

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

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

**AUGUST 31, 2004**

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

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FOR THE YEAR ENDED AUGUST 31, 2004**

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October 20, 2004

## 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, 2004 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 opinions.

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, 2004 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 20, 2004 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 accounting principles generally accepted in the United States of America. 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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*, and is not a required part of the basic financial statements. This schedule 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 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 13. 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 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

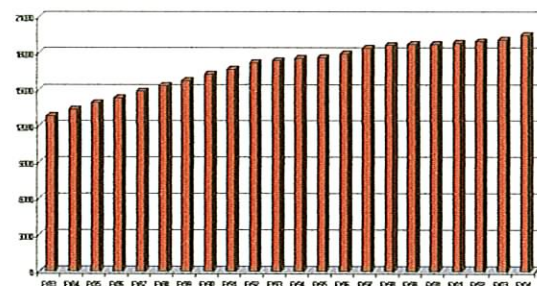
### A. Schools

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). Elementary School #23 is currently under construction and is located in Sarpy County. All other buildings are located in Douglas County. Approximately 90% of the taxable property value of the District is located in Douglas County. The other 10% is in 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. The official student enrollment as of the last Friday of September, 2004 was 19,972.

CHART 1  
**STUDENT ENROLLMENT**  
[Source: Fall Enrollment Report – Last Friday in September]



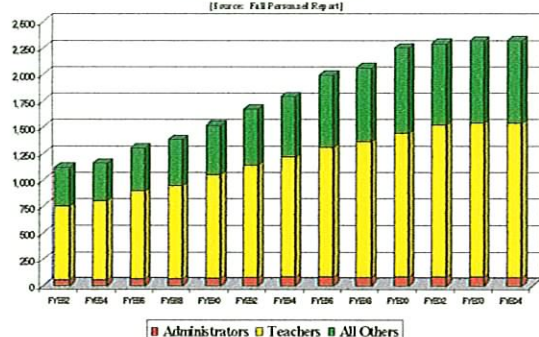
### C. Personnel

The growth in student enrollment has been accompanied by a growth in the number of employees working for the District (see, Chart 2).

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 FYE04 was about 3.4%.



CHART 2  
**PERSONNEL**  
[Source: Fall Personnel Report]



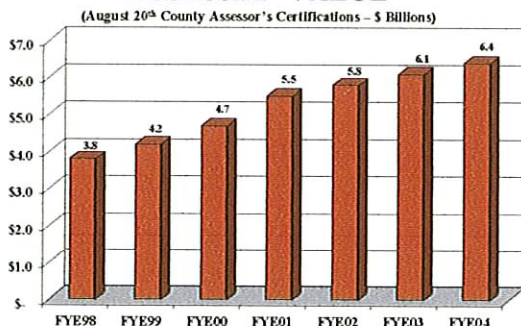
#### D. Valuation

The assessed valuation of property within the District has been increasing due to the revaluing of property and the growth in both new residential and new commercial developments 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 16.5%. In FYE04, the increase was only 5.5%.

The decline in valuation growth rate in the District raises the question as to whether or not the District's property value growth may be slowing. If so, this may have an impact on budgets in future years since the District is under a statutory levy lid (discussed hereinbelow) which will limit the funds available for its budget.

CHART 3  
**ASSESSED VALUE**  
(August 20th County Assessor's Certifications - \$ Billions)

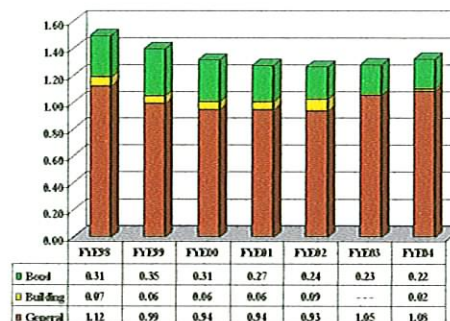


#### E. Tax Levy

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. In FYE03, the total levy increased by 2

cents. In FYE04, the levy increased 4 cents (see, Chart 4).

CHART 4  
**TAX LEVY BY FUND**



This decline in the tax levy can be attributed in large part to the significant increase in taxable value in the District combined with the refunding of outstanding bonds (to take advantage of lower interest rates).

Since the District has been budgeting at the maximum levy permitted by the levy lid (see, "Statutory Lids" hereinbelow), it is likely that the total levy will remain at about the same level in future years. This may change, however, if the District should have a successful bond election in the future.

Three of the District's 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 hereinbelow.

#### 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 the FYE04 budget, this



amounted to an additional 1.1%. This amount decreases to 0.4% in FYE05.

The spending lid also provides an optional 1% growth that may be adopted by the local board of education at its sole discretion. In FYE04 (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 FYE04 were: (1) special education, (2) grants, (3) early retirement, and (4) interlocal agreements.

It should be noted that the spending lid's basic growth rate of 0.0% is scheduled to sunset in FYE06. For FYE06 and subsequent years, the basic growth rate will return to 2.5% (if there is no change in the current law).

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 and FYE04 was about \$1.10.

In FYE04, 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.

