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

ANNUAL FINANCIAL STATEMENTS AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS

AUGUST 31, 2012

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

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

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ORIZON CPAs LLC
CERTIFIED PUBLIC ACCOUNTANTS
16924 FRANCES STREET, SUITE 210
OMAHA, NEBRASKA 68130

Orizon CPAs

402 330/7008/PHONE
330/6851/FAX
www.orizoncpas.com

November 5, 2012

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying cash basis financial statements of the governmental activities, and each major fund of School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District") as of August 31, 2012 and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 discussed in Note 1, the District prepares its financial statements on the basis of cash receipts and disbursements, 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 respective cash basis financial position of the governmental activities, and each major fund of the District as of August 31, 2012 and the respective changes in financial position – cash basis, thereof for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have issued our report dated November 5, 2012 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 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.

Our audit was conducted for the purpose of forming opinions on the respective financial statements that collectively comprise the School District's basic financial statements. The accompanying supplemental information presented on pages 20-36 is presented for the purpose of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. These schedules have not been subjected to the auditing procedures applied to the basic financial statements and, accordingly, we express no opinion on them.

The accompanying Schedule of Expenditures of Federal Awards, as listed on pages 37-38, is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation the financial statements taken as a whole.

Orizon CPAs LLC

ORIZON CPAs LLC

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

STATEMENT OF NET ASSETS - CASH BASIS

AUGUST 31, 2012

ASSETS

	Governmental Activities
Cash	$ 27,131,683
Investments	60,879,163
TOTAL ASSETS	$ 88,010,846

NET ASSETS

Restricted:	
Special building	$ 18,507,725
School lunch	(349,890)
Debt service	18,490,421
Unrestricted:	
Board designated:	
Employee benefit	5,379,020
Depreciation	10,200,110
Undesignated	35,783,460
TOTAL NET ASSETS	$ 88,010,846

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, 2012

	Cash Disbursements	Program Cash Receipts: Charges for Services	Program Cash Receipts: Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets: School District
Governmental activities:				
Instructional services	$ (116,549,723)	$ 346,709	$ 15,059,666	$ (101,143,348)
Support services	(66,835,757)		1,260,941	(65,574,816)
Food services	(10,898,541)	8,438,922	2,623,381	163,762
Building maintenance and improvements	(30,577,674)			(30,577,674)
Debt service and lease payments	(14,995,833)			(14,995,833)
Other	(1,591,820)			(1,591,820)
Net program (disbursements) receipts	$ (241,449,348)	$ 8,785,631	$ 18,943,988	$ (213,719,729)
General receipts:				
Taxes collected				112,716,711
County receipts				1,176,450
State receipts				78,774,376
Federal receipts				8,349,380
Investment earnings				11,897
Other				7,785,033
Total general receipts				208,813,847
Increase (decrease) in net assets				(4,905,882)
Net assets - beginning of year				92,916,728
Net assets - end of year				$ 88,010,846

See Notes to the Basic Financial Statements.

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

STATEMENT OF FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2012

		Special Revenue Funds			
	General Fund	Special Building	School Lunch	Debt Service/Bond Fund	Total Governmental Funds
ASSETS					
Cash	$ 27,473,494	$ 3,128	$ (349,890)	$ 4,951	$ 27,131,683
Investments	23,889,096	18,504,597		18,485,470	60,879,163
TOTAL ASSETS	$ 51,362,590	$ 18,507,725	$ (349,890)	$ 18,490,421	$ 88,010,846
FUND BALANCES					
Restricted for:					
Capital projects		$ 18,507,725			$ 18,507,725
Debt service				$ 18,490,421	18,490,421
Committed to:					
Depreciation	$ 10,200,110				10,200,110
Assigned to:					
Employee benefit	5,379,020				5,379,020
Unassigned	35,783,460		$ (349,890)		35,433,570
TOTAL FUND BALANCE - CASH BASIS	$ 51,362,590	$ 18,507,725	$ (349,890)	$ 18,490,421	$ 88,010,846

See Notes to Basic Financial Statements.

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

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

AS OF AND FOR THE YEAR ENDED AUGUST 31, 2012

		Special Revenue Funds			
	General Fund	Special Building	School Lunch	Debt Service/Bond Fund	Total Governmental Funds
RECEIPTS:					
Local receipts	$ 97,877,169	$ 1,326,262	$ 766,395	$ 14,798,431	$ 114,768,257
County receipts	1,176,450				1,176,450
State receipts	88,831,738	16,714	44,987	264,636	89,158,075
Federal receipts	14,331,275		2,578,394		16,909,669
Sales of lunches			7,672,527		7,672,527
Interest	4,575	2,531	483	4,308	11,897
Non-revenue receipts	3,540,445	16,732			3,557,177
TOTAL RECEIPTS	205,761,652	1,362,239	11,062,786	15,067,375	233,254,052
DISBURSEMENTS:					
Instructional services	107,895,033				107,895,033
Support services	73,561,773				73,561,773
Other salaries and benefits			4,723,170		4,723,170
Supplies and materials			75,219		75,219
Purchased services	27,865,020	834,817	5,902,728		34,602,565
Capital outlay	629,812	3,962,578	2,426		4,594,816
Building and site acquisition and improvement	65,314	740,627			805,941
Other			194,998		194,998
Redemption of principal		1,561,525		7,835,000	9,396,525
Debt service interest		136,525		5,462,783	5,599,308
TOTAL DISBURSEMENTS	210,016,952	7,236,072	10,898,541	13,297,783	241,449,348
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(4,255,300)	(5,873,833)	164,245	1,769,592	(8,195,296)
OTHER FINANCING SOURCES (USES):					
Proceeds from certificates of participation		3,672,900			3,672,900
Transfers out			(383,486)		(383,486)
TOTAL OTHER FINANCING SOURCES (USES)		3,672,900	(383,486)		3,289,414
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	(4,255,300)	(2,200,933)	(219,241)	1,769,592	(4,905,882)
FUND BALANCE - beginning of year	55,617,890	20,708,658	(130,649)	16,720,829	92,916,728
FUND BALANCE - end of year	$ 51,362,590	$ 18,507,725	$ (349,890)	$ 18,490,421	$ 88,010,846

