

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

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

AUGUST 31, 2016

**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	8-22
OTHER SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – Cash Basis – General Fund	23-24
Budgetary Comparison Schedule – Cash Basis – Special Building Fund	25
Budgetary Comparison Schedule – Cash Basis – School Lunch Fund	26
Budgetary Comparison Schedule – Cash Basis – Employee Benefit Fund	27
Budgetary Comparison Schedule – Cash Basis – Depreciation Fund	28
Budgetary Comparison Schedule – Cash Basis – Contingency Fund	29
Budgetary Comparison Schedule – Cash Basis – Bond Fund	30
Notes to Other Supplementary Information	31
Schedule of Changes in Fund Balances – Cash Basis – Governmental Funds	32

**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	33
Notes to Schedule of Expenditures of Federal Awards	34
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>	35-36
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	37-38
Schedule of Findings and Questioned Costs	39
Summary Schedule of Prior Audit Findings	40

November 4, 2016

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District'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 District'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 District'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, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2016, and the respective changes in financial position - cash basis, thereof for the year then ended in accordance with the cash 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 opinions are 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 budgetary comparison information and schedule of changes in fund balances on pages 23-32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 33-34 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and schedule of changes in fund balances, 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 4, 2016 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, 2016

ASSETS

	<u>Governmental Activities</u>
Cash	\$ 8,701,198
Investments	<u>81,644,280</u>
 TOTAL ASSETS	 <u>\$ 90,345,478</u>

NET POSITION

Restricted:	
Special building	\$ 22,373,161
Debt service	19,754,068
Unrestricted:	
Board designated:	
Employee benefit	2,382,178
Depreciation	13,251,568
Contingency	1,983,161
Undesignated	<u>30,601,342</u>
 TOTAL NET POSITION	 <u>\$ 90,345,478</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, 2016

	Cash	Program Cash Receipts		Net (Disbursements)
	Disbursements	Charges for	Operating	Receipts and
		Services	Grants and	Changes in Net Position
			Contributions	
Governmental activities:				
Instructional services	\$ (123,341,521)	\$ 282,413	\$ 19,946,694	\$ (103,112,414)
Support services	(74,296,312)		1,137,564	(73,158,748)
Food services	(11,913,493)	8,662,764	2,978,483	(272,246)
Building maintenance and improvements	(40,126,958)			(40,126,958)
Debt service and lease payments	(16,192,750)			(16,192,750)
Other	(1,331,048)			(1,331,048)
Net program (disbursements) receipts	<u>\$ (267,202,082)</u>	<u>\$ 8,945,177</u>	<u>\$ 24,062,741</u>	<u>(234,194,164)</u>
General receipts:				
Taxes collected				122,597,226
County receipts				875,533
State receipts				96,038,610
Investment earnings				67,397
Other				<u>2,916,482</u>
Total general receipts				<u>222,495,248</u>
Decrease in net position				(11,698,916)
Net position - beginning of year				<u>102,044,394</u>
Net position - end of year				<u><u>\$ 90,345,478</u></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, 2016

		Special Revenue Funds			
	General Fund	Special Building	School Lunch	Debt Service/Bond Fund	Total Governmental Funds
ASSETS:					
Cash	\$ 10,680,422		\$ (1,984,175)	\$ 4,951	\$ 8,701,198
Investments	<u>39,522,002</u>	<u>\$ 22,373,161</u>	<u></u>	<u>19,749,117</u>	<u>81,644,280</u>
 TOTAL ASSETS	 <u>\$ 50,202,424</u>	 <u>\$ 22,373,161</u>	 <u>\$ (1,984,175)</u>	 <u>\$ 19,754,068</u>	 <u>\$ 90,345,478</u>
FUND BALANCES:					
Restricted for:					
Capital projects		\$ 22,373,161			\$ 22,373,161
Debt service				\$ 19,754,068	19,754,068
Committed to:					
Capital assets	\$ 13,251,568				13,251,568
Assigned to:					
Contingency	1,983,161				1,983,161
Employee benefits	2,382,178				2,382,178
Unassigned	<u>32,585,517</u>	<u></u>	<u>\$ (1,984,175)</u>	<u></u>	<u>30,601,342</u>
 TOTAL FUND BALANCE - CASH BASIS	 <u>\$ 50,202,424</u>	 <u>\$ 22,373,161</u>	 <u>\$ (1,984,175)</u>	 <u>\$ 19,754,068</u>	 <u>\$ 90,345,478</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, 2016

