,020 (7.25% of covered payroll), respectively.

Actual employer and employee contributions made for the year ended August 31, 2001 were \$5,281,255 (7.32% of covered payroll) and \$5,228,968 (7.25% of covered payroll), respectively. Actual employer and employee contributions made for the year ended August 31, 2000 were \$4,937,386 (7.32% of covered payroll) and \$4,888,509 (7.25% of covered payroll), respectively.

Ten-year historical trend information showing State Plan progress in accumulating sufficient assets to pay benefits when due is available from the State Plan. The Nebraska Public Employee's Retirement System ("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, 301 Centennial Mall South, P.O. Box 94816, Lincoln, Nebraska 68509-4816 or by calling 1-800-245-5712.

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**9. COMMITMENTS AND CONTINGENCIES**

Grant Program Involvement

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

Arbitrage

The District anticipates an arbitrage liability related to its issuance of general obligation bonds. Presently, the District is reserving 20% of its investment income in the Special Building Fund to cover the liability. The District has a payment due on November 29, 2002 approximating \$295,428. Because the District prepares its financial statements on the basis described in Note 1, this liability is not reflected in the financial statements.

Compensated Absences

As a result of the District's use of the cash basis of accounting, accrued liabilities related to compensated absences (sick leave only; vacation does not vest) and any employer-related costs earned and unpaid, are not reflected in the government-wide or fund financial statements. Under the District plan, faculty, administrators and some support staff are paid \$50 per day for any sick leave accumulated over 80 days. Employees receive 12 days of sick leave per year and cannot accumulate over 80 days. Faculty and administrators' accumulated sick leave over 80 days is paid at the end of the fiscal year.

Litigation

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

**10. RISK MANAGEMENT**

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

The District manages these various risks of loss as follows:

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



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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**10. RISK MANAGEMENT, CONTINUED**

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

**11. RECONCILIATION TO PRIOR YEAR FUND BALANCES**

The following is a reconciliation of the ending fund balance as reported in the August 31, 2001 financial statements to the beginning (September 1, 2001) fund balance/net assets as reported in the August 31, 2002 financial statements, which resulted from the change in basis of accounting from modified cash basis to cash basis:

	<u>General</u>	<u>Special Building</u>	<u>Cooperative</u>	<u>Debt Service</u>
Ending fund balance as reported in August 31, 2001 financial statements	\$26,454,685	\$15,698,526	\$ 45,790	\$13,076,838
Prior year adjustments to prior year balances to adjust to cash basis	(1,711,808)	(180,958)	(41,035)	(520,634)
Removal of inventory – beginning of year	(352,190)			
Removal of payroll liabilities – beginning of year	<u>1,084,627</u>	<u>          </u>	<u>          </u>	<u>          </u>
Beginning (September 1, 2001) fund balance/net assets as reported in August 31, 2002 financial statements	<u>\$25,475,314</u>	<u>\$15,517,568</u>	<u>\$ 4,755</u>	<u>\$12,556,204</u>

**12. EXCESS OF DISBURSEMENTS OVER APPROPRIATIONS IN INDIVIDUAL FUNDS**

The Cooperative Fund had disbursements in excess of appropriations totaling \$53,210 for the year ended August 31, 2002.

The Bond Fund had disbursements in excess of appropriations totaling \$21,330,513 for the year ended August 31, 2002 as a result of bond refunding as described in Note 5.

