

SCHOOL DISTRICT NO. 24
ARLINGTON PUBLIC SCHOOLS
WASHINGTON COUNTY, NEBRASKA
FINANCIAL STATEMENTS
AUGUST 31, 2016

ARLINGTON SCHOOL DISTRICT NO. 24

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RIC ORTMEIER
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Arlington School District No. 24
Washington County
Arlington, NE 68002

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary fund, each major fund, and the aggregate remaining fund information of Arlington School District No. 24 (District), Arlington, Nebraska, as of and for the year ended August 31, 2016, which collectively comprise the District's financial statements as listed in the table of contents, and related notes to the financial statements.

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, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America; this includes 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, the business-type activities, the fiduciary fund, each major fund, and the aggregate remaining fund information of Arlington School District No. 24, as of August 31, 2016, and the respective changes in financial position - cash basis, thereof for the year then ended in conformity with the cash basis of accounting described in Note A.

Other Matters

The District has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

The budgetary comparison information on pages 19 through 32 and the combining schedule on page 34 are presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 30, 2016 on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



RIC ORTMEIER
Certified Public Accountant
Fremont, Nebraska
October 30, 2016

ARLINGTON SCHOOL DISTRICT NO. 24

STATEMENT OF NET POSITION - CASH BASIS
AUGUST 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash in bank	\$ 5,483,822	\$ 123,915	\$ 5,607,737
Cash at county treasurer	2,098,798		2,098,798
Total assets	<u>\$ 7,582,620</u>	<u>\$ 123,915</u>	<u>\$ 7,706,536</u>
NET POSITION			
Restricted for:			
Capital projects	\$ 3,455,075		\$ 3,455,075
Debt service	525,513		525,513
Student lunch program		\$ 123,915	123,915
Employee benefits	100,827		100,827
Unrestricted	3,501,206		3,501,206
Net position	<u>\$ 7,582,620</u>	<u>\$ 123,915</u>	<u>\$ 7,706,536</u>

ARLINGTON SCHOOL DISTRICT NO. 24

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED AUGUST 31, 2016

Functions/Programs	Disbursements	Charges for Services	Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position		
				Governmental Activities	Business-type Activities	Totals
Primary government:						
Governmental activities:						
Instruction	\$ 4,208,491		\$ 338,551	\$ (3,869,940)		\$ (3,869,940)
Support services - pupils	208,034			(208,034)		(208,034)
Support services - staff	134,531			(134,531)		(134,531)
Implementation of standards	27,605			(27,605)		(27,605)
Board of education	29,193			(29,193)		(29,193)
Executive administration	275,910			(275,910)		(275,910)
District legal services	3,977			(3,977)		(3,977)
Office of principals	422,825			(422,825)		(422,825)
Support services - business	22,383			(22,383)		(22,383)
Vehicle acquisition and maintenance	14,618			(14,618)		(14,618)
Maintenance and operation of buildings	589,816	\$ 1,420		(588,396)		(588,396)
Pupil transportation-regular	288,767		27,765	(261,002)		(261,002)
Pupil transportation- special education	11,024			(11,024)		(11,024)
State categorical programs	23,228			(23,228)		(23,228)
Federal programs	207,757		256,277	48,521		48,521
Debt service-interest on bonds	511,321			(511,321)		(511,321)
Capital outlay	1,764,246			(1,764,246)		(1,764,246)
Preschool tuition		22,800		22,800		22,800
Transfer to other funds	12,000			(12,000)		(12,000)
Total governmental activities	8,755,725	24,220	622,593	(8,108,911)	-	(8,108,911)

See Notes to Financial Statements

ARLINGTON PUBLIC SCHOOL DISTRICT NO. 24

STATEMENT OF ACTIVITIES - CASH BASIS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

Functions/Programs	Disbursements	Charges for Services	Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position		
				Governmental Activities	Business-type Activities	Totals
Business-type activities:						
School lunch and milk	285,534	227,985	88,292		30,743	30,743
Total business-type activities	285,534	227,985	88,292		30,743	30,743
Total primary government	<u>\$ 9,041,259</u>	<u>\$ 252,205</u>	<u>\$ 710,885</u>	(8,108,911)	30,743	(8,078,169)
General receipts:						
Taxes				6,885,504		6,885,504
Fines and licenses				42,536		42,536
State aid				362,670		362,670
Other state sources				595,818		595,818
Interest income				8,952	12	8,964
Bond proceeds				2,635,000		2,635,000
Other				34,751		34,751
Total general receipts				10,565,231	12	10,565,243
Change in net position				2,456,320	30,754	2,487,074
Net position - beginning				5,126,301	93,161	5,219,462
Net position - ending				<u>\$ 7,582,620</u>	<u>\$ 123,915</u>	<u>\$ 7,706,536</u>