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, 2012

Activities Fund	Beginning Net Assets	Receipts	Disbursements	Transfers	Ending Net Assets
ADMINISTRATIVE OFFICE	$ 673,799	$ 583,443	$ 862,066	$ 600	$ 395,776
HIGH SCHOOLS:					
North	531,961	1,155,712	1,249,484	114,996	553,185
South	581,459	790,376	729,602	92,974	735,207
West	683,767	1,129,845	1,276,806	106,027	642,833
MIDDLE SCHOOLS:					
Andersen	108,569	80,865	100,616	8,720	97,538
Beadle	49,187	77,495	80,425	10,852	57,109
Central	55,689	86,664	91,652	8,777	59,478
Kiewit	313,506	283,315	263,652	10,013	343,182
North	94,155	84,782	91,692	9,333	96,578
Russell	105,325	110,695	122,345	9,888	103,563
ELEMENTARY SCHOOLS:					
Abbott	28,821	20,175	19,909	70	29,157
Ackerman	19,269	37,403	36,340	224	20,556
Aldrich	21,516	15,350	13,888	99	23,077
Black Elk	49,123	54,299	58,302	129	45,249
Bryan	11,167	13,960	8,801	202	16,528
Cather	21,080	18,102	17,312		21,870
Cody	7,845	18,443	16,217	100	10,171
Cottonwood	18,625	17,069	12,742	214	23,166
Disney	8,854	8,819	7,884	373	10,162
Ezra Millard	12,173	28,961	23,694	269	17,709
Harvey Oaks	5,220	10,562	10,982	115	4,915
Hitchcock	24,332	9,724	5,947	229	28,338
Holling Heights	22,390	14,097	10,465	313	26,335
Montclair	14,523	38,907	40,638	252	13,044
Morton	16,815	24,754	24,223	154	17,500
Neihardt	21,289	44,958	45,010	612	21,849
Norris	23,894	11,964	10,773	313	25,398
Reagan	55,658	60,599	32,916	221	83,562
Reeder	29,845	22,608	31,179	233	21,507
Rockwell	27,991	18,770	17,916	286	29,131
Rohwer	25,203	19,758	15,862	199	29,298
Sandoz	11,863	13,886	8,922	127	16,954
Upchurch	15,253	36,584	27,465	350	24,722
Wheeler	18,970	41,414	37,253	273	23,404
Willowdale	19,678	17,069	21,030	221	15,938
SUMMER SCHOOL	3,090	25			3,115
HORIZON HIGH SCHOOL	10,272	984	8,314	5,728	8,670
YOUNG ADULT PROGRAM	1,022	1,532	2,054		500
Total activities fund	$ 3,743,198	$ 5,003,968	$ 5,434,378	$ 383,486	$ 3,696,274
Student Fees Fund					
ALL SCHOOLS	$ 433,373	$ 1,405,031	$ 1,491,391		$ 347,013
NET ASSETS:					
Cash					$ 2,996,812
Investments					1,046,475
TOTAL NET ASSETS - CASH BASIS HELD IN TRUST					$ 4,043,287

See Notes to the Basic Financial Statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Reporting Entity

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

Basis of Presentation

Government-wide Financial Statements – The Statement of Net 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 business-type activities.

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

GOVERNMENTAL FUND ACTIVITIES

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

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

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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUND ACTIVITIES, CONTINUED

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

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

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

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

FIDUCIARY FUND ACTIVITIES

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

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

Measurement Focus and Basis of Accounting

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

Measurement Focus

In both the government-wide financial statements and the fund financial statements, the governmental 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 generally accepted accounting principles in the United States of America.

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

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

a. Nonspendable – This fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. At August 31, 2012, the District did not have any nonspendable funds.

b. Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Board of Education to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classification, Continued

Fund Financial Statements, Continued

c. Committed – This fund balance classification includes amounts that can only be used for the specific purposes imposed by formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Board of Education or a District Administrator delegated that authority by the Board of Education.

e. Unassigned – This fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Internal and Interfund Balances and Activities

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

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

Transfers between funds during the year were as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Distributes vending revenue to school buildings	Activity Fund	School Lunch Fund	$ 383,486

2. BUDGET PROCESS AND PROPERTY TAXES

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

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

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

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

2. BUDGET PROCESS AND PROPERTY TAXES, CONTINUED

The property tax requirement resulting from the budget process is utilized to establish the tax levy in accordance with State statutes, which tax levy attaches as an enforceable lien on property within the District as of December 31. Taxes are due as of that date. One-half of the real estate taxes become delinquent after the following April 1, with the second one-half becoming delinquent after August 1. The combined tax rate of the District for the year ended August 31, 2012 was $1.210000 per $100 of assessed valuation. Included in the District's combined rate, as described above, is $0.95 per $100 of Learning Communities monies for the general fund provided based on need.

3. DEPOSITS AND INVESTMENTS

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

Deposits

At August 31, 2012, the carrying amount of the District's deposits was $30,128,495 and the bank balance was $30,934,489.