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

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2002

	Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2001		\$ 25,475,314	
Receipts:			
Local receipts:			
Local property taxes	\$ 54,133,848	53,811,198	\$ (322,650)
Motor vehicle taxes	7,000,000	7,990,129	990,129
Carline tax	10,000	9,090	(910)
Public power district sales tax	1,500,000	1,442,050	(57,950)
Tuition received from individuals - General Education	15,000		(15,000)
Preschool tuition and fees		314,166	314,166
Interest	500,000	223,492	(276,508)
Police court fines	500,000	443,561	(56,439)
Gifts/donations		14,886	14,886
Community services activities	10,000	3,123	(6,877)
Other local receipts	25,000	80,248	55,248
	<u>63,693,848</u>	<u>64,331,943</u>	<u>638,095</u>
County receipts:			
County fines and license fees	750,000	830,704	80,704
Other county sources	10,000		(10,000)
	<u>760,000</u>	<u>830,704</u>	<u>70,704</u>
State receipts:			
State aid	40,349,211	40,349,211	
Special education programs	6,800,000	7,232,091	432,091
Special education transportation	1,400,000	1,214,171	(185,829)
Pro rata motor vehicle		246,942	246,942
Homestead exemption		308,484	308,484
High ability leaders		213,682	213,682
State apportionment	1,900,000	1,954,140	54,140
Textbook loan		40,958	40,958
Other state receipts	350,000	1,039,961	689,961
	<u>50,799,211</u>	<u>52,599,640</u>	<u>1,800,429</u>
Federal receipts:			
Title I - carryover		23,837	23,837
Title I - current fiscal year		214,753	214,753
Special education - Grants to states	1,700,000	1,940,074	240,074
Special education - Additional funds		801,148	801,148
MEDICAID in public schools	35,000	175,947	140,947
Eisenhower Professional Development State Grants		49,244	49,244
Goals 2002		90,011	90,011
Safe and drug-free schools and communities		124,060	124,060
Federal vocational and applied technology education		89,878	89,878
Innovation education program strategies		94,562	94,562
Other categorical		6,505	6,505
Other federal receipts		206,662	206,662
	<u>1,735,000</u>	<u>3,816,681</u>	<u>2,081,681</u>



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

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND, CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2002

	Budget	Actual	Variance with Budget Favorable (Unfavorable)
Receipts (continued):			
Non-revenue receipts:			
Sale of property			
Other	45,789	144,402	98,613
Total receipts	117,033,848	121,723,370	4,689,522
Disbursements:			
Non-special education	65,348,971	65,363,548	(14,577)
Special education programs	13,000,000	12,517,881	482,119
Support services - pupils	6,000,000	5,463,947	536,053
Support services - staff	4,000,000	4,249,573	(249,573)
Board of education	1,200,000	1,253,320	(53,320)
Executive administration services	5,500,000	5,775,183	(275,183)
Office of the principal	7,500,000	7,400,051	99,949
General administration - business services	1,000,000	1,094,195	(94,195)
Vehicle acquisition and maintenance	125,000	162,088	(37,088)
Support services - maintenance and operation of building and site	12,500,000	12,292,124	207,876
Support services - regular pupil transportation	900,000	846,718	53,282
Support services - school age special education transportation	2,000,000	1,916,681	83,319
Community services	500,000	392,421	107,579
State categorical programs	250,000	277,967	(27,967)
Federal programs and other categorical aid	3,000,000	2,735,972	264,028
Summer school	100,000	15,726	84,274
Other		144,121	(144,121)
Total disbursements	122,923,971	121,901,516	1,022,455
Excess (deficiency) of receipts over disbursements	\$ (5,890,123)	(178,146)	\$ 5,711,977
Budgetary fund balance, August 31, 2002		\$ 25,297,168	

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

BUDGETARY COMPARISON SCHEDULE  
SPECIAL BUILDING FUND

FOR THE YEAR ENDED AUGUST 31, 2002

	Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2001		\$ 15,517,568	
Receipts:			
Local receipts:			
Local property taxes	\$ 4,966,116	4,815,924	\$ (150,192)
Public power district sales tax		132,246	132,246
Carlisle taxes	500	635	135
Interest	900,000	685,248	(214,752)
Other local receipts	89,500	120,798	31,298
State reimbursement:			
Homestead exemptions		28,174	28,174
Pro rata motor vehicle	10,000	19,947	9,947
Federal receipts		8,060	8,060
Non-revenue receipts		431,714	431,714
Total receipts	5,966,116	6,242,746	276,630
Disbursements:			
Purchased services		961,932	
Capital outlays		1,149,846	
Site acquisition and improvement		430,238	
Building, acquisition and improvement	21,674,452	4,379,346	17,295,106
Other		61,660	
Total disbursements	21,674,452	6,983,022	17,295,106
Excess (deficiency) of receipts over disbursements	\$ (15,708,336)	(740,276)	\$ 17,571,736
Budgetary fund balance, August 31, 2002		\$ 14,777,292	