#### IV. FUNDS

##### A. General Fund

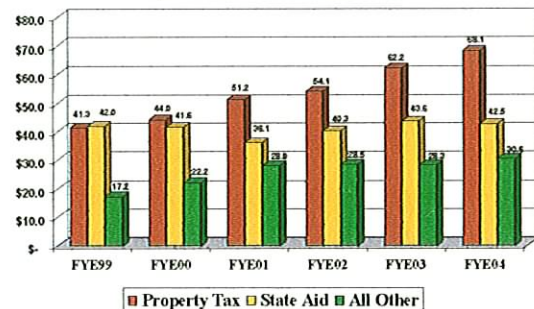
Nebraska Department of Education Rule 92 NAC 2 §003.03A provides in relevant part as follows:

*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 taxes than any other source (see, Chart 5). [Note: "All Other" includes changes, if any, in cash reserve.]

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



In FYE04, 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 3.4% increase in salaries and benefits for teachers (i.e., the largest group of employees). This increase included an increase of about 6.3% in health insurance costs. The salary and benefits 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 FYE04 budget of expenditures was about 3.1% over the preceding year (see, Chart 6).

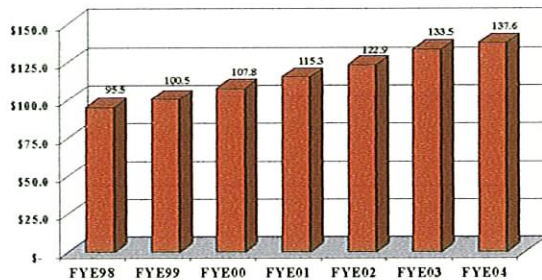
Of the services provided by the District, the largest portion of the budget was related to classroom instruction and support. Special Education (including transportation for special education students) was second (see, Chart 7).

It was anticipated that the cash reserve at the conclusion of FYE04 would be similar to that of FYE03. In the end, however, the cash reserve was higher than anticipated. The increase was primarily due to the receipt of significantly more



state and federal special education funds than expected. The cash reserve at the end of FYE04 was \$31.3 million – up over \$4 million from FYE03 (see, Chart 8).

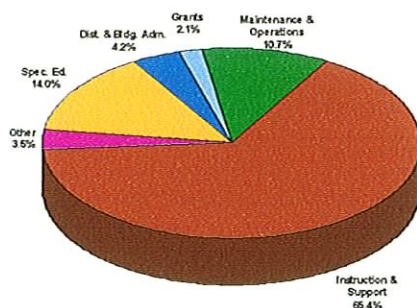
CHART 6  
TOTAL EXPENDITURES  
(General Fund – \$ Millions)



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.

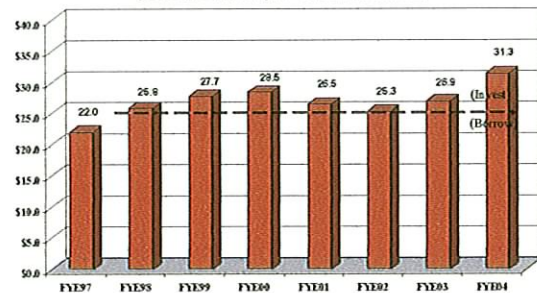
Chart 7  
EXPENSE CATEGORIES  
(From: FYE04 Final Financial Report)



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 aid payments in FYE04 were back on schedule, so no borrowing was required.

CHART 8  
CASH RESERVE

[Source: Annual Audit Reports – General Fund – \$ Millions]



## 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. In FYE04, the levy was reestablished at 2 cents.

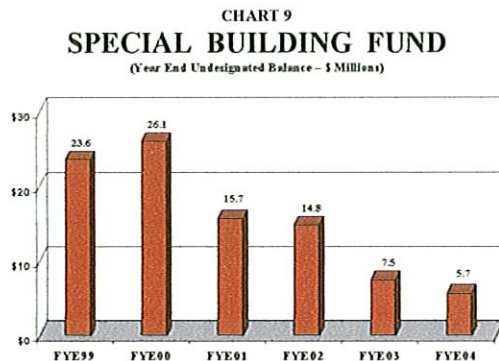
The District uses this fund to address major capital issues (e.g., replacing roofs, parking lots, HVAC equipment, etc.).

At the end of FYE04, there was a balance of about \$7.0 million in the Special Building Fund (see, Chart 9). Of this amount, approximately \$5.7 million was not designated to existing obligations or projects in planning. The existing obligations and projects in planning included the completion of the Central Middle School track project, the completion of the Millard North High School HVAC project, and the remaining bond monies related to technology purchases.

Additionally, the District has made future commitments that will need to be paid from the building fund. These include: (1) lease payments to Connectivity Solutions Manufacturing, Inc. for office and warehouse space and (2) lease payments to Suburban Schools Building Corporation for the lease purchase of Elementary #23. These future commitments will total about \$1.3 million per



year. Final payment on the Elementary #23 lease-purchase agreement will be made in FYE10.



### 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. In the past, the District's food service program has been self-supporting (i.e., the revenue has been sufficient to cover all direct expenses but not indirect expenses). Although the food service programs in some of the smaller elementary schools operate at a deficit, this deficit has generally been offset by the additional revenues generated at the larger and more efficient secondary schools.