See Notes to Financial Statements

ARLINGTON SCHOOL DISTRICT NO. 24

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 AUGUST 31, 2016

	General Fund	Depreciation Fund	Special Building Fund	Bond Fund	Employee Benefit Fund	Qualified Capital Purpose Undertaking Fund	Total Governmental Funds
ASSETS							
Cash in bank:							
Reserved		\$ 904,224	\$ 432,925	\$ 375,751	\$ 100,827	\$ 1,967,548	\$ 3,781,275
Unreserved	\$ 1,702,547						1,702,547
Cash at county treasurer:							
Reserved			49,360	149,762		101,018	300,140
Unreserved	1,798,659						1,798,659
Total assets	<u>\$ 3,501,206</u>	<u>\$ 904,224</u>	<u>\$ 482,284</u>	<u>\$ 525,513</u>	<u>\$ 100,827</u>	<u>\$ 2,068,566</u>	<u>\$ 7,582,620</u>
FUND BALANCES							
Restricted				\$ 525,513		\$ 2,068,566	\$ 2,594,079
Assigned		\$ 904,224	\$ 482,284		\$ 100,827		1,487,335
Unassigned	\$ 3,501,206						3,501,206
Total fund balance	<u>\$ 3,501,206</u>	<u>\$ 904,224</u>	<u>\$ 482,284</u>	<u>\$ 525,513</u>	<u>\$ 100,827</u>	<u>\$ 2,068,566</u>	<u>\$ 7,582,620</u>

ARLINGTON SCHOOL DISTRICT NO. 24

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES-CASH BASIS
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

	Major Funds						Total Governmental Funds
	General Fund	Depreciation Fund	Special Building Fund	Bond Fund	Employee Benefit Fund	Qualified Capital Purpose Undertaking Fund	
Receipts:							
Taxes:							
Property	\$ 5,612,384		\$ 147,157	\$ 454,671		\$ 285,202	\$ 6,499,414
Motor vehicle	345,265						345,265
Public power district sales	33,656						33,656
Carline	6,224		158	508		278	7,169
Fines and licenses	42,536						42,536
Rental of school equip/facility	1,420						1,420
State programs	1,261,169		10,477	31,933		21,225	1,324,804
Federal programs	256,277						256,277
Preschool tuition and fees	22,800						22,800
Interest income	3,422	\$ 1,380	539	579		3,032	8,952
Other	25,804		894	4,904		3,149	34,751
Total receipts	7,610,958	1,380	159,226	492,595	-	312,886	-
Disbursements:							
Instruction	4,217,954				\$ 90,537		\$ (100,000)
Support services:							
Pupils	208,034						208,034
Staff	134,531						134,531
Implementation of standards	27,605						27,605
Board of education	29,193						29,193
Executive administration	275,910						275,910
District legal services	3,977						3,977
Office of principals	422,825						422,825
General business	22,383						22,383
Vehicle acquisition and maintenance	14,618						14,618
Operation and maintenance of buildings	1,239,816						(650,000)
Pupil transportation-regular	288,767						288,767
Pupil transportation-special education	11,024						11,024
State programs	23,228						23,228
Federal programs	207,757						207,757
Debt service				439,170		72,151	511,321
Capital outlay		957,077				807,169	1,764,246
Total disbursements	7,127,621	957,077	-	439,170	90,537	879,320	(750,000)
Excess (deficiency) of receipts over (under) disbursements	483,337	(955,697)	159,226	53,424	(90,537)	(566,434)	750,000
Other financing sources or uses:							
Bond proceeds						2,635,000	2,635,000
Transfer to Activity Fund	(12,000)						(12,000)
Transfers from other funds		650,000			100,000		(750,000)
Net change in fund balances	471,337	(305,697)	159,226	53,424	9,463	2,068,566	-
Fund balances - beginning	3,029,868	1,209,921	323,058	472,089	91,364	-	5,126,301
Fund balances - ending	\$ 3,501,206	\$ 904,224	\$ 482,284	\$ 525,513	\$ 100,827	\$ 2,068,566	\$ 7,582,620

See Notes to Financial Statements

ARLINGTON SCHOOL DISTRICT NO. 24

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
AUGUST 31, 2016

	<u>School Lunch Fund</u>
ASSETS	
Cash in bank	<u>\$ 123,915</u>
Total assets	<u>123,915</u>
NET POSITION	
Restricted	<u>123,915</u>
Net position	<u>\$ 123,915</u>

ARLINGTON SCHOOL DISTRICT NO. 24

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
 NET POSITION - CASH BASIS
 PROPRIETARY FUND
 FOR THE YEAR ENDED AUGUST 31, 2016

	School Lunch Fund
Receipts:	
Sale of lunches	\$ 227,985
Federal reimbursement	86,986
State reimbursement	1,306
Interest	<u>12</u>
Total receipts	<u>316,288</u>
Disbursements:	
Wages and benefits	124,874
Food purchases	127,552
Purchased services	7,337
Supplies	12,935
Capital outlay	11,534
Other	<u>1,303</u>
Total disbursements	<u>285,534</u>
Change in net position	30,754
Net position - beginning	<u>93,161</u>
Net position - ending	<u>\$ 123,915</u>

ARLINGTON SCHOOL DISTRICT NO. 24

STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUND
AUGUST 31, 2016

	<u>Activity Fund</u>
ASSETS	
Cash in bank	<u>\$ 183,125</u>
Total assets	<u>183,125</u>
NET POSITION	
Restricted	<u>183,125</u>
Net position	<u>\$ 183,125</u>

