

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

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

**AUGUST 31, 2009**

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

**ANNUAL FINANCIAL STATEMENTS AND  
ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS  
FOR THE YEAR ENDED AUGUST 31, 2009**

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

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November 5, 2009

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each fund and the discretely presented component unit of School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District"), as of August 31, 2009 and for the year then ended, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the financial statements were prepared on a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the governmental activities, each fund and the discretely presented component unit of the District as of August 31, 2009 and the respective receipts and disbursements arising from cash transactions for the year then ended on the cash basis of accounting described in Note 1, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The required supplementary information, as listed in the accompanying table of contents, including Management's Discussion and Analysis and the Budgetary Comparison Schedules and Note, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. This schedule has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
ORIZON CPAs LLC

# MANAGEMENT'S DISCUSSION & ANALYSIS

## I. USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

### A. Report Components

This annual report consists of five parts as follows:

#### 1. Government-Wide Financial Statements

The Statement of Net Assets–Cash Basis and the Statement of Activities–Cash Basis provide information about the activities of the District government-wide (or “as a whole”).

#### 2. Fund Financial Statements

Fund financial statements focus on the individual parts of the District's government. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant (“major”) funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

#### 3. Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### 4. Required Supplementary Information

This Management Discussion and Analysis (MD&A) and the Fund Budgetary Comparison Schedules represent financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes to the financial statements (referred to as “the basic financial statements”).

#### 5. Supplementary Information

This part of the annual report includes the schedule of federal expenditures. This supplemental financial information is provided to

address certain specific needs of various users of the District's annual report.

### B. Basis of Accounting

The District has elected to present the government-wide and the fund financial statements using the cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues and expenses. Under the District's cash basis of accounting, revenues are recognized when cash is received by the District and expenditures are recognized when cash is disbursed by the District. Only cash and investment balances are reported as assets; liabilities are not recorded. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

### C. Reporting the District as a Whole

#### 1. The District's Reporting Entity Presentation

The District's financial statements are presented as the primary government and include all significant schools, departments, activities and organizations for which the District is financially accountable. The District has determined there is only one component unit that meets the criteria as set forth by GASB for inclusion in the financial statements.

#### 2. The Government-Wide Statements

The government-wide financial statements are presented on pages 11 and 12. One of the most important questions asked about the District's finances is, “Is the District as a whole better off or worse off as a result of the year's activities?” The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all of the District's activities resulting from the use of the cash basis of accounting; except for activities related to the Activities Fund and Student Fee Fund which are reported in separate statements on page 14.

These two government-wide statements report the District's net assets and changes in them. Over time, increases or decreases in the District's cash and investments are one indicator of whether its financial health is improving or deteriorating. The reader also needs to consider the other assets and liabilities which are not presented in these financial statements and other non-financial factors, such as changes in the District's property tax base and the condition of the District's capital assets (mainly buildings) to assess the overall health of the District.

### 3. The Fund Financial Statement

The analysis of the District's major funds begins on page 13. The fund financial statements begin on page 25 and provide detailed information about the District's funds – not the District as a whole.

Some funds are required to be established by State law, however the District is allowed to establish certain other funds to help it control and manage money for particular purposes.

The District's two kinds of funds (i.e., governmental funds and fiduciary funds) use different accounting approaches.

a. Governmental Funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the cash and investment balances left at year-end that are available for spending. Governmental fund information helps you determine (through a review of changes to fund balances) whether there is more or less available cash and investments that can be spent to finance the District's programs. The District considers all of its funds to be significant or major governmental funds.

b. Fiduciary Funds – These funds are used to account for assets that are held in a trustee or fiduciary capacity such as the school's activities and student fee funds.

The District currently has no proprietary funds. Proprietary funds are used to account for funds in which the District would charge a fee to customers to help it cover all or most of the cost of certain services it provides.

## I. OVERVIEW OF DISTRICT

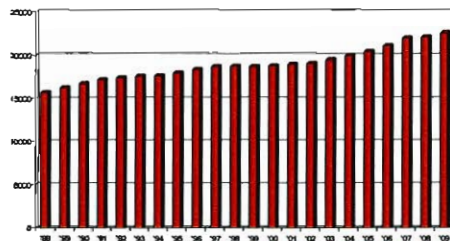
### A. Schools

The Millard Public Schools is a K-12 school system located in the southwestern part of the Omaha, Nebraska metropolitan area. The District is composed of 3 high schools (grades 9-12), 6 middle schools (grades 6-8), and 25 elementary schools (grades K-5). With the exception of two elementary schools, all buildings are located in Douglas County. Approximately 90% of the taxable property value of the District is located in Douglas County. The other 10% is in Sarpy County.

### B. Students

Over the past few decades, there has been substantial growth in student enrollment in the District. In the fall of 1977, student enrollment was 9,267. The official student enrollment as of the last Friday in September 2009 was 22,598 (see, Chart 1).

CHART I  
PK-12 STUDENT ENROLLMENT  
[Source: Fall Enrollment Report – Last Friday in September]



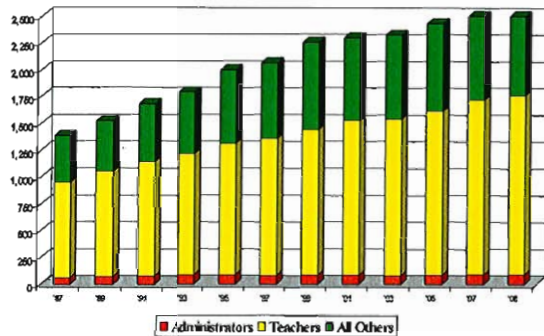
### C. Personnel

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

The growth in the number of employees, of course, has impacted the budget for personnel costs. In addition to the growth in the number of employees, the personnel budget has been impacted by the District's increases in salary and benefits for all employees (in order to remain competitive with other employers). The increase in salary and benefits for employees in FY09 was about 4.5%.



**CHART 2  
PERSONNEL**  
(Source: Fall (October) Personnel Report)

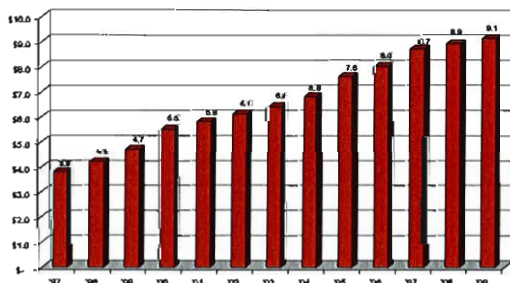


**D. Valuation**

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

The rate of growth in property values in the District has fluctuated from year to year, but it has always increased. In 2000, the valuation increase was 16.5%. In 2002, the increase was only 3.8%. The increase in 2007 was 8.5%. However, the growth slowed in 2009 to only 1.3%.

