

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

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

**AUGUST 31, 2017**

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

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

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November 1, 2017

## 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, 2017, 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, 2017, 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 22-31 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 32-34 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 schedule of expenditures of federal awards 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 1, 2017 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, 2017**

**ASSETS**

	<u>Governmental Activities</u>
Cash	\$ 4,388,519
Investments	<u>96,869,569</u>
 TOTAL ASSETS	 <u>\$ 101,258,088</u>

**NET POSITION**

Restricted:	
Special building	\$ 28,139,667
Debt service	20,149,587
Unrestricted:	
Board designated:	
Employee benefit	1,849,522
Depreciation	15,941,541
Contingency	2,202,688
Undesignated	<u>32,975,083</u>
 TOTAL NET POSITION	 <u>\$ 101,258,088</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, 2017**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instructional services	\$ (124,406,871)	\$ 312,302	\$ 21,198,007	\$ (102,896,562)
Support services	(69,800,502)		1,170,220	(68,630,282)
Food services	(11,975,432)	8,541,137	3,328,614	(105,681)
Building maintenance and improvements	(40,002,778)			(40,002,778)
Debt service and lease payments	(14,232,530)			(14,232,530)
Bond issuance costs	(129,617)			(129,617)
Other	(1,173,335)			(1,173,335)
Net program (disbursements) receipts	<u>\$ (261,721,065)</u>	<u>\$ 8,853,439</u>	<u>\$ 25,696,841</u>	<u>(227,170,785)</u>
General receipts:				
Taxes collected				121,911,314
County receipts				854,943
State receipts				96,234,797
Investment earnings				280,797
Bond proceeds				14,965,000
Bond premiums				1,541,707
Other				2,294,837
Total general receipts				<u>238,083,395</u>
Increase in net position				10,912,610
Net position - beginning of year				<u>90,345,478</u>
Net position - end of year				<u>\$ 101,258,088</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, 2017**

		Special Revenue Funds				
	General Fund	Special Building	School Nutrition	Debt Service/Bond Fund	Total Governmental Funds	
<b>ASSETS:</b>						
Cash	\$ 6,471,885		\$ (2,088,317)	\$ 4,951	\$ 4,388,519	
Investments	<u>48,585,266</u>	<u>\$ 28,139,667</u>	<u>                    </u>	<u>20,144,636</u>	<u>96,869,569</u>	
<b>TOTAL ASSETS</b>	<u><b>\$ 55,057,151</b></u>	<u><b>\$ 28,139,667</b></u>	<u><b>\$ (2,088,317)</b></u>	<u><b>\$ 20,149,587</b></u>	<u><b>\$ 101,258,088</b></u>	
<b>FUND BALANCES:</b>						
Restricted for:						
Capital projects		\$ 28,139,667			\$ 28,139,667	
Debt service				\$ 20,149,587	20,149,587	
Committed to:						
Capital assets	\$ 15,941,541				15,941,541	
Assigned to:						
Contingency	2,202,688				2,202,688	
Employee benefits	1,849,522				1,849,522	
Unassigned	<u>35,063,400</u>	<u>                    </u>	<u>\$ (2,088,317)</u>	<u>                    </u>	<u>32,975,083</u>	
<b>TOTAL FUND BALANCE - CASH BASIS</b>	<u><b>\$ 55,057,151</b></u>	<u><b>\$ 28,139,667</b></u>	<u><b>\$ (2,088,317)</b></u>	<u><b>\$ 20,149,587</b></u>	<u><b>\$ 101,258,088</b></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, 2017**