See Notes to Financial Statements

ARLINGTON SCHOOL DISTRICT NO. 24

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Activity Fund</u>
Local receipts:	
Activity receipts	\$ 304,615
Interest	<u>343</u>
	<u>304,958</u>
Non-revenue receipts:	
Transfer from General Fund	<u>12,000</u>
Total receipts	<u>316,958</u>
Disbursements:	
Purchased services	<u>310,455</u>
Total disbursements	<u>310,455</u>
Change in net position	6,503
Net position - beginning	<u>176,622</u>
Net position - ending	<u>\$ 183,125</u>

ARLINGTON SCHOOL DISTRICT NO. 24

NOTES TO FINANCIAL STATEMENTS – CASH BASIS FOR THE YEAR ENDED AUGUST 31, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Arlington School District No. 24 (the “District”) is a tax-exempt political subdivision and a Class 3 school district of the State of Nebraska.

Reporting entity – The Board of Education, a six-member group, is the level of government, which has financial accountability and control over all activities related to public school education in the District. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the board is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Accounting principles generally accepted in the United States of America require financial statements to present the School District (the primary government) and its component units, if any, to be included in their reporting entity because of the significance of their operational or financial relationships with the District.

The District does not have any component units.

The District has the following related entities that are not significant to the reporting unit as a whole and are, therefore, not included in the accompanying financial statements.

- The Athletic Boosters and the Music Boosters raise money to be used in support of the athletic and music programs.

The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its enterprise fund, it has chosen not to do so.

ARLINGTON SCHOOL DISTRICT NO. 24

NOTES TO FINANCIAL STATEMENTS – CASH BASIS FOR THE YEAR ENDED AUGUST 31, 2016 (CONTINUED)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – The accompanying statements have been prepared on the cash basis of accounting. Under the cash basis method of accounting, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. Accordingly, the financial statements and supplemental schedules are not intended to present financial position and results of operation in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation – On September 1, 2003, the District adopted the provisions of Government Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which includes government-wide financial statements, fund financial statements and the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. Management has elected to omit the Management Discussion and Analysis.

Government-Wide and Fund Financial Statements – The government-wide financial statements report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general receipts.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Each individual governmental fund and each individual proprietary fund are reported as separate columns in the fund financial statements.

Proprietary funds are used to account for the District's business type activities. Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements

ARLINGTON SCHOOL DISTRICT NO. 24

NOTES TO FINANCIAL STATEMENTS – CASH BASIS FOR THE YEAR ENDED AUGUST 31, 2016 (CONTINUED)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

not meeting this definition are reported as non-operating receipts and disbursements. The School Lunch Fund is considered a proprietary fund.

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The Activity Fund is a fiduciary fund.

Fund Types – The accounts of the District are organized on the basis of funds which are grouped into the following fund types:

General Fund – Finances the basic educational services rendered by the District and is used to account for all financial resources except those required or determined to be accounted for in another fund.

Depreciation Fund – Accumulates funds for eventual significant future capital outlays.

Special Building Fund – Accounts for the acquisition, erection, alteration, or improvements of buildings and sites.

Bond Fund – Accounts for the accumulation of funds utilized to retire general obligation bonds at maturity or when called and to pay interest due on those bonds.

Employee Benefit Fund – This fund is established in order to specifically reserve General Fund money for the benefit of school district employees.

School Lunch Fund – Accounts for the proceeds of breakfast and lunch receipts, U.S. Department of Agriculture reimbursements and commodities receipts which are restricted to disbursements for specified purposes.

Activity Fund – Accounts for the financial operations of quasi-independent student organizations, interschool athletics, and other self-supporting or partially self-supporting school activities not accounted for in another fund.

Qualified Capital Purpose Undertaking Fund – This fund can be used for removal of environmental hazards, the reduction or elimination of accessibility barriers, modifications for life safety code violations, indoor air quality projects and mold abatement and prevention projects. The tax levy for this fund is limited to 5.2% per one hundred dollars of valuation of school district property and shall not exceed ten years for any of the above allowable projects.

Capital Assets – Capital assets are recorded as disbursements when paid for by the District and are not recorded in the government-wide or fund financial statements.

ARLINGTON SCHOOL DISTRICT NO. 24

NOTES TO FINANCIAL STATEMENTS – CASH BASIS FOR THE YEAR ENDED AUGUST 31, 2016 (CONTINUED)

B. BUDGET BASIS AND PROPERTY TAXES

Long-Term Debt – Long-term debt arising from cash transactions is not reported as a liability in the government-wide fund financial statements. The debt proceeds are, instead, reported as other financing receipts and payment of principal and interest is reported as cash disbursements.

Budgetary Data – The Board of Education (the Board) follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

The Board proposes a budget on the cash basis of accounting for the fiscal year commencing the following September 1. The budget includes proposed expenditure and the means of financing them.

