

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

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

AUGUST 31, 2003

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

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ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED AUGUST 31, 2003**

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

**ANNUAL FINANCIAL STATEMENTS AND
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FOR THE YEAR ENDED AUGUST 31, 2003**

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October 17, 2003

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, 2003 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, 2003 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, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2003 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.

The required supplementary information, as listed in the accompanying table of contents, including Management's Discussion and Analysis and the Budgetary Comparison Schedules and Note, 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-profit Organizations. 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.



GRAEVE GARRELTS DENHAM & BRUCE, LLC

MANAGEMENT'S DISCUSSION & ANALYSIS

I. 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*.

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. Supplementary Information

This part of the annual report includes the schedule of federal expenditures. This 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 11 and 12. 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 statements on page 14.

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) to assess the overall health of the District.

3. The Fund Financial Statement

The analysis of the District's major funds begins on page 11. The fund financial statements begin on page 25 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.

I. OVERVIEW OF DISTRICT

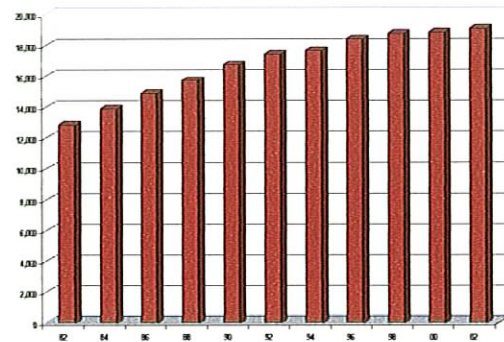
A. Schools

The Millard Public Schools is a K-12 school system located in the southwestern part 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-5). 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 K-12 was 9,267. In the fall of 2002, it was 19,084.

CHART 1
STUDENT ENROLLMENT
(Last Friday in September)



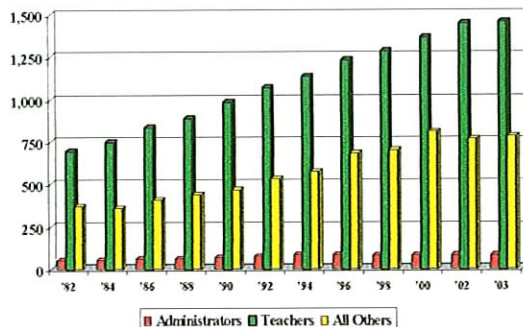
Recently, the rate of enrollment growth in the District has slowed (see, Chart 1). In September of 2002, the secondary schools realized a gain of 92 students over the previous year, and, the elementary schools gained 75 students. The net gain was 167 students K-12 (i.e., a growth of less than 1 percent).

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

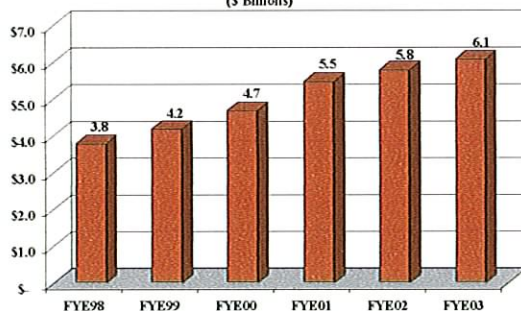


The growth in the number of employees, of course, has impacted the budget for personnel costs. In addition to the growth in the number of employees, the personnel budget has been impacted by the District's increases in salary and benefits for all employees (in order to remain competitive with other employers). The increase in salary and benefits for employees in FYE03 was about 6.8%.

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).

CHART 3
ASSESSED VALUE
(\$ Billions)



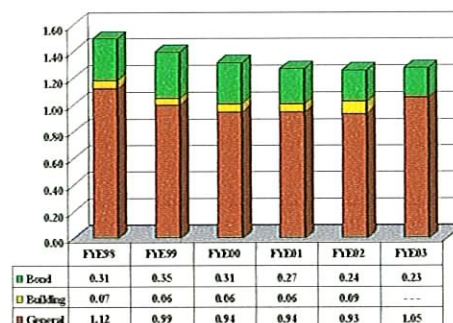
The rate of growth in property values in the District has been somewhat difficult to predict from year to year. In FYE01, the valuation increase was 16.50%. In FYE03, the increase was only 3.75%.

The significant decline in valuation increases in the District has created some 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 continued to decline until FYE03 when the total levy increased by 2 cents (see Chart 4).

CHART 4
TAX LEVY BY FUND



This decline in the tax levy up to FYE03 was primarily the result of the significant increases in the assessed value of property in the District. The increase in property values exceeded the increase in total District spending, therefore, the total levy declined.

In FYE03, with the slowing of valuation growth, the increase in total spending was not offset by the increase in property values, thus the tax levy increased.

Since the District is budgeting at the maximum levy permitted by the 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 laws).

Three of the District's eight funds receive monies 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 the 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 0.0% on the growth (i.e., no 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 FYE03 this amounted to an additional 1.1%.

The spending lid also provides an optional 1% that may be adopted by the local board of education at its sole discretion. In FYE03 (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 FYE03 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 and the lost state aid resulting from LB898 – a total of about \$0.05 additional levy authority).