**CHART 3  
ASSESSED VALUE**  
(Source: August 20<sup>th</sup> County Assessor's Certifications - \$ Billions)



**E. Tax Levy**

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

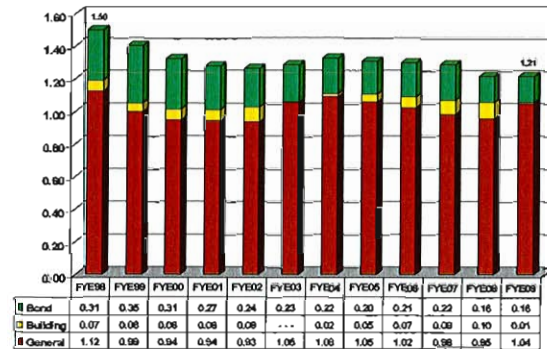
Despite the fact that the District passed an \$89 million bond issue in 1997 and another \$78 million in 2005, the total property tax levy in the District has trended downward (see, Chart 4).

In FYE98 the total levy was \$1.50. In FYE09 it was \$1.21.

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

Since the District has been budgeting at or near the maximum levy permitted by the levy lid (see, "Statutory Lids" herein below), it is likely that the total levy will remain at about the same level in future years.

**CHART 4  
TAX LEVY BY FUND**



**F. Statutory Lids**

The Nebraska legislature has enacted statutes which provide two "lids" on the school district's budgets. One is a spending lid. The other is a tax levy lid.

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

In addition to the spending lid, the Nebraska legislature provided for a lid on the tax levies of school districts (and other political subdivisions). The statutory lid is \$1.05 per one hundred dollars of value in the District. There are some exclusions to this lid that increase the effective tax lid to about \$1.10 (including the levies for the general fund and the special building fund). The District, however, has opted to hold its tax levy (i.e., general fund plus building fund) at \$1.05.



In a nutshell, during FYE09, the District operated under budgets and levies that were well within both the statutory spending lid and the statutory levy lid.

#### IV. FUNDS

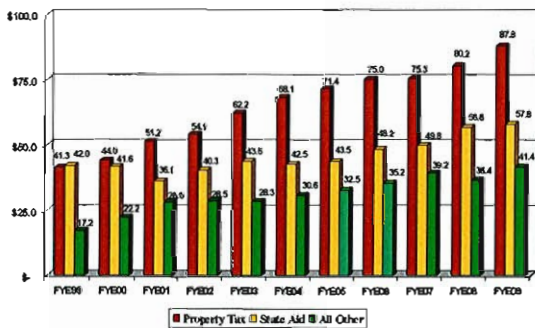
##### A. General Fund

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

*The General Fund may finance all facets of services rendered by the school district, inclusive of operation and maintenance.*

CHART 5  
REVENUE SOURCES

[Source: Audit Reports - \$Millions]



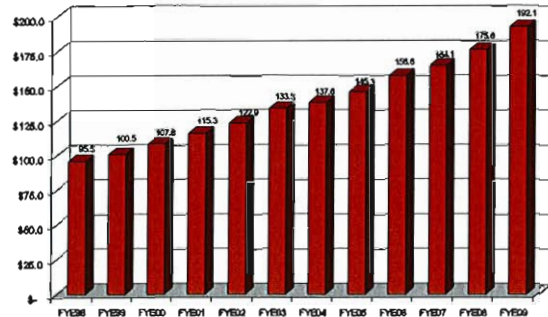
The general fund is funded by three major categories of revenue – property taxes, state aid, and other sources (i.e., grants, fines, vehicle licenses, state apportionment, etc.).

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

The total increase in the FYE09 budget of expenditures was about 9.4% over the preceding year (see, Chart 6). A significant part of this increase (about \$6 million) was related to a transfer of levy authority from the building fund to the general fund. This was done to take advantage of new provisions in the state aid formula adopted by the state legislature.

CHART 6  
TOTAL EXPENDITURES

[Source: General Fund Budget - \$Millions]



Other than the shifting of levy revenues and the use of such for special projects, the FYE09 general fund budget was directed primarily towards the continuation of existing programs and services.

The FYE09 budget provided for a 4.5% increase in salaries and benefits for teachers (i.e., the largest group of employees). The salary and benefits packages for other employees were similar to that granted to the teachers.

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

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

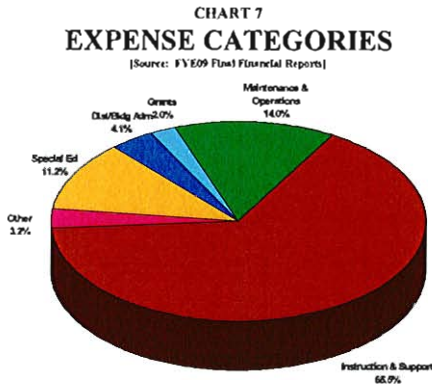
Since the District's cash reserve was somewhat higher than needed, the FYE09 budget was constructed to reduce it. At the end of FYE09, the cash reserve was down \$4.3 million from the preceding year (see, Chart 8).

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

The cash reserve provides the District with monies to pay its obligations (e.g., payroll) during the year when it has not yet received sufficient property taxes or state aid to cover those obligations.

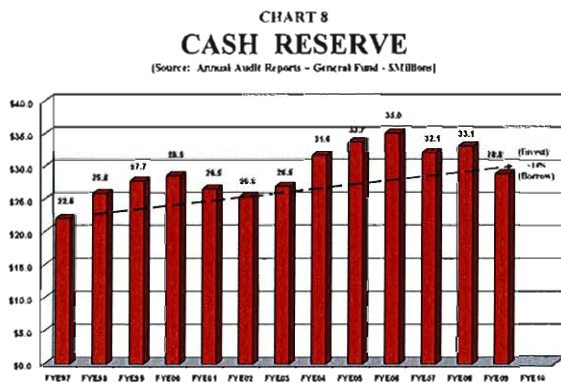
With a sufficient cash reserve, the District has funds to invest when they are not needed to meet obligations. If the reserve is not sufficient (i.e., less than about 16%) the District has to

temporarily borrow money to meet its cash flow obligations.



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

In April of 2003, the District had to temporarily borrow about \$2 million from the special building fund due to the delayed payments made by the state. In subsequent years, the state aid payments were received on schedule and no borrowing was required.