In FYE04, the District elected to outsource the management of its food service program with Aramark. This outsourcing took place during the second semester. Going into FYE04, the District elected not to increase meal prices. It did, however, increase salaries and benefits for its employees and incurred additional expenses related to increasing food (and other) costs.

In FYE04, the food service program operated at a loss during both semesters (i.e., the first semester the program was managed by the District – the second semester was managed by Aramark). The cash basis of accounting reflects a loss for the year of \$489,062. The cash basis

accounting does not reflect an advance payment of \$336,557 made for purchases for the ensuing year. With this adjustment, the loss for FYE04 would have been \$152,505. This loss includes all direct costs (e.g., labor, food, management fees, etc.) associated with the program. It does not include indirect costs (e.g., utilities, use of facilities, insurance, payroll services, etc.). The indirect costs were paid through the general fund. Based upon information provided by the Nebraska Department of Education, the formula for food service indirect costs would have resulted in about \$777,000 additional expense for the program.

The contract with Aramark provided a guarantee on the "profit" (excluding indirect costs) in the food service program. As a result of this guarantee, Aramark agreed to provide in-kind equipment to the District in the amount of \$222,842. This amount for equipment purchases is not reflected in the year-end balance for the food service program. The purchases will be made by Aramark in FYE05.

### 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 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.

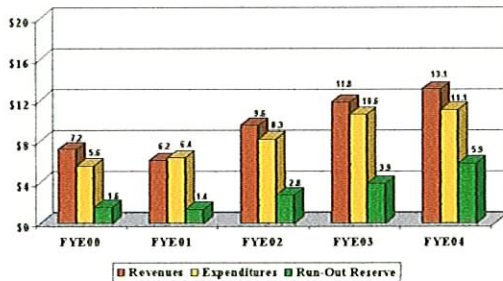


In order to fund its health insurance plan for employees, the District budgets for health insurance premium payments in its general fund. These "payments" for health insurance premiums are transferred monthly into the Employee Benefit Fund. As medical claims are filed, UHC processes the claims and sends 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%-30% of premiums.

CHART 10  
EMPLOYEE BENEFIT FUND

(Source: Annual Audit Report – \$ Millions)



It is anticipated that health-related expenses nation-wide will continue to increase at a double-digit rate. However, due to the size of the run-out reserve in the fund, the District may be able to have insurance premium increases in the single digits for ensuing 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.*

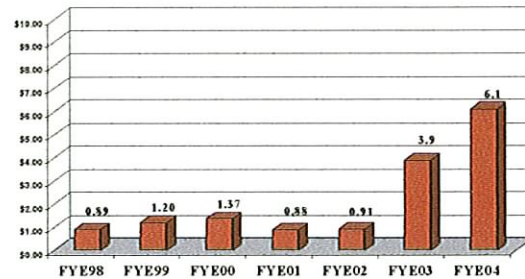
The monies in the depreciation fund are used to purchase depreciable items. These items include copy machines, pianos, computers, printers, security cameras, band uniforms, etc. If sufficient funds are available, the monies may also be used for such things as the replacement of roofs, resurfacing of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

There are separate accounts for each school maintained in the depreciation fund. There is also a district-wide account. During FYE04 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 the district-wide account. This was the result of funds being available at the end of the year because of under-spending in certain district-wide areas of the budget (e.g., contingency). In order to avoid "losing" these unspent dollars at the end of the fiscal year, they were transferred into the depreciation fund and will be available for use in subsequent years. These transfers resulted in the depreciation fund balance increasing to \$6.1 million at the end of the year (see, Chart 11).

Since the monies in the depreciation fund 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.

CHART 11  
DEPRECIATION FUND BALANCE

(Source: Annual Audit Report – \$ Millions)



#### 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 FYE04, the District had a small balance that carried forward from previous years. This amount was transferred into the general fund during the year leaving the cooperative fund with a zero balance.



### 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 FYE04, the District had \$118.5 million in outstanding bonds carrying interest rates from 2.00 to 4.75%. The last bonds mature in 2019.

During FYE04, due to low interest rates, the District refunded \$29 million of its bonds and realized a savings of \$4.0 million over the life of the refunded bonds.

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

### 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


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

*The student fee fund means a separate school district fund not funded by tax revenue, into which all money collected from students pursuant the Public Elementary and Secondary Student Fee Authorization (Section 79-1,125 to 79-2,135 R.R.S.) for participation in extracurricular activities, post-secondary education and summer and night school is deposited. Expenditures from this fund must be for the purposes for which it was collected.*

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 20<sup>th</sup> day of October, 2004.