		Special Revenue Funds		Debt	Total
	General	Special	School	Service/Bond	Governmental
	Fund	Building	Lunch	Fund	Funds
RECEIPTS:					
Local receipts	\$ 105,189,339	\$ 4,059,875	\$ 1,357,026	\$ 14,420,016	\$ 125,026,256
County receipts	875,533				875,533
State receipts	108,698,037	60,542	382,679	231,799	109,373,057
Federal receipts	8,132,490		2,595,804		10,728,294
Sales of lunches			7,305,738		7,305,738
Interest	10,229	22,778	1,137	33,253	67,397
Non-revenue receipts	1,454,768	672,123			2,126,891
TOTAL RECEIPTS	224,360,396	4,815,318	11,642,384	14,685,068	255,503,166
DISBURSEMENTS:					
Instructional services	114,610,590				114,610,590
Support services	79,122,804				79,122,804
Other salaries and benefits			4,934,968		4,934,968
Supplies and materials			313,572		313,572
Purchased services	28,129,642	959,246	6,476,353		35,565,241
Capital outlay	1,027,514	779,391	3,757		1,810,662
Building and site acquisition and improvement	378,416	11,198,623			11,577,039
Other	195,511	2,694,102	184,843		3,074,456
Redemption of principal		1,650,000		8,325,000	9,975,000
Debt service interest		49,500		6,168,250	6,217,750
TOTAL DISBURSEMENTS	223,464,477	17,330,862	11,913,493	14,493,250	267,202,082
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	895,919	(12,515,544)	(271,109)	191,818	(11,698,916)
FUND BALANCE - beginning of year	49,306,505	34,888,705	(1,713,066)	19,562,250	102,044,394
FUND BALANCE - end of year	\$ 50,202,424	\$ 22,373,161	\$ (1,984,175)	\$ 19,754,068	\$ 90,345,478

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, 2016

<u>Activities Fund</u>	<u>Beginning Net Assets</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Net Assets</u>
ADMINISTRATIVE OFFICE	\$ 317,494	\$ 615,007	\$ 574,590	\$ 357,911
HIGH SCHOOLS:				
North	620,290	1,441,380	1,374,626	687,044
South	634,412	1,318,819	1,218,813	734,418
West	393,154	1,676,503	1,839,110	230,547
MIDDLE SCHOOLS:				
Andersen	122,214	101,879	86,517	137,576
Beadle	69,727	120,669	122,680	67,715
Central	64,117	86,316	90,274	60,159
Kiewit	315,485	82,944	96,567	301,862
North	101,670	111,181	92,456	120,395
Russell	147,078	79,997	79,808	147,266
ELEMENTARY SCHOOLS:				
Abbott	30,745	34,569	31,539	33,775
Ackerman	46,159	78,698	49,737	75,120
Aldrich	24,172	21,002	10,554	34,620
Black Elk	47,594	78,281	50,846	75,029
Bryan	25,400	17,076	15,325	27,151
Cather	27,091	18,604	17,144	28,551
Cody	13,446	19,410	20,430	12,427
Cottonwood	21,716	13,404	11,339	23,781
Disney	7,383	13,049	12,247	8,185
Ezra Millard	18,407	25,522	24,481	19,448
Harvey Oaks	2,404	15,482	12,086	5,800
Hitchcock	28,486	12,310	12,551	28,244
Holling Heights	27,595	14,406	11,644	30,358
Montclair	16,452	29,692	24,367	21,777
Morton	7,767	23,607	19,733	11,641
Neihardt	12,175	34,276	29,387	17,064
Norris	27,399	19,864	19,232	28,031
Reagan	49,892	85,986	62,361	73,517
Reeder	17,361	31,720	28,332	20,749
Rockwell	25,799	17,624	17,977	25,446
Rohwer	14,816	24,490	20,964	18,342
Sandoz	19,369	19,896	10,477	28,788
Upchurch	32,241	43,113	39,057	36,297
Wheeler	19,577	32,857	36,716	15,718
Willowdale	13,266	19,883	22,691	10,458
Summer School	8,346	84,817	84,796	8,367
Horizon High School	3,601	16,249	16,302	3,548
Total activities fund	<u>\$ 3,374,300</u>	<u>\$ 6,480,583</u>	<u>\$ 6,287,757</u>	<u>\$ 3,567,126</u>
<u>Student Fees Fund</u>				
ALL SCHOOLS	<u>\$ 184,214</u>	<u>\$ 1,327,791</u>	<u>\$ 1,316,254</u>	<u>\$ 195,751</u>
NET POSITION:				
Cash				\$ 3,065,641
Investments				<u>697,236</u>
TOTAL NET POSITION - CASH BASIS HELD IN TRUST				<u>\$ 3,762,877</u>