**B. Special Building Fund**

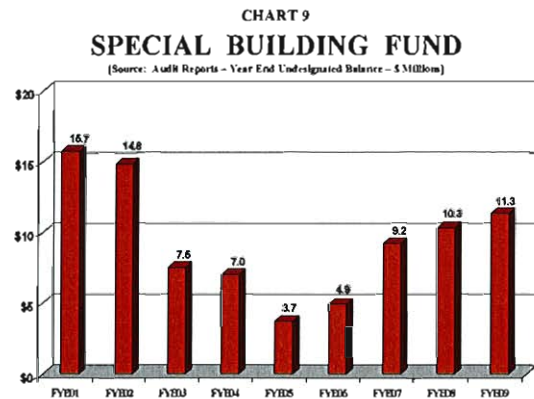
Nebraska Department of Education Rule 92 NAC 2 §003.03H provides in relevant part as follows:

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

In FYE08, the District designated 10¢ of its property tax levy for the special building fund. In FYE09, the District directed 1¢ of its levy to the building fund and 9¢ to the general fund. Both amounts were used for similar purposes. This division of the levy was done to take advantage of changes in the state aid formula.

The proceeds from both of these levies were available to address major capital replacement issues (e.g., replacing roofs, parking lots, HVAC equipment, etc.).

The special building fund also contains the proceeds from bond issuances. The proceeds are designated for the specific projects for which the bonds were issued.



During FYE05, the District's residents voted in favor of a \$78 million dollar bond issue to construct new buildings and to renovate existing ones. The first \$30 million of approved bonds were issued during FYE05. The remaining \$48 million of bonds were issued in FYE06. The final projects related to these bond issuances are near completion.

The FYE09 ending balance in the Special Building Fund was \$26.5 million. This amount included the proceeds from the bonds noted above.

Of this \$26.5 million ending balance, only \$11.3 million was not designated to existing obligations for capital projects, bond issue projects, and existing leases (see, Chart 9).

The "existing leases" noted above included: (1) lease payments to Connectivity Solutions Manufacturing, Inc. for office and warehouse space, (2) lease payments to Suburban Schools Building Corporation (SSBC) for the lease-purchase of Reeder Elementary School, and (3) lease purchase payment related to the purchase

of a support services building (commonly referred to in the District as the "Excel Building"). These future commitments total about \$1.7 million per year for the next seven years.

Final payment on the Reeder Elementary School lease-purchase is scheduled for FYE11. However, there was a required reserve fund of about \$1.0 million established pursuant to the lease-purchase agreement. The reserve fund will cover most, if not all, of the FYE11 payment. When the final lease-purchase payment is made, title to the building will be transferred from SSBC to the District.

### C. School Lunch Fund

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

*The School Lunch Fund is required to accommodate the financial activities of all Child Nutrition Programs. These include the School Lunch, School Breakfast, Special Milk, Child and Adult Care Food, and the Summer Food Service Programs.*

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

In FYE04, the District elected to outsource the management of its food service program with Aramark (which continued to manage the program in FYE08).

At the end of FYE09, the fund balance in the food service fund was down \$426,640 over the previous year. Steps have been taken to increase revenues during subsequent years to offset these operating losses.

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

### D. Employee Benefit Fund

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

*An Employee Benefit Fund may be established in order to specifically reserve General Fund money for the benefit of school district employees (unemployment compensation, early retirement, health insurance deductibles, etc.).*

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

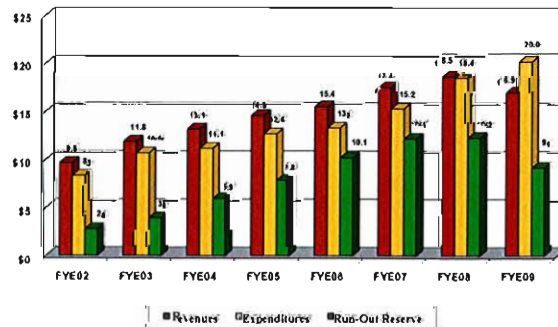
In order to fund its health insurance plan for employees, the District budgets for health insurance premium payments in its general fund. These "payments" for health insurance premiums are transferred monthly into the Employee Benefit Fund. As medical claims are filed, the third party administrator processes the claims and sends statements to the District. The District then pays the claims from the Employee Benefit Fund.

The District retains a "run-out reserve" in the Employee Benefit Fund to provide funds to pay claims that have been incurred during the year but have not yet been submitted for payment.

The goal is to have a reserve of at least 25%-30% of premiums in Employee Benefit Fund at the end of the fiscal year. The actual amount at the end of FYE09 was about 46% (see Chart 10). This was down from about 67% during FYE08.

CHART 10  
EMPLOYEE BENEFIT FUND

[Source: Annual Audit Report - 5 Millions]





**E. Depreciation Fund**

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

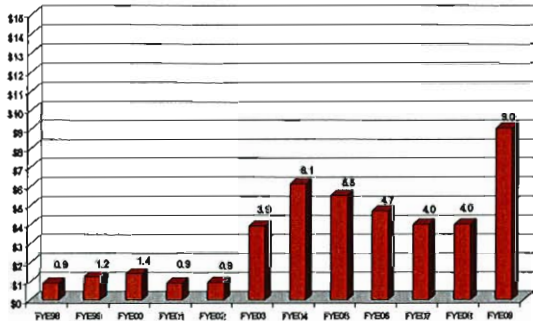
*A Depreciation Fund may be established by a school district in order to facilitate the eventual purchase of a costly capital outlay by reserving such monies from the General Fund.*

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

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

At the end of FYE09, the balance in the depreciation fund was \$9.0 million (see, Chart 11).

**CHART 11  
DEPRECIATION FUND BALANCE**  
[Source: Annual Audit Report - \$ Millions]



**F. Cooperative Fund**

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

*The Cooperative Fund may be used by the school district acting as the fiscal agent for any cooperative activity between such district and one or more public agencies as defined in Section 13-803(2) R.R.S.*

During FYE09, the District had no funds that needed to be accounted for in the Cooperative Fund.

**G. Bond Fund**

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

*The Bond Fund shall be used to record tax receipts and the payment of bond principal and interest.*

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

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

At the end of the fiscal year, the District had \$154.1 million in outstanding bonds carrying average interest rates from 3.125 to 4.612%. The last bonds mature in 2025.

The District maintains bond ratings of Aa2 from Moody's and AA from Standard & Poor's.

**H. Activities Fund**

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

*The Activities Fund is required to account for the financial operations of quasi-independent student organizations, interschool athletics, and other self-supporting or partially self-supporting school activities, not part of another fund.*

The central office and each of the 35 schools in the District maintains its own activities fund. These funds include such things as monies received from sporting events, funds raised by student organizations, receipts from vending machines, etc. The activities funds do not receive any revenue from the general fund or any other tax-supported funds.