	Book Balance	Bank Balance
Governmental funds	$ 27,131,683	$ 27,779,894
Fiduciary funds	2,996,812	3,154,595
TOTAL	$ 30,128,495	$ 30,934,489

Investments

Investments of $42,499,369 consist of the Nebraska School District Liquid Asset Fund Plus and recorded at 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. Investments are reported at fair value. $240,330 of these funds are in the fiduciary funds and $42,259,039 are in the governmental funds.

Investments of $19,426,269 consist of money market funds. $806,145 of these funds are in the fiduciary funds and $18,620,124 are in the governmental funds.

3. DEPOSITS AND INVESTMENTS, CONTINUED

Risks

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

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

The bank balances of the District's deposits, which includes the CD's are insured through Federal Depository Insurance Corporation ("FDIC") coverage or collateral held by the District's agent in the District's name. At August 31, 2012, $18,918,383 was not covered by federal depository insurance or collateral held by the Districts agent in the District's name.

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

4. FUNDS HELD BY COUNTY TREASURER

The following balances were held by the Sarpy and Douglas County Treasurers for the District as of August 31, 2012. The monies were transferred to the District subsequent to August 31 and are not included as receipts or cash balances in the financial statements:

	Sarpy County	Douglas County
General Fund	$ 225,943	$ 600,178
Debt Service Fund	76,650	914,390
Special Building Fund	4,791	57,646
Learning Community Monies	734,882	3,905,653

5. NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

5. NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Funding Policy - In accordance with Nebraska Statutes §79-1531 and §79-1540, employee contributions are made in accordance with statute and the recommendation of an actuary (study as of June 30, 1996) and employer contributions are based upon 101% of employee contributions. Employee contribution requirements for the year ended August 31, 2012 were 8.88% of covered payroll. Actual employer and employee contributions made for the year ended August 31, 2012 were $10,942,056 (8.97% of covered payroll) and $10,833,719 (8.88% of covered payroll), respectively.

Actual employer and employee contributions made for the year ended August 31, 2011 were $10,268,351 (8.36% of covered payroll) and $10,166,684 (8.28% of covered payroll), respectively. Actual employer and employee contributions made for the year ended August 31, 2010 were $9,731,897 (8.36% of covered payroll) and $9,635,541 (8.28% of covered payroll), respectively.

6. COMMITMENTS AND CONTINGENCIES

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

Bonds Payable

The following is a summary of general obligation transactions of the District for the year ended August 31, 2012:

Balance, August 31, 2011	$ 135,500,000
Deductions:	
Payment of principal	(7,835,000)
Balance, August 31, 2012	$ 127,665,000

The following is the bonded indebtedness of the District as of August 31, 2012:

Issue Date	Interest Rate	Amount	Final Maturity Year
April 23, 2003	4.100%	$ 15,400,000	2019
June 15, 2006	4.546%	48,000,000	2025
April 15, 2009	3.600%	19,475,000	2017
May 1, 2010	3.254%	44,790,000	2025
TOTAL		$ 127,665,000	

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Aggregate principal and interest payments applicable to the District's bonds subsequent to August 31, 2012 are as follows:

	Principal	Interest	Total
2013	$ 8,110,000	$ 5,115,105	$ 13,225,105
2014	8,450,000	4,750,418	13,200,418
2015	8,805,000	4,365,068	13,170,068
2016	9,090,000	3,982,193	13,072,193
2017	8,700,000	3,659,793	12,359,793
2018-2022	49,500,000	12,698,878	62,198,878
2023-2025	35,010,000	2,618,838	37,628,838
TOTAL	$ 127,665,000	$ 37,190,293	$ 164,855,293

Lease Commitment

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

- Thirty-six vans used for transportation of students in special education programs expiring on various dates through August 2017.
- Vehicles used by the administration and maintenance. These leases expire on various dates through April 2014.
- Several copiers used throughout the District expiring on various dates through 2017.

Future minimum lease payments for all leases are as follows:

Fiscal Year-end:	Amount
2013	$ 258,506
2014	197,341
2015	141,949
2016	97,728
2017	40,094

The total paid for lease commitments for the year ended August 31, 2012 was $273,615 all of which was paid out of the General Fund.

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

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

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

Fiscal Year-end:	Amount	Interest	Total
2013	$ 2,710,000	$ 244,348	$ 2,954,348
2014	2,770,000	183,980	2,953,980
2015	2,835,000	117,178	2,952,178
2016	1,650,000	49,500	1,699,500
Total	$ 9,965,000	$ 595,006	$10,560,006

The total paid for these COPS lease commitments for the year ended August 31, 2012 was $1,698,050, all paid out of the Special Building Fund.

Grant Program Involvement

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

Compensated Absences

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

Voluntary Early Separation Plan

The District has established a Voluntary Early Separation Plan that allows certain employees to receive benefits from the District during the period beginning when they take early retirement until their benefits from the NPERS system begin. As of August 31, 2012, the District estimates their liability under this plan at $14,396,718 with the final obligations payable in fiscal year 2017.