The District establishes legally adopted budgets for the following funds:

- General Fund
- Special Building Fund
- Depreciation Fund
- School Lunch Fund
- Activity Fund
- Bond Fund
- Qualified Capital Purpose Undertaking Fund

Hearings are conducted at a public meeting to obtain public comments.

Prior to September 20, the budget is legally adopted by the Board of Education and submitted to the Office of the Auditor of Public Accounts, Nebraska Department of Education and the Washington County Clerk.

Once approved by the Board, total expenditures cannot legally exceed total appropriations at the fund level nor for “regular education” in the general fund without holding a public budget hearing and obtaining approval from the Board of Education. Appropriations lapse at the end of the fiscal year.

Property Taxes – The tax levies for all political subdivisions are certified by the respective County Boards on or before October 15th. Real estate and personal property taxes are due and become an enforceable lien on property on December 31st. The first half of real estate and personal property taxes becomes delinquent on May 1st and the second half becomes delinquent September 1st following the levy date. Delinquent taxes bear a statutory rate (currently 14%) of interest. Property taxes levied are recognized when received by the Counties.

Property Tax Levy -The District's general fund, bond fund, special building fund and qualified capital purpose undertaking fund levies for the year ended August 31, 2016 were \$.950034, .076616, .025252, and .051680 respectively, per \$100 of assessed valuation. Assessed valuation of all property in three counties was \$635,224,744.

ARLINGTON SCHOOL DISTRICT NO. 24

NOTES TO FINANCIAL STATEMENTS – CASH BASIS
FOR THE YEAR ENDED AUGUST 31, 2016 (CONTINUED)

C. RESTRICTED FUND BALANCES

Restricted fund balances at August 31, 2016 were as follows:

Special Building Fund-restricted for capital outlay	\$ 482,284
Qualified Capital Purpose Undertaking Fund	2,068,566
Depreciation Fund-restricted for capital outlay	<u>904,224</u>
Sub-total Capital Projects	3,455,074
Bond Fund-restricted for debt service	525,513
Employee Benefit Fund-restricted for retirement benefits	100,827
School Lunch Fund-restricted for student lunches	<u>123,915</u>
Total restricted government-wide fund balances	<u>\$ 4,205,329</u>

Restricted Fiduciary Funds – Activity Fund \$ 183,125

It is the policy of the District to first apply unrestricted resources when an expenditure is incurred for which both restricted and unrestricted resources are available.

D. INTERFUND TRANSFERS

Interfund transfers from one fund to another where repayment is not expected are reported as transfers in and out. Transfers for the year from the General Fund consisted of \$650,000 to the Depreciation fund for capital improvements, \$100,000 to the Employee Benefit fund, and \$12,000 to the Activity fund.

E. COMPENSATED ABSENCES

Certified staff and 12 month employees earn sick leave at the rate of ten days of paid sick leave allowance per school year without loss of pay. The unused portion accumulates from year to year up to a total of forty-five days. Unused sick leave beyond forty five days is paid at a rate of \$40 per day.

Non-certified staff earn sick leave at the rate of six days per year and can accumulate sick leave up to thirty five days. Non-certified staff are also granted vacation leave in varying amounts. Vacation pay is charged to the designated budget areas when taken by the employees of the District. No payment is made for unused personal or sick leave.

F. CASH AND INVESTMENTS

Nebraska statutes 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 would acquire or retain in dealing with the property of another.

ARLINGTON SCHOOL DISTRICT NO. 24

NOTES TO FINANCIAL STATEMENTS – CASH BASIS FOR THE YEAR ENDED AUGUST 31, 2016 (CONTINUED)

F. CASH AND INVESTMENTS (CONTINUED)

Deposits – For reporting purposes the amount of total District bank deposits are classified in these categories of credit risk:

1. Insured or collateralized with securities held by the District or by its agent in the District's name.
2. Collateralized with securities held by the pledging financial institution's trust department of agent in the District's name.
3. Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

The bank balances of the District's deposits as of August 31, 2016 are entirely insured or collateralized. All securities are held by the pledging institution but not in the District's name.

G. LEASES

During a prior year, the District entered into a capital lease arrangement with NASB Leasing Corporation for the purchase of a used school bus. Semi-annual lease payments of \$5,892, including principal and interest at a rate of 1.15%, will be paid until the final payment due June 1, 2018. As of August 31, 2016, the remaining principal balance is \$23,571.

The District has a fair market value arrangement with Lenovo Financial Services for the lease of computer equipment. An annual lease payment of \$14,654 is due during the fiscal year ending August 31, 2017 with a two year extension that has annual payments of \$16,014 in the following fiscal years.

H. PENSION PLANS

Plan Description – The Arlington School 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. 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, PO Box 94816, Lincoln, NE 68509-4816 or by calling 1-800-245-5712.

Funding Policy – Plan members were required to contribute 9.78% of their annual covered salary for each fiscal year ending August 31, 2014, 2015, and 2016. The District is required to contribute 101% of the employee contribution. The contribution requirements of plan members and the District are established by the Nebraska statutes. The District's contributions to NPERS for the years ending August 31, 2014, 2015 and 2016, were \$374,972, \$391,189 and \$405,254 respectively, equal to the required contributions for each year.