**I. Student Fees Fund**

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

*The student fee fund means a separate school district fund not funded by tax revenue, into which all money collected from students pursuant the Public Elementary and Secondary Student Fee Authorization (Section 79-1,125 to 79-*

2,135 R.R.S.) for participation in extracurricular activities, post-secondary education and summer and night school is deposited. Expenditures from this fund must be for the purposes for which it was collected.

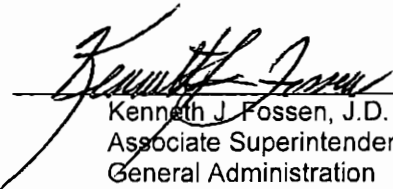
Monies that are collected in student fees are deposited into the Student Fees Fund. The

expenditures associated with the student programs (for which the fees were collected) are generally reflected in the Activities Fund.

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

\*\*\*\*\*

This Management's Discussion and Analysis (MD&A) is respectfully submitted this 5<sup>th</sup> day of November, 2009.

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

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

**STATEMENT OF NET ASSETS - CASH BASIS**

**AUGUST 31, 2009**

**ASSETS**

	Governmental Activities	Component Unit
Cash	\$ 23,289,948	\$ 1,057,566
Investments	63,963,150	
TOTAL ASSETS	\$ 87,253,098	\$ 1,057,566

**NET ASSETS**

Restricted:		
Special building	\$ 26,495,174	
School lunch	(204,776)	
Debt service	14,154,077	\$ 1,059,056
Unrestricted:		
Board designated:		
Employee benefit	9,071,739	
Depreciation	8,955,952	
Undesignated	28,780,932	(1,490)
TOTAL NET ASSETS	\$ 87,253,098	\$ 1,057,566

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, 2009**

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	School District	Component Unit
Governmental activities:					
Instructional services	\$ (106,095,785)	\$ 130,038	\$ 17,852,156	\$ (88,113,591)	
Support services	(56,229,867)		907,938	(55,321,929)	
Food services	(9,682,122)	7,933,948	1,733,105	(15,069)	
Building maintenance and improvements	(39,295,251)			(39,295,251)	
Debt service and lease payments	(13,990,000)			(13,990,000)	
Other	(709,922)			(709,922)	
	(226,002,947)	8,063,986	20,493,199	(197,445,762)	
Component unit activities:					
Suburban School Buildings Corporation	(1,050,508)	1,019,314			\$ (31,194)
Net program (disbursements) receipts	\$ (227,053,455)	\$ 9,083,300	\$ 20,493,199	(197,445,762)	(31,194)
General receipts:					
Taxes collected				118,707,847	
County receipts				1,228,612	
State receipts				62,036,864	
Federal receipts				1,212,048	
Investment earnings				698,156	9,875
Other				2,124,904	
Total general receipts				186,008,431	9,875
Decrease in net assets				(11,437,331)	(21,319)
Net assets - beginning of year				98,690,429	1,078,885
Net assets - end of year				\$ 87,253,098	\$ 1,057,566

See Notes to the Basic Financial Statements.

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

STATEMENT OF FUND BALANCES AND CHANGES IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009

	Special Revenue Funds					Total Governmental Funds
	General Fund	Special Building	School Lunch	Employee Benefit	Debt Service Fund Bond	
<b>RECEIPTS</b>						
Local receipts	\$ 103,474,660	\$ 2,137,831	\$ 528,741		\$ 14,266,838	\$ 120,428,070
County receipts	1,228,612					1,228,612
State receipts	73,541,305	22,631	46,414		164,814	73,775,164
Federal receipts	8,280,256		1,866,691			9,966,947
Sales of lunches			7,405,207			7,405,207
Interest	157,614	332,566	14,092	\$ 508,043	97,503	1,150,067
Non-revenue receipts	1,001,575	35,637				1,037,212
<b>TOTAL RECEIPTS</b>	<u>187,684,022</u>	<u>2,528,665</u>	<u>9,681,145</u>	<u>508,043</u>	<u>14,549,255</u>	<u>214,991,279</u>
<b>DISBURSEMENTS</b>						
Instructional services	99,054,440					99,054,440
Support services	70,931,017					70,931,017
Other salaries and benefits			4,141,297			4,141,297
Supplies and materials			90,396			90,396
Purchased services		413,719	5,256,877	19,977,270		25,647,866
Capital outlay		2,925,604	8,599			3,430,306
Building and site acquisition and improvement		8,123,082				8,443,600
Other		69,072	178,953			269,025
Redemption of principal					7,655,000	7,655,000
Debt service interest					6,335,300	6,335,300
<b>TOTAL DISBURSEMENTS</b>	<u>169,965,457</u>	<u>11,551,477</u>	<u>9,682,122</u>	<u>19,977,270</u>	<u>13,990,000</u>	<u>226,002,947</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>17,698,565</u>	<u>(9,022,812)</u>	<u>(977)</u>	<u>(19,459,227)</u>	<u>559,255</u>	<u>(11,011,669)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from refunding of bonds payable					26,669,721	26,669,721
Payment to bond refunding escrow agent					(26,669,721)	(26,669,721)
Transfers in	(22,062,427)		(425,663)	16,347,736		22,062,427
Transfers out	(22,062,427)		(425,663)	(16,347,736)		(22,488,090)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>						<u>(425,663)</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>	<u>(4,363,862)</u>	<u>(9,022,812)</u>	<u>(426,640)</u>	<u>(3,121,491)</u>	<u>559,255</u>	<u>(1,437,331)</u>
<b>FUND BALANCE - beginning of year</b>	<u>33,144,794</u>	<u>35,517,986</u>	<u>221,864</u>	<u>12,193,230</u>	<u>13,594,822</u>	<u>98,690,429</u>
<b>FUND BALANCE - end of year</b>	<u>28,780,932</u>	<u>26,495,174</u>	<u>(204,776)</u>	<u>9,071,739</u>	<u>14,154,677</u>	<u>87,253,098</u>
<b>FUND BALANCE - CASH BASIS</b>						
Cash	\$ 21,701,825		\$ (204,776)	\$ 1,787,948		\$ 23,289,948
Investments	7,079,107	26,495,174		7,283,791	14,149,126	63,963,150
<b>TOTAL FUND BALANCE - CASH BASIS - AUGUST 31, 2009</b>	<u>28,780,932</u>	<u>26,495,174</u>	<u>(204,776)</u>	<u>9,071,739</u>	<u>14,154,677</u>	<u>87,253,098</u>