  
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, 2004**

**ASSETS**

	Governmental Activities
Cash and cash equivalents	\$ 9,773,274
Investments	<u>53,179,900</u>
 TOTAL ASSETS	 <u>\$ 62,953,174</u>

**NET ASSETS**

Restricted:	
Special building	\$ 7,041,368
School lunch	727,077
Debt service	11,884,094
Unrestricted:	
Board designated:	
Employee benefit	5,882,773
Depreciation	6,116,768
Undesignated	<u>31,301,094</u>
 TOTAL NET ASSETS	 <u>\$ 62,953,174</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, 2004**

	Net (Disbursements) Receipts and Changes in Net Assets		Program cash receipts	
		Cash Disbursements	Charges for Services	Operating Grants and Contributions
Governmental activities:				
Instructional services	\$ (67,152,242)	\$ (80,471,316)	\$ 270,436	\$ 13,048,638
Support services	(35,066,771)	(36,269,738)		1,202,967
Food services	(493,249)	(6,758,831)	5,375,771	889,811
Building maintenance and improvements	(21,061,664)	(21,061,664)		
Principal and interest on indebtedness	(15,444,346)	(15,444,346)		
Other	(485,679)	(485,679)		
Net program (disbursements) receipts	<u>(139,703,951)</u>	<u>\$(160,491,574)</u>	<u>\$ 5,646,207</u>	<u>\$ 15,141,416</u>
General receipts:				
Taxes collected	94,028,966			
County receipts	950,891			
State receipts	45,525,035			
Federal receipts	744,469			
Investment earnings	273,864			
Other	1,928,377			
Total general receipts	<u>143,451,602</u>			
Increase in net assets	3,747,651			
Net assets - beginning of year	<u>59,205,523</u>			
Net assets - end of year	<u>\$ 62,953,174</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, 2004**

	General Fund	Special Revenue Funds					Debt Service Fund Bond	Total Governmental Funds
		Special Building	School Lunch	Employee Benefit	Depreciation	Cooperative		
<b>RECEIPTS</b>								
Local receipts	\$ 70,516,259	\$ 1,574,381	\$ 2,516				\$ 14,104,144	\$ 95,287,300
County receipts	950,891							950,891
State receipts	54,722,092	12,352	-				102,497	54,824,589
Federal receipts	5,591,028	32,240	889,811					6,513,079
Sales of lunches			5,373,255					5,373,255
Interest	85,177	59,310	4,187	\$ 34,207	20,514		64,469	273,864
Non-revenue receipts	347,514	88,948					506,533	942,995
<b>TOTAL RECEIPTS</b>	<b>\$ 141,213,861</b>	<b>\$ 1,707,231</b>	<b>\$ 6,260,709</b>	<b>\$ 34,207</b>	<b>\$ 20,514</b>		<b>\$ 14,927,643</b>	<b>\$ 164,236,225</b>
<b>DISBURSEMENTS</b>								
Instructional services	\$ 76,586,920							\$ 76,586,920
Support services	44,240,238							44,240,238
Other salaries and benefits			\$ 2,884,437					2,884,437
Supplies and materials			236,750					236,750
Purchased services		\$ 1,031,030	2,183,390	\$ 11,155,102				14,960,612
Food			1,436,578					1,436,578
Capital outlay		1,297,118	17,076		\$ 836,460			2,151,254
Building and site acquisition and improvement		2,495,119			11,730			2,506,849
Other		27,380						31,590
Redemption of principal								9,910,000
Debt service interest								5,017,215
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 120,830,158</b>	<b>\$ 5,450,647</b>	<b>\$ 6,758,831</b>	<b>\$ 11,155,102</b>	<b>\$ 844,190</b>	<b>\$ 4,210</b>	<b>\$ 14,927,215</b>	<b>\$ 156,974,443</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>\$ 20,383,703</b>	<b>\$ (3,683,416)</b>	<b>\$ (489,862)</b>	<b>\$ (11,120,895)</b>	<b>\$ (821,676)</b>	<b>\$ (4,210)</b>	<b>\$ 428</b>	<b>\$ 4,264,782</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from refunding bonds								30,381,618
Payment to bond refunding escrow agent								(30,898,749)
Transfers in								16,039,403
Transfers out								(16,039,403)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (16,039,403)</b>	<b>\$ (3,683,416)</b>	<b>\$ (489,862)</b>	<b>\$ 1,943,565</b>	<b>\$ 2,153,177</b>	<b>\$ (4,210)</b>	<b>\$ (516,703)</b>	<b>\$ 3,747,651</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>\$ 4,344,300</b>	<b>\$ (3,683,416)</b>	<b>\$ (489,862)</b>	<b>\$ 1,943,565</b>	<b>\$ 2,153,177</b>	<b>\$ (4,210)</b>	<b>\$ (516,703)</b>	<b>\$ 3,747,651</b>
<b>FUND BALANCE - Beginning of year</b>	<b>\$ 26,056,794</b>	<b>\$ 10,724,784</b>	<b>\$ 1,216,139</b>	<b>\$ 3,930,208</b>	<b>\$ 3,963,591</b>	<b>\$ 4,210</b>	<b>\$ 12,400,707</b>	<b>\$ 56,205,523</b>
<b>FUND BALANCE - End of year</b>	<b>\$ 31,301,094</b>	<b>\$ 7,041,368</b>	<b>\$ 727,077</b>	<b>\$ 5,882,773</b>	<b>\$ 6,116,768</b>		<b>\$ 11,884,004</b>	<b>\$ 62,953,174</b>
<b>FUND BALANCE - CASH BASIS:</b>								
Cash and cash equivalents	\$ 8,425,167	\$ 7,041,368	\$ 727,077	\$ 221,000	\$ 6,116,768		\$ 11,884,004	\$ 9,773,274
Investments	22,475,897			5,661,773				53,179,900
<b>TOTAL FUND BALANCE - CASH BASIS - AUGUST 31, 2003</b>	<b>\$ 31,301,094</b>	<b>\$ 7,041,368</b>	<b>\$ 727,077</b>	<b>\$ 5,882,773</b>	<b>\$ 6,116,768</b>		<b>\$ 11,884,004</b>	<b>\$ 62,953,174</b>