	Special Revenue Funds				Total Governmental Funds
	General Fund	Special Building	School Nutrition	Debt Service/Bond Fund	
<b>RECEIPTS:</b>					
Local receipts	\$ 105,562,433	\$ 4,570,157	\$ 1,768,505	\$ 14,227,562	\$ 126,128,657
County receipts	854,943				854,943
State receipts	108,796,783	93,650	45,617	305,646	109,241,696
Federal receipts	6,606,585		3,282,997		9,889,582
Sales of lunches			6,772,632		6,772,632
Interest	87,769	96,648	1,539	94,841	280,797
Categorical grants from corporations and other private interests	1,400,180				1,400,180
Non-revenue receipts	1,221,118	337,363			1,558,481
<b>TOTAL RECEIPTS</b>	<u>224,529,811</u>	<u>5,097,818</u>	<u>11,871,290</u>	<u>14,628,049</u>	<u>256,126,968</u>
<b>DISBURSEMENTS:</b>					
Instructional services	115,127,002				115,127,002
Support services	76,802,630				76,802,630
Other salaries and benefits			4,866,964		4,866,964
Supplies and materials			277,639		277,639
Purchased services	26,884,310	2,537,442	6,811,445		36,233,197
Capital outlay	728,525	4,318,551	7,167		5,054,243
Building and site acquisition and improvement	91,843	7,380,385			7,472,228
Other	40,774	1,472,024	12,217		1,525,015
Redemption of principal				8,310,000	8,310,000
Bond issuance costs		129,617			129,617
Debt service interest				5,922,530	5,922,530
<b>TOTAL DISBURSEMENTS</b>	<u>219,675,084</u>	<u>15,838,019</u>	<u>11,975,432</u>	<u>14,232,530</u>	<u>261,721,065</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>4,854,727</u>	<u>(10,740,201)</u>	<u>(104,142)</u>	<u>395,519</u>	<u>(5,594,097)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Bond premiums		1,541,707			1,541,707
Proceeds from issuance of bonds payable		14,965,000			14,965,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>16,506,707</u>			<u>16,506,707</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>	4,854,727	5,766,506	(104,142)	395,519	10,912,610
<b>FUND BALANCE - beginning of year</b>	<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>
<b>FUND BALANCE - end of year</b>	<u>\$ 55,057,151</u>	<u>\$ 28,139,667</u>	<u>\$ (2,088,317)</u>	<u>\$ 20,149,587</u>	<u>\$ 101,258,088</u>

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, 2017**

<u>Activities Fund</u>	<u>Beginning Net Position</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Net Position</u>
ADMINISTRATIVE OFFICE	\$ 357,885	\$ 563,730	\$ 567,066	\$ 354,549
HIGH SCHOOLS:				
North	687,044	1,561,918	1,565,141	683,821
South	734,417	1,513,150	1,451,913	795,654
West	230,548	2,132,819	1,778,400	584,967
MIDDLE SCHOOLS:				
Andersen	137,585	91,122	96,182	132,525
Beadle	67,718	124,107	115,081	76,744
Central	60,163	104,940	110,257	54,846
Kiewit	301,862	81,122	116,676	266,308
North	120,394	101,022	85,202	136,214
Russell	147,265	83,983	98,150	133,098
ELEMENTARY SCHOOLS:				
Abbott	33,778	32,466	30,256	35,988
Ackerman	75,118	85,196	120,952	39,362
Aldrich	34,619	27,515	33,468	28,666
Black Elk	75,030	44,428	80,904	38,554
Bryan	27,153	39,968	39,381	27,740
Cather	28,551	22,993	23,535	28,009
Cody	12,428	18,340	15,797	14,971
Cottonwood	23,787	21,080	17,738	27,129
Disney	8,185	14,047	14,388	7,844
Ezra Millard	19,448	33,142	33,273	19,317
Harvey Oaks	5,800	20,608	12,686	13,722
Hitchcock	28,246	12,473	9,642	31,077
Holling Heights	30,356	41,854	9,785	62,425
Montclair	21,777	40,627	35,120	27,284
Morton	11,641	23,248	22,994	11,895
Neihardt	17,066	36,251	34,524	18,793
Norris	28,034	18,499	20,918	25,615
Reagan	73,517	106,398	103,141	76,774
Reeder	20,750	39,999	46,121	14,628
Rockwell	25,448	19,303	18,982	25,769
Rohwer	18,345	39,454	35,667	22,132
Sandoz	28,789	15,778	18,982	25,585
Upchurch	36,299	35,971	39,550	32,720
Wheeler	15,721	48,390	41,300	22,811
Willowdale	10,460	26,419	16,787	20,092
Summer School	8,369	95,484	99,951	3,902
Horizon High School	3,549	23,247	22,307	4,489
Total activities fund	<u>\$ 3,567,145</u>	<u>\$ 7,341,091</u>	<u>\$ 6,982,217</u>	<u>\$ 3,926,019</u>
<u>Student Fees Fund</u>				
ALL SCHOOLS	<u>\$ 195,750</u>	<u>\$ 1,052,014</u>	<u>\$ 1,018,204</u>	<u>\$ 229,560</u>
NET POSITION:				
Cash				\$ 3,574,112
Investments				<u>581,467</u>
TOTAL NET POSITION - CASH BASIS HELD IN TRUST				<u>\$ 4,155,579</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**