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

**STATEMENT OF NET ASSETS AND CHANGES IN NET ASSETS - CASH BASIS - FIDUCIARY FUNDS**

**AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009**

<u>Activities Fund</u>	<u>Beginning Net Assets</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfers</u>	<u>Ending Net Assets</u>
ADMINISTRATIVE OFFICE	\$ 545,657	\$ 584,728	\$ 857,608	\$ 581	\$ 273,358
HIGH SCHOOLS:					
North	796,699	840,647	1,057,689	129,108	708,765
South	479,624	733,979	759,230	109,975	564,348
West	583,743	1,011,898	1,317,264	111,830	390,207
MIDDLE SCHOOLS:					
Andersen	95,159	96,521	96,158	12,852	108,374
Beadle	20,296	65,883	73,806	9,229	21,602
Central	55,135	84,285	96,756	12,814	55,478
Kiewit	288,486	66,610	96,243	10,219	269,072
North	67,148	70,456	66,273	9,516	80,847
Russell	58,134	86,670	93,562	9,361	60,603
ELEMENTARY SCHOOLS:					
Abbott	34,393	26,800	28,435	132	32,890
Ackerman	18,015	51,295	45,532	294	24,072
Aldrich	25,333	16,123	17,835	186	23,807
Black Elk	48,296	49,973	51,502	161	46,928
Bryan	5,872	17,535	12,729	236	10,915
Cather	19,651	24,674	24,353	122	20,094
Cody	10,905	16,334	16,626	218	10,831
Cottonwood	15,991	15,843	13,436	260	18,658
Disney	8,480	10,173	10,550	222	8,326
Ezra Millard	6,850	24,243	22,332	295	9,056
Harvey Oaks	16,871	10,423	18,661	152	8,785
Hitchcock	20,481	10,345	8,791	260	22,295
Holling Heights	19,413	14,936	12,946	347	21,751
Montclair	13,954	34,581	37,488	304	11,351
Morton	16,724	25,605	27,045	212	15,495
Neihardt	21,492	24,484	21,746	349	24,578
Norris	19,853	15,589	14,450	200	21,192
Reagan	17,838	54,609	24,384	246	48,310
Reeder	9,500	17,348	16,693	236	10,391
Rockwell	31,213	23,722	24,197	187	30,925
Rohwer	22,064	18,550	12,939	279	27,954
Sandoz	8,818	19,472	18,505	140	9,924
Upchurch	-	17,653	14,591	104	3,166
Wheeler	2,386	23,663	26,703	231	(6,433)
Willowdale	27,231	9,794	14,309	294	36,879
SUMMER SCHOOL	2,528	250			2,778
MILLARD LEARNING CENTER	124	976	2,200	4,513	3,413
MSHS BUTTON FACTORY	99	25	27		97
YOUNG ADULT PROGRAM	1,092	1,029	1,588		533
MNHS LIFE SKILLS	233		(233)		466
Total Activities Fund	<u>\$ 3,435,781</u>	<u>\$ 4,217,726</u>	<u>\$ 5,054,951</u>	<u>\$ 425,663</u>	<u>\$ 3,024,220</u>
<u>Student Fee Fund</u>					
ALL SCHOOLS	<u>\$ 149,699</u>	<u>\$ 1,563,475</u>	<u>\$ 1,380,964</u>	<u>\$ -</u>	<u>\$ 332,210</u>
NET ASSETS					
Cash					\$ 2,571,097
Certificates of deposit					468,854
Investments					<u>316,479</u>
TOTAL NET ASSETS - CASH BASIS HELD IN TRUST					<u>\$ 3,356,430</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 one component unit that has been presented discretely on the financial statements, the Suburban Schools Building Corporation (“SSBC”). SSBC is an entity originally established to construct Elementary School #23 (now known as Reeder Elementary School). Subsequent to the establishment of the SSBC, the District entered into a 7-year lease-purchase agreement with SSBC to lease Elementary School #23.

The SSBC issued bonds to fund the construction project. The lease payments made by the District to the SSBC were established in an amount sufficient to pay the principal and interest on the bonds when they came due. First National Bank of Omaha serves as the fiscal agent for the receipt of the lease payments and for the payment of principal and interest on the bonds when they come due. It also serves as the escrow agent for the documents related to the agreement between SSBC and the District. Pursuant to the lease-purchase agreement between the SSBC and the District, title to Reeder Elementary Schools will be transferred to the District when all of the principal and interest on the bonds have been paid.

Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements present the District’s financial statements as governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Alternatively, business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not operate any business-type activities.

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

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

The funds of the financial reporting entity are described below:

**GOVERNMENTAL FUND ACTIVITIES**

General Fund – This fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financing resources except those required to be accounted for in other funds.

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

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

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

*Employee Benefit Fund* – This fund accounts for the reserve of money for the benefit of School District employees for fringe benefits through the transfer of monies from other funds.

*Depreciation Fund* – This fund accounts for resources designated and maintained for the eventual purchase of capital assets through transfer of monies from the General Fund.

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

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

**Measurement Focus**

In both the government-wide financial statements and the fund financial statements, the governmental activities are presented using a cash basis measurement focus. Their reported net assets/fund balance is considered a measure of "available cash and investments." The operating statements focus on cash received and cash disbursed.

**Basis of Accounting**

In the government-wide and the fund financial statements, the District prepares its financial statements using the cash basis of accounting. Accordingly, revenues are recognized when cash is received by the District and expenditures are recognized when cash is disbursed. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

Equity Classification

**Government-wide Statements**

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups, such as creditors, grantors, contributors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted." However, if the funds have been designated by the Board of Education, these funds have been shown separately to distinguish their designation.

It is the District's policy to use restricted net assets, first, prior to the use of unrestricted net assets, when a disbursement is made for purposes in which both restricted and unrestricted net assets are available.

**Fund Financial Statements**

Governmental fund equity is reported as fund balance within each respective fund.

Internal and Interfund Balances and Activities

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



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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

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

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

Transfers between funds during the year were as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Used for capital outlay items, repairs, and replacements	Depreciation Fund	General Fund	\$ 5,714,691
Used to pay health insurance claims	Employee Benefit	General Fund	16,347,736
Distributes vending revenue to school buildings	Activity Fund	School Lunch Fund	425,663

**2. BUDGET PROCESS AND PROPERTY TAXES**

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

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

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

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

The 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, 2009 was \$1.209970 per \$100 of assessed valuation.

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**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, 2009, the carrying amount of the District's deposits was \$25,861,045 and the bank balance was \$28,321,372.

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental funds	\$ 23,289,948	\$ 25,207,424
Fiduciary funds	<u>2,571,097</u>	<u>3,113,948</u>
Total	<u>\$ 25,861,045</u>	<u>\$ 28,321,372</u>

In addition, the District has \$468,854 of certificates of deposit within the fiduciary funds.

Investments

Investments of \$50,130,571 consist of the Nebraska School District Liquid Asset Fund Plus and recorded at fair value. The Nebraska School District Liquid Asset Fund Plus is similar in nature to an open-end mutual fund designed specifically for Nebraska school entities, investing only in those securities allowable for such entities under Nebraska Law.