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, 2004

<u>Activities Fund</u>	<u>Beginning Net Assets</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Net Assets</u>
ADMINISTRATIVE OFFICE	\$ 515,491	\$ 339,411	\$ 594,334	\$ 260,568
HIGH SCHOOLS:				
North	575,848	859,409	784,944	650,313
South	422,288	856,295	782,072	496,511
West	309,419	786,003	765,002	330,420
MIDDLE SCHOOLS:				
Central	73,414	119,544	115,390	77,568
North	57,718	96,006	107,639	46,085
Beadle	11,645	55,332	46,557	20,420
Andersen	71,840	105,822	113,439	64,223
Kiewit	178,101	146,595	170,062	154,634
Russell	73,151	166,893	198,524	41,520
ELEMENTARY SCHOOLS:				
Abbott	20,085	22,922	20,722	22,285
Ackerman	11,565	40,415	43,757	8,223
Aldrich	3,523	12,028	14,130	1,421
Black Elk	16,077	39,212	35,285	20,004
Bryan	9,903	52,767	47,240	15,430
Cather	20,881	29,163	28,572	21,472
Cody	21,434	27,129	34,766	13,797
Cottonwood	8,840	11,840	9,705	10,975
Disney	11,550	15,927	16,307	11,170
Ezra Millard	12,895	21,413	20,381	13,927
Harvey Oaks	11,222	6,671	8,852	9,041
Hitchcock	8,164	21,742	21,076	8,830
Holling Heights	12,546	24,146	24,370	12,322
Montclair	9,616	36,641	33,567	12,690
Morton	4,726	24,557	23,361	5,922
Neihardt	20,799	24,269	28,426	16,642
Norris	13,462	27,876	23,412	17,926
Rockwell	24,230	25,870	23,273	26,827
Rohwer	16,356	24,420	19,702	21,074
Sandoz	9,480	19,815	20,232	9,063
Willowdale	19,947	30,903	43,530	7,320
Wheeler	14,206	37,815	26,004	26,017
SUMMER SCHOOL	58	131,838	132,293	(397)
MILLARD LEARNING CENTER	2,559	12,314	12,574	2,299
MSHS BUTTON FACTORY	49			49
ECHO HILLS SALES	947	249	350	846
MNHS LIFE SKILLS	466		30	436
	<u>\$ 2,594,501</u>	<u>\$ 4,253,252</u>	<u>\$ 4,389,880</u>	<u>\$ 2,457,873</u>
<u>Student Fee Fund</u>				
ALL SCHOOLS	<u>\$ 109,084</u>	<u>\$ 963,571</u>	<u>\$ 861,206</u>	<u>\$ 211,450</u>
NET ASSETS				
Cash and cash equivalents				\$ 1,623,195
Investments				1,046,128
TOTAL NET ASSETS - CASH BASIS HELD IN TRUST				<u>\$ 2,669,323</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.

*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.

*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, 2004.
- 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.

**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, 2004.

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, 2004 was \$1.3212 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, 2004, the carrying amount of the District's deposits was \$5,571,176 and the bank balance was \$5,948,227. 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 \$48,159,821 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 \$11,879,483 consist principally of money market funds and debt securities of U.S. Government Agencies. These investments are classified by risk level as Category 2. Included in this investment amount are cash equivalents totaling \$6,560,516.

At August 31, 2004, the District's activities fund also had \$735,223 of certificates of deposit, which have been 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, 2004. 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	\$1,423,269	\$1,085,114
Debt Service Fund	\$ 263,666	\$ 656,940
Special Building Fund	\$ 24,094	\$ 60,479



**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, 2004:

	General Obligation Bonds
Balance, August 31, 2003	\$ 126,935,000
Additions:	
New obligations	30,520,000
Deductions:	
Refunding of debt	29,000,000
Payment of principal	<u>9,910,000</u>
Balance, August 31, 2004	<u>\$ 118,545,000</u>

Bonds Payable - The following individual general obligation bond issues are outstanding at August 31, 2004:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Final Maturity Date</u>
July 1, 1999	4.70% to 4.75%	\$ 14,330,000	2017
October 15, 2001	3.00% to 3.20%	15,375,000	2008
November 14, 2002	3.63% to 4.50%	26,995,000	2017
April 23, 2003	2.00% to 4.25%	31,325,000	2019
March 1, 2004	2.00% to 3.50%	<u>30,520,000</u>	2016
TOTAL		<u>\$118,545,000</u>	

