

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

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

AUGUST 31, 2013

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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position – Cash Basis	3
Statement of Activities – Cash Basis	4
<i>Fund Financial Statements:</i>	
Statement of Fund Balances – Cash Basis – Governmental Funds	5
Statement of Changes in Fund Balances – Cash Basis – Governmental Funds	6
Statement of Net Position and Changes in Net Position – Cash Basis – Fiduciary Funds	7
Notes to Basic Financial Statements	8-19
OTHER SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – Cash Basis – General Fund	20-21
Budgetary Comparison Schedule – Cash Basis – Special Building Fund	22
Budgetary Comparison Schedule – Cash Basis – School Lunch Fund	23
Budgetary Comparison Schedule – Cash Basis – Employee Benefit Fund	24
Budgetary Comparison Schedule – Cash Basis – Depreciation Fund	25
Budgetary Comparison Schedule – Cash Basis – Bond Fund	26
Notes to Other Supplementary Information	27
Schedule of Changes in Fund Balances – Cash Basis – Governmental Funds	28

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

TABLE OF CONTENTS, CONTINUED

	<u>Page</u>
INTERNAL CONTROL AND COMPLIANCE AUDIT SECTION:	
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	33-34
Schedule of Findings and Questioned Costs	35
Summary Schedule of Prior Audit Findings	36

November 5, 2013

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, and each major fund of the District, as of August 31, 2013, and the respective changes in financial position - cash basis, thereof for the year ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information presented on pages 20-38 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 5, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


HSMC ORIZON LLC

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

STATEMENT OF NET POSITION - CASH BASIS

AUGUST 31, 2013

ASSETS

	<u>Governmental Activities</u>
Cash	\$ 8,740,657
Investments	<u>104,849,162</u>
 TOTAL ASSETS	 <u>\$ 113,589,819</u>

NET POSITION

Restricted:	
Special building	\$ 54,114,843
School lunch	(283,511)
Debt service	18,680,715
Unrestricted:	
Board designated:	
Employee benefit	3,977,925
Depreciation	9,594,694
Undesignated	<u>27,505,153</u>
 TOTAL NET POSITION	 <u>\$ 113,589,819</u>

See Notes to the Basic Financial Statements.

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

STATEMENT OF ACTIVITIES - CASH BASIS

FOR THE YEAR ENDED AUGUST 31, 2013

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Disbursements)</u> <u>Receipts and</u> <u>Changes in Net Position</u> <u>School</u> <u>District</u>
Governmental activities:				
Instructional services	\$ (117,454,635)	\$ 202,199	\$ 14,110,179	\$ (103,142,257)
Support services	(68,515,262)		1,198,564	(67,316,698)
Food services	(10,991,542)	8,583,733	2,801,196	393,387
Building maintenance and improvements	(25,412,005)			(25,412,005)
Debt service and lease payments	(16,107,604)			(16,107,604)
Other	(1,053,499)			(1,053,499)
Net program (disbursements) receipts	<u>\$ (239,534,547)</u>	<u>\$ 8,785,932</u>	<u>\$ 18,109,939</u>	<u>\$ (212,638,676)</u>
General receipts:				
Taxes collected				113,531,434
County receipts				1,066,839
State receipts				78,732,326
Investment earnings				17,097
Bond proceeds				40,260,823
Other				4,609,130
Total general receipts				<u>238,217,649</u>
Increase in net position				25,578,973
Net position - beginning of year				<u>88,010,846</u>
Net position - end of year				<u>\$ 113,589,819</u>

See Notes to the Basic Financial Statements.

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

STATEMENT OF FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS

AUGUST 31, 2013

		Special Revenue Funds			
	General Fund	Special Building	School Lunch	Debt Service/Bond Fund	Total Governmental Funds
ASSETS					
Cash	\$ 9,499,217	\$ (480,000)	\$ (283,511)	\$ 4,951	\$ 8,740,657
Investments	<u>31,578,555</u>	<u>54,594,843</u>		<u>18,675,764</u>	<u>104,849,162</u>
TOTAL ASSETS	<u>\$ 41,077,772</u>	<u>\$ 54,114,843</u>	<u>\$ (283,511)</u>	<u>\$ 18,680,715</u>	<u>\$ 113,589,819</u>
FUND BALANCES					
Restricted for:					
Capital projects		\$ 54,114,843			\$ 54,114,843
Debt service				\$ 18,680,715	18,680,715
Committed to:					
Capital assets	\$ 9,594,694				9,594,694
Assigned to:					
Employee benefits	3,977,925				3,977,925
Unassigned	<u>27,505,153</u>		<u>\$ (283,511)</u>		<u>27,221,642</u>
TOTAL FUND BALANCE - CASH BASIS	<u>\$ 41,077,772</u>	<u>\$ 54,114,843</u>	<u>\$ (283,511)</u>	<u>\$ 18,680,715</u>	<u>\$ 113,589,819</u>