Investments of \$14,149,058 consist of money market 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 are insured through federal depository insurance coverage ("FDIC") coverage or collateral held by the District's agent in the District's name. However, one account exceeded the normal FDIC coverage and/or collateral by \$18,048,040.

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**4. FAIR VALUE MEASUREMENTS**

Effective September 1, 2008, the District adopted FASB Statement No. 157, Fair Value Measurements ("FAS 157"). FAS 157 established a framework for measuring fair value and expanded disclosures about fair value measurements. The adoption of FAS 157 had no impact on the District's financial position or results of operations.

FAS 157 applies to all assets and liabilities that are measured and reported on a fair value basis. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

Assets and liabilities of the District are carried at fair value and can be classified into one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents financial instruments that are measured at fair value on a recurring basis by the FAS 157 hierarchy as of August 31, 2009:

	<u>Level 2</u>
ASSETS:	
Nebraska School District Liquid Asset Fund	\$ 50,130,571
Money market funds	<u>14,149,058</u>
Total	<u>\$ 64,279,629</u>

The District did not have any other assets or liabilities that were measured on a fair value basis in accordance with value measurements.

**5. FUNDS HELD BY COUNTY TREASURER**

The following balances were held by the Sarpy and Douglas County Treasurers for the District as of August 31, 2009. The monies were transferred to the District subsequent to August 31 and are not included as receipts or cash balances in the financial statements:

	<u>Sarpy County</u>	<u>Douglas County</u>
General Fund	\$ 704,973	\$ 1,249,530
Debt Service Fund	84,065	965,457
Special Building Fund	5,780	61,194

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**6. NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM**

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

The total payroll for the School District employees covered by NSERS for the year ended August 31, 2009 was \$113,252,734. The total payroll for all School District employees for the year ended August 31, 2009 was \$120,988,110.

All School District employees who work 15 hours or more per week by August 15 preceding the school year participate in NSERS. Normal retirement is after completion of five years of service and age 65 or under the rule of 85 (when age plus years of service equals 85 and age must be at least 60). A monthly benefit is provided through either a savings and service annuity or a formula benefit annuity, whichever is greater. Early retirement is available on a reduced benefits basis. There are also vesting provisions for termination prior to retirement, as well as death and disability benefits established by Nebraska Statutes.

Funding Policy - In accordance with Nebraska Statutes §79-1531 and §79-1540, employee contributions are made in accordance with statute and the recommendation of an actuary (study as of June 30, 1996) and employer contributions are based upon 101% of employee contributions. Employee contribution requirements for the year ended August 31, 2009 were 7.28% of covered payroll. Actual employer and employee contributions made for the year ended August 31, 2009 were \$8,327,247 (7.35% of covered payroll) and \$8,244,799 (7.28% of covered payroll), respectively.

Actual employer and employee contributions made for the year ended August 31, 2008 were \$7,930,388 (7.35% of covered payroll) and \$7,851,870 (7.28% of covered payroll), respectively. Actual employer and employee contributions made for the year ended August 31, 2007 were \$7,911,081 (7.91% of covered payroll) and \$7,832,759 (7.83% of covered payroll), respectively.

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**7. COMMITMENTS AND CONTINGENCIES**

The commitments of the District mainly consist of bonds payable, construction contracts, lease commitments and self-insurance.

Bonds Payable

The following is a summary of general obligation transactions of the District for the year ended August 31, 2009:

Balance, August 31, 2008	\$ 162,050,000
Additions:	
New obligations	25,405,000
Deductions:	
Payment of principal	(7,655,000)
Refunding of debt	<u>(25,725,000)</u>
Balance, August 31, 2009	<u>\$ 154,075,000</u>

The following is the bonded indebtedness of the District as of August 31, 2009:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Final Maturity Year</u>
November 14, 2002	3.625%	\$ 2,655,000	2009
April 23, 2003	4.328%	19,590,000	2019
March 1, 2004	3.782%	24,160,000	2016
May 15, 2005	4.511%	30,000,000	2025
June 15, 2006	4.612%	48,000,000	2025
July 2, 2008	4.348%	4,265,000	2015
April 15, 2009	3.125%	<u>25,405,000</u>	2017
TOTAL		<u>\$ 154,075,000</u>	

Aggregate principal and interest payments applicable to the District's bonds subsequent to August 31, 2009 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 7,655,000	\$ 6,786,302	\$ 14,441,302
2011	7,740,000	5,676,005	13,416,005
2012	8,985,000	5,604,993	14,589,993
2013	9,250,000	5,315,768	14,565,768
2014	9,535,000	5,004,417	14,539,417
2015-2019	45,695,000	20,012,817	65,707,817
2020-2024	53,075,000	10,197,412	63,272,412
2025	<u>12,140,000</u>	<u>555,837</u>	<u>12,695,837</u>
TOTAL	<u>\$ 154,075,000</u>	<u>\$ 59,153,551</u>	<u>\$ 213,228,551</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**7. COMMITMENTS AND CONTINGENCIES, CONTINUED**

Bond Defeasance

On April 15, 2009, the School District issued \$25,405,000 in general obligation bonds with an average interest rate of approximately 3.56% to advance refund \$25,725,000. As a result of this refunding, the District decreased its total debt service payments over the next eight years by approximately \$1,150,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,310,000.

Special Building Fund Commitments

The District has approximately \$2,278,939 of commitments for the construction of new buildings, building additions, improvements and related building and site costs as of August 31, 2009 that will be paid from the proceeds of the June 15, 2006 bond issue.

Lease Commitment

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

- Thirty vans used for transportation of students in special education programs expiring on various dates through July 2012.
- Vehicles used by the administration and maintenance. These leases expire on various dates through June 2011.
- Office and warehouse space to be utilized by the District's Technology Department with Connectivity Solutions Manufacturing which has been extended to 2010.
- Classroom space with Donovan Properties. This lease expires in 2012.
- Several copiers used throughout the District expiring on various dates through September 2011.
- Elementary school with Suburban Schools Building Corporation ("SSBC"); see also Note 1. SSBC acquired the land and then issued certificates of participation to fund the construction of the elementary school. Lease payments related to this agreement began November 2004, and the lease expires May 2011. The District has the option to purchase the building at the end of the lease.

Future minimum lease payments for all leases are as follows:

<u>Fiscal Year End:</u>	<u>Amount</u>
2010	\$1,418,449
2011	1,206,028
2012	104,859
2013	51,758



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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**7. COMMITMENTS AND CONTINGENCIES, CONTINUED**

Lease Commitment, Continued

The total paid for lease commitments for the year ended August 31, 2009 was \$1,446,524 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 \$50 to \$100 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, 2009, the District estimates their liability under this plan at \$15,461,129 with the final obligations payable in fiscal year 2016.