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

BUDGETARY COMPARISON SCHEDULE  
SCHOOL LUNCH FUND

FOR THE YEAR ENDED AUGUST 31, 2002

	Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2002		\$ 1,178,079	
Receipts:			
Local receipts:			
Sale of lunches/milk	\$ 4,943,535	4,809,635	\$ (133,900)
Interest	45,000	15,563	(29,437)
Other	20,000	18,635	(1,365)
State reimbursement	30,000	23,223	(6,777)
Federal reimbursement	680,000	651,617	(28,383)
Total receipts	<u>5,718,535</u>	<u>5,518,673</u>	<u>(199,862)</u>
Disbursements:			
Food	\$ 2,650,000	2,407,651	\$ 242,349
Salaries and benefits	2,400,000	2,538,746	(138,746)
Supplies and materials	400,000	431,539	(31,539)
Capital outlays	50,000	112,686	(62,686)
Total disbursements	<u>5,500,000</u>	<u>5,490,622</u>	<u>9,378</u>
Excess (deficiency) of receipts over disbursements	<u>\$ 218,535</u>	<u>28,051</u>	<u>\$ (190,484)</u>
Budgetary fund balance, August 31, 2002		<u>\$ 1,206,130</u>	

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

BUDGETARY COMPARISON SCHEDULE  
EMPLOYEE BENEFIT FUND

FOR THE YEAR ENDED AUGUST 31, 2002

	<u>Budget</u>	<u>Actual</u>	Variance with Budget Favorable (Unfavorable)
Fund balance, September 1, 2001		\$ 1,387,495	
Receipts:			
Local receipts:			
Interest income	\$ 120,000	32,055	\$ (87,945)
Operational disbursements from the General Fund	<u>8,661,557</u>	<u>9,601,326</u>	<u>939,769</u>
Total receipts	<u>8,661,557</u>	<u>9,633,381</u>	<u>939,769</u>
Disbursements:			
Purchased services	<u>10,512,862</u>	<u>8,275,230</u>	<u>2,237,632</u>
Total disbursements	<u>10,512,862</u>	<u>8,275,230</u>	<u>2,237,632</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (1,851,305)</u>	<u>1,358,151</u>	<u>\$ 3,177,401</u>
Fund balance, August 31, 2002		<u>\$ 2,745,646</u>	



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

BUDGETARY COMPARISON SCHEDULE  
DEPRECIATION FUND

FOR THE YEAR ENDED AUGUST 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Fund balance, September 1, 2001		\$ 874,531	
Receipts:			
Operational disbursements from the General Fund	\$ 350,000	615,726	\$ 265,726
Total receipts	<u>350,000</u>	<u>615,726</u>	<u>265,726</u>
Disbursements:			
Capital Outlays:			
Furniture and equipment	1,532,125	529,307	1,002,818
Site acquisition and improvement		<u>50,249</u>	
Total disbursements	<u>1,532,125</u>	<u>579,556</u>	<u>1,268,544</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (1,182,125)</u>	<u>36,170</u>	<u>\$ 1,534,270</u>
Fund balance, August 31, 2002		<u>\$ 910,701</u>	

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

BUDGETARY COMPARISON SCHEDULE  
COOPERATIVE FUND

FOR THE YEAR ENDED AUGUST 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Fund balance, September 1, 2001		\$ 4,755	
Receipts:			
Local receipts:			
Other	\$ 135,000	187,665	\$ 52,665
Total receipts	<u>135,000</u>	<u>187,665</u>	<u>52,665</u>
Disbursements:			
Purchased services	<u>135,000</u>	188,210	(53,210)
Total disbursements	<u>135,000</u>	<u>188,210</u>	<u>(53,210)</u>
Excess (deficiency) of receipts over disbursements	<u>\$</u>	(545)	<u>\$ (545)</u>
Fund balance, August 31, 2002		<u>\$ 4,210</u>	



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

BUDGETARY COMPARISON SCHEDULE  
BOND FUND

FOR THE YEAR ENDED AUGUST 31, 2002

	Budget	Actual	Variance with Budget Favorable (Unfavorable)
Fund balance, September 1, 2001		\$ 12,556,204	
Receipts:			
Local receipts:			
Local property taxes	\$ 13,932,921	13,892,816	\$ (40,105)
Carline taxes	5,000	2,413	(2,587)
Public Power District	375,000	371,061	(3,939)
Interest	500,000	166,746	(333,254)
State reimbursement:			
Homestead exemptions		79,333	79,333
Pro rata motor vehicle		66,624	66,624
Non-revenue receipts	120,000	200,000	80,000
Total receipts	14,932,921	14,778,993	(153,928)
Disbursements:			
Redemption of principal	8,000,000	8,155,000	(155,000)
Debt service interest	8,000,000	6,879,372	1,120,628
Total disbursements	16,000,000	15,034,372	965,628
Excess (deficiency) of receipts over disbursements	(1,067,079)	(255,379)	811,700
Other financing sources (uses):			
Proceeds from refunding bonds		21,536,525	21,536,525
Payment to bond refunding escrow agent		(21,330,513)	(21,330,513)
Total other financing sources (uses)		206,012	206,012
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	\$ (1,067,079)	(49,367)	\$ 1,017,712
Fund balance, August 31, 2002		\$ 12,506,837	