ARLINGTON SCHOOL DISTRICT NO. 24

NOTES TO FINANCIAL STATEMENTS – CASH BASIS
FOR THE YEAR ENDED AUGUST 31, 2016 (CONTINUED)

I. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year, the District carried commercial insurance for general liability, medical, automobile, property coverage, errors and omissions, worker's compensation and employer liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

J. LONG-TERM DEBT

Series 2012 General Obligation Refunding Bonds in the original amount of \$8,095,000 with interest rates of .30% to 3.45%. The principal balance at August 31, 2016 is \$7,320,000.

Series 2015 Qualified Capital Purpose Undertaking Bonds in the original amount of \$2,635,000 with interest rates of .65% to 2.75%. The principal balance at August 31, 2016 is \$2,635,000.

Annual principal and interest payments are scheduled to be made as follows:

Year Ended <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	485,000	250,331	735,331
2018	515,000	245,345	760,345
2019	530,000	238,710	768,710
2020	555,000	230,574	785,574
2021	580,000	220,625	800,625
2022-26	3,315,000	882,944	4,197,944
2027-31	2,655,000	453,046	3,108,046
2032-33	<u>1,320,000</u>	<u>46,070</u>	<u>1,366,070</u>
Total	<u>\$9,955,000</u>	<u>\$2,567,645</u>	<u>\$12,522,645</u>

K. SUBSEQUENT EVENTS

The District has evaluated subsequent events as of the auditor's report date and there is nothing significant to note.

ARLINGTON SCHOOL DISTRICT NO. 24

GENERAL FUND
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
 BALANCE - CASH BASIS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
FUND BALANCE, Beginning of Year	\$ 1,591,539	\$ 3,029,868
Receipts:		
Local receipts:		
Property taxes	5,974,500	5,612,384
Carline tax	6,200	6,224
Public power district sales tax	37,474	33,656
Motor vehicle taxes	335,000	345,265
Preschool tuition and fees	8,000	22,800
Interest	1,500	3,422
Fines and licenses	1,400	1,180
Rental of school equipment	-	1,420
Other	1,500	14,820
	<u>6,365,574</u>	<u>6,041,172</u>
County and ESU receipts:		
County fines	32,750	41,356
Educational service unit	-	1,681
	<u>32,750</u>	<u>43,037</u>
State receipts:		
State Aid	362,670	362,670
Special education	305,000	338,551
Special education transportation	8,400	27,765
Homestead exemption	-	91,254
Property tax credit	-	316,498
High ability learners	5,700	6,242
Flex funding school age support services	-	8,379
Pro-rate motor vehicle	8,500	14,684
State apportionment	75,000	90,276
State categorical programs	750	4,849
	<u>766,020</u>	<u>1,261,169</u>

ARLINGTON SCHOOL DISTRICT NO. 24

GENERAL FUND

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND

BALANCE - CASH BASIS - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
Federal receipts:		
Title I, Part A NCLB	18,000	29,486
Title II, Part A NCLB Teacher Quality Grants	-	20,834
IDEA Part B Base Allocation	-	84,254
IDEA Preschool	-	5,830
IDEA Enrollment Poverty	-	92,358
IDEA Part B Proportionate Share	-	6,923
Medicaid Administrative Activities (MAAPS)	20,200	14,278
Federal Vocational - Perkins	1,200	2,035
Other federal categorical receipts	96,500	280
Total Federal funds	<u>135,900</u>	<u>256,277</u>
Non-revenue receipts:		
Sale of property	100	4,360
Other	1,000	4,943
	<u>1,100</u>	<u>9,303</u>
 Total receipts	 <u>7,301,344</u>	 <u>7,610,958</u>
 TOTAL AVAILABLE RESOURCES (Carried Forward)	 <u>8,892,883</u>	 <u>10,640,827</u>

ARLINGTON SCHOOL DISTRICT NO. 24

GENERAL FUND
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
 BALANCE - CASH BASIS - BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
TOTAL AVAILABLE RESOURCES (Carried forward)	8,892,883	10,640,827
Disbursements:		
Instruction - regular:		
Salaries:		
Teachers	\$ 2,851,938	\$ 2,626,608
Substitutes	69,400	67,958
Clerical and paraprofessional staff	45,171	28,913
Employee benefits	486,187	504,502
Increased retirement contribution rate	-	24,306
Purchased services	63,570	61,385
Distance education	-	15,142
Supplies and materials	109,021	95,858
Textbooks	115,455	12,573
Other	39,029	12,287
	<u>3,779,771</u>	<u>3,449,533</u>
Flex-spending:		
Stipends	-	12,596
Employee benefits	-	1,754
Increased retirement contribution rate	-	301
Purchased services	-	3,600
Supplies and materials	-	631
	<u>-</u>	<u>18,882</u>
Limited English Proficiency Program:		
Stipends	-	1,196
Employee benefits	-	127
Increased retirement	-	9
	<u>-</u>	<u>1,332</u>
Poverty Programs:		
Salaries:		
Teachers	38,674	48,173
Clerical and paraprofessional staff	-	1,353
Employee benefits	-	8,545
Increased retirement contribution rate	-	1,307
	<u>38,674</u>	<u>59,379</u>