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 schools 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**7. COMMITMENTS AND CONTINGENCIES, CONTINUED**

Learning Community Legislation, Continued

Shortly before this audit report was completed (i.e., October 19, 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. For the Millard Public Schools, the difference between receiving property taxes through the Learning Community common levies in FY 2010 and receiving property taxes directly through school levies in FY 2010 is about \$2.5 million to the positive (i.e., more property taxes would be received via the learning community common levies). The case is pending and there is no indication of when the matter will be heard by the Court.

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.

The District manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors and omissions	Purchased commercial insurance	Deductible
b. Health	Self-funded and purchased insurance	Stop-loss
c. Workers compensation - employee injuries	Purchased commercial insurance	None
d. Physical property loss and natural disasters	Purchased commercial insurance	Deductible

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

**8. SUBSEQUENT EVENTS**

Millard Public Schools, District No. 17 has evaluated subsequent events as of November 5, 2009, the date the financial statements were issued.

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

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

**FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2008		\$ 33,144,794	
Receipts:			
Local receipts:			
Local property taxes	\$ 92,040,159	91,254,167	\$ (785,992)
Motor vehicle taxes	10,300,000	9,652,359	(647,641)
Carline tax	7,000	10,121	3,121
Public power district sales tax	1,550,000	1,912,894	362,894
Tuition received from individuals - general education		130,038	130,038
Interest	75,000	157,614	82,614
Local fines and license fees	610,000	465,628	(144,372)
Gifts/donations	6,258	25,807	19,549
Community services activities		2,016	2,016
Other local receipts		21,630	21,630
	<u>104,588,417</u>	<u>103,632,274</u>	<u>(956,143)</u>
County receipts:			
County fines and license fees	<u>1,097,738</u>	<u>1,228,612</u>	<u>130,874</u>
State receipts:			
State aid	57,769,519	57,769,529	10
Special education programs	12,000,000	10,771,112	(1,228,888)
Special education transportation	1,500,000	907,938	(592,062)
Pro rata motor vehicle		235,295	235,295
Homestead exemption		830,245	830,245
State apportionment	2,650,000	3,008,092	358,092
Textbook loan		12,836	12,836
Other state receipts	576,298	6,258	(570,040)
	<u>74,495,817</u>	<u>73,541,305</u>	<u>(954,512)</u>
Federal receipts:			
Title I	2,000,000	1,798,604	(201,396)
Special education - grants to states	1,400,000	1,345,235	(54,765)
Special education - additional funds	3,250,000	2,888,788	(361,212)
MEDICAID in public schools	300,000	185,970	(114,030)
Goals 2002		99,856	99,856
Federal vocational and applied technology education	125,000	123,315	(1,685)
No child left behind	800,000	812,410	12,410
Other categorical	50,000	16,843	(33,157)
Other federal receipts	1,000,000	1,009,235	9,235
	<u>8,925,000</u>	<u>8,280,256</u>	<u>(644,744)</u>

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

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS -  
GENERAL FUND, CONTINUED**

**FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Receipts (continued):			
Non-revenue receipts:			
Sale of property		\$ 15,443	\$ 15,443
Other	\$ 6,258	<u>986,132.00</u>	<u>979,874</u>
Total receipts	<u>189,113,230</u>	<u>187,684,022</u>	<u>(1,429,208)</u>
Disbursements:			
Non-special education	94,274,413	95,649,654	(1,375,241)
Special education programs	20,975,908	21,486,875	(510,967)
Support services - pupils	11,227,460	9,189,697	2,037,763
Support services - staff	7,496,582	5,094,951	2,401,631
Board of education	2,021,250	2,104,740	(83,490)
Executive administration services	4,251,579	3,315,262	936,317
Office of the principal	10,481,798	10,410,726	71,072
General administration - business services	3,434,327	6,171,864	(2,737,537)
Vehicle acquisition and maintenance	463,623	379,920	83,703
Support services - maintenance and operation of building and site	25,298,186	26,547,233	(1,249,047)
Support services - regular pupil transportation	1,512,594	1,470,693	41,901
Support services - school age special education transportation	3,270,532	2,475,002	795,530
Community services	7,345	12,812	(5,467)
State categorical programs		83,297	(83,297)
Federal programs and other categorical aid	6,461,759	6,700,557	(238,798)
Summer school	59,684	257,491	(197,807)
Other	<u>863,675</u>	<u>697,110</u>	<u>166,565</u>
Total disbursements	<u>192,100,715</u>	<u>192,047,884</u>	<u>52,831</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (2,987,485)</u>	<u>(4,363,862)</u>	<u>\$ (1,376,377)</u>
Budgetary fund balance, August 31, 2009		<u>\$ 28,780,932</u>	

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

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

**FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2008		<u>\$ 35,517,986</u>	
Receipts:			
Local receipts:			
Local property taxes	\$ 884,920	1,572,908	\$ 687,988
Carline taxes		228	228
Public Power District sales tax		18,332	18,332
Interest		332,566	332,566
Other local receipts		546,363	546,363
State reimbursement:			
Homestead exemptions		8,548	8,548
Pro rata motor vehicle		14,083	14,083
Non-revenue receipts		<u>35,637</u>	<u>35,637</u>
Total receipts	<u>884,920</u>	<u>2,528,665</u>	<u>1,643,745</u>
Disbursements:			
Purchased services		413,719	(413,719)
Capital outlays		2,925,604	(2,925,604)
Building, acquisition and improvement	32,687,151	8,123,082	24,564,069
Other		<u>89,072</u>	<u>(89,072)</u>
Total disbursements	<u>32,687,151</u>	<u>11,551,477</u>	<u>21,135,674</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (31,802,231)</u>	<u>(9,022,812)</u>	<u>\$ 22,779,419</u>
Budgetary fund balance, August 31, 2009		<u>\$ 26,495,174</u>	

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

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

**FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2008		\$ 221,864	
Receipts:			
Local receipts:			
Sale of lunches/milk	\$ 9,865,000	7,405,207	\$ (2,459,793)
Interest	15,000	14,092	(908)
Other	60,000	528,741	468,741
State reimbursement	120,000	46,414	(73,586)
Federal reimbursement	<u>1,600,000</u>	<u>1,686,691</u>	<u>86,691</u>
Total receipts	<u>11,660,000</u>	<u>9,681,145</u>	<u>(1,978,855)</u>
Disbursements:			
Salaries and benefits	5,400,000	4,141,297	1,258,703
Supplies and materials	900,000	96,396	803,604
Other		178,953	(178,953)
Contracted services	5,600,000	5,256,877	343,123
Capital outlays	100,000	8,599	91,401
Operational disbursements to the Activities fund		<u>425,663</u>	<u>(425,663)</u>
Total disbursements	<u>12,000,000</u>	<u>10,107,785</u>	<u>1,892,215</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (340,000)</u>	<u>(426,640)</u>	<u>\$ (86,640)</u>
Budgetary fund balance, August 31, 2009		<u>\$ (204,776)</u>	