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

FOR THE YEAR ENDED AUGUST 31, 2013

		Special Revenue Funds		Debt	Total
	General	Special	School	Service/Bond	Governmental
	Fund	Building	Lunch	Fund	Funds
RECEIPTS:					
Local receipts	\$ 100,295,483	\$ 1,244,295	\$ 820,643	\$ 13,092,858	\$ 115,453,279
County receipts	1,066,839				1,066,839
State receipts	89,731,270	16,785	42,198	239,586	90,029,839
Federal receipts	4,053,428		2,758,998		6,812,426
Sales of lunches			7,763,090		7,763,090
Interest	6,885	3,995	556	5,661	17,097
Non-revenue receipts	2,865,222	1,172,469			4,037,691
TOTAL RECEIPTS	198,019,127	2,437,544	11,385,485	13,338,105	225,180,261
DISBURSEMENTS:					
Instructional services	108,460,818				108,460,818
Support services	71,784,285				71,784,285
Other salaries and benefits			4,232,911		4,232,911
Supplies and materials			85,014		85,014
Purchased services	27,441,658	1,241,891	6,445,641		35,129,190
Capital outlay	548,390	2,373,261	9,799		2,931,450
Building and site acquisition and improvement	59,749	508,469			568,218
Other		16,880	218,177		235,057
Redemption of principal		2,710,000		8,110,000	10,820,000
Debt service interest		240,748		5,046,856	5,287,604
TOTAL DISBURSEMENTS	208,294,900	7,091,249	10,991,542	13,156,856	239,534,547
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(10,275,773)	(4,653,705)	393,943	181,249	(14,354,286)
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of bonds payable		40,260,823			40,260,823
Refunding bonds issued				59,995,000	59,995,000
Premium on refunding bonds issued				8,339,179	8,339,179
Payment to refunded bond escrow agent				(68,334,179)	(68,334,179)
Transfers in				9,045	9,045
Transfers out	(9,045)		(327,564)		(336,609)
TOTAL OTHER FINANCING SOURCES (USES)	(9,045)	40,260,823	(327,564)	9,045	39,933,259
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	(10,284,818)	35,607,118	66,379	190,294	25,578,973
FUND BALANCE - beginning of year	51,362,590	18,507,725	(349,890)	18,490,421	88,010,846
FUND BALANCE - end of year	\$ 41,077,772	\$ 54,114,843	\$ (283,511)	\$ 18,680,715	\$ 113,589,819