Learning Community Legislation

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

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

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Learning Community Legislation, Continued

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

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

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

Litigation

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

Arbitrage

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

Risk Management

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

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Risk Management, Continued

The District manages these various risks of loss as follows:

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

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

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2012

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2011		$ 38,155,673	
Receipts:			
Local receipts:			
Local property taxes	$ 88,544,747	84,856,579	$ (3,688,168)
Motor vehicle taxes	10,000,000	9,742,921	(257,079)
Carline tax	10,000	2,530	(7,470)
Public power district sales tax	2,000,000	2,407,876	407,876
Tuition received from individuals - general education		346,709	346,709
Local fines and license fees	450,000	509,867	59,867
Community services activities		1,097	1,097
Other local receipts	109,566	9,590	(99,976)
	101,114,313	97,877,169	(3,237,144)
County receipts:			
County fines and license fees	1,200,000	1,176,450	(23,550)
State receipts:			
State aid	72,057,188	72,057,188	
Special education programs	10,000,000	9,056,754	(943,246)
Special education transportation	1,200,000	1,260,941	60,941
Pro rata motor vehicle	180,000	274,276	94,276
Homestead exemption	2,300,000	3,027,598	727,598
State apportionment	3,200,000	2,932,169	(267,831)
Textbook loan	20,000	21,017	1,017
Other state receipts	2,300,000	201,795	(2,098,205)
	91,257,188	88,831,738	(2,425,450)
Federal receipts:			
Title I	1,500,000	976,074	(523,926)
Special education - grants to states	1,350,000	1,342,912	(7,088)
Special education - additional funds	3,000,000	3,095,758	95,758
MEDICAID in public schools	200,000	526,708	326,708
Federal vocational and applied technology education	134,000	134,000	
No child left behind	450,000	433,151	(16,849)
Other categorical	3,200,000	4,596,312	1,396,312
Other federal receipts	4,500,000	3,226,360	(1,273,640)
	14,334,000	14,331,275	(2,725)
Interest	25,000	2,547	(22,453)

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - GENERAL FUND, CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2012

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Receipts (continued):			
Non-revenue receipts:			
Sale of property		$ 15,134	$ 15,134
Other		883,392	883,392
		898,526	898,526
Total receipts	$ 207,930,501	203,117,705	(4,812,796)
Disbursements:			
Non-special education	100,070,272	103,657,732	(3,587,460)
Special education programs	22,302,860	21,097,275	1,205,585
Support services - pupils	13,149,285	12,330,255	819,030
Support services - staff	11,198,617	6,363,408	4,835,209
Board of education	2,320,421	2,147,522	172,899
Executive administration services	2,837,799	2,609,324	228,475
Office of the principal	11,282,927	11,276,973	5,954
General administration - business services	7,401,421	6,712,382	689,039
Vehicle acquisition and maintenance	462,500	366,739	95,761
Support services - maintenance and operation of building and site	26,562,841	23,977,787	2,585,054
Support services - regular pupil transportation	2,019,998	1,851,748	168,250
Support services - school age special education transportation	3,389,660	2,852,263	537,397
Community services	4,000	453,862	(449,862)
State categorical programs	23,411	24,254	(843)
Federal programs and other categorical aid	6,370,710	8,292,706	(1,921,996)
Summer school	5,000	337,730	(332,730)
Other	1,279,107	1,137,958	141,149
Total disbursements	210,680,829	205,489,918	5,190,911
Excess (deficiency) of receipts over disbursements	$ (2,750,328)	(2,372,213)	$ 378,115
Budgetary fund balance, August 31, 2012		$ 35,783,460	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - SPECIAL BUILDING FUND

FOR THE YEAR ENDED AUGUST 31, 2012

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2011		$ 20,708,658	
Receipts:			
Local receipts:			
Local property taxes	$ 907,840	883,771	$ (24,069)
Carline taxes		10	10
Public Power District sales tax		24,593	24,593
Other local receipts	92,160	417,888	325,728
State reimbursement:			
Homestead exemptions		14,624	14,624
Pro rata motor vehicle		2,090	2,090
Proceeds from certificates of participation		3,672,900	3,672,900
Interest		2,531	2,531
Non-revenue receipts		16,732	16,732
Total receipts	1,000,000	5,035,139	4,035,139
Disbursements:			
Purchased services		834,817	(834,817)
Capital outlays		3,962,578	(3,962,578)
Building, acquisition and improvement	22,467,608	740,627	21,726,981
Lease payments		1,698,050	(1,698,050)
Total disbursements	22,467,608	7,236,072	15,231,536
Excess (deficiency) of receipts over disbursements	$ (21,467,608)	(2,200,933)	$ 19,266,675
Budgetary fund balance, August 31, 2012		$ 18,507,725	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - SCHOOL LUNCH FUND

FOR THE YEAR ENDED AUGUST 31, 2012

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2011		$ (130,649)	
Receipts:			
Sale of lunches/milk	$ 10,500,000	7,672,527	$ (2,827,473)
Interest	4,000	483	(3,517)
Local receipts	946,000	766,395	(179,605)
State reimbursement	50,000	44,987	(5,013)
Federal reimbursement	2,500,000	2,578,394	78,394
Total receipts	14,000,000	11,062,786	(2,937,214)
Disbursements:			
Salaries and benefits	5,500,000	4,723,170	776,830
Supplies and materials	1,200,000	75,219	1,124,781
Contracted services	6,000,000	5,902,728	97,272
Capital outlays	300,000	2,426	297,574
Other		194,998	(194,998)
Operational disbursements to the Activities fund		383,486	(383,486)
Total disbursements	13,000,000	11,282,027	1,717,973
Excess (deficiency) of receipts over disbursements	$ 1,000,000	(219,241)	$ (1,219,241)
Budgetary fund balance, August 31, 2012		$ (349,890)	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - EMPLOYEE BENEFIT FUND