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

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

**FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2008		\$ 12,193,230	
Receipts:			
Local receipts:			
Interest income	\$ 200,000	56,132	\$ (143,868)
Other		451,911	451,911
Operational transfers from the General fund	<u>7,800,000</u>	<u>16,347,736</u>	<u>8,547,736</u>
Total receipts	<u>8,000,000</u>	<u>16,855,779</u>	<u>8,855,779</u>
Disbursements:			
Purchased services	<u>20,000,000</u>	<u>19,977,270</u>	<u>22,730</u>
Total disbursements	<u>20,000,000</u>	<u>19,977,270</u>	<u>22,730</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (12,000,000)</u>	<u>(3,121,491)</u>	<u>\$ 8,878,509</u>
Budgetary fund balance, August 31, 2009		<u>\$ 9,071,739</u>	

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

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

**FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2008		\$ 4,017,733	
Receipts:			
Local receipts:			
Interest income		40,149	\$ 40,149
Receipts:			
Operational transfers from the General fund		<u>5,714,691</u>	<u>5,714,691</u>
Total receipts		<u>5,754,840</u>	<u>5,754,840</u>
Disbursements:			
Capital outlays:			
Furniture and equipment	\$ 5,000,000	496,103	4,503,897
Site acquisition and improvement		<u>320,518</u>	<u>(320,518)</u>
Total disbursements	<u>5,000,000</u>	<u>816,621</u>	<u>4,183,379</u>
Excess (deficiency) of receipts over disbursements	<u>\$ (5,000,000)</u>	<u>4,938,219</u>	<u>\$ 9,938,219</u>
Budgetary fund balance, August 31, 2009		<u>\$ 8,955,952</u>	

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

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

**FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Budgetary fund balance, September 1, 2008		\$ 13,594,822	
Receipts:			
Local receipts:			
Local property taxes	\$ 14,158,718	13,991,232	\$ (167,486)
Carline taxes		1,576	1,576
Public power district	350,000	294,030	(55,970)
Interest	189,304	97,603	(91,701)
Proceeds from refunding bond	25,715,000	25,725,000	10,000
State reimbursement:			
Homestead exemptions		126,928	126,928
Pro rata motor vehicle		37,886	37,886
Total receipts	<u>40,413,022</u>	<u>40,274,255</u>	<u>(138,767)</u>
Disbursements:			
Redemption of principal	33,380,000	33,380,000	
Debt service interest	<u>6,335,000</u>	<u>6,335,000</u>	
Total disbursements	<u>39,715,000</u>	<u>39,715,000</u>	
Excess (deficiency) of receipts over disbursements	<u>\$ 698,022</u>	<u>559,255</u>	<u>\$ (138,767)</u>
Budgetary fund balance, August 31, 2009		<u>\$ 14,154,077</u>	

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED AUGUST 31, 2009**

**1. BUDGETARY ACCOUNTING**

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

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED AUGUST 31, 2009**

<u>Federal Grantor/Pass Through Entity/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
Passed through Nebraska Department of Education National School Lunch Program	10.555	1,686,691
Passed through the Nebraska Department of Social Services Food Distribution Program	10.550	<u>486,629</u>
Total U.S. Department of Agriculture		<u>2,173,320</u>
U.S. DEPARTMENT OF EDUCATION:		
Passed through Nebraska Department of Education Title I of the Elementary and Secondary Education Act	84.010	1,244,487
Title II, Part A - No Child Left Behind	84.367	399,617
NCLB - Title II, D	84.318	36,176
Title III - No Child Left Behind	84.365	125,159
Title IV - No Child Left Behind	84.168	61,822
Individuals with Disabilities Education Act	84.027	3,826,035
IDEA Part B Ages 3-21	84.027	67,274
IDEA Part C Ages Birth - 3	84.181	10,000
Perkins Grant	84.048	145,782
Innovation Education Program Strategies Interagency Planning Grant	84.181	4,642
Goals 2000 - State and Local Education Systemic Improvement Grants	84.369	8,450
ARRA, Title I- Part A	84.389A	4,517
Advanced Placement Grants	84.330	<u>918</u>
Total U.S. Department of Education		<u>5,934,879</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Passed through Nebraska Department of Health and Human Services System MEDICAID in Public Schools	93.778	73,989
Medicaid Administrative Claim	93.778	<u>111,981</u>
Total U.S. Department of Health and Human Services		<u>185,970</u>
TOTAL		<u>8,294,169</u>

See Note to the Schedule of Expenditures of Federal Awards.

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

**NOTE TO SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation – The accompanying Supplementary Schedule of Expenditures of Federal Awards has been prepared on a cash basis of accounting with the exception of commodities received under the food distribution of \$486,629. Under this method, expenditures are recognized when disbursements are made. Some programs are funded jointly by District appropriations and Federal funds.

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

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

November 5, 2009

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

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

We have audited the financial statements of the governmental activities, each fund and the discretely presented component unit of School District #17, Millard Public Schools, Douglas County, Nebraska (the "District") as of and for the year ended August 31, 2009 which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2009. Our report disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, officials of the Nebraska Department of Education, the Nebraska Auditor of Public Accounts, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Orizon CPAs LLC*

ORIZON CPAs LLC



November 5, 2009

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

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

Compliance

We have audited the compliance of School District #17 – Millard Public Schools, Douglas County, Nebraska (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended August 31, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Education, management, the Nebraska Department of Education, the Nebraska Auditor of Public Accounts, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

  
ORIZON CPAs LLC

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2009**

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

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. No material weaknesses in internal control over financial reporting were reported.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. No material weaknesses in internal control over compliance with requirements applicable to major federal award programs were reported.
5. The independent auditor's report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The major programs for the District for the year ended August 31, 2009 are as follows:
  - Title I: CFDA 84.010
  - Title II, Part A: CFDA 84.367
  - NCLB – Title II, D: CFDA 84.318
  - Title III – No Child Left Behind: CFDA 84.365
  - Title IV – No Child Left Behind: CFDA 84.168
  - Perkins Grant: CFDA 84.048
  - Medicaid: CFDA 93.778
8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The District did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

**B. FINANCIAL STATEMENT FINDINGS**

None

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None