See Notes to the Basic Financial Statements

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

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

AS OF AND FOR THE YEAR ENDED AUGUST 31, 2013

<u>Activities Fund</u>	<u>Beginning Net Assets</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Ending Net Assets</u>
ADMINISTRATIVE OFFICE	\$ 395,776	\$ 606,680	\$ 554,032	\$ 436	\$ 448,860
HIGH SCHOOLS:					
North	553,185	1,062,447	1,181,514	97,960	532,078
South	735,207	1,087,093	1,193,892	80,680	709,088
West	642,833	1,375,857	1,593,986	92,440	517,144
MIDDLE SCHOOLS:					
Andersen	97,538	106,166	115,821	7,776	95,659
Beadle	57,109	118,906	121,751	9,774	64,038
Central	59,478	107,077	117,254	6,948	56,249
Kiewit	343,182	130,739	148,751	8,379	333,549
North	96,578	124,162	128,014	6,849	99,575
Russell	103,563	140,498	159,191	7,875	92,745
ELEMENTARY SCHOOLS:					
Abbott	29,157	20,178	22,279	89	27,145
Ackerman	20,556	53,231	47,226	156	26,717
Aldrich	23,077	34,074	36,260	72	20,963
Black Elk	45,249	55,370	55,363	106	45,362
Bryan	16,528	11,750	15,408	164	13,034
Cather	21,870	20,203	16,427		25,646
Cody	10,171	14,841	14,359	92	10,745
Cottonwood	23,166	10,594	13,727	130	20,163
Disney	10,162	5,627	9,860	312	6,241
Ezra Millard	17,709	22,613	17,295	168	23,195
Harvey Oaks	4,915	9,150	9,635	86	4,516
Hitchcock	28,338	8,523	9,482	142	27,521
Holling Heights	26,335	13,453	16,610	183	23,361
Montclair	13,044	39,405	27,192	134	25,391
Morton	17,500	24,420	34,820	90	7,190
Neihardt	21,849	42,684	51,457	558	13,634
Norris	25,398	13,035	8,821	265	29,877
Reagan	83,562	54,163	33,168	170	104,727
Reeder	21,507	21,248	26,241	155	16,669
Rockwell	29,131	15,256	20,150	238	24,475
Rohwer	29,298	24,742	30,790	122	23,372
Sandoz	16,954	18,873	15,348	106	20,585
Upchurch	24,722	36,711	43,800	125	17,758
Wheeler	23,404	23,280	23,552	159	23,291
Willowdale	15,938	18,494	17,443	225	17,214
SUMMER SCHOOL	3,115	91,420	9,625		84,910
HORIZON HIGH SCHOOL	8,670	7,121	14,451	4,400	5,740
YOUNG ADULT PROGRAM	500				500
Total activities fund	\$ 3,696,274	\$ 5,570,084	\$ 5,954,995	\$ 327,564	\$ 3,638,927
<u>Student Fees Fund</u>					
ALL SCHOOLS	\$ 347,013	\$ 1,064,486	\$ 1,053,909		\$ 357,590
NET POSITION:					
Cash					\$ 3,204,650
Investments					791,867
TOTAL NET POSITION - CASH BASIS HELD IN TRUST					\$ 3,996,517

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 Position – 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

The funds of the financial reporting entity are described below:

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:

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classification

Government-wide Statements

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

- a. Restricted net position – Consists of net position 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 position – All other amounts 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 position, first, prior to the use of unrestricted net position, when a disbursement is made for purposes in which both restricted and unrestricted net position 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, 2013, 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Internal and Interfund Balances and Activities

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

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:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Distributes vending revenue to school buildings	Activity Fund	School Lunch Fund	\$ 327,564
Issuance cost for refunding	Bond Fund	General Fund	\$ 9,045

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.

The District amended the bond fund budget for the 2012-2013 fiscal year.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

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, 2013 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, 2013, the carrying amount of the District's deposits was \$11,945,307 and the bank balance was \$11,866,462.

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental funds	\$ 8,740,657	\$ 8,481,143
Fiduciary funds	<u>3,204,650</u>	<u>3,385,319</u>
TOTAL	<u>\$ 11,945,307</u>	<u>\$ 11,866,462</u>

While the District maintains separate bank accounts for individual funds for cash flow and investment purposes the District occasionally pools cash as part of their cash management procedures.

Investments

Investments of \$86,042,772 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. \$317 of these funds are in the fiduciary funds and \$86,042,455 are in the governmental funds.

Investments of \$19,598,257 consist of money market funds. \$791,550 of these funds are in the fiduciary funds and \$18,806,707 are in the governmental funds.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

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, 2013, all funds were 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, 2013. The monies were transferred to the District subsequent to August 31 and are not included as receipts or cash balances in the financial statements:

	<u>Sarpy County</u>	<u>Douglas County</u>	<u>Washington County</u>
General Fund	\$ 254,061	\$ 528,631	
Debt Service Fund	77,931	797,947	
Special Building Fund	5,566	57,032	
Learning Community	795,707	332,082	\$20,703

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

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, 2013 were 9.78% of covered payroll. Actual employer and employee contributions made for the year ended August 31, 2013 were \$12,072,489 (9.88% of covered payroll) and \$11,952,959 (9.78% of covered payroll), respectively.

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.