See Notes to the Basic Financial Statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The District has determined that there are no potential component units that meet the criteria for inclusion in the financial statements.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net 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 contingency. 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.

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

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

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

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 and fiduciary 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting, Continued

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.

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, 2016, the District did not have any nonspendable funds.

**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

- 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.
- 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.

There were no transfers during fiscal year 2016.

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, Contingency 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 had no budget amendments for the 2015-2016 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, 2016 was \$1.24 per \$100 of assessed valuation.

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, 2016, the carrying amount of the District's deposits was \$11,766,839 and the bank balance was \$13,595,822.

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental funds	\$ 8,701,198	\$ 10,017,283
Fiduciary funds	<u>3,065,641</u>	<u>3,578,539</u>
TOTAL	<u>\$ 11,766,839</u>	<u>\$ 13,595,822</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 include \$61,895,480 in Nebraska School District Liquid Asset Fund Plus which is similar in nature to an open-end mutual fund designed specifically for Nebraska school entities, investing only in those securities allowable for such entities under Nebraska Law. These investments are reported at fair value. \$317 of these funds are in the fiduciary funds and \$61,895,163 are in the governmental funds.

Investments include \$20,446,036 in money market funds. These investments are reported at fair value. \$696,919 of these funds are in the fiduciary funds and \$19,749,117 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, 2016, 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, Douglas and Washington County Treasurers for the District as of August 31, 2016. The monies were transferred to the District subsequent to August 31, 2016 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	\$ 290,076	\$ 603,987	
Debt Service Fund	92,347	984,258	
Special Building Fund	24,626	262,728	
Learning Community	992,436	529,442	\$ 25,266

5. RETIREMENT PLAN

Plan Description

The District contributes to the Nebraska School Employees Retirement System, 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

5. RETIREMENT PLAN, CONTINUED

In 1945, the Nebraska Legislature enacted the law establishing a retirement plan for school employees of the State. During the NPERS fiscal year ended June 30, 2015, there were 266 participating school districts. These were the districts that had contributions during the fiscal year. All regular public school employees in Nebraska, other than those who have their own retirement plans (Class V school districts, Nebraska State Colleges, University of Nebraska, Community Colleges), are members of the plan.

Normal retirement is at age 65. The monthly benefit is equal to the greater of the following: 1) the sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the three 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor of two percent, and an actuarial factor based on age.

For an employee who became a member on or after July 1, 2013, the monthly benefit is equal to the greater of the following: 1) the sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the five 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor of two percent, and an actuarial factor based on age.

Benefit calculations vary with early retirement. Employees' benefits are vested after five years of plan participation or when termination occurs at age 65 or later.

For school employees who became members prior to July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost of living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary is adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit.

For school employees who became members on or after July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or one percent.