**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 Nutrition 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.

**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, receipts 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Measurement Focus and Basis of Accounting, Continued

**Basis of Accounting**

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, 2017, 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**

**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 is 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.

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 2017.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**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 2016-2017 fiscal year.

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, 2017 was \$1.22 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**3. DEPOSITS AND INVESTMENTS, CONTINUED**

Deposits

At August 31, 2017, the carrying amount of the District's deposits was \$7,962,631 and the bank balance was \$9,311,789.

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental funds	\$ 4,388,519	\$ 5,538,952
Fiduciary funds	3,574,112	3,772,837
TOTAL	<u>\$ 7,962,631</u>	<u>\$ 9,311,789</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 \$76,724,933 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. \$76,724,933 is in the governmental funds.

Investments include \$20,726,103 in money market funds. These investments are reported at fair value. \$581,467 of these funds is in the fiduciary funds and \$20,144,636 is in the governmental funds.

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, 2017, 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**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, 2017. The monies were transferred to the District subsequent to August 31, 2017 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	\$ 288,500	\$ 604,271	
Debt Service Fund	73,799	956,628	
Special Building Fund	23,047	298,725	
Learning Community	826,295	441,755	\$ 26,657

**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.

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, 2016, 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. RETIREMENT PLAN, CONTINUED**

Plan Description, Continued

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, 2017, the District's total payroll for all employees was \$136,418,927. Total covered payroll was \$131,926,392. 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 9.88 percent from July 1, 2015, to June 30, 2016, (and from July 1, 2016, through August 31, 2017). 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, 2017 was \$12,902,401.

Pension Liabilities

At June 30, 2016, the District had a liability of \$89,211,963 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, 2016, 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 86.56% funded as of June 30, 2016 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, 2016, the District's proportion was 5.928330 percent, which was a decrease of 0.140054 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District's allocated pension expense was \$5,245,358.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Single Equivalent Amortization Period	20 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. RETIREMENT PLAN, CONTINUED**

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).

The actuarial assumptions used in the July 1, 2016, 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. A new experience study has been completed and adopted by the PERB in October 2016. The new actuarial assumptions will be reflected in the 2017 actuarial valuation.

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, 2016, (see the discussion of the pension plan's investment policy) are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
US Equity	29.00%	4.3%
Non-US Equity	13.50%	5.4%
Global Equity	15.00%	5.1%
Fixed Income	30.00%	1.4%
Private Equity	5.00%	6.4%
Real Estate	7.50%	3.6%
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, 2015, and June 30, 2016, 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. A new experience study has been completed and adopted by the PERB in October 2016. The new actuarial assumptions will be reflected in the 2017 actuarial valuation.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. RETIREMENT PLAN, CONTINUED**

Discount Rate, Continued

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 2115.

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:

	Discount rate	District's proportionate Share of net pension liability
1% decrease	7.0%	\$ 174,336,163
Current discount rate	8.0%	89,211,963
1% increase	9.0%	18,440,733

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. COMMITMENTS AND CONTINGENCIES, CONTINUED**

Bonds Payable

The following is a summary of general obligation transactions of the District for the year ended August 31, 2017:

Balance, August 31, 2016	\$ 153,515,000
Additions:	
New obligations	14,965,000
Deductions:	
Payment of principal	<u>(8,310,000)</u>
Balance, August 31, 2017	<u>\$ 160,170,000</u>

The following is the bonded indebtedness of the District as of August 31, 2017:

<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%	6,650,000	2019
May 9, 2013	3.63577%	46,935,000	2025
August 20, 2013	4.15003%	40,000,000	2034
June 30, 2015	3.67409%	25,000,000	2035
June 30, 2015	5.00000%	17,750,000	2023
June 21, 2017	3.00000%	<u>14,965,000</u>	2035
TOTAL		<u>\$ 160,170,000</u>	