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, 2013:

Balance, August 31, 2012	\$ 127,665,000
Additions:	
New Obligations	99,995,000
Deductions:	
Bonds refunded	(61,915,000)
Payment of principal	<u>(8,110,000)</u>
Balance, August 31, 2013	<u>\$ 157,635,000</u>

The following is the bonded indebtedness of the District as of August 31, 2013:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Final Maturity Year</u>
April 15, 2009	3.812%	16,495,000	2017
May 1, 2010	2.918%	41,145,000	2025
November 16, 2012	3.869%	12,425,000	2019
May 9, 2013	3.633%	47,570,000	2025
August 20, 2013	4.149%	<u>40,000,000</u>	2034
TOTAL		<u>\$ 157,635,000</u>	

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Aggregate principal and interest payments applicable to the District's bonds subsequent to August 31, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 8,320,000	\$ 5,740,433	\$ 14,060,433
2015	8,860,000	5,504,730	14,364,730
2016	9,130,000	5,138,580	14,268,580
2017	8,735,000	4,826,380	13,561,380
2018	9,350,000	4,479,880	13,829,880
2019-2023	50,665,000	16,936,138	67,601,138
2024-2028	33,970,000	8,550,088	42,520,088
2029-2034	<u>28,605,000</u>	<u>3,817,734</u>	<u>32,422,734</u>
TOTAL	<u>\$ 157,635,000</u>	<u>\$ 54,993,963</u>	<u>\$ 212,628,963</u>

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:

<u>Fiscal Year-end:</u>	<u>Amount</u>
2014	\$ 208,273
2015	152,881
2016	108,660
2017	45,179

The total paid for lease commitments for the year ended August 31, 2013 was \$284,922 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

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

<u>Fiscal Year-end:</u>	<u>Amount</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,770,000	\$ 183,980	\$ 2,953,980
2015	2,835,000	117,178	2,952,178
2016	<u>1,650,000</u>	<u>49,500</u>	<u>1,699,500</u>
Total	<u>\$ 7,255,000</u>	<u>\$ 350,658</u>	<u>\$ 7,605,658</u>

The total paid for these COPS lease commitments for the year ended August 31, 2013 was \$2,710,000, 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, 2013, the District estimates their liability under this plan at \$15.4 million with the final obligations payable in fiscal year 2018.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

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, §1A 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Risk Management, Continued

The District manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors and omissions	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, 2013

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2012		\$ 35,783,460	
Receipts:			
Local receipts:			
Local property taxes	\$ 88,895,003	86,621,539	\$ (2,273,464)
Motor vehicle taxes	10,700,000	10,232,641	(467,359)
Carline tax	5,000	44,868	39,868
Public power district sales tax	2,550,000	2,641,961	91,961
Tuition received from individuals - general education		202,199	202,199
Local fines and license fees	510,000	539,885	29,885
Community services activities		910	910
Other local receipts	49,855	11,480	(38,375)
	<u>102,709,858</u>	<u>100,295,483</u>	<u>(2,414,375)</u>
County receipts:			
County fines and license fees	1,400,000	1,066,839	(333,161)
State receipts:			
State aid	72,526,676	72,526,676	
Special education programs	11,000,000	10,002,997	(997,003)
Special education transportation	1,750,000	1,198,564	(551,436)
Pro rata motor vehicle	300,000	238,274	(61,726)
Homestead exemption	2,600,000	2,157,659	(442,341)
State apportionment	3,200,000	3,408,058	208,058
Textbook loan	50,000	53,754	3,754
Other state receipts	2,550,000	145,288	(2,404,712)
	<u>93,976,676</u>	<u>89,731,270</u>	<u>(4,245,406)</u>
Federal receipts:			
Title I	1,300,000	1,353,914	53,914
Special education - grants to states	1,500,000	50,286	(1,449,714)
Special education - additional funds	3,200,000		(3,200,000)
MEDICAID in public schools	250,000	496,424	246,424
Federal vocational and applied technology education	120,000	118,989	(1,011)
No child left behind	400,000	381,958	(18,042)
Other categorical	1,680,000	1,651,857	(28,143)
	<u>8,450,000</u>	<u>4,053,428</u>	<u>(4,396,572)</u>
Interest	10,000	2,668	(7,332)

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, 2013

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Receipts (continued):			
Non-revenue receipts:			
Sale of property		\$ 38,579	\$ 38,579
Other		<u>1,179,489</u>	<u>1,179,489</u>
		<u>1,218,068</u>	<u>1,218,068</u>
 Total receipts	 <u>\$ 206,546,534</u>	 <u>196,367,756</u>	 <u>(10,178,778)</u>
Disbursements:			
Non-special education	103,729,042	104,082,736	(353,694)
Special education programs	23,647,838	21,452,423	2,195,415
Support services - pupils	14,159,960	13,690,797	469,163
Support services - staff	9,890,608	7,058,699	2,831,909
Board of education	2,507,496	2,660,738	(153,242)
Executive administration services	2,485,203	2,760,739	(275,536)
Office of the principal	11,384,826	11,280,775	104,051
General administration - business services	6,193,114	6,241,788	(48,674)
Vehicle acquisition and maintenance	481,500	273,933	207,567
Support services - maintenance and operation of building and site	20,813,620	20,389,432	424,188
Support services - regular pupil transportation	1,948,049	1,906,315	41,734
Support services - school age special education transportation	3,335,160	2,791,327	543,833
Community services	19,000	446,735	(427,735)
State categorical programs	53,754	52,632	1,122
Federal programs and other categorical aid	5,949,242	8,555,345	(2,606,103)
Summer school	155,000	385,840	(230,840)
Other	1,293,120	606,764	686,356
 Operational transfers to the Bond fund	 <u> </u>	 <u>9,045</u>	 <u>(9,045)</u>
 Total disbursements	 <u>208,046,532</u>	 <u>204,646,063</u>	 <u>3,409,514</u>
 Excess (deficiency) of receipts over disbursements	 <u>\$ (1,499,998)</u>	 <u>(8,278,307)</u>	 <u>\$ (6,769,264)</u>
 Budgetary fund balance, August 31, 2013		 <u>\$ 27,505,153</u>	

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

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
SPECIAL BUILDING FUND**

FOR THE YEAR ENDED AUGUST 31, 2013

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2012		<u>\$ 18,507,725</u>	
Receipts:			
Local receipts:			
Local property taxes	\$ 912,450	868,886	\$ (43,564)
Carline taxes		9	9
Public Power District sales tax		28,672	28,672
Other local receipts		346,728	346,728
State reimbursement:			
Homestead exemptions		14,525	14,525
Pro rata motor vehicle		2,260	2,260
Proceeds from issuance of bonds		40,260,823	40,260,823
Interest		3,995	3,995
Non-revenue receipts		<u>1,172,469</u>	<u>1,172,469</u>
Total receipts	<u>912,450</u>	<u>42,698,367</u>	<u>41,785,917</u>
Disbursements:			
Purchased services		1,241,891	(1,241,891)
Capital outlays		2,373,261	(2,373,261)
Building, acquisition and improvement	16,621,108	508,469	16,112,639
Lease payments		2,950,748	(1,698,050)
Other		<u>16,880</u>	<u>(16,880)</u>
Total disbursements	<u>16,621,108</u>	<u>7,091,249</u>	<u>10,782,557</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (15,708,658)</u>	<u>35,607,118</u>	<u>\$ 51,315,776</u>
Budgetary fund balance, August 31, 2013		<u>\$ 54,114,843</u>	

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

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
SCHOOL LUNCH FUND**

FOR THE YEAR ENDED AUGUST 31, 2013

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2012		\$ (349,890)	
Receipts:			
Sale of lunches/milk	\$ 10,130,649	7,763,090	\$ (2,367,559)
Interest	4,000	556	(3,444)
Local receipts	946,000	820,643	(125,357)
State reimbursement	50,000	42,198	(7,802)
Federal reimbursement	<u>2,500,000</u>	<u>2,758,998</u>	<u>258,998</u>
Total receipts	<u>13,630,649</u>	<u>11,385,485</u>	<u>(2,245,164)</u>
Disbursements:			
Salaries and benefits	5,047,000	4,232,911	814,089
Supplies and materials	927,000	85,014	841,986
Contracted services	6,726,000	6,445,641	280,359
Capital outlays	300,000	9,799	290,201
Other		218,177	(218,177)
Operational disbursements to the Activities fund	<u> </u>	<u>327,564</u>	<u>(327,564)</u>
Total disbursements	<u>13,000,000</u>	<u>11,319,106</u>	<u>1,680,894</u>
Excess (deficiency) of receipts over disbursements	<u>\$ 630,649</u>	<u>66,379</u>	<u>\$ (564,270)</u>
Budgetary fund balance, August 31, 2013		<u>\$ (283,511)</u>	