FOR THE YEAR ENDED AUGUST 31, 2012

	Original Budget	Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2011			$ 6,872,800	
Receipts:				
Interest income	$ 20,000	$ 20,000	752	$ (19,248)
Other receipts			2,641,919	2,641,919
Operational transfers from the General fund	20,536,504	20,536,504	23,728,569	3,192,065
Total receipts	20,556,504	20,556,504	26,371,240	5,814,736
Disbursements:				
Purchased services	25,000,000	29,000,000	27,865,020	1,134,980
Excess (deficiency) of receipts over disbursements	$ (4,443,496)	$ (8,443,496)	(1,493,780)	$ 6,949,716
Budgetary fund balance, August 31, 2012			$ 5,379,020	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - DEPRECIATION FUND

FOR THE YEAR ENDED AUGUST 31, 2012

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2011		$ 10,589,417	
Receipts:			
Interest income		1,276	$ 1,276
Operational transfers from the General fund		304,543	304,543
Total receipts		305,819	305,819
Disbursements:			
Capital outlays:			
Furniture and equipment	$ 5,135,665	629,812	4,505,853
Building and site acquisition and improvement		65,314	(65,314)
Total disbursements	5,135,665	695,126	4,440,539
Excess (deficiency) of receipts over disbursements	$ (5,135,665)	(389,307)	$ 4,746,358
Budgetary fund balance, August 31, 2012		$ 10,200,110	

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

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - BOND FUND

FOR THE YEAR ENDED AUGUST 31, 2012

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2011		$ 16,720,829	
Receipts:			
Local receipts:			
Local property taxes	$ 14,252,457	14,404,769	$ 152,312
Carline taxes		165	165
Public power district		393,497	393,497
State reimbursement:			
Homestead exemptions		222,007	222,007
Pro rata motor vehicle		42,629	42,629
Interest		4,308	4,308
Total receipts	14,252,457	15,067,375	814,918
Disbursements:			
Redemption of principal	7,835,000	7,835,000	
Debt service interest	5,462,783	5,462,783	
Total disbursements	13,297,783	13,297,783	
Excess (deficiency) of receipts over disbursements	$ 954,674	1,769,592	$ 814,918
Budgetary fund balance, August 31, 2012		$ 18,490,421	

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

NOTES TO OTHER SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON SCHEDULES FOR THE YEAR ENDED AUGUST 31, 2012

1. BUDGETARY ACCOUNTING

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

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

2. PRESENTATION

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

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

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

FOR THE YEAR ENDED AUGUST 31, 2012

	General Fund	Employee Benefit	Depreciation	Total General Funds	Special Revenue Funds: Special Building	Special Revenue Funds: School Lunch	Debt Service/Bond Fund	Total Governmental Funds
RECEIPTS:								
Local receipts	$ 97,877,169			$ 97,877,169	$ 1,326,262	$ 766,395	$ 14,798,431	$ 114,768,257
County receipts	1,176,450			1,176,450				1,176,450
State receipts	88,831,738			88,831,738	16,714	44,987	264,636	89,158,075
Federal receipts	14,331,275			14,331,275		2,578,394		16,909,669
Sales of lunches						7,672,527		7,672,527
Interest	2,547	$ 752	$ 1,276	4,575	2,531	483	4,308	11,897
Non-revenue receipts	898,526	2,641,919		3,540,445	16,732			3,557,177
TOTAL RECEIPTS	203,117,705	2,642,671	1,276	205,761,652	1,362,239	11,062,786	15,067,375	233,254,052
DISBURSEMENTS:								
Instructional services	107,895,033			107,895,033				107,895,033
Support services	73,561,773			73,561,773				73,561,773
Other salaries and benefits						4,723,170		4,723,170
Supplies and materials						75,219		75,219
Purchased services		27,865,020		27,865,020	834,817	5,902,728		34,602,565
Capital outlay			629,812	629,812	3,962,578	2,426		4,594,816
Building and site acquisition and improvement			65,314	65,314	740,627			805,941
Lease payments								
Other						194,998		194,998
Redemption of principal					1,561,525		7,835,000	9,396,525
Debt service interest					136,525		5,462,783	5,599,308
TOTAL DISBURSEMENTS	181,456,806	27,865,020	695,126	210,016,952	7,236,072	10,898,541	13,297,783	241,449,348
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	21,660,899	(25,222,349)	(693,850)	(4,255,300)	(5,873,833)	164,245	1,769,592	(8,195,296)
OTHER FINANCING SOURCES (USES):								
Proceeds from certificates of participation					3,672,900			3,672,900
Transfers in		23,728,569	304,543	24,033,112				24,033,112
Transfers out	(24,033,112)			(24,033,112)		(383,486)		(24,416,598)
TOTAL OTHER FINANCING SOURCES (USES)	(24,033,112)	23,728,569	304,543		3,672,900	(383,486)		3,289,414
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	(2,372,213)	(1,493,780)	(389,307)	(4,255,300)	(2,200,933)	(219,241)	1,769,592	(4,905,882)
FUND BALANCE - beginning of year	38,155,673	6,872,800	10,589,417	55,617,890	20,708,658	(130,649)	16,720,829	92,916,728
FUND BALANCE - end of year	$ 35,783,460	$ 5,379,020	$ 10,200,110	$ 51,362,590	$ 18,507,725	$ (349,890)	$ 18,490,421	$ 88,010,846

MANAGEMENT'S DISCUSSION AND 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 four 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. Supplementary Information

This part of the annual report includes the Management's Discussion and Analysis (MD&A), Schedule of Federal Expenditures and the Funds' Budgetary Comparison Schedules. This supplemental financial information is provided to address certain specific needs of various users of the District's annual report.

Note: In previous years, the MD&A and the General and Special Revenue Funds Budgetary Comparison Schedules were required supplementary information. Due to a change in the AICPA Audit and Accounting Guide, State and Local Governments, this information is no longer considered required and, therefore, this information is contained in the supplementary information section.