Aggregate principal and interest payments applicable to the District's bonds subsequent to August 31, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,760,000	\$ 6,043,016	\$ 14,803,016
2019	9,140,000	5,593,093	14,733,093
2020	9,840,000	5,329,193	15,169,193
2021	9,610,000	4,903,593	14,513,593
2022-2026	62,215,000	18,369,556	80,584,556
2027-2031	31,575,000	9,333,006	40,908,006
2032-2036	<u>29,030,000</u>	<u>2,714,975</u>	<u>31,744,975</u>
TOTAL	<u>\$ 160,170,000</u>	<u>\$ 52,286,432</u>	<u>\$ 212,456,432</u>

On June 7, 2017, the District issued \$14,965,000 in general obligation bonds with an average interest rate of approximately 3.09%. The purpose of these bonds is to finance the cost of constructing additions and/or making repairs and renovations to existing school buildings; and providing the necessary furnishings, equipment, including security and related technology, and apparatus for such school buildings and school building additions. These bonds were issued at a premium of \$1,541,707 and bond issue costs of \$129,617, resulting in net proceeds of \$16,377,090.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. COMMITMENTS AND CONTINGENCIES, CONTINUED**

Lease Commitment

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

- Thirty-two vans used for transportation of students in special education programs expiring on various dates through May 2022.
- Vehicles used by the administration and maintenance. These leases expire on various dates through May 2020.
- 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>
2018	\$ 344,994
2019	308,783
2020	156,301
2021	89,466
2022	30,505

The total paid for lease commitments for the year ended August 31, 2017 was \$378,822 all of which was paid-out of the General 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 between \$80 to a daily rate of pay per day for any sick leave accumulated over 80 days. Employees receive 12 days of sick leave per year and cannot accumulate over 87 days. Faculty and administrators' accumulated sick leave over 75 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 voluntary separation for a period of up to 24 months. Under a prior version of the plan, some persons are still receiving benefits that received 60 months of payments. As of August 31, 2017, the District estimates their liability under this plan at \$8.066 million with the final obligations payable in fiscal year 2022.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. COMMITMENTS AND CONTINGENCIES, CONTINUED**

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.

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.

In April 2016, the Nebraska Legislature passed LB1067 which eliminated the common levy for the learning community schools beginning in the 2017-18 fiscal year.

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. COMMITMENTS AND CONTINGENCIES, CONTINUED**

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.

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, 2017**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2016		\$ 32,585,517	
Receipts:			
Local receipts:			
Local property taxes	\$ 92,578,477	88,507,672	\$ (4,070,805)
Motor vehicle taxes	11,500,000	12,165,814	665,814
Carline tax	20,000	21,151	1,151
Public power district sales tax	2,700,000	2,771,186	71,186
Tuition received from individuals - general education		312,302	312,302
Local fines and license fees	400,000	327,166	(72,834)
Contributions and donations		200	200
Community services activities		731	731
Categorical grants from corporations and private interests		1,400,180	1,400,180
Other local receipts		56,031	56,031
	<u>107,198,477</u>	<u>105,562,433</u>	<u>(1,636,044)</u>
County receipts:			
County fines and license fees	<u>900,000</u>	<u>854,943</u>	<u>(45,057)</u>
State receipts:			
State aid	89,635,460	89,635,460	
Special education programs	12,100,000	11,764,049	(335,951)
Special education transportation	1,121,260	1,170,220	48,960
Pro rata motor vehicle		236,152	236,152
Homestead exemption		2,351,609	2,351,609
State apportionment	3,500,000	3,396,199	(103,801)
Textbook loan		27,013	27,013
Other state receipts		216,081	216,081
	<u>106,356,720</u>	<u>108,796,783</u>	<u>2,440,063</u>
Federal receipts:			
Title I		1,642,754	1,642,754
Special education - grants to states	1,500,000	1,468,659	(31,341)
Special education - additional funds	5,143,430	3,304,435	(1,838,995)
MEDICAID in public schools	300,000	403,825	103,825
Federal vocational and applied technology education	130,000	130,186	186
Every student succeeds	250,000	91,087	(158,913)
Other categorical	3,534,544	965,819	(2,568,725)
	<u>10,857,974</u>	<u>8,006,765</u>	<u>(2,851,209)</u>
Interest	<u>2,995</u>	<u>45,340</u>	<u>42,345</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, 2017**