Aggregate principal and interest payments applicable to the District's bonds subsequent to August 31, 2004 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 10,385,000	\$ 4,040,156	\$ 14,425,156
2006	10,685,000	3,642,094	14,327,094
2007	10,830,000	3,243,387	14,073,387
2008	6,860,000	3,023,515	9,883,515
2009	7,665,000	2,830,143	10,495,143
2010-2014	39,815,000	10,392,678	50,207,678
2015-2019	<u>32,305,000</u>	<u>3,054,064</u>	<u>35,359,064</u>
TOTAL	<u>\$118,545,000</u>	<u>\$30,226,037</u>	<u>\$148,771,037</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

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

Bond Defeasance

On March 1, 2004, the District issued \$30,520,000 in General Obligation Bonds with an average interest rate of 3.08% to advance refund \$29,000,000 of outstanding 1999 Series bonds with an average interest rate of 5.26%.

As a result of the refunding, the District reduced its total debt service payments over the next thirteen years by approximately \$4,025,000 and realized an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,415,000.

**6. SPECIAL BUILDING FUND COMMITMENTS**

The District has approximately \$280,000 of commitments for the construction of new buildings, building additions, improvements and related building and site costs as of August 31, 2004.

**7. LEASE COMMITMENTS**

The District has non-cancelable operating lease agreements for 19 vans used for transportation of students in special education programs during the year ended August 31, 2004. 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.

In 2004, the District entered into a new lease with Connectivity Solutions Manufacturing for office and warehouse space to be utilized by the District's Technology Department. This lease expires in 2009.

Also, in 2004, the District entered into a new lease with Suburban Schools Building Corporation (Suburban) for an elementary school. Suburban acquired the land and then issued certificates of participation to fund the construction of the elementary school. Lease payments related to this agreement began May, 2004 and the lease expires May, 2011. The District has the option to purchase the building at the end of the lease.

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

	<u>Amount</u>
2005	\$1,411,972
2006	1,299,207
2007	1,286,398
2008	1,286,398
2009	1,221,797
2010	<u>1,100,000</u>
TOTAL	<u>\$7,605,772</u>

The total paid for lease commitments for the year ended August 31, 2004 was \$1,391,549, of which \$1,329,266 of the total lease commitments was paid out of the Special Building Fund and the remainder of the lease commitments was paid out of the General Fund.



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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**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.

The total payroll for the School District employees covered by NSERS for the year ended August 31, 2004 was \$84,310,754. The total payroll for all School District employees for the year ended August 31, 2004 was \$90,982,563.

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, 2004 were 7.25% of covered payroll. Actual employer and employee contributions made for the year ended August 31, 2004 were \$6,173,655 (7.32% of covered payroll) and \$6,112,530 (7.25% of covered payroll), respectively.

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.

**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.

**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, 2004**

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2003		\$ 26,956,794	
Receipts:			
Local receipts:			
Local property taxes	\$ 68,879,595	68,144,925	\$ (734,670)
Motor vehicle taxes	8,500,000	8,982,125	482,125
Carline tax	8,000	8,184	184
Public power district sales tax	1,500,000	1,509,985	9,985
Tuition received from individuals - General Education		5,257	5,257
Preschool tuition and fees		265,179	265,179
Interest	50,000	85,177	35,177
Local Fines and License Fees	300,000	534,676	234,676
Gifts/donations		25,144	25,144
Rental		19,226	19,226
Community services activities		2,319	2,319
Other local receipts	10,622	19,239	8,617
	<u>79,248,217</u>	<u>79,601,436</u>	<u>353,219</u>
County receipts:			
County fines and license fees	<u>700,000</u>	<u>950,891</u>	<u>250,891</u>
State receipts:			
State aid	42,473,328	42,473,328	
Special education programs	7,200,000	8,122,774	922,774
Special education transportation	1,200,000	1,202,967	2,967
Pro rata motor vehicle		274,411	274,411
Homestead exemption		519,716	519,716
High ability leaders		146,955	146,955
State apportionment	1,500,000	1,691,427	191,427
Textbook loan		46,165	46,165
Other state receipts	200,000	244,349	44,349
	<u>52,573,328</u>	<u>54,722,092</u>	<u>2,148,764</u>
Federal receipts:			
Title I - carryover	49,200	49,200	
Title I - current fiscal year	409,922	655,003	245,081
Special education - Grants to states	2,000,000	1,500,915	(499,085)
Special education - Additional funds		1,782,722	1,782,722
MEDICAID in public schools	25,000	85,276	60,276
Goals 2002	95,000	95,000	
Safe and drug-free schools and communities	72,816	74,462	1,646
Federal vocational and applied technology education	93,962	129,842	35,880
Innovation education program strategies	40,408	667,017	626,609
Other categorical	399,812	23,885	(375,927)
Other federal receipts	538,880	528,606	(10,274)
	<u>3,725,000</u>	<u>5,591,928</u>	<u>1,866,928</u>

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -  
GENERAL FUND, CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2004