In FYE03, due to limited resources at the state level, state aid was reduced further, but the property tax lid was increased to \$1.05. The exemptions from the levy lid from FYE02 were continued, so the effective property tax lid for the District in FYE03 was about \$1.10.

In FYE03, 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 has "unused budget authority" which may be used in future years if the valuation permits a levy sufficient to fund this 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

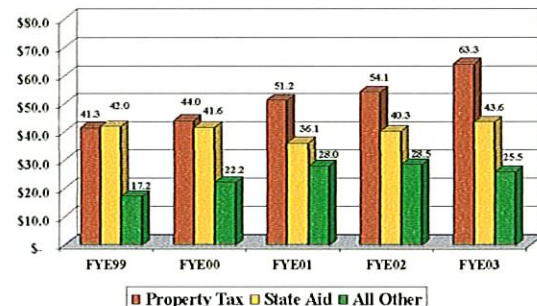
Nebraska Department of Education Rule 92 NAC 2 §003.03A provides in relevant part as follows:

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.).

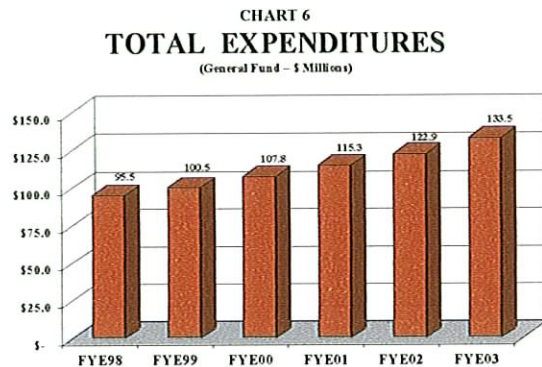
During the past few years, the proportion of the funding from each of these sources has shifted somewhat and the District has become more reliant upon property tax than any other source (see, Chart 5). [Note: "All Other" includes changes, if any, in cash reserve.]

CHART 5
REVENUE SOURCES
(General Fund – \$Millions)

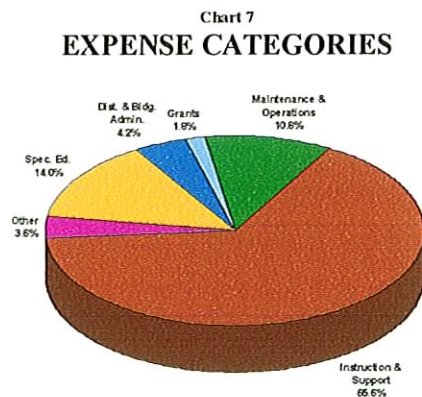


In FYE03, the budget was directed primarily toward the continuation of existing programs and services. There were no significant additions or reductions. The budget provided for a 6.8% increase in salaries and benefits for teachers (i.e., the largest group of employees). This increase included an increase of about 15% 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 FYE03 budget of expenditures was about 8.6% over the preceding year (see, Chart 6).

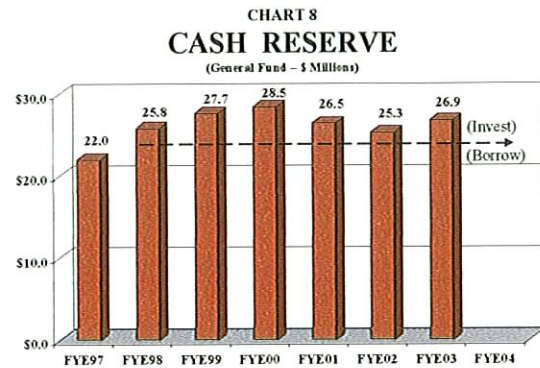


Of the services provided by the District, the largest portion of the budget is related to classroom instruction and support. Special Education (including transportation for special education students) is second (see, Chart 7).



It was anticipated that the cash reserve at the conclusion of FYE03 would be reduced. However, due to the District under-spending its budget by about \$1.0 million and a receipt of an additional \$1.3 million in special education reimbursements, the cash reserve actually increased by \$1.6 million to \$26.9 million (see, Chart 8).

The cash reserve provides the District with monies 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 (i.e., about \$23 million) the District has to temporarily borrow money 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.

In April of 2003, the District had to temporarily borrow about \$2 million from the special building fund due to the delayed payments made by the state. The state will return to its regular payment cycle in subsequent years, so this reduced cash flow scenario may be a one-time event.

B. Special Building Fund

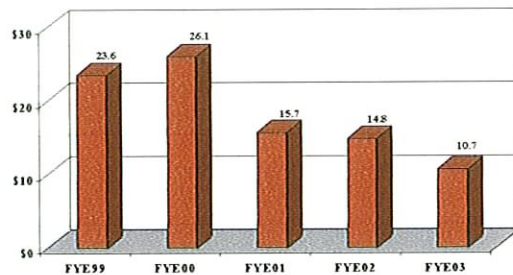
Nebraska Department of Education Rule 92 NAC 2 §003.03H provides in relevant part as follows:

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 FYE03, the District elected to have no levy for its special building fund (i.e., it used all of its levying authority for the general fund). As a result, there was a decrease in the balance remaining in the special building fund at the end of FYE03.

This District uses this fund to address major capital issues (e.g., replacing roofs, parking lots, HVAC equipment, etc.).