ARLINGTON PUBLIC SCHOOL DISTRICT NO. 24

GENERAL FUND
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
 BALANCE - CASH BASIS - BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
Instruction - special education:		
Salaries:		
Teachers	347,657	319,428
Substitutes	19,000	13,178
Clerical and paraprofessional staff	190,317	157,526
Employee benefits	90,982	74,481
Increased retirement contribution rate	-	12,592
Purchased services	2,200	41,924
Tuition paid to other districts	-	25,616
Tuition to other agencies	244,400	34,381
Supplies and materials	4,631	4,232
Textbooks	2,257	449
Other	400	574
	<u>901,844</u>	<u>684,381</u>
Early childhood special education instruction:		
Salaries:		
Professional staff	13,958	-
Substitutes	-	-
Employee benefits	2,559	-
Increased retirement contribution rate	-	-
Tuition paid to other sources	1,500	-
Purchased services	-	774
Supplies and materials	374	3,673
	<u>18,391</u>	<u>4,447</u>
Support services - pupils:		
Salaries:		
Professional staff	148,389	134,349
Clerical and paraprofessional staff	23,819	20,296
Employee benefits	27,964	24,544
Increased retirement contribution rate	-	4,063
Purchased services	13,035	5,593
Supplies and materials	7,365	5,640
Other	700	594
	<u>221,272</u>	<u>195,079</u>
Support services - pupils - safety and recruitment:		
Purchased services	6,000	12,955
	<u>6,000</u>	<u>12,955</u>

ARLINGTON PUBLIC SCHOOL DISTRICT NO. 24

GENERAL FUND
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
 BALANCE - CASH BASIS - BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
Support services - staff:		
Salaries:		
Professional staff	76,166	77,667
Stipends	-	3,794
Clerical and paraprofessional staff	16,695	17,281
Employee benefits	12,846	15,957
Increased retirement contribution rate	-	2,507
Purchased services	5,500	3,781
Supplies and materials	8,517	6,999
Other	24,050	6,544
	<u>143,774</u>	<u>134,531</u>
General administration - implementation of standards:		
Salary - professional staff	-	25,475
Employee benefits	-	2,130
	<u>-</u>	<u>27,605</u>
General administration - board of education:		
Purchased services	25,342	2,100
Accounting and auditing service	9,150	5,400
Liability insurance	4,400	5,437
Fidelity bond premium	600	600
Supplies and materials	1,300	166
Other	15,000	15,490
	<u>55,792</u>	<u>29,193</u>
General administration - executive administration services:		
Salaries:		
Superintendent	167,956	131,648
Clerical staff	91,134	83,956
Employee benefits	36,314	50,530
Increased retirement contribution rate	-	4,568
Supplies and materials	2,700	3,074
Other	3,800	2,134
	<u>301,904</u>	<u>275,910</u>
District legal services:		
Contracted legal services	-	3,977
	<u>-</u>	<u>3,977</u>
Office of the principal:		
Salaries:		
Professional staff	248,240	248,369
Clerical staff	52,098	54,490
Employee benefits	109,632	107,274
Increased retirement contribution rate	-	7,995
Purchased services	2,250	685
Supplies and materials	2,800	387
Other	9,300	3,625
	<u>424,320</u>	<u>422,825</u>

See Notes to Supplementary Statements

ARLINGTON PUBLIC SCHOOL DISTRICT NO. 24

GENERAL FUND

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND

BALANCE - CASH BASIS - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
General administration - business services:		
Purchased services	30,083	20,674
Supplies and materials	3,000	1,136
Other	2,214	574
	<u>35,297</u>	<u>22,383</u>
Vehicle acquisition and maintenance:		
Purchased services	8,108	12,698
Other	5,000	1,920
	<u>13,108</u>	<u>14,618</u>
Support services - maintenance and operation of buildings:		
Salaries - clerical and custodial staff	250,785	207,343
Employee benefits	41,470	59,507
Increased retirement contribution rate	-	5,474
Purchased services	309,193	241,143
Supplies and materials	84,500	53,752
Capital outlay	1,235,065	650,000
Other	107,500	22,597
	<u>2,028,513</u>	<u>1,239,816</u>
Support services - regular pupil transportation:		
Salaries - clerical staff and drivers	101,060	96,161
Employee benefits	23,408	14,807
Increased retirement contribution rate	-	2,376
Purchased services	97,617	73,887
Supplies and materials	-	59
Capital Outlay	96,000	97,465
Other	4,500	4,012
	<u>322,585</u>	<u>288,767</u>
Support services - school age special education pupil transportation:		
Salaries - professional staff	4,446	1,927
Employee benefits	1,021	389
Increased retirement contribution rate	-	51
Purchased services	13,835	4,095
Other	-	43
	<u>19,302</u>	<u>6,505</u>