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Receipts (continued):			
Non-revenue receipts:			
Sale of property		\$ 20,431	\$ 20,431
Other		<u>327,083</u>	<u>327,083</u>
Total receipts	<u>\$ 136,246,545</u>	<u>141,213,861</u>	<u>4,967,316</u>
Disbursements:			
Non-special education	70,830,850	71,652,172	(821,322)
Special education programs	14,276,626	14,094,752	181,874
Support services - pupils	8,675,289	8,645,051	30,238
Support services - staff	4,986,510	4,818,365	168,145
Board of education	1,774,650	1,542,417	232,233
Executive administration services	2,136,503	2,049,966	86,537
Office of the principal	8,135,436	8,058,502	76,934
General administration - business services	3,854,423	3,812,288	42,135
Vehicle acquisition and maintenance	173,500	152,716	20,784
Support services - maintenance and operation of building and site	14,257,784	14,610,111	(352,327)
Support services - regular pupil transportation	947,085	956,962	(9,877)
Support services - school age special education transportation	2,095,812	2,113,394	(17,582)
Community services	359,100	335,957	23,143
State categorical programs	49,749	163,167	(113,418)
Federal programs and other categorical aid	4,778,681	3,585,166	1,193,515
Summer school	51,948	133,063	(81,115)
Other	<u>190,051</u>	<u>145,512</u>	<u>44,539</u>
Total disbursements	<u>137,573,997</u>	<u>136,869,561</u>	<u>704,436</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (1,327,452)</u>	<u>4,344,300</u>	<u>\$ 5,671,752</u>
Budgetary fund balance, August 31, 2004		<u>\$ 31,301,094</u>	



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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -  
SPECIAL BUILDING FUND

FOR THE YEAR ENDED AUGUST 31, 2004

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2003		\$ 10,724,784	
Receipts:			
Local receipts:			
Local property taxes	\$ 1,272,822	1,161,606	\$ (111,216)
Motor vehicle tax			
Carline taxes	150	102	(48)
Public power district sales tax		27,895	27,895
Interest	100,000	59,310	(40,690)
Other local receipts		384,778	384,778
State reimbursement:			
Homestead exemptions		9,516	9,516
Pro rata motor vehicle	6,000	2,836	(3,164)
Federal reimbursement:		32,240	32,240
Non-revenue receipts	20,000	88,948	68,948
Total receipts	<u>1,398,972</u>	<u>1,767,231</u>	<u>368,259</u>
Disbursements:			
Purchased services		1,631,030	(1,631,030)
Capital outlays		1,297,118	(1,297,118)
Site acquisition and improvement		481,913	(481,913)
Building, acquisition and improvement	11,451,999	2,013,206	9,438,793
Other		27,380	(27,380)
Total disbursements	<u>11,451,999</u>	<u>5,450,647</u>	<u>6,001,352</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (10,053,027)</u>	<u>(3,683,416)</u>	<u>\$ 6,369,611</u>
Budgetary fund balance, August 31, 2004		<u>\$ 7,041,368</u>	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -  
SCHOOL LUNCH FUND

FOR THE YEAR ENDED AUGUST 31, 2004

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2003		\$ 1,216,139	
Receipts:			
Local receipts:			
Sale of lunches/milk	\$ 6,608,318	5,373,255	\$ (1,235,063)
Interest	30,000	4,187	(25,813)
Other	20,000	2,516	(17,484)
State reimbursement	35,000		(35,000)
Federal reimbursement	725,000	889,811	164,811
Total receipts	<u>7,418,318</u>	<u>6,269,769</u>	<u>(1,148,549)</u>
Disbursements:			
Food	3,500,000	1,436,578	2,063,422
Salaries and benefits	3,400,000	2,884,437	515,563
Supplies and materials	550,000	236,750	313,250
Contracted services		2,183,390	(2,183,390)
Capital outlays	50,000	17,676	32,324
Total disbursements	<u>7,500,000</u>	<u>6,758,831</u>	<u>741,169</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (81,682)</u>	<u>(489,062)</u>	<u>\$ (407,380)</u>
Budgetary fund balance, August 31, 2004		<u>\$ 727,077</u>	



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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -  
EMPLOYEE BENEFIT FUND

FOR THE YEAR ENDED AUGUST 31, 2004

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2003		\$ 3,939,208	
Receipts:			
Local receipts:			
Interest income	\$ 100,000	34,207	\$ (65,793)
Operational disbursements from the General Fund	<u>15,000,000</u>	<u>13,064,550</u>	<u>(1,935,450)</u>
Total receipts	<u>15,100,000</u>	<u>13,098,757</u>	<u>(2,001,243)</u>
Disbursements:			
Purchased services	<u>17,845,646</u>	<u>11,155,192</u>	<u>6,690,454</u>
Total disbursements	<u>17,845,646</u>	<u>11,155,192</u>	<u>6,690,454</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (2,745,646)</u>	<u>1,943,565</u>	<u>\$ 4,689,211</u>
Budgetary fund balance, August 31, 2004		<u>\$ 5,882,773</u>	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -  
DEPRECIATION FUND