CHART 9
SPECIAL BUILDING FUND
(\$ Millions)



At the end of FYE03, there was a balance of about \$10.7 million in the Special Building Fund (see, Chart 9). Of this amount, approximately \$8.9 million was not designated to existing obligations or projects in planning. These existing obligations and projects in planning included MWHS soccer bleacher project, KMS football field renovation, MSHS track surfacing, MNHS entrance project, air quality issues, the arbitrage payments to the IRS, the MNHS and MSHS HVAC projects, and the bond monies remaining for technology.

The Fire Marshall from the Omaha Fire Department has requested some future construction modification in the District's buildings. These costs, if any, will need to come from the Special Building Fund, thus, reducing the undesignated balance noted above.

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 FYE03, the District's food service program had a small profit of \$10,009.

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.

At the end of FYE03, the District was considering outsourcing the food service program to a private food service management company.

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.).

The District uses the employee benefit fund exclusively for activity related to its self-funded health insurance program.

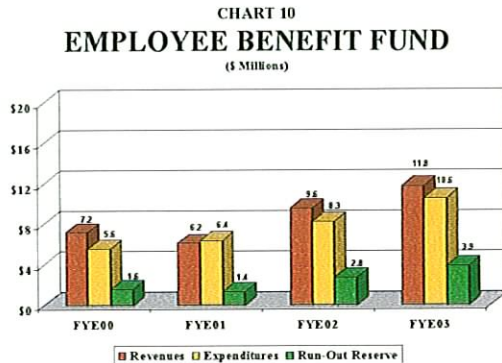
In FYE96, the District received competitive proposals for its health insurance plan. As a result, it changed from Blue Cross Blue Shield (NSEA Plan) to United Health Care (UHC). The savings to the District in the first year with UHC was approximately \$600,000. The second year the savings increased to 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.

In order to fund its health insurance plan for employees, the District budgets for health insurance premium payments in its general fund. These "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 at least 25% of premiums.



It is anticipated that expenses (i.e., the cost of medical benefits) in the Employee Benefit Fund will increase at the rate of 10%-15% at least for the next couple of years.

E. Depreciation Fund

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

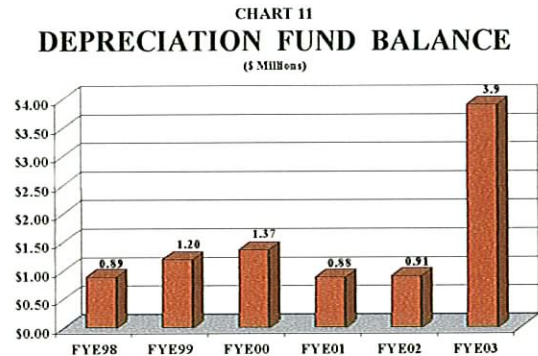
A Depreciation Fund may be established by a school district in order to facilitate the eventual purchase of a costly capital outlay by reserving such monies from the General Fund.

The monies in the depreciation fund are used to purchase depreciable items. These items include copy machines, pianos, computers, printers, security cameras, band uniforms, etc. If sufficient funds are available, the monies may also be used for such things as the replacement of roofs, resurfacing of parking lots, etc.

There are separate accounts for each school maintained in the depreciation fund. There is also a district-wide account. During FYE03 there was little change in the balance in the school accounts. The transfers into these accounts were, for the most part, offset by expenses incurred. There was, however a significant increase in district-wide account. This was the result of funds being available at the end of the year because of under-spending in the areas of electricity, insurance, supplies & materials, curriculum development, staff development, and contingency. So that these funds were not "lost" at the end of the fiscal year, they were transferred into the depreciation

fund and may be used in subsequent years. These transfers resulted in the depreciation fund balance increasing to \$3.9 million at the end of the year (see, Chart 11).

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



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 FYE03, the District did not have any activity in the cooperative fund. There was a small balance that carried forward from previous years. This amount will likely be transferred into the general fund in FYE04, thus closing the cooperative fund.

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 FYE03, the District had \$126,935,000 outstanding bonds carrying interest rates from 2.0 to 5.5%. The last bonds mature in 2019.

During FYE03, due to declining interest rates, the District refunded \$56,190,000 of its bonds and realized a savings of \$2.8 million over the life of the refunded bonds.

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

If interest rates increase or remain unchanged during the coming year, it is unlikely that the District will refund additional bonds in FYE04.

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 monies 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.

I. Student Fees Fund

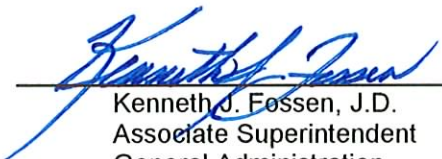
The student fees fund was recently established in LB1172 (2002). There is currently no student fees fund description in 92 NAC 2. However, LB1172 (2002) provides as follows:

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.

Monies that are collected in student fees are deposited into the student fees fund. The expenditures associated with the programs these monies fund are generally reflected in the activities fund. Periodically throughout the fiscal year, transfers of appropriate monies in the student fees fund are transferred to the activities fund to offset the appropriate expenditures.

This Management's Discussion and Analysis (MD&A) is respectfully submitted this 17th day of October, 2003.


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, 2003

ASSETS

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 3,134,373
Investments	<u>56,071,150</u>
 TOTAL ASSETS	 <u>\$ 59,205,523</u>

NET ASSETS

Restricted:	
Special building	\$ 10,724,784
School lunch	1,216,139
Debt service	12,400,797
Unrestricted:	
Board designated:	
Employee benefit	3,939,208
Depreciation	3,963,591
Undesignated	<u>26,961,004</u>
 TOTAL NET ASSETS	 <u>\$ 59,205,523</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, 2003

	Net (Disbursements)		Program cash receipts	
	Receipts and	Cash	Charges for	Operating
	Changes in	Disbursements	Services	Grants and
	Net Assets			Contributions
Governmental activities:				
Instructional services	\$ (64,399,288)	\$ (76,680,432)	\$ 372,680	\$ 11,908,464
Support services	(34,957,112)	(36,221,079)		1,263,967
Food services	1,494	(5,837,359)	5,111,771	727,082
Building maintenance and improvements	(19,694,669)	(19,694,669)		
Principal and interest on indebtedness	(14,401,628)	(14,401,628)		
Other	<u>(583,426)</u>	<u>(583,426)</u>		
Net program (disbursements) receipts	<u>(134,034,629)</u>	<u>\$ (153,418,593)</u>	<u>\$ 5,484,451</u>	<u>\$ 13,899,513</u>
General receipts:				
Taxes collected	86,360,628			
County receipts	865,528			
State receipts	46,429,615			
Federal receipts	795,881			
Investment earnings	386,533			
Other	<u>953,983</u>			
Total general receipts	<u>135,792,168</u>			
Increase in net assets	1,757,539			
Net assets - beginning of year	<u>57,447,984</u>			
Net assets - end of year	<u>\$ 59,205,523</u>			

See Notes to the Basic Financial Statements.

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

**STATEMENT OF FUND BALANCES AND CHANGES IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2003**

	Special Revenue Funds						Debt Service Fund	Total Governmental Funds
	General Fund	Special Building	School Lunch	Employee Benefit	Depreciation	Cooperative	Bond	
RECEIPTS								
Local receipts	\$ 72,893,896	\$ 690,474	\$ 22,033				\$ 13,827,127	\$ 87,443,370
County receipts	865,528						126,422	865,528
State receipts	55,333,075	6,207	23,148					55,488,852
Federal receipts	4,932,223		703,934					5,636,157
Sales of lunches			5,088,838					5,088,838
Interest	76,449	126,130	8,515	\$ 33,401			142,038	396,533
Non-revenue receipts	40,254	76,599					200,001	266,854
TOTAL RECEIPTS	<u>\$ 134,141,365</u>	<u>\$ 858,410</u>	<u>\$ 5,847,268</u>	<u>\$ 33,401</u>			<u>\$ 14,295,588</u>	<u>\$ 155,176,132</u>
DISBURSEMENTS								
Instructional services	\$ 71,893,626							\$ 71,893,626
Support services	45,340,230							45,340,230
Other salaries and benefits			\$ 2,790,694					2,790,694
Supplies and materials			363,033					363,033
Purchased services		\$ 956,024		\$ 10,646,860				11,602,884
Food			2,623,759					2,623,759
Capital outlay		333,419						333,419
Building and site acquisition and improvement		3,269,171	58,673		\$ 379,744			3,277,399
Other		352,364			8,228			352,364
Redemption of principal								
Debt service interest							\$ 8,725,000	8,725,000
TOTAL DISBURSEMENTS	<u>117,233,856</u>	<u>4,910,918</u>	<u>5,937,359</u>	<u>10,646,860</u>	<u>387,972</u>		<u>5,413,477</u>	<u>153,155,442</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>16,907,509</u>	<u>(4,052,508)</u>	<u>10,000</u>	<u>(10,613,459)</u>	<u>(387,972)</u>		<u>157,111</u>	<u>2,020,690</u>
OTHER FINANCING SOURCES (USES)								
Proceeds from refunding bonds							58,499,157	58,499,157
Payment to bond refunding escrow agent							(58,762,308)	(58,762,308)
Transfers in	(15,247,883)			11,807,021				15,247,883
Transfers out	(15,247,883)			11,807,021			(283,151)	(15,247,883)
TOTAL OTHER FINANCING SOURCES (USES)							<u>(283,151)</u>	<u>(283,151)</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	<u>1,659,626</u>	<u>(4,052,508)</u>	<u>10,009</u>	<u>1,193,562</u>	<u>3,052,990</u>		<u>(106,040)</u>	<u>1,757,539</u>
FUND BALANCE - Beginning of year	<u>25,207,168</u>	<u>14,777,292</u>	<u>1,206,130</u>	<u>2,745,646</u>	<u>910,701</u>		<u>12,506,837</u>	<u>57,447,684</u>
FUND BALANCE - End of year	<u>\$ 26,866,794</u>	<u>\$ 10,724,794</u>	<u>\$ 1,216,130</u>	<u>\$ 3,939,208</u>	<u>\$ 3,963,591</u>		<u>\$ 12,400,797</u>	<u>\$ 59,205,523</u>
FUND BALANCE - CASH BASIS:								
Cash and cash equivalents	\$ 2,433,261		\$ 696,602		\$ 4,210			\$ 3,134,373
Investments	24,523,533	10,724,794	519,237	3,939,208	3,963,591		12,400,797	56,071,150
TOTAL FUND BALANCE - CASH BASIS - AUGUST 31, 2003	<u>\$ 26,866,794</u>	<u>\$ 10,724,794</u>	<u>\$ 1,216,130</u>	<u>\$ 3,939,208</u>	<u>\$ 3,963,591</u>		<u>\$ 12,400,797</u>	<u>\$ 59,205,523</u>

See Notes to the Basic Financial Statements.