For the District's year ended August 31, 2016, the District's total payroll for all employees was \$135,133,539. Total covered payroll was \$130,478,872. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

Contributions

The State's contribution is based on an annual actuarial valuation. In addition, the State contributes an amount equal to two percent of the compensation of all members. This contribution is considered a nonemployer contribution since school employees are not employees of the State. The employee contribution was equal to 9.78 percent from July 1, 2014, to June 30, 2015, (and from July 1, 2015, through August 31, 2016). The school district (employer) contribution is 101 percent of the employee contribution. The District's contribution to the Plan for its year ended August 31, 2016 was \$12,888,444.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

5. RETIREMENT PLAN, CONTINUED

Pension Liabilities

At June 30, 2015 the District had a liability of \$66,090,511 for its proportionate share of the net pension liability. (This liability is not recorded in the accompanying cash basis financial statements.) The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of that date. The NPERS School Plan was 89.88% funded as of June 30, 2015 based on actuarial calculations comparing total pension liability to the plan fiduciary net position. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the District's proportion was 6.068384 percent, which was a decrease of 0.005251 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the District's allocated pension income was \$1,415,607.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Single Equivalent Amortization Period	21 Years
Asset Valuation Method	5 Year Smoothed Market
Inflation	3.25 percent
Investment Rate of Return, Net of Investment Expense and Including Inflation	8.00 percent
Projected Salary increases, including inflation	4.00 – 9.00 percent
Cost-of-Living Adjustment (COLA)	2.50% with a floor benefit equal to 75% purchasing power of original benefit*

*1% and no floor benefit for members joining on or after July 1, 2013.

The School Plan's pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using scale AA, set back one year (sex distinct with 55 percent of male rates for males and 40 percent of female rates for females).

The School Plan's post-retirement rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct).

The School Plan's disability mortality rates were based on the 1983 Railroad Retirement Board Disabled Annuitants Mortality (unisex).

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

5. RETIREMENT PLAN, CONTINUED

The actuarial assumptions used in the July 1, 2015, valuations for the School plan is based on the results of the most recent actuarial experience study, which covered the five year period ending June 30, 2011. The experience study report is dated August 20, 2012.

The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the pension plan assets. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015, (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
US Equity	29.00%	4.5%
Non-US Equity	13.50%	5.1%
Global Equity	15.00%	4.9%
Fixed Income	30.00%	2.1%
Private Equity	5.00%	6.7%
Real Estate	7.50%	4.6%
Total	100.00%	

*Geometric mean, net of investment expenses.

Discount Rate

The discount rate used to measure the Total Pension Liability at both June 30, 2014, and June 30, 2015, was 8 percent. The discount rate is reviewed as part of the actuarial experience study, which was last performed for the period July 1, 2006, through June 30, 2011. The actuarial experience study is reviewed by the NPERS Board, which must vote to change the discount rate.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from employers and nonemployers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability. The projected future benefit payment for all current plan members was projected through 2114.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

5. RETIREMENT PLAN, CONTINUED

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	<u>Discount rate</u>	<u>District's proportionate Share of net pension liability</u>
1% decrease	7.0%	\$ 150,062,512
Current discount rate	8.0%	66,090,511
1% increase	9.0%	(3,738,364)

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Nebraska Public Employees Retirement Systems Plan financial report. 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, P.O. Box 94816, Lincoln, NE 68509-4816, by calling 1-800-245-5712 or via the internet at <http://www.auditors.nebraska.gov>.

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, 2016:

Balance, August 31, 2015	\$ 161,840,000
Additions:	
New obligations	
Deductions:	
Payment of principal	<u>(8,325,000)</u>
Balance, August 31, 2016	<u>\$ 153,515,000</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

The following is the bonded indebtedness of the District as of August 31, 2016:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Final Maturity Year</u>
May 1, 2010	2.00000%	\$ 8,870,000	2025
November 16, 2012	3.81066%	8,140,000	2019
May 9, 2013	3.63577%	47,155,000	2025
August 20, 2013	4.15003%	40,000,000	2034
June 17, 2014	3.68670%	6,600,000	2017
June 30, 2015	3.67409%	25,000,000	2035
June 30, 2015	5.00000%	<u>17,750,000</u>	2023
TOTAL		<u>\$ 153,515,000</u>	

Aggregate principal and interest payments applicable to the District's bonds subsequent to August 31, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,310,000	\$ 5,922,530	\$ 14,232,530
2018	8,760,000	5,593,030	14,353,030
2019	9,140,000	5,135,480	14,275,480
2020	9,840,000	4,871,580	14,711,580
2021-2025	52,465,000	18,125,400	70,590,400
2026-2030	29,400,000	10,275,375	39,675,375
2031-2035	<u>35,600,000</u>	<u>4,078,686</u>	<u>39,678,686</u>
TOTAL	<u>\$ 153,515,000</u>	<u>\$ 54,002,081</u>	<u>\$ 207,517,081</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Lease Commitment

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

- Thirty-five vans used for transportation of students in special education programs expiring on various dates through May 2020.
- Vehicles used by the administration and maintenance. These leases expire on various dates through May 2017.
- Several copiers used throughout the District expiring on various dates through 2021.

Future minimum lease payments for all leases are as follows:

<u>Fiscal Year-end:</u>	<u>Amount</u>
2017	\$ 302,807
2018	182,297
2019	146,085
2020	84,032
2021	6,203

The total paid for lease commitments for the year ended August 31, 2016 was \$388,353 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.

The total paid for these COPS lease commitments for the year ended August 31, 2016 was \$1,699,500, 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Compensated Absences

As a result of the District's use of the cash basis of accounting, accrued liabilities related to compensated absences (sick leave only; vacation does not vest) and any employer-related costs earned and unpaid, are not reflected in the government-wide or fund financial statements. Under the District plan, faculty, administrators and some support staff are paid \$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, 2016, the District estimates their liability under this plan at \$8.436 million with the final obligations payable in fiscal year 2020.

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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. COMMITMENTS AND CONTINGENCIES, CONTINUED

Learning Community Legislation, continued

This decision raises numerous issues about the levying, payment and collection and disbursement of the \$0.95 of the District's total \$1.04 general fund 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.

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, 2016

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2015		\$ 32,563,912	
Receipts:			
Local receipts:			
Local property taxes	\$ 92,729,683	90,264,951	\$ (2,464,732)
Motor vehicle taxes	10,500,000	11,587,330	1,087,330
Carline tax	20,000	24,570	4,570
Public power district sales tax	2,700,000	2,686,847	(13,153)
Tuition received from individuals - general education		282,413	282,413
Local fines and license fees	400,000	329,282	(70,718)
Contributions and donations		20	20
Community services activities		1,208	1,208
Other local receipts		12,718	12,718
	<u>106,349,683</u>	<u>105,189,339</u>	<u>(1,160,344)</u>
County receipts:			
County fines and license fees	<u>900,000</u>	<u>875,533</u>	<u>(24,467)</u>
State receipts:			
State aid	89,955,513	89,955,513	
Special education programs	12,241,390	11,770,152	(471,238)
Special education transportation	1,100,000	1,137,564	37,564
Pro rata motor vehicle		246,846	246,846
Homestead exemption		1,761,463	1,761,463
State apportionment	3,500,000	3,503,790	3,790
Textbook loan	50,000	44,052	(5,948)
Other state receipts		278,657	278,657
	<u>106,846,903</u>	<u>108,698,037</u>	<u>1,851,134</u>
Federal receipts:			
Title I		1,401,360	1,401,360
Special education - grants to states	1,500,000	1,250,641	(249,359)
Special education - additional funds	4,300,000	2,866,686	(1,433,314)
MEDICAID in public schools	300,000	354,699	54,699
Federal vocational and applied technology education	130,000	128,633	(1,367)
No child left behind	250,000	43,349	(206,651)
Other categorical	<u>3,196,468</u>	<u>2,087,122</u>	<u>(1,109,346)</u>
	<u>9,676,468</u>	<u>8,132,490</u>	<u>(1,543,978)</u>
Interest	<u>3,000</u>	<u>588</u>	<u>(2,412)</u>

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, 2016

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Receipts (continued):			
Non-revenue receipts:			
Sale of property		\$ 4,597	\$ 4,597
Other	\$ 25,000	10,350	(14,650)
	<u>25,000</u>	<u>14,947</u>	<u>(10,053)</u>
 Total receipts	 <u>223,801,054</u>	 <u>222,910,934</u>	 <u>(890,120)</u>
Disbursements:			
Non-special education	107,596,113	108,724,547	(1,128,434)
Special education programs	24,310,788	23,707,776	603,012
Support services - pupils	15,008,954	15,851,488	(842,534)
Support services - staff	10,665,311	10,518,929	146,382
Board of education	2,785,300	2,346,000	439,300
Executive administration services	2,790,155	2,653,264	136,891
Office of the principal	12,265,959	12,339,653	(73,694)
General administration - business services	10,751,982	8,551,428	2,200,554
Vehicle acquisition and maintenance	480,000	170,502	309,498
Support services - maintenance and operation of building and site	23,395,253	22,919,164	476,089
Support services - regular pupil transportation	2,165,353	2,238,307	(72,954)
Support services - school age special education transportation	2,890,439	2,801,803	88,636
Community services	4,000	2,979	1,021
State categorical programs	44,243	136,208	(91,965)
Federal programs and other categorical aid	6,381,117	8,166,444	(1,785,327)
Summer school	161,000	428,279	(267,279)
Other	2,130,674	1,132,558	998,116
Operational transfers to the Contingency fund		<u>200,000</u>	<u>(200,000)</u>
 Total disbursements	 <u>223,826,641</u>	 <u>222,889,329</u>	 <u>937,312</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (25,587)</u>	<u>21,605</u>	<u>\$ 47,192</u>
Budgetary fund balance, August 31, 2016		<u>\$ 32,585,517</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

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

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

FOR THE YEAR ENDED AUGUST 31, 2016

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2015		<u>\$ 34,888,705</u>	
Receipts:			
Local receipts:			
Local property taxes	\$ 3,841,270	3,501,774	\$ (339,496)
Carline taxes		343	343
Public power district sales tax		111,395	111,395
Other local receipts		446,363	446,363
State reimbursement:			
Homestead exemptions		51,198	51,198
Pro rata motor vehicle		9,344	9,344
Proceeds from issuance of bonds			
Interest		22,778	22,778
Non-revenue receipts		<u>672,123</u>	<u>672,123</u>
Total receipts	<u>3,841,270</u>	<u>4,815,318</u>	<u>974,048</u>
Disbursements:			
Purchased services		959,246	(959,246)
Capital outlays		779,391	(779,391)
Building, acquisition and improvement	41,805,121	11,198,623	30,606,498
Lease payments		1,699,500	(1,699,500)
Other		<u>2,694,102</u>	<u>(2,694,102)</u>
Total disbursements	<u>41,805,121</u>	<u>17,330,862</u>	<u>24,474,259</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (37,963,851)</u>	<u>(12,515,544)</u>	<u>\$ 25,448,307</u>
Budgetary fund balance, August 31, 2016		<u>\$ 22,373,161</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

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

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

FOR THE YEAR ENDED AUGUST 31, 2016

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2015		\$ (1,713,066)	
Receipts:			
Sale of lunches/milk	\$ 10,800,000	7,305,738	\$ (3,494,262)
Interest	3,000	1,137	(1,863)
Local receipts	967,000	1,357,026	390,026
State reimbursement	30,000	382,679	352,679
Federal reimbursement	<u>3,200,000</u>	<u>2,595,804</u>	<u>(604,196)</u>
Total receipts	<u>15,000,000</u>	<u>11,642,384</u>	<u>(3,357,616)</u>
Disbursements:			
Salaries and benefits	5,410,000	4,934,968	475,032
Supplies and materials	1,030,000	313,572	716,428
Contracted services	7,060,000	6,476,353	583,647
Capital outlays	500,000	3,757	496,243
Other	<u> </u>	<u>184,843</u>	<u>(184,843)</u>
Operational disbursements to the Activities fund	<u> </u>	<u> </u>	<u> </u>
Total disbursements	<u>14,000,000</u>	<u>11,913,493</u>	<u>2,086,507</u>
Excess (deficiency) of receipts over disbursements	<u>\$ 1,000,000</u>	<u>(271,109)</u>	<u>\$ (1,271,109)</u>
Budgetary fund balance, August 31, 2016		<u>\$ (1,984,175)</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

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

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

FOR THE YEAR ENDED AUGUST 31, 2016

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2015		\$ 4,622,330	
Receipts:			
Interest income		2,328	\$ 2,328
Other receipts	\$ 2,000,000	1,439,821	(560,179)
Operational transfers from the General fund	<u>31,000,000</u>	<u>24,447,341</u>	<u>(6,552,659)</u>
Total receipts	33,000,000	25,889,490	(7,110,510)
Disbursements:			
Purchased services	<u>32,953,812</u>	<u>28,129,642</u>	<u>4,824,170</u>
Excess (deficiency) of receipts over disbursements	<u>\$ 46,188</u>	<u>(2,240,152)</u>	<u>\$ (2,286,340)</u>
Budgetary fund balance, August 31, 2016		<u>\$ 2,382,178</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

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

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

FOR THE YEAR ENDED AUGUST 31, 2016

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2015		<u>\$ 10,142,806</u>	
Receipts:			
Interest income		6,098	\$ 6,098
Operational transfers from the General fund		<u>4,508,594</u>	<u>4,508,594</u>
Total receipts		<u>4,514,692</u>	<u>4,514,692</u>
Disbursements:			
Capital outlays:			
Furniture and equipment	\$ 7,255,462	1,027,514	6,227,948
Building and site acquisition and improvement		<u>378,416</u>	<u>(378,416)</u>
Total disbursements	<u>7,255,462</u>	<u>1,405,930</u>	<u>5,849,532</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (7,255,462)</u>	<u>3,108,762</u>	<u>\$ 10,364,224</u>
Budgetary fund balance, August 31, 2016		<u>\$ 13,251,568</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

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

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

FOR THE YEAR ENDED AUGUST 31, 2016

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2015		<u>\$ 1,977,457</u>	
Receipts:			
Interest		1,215	\$ 1,215
Operational transfers from the General fund	<u>\$ 500,000</u>	<u>200,000</u>	<u>(300,000)</u>
Total receipts	<u>500,000</u>	<u>201,215</u>	<u>(298,785)</u>
Disbursements:			
Insurance claims	<u>2,000,000</u>	<u>195,511</u>	<u>1,804,489</u>
Total disbursements	<u>2,000,000</u>	<u>195,511</u>	<u>1,804,489</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (1,500,000)</u>	<u>5,704</u>	<u>\$ 1,505,704</u>
Budgetary fund balance, August 31, 2016		<u>\$ 1,983,161</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

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

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

FOR THE YEAR ENDED AUGUST 31, 2016

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2015		\$ 19,562,250	
Receipts:			
Local receipts:			
Local property taxes	\$ 14,404,770	14,000,919	\$ (403,851)
Carline taxes		1,349	1,349
Public power district		417,748	417,748
State reimbursement:			
Homestead exemptions		193,078	193,078
Pro rata motor vehicle		38,721	38,721
Interest	1,000	33,253	32,253
Proceeds from sale of refunding bonds			
Total receipts	<u>14,405,770</u>	<u>14,685,068</u>	<u>279,298</u>
Disbursements:			
Redemption of principal	8,325,000	8,325,000	
Payment to refunded bond escrow agent			
Debt service interest	<u>6,168,250</u>	<u>6,168,250</u>	<u>18,001</u>
Total disbursements	<u>14,493,250</u>	<u>14,493,250</u>	<u>18,001</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (87,480)</u>	<u>191,818</u>	<u>\$ 297,299</u>
Budgetary fund balance, August 31, 2016		<u>\$ 19,754,068</u>	

See Notes to Other Supplementary Information - Budgetary Comparison Schedules.

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

**NOTES TO OTHER SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED AUGUST 31, 2016**

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, Employee Benefit Fund and Contingency 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, Employee Benefit Fund and Contingency 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, 2016

	General Fund	Contingency	Employee Benefit	Depreciation	Total General Funds	Special Revenue Funds		Debt Service/Bond Fund	Total Governmental Funds
						Special Building	School Lunch		
RECEIPTS:									
Local receipts	\$ 105,189,339				\$ 105,189,339	\$ 4,059,875	\$ 1,357,026	\$ 14,420,016	\$ 125,026,256
County receipts	875,533				875,533				875,533
State receipts	108,698,037				108,698,037	60,542	382,679	231,799	109,373,057
Federal receipts	8,132,490				8,132,490		2,595,804		10,728,294
Sales of lunches							7,305,738		7,305,738
Interest	588	\$ 1,215	\$ 2,328	\$ 6,098	10,229	22,778	1,137	33,253	67,397
Non-revenue receipts	14,947		1,439,821		1,454,768	672,123			2,126,891
TOTAL RECEIPTS	222,910,934	1,215	1,442,149	6,098	224,360,396	4,815,318	11,642,384	14,685,068	255,503,166
DISBURSEMENTS:									
Instructional services	114,610,590				114,610,590				114,610,590
Support services	79,122,804				79,122,804				79,122,804
Other salaries and benefits							4,934,968		4,934,968
Supplies and materials							313,572		313,572
Purchased services			28,129,642		28,129,642	959,246	6,476,353		35,565,241
Capital outlay				1,027,514	1,027,514	779,391	3,757		1,810,662
Building and site acquisition and improvement				378,416	378,416	11,198,623			11,577,039
Other		195,511			195,511	2,694,102	184,843		3,074,456
Redemption of principal						1,650,000		8,325,000	9,975,000
Debt service interest						49,500		6,168,250	6,217,750
TOTAL DISBURSEMENTS	193,733,394	195,511	28,129,642	1,405,930	223,464,477	17,330,862	11,913,493	14,493,250	267,202,082
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	29,177,540	(194,296)	(26,687,493)	(1,399,832)	895,919	(12,515,544)	(271,109)	191,818	(11,698,916)
OTHER FINANCING SOURCES (USES):									
Transfers in		200,000	24,447,341	4,508,594	29,155,935				29,155,935
Transfers out	(29,155,935)				(29,155,935)				(29,155,935)
TOTAL OTHER FINANCING SOURCES (USES)	(29,155,935)	200,000	24,447,341	4,508,594					
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	21,605	5,704	(2,240,152)	3,108,762	895,919	(12,515,544)	(271,109)	191,818	(11,698,916)
FUND BALANCE - beginning of year	32,563,912	1,977,457	4,622,330	10,142,806	49,306,505	34,888,705	(1,713,066)	19,562,250	102,044,394
FUND BALANCE - end of year	\$ 32,585,517	\$ 1,983,161	\$ 2,382,178	\$ 13,251,568	\$ 50,202,424	\$ 22,373,161	\$ (1,984,175)	\$ 19,754,068	\$ 90,345,478

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2016

<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	\$ 2,984,699
<i>Passed through the Nebraska Department of Health and Human Services</i>		
Food Distribution Program	10.550	<u>768,572</u>
Total U.S. Department of Agriculture		<u>3,753,271</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>1,712,285</u>
Total Title I, Part A Cluster		<u>1,712,285</u>
SPECIAL EDUCATION CLUSTER (IDEA)		
Special Education - Grants to States (IDEA, Part B)	84.027	4,155,926
Special Education - Preschool Grants (IDEA Preschool)	84.173	<u>184,877</u>
Total Special Education Cluster (IDEA)		<u>4,340,803</u>
EARLY INTERVENTION SERVICES (IDEA) CLUSTER		
IDEA Part C Ages Birth - 3	84.181	<u>24,557</u>
Total Early Intervention Services (IDEA) Cluster		<u>24,557</u>
Perkins Grant	84.048	125,807
English Language Acquisition - Title III	84.365	96,133
Improving Teacher Quality - Title II, A	84.367	263,198
State Personnel Development	84.323	<u>61,362</u>
Total U.S. Department of Education		<u>6,624,145</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - MEDICAID CLUSTER:		
<i>Passed through Nebraska Department of Health and Human Services System</i>		
Medical Assistance Program	93.778	<u>354,699</u>
TOTAL		<u><u>\$ 10,732,115</u></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, 2016**

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 \$768,572. 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 4, 2016

**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, 2016, 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 4, 2016

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 of 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 District'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 Standards*.

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 4, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



HSMC ORIZON LLC

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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:

U.S. Department of Education - Special Education Cluster (IDEA):	
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Preschool Grants (IDEA Preschool)

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Is the auditee qualified as a low-risk auditee?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

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, 2016**

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.