FOR THE YEAR ENDED AUGUST 31, 2004

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2003		\$ 3,963,591	
Receipts:			
Local receipts:			
Interest income		26,514	\$ 26,514
Receipts:			
Operational disbursements from the General Fund	\$ 500,000	2,974,853	2,474,853
Total receipts	500,000	3,001,367	2,501,367
Disbursements:			
Capital Outlays:			
Furniture and equipment	2,010,702	836,460	1,174,242
Site acquisition and improvement		11,730	(11,730)
Total disbursements	2,010,702	848,190	1,162,512
Excess (deficiency) of receipts over disbursements	\$ (1,510,702)	2,153,177	\$ 3,663,879
Budgetary fund balance, August 31, 2004		\$ 6,116,768	



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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -  
COOPERATIVE FUND

FOR THE YEAR ENDED AUGUST 31, 2004

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2003		\$ 4,210	
Receipts:			
Local receipts:			
Other			
Total receipts			
Disbursements:			
Purchased services	\$ 4,210	4,210	
Total disbursements	\$ 4,210	4,210	
Excess (deficiency) of receipts over disbursements	\$ (4,210)	(4,210)	
Budgetary fund balance, August 31, 2004		\$ 0	

SCHOOL DISTRICT #77, MILLARD PUBLIC SCHOOLS  
DOUGLAS COUNTY, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -  
BOND FUND

FOR THE YEAR ENDED AUGUST 31, 2004

	Original Budget	Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2003			\$ 12,400,797	
Receipts:				
Local receipts:				
Local property taxes	\$ 13,929,571	\$ 13,929,571	13,887,158	\$ (42,413)
Carline taxes	5,000	5,000	1,685	(3,315)
Public Power District	450,000	450,000	305,301	(144,699)
Interest	300,000	300,000	64,469	(235,531)
State reimbursement:				
Homestead exemptions			104,899	104,899
Pro rata motor vehicle			57,598	57,598
Non-revenue receipts	245,000	245,000	506,533	261,533
Total receipts	14,929,571	14,929,571	14,927,643	(1,928)
Disbursements:				
Redemption of principal	9,910,000	9,910,000	9,910,000	
Debt service interest	5,139,927	5,139,927	5,017,215	122,712
Total disbursements	15,049,927	15,049,927	14,927,215	122,712
Excess (deficiency) of receipts over disbursements	(120,356)	(120,356)	428	120,784
Other financing sources (uses):				
Proceeds from refunding bonds		32,000,000	30,381,618	(1,618,382)
Payment to bond refunding escrow agent		(32,000,000)	(30,898,749)	1,101,251
Total other financing sources (uses)			(517,131)	(517,131)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	\$ (120,356)	\$ (120,356)	(516,703)	\$ (396,347)
Budgetary fund balance, August 31, 2004			\$ 11,884,094	



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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED AUGUST 31, 2004**

**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, 2004**

<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	\$ 864,991
Passed through the Nebraska Department of Social Services		
Food distribution	10.550	390,383
Total U.S. Department of Agriculture		<u>1,255,374</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
Physical Education Program	84.215F	122,301
Smaller Learning Communities	84.215L	14,775
Suicide Prevention	84.184S	41,820
Passed through Nebraska Department of Education		
Title I, Part A of the Elementary and Secondary Education Act	84.010	724,718
Individuals with Disabilities Education Act	84.027	4,070,009
Vocational Education - Basis Grant	84.048	126,722
Innovation Education Program Strategies Interagency Planning Grant	84.181	21,652
Innovation Education Program Strategies	84.298	83,088
Tech Literacy	84.318	34,844
English Language Acquisition	84.365	12,789
Improving Teacher Quality	84.367	359,134
Safe and Drug-Free Schools and Communities (Title IV, Part A of ESEA)	84.186	66,890
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	91,695
Total U.S. Department of Education		<u>5,770,437</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	85,276
<b>OTHER FEDERAL PROGRAMS</b>		
Teamates	16.726	5,089
<b>TOTAL</b>		<u>\$ 7,116,176</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, 2004**

**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 with the exception of commodities received under the food distribution of \$390,383. 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's year-end is August 31. Consequently, timing differences between expenditures and program reimbursement can exist at the beginning and end of the year. These timing differences will be resolved over the term of the grants.

October 20, 2004

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

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

We have audited the financial statements of the governmental activities and each fund of School District #17, Millard Public Schools, Douglas County, Nebraska, (the "District") as of and for the year ended August 31, 2004 which collectively comprise the District's basic financial statements and have issued our report thereon dated October 20, 2004. 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 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 an opinion 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 material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 or other matters that are required to be reported under *Government Auditing Standards*.

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 20, 2004

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. 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 of 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 programs for the year ended August 31, 2004.

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 reportable 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 noncompliance with applicable laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited would 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 compliance 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, 2004**

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

1. The independent auditor's report on the basic 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 programs for the District for the year ended August 31, 2004 are as follows:
  - National School Lunch Program – CFDA # 10.555
  - Food Distribution – CFDA # 10.550
  - Title I, Part A of the Elementary and Secondary Education Act – CFDA # 84.010
8. A threshold of \$500,000 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