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

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

AS OF AND FOR THE YEAR ENDED AUGUST 31, 2003

<u>Activities Fund</u>	<u>Beginning Net Assets</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Net Assets</u>
ADMINISTRATIVE OFFICE	219,118	342,362	\$ 45,989	\$ 515,491
HIGH SCHOOLS:				
North	501,554	873,171	798,877	575,848
South	382,196	880,160	840,068	422,288
West	302,299	782,766	775,646	309,419
MIDDLE SCHOOLS:				
Central	79,112	105,417	111,115	73,414
North	52,533	93,243	88,058	57,718
Beadle	11,007	47,230	46,592	11,645
Andersen	72,267	100,870	101,297	71,840
Kiewit	153,618	164,076	139,593	178,101
Russell	61,501	177,315	165,665	73,151
ELEMENTARY SCHOOLS:				
Abbott	11,786	27,507	19,208	20,085
Ackerman	18,538	43,126	50,099	11,565
Aldrich	4,348	11,259	12,084	3,523
Black Elk	8,709	44,022	36,654	16,077
Bryan	6,518	29,242	25,857	9,903
Cather	18,291	28,336	25,746	20,881
Cody	11,497	35,207	25,270	21,434
Coltonwood	7,619	7,477	6,256	8,840
Disney	14,648	21,336	24,434	11,550
Ezra Millard	13,727	21,958	22,790	12,895
Harvey Oaks	7,622	9,709	6,109	11,222
Hitchcock	6,146	16,000	13,982	8,164
Holling Heights	10,685	14,626	12,765	12,546
Montclair	8,959	34,818	34,161	9,616
Morton	7,806	25,543	28,623	4,726
Neihardt	21,742	29,103	30,046	20,799
Norris	7,415	17,718	11,671	13,462
Rockwell	23,926	30,109	29,805	24,230
Rohwer	12,168	22,077	17,889	16,356
Sandoz	6,779	31,635	28,934	9,480
Willowdale	14,215	26,049	20,317	19,947
Wheeler	16,526	24,757	27,077	14,206
SUMMER SCHOOL	5,796	5,873	11,611	58
MILLARD LEARNING CENTER	1,522	1,037		2,559
MSHS BUTTON FACTORY	49			49
ECHO HILLS SALES	970		23	947
MNHS LIFE SKILLS	466			466
Total Activities Fund	<u>\$ 2,103,678</u>	<u>\$ 4,125,134</u>	<u>\$ 3,634,311</u>	<u>\$ 2,594,501</u>
<u>Student Fee Fund</u>				
ALL SCHOOLS	<u>\$ 93,416</u>	<u>\$ 968,527</u>	<u>\$ 952,859</u>	<u>\$ 109,084</u>
NET ASSETS				
Cash and cash equivalents				\$ 1,689,528
Investments				1,014,057
TOTAL NET ASSETS - CASH BASIS HELD IN TRUST				<u>\$ 2,703,585</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.

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.

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, receipts and disbursements. Funds are organized into two major categories: governmental and fiduciary. The District currently has no proprietary funds. An emphasis is placed on major funds within the governmental and fiduciary categories. A fund is considered major if it is the primary operating fund of the District, meets specific mathematical criteria set forth by GASB or is identified as a major fund by the District's management. In addition to the District's funds meeting the required criteria, the District's management has designated all remaining funds to be presented as major funds for financial reporting purposes.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUND ACTIVITIES

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.

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 ACTIVITIES

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting

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.

Cash and Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” includes all cash on hand, demand and savings accounts and certificate of deposit or short-term investments with an original maturity of three months or less from the date of acquisition.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 a disbursement is made 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.

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 category 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 has no such interfund balances as of August 31, 2003.
- 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 column of the Statement of Net Assets.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

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. The budget for expenditures for the bond fund was amended during the year ended August 31, 2003.

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

- The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing September 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at a public meeting to obtain taxpayer comments.
- 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. The combined tax rate of the District for the year ended August 31, 2003 was \$1.27746 per \$100 of assessed valuation.

3. DEPOSITS 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, 2003, the carrying amount of the District's deposits was \$4,823,901 and the bank balance was \$5,217,384. The entire balance was covered by federal depository insurance or collateral held by the District's agent in the District's name.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

3. DEPOSITS AND INVESTMENTS, CONTINUED

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

Investments of \$43,964,021 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 \$12,614,981 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, 2003, the District also had \$506,205 of certificates of deposit, which have been included in investments on the financial statements, but included with bank deposits above.