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

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
EMPLOYEE BENEFIT FUND**

FOR THE YEAR ENDED AUGUST 31, 2013

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2012		<u>\$ 5,379,020</u>	
Receipts:			
Interest income	\$ 7,000	1,494	\$ (5,506)
Other receipts	2,429,807	1,647,154	(782,653)
Operational transfers from the General fund	<u>24,000,000</u>	<u>24,391,915</u>	<u>391,915</u>
Total receipts	26,436,807	26,040,563	(396,244)
Disbursements:			
Purchased services	<u>32,000,000</u>	<u>27,441,658</u>	<u>4,558,342</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (5,563,193)</u>	<u>(1,401,095)</u>	<u>\$ 4,162,098</u>
Budgetary fund balance, August 31, 2013		<u>\$ 3,977,925</u>	

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

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

FOR THE YEAR ENDED AUGUST 31, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2012		\$ 10,200,110	
Receipts:			
Interest income	\$ 7,000	2,723	\$ (4,277)
Disbursements:			
Capital outlays:			
Furniture and equipment	7,606,417	548,390	7,058,027
Building and site acquisition and improvement		59,749	(59,749)
Total disbursements	<u>7,606,417</u>	<u>608,139</u>	<u>6,998,278</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (7,599,417)</u>	<u>(605,416)</u>	<u>\$ 6,994,001</u>
Budgetary fund balance, August 31, 2013		<u>\$ 9,594,694</u>	

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

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

FOR THE YEAR ENDED AUGUST 31, 2013

	Original Budget	Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2012			\$ 18,490,421	
Receipts:				
Local receipts:				
Local property taxes	\$ 12,774,298	\$ 12,774,298	12,691,135	\$ (83,163)
Carline taxes			2,393	2,393
Public power district			399,330	399,330
State reimbursement:				
Homestead exemptions			209,828	209,828
Pro rata motor vehicle			29,758	29,758
Interest			5,661	5,661
Proceeds from refunding bonds		55,000,000	68,334,179	13,334,179
Operational transfers from the General fund			9,045	9,045
 Total receipts	<u>12,774,298</u>	<u>67,774,298</u>	<u>81,681,329</u>	<u>572,852</u>
Disbursements:				
Redemption of principal	8,110,000	8,110,000	8,110,000	
Bond refunding		55,000,000	68,334,179	(13,334,179)
Debt service interest	<u>5,115,105</u>	<u>5,115,105</u>	<u>5,046,856</u>	<u>68,249</u>
 Total disbursements	<u>13,225,105</u>	<u>68,225,105</u>	<u>81,491,035</u>	<u>(13,265,930)</u>
Excess (deficiency) of receipts over disbursements	\$ (450,807)	\$ (450,807)	190,294	\$ 13,838,782
 Budgetary fund balance, August 31, 2013			<u>\$ 18,680,715</u>	

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

**NOTES TO OTHER SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED AUGUST 31, 2013**

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.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended August 31, 2013, expenditures exceeded appropriations in the bond fund by \$13,265,930 due to the District amending the budget for only one of the two bond refundings that took place during the fiscal year.