	Original & Final Budget	Actual	Variance with Budget Favorable (Unfavorable)
Budgetary fund balance, September 1, 2016		<u>\$ 22,373,161</u>	
Receipts:			
Local receipts:			
Local property taxes	\$ 4,352,719	4,078,738	\$ (273,981)
Carline taxes		344	344
Public power district sales tax		138,847	138,847
Other local receipts		352,228	352,228
State reimbursement:			
Homestead exemptions		82,994	82,994
Pro rata motor vehicle		10,656	10,656
Proceeds from issuance of bonds		14,965,000	14,965,000
Bond premiums		1,541,707	1,541,707
Interest		96,648	96,648
Non-revenue receipts		<u>337,363</u>	<u>337,363</u>
Total receipts	<u>4,352,719</u>	<u>21,604,525</u>	<u>17,251,806</u>
Disbursements:			
Purchased services		2,537,442	(2,537,442)
Capital outlays		4,318,551	(4,318,551)
Building, acquisition and improvement	27,518,868	7,380,385	20,138,483
Bond issuance costs		129,617	(129,617)
Other		<u>1,472,024</u>	<u>(1,472,024)</u>
Total disbursements	<u>27,518,868</u>	<u>15,838,019</u>	<u>11,680,849</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (23,166,149)</u>	<u>5,766,506</u>	<u>\$ 28,932,655</u>
Budgetary fund balance, August 31, 2017		<u>\$ 28,139,667</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 NUTRITION FUND**

**FOR THE YEAR ENDED AUGUST 31, 2017**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2016		\$ (1,984,175)	
Receipts:			
Sale of lunches/milk	\$ 10,800,000	6,772,632	\$ (4,027,368)
Interest	3,000	1,539	(1,461)
Local receipts	967,000	1,768,505	801,505
State reimbursement	30,000	45,617	15,617
Federal reimbursement	<u>3,200,000</u>	<u>3,282,997</u>	<u>82,997</u>
Total receipts	<u>15,000,000</u>	<u>11,871,290</u>	<u>(3,128,710)</u>
Disbursements:			
Salaries and benefits	5,410,000	4,866,964	543,036
Supplies and materials	1,030,000	277,639	752,361
Contracted services	7,060,000	6,811,445	248,555
Capital outlays	500,000	7,167	492,833
Other	<u>                    </u>	<u>12,217</u>	<u>(12,217)</u>
Total disbursements	<u>14,000,000</u>	<u>11,975,432</u>	<u>2,024,568</u>
Excess (deficiency) of receipts over disbursements	<u>\$ 1,000,000</u>	<u>(104,142)</u>	<u>\$ (1,104,142)</u>
Budgetary fund balance, August 31, 2017		<u>\$ (2,088,317)</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, 2017**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2016		\$ 2,382,178	
Receipts:			
Interest income	\$ 500	3,670	\$ 3,170
Other receipts	1,400,000	1,141,214	(258,786)
Operational transfers from the General fund	<u>30,000,000</u>	<u>25,206,770</u>	<u>(4,793,230)</u>
Total receipts	31,400,500	26,351,654	(5,048,846)
Disbursements:			
Purchased services	<u>32,868,330</u>	<u>26,884,310</u>	<u>5,984,020</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (1,467,830)</u>	<u>(532,656)</u>	<u>\$ 935,174</u>
Budgetary fund balance, August 31, 2017		<u>\$ 1,849,522</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, 2017**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2016		\$ 13,251,568	
Receipts:			
Interest income		32,939	\$ 32,939
Operational transfers from the General fund		<u>3,477,402</u>	<u>3,477,402</u>
Total receipts		<u>3,510,341</u>	<u>3,510,341</u>
Disbursements:			
Capital outlays:			
Furniture and equipment	\$ 5,583,306	728,525	4,854,781
Building and site acquisition and improvement	<u>                    </u>	<u>91,843</u>	<u>(91,843)</u>
Total disbursements	<u>5,583,306</u>	<u>820,368</u>	<u>4,762,938</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (5,583,306)</u>	<u>2,689,973</u>	<u>\$ 8,273,279</u>
Budgetary fund balance, August 31, 2017		<u>\$ 15,941,541</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, 2017**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2016		\$ 1,983,161	
Receipts:			
Interest		5,820	\$ 5,820
Operational transfers from the General fund		<u>254,481</u>	<u>254,481</u>
Total receipts		260,301	260,301
Disbursements:			
Insurance claims	\$ 2,000,000	<u>40,774</u>	<u>1,959,226</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (2,000,000)</u>	<u>219,527</u>	<u>\$ 2,219,527</u>
Budgetary fund balance, August 31, 2017		<u>\$ 2,202,688</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, 2017**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2016		\$ 19,754,068	
Receipts:			
Local receipts:			
Local property taxes	\$ 13,937,610	13,781,699	\$ (155,911)
Carline taxes		1,138	1,138
Public power district		444,725	444,725
State reimbursement:			
Homestead exemptions		270,359	270,359
Pro rata motor vehicle		35,287	35,287
Interest		94,841	94,841
Total receipts	<u>13,937,610</u>	<u>14,628,049</u>	<u>690,439</u>
Disbursements:			
Redemption of principal	8,310,000	8,310,000	
Debt service interest	<u>5,922,530</u>	<u>5,922,530</u>	
Total disbursements	<u>14,232,530</u>	<u>14,232,530</u>	
Excess (deficiency) of receipts over disbursements	<u>\$ (294,920)</u>	<u>395,519</u>	<u>\$ 690,439</u>
Budgetary fund balance, August 31, 2017		<u>\$ 20,149,587</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, 2017**