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, 2003. 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	\$ 919,813	\$ 979,883
Debt Service Fund	\$ 176,740	\$ 697,755
Special Building Fund	\$ 588	\$ (386)

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

5. LONG-TERM DEBT

The following is a summary of general long-term debt transactions of the District for the year ended August 31, 2003:

	General Obligation Bonds
Balance, August 31, 2002	\$ 132,775,000
Additions:	
New obligations	59,075,000
Deductions:	
Refunding of debt	56,190,000
Payment of principal	<u>8,725,000</u>
Balance, August 31, 2003	<u>\$ 126,935,000</u>

Bonds Payable - The following individual general obligation bond issues are outstanding at August 31, 2003:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Final Maturity Date</u>
July 1, 1999	4.70% to 4.75%	\$ 20,415,000	2017
November 1, 1999	5.00% to 5.50%	29,000,000	2016
October 15, 2001	3.00% to 3.20%	18,445,000	2008
November 14, 2002	3.63% to 4.50%	26,995,000	2017
April 23, 2003	2.00% to 3.50%	<u>32,080,000</u>	2019
TOTAL		<u>\$126,935,000</u>	

Aggregate principal and interest payments applicable to the District's bonds subsequent to August 31, 2003 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 9,910,000	\$ 5,139,926	\$ 15,049,926
2005	9,875,000	4,675,919	14,550,919
2006	10,175,000	4,286,781	14,461,781
2007	10,425,000	3,876,825	14,301,825
2008	6,485,000	3,626,353	10,111,353
2009-2013	38,625,000	13,825,400	52,450,400
2014-2018	35,690,000	4,740,247	40,430,247
2019	<u>5,750,000</u>	<u>122,188</u>	<u>5,872,188</u>
TOTAL	<u>\$126,935,000</u>	<u>\$40,293,639</u>	<u>\$167,228,639</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

5. LONG-TERM DEBT, CONTINUED

Bond Defeasance

On November 14, 2002, the District issued \$26,995,000 in General Obligation Bonds with an average interest rate of 4.16% to advance refund \$26,190,000 of outstanding 1997 Series bonds with an average interest rate of 4.91%.

On April 16, 2003, the District issued \$32,080,000 in General Obligation Bonds with an average interest rate of 3.69% to advance refund \$30,000,000 of outstanding 1998 Series bonds with an average interest rate of 4.63%.

As a result of these refundings, the District reduced its total debt service payments over the next sixteen years by approximately \$2,800,000 and realized an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$700,000.

6. SPECIAL BUILDING FUND COMMITMENTS

The District has approximately \$436,822 of commitments for the construction of new buildings, building additions, improvements and related building and site costs as of August 31, 2003.

7. LEASE COMMITMENTS

The District has non-cancelable operating lease agreements for 10 vans used for transportation of students in special education programs. These leases expire on various dates through August 2006.

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

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

	<u>Amount</u>
2004	\$ 27,356
2005	24,807
2006	<u>12,809</u>
TOTAL	<u>\$ 64,972</u>

Rent paid for the year ended August 31, 2003 was \$64,411 and was paid out of the General Fund.

8. NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

8. NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM, CONTINUED

The total payroll for the School District employees covered by NSERS for the year ended August 31, 2003 was \$82,229,153. The total payroll for all School District employees for the year ended August 31, 2003 was \$88,124,493.

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.

Funding Policy - In accordance with Nebraska Statutes §79-1531 and §79-1540, employee contributions are made in accordance with statute and the recommendation of an actuary (study as of June 30, 1996) and employer contributions are based upon 101% of employee contributions. Employee contribution requirements for the year ended August 31, 2003 were 7.25% of covered payroll. Actual employer and employee contributions made for the year ended August 31, 2003 were \$6,021,228 (7.32% of covered payroll) and \$5,961,615 (7.25% of covered payroll), respectively.

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.

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. Because the District prepares its financial statements on the basis described in Note 1, this liability is not reflected in the financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

9. COMMITMENTS AND CONTINGENCIES, CONTINUED

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

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

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

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

FOR THE YEAR ENDED AUGUST 31, 2003

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2002		\$ 25,297,168	
Receipts:			
Local receipts:			
Local property taxes	\$ 63,254,400	62,207,636	\$ (1,046,764)
Motor vehicle taxes	7,750,000	8,350,577	600,577
Carline tax	10,000	8,003	(1,997)
Public power district sales tax	1,455,000	1,604,315	149,315
Tuition received from individuals - General Education		21,437	21,437
Preschool tuition and fees	268,000	351,243	83,243
Interest	300,000	76,449	(223,551)
Police court fines	500,000	333,580	(166,420)
Gifts/donations	55,000	5,370	(49,630)
Community services activities		2,849	2,849
Other local receipts	12,167	8,826	(3,341)
	<u>73,604,567</u>	<u>72,970,285</u>	<u>(634,282)</u>
County receipts:			
County fines and license fees	700,000	865,528	165,528
State receipts:			
State aid	43,600,000	43,617,863	17,863
Special education programs	7,300,000	7,726,060	426,060
Special education transportation	1,230,000	1,263,967	33,967
Pro rata motor vehicle		158,419	158,419
Homestead exemption		415,224	415,224
High ability leaders		177,808	177,808
State apportionment	1,970,000	1,728,645	(241,355)
Textbook loan		46,062	46,062
Other state receipts	321,351	199,027	(122,324)
	<u>54,421,351</u>	<u>55,333,075</u>	<u>911,724</u>
Federal receipts:			
Title I - carryover	52,573	52,573	
Title I - current fiscal year	310,414	276,847	(33,567)
Special education - Grants to states	2,000,000	2,263,716	263,716
Special education - Additional funds		1,283,891	1,283,891
MEDICAID in public schools	35,000	126,185	91,185
Eisenhower Professional Development State Grants	133,268	55,166	(78,102)
Goals 2002	135,000	21,385	(113,615)
Safe and drug-free schools and communities	123,980	110,788	(13,192)
Federal vocational and applied technology education	153,003	92,049	(60,954)
Innovation education program strategies	26,819	90,715	63,896
Other categorical	207,344	16,347	(190,997)
Other federal receipts	526,895	542,561	15,666
	<u>3,704,296</u>	<u>4,932,223</u>	<u>1,227,927</u>