**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, 2013

	General Fund	Employee Benefit	Depreciation	Total General Funds	Special Revenue Funds		Debt Service/Bond Fund	Total Governmental Funds
					Special Building	School Lunch		
RECEIPTS:								
Local receipts	\$ 100,295,483			\$ 100,295,483	\$ 1,244,295	\$ 820,643	\$ 13,092,858	\$ 115,453,279
County receipts	1,066,839			1,066,839				1,066,839
State receipts	89,731,270			89,731,270	16,785	42,198	239,586	90,029,839
Federal receipts	4,053,428			4,053,428		2,758,998		6,812,426
Sales of lunches						7,763,090		7,763,090
Interest	2,668	\$ 1,494	\$ 2,723	6,885	3,995	556	5,661	17,097
Non-revenue receipts	1,218,068	1,647,154		2,865,222	1,172,469			4,037,691
TOTAL RECEIPTS	196,367,756	1,648,648	2,723	198,019,127	2,437,544	11,385,485	13,338,105	225,180,261
DISBURSEMENTS:								
Instructional services	108,460,818			108,460,818				108,460,818
Support services	71,784,285			71,784,285				71,784,285
Other salaries and benefits						4,232,911		4,232,911
Supplies and materials						85,014		85,014
Purchased services		27,441,658		27,441,658	1,241,891	6,445,641		35,129,190
Capital outlay			548,390	548,390	2,373,261	9,799		2,931,450
Building and site acquisition and improvement			59,749	59,749	508,469			568,218
Lease payments								
Other					16,880	218,177		235,057
Redemption of principal					2,710,000		8,110,000	10,820,000
Debt service interest					240,748		5,046,856	5,287,604
TOTAL DISBURSEMENTS	180,245,103	27,441,658	608,139	208,294,900	7,091,249	10,991,542	13,156,856	239,534,547
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	16,122,653	(25,793,010)	(605,416)	(10,275,773)	(4,653,705)	393,943	181,249	(14,354,286)
OTHER FINANCING SOURCES (USES):								
Proceeds from issuance of bonds payable					40,260,823			40,260,823
Refunding bonds issued							59,995,000	59,995,000
Premium on refunding bonds issued							8,339,179	8,339,179
Payment to refunded bond escrow agent							(68,334,179)	(68,334,179)
Transfers in		24,391,915		24,391,915			9,045	24,400,960
Transfers out	(24,400,960)			(24,400,960)		(327,564)		(24,728,524)
TOTAL OTHER FINANCING SOURCES (USES)	(24,400,960)	24,391,915		(9,045)	40,260,823	(327,564)	9,045	39,933,259
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	(8,278,307)	(1,401,095)	(605,416)	(10,284,818)	35,607,118	66,379	190,294	25,578,973
FUND BALANCE - beginning 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
FUND BALANCE - end of year	\$ 27,505,153	\$ 3,977,925	\$ 9,594,694	\$ 41,077,772	\$ 54,114,843	\$ (283,511)	\$ 18,680,715	\$ 113,589,819

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2013

<u>Federal Grantor/Pass Through Entity/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER:		
<i>Passed through Nebraska Department of Education</i>		
National School Lunch Program	10.555	\$ 2,770,038
<i>Passed through the Nebraska Department of Health and Human Services</i>		
Food Distribution Program	10.555	<u>625,235</u>
Total U.S. Department of Agriculture		<u>3,395,273</u>
U.S. DEPARTMENT OF EDUCATION:		
<i>Passed through Nebraska Department of Education</i>		
TITLE I, PART A CLUSTER		
Title I of the Elementary and Secondary Education Act	84.010	<u>1,425,426</u>
Total Title I, Part A Cluster		<u>1,425,426</u>
SPECIAL EDUCATION CLUSTER (IDEA)		
Special Education - Grants to States (IDEA, Part B)	84.027	4,425,066
Special Education - Preschool Grants (IDEA Preschool)	84.173	<u>268,425</u>
Total Special Education Cluster (IDEA)		<u>4,693,491</u>
EARLY INTERVENTION SERVICES (IDEA) CLUSTER		
IDEA Part C Ages Birth - 3	84.181	<u>22,032</u>
Total Early Intervention Services (IDEA) Cluster		<u>22,032</u>
Perkins Grant	84.048	120,423
English Language Acquisition - Title III	84.365	59,027
Improving Teacher Quality - Title II, A	84.367	299,670
State Personnel Development	84.323	<u>3,622</u>
Total U.S. Department of Education		<u>6,623,691</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<i>Passed through Nebraska Department of Health and Human Services System</i>		
MEDICAID CLUSTER		
Medical Assistance Program	93.778	<u>496,594</u>
TOTAL		<u>\$ 10,515,558</u>

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, 2013**

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 \$625,235. 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.

November 5, 2013

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 Standard*. However, the District did exceed its authorized expenditures in the Bond Fund,

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HSMC Orizon LLC

HSMC ORIZON LLC

NOVEMBER 5, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended August 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures

that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HSMC Orizon LLC

HSMC ORIZON LLC

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. <u>Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a)?</u>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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)
Medicaid Cluster	
93.778	Medical Assistance Program

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$ 315,467
Is the auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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, 2013**

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.