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.

2. The Government-wide Statements

The government-wide financial statements are presented on pages 3 and 4. 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 7.

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 5. The fund financial statements begin on page 20 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.

II. 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), 1 career center (grades 11-12), 6 middle schools (grades 6-8), and 25 elementary schools (grades K-5). With the exception of two elementary schools, all 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.

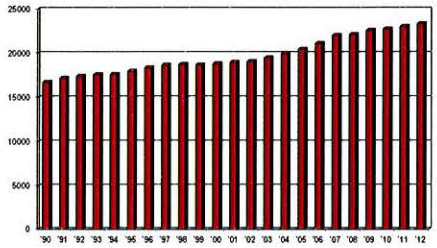
B. Students

Over the past few decades, there has been substantial growth in student enrollment in the District. In the fall of 1977, student enrollment was 9,267. The student enrollment as of September 20, 2012 was 23,348 (see, Chart 1).

CHART I

PK-12 STUDENT ENROLLMENT

(Source: Fall Enrollment Report – September 20, 2012)



C. Personnel

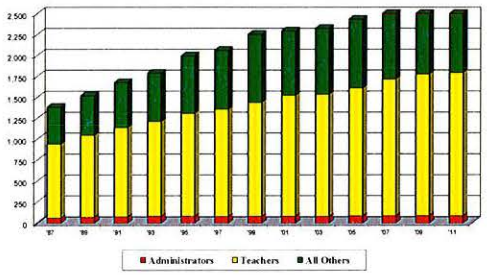
The growth in student enrollment has been accompanied by a similar growth in the number of employees working for the District (see, Chart 2).

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 FY12 was about 3.0%.

CHART 2

PERSONNEL

[Source: Fall (October) Personnel Report]



D. Valuation

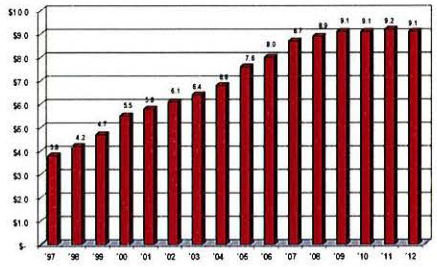
The assessed value of property within the District has been increasing due to the revaluing of property and the growth in both new residential and new commercial developments in the area (see, Chart 3).

The rate of growth in property values in the District has fluctuated from year to year. In recent years, the highest value growth was in 2000 when the growth was 16.5%. The valuation growth, however, has begun to level out. In fact, in 2012 the district valuation actually decreased by 0.1%.

CHART 3

ASSESSED VALUE

[Source: August 20th County Assessor's Certifications – $ Billions]



E. Tax Levy

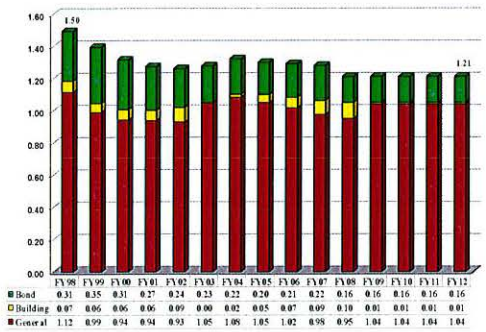
Three of the District's funds receive monies through the property tax levy. These three are the general fund, the special building fund, and the bond fund. These funds are discussed in more detail herein below.

As property valuations in the District increased, the property tax levy trended downward despite the passage of an $89 million bond issue in 1997 and a $78 million bond issue in 2005. With the flattening of property values, the tax levy became flat as well. The levy for the past five years has remained at $1.21 (see, Chart 4).

CHART 4

TAX LEVY BY FUND

(Includes Learning Community Common Levies)



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.

When first introduced, the spending lid provided that district budgets could increase by a specific statutory percentage over the prior year (with some exclusions). Later, however, the legislature changed to calculations to permit an option whereby the lid was based upon "formula needs." This change gave the district significantly more spending authority. The District, however, did not increase its budgets to this higher limit.

In addition to the spending lid, the Nebraska legislature provided for a lid on the tax levies of school districts (and other political subdivisions). The statutory lid is $1.05 per one hundred dollars of value in the District. There are some exclusions to this lid that increase the effective tax lid to about $1.11 (including the levies for the general fund and the special building fund). The District, however, has opted to hold its tax levy (i.e., general fund plus building fund) at $1.05.

In brief, during FYE12, the District operated under budgets and levies that were well within both the spending and levy lids.

III. 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.).

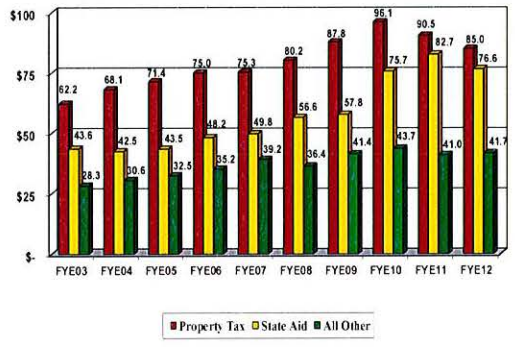
During the past few years, the proportion of the funding from each of these sources has shifted somewhat and the District has become more reliant upon property taxes than any other source (see, Chart 5). [Note: "All Other" includes changes, if any, in cash reserve.]

It should be noted that the District is now one of eleven school districts in the Douglas and Sarpy County Learning Community. All school districts in the Learning Community had a 95-cent general fund common levy that was collected uniformly throughout the two counties and distributed to the schools by way of a statutory formula. The formula was primarily driven by student enrollment. Under this new tax distribution arrangement, in 2011, the District received about $1.0 million dollars in revenue over the previous system of distribution.