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
GENERAL FUND, CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2003

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Receipts (continued):			
Non-revenue receipts:			
Sale of property		1,598	1,598
Other	6,103	38,656	32,553
Total receipts	132,436,317	134,141,365	1,705,048
Disbursements:			
Non-special education	69,087,748	69,758,741	(670,993)
Special education programs	13,895,024	13,570,798	324,226
Support services - pupils	8,312,063	8,353,127	(41,064)
Support services - staff	4,787,126	4,409,746	377,380
Board of education	1,608,650	1,380,975	227,675
Executive administration services	2,087,707	2,029,219	58,488
Office of the principal	8,002,014	7,894,644	107,370
General administration - business services	4,075,244	3,963,241	112,003
Vehicle acquisition and maintenance	180,500	147,392	33,108
Support services - maintenance and operation of building and site	13,057,789	14,248,387	(1,190,598)
Support services - regular pupil transportation	939,107	820,505	118,602
Support services - school age special education transportation	2,091,559	2,059,522	32,037
Community services	400,501	398,027	2,474
State categorical programs	164,485	292,933	(128,448)
Federal programs and other categorical aid	4,592,964	2,938,164	1,654,800
Summer school	8,748	30,919	(22,171)
Other	198,046	185,399	12,647
Total disbursements	133,489,277	132,481,739	1,007,538
Excess (deficiency) of receipts over disbursements	\$ (1,052,960)	1,659,626	\$ 2,712,586
Budgetary fund balance, August 31, 2003		\$ 26,956,794	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
SPECIAL BUILDING FUND

FOR THE YEAR ENDED AUGUST 31, 2003

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2002		\$ 14,777,292	
Receipts:			
Local receipts:			
Local property taxes		362,816	\$ 362,816
Carline taxes	\$ 500	154	(346)
Interest	450,000	126,130	(323,870)
Other local receipts	39,500	336,504	297,004
State reimbursement:			
Homestead exemptions		340	340
Pro rata motor vehicle	10,000	5,867	(4,133)
Non-revenue receipts		26,599	26,599
Total receipts	500,000	858,410	358,410
Disbursements:			
Purchased services		956,024	(956,024)
Capital outlays	1,587,855	333,419	1,254,436
Site acquisition and improvement		517,652	(517,652)
Building, acquisition and improvement	13,326,527	2,751,519	10,575,008
Other		352,304	(352,304)
Total disbursements	14,914,382	4,910,918	10,003,464
Excess (deficiency) of receipts over disbursements	\$ (14,414,382)	(4,052,508)	\$ 10,361,874
Budgetary fund balance, August 31, 2003		\$ 10,724,784	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
SCHOOL LUNCH FUND

FOR THE YEAR ENDED AUGUST 31, 2003

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2002		\$ 1,206,130	
Receipts:			
Local receipts:			
Sale of lunches/milk	\$ 5,695,000	5,088,838	\$ (606,162)
Interest	50,000	8,515	(41,485)
Other	20,000	22,933	2,933
State reimbursement	35,000	23,148	(11,852)
Federal reimbursement	700,000	703,934	3,934
Total receipts	6,500,000	5,847,368	(652,632)
Disbursements:			
Food	2,925,000	2,623,759	301,241
Salaries and benefits	3,075,000	2,790,694	284,306
Supplies and materials	450,000	363,933	86,067
Capital outlays	50,000	58,973	(8,973)
Total disbursements	6,500,000	5,837,359	662,641
Excess (deficiency) of receipts over disbursements		10,009	\$ 10,009
Budgetary fund balance, August 31, 2003		\$ 1,216,139	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
EMPLOYEE BENEFIT FUND

FOR THE YEAR ENDED AUGUST 31, 2003

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2002		\$ 2,745,646	
Receipts:			
Local receipts:			
Interest income	\$ 100,000	33,401	\$ (66,599)
Operational disbursements from the General Fund	<u>11,400,000</u>	<u>11,807,021</u>	<u>407,021</u>
Total receipts	<u>11,500,000</u>	<u>11,840,422</u>	<u>340,422</u>
Disbursements:			
Purchased services	<u>12,000,000</u>	<u>10,646,860</u>	<u>1,353,140</u>
Total disbursements	<u>12,000,000</u>	<u>10,646,860</u>	<u>1,353,140</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (500,000)</u>	<u>1,193,562</u>	<u>\$ 1,693,562</u>
Budgetary fund balance, August 31, 2003		<u>\$ 3,939,208</u>	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
DEPRECIATION FUND