See Notes to Supplementary Information

ARLINGTON PUBLIC SCHOOL DISTRICT NO. 24

GENERAL FUND
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
 BALANCE - CASH BASIS - BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
Support services - below five special education pupil transport:		
Salary - clerical staff and drivers	7,575	1,669
Benefits	1,059	348
Increased retirement	-	44
Purchased services	-	1,914
Supplies and materials	-	544
	<u>8,634</u>	<u>4,519</u>
State categorical programs:		
Salary - professional staff	-	12,173
Benefits	-	2,025
Increased retirement contribution rate	-	321
Supplies and materials	27,682	8,708
	<u>27,682</u>	<u>23,228</u>
Federal programs:		
Title I Part A NCLB	58,442	58,666
Title I NCLB Improving Basic Programs	-	13,591
Title II Part A NCLB Teacher Quality Grants	-	222
IDEA Part B Base - Birth through Age Four	44,561	42,127
IDEA Preschool Base Allocation	6,508	5,830
IDEA Enrollment/Poverty	67,130	61,588
IDEA Part B Proportionate Share	-	5,888
Vocational-Perkins	1,300	2,394
Other	2,000	485
REAP	34,000	16,966
Total Federal funds	<u>213,941</u>	<u>207,757</u>
Transfer to other Funds	<u>9,000</u>	<u>12,000</u>
Total operational cash disbursements	<u>8,569,804</u>	<u>7,139,621</u>
FUND BALANCE, End of Year	<u>\$ 323,079</u>	<u>\$ 3,501,206</u>

ARLINGTON SCHOOL DISTRICT NO. 24

DEPRECIATION FUND
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
 BALANCE - CASH BASIS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
FUND BALANCE, Beginning of Year	\$ 1,252,159	\$ 1,209,921
Receipts:		
Interest	-	1,380
Transfer from General Fund	500,000	650,000
Total receipts	500,000	651,380
Total available resources	1,752,159	1,861,301
Disbursements:		
Reappropriated funds	1,752,159	-
Capital outlay	-	957,077
Total disbursements	1,752,159	957,077
FUND BALANCE, End of Year	\$ -	\$ 904,224

ARLINGTON SCHOOL DISTRICT NO. 24

SCHOOL LUNCH FUND

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND

BALANCE - CASH BASIS - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
FUND BALANCE, Beginning of Year	\$ 68,179	\$ 93,161
Receipts:		
Student lunches	250,000	227,985
Federal reimbursement	50,000	86,986
State reimbursement	1,500	1,306
Interest	-	12
Total receipts	301,500	316,288
Total available resources	369,679	409,449
Disbursements:		
Wages	135,000	103,400
Benefits	27,000	21,474
Food	170,000	127,552
Purchased services	15,000	7,337
Supplies	2,500	12,935
Capital outlay	20,179	11,534
Other	-	1,303
Total disbursements	369,679	285,534
FUND BALANCE, End of Year	\$ -	\$ 123,915

ARLINGTON SCHOOL DISTRICT NO. 24

BOND FUND
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCE - CASH BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
FUND BALANCE, Beginning of Year	\$ 384,522	\$ 472,089
Local receipts:		
Property taxes	481,818	454,671
Carline tax	-	508
Interest	-	579
Other	-	4,904
State receipts:		
Homestead exemption	-	7,359
Property tax credit	-	23,358
Motor vehicle prorata	-	1,216
Total receipts	<u>481,818</u>	<u>492,595</u>
Total available resources	<u>866,340</u>	<u>964,683</u>
Disbursements:		
Redemption of principal	400,000	235,000
Debt service interest	466,340	203,646
Other expense	-	524
Total disbursements	<u>866,340</u>	<u>439,170</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ 525,513</u>

ARLINGTON SCHOOL DISTRICT NO. 24

SPECIAL BUILDING FUND
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
 BALANCE - CASH BASIS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
FUND BALANCE, Beginning of Year	\$ 236,014	\$ 323,058
Local receipts:		
Property taxes	158,806	147,157
Carline tax	-	158
Interest	-	539
Other	-	894
State receipts:		
Homestead	-	2,426
Property tax credit	-	7,698
Motor vehicle pro rate	-	353
Total receipts	158,806	159,226
Total available resources	394,820	482,284
Disbursements:		
Building acquisition & improvement	394,820	-
Total disbursements	394,820	-
FUND BALANCE, End of Year	\$ -	\$ 482,284

See Notes to Supplementary Information

ARLINGTON SCHOOL DISTRICT NO. 24

ACTIVITY FUND

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND

BALANCE - CASH BASIS - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
FUND BALANCE, Beginning of Year	\$ 174,066	\$ 176,622
Local receipts:		
Activity receipts	295,000	304,615
Interest	-	343
	<u>295,000</u>	<u>304,958</u>
Non-revenue receipts:		
Transfer from General Fund	-	12,000
	<u>295,000</u>	<u>316,958</u>
Total receipts	<u>295,000</u>	<u>316,958</u>
Total available resources	<u>469,066</u>	<u>493,580</u>
Disbursements:		
Purchased services	469,066	310,455
	<u>469,066</u>	<u>310,455</u>
Total disbursements	<u>469,066</u>	<u>310,455</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ 183,125</u>