**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, 2017**

	General Fund	Contingency	Employee Benefit	Depreciation	Total General Funds	Special Revenue Funds			Total Governmental Funds
						Special Building	School Nutrition	Debt Service/Bond Fund	
<b>RECEIPTS:</b>									
Local receipts	\$ 105,562,433				\$ 105,562,433	\$ 4,570,157	\$ 1,768,505	\$ 14,227,562	\$ 126,128,657
County receipts	854,943				854,943				854,943
State receipts	108,796,783				108,796,783	93,650	45,617	305,646	109,241,696
Federal receipts	6,606,585				6,606,585		3,282,997		9,889,582
Sales of lunches							6,772,632		6,772,632
Interest	45,340	\$ 5,820	\$ 3,670	\$ 32,939	87,769	96,648	1,539	94,841	280,797
Categorical grants from corporations and other private interests	1,400,180				1,400,180				1,400,180
Non-revenue receipts	79,904		1,141,214		1,221,118	337,363			1,558,481
<b>TOTAL RECEIPTS</b>	<b>223,346,168</b>	<b>5,820</b>	<b>1,144,884</b>	<b>32,939</b>	<b>224,529,811</b>	<b>5,097,818</b>	<b>11,871,290</b>	<b>14,628,049</b>	<b>256,126,968</b>
<b>DISBURSEMENTS:</b>									
Instructional services	115,127,002				115,127,002				115,127,002
Support services	76,802,630				76,802,630				76,802,630
Other salaries and benefits							4,866,964		4,866,964
Supplies and materials							277,639		277,639
Purchased services			26,884,310		26,884,310	2,537,442	6,811,445		36,233,197
Capital outlay				728,525	728,525	4,318,551	7,167		5,054,243
Building and site acquisition and improvement				91,843	91,843	7,380,385			7,472,228
Other		40,774			40,774	1,472,024	12,217		1,525,015
Redemption of principal								8,310,000	8,310,000
Bond issuance costs						129,617			129,617
Debt service interest								5,922,530	5,922,530
<b>TOTAL DISBURSEMENTS</b>	<b>191,929,632</b>	<b>40,774</b>	<b>26,884,310</b>	<b>820,368</b>	<b>219,675,084</b>	<b>15,838,019</b>	<b>11,975,432</b>	<b>14,232,530</b>	<b>261,721,065</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS</b>	<b>31,416,536</b>	<b>(34,954)</b>	<b>(25,739,426)</b>	<b>(787,429)</b>	<b>4,854,727</b>	<b>(10,740,201)</b>	<b>(104,142)</b>	<b>395,519</b>	<b>(5,594,097)</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Proceeds from issuance of bonds payable						14,965,000			14,965,000
Premium on refunding bonds issued						1,541,707			1,541,707
Transfers in		254,481	25,206,770	3,477,402	28,938,653				28,938,653
Transfers out	(28,938,653)				(28,938,653)				(28,938,653)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(28,938,653)</b>	<b>254,481</b>	<b>25,206,770</b>	<b>3,477,402</b>		<b>16,506,707</b>			<b>16,506,707</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>2,477,883</b>	<b>219,527</b>	<b>(532,656)</b>	<b>2,689,973</b>	<b>4,854,727</b>	<b>5,766,506</b>	<b>(104,142)</b>	<b>395,519</b>	<b>10,912,610</b>
<b>FUND BALANCE - beginning of year</b>	<b>32,585,517</b>	<b>1,983,161</b>	<b>2,382,178</b>	<b>13,251,568</b>	<b>50,202,424</b>	<b>22,373,161</b>	<b>(1,984,175)</b>	<b>19,754,068</b>	<b>90,345,478</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 35,063,400</b>	<b>\$ 2,202,688</b>	<b>\$ 1,849,522</b>	<b>\$ 15,941,541</b>	<b>\$ 55,057,151</b>	<b>\$ 28,139,667</b>	<b>\$ (2,088,317)</b>	<b>\$ 20,149,587</b>	<b>\$ 101,258,088</b>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED AUGUST 31, 2017**