FOR THE YEAR ENDED AUGUST 31, 2003

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2002		\$ 910,701	
Receipts:			
Operational disbursements from the General Fund	\$ 625,468	3,440,862	\$ 2,815,394
Total receipts	625,468	3,440,862	2,815,394
Disbursements:			
Capital Outlays:			
Furniture and equipment	1,500,000	379,744	1,120,256
Site acquisition and improvement		8,228	(8,228)
Total disbursements	1,500,000	387,972	3,927,422
Excess (deficiency) of receipts over disbursements	\$ (874,532)	3,052,890	\$ 6,742,816
Budgetary fund balance, August 31, 2003		\$ 3,963,591	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
COOPERATIVE FUND

FOR THE YEAR ENDED AUGUST 31, 2003

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2002		\$ 4,210	
Receipts:			
Local receipts:			
Other			
Total receipts			
Disbursements:			
Purchased services			
Total disbursements			
Excess (deficiency) of receipts over disbursements			
Budgetary fund balance, August 31, 2003		\$ 4,210	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
BOND FUND

FOR THE YEAR ENDED AUGUST 31, 2003

	Original Budget	Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2002			<u>\$ 12,506,837</u>	
Receipts:				
Local receipts:				
Local property taxes	\$ 13,772,400	\$ 13,772,400	13,476,073	\$ (296,327)
Carline taxes	5,000	5,000	1,823	(3,177)
Public Power District	425,000	425,000	349,231	(75,769)
Interest	450,000	450,000	142,038	(307,962)
State reimbursement:				
Homestead exemptions			90,053	90,053
Pro rata motor vehicle			36,369	36,369
Non-revenue receipts	<u>120,000</u>	<u>120,000</u>	<u>200,001</u>	<u>80,001</u>
Total receipts	<u>14,772,400</u>	<u>14,772,400</u>	<u>14,295,588</u>	<u>(476,812)</u>
Disbursements:				
Redemption of principal	8,000,000	8,000,000	8,725,000	(725,000)
Debt service interest	<u>8,000,000</u>	<u>8,000,000</u>	<u>5,413,477</u>	<u>2,586,523</u>
Total disbursements	<u>16,000,000</u>	<u>16,000,000</u>	<u>14,138,477</u>	<u>1,861,523</u>
Excess (deficiency) of receipts over disbursements	<u>(1,227,600)</u>	<u>(1,227,600)</u>	<u>157,111</u>	<u>1,384,711</u>
Other financing sources (uses):				
Proceeds from refunding bonds		61,000,000	58,499,157	(2,500,843)
Payment to bond refunding escrow agent		<u>(61,000,000)</u>	<u>(58,762,308)</u>	<u>2,237,692</u>
Total other financing sources (uses)			<u>(263,151)</u>	<u>(263,151)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>\$ (1,227,600)</u>	<u>\$ (1,227,600)</u>	<u>(106,040)</u>	<u>\$ 1,121,560</u>
Budgetary fund balance, August 31, 2003			<u>\$ 12,400,797</u>	

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED AUGUST 31, 2003**

1. BUDGETARY ACCOUNTING

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

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2003**

<u>Federal Grantor/Pass Through Entity/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
Passed through Nebraska Department of Education		
National School Lunch Program	10.555	\$ 703,934
Passed through the Nebraska Department of Social Services		
Food distribution	10.550	<u>374,998</u>
Total U.S. Department of Agriculture		<u>1,078,932</u>
U.S. DEPARTMENT OF EDUCATION:		
Passed through Nebraska Department of Education		
Title I, Part A of the Elementary and Secondary Education Act	84.010	312,410
Individuals with Disabilities Education Act	84.027	3,557,038
Vocational Education - Basis Grant	84.048	112,768
Innovation Education Program Strategies Interagency Planning Grant	84.181	9,682
Eisenhower Professional Development State Grants (Title II, Part B of ESEA)	84.281	12,117
Innovation Education Program Strategies	84.298	152,701
Tech Literacy	84.318	18,821
English Language Acquisition	84.365	9,569
Improving Teacher Quality	84.367	260,485
Passed through ESU #3		
Safe and Drug-Free Schools and Communities (Title IV, Part A of ESEA)	84.186	109,242
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	<u>77,864</u>
Total U.S. Department of Education		<u>4,632,697</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Passed through Nebraska Department of Health and Human Services System		
MEDICAID in Public Schools	93.778	<u>126,185</u>
TOTAL		<u><u>\$ 5,837,814</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, 2003**

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 grants.

October 17, 2003

**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 basic financial statements of School District #17, Millard Public Schools, Douglas County, Nebraska, (the "District") as of and for the year ended August 31, 2003 and have issued our report thereon dated October 17, 2003. Our report disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. 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 reported 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*.

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.



GRAEVE GARRELTS DENHAM & BRUCE, LLC

October 17, 2003

**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, 2003. The District's major federal program is identified in the summary of auditor's 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 requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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 its major federal program for the year ended August 31, 2003.

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.



GRAEVE GARRELTS DENHAM & BRUCE, LLC

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2003**

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 award programs were reported.
5. The independent auditor's report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The major program for the District for the year ended August 31, 2003 are as follows:
 - Individuals with Disabilities Education Act CFDA # 84.027
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 a 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