ARLINGTON SCHOOL DISTRICT NO. 24

EMPLOYEE BENEFIT FUND
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
 FUND BALANCES - CASH BASIS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
FUND BALANCE, Beginning of Year	\$ 91,363	\$ 91,364
Receipts:		
Transfers from General Fund	-	100,000
Total receipts	-	100,000
Total available resources	91,363	191,364
Disbursements:		
Employee benefits	91,363	90,537
Total disbursements	91,363	90,537
FUND BALANCE, End of Year	\$ -	\$ 100,827

ARLINGTON SCHOOL DISTRICT NO. 24

QUALIFIED CAPITAL PURPOSE UNDERTAKING FUND
 SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
 BALANCE - CASH BASIS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED AUGUST 31, 2016

	Budget (Original and Final)	Actual
FUND BALANCE, Beginning of Year	\$ -	\$ -
Local receipts:		
Local property taxes	325,000	285,202
Carline taxes	-	278
Interest	-	3,032
Other local receipts	-	3,149
	<u>325,000</u>	<u>291,661</u>
State receipts:		
Homestead exemption	-	4,964
Property tax credit	-	15,755
Pro-rate motor vehicle	-	506
	<u>-</u>	<u>21,225</u>
Non-revenue receipts:		
Bond proceeds	<u>3,000,000</u>	<u>2,635,000</u>
Total receipts	<u>3,325,000</u>	<u>2,947,886</u>
Total available resources	<u>3,325,000</u>	<u>2,947,886</u>
Disbursements:		
Building, acquisition and improvements	3,000,000	807,169
Debt service interest	-	37,185
Other miscellaneous expenses - debt service	<u>325,000</u>	<u>34,966</u>
Total disbursements	<u>3,325,000</u>	<u>879,320</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ 2,068,566</u>

See Notes to Supplementary Information

ARLINGTON SCHOOL DISTRICT NO. 24

NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

SCHEDULES OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCE – CASH BASIS - BUDGET AND ACTUAL

Basis of Presentation

The accompanying schedules of receipts, disbursements and changes in fund balance - cash basis – budget and actual is presented on the cash basis method of accounting. This is consistent with the basis of accounting used in presenting the basic financial statements. All unexpended appropriations lapse at the end of the budget year.

ARLINGTON SCHOOL DISTRICT NO. 24

COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES - CASH BASIS
FOR THE YEAR ENDED AUGUST 31, 2016

	Fund Balance Beginning of Year	Receipts	Disburse- ments	Excess (Deficiency) of Receipts Over (Under) Disburse- ments	Fund Balance End of Year	Composition of Fund Balances	
						Cash in Bank	Cash at County Treasurer
General Fund	\$ 3,029,868	\$ 7,610,958	\$ 7,139,621	\$ 471,337	\$ 3,501,206	\$ 1,702,547	\$ 1,798,659
Depreciation Fund	1,209,921	651,380	957,077	(305,697)	904,224	904,224	
School Lunch Fund	93,161	316,288	285,534	30,754	123,915	123,915	
Special Building Fund	323,058	159,226	-	159,226	482,284	432,925	49,360
Bond Fund	472,089	492,595	439,170	53,424	525,513	375,751	149,762
Employee Benefit Fund	91,364	100,000	90,537	9,463	100,827	100,827	
Qualified Capital Purpose Fund	-	2,947,886	879,320	2,068,566	2,068,566	1,967,548	101,018
Total Government-Wide Funds	5,219,462	12,278,333	9,791,259	2,487,074	7,706,536	5,607,737	2,098,798
Fiduciary Funds:							
Activity Fund	176,622	316,958	310,455	6,503	183,125	183,125	
Grand Total - All Funds	\$ 5,396,084	\$ 12,595,291	\$ 10,101,714	\$ 2,493,577	\$ 7,889,661	\$ 5,790,863	\$ 2,098,798

RIC ORTMEIER
CERTIFIED PUBLIC ACCOUNTANT

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**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**

The Board of Education
Arlington School District No. 24
Washington County
Arlington, NE 68002

I 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Arlington School District No. 24 (the District) as of and for the year ended August 31, 2016, and the related notes to the financial statements and have issued my report thereon dated October 30, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the findings portion of the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Response to Findings

The District's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The District's response is not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



RIC ORTMEIER
Certified Public Accountant
Fremont, Nebraska
October 30, 2016

ARLINGTON SCHOOL DISTRICT NO. 24

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2016

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? Yes No

- Significant deficiencies identified that are not considered to be material weakness(es)? Yes No

Noncompliance material to financial statement noted? Yes No

Findings – financial statement audit

Condition: The District does not have an internal control system designed to provide for the preparation of financial statements being audited.

Context: This circumstance is not unusual in an organization of this size.

Effect: As auditor, I was requested to assist in drafting the financial statements and accompanying notes to the financial statements.

Cause: Personnel do not have the qualifications needed to completely prepare the financial statements and footnotes.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of responsible officials and planned corrective actions: Management and those charged with governance will monitor the risk associated with this condition.

MATERIAL WEAKNESS:

None