CHART 5

REVENUE SOURCES

[Source: Audit Reports – $Millions]



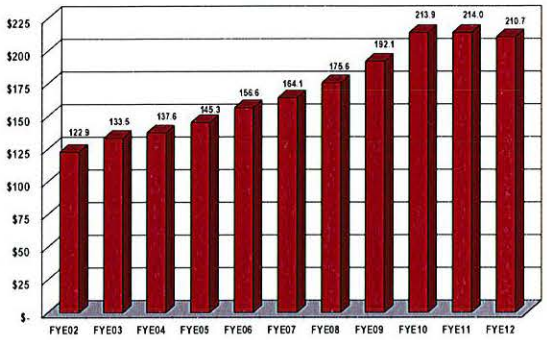
The total FYE12 budget of expenditures decreased from the previous year by 1.5% (see, Chart 6).

The FYE12 general fund budget was directed primarily towards the continuation of existing programs and services.

CHART 6

TOTAL EXPENDITURES

[Source: General Fund Budget – $ Millions]



The FYE12 budget provided for a 1.5% increase in salaries and benefits for teachers (i.e., the largest group of employees). The salary and benefits packages for other employees were similar to that granted to the teachers.

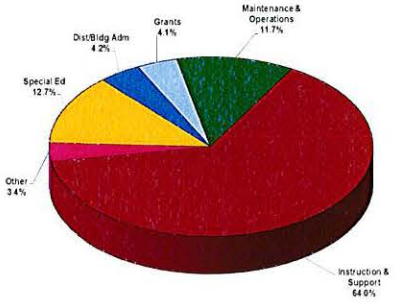
Since education is a service industry, a majority of its costs are tied up in employee costs. Approximately 80% of the District's general fund expenditures are related to employee salaries and benefits.

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 third (see, Chart 7).

CHART 7

EXPENSE CATEGORIES

[Source: FYE12 Final Financial Reports]



The FYE12 budget was constructed to decrease the cash reserve. At the end of FYE12, the cash reserve was down $2.3 million from the preceding year (see, Chart 8).

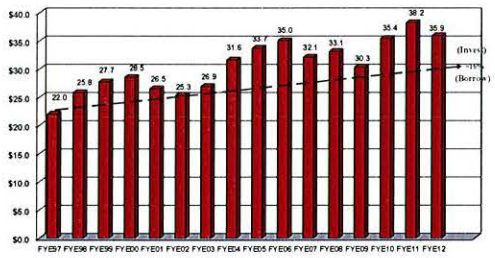
The District plans to budget for a cash reserve equal to 15%-20% of its budget of expenditures for the fiscal year.

The cash reserve provides the District with monies to pay its obligations (e.g., payroll)

CHART 8

CASH RESERVE

[Source: Annual Audit Reports - General Fund - $Millions]



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., less than about 16%) the District has to temporarily borrow money to meet its cash flow obligations.

When borrowing is required, the District borrows first from its other funds, namely the special building fund. The second line of funding is from commercial banks.

B. Special Building Fund

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

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

In FYE12, the District directed 1¢ of its levy to the building fund. The proceeds were available for major capital replacement projects (e.g., replacing roofs, parking lots, HVAC equipment, etc.).

The special building fund also contains the proceeds from bond issuances.

During FYE05, the District's residents voted in favor of a $78 million dollar bond issue to construct new buildings and to renovate existing ones. The first $30 million of approved bonds were issued during FYE05. The remaining $48 million of bonds were issued in FYE06. All projects have been completed.

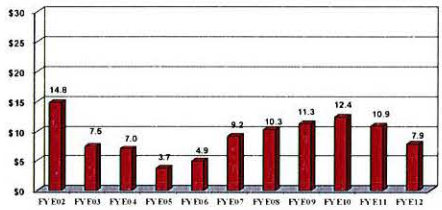
The FYE12 ending balance in the Special Building Fund was $18.5 million. This amount included the remaining proceeds (mainly interest on investments) from the bonds noted above.

Of this $18.5 million ending balance, only $7.9 million was not earmarked to existing obligations for capital projects, technology purchases, and existing leases (see, Chart 9).

CHART 9

SPECIAL BUILDING FUND

[Source: Audit Reports - Year End Non-Earmarked Balance - $ Millions]



The "existing leases" noted above represent lease purchase payments related to the purchase and renovation of the Ron Witt Support Services Center (RWSSC) and the replacement of technology. These future commitments total about $1.7 million per year for the next four years for the RWSSC and about $1.2 million per year for the next three years for technology.

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. Beginning in FYE09, the management of the program changed to Sodexho.

At the end of FYE12, the fund balance in the food service fund decreased by $219,242 from the previous year.

As noted above, expenses (i.e., indirect costs) associated with insurance, payroll services, utilities, use of facilities, etc. are not included in the food service fund accounting. These indirect costs are paid through the general fund.

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.).*

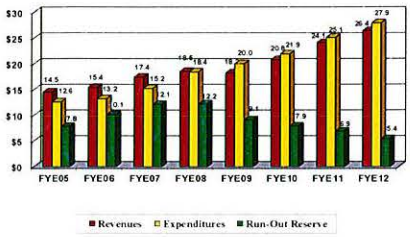
The District uses the employee benefit fund for expenses related to its self-funded health insurance program (which is administered by a third party administrator).

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, the third party administrator processes the claims and sends statements to the District. The District then pays the claims from the Employee Benefit Fund.

CHART 10

EMPLOYEE BENEFIT FUND

[Source: Annual Audit Report – $ Millions]



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 in Employee Benefit Fund at the end of the fiscal year. The actual amount at the end of FYE12 was about 23% (see Chart 10). This was down from about 29% during FYE11.

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 replace 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, replacing HVAC units, etc.

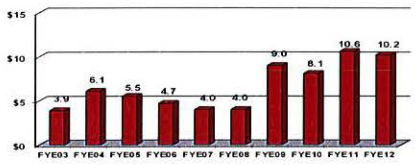
There are separate sub-accounts in the depreciation fund for each building in the District. There is also a district-wide account.

At the end of FYE12, the balance in the depreciation fund was $10.2 million (see, Chart 11).

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.*

During FYE11, the District had no funds that needed to be accounted for in 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.*

During FYE05, the District issued the first $30 million of bonds (pursuant to the passage of the $78 million bond issue referendum in 2005).

Due to a favorable interest rate environment, the District decided to issue the remaining $48 million of bonds during FYE06.

In FYE10, $51,480,000 in bonds were issued to refund the 2004 and 2005 series. This resulted in an estimated savings of $2.5 million.

At the end of the fiscal year, the District had $127.7 million in outstanding bonds carrying average interest rates from 2.0 to 6.0%. The last bonds mature in 2025.

The District improved its bond rating from Moody's from "Aa2" to "Aa1", while maintaining the "AA" rating from 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 35 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 is 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 the fees were collected.*

Monies that are collected in student fees are deposited into the Student Fees Fund. The expenditures associated with the student programs (for which the fees were collected) are generally reflected in the Activities Fund.

Periodically throughout the fiscal year, monies from the Student Fees Fund are transferred to the Activities Fund to offset the appropriate expenditures.

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This Management's Discussion and Analysis (MD&A) is respectfully submitted this 5th day of November, 2012.

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2012

Federal Grantor/Pass Through Entity/ Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER:		
Passed through Nebraska Department of Education		
National School Lunch Program	10.555	$ 2,579,388
Passed through the Nebraska Department of Health and Human Services		
Food Distribution Program	10.555	577,678
Total U.S. Department of Agriculture		3,157,066
U.S. DEPARTMENT OF EDUCATION:		
Passed through Nebraska Department of Education		
TITLE I, PART A CLUSTER		
Title I of the Elementary and Secondary Education Act	84.010	1,235,817
Total Title I, Part A Cluster		1,235,817
SPECIAL EDUCATION CLUSTER (IDEA)		
Special Education - Grants to States (IDEA, Part B)	84.027	4,347,537
Special Education - Preschool Grants (IDEA Preschool)	84.173	89,676
Total Special Education Cluster (IDEA)		4,437,213
EARLY INTERVENTION SERVICES (IDEA) CLUSTER		
IDEA Part C Ages Birth - 3	84.181	26,084
Total Early Intervention Services (IDEA) Cluster		26,084
Perkins Grant	84.048	118,990
Education Technology	84.318	344
English Language Acquisition - Title III	84.365	49,828
Improving Teacher Quality - Title II, A	84.367	299,589
Safe and Drug-Free Schools - Title IV, A	84.184	2,892
Education Jobs Fund	84.410	84,555
Total U.S. Department of Education		6,255,312
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Passed through Nebraska Department of Health and Human Services System		
MEDICAID CLUSTER		
Medical Assistance Program	93.778	526,708
FEDERAL EMERGENCY MANAGEMENT AGENCY:		
Passed through Nebraska Emergency Management Agency		
Disaster Assistance	97.042	4,307
TOTAL		$ 9,943,393

See Note to the Schedule of Expenditures of Federal Awards.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards has been prepared on a cash basis of accounting with the exception of commodities received under the food distribution of $577,678. Under this method, expenditures are recognized when disbursements are made. Some programs are funded jointly by District appropriations and Federal funds.

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

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

2. REPORTING ENTITY

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

3. PASS-THROUGH AWARDS

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

4. NON-CASH AWARDS

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

5. CONTINGENCIES

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

ORIZON CPAs LLC
CERTIFIED PUBLIC ACCOUNTANTS
16924 FRANCES STREET, SUITE 210
OMAHA, NEBRASKA 68130

Orizon CPAs

402 330/7008/PHONE
330/6851/FAX
www.orizongroup.com

November 5, 2012

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 major fund of School District #17 - Millard Public Schools, Douglas County, Nebraska, (the "District") as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2012. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Orizon CPAs LLC

ORIZON CPAs LLC

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16924 FRANCES STREET, SUITE 210
OMAHA, NEBRASKA 68130

Orizon CPAs

402 330/7008/PHONE
330/6851/FAX
www.orizongroup.com

November 5, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2012. 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 of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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.

Orizon CPAs LLC

ORIZON CPAs LLC

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Are any material weaknesses identified?	____ Yes	_X_ No
Are any significant deficiencies identified not considered to be material weaknesses?	____ Yes	_X_ None Reported
Is any noncompliance material to financial statements noted?	____ Yes	_X_ No

Federal Awards

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

Internal control over major program compliance:

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

Identification of major programs:

Special Education Cluster (IDEA):	
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Preschool Grants (IDEA Preschool)
84.391	ARRA – Special Education – Grants to States (IDEA, Part B), Recovery Act
Medicaid Cluster	
93.778	Medical Assistance Program

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2012

Enter the dollar threshold used to distinguish between Type A and Type B programs:	$ 860,352	
Is the auditee qualified as a low-risk auditee?	☒ Yes	☐ No

Section II: Financial Statement Findings

None

Section III: Federal Awards Findings and Questioned Costs

None

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2012

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.