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2002**

**1. BUDGETARY ACCOUNTING**

The District prepares its budget for the Governmental Funds on the cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at the end of the budget year.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED AUGUST 31, 2002**

<u>Federal Grantor/Pass Through Entity/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>		
Passed through Nebraska Department of Education		
National School Lunch Program	10.555	\$ 651,617
Passed through the Nebraska Department of Social Services		
Food distribution	10.550	360,406
Total U.S. Department of Agriculture		<u>1,012,023</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
Passed through Nebraska Department of Education		
Title I, Part A of the Elementary and Secondary Education Act	84.010	264,970
I.D.E.A. Part B (0-21)	84.027	2,147,681
I.D.E.A. Additional Funds	84.173	801,148
Vocational Education - Basis Grant	84.048	113,117
Innovation Education Program Strategies Interagency Planning Grant	84.181	19,537
Eisenhower Professional Development State Grants (Title II, Part B of ESEA)	84.281	41,045
Innovation Education Program Strategies	84.298	119,132
ESEA Title VI Class Size Reduction	84.340	158,820
Passed through Metropolitan Community College		
Technology Preparation	84.243	2,941
Passed through ESU #3		
Safe and Drug-Free Schools and Communities (Title IV, Part A of ESEA)	84.186	110,464
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	142,653
Total U.S. Department of Education		<u>3,921,508</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>		
Passed through Nebraska Department of Health and Human Services System		
MEDICAID in Public Schools	93.778	175,947
Teammates	16.726	11,050
Total U.S. Department of Health and Human Services		<u>186,997</u>
<b>TOTAL</b>		<u><u>\$ 5,120,528</u></u>

See Note to the Schedule of Expenditures of Federal Awards.



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

**NOTE TO SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation – The accompanying Supplementary Schedule of Expenditures of Federal Awards has been prepared on a cash basis of accounting. Under this method, expenditures are recognized when disbursements are made. Some programs are funded jointly by District appropriations and Federal funds.

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

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

November 1, 2002

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON THE AUDIT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of School District #17, Millard Public Schools, Douglas County, Nebraska, (the "District") as of and for the year ended August 31, 2002 and have issued our report thereon dated November 1, 2002. We conducted our audit in accordance with generally accepted auditing standards 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.

Compliance

As part of obtaining reasonable assurance about whether School District #17, Millard Public Schools, Douglas County, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants (including procedures for determining the District's Average Daily Attendance and Average Daily Membership as report on the Annual Statistical Summary), noncompliance with which could have a direct and material effect on the determination of financial statements 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 that are required to be reported under *Government Auditing Standards*. However, we noted the District's disbursements exceeded its authorized budget in the Cooperative and Bond Funds.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered School District #17, Millard Public Schools, Douglas County, Nebraska's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Education, management, officials of the Nebraska Department of Education, the Nebraska Auditor of Public Accounts, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



*Denham + Bruce LLC*  
GRAEVE GARRELTS DENHAM & BRUCE, LLC



November 1, 2002

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

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

Compliance

We have audited the compliance of School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2002. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District. Our responsibility is to express an opinion on the District's compliance 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; and *OMB Circular A-133, Audit 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 requirement referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Education, management, the Nebraska Department of Education, the Nebraska Auditor of Public Accounts, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



*Denham + Bruce LLC*  
GRAEVE GARRELTS DENHAM & BRUCE, LLC

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2002**

**A. SUMMARY OF AUDITOR' S RESULTS**

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. No reportable conditions in internal control over financial reporting were reported.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. No reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were reported.
5. The independent auditor's report on compliance with requirements applicable to major federal awards programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The major programs for the District for the year ended August 31, 2002 are as follows:
  - National School Lunch Program CFDA # 10.555
  - Food Distribution CFDA # 10.550
  - ESEA Title 1 CFDA # 84.010
  - ESEA Drug Free Schools and Communities CFDA # 84.186
8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The District did qualify as low-risk auditee as that term is defined in OMB Circular A-133.

**B. FINANCIAL STATEMENT FINDINGS**

None

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None