<u>Federal Grantor/Pass Through Entity/ Program Title</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER:</b>			
<i>Passed through Nebraska Department of Education</i>			
School Breakfast Program	280017	10.553	\$ 2,671,070
National School Lunch Program	280017	10.555	545,959
Summer Food Service Program for Children	280017	10.559	65,968
<i>Passed through the Nebraska Department of Health and Human Services</i>			
Food Distribution Program	280017	10.555	<u>600,438</u>
Total U.S. Department of Agriculture			<u>3,883,435</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through Nebraska Department of Education</i>			
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>			
Special Education - Grants to States (IDEA, Part B)	280017	84.027	4,404,511
Special Education - Preschool Grants (IDEA Preschool)	280017	84.173	<u>82,282</u>
Total Special Education Cluster (IDEA)			<u>4,486,793</u>
Perkins Grant	280017	84.048	129,284
Title 1 Grants to Local Education Agencies (Title 1, Part A of the ESEA)	280017	84.010	1,641,571
English Language Acquisition - Title III, Part A	280017	84.365	71,034
Improving Teacher Quality - Title II, Part A	280017	84.367	310,767
State Personnel Development	280017	84.323	<u>25,452</u>
Total U.S. Department of Education			<u>6,664,901</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - MEDICAID CLUSTER:</b>			
<i>Passed through Nebraska Department of Health and Human Services System</i>			
Medical Assistance Program	47-6002642	93.778	<u>403,825</u>
<b>TOTAL</b>			<u>\$ 10,952,161</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, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2017. The information in this schedule is presented in accordance with the requirements for Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

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.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017, CONTINUED**

**6. DE MINIMIS COST RATE**

The District has not elected to use the 10% de minimis cost rate as covered in Uniform Guidance indirect costs section.

November 1, 2017

**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, 2017, 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 1, 2017.

**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 1, 2017

**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, 2017. 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, 2017.

### **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*

**HSMC ORIZON LLC**

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

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

**Federal Awards**

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

Internal control over major program compliance:

Are any material weaknesses identified?	___ Yes	_X_ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	_X_ None Reported
Are any audit findings disclosed that are required to be reported in accordance with <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Section 2 CFR 200.516(a)?</i>	___ Yes	_X_ No

Identification of major programs:

U.S. Department of Education 84.010	Title 1 Grants to Local Educational Agencies
U.S. Department of Agriculture – Child Nutrition Cluster: 10.553	School Breakfast Program
10.555	National School Lunch Program and Food Distribution Program
10.559	Summer Food Service Program

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, 2017**

**FINANCIAL STATEMENT FINDINGS**

None reported.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.