

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3

STANTON, NEBRASKA

FINANCIAL STATEMENTS

AUGUST 31, 2016



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 3
FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Activities and Net Position - Cash Basis	4 - 6
Fund Financial Statements	
Statement of Receipts, Disbursements, and Changes in	
Fund Balances - Cash Basis and Statement of Assets,	
Liabilities, and Fund Balances - Cash Basis -	
Governmental Funds	7 - 9
Statement of Net Position - Cash Basis - Fiduciary Funds	10
NOTES TO FINANCIAL STATEMENTS	11 - 24
SUPPLEMENTARY INFORMATION	
General Fund Components - Combining Schedule of Receipts,	
Disbursements, and Changes in Fund Balance - Cash Basis	25 - 27
Schedules of Receipts, Disbursements, and Changes in Fund	
Balance - Cash Basis - Budget and Actual (Unaudited)	
General Fund	28 - 30
Depreciation Fund	31
Qualified Capital Purpose Undertaking Fund	32
Bond Fund	33
Special Building Fund	34
School Nutrition Fund	35
Student Fee Fund	36
Notes to Budgetary Schedules	37
General Fund - Schedule of Cash Disbursements for Operational	
Expenses (Unaudited)	38 - 42
Activities Fund - Schedule of Changes in Cash Balances	
(Unaudited)	43 - 44
REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS	
Independent Auditors' 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	45 - 46
SCHEDULE OF FINDINGS AND RESPONSES	47 - 48
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	49



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Stanton Community Schools District No. 3
Stanton, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stanton Community Schools District No. 3, Stanton, Nebraska, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Stanton Community Schools District No. 3, Stanton, Nebraska, as of August 31, 2016, and the respective changes in financial position - cash basis, for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stanton Community Schools District No. 3, Stanton, Nebraska's basic financial statements. The supplementary information on pages 25 - 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information on pages 25 - 27 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 25 - 27 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information included on pages 28 - 44, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of Stanton Community Schools District No. 3, Stanton, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stanton Community Schools District No. 3, Stanton, Nebraska's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Lincoln, Nebraska
October 25, 2016

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
FOR THE YEAR ENDED AUGUST 31, 2016

				Net (Disbursements) Receipts and Changes in Net Position
		Program Receipts		Primary Government
	Disburse- ments	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
FUNCTIONS/PROGRAMS				
Governmental Activities				
Regular instruction	2,697,506	1,618	13,364	(2,682,524)
Regular instruction - flex-spending	38,058			(38,058)
Poverty programs	203,044			(203,044)
Special education programs	712,855		338,116	(374,739)
Special education early childhood	584			(584)
Support services				
Pupils	117,716			(117,716)
Staff	102,065			(102,065)
School improvement	166			(166)
Vehicle acquisition and maintenance	27,000			(27,000)
Maintenance and operation of building and plant	783,779			(783,779)
Regular pupil transportation	104,263			(104,263)
Special education pupil transportation	30,556			(30,556)
General and administrative				
Board of Education	16,303			(16,303)
Executive administration	247,596			(247,596)
Office of the Principal	318,837			(318,837)
Business services	21,253			(21,253)
District legal services	17,484			(17,484)
Federal programs	242,157		195,760	(46,397)
Food program services	258,136	100,356	116,723	(41,057)
Student fee expenses	9,278			(9,278)
Capital outlay	7,700			(7,700)

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
FOR THE YEAR ENDED AUGUST 31, 2016

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Disburse- ments	Charges for Services	Operating Grants and Contributions	Primary Government Total Governmental Activities
FUNCTIONS/PROGRAMS (Continued)				
Governmental Activities (Continued)				
Debt service				
Principal	220,000			(220,000)
Interest	38,196			(38,196)
Wire fees	1,050			(1,050)
Activities Fund support	15,000			(15,000)
Total governmental activities	<u>6,230,582</u>	<u>101,974</u>	<u>663,963</u>	<u>(5,464,645)</u>
General Receipts				
Taxes				
Property taxes - general purpose				4,271,305
Property taxes - debt service				216,275
Motor vehicle taxes				193,631
Public Power District sales tax				38,746
County fines and license fees				44,591
State receipts				856,366
Interest				10,756
Other receipts				53,145
Total general receipts				<u>5,684,815</u>
Change in net position resulting from receipts and disbursements				220,170
NET POSITION, beginning of year				<u>3,708,967</u>
NET POSITION, end of year				<u>3,929,137</u>

Net
(Disbursements)
Receipts and
Changes in
Net Position

Primary
Government
Total
Governmental
Activities

6

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS AND
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Major Funds						Reclassifi- cations	Total Governmental Funds
	General Fund	Qualified Capital Purpose Undertaking Fund	Bond Fund	Special Building Fund	School Nutrition Fund	Student Fee Fund		
RECEIPTS								
Taxes								
Property taxes - general purpose	4,037,608			233,697				4,271,305
Property taxes - debt service		216,269	6					216,275
Motor vehicle taxes	193,631							193,631
Public Power District sales tax	34,816	1,868		2,062				38,746
Rental of school facilities	1,093							1,093
Police court fines	525							525
County receipts and license fees	44,591							44,591
State receipts	1,155,489	18,574		20,419	1,632			1,196,114
Federal receipts	209,124				115,091			324,215
Sale of lunches and milk					100,356			100,356
Interest income	10,202	323		231				10,756
Other local receipts	12,623							12,623
Other nonrevenue receipts	13,537				15,641	11,344		40,522
Total receipts	<u>5,713,239</u>	<u>237,034</u>	<u>6</u>	<u>256,409</u>	<u>232,720</u>	<u>11,344</u>		<u>6,450,752</u>
DISBURSEMENTS								
Regular instruction	2,697,506							2,697,506
Regular instruction - flex-spending	38,058							38,058
Poverty programs	203,044							203,044
Special education programs	712,855							712,855
Special education early childhood	584							584
Support services								
Pupils	117,716							117,716
Staff	102,065							102,065
School improvement	166							166
Vehicle acquisition and maintenance	27,000							27,000
Maintenance and operation of building and plant	783,779							783,779
Regular pupil transportation	104,263							104,263
Special education pupil transportation	30,556							30,556

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS AND
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

		Major Funds							
		General Fund	Qualified Capital Purpose Undertaking Fund	Bond Fund	Special Building Fund	School Nutrition Fund	Student Fee Fund	Reclassifi- cations	Total Governmental Funds
DISBURSEMENTS (Continued)									
General and administrative									
	Board of Education	16,303							16,303
	General administration	247,596							247,596
	District legal services	17,484							17,484
	Office of the Principal	318,837							318,837
	Business services	21,253							21,253
	Federal programs	242,157							242,157
	Food program services					258,136			258,136
	Student fee expenses						9,278		9,278
	Capital outlay				7,700				7,700
	Debt service								
	Principal		165,000		55,000				220,000
	Interest		33,991		4,205				38,196
	Wire fees		1,050						1,050
	Total disbursements	5,681,222	200,041		66,905	258,136	9,278		6,215,582
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS									
		32,017	36,993	6	189,504	(25,416)	2,066		235,170
OTHER FINANCING SOURCES (USES)									
	Transfers in					50,000		(50,000)	
	Transfers out	(65,000)						50,000	(15,000)
	Total other financing sources (uses)	(65,000)				50,000			(15,000)
NET CHANGE IN FUND BALANCES									
		(32,983)	36,993	6	189,504	24,584	2,066		220,170
FUND BALANCES, beginning of year									
		3,358,196	210,019	55,835	11,536	70,785	2,596		3,708,967
FUND BALANCES, end of year									
		3,325,213	247,012	55,841	201,040	95,369	4,662		3,929,137

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS AND
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

		Major Funds						Total Governmental Funds
		General Fund	Qualified Capital Purpose Undertaking Fund	Bond Fund	Special Building Fund	School Nutrition Fund	Student Fee Fund	
ASSETS								
ASSETS								
Cash and cash equivalents		2,208,478	188,193	55,841	136,133	95,369	4,662	2,688,676
County Treasurer's balances		<u>1,116,735</u>	<u>58,819</u>		<u>64,907</u>			<u>1,240,461</u>
TOTAL ASSETS		<u>3,325,213</u>	<u>247,012</u>	<u>55,841</u>	<u>201,040</u>	<u>95,369</u>	<u>4,662</u>	<u>3,929,137</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES		<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
FUND BALANCES								
Restricted for:								
Debt services			247,012	55,841				302,853
Capital projects					201,040			201,040
Assigned		480,971				95,369	4,662	581,002
Unassigned		<u>2,844,242</u>						<u>2,844,242</u>
Total fund balances		<u>3,325,213</u>	<u>247,012</u>	<u>55,841</u>	<u>201,040</u>	<u>95,369</u>	<u>4,662</u>	<u>3,929,137</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>3,325,213</u>	<u>247,012</u>	<u>55,841</u>	<u>201,040</u>	<u>95,369</u>	<u>4,662</u>	<u>3,929,137</u>

See accompanying notes to financial statements.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUNDS
AUGUST 31, 2016

	Activities Fund
ASSETS	
Cash and cash equivalents	<u>111,844</u>
LIABILITIES	
Due to student groups and others	<u>111,844</u>
NET POSITION	<u>- 0 -</u>

See accompanying notes to financial statements.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies of the Stanton Community Schools District No. 3, Stanton, Nebraska (the District).

Reporting Entity

The Stanton Community Schools District No. 3, Stanton, Nebraska's Board of Education is the basic level of government, which has financial accountability and control over all activities related to public school education in the District. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since the District's 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. In addition, there are no component units, as defined in Governmental Accounting Standards Board Statement No. 14, which are included in the District's reporting entity.

The District has the following related organizations not considered to have a significant operational or financial relationship:

The Stanton Community Schools Foundation receives donations to be used for post-secondary scholarships and for school projects. The majority of the Foundation's resources are restricted for scholarships for postsecondary scholarships.

The Athletic Boosters Club, Alumni Basketball, and Stanton Parent/Teacher Support Group raise money with the purpose of donating it to the District, primarily for use in the athletic and drama programs. The activities of these organizations are included in the Activities Fund up to August 1, 2015, because they used the District's federal identification number up to that date.

All significant activities and organizations on which the District exercises oversight responsibility have been included in the District's financial statements.

Basic Financial Statements - Government-Wide Statements

The District utilizes the provisions of Statement No. 34 of the Government Accounting Standards Board, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. 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 the following components: restricted and unrestricted.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements - Government-Wide Statements (Continued)

The statement of net position and statement of activities report information on the District as a whole. They include all funds of the District except for fiduciary funds. The effects of interfund activity have 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 District does not report any business-type activities.

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 receipts are reported instead as general receipts.

Basic Financial Statements - Fund Financial Statements

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

The financial transactions of the District are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, receipts, and disbursements.

Fund Types

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

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the District and accounts for all receipts and disbursements of the District not encompassed within other funds. All property tax receipts and other receipts that are not allocated by law, budgetary requirement, or contractual agreement to some other fund are accounted for in this fund. General operating disbursements and the new replacement capital outlay costs that are not paid through other funds are paid from the General Fund.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Types (Continued)

Governmental Fund Types (Continued)

Depreciation Fund - A Depreciation Fund may be established by a district in order to facilitate the eventual purchase of a costly capital outlay by reserving such monies from the General Fund. To allocate monies from the General Fund, a district will show the movement of monies as an expense from the General Fund and the Depreciation Fund will show the receipt as a transfer from the General Fund. The district may divide this fund into more than one account to allocate a portion of this fund for different valid purposes. The purpose of a Depreciation Fund is to spread replacement costs of capital outlays over a period of years in order to avoid a disproportionate tax effect in a single year to meet such an expense. This fund is restricted as part of the Allowable Reserve by the Tax Equity and Educational Opportunities Support Act. The Depreciation Fund shall be considered only a component of the General Fund.

Qualified Capital Purpose Undertaking Fund - The Qualified Capital Purpose Undertaking Fund may be established for the removal of environmental hazards, the reduction or elimination of accessibility barriers in District buildings, and the repayment of a qualified zone academy bond issued for a qualified special purpose. General Fund expenditures for the purpose of this fund are not allowed. The tax levy for this fund is limited to \$0.052 per hundred dollars of valuation for the District and shall not exceed ten years for each environmental hazard abatement project or accessibility barrier elimination project and shall not exceed fifteen years for each qualified special purpose for which the qualified zone academy bond was issued according to Section 79-10, 110 R.R.S.

Bond Fund - The Bond Fund is used to record receipts and disbursements for bond principal and interest payments. Proceeds from bond issuance are deposited and recorded as a receipt in the Special Building Fund. The General Fund is used to make interest and bond retirement payments if the Bond Fund balance is not sufficient to meet these requirements.

Special Building Fund - The Special Building Fund is established for acquiring or improving sites and buildings, including the construction, alteration, or improvement of buildings. The Board of Education may approve a budget with a levy limitation of \$0.14 per one hundred dollars of valuation, or a tax levy not to exceed \$0.175 per one hundred dollars of valuation may be established for this fund by a vote of the people within the District.

School Nutrition Fund - The School Nutrition Fund is used to accommodate all aspects of the school lunch program and accounts for all receipts and disbursements of all child nutrition programs. Receipts in this fund include the federal and state program cost reimbursements received by the District and General Fund support of the lunch program. All food purchases and other supplies are accounted for as expenses of the School Nutrition Fund; accordingly, no inventories are maintained in this fund.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Types (Continued)

Governmental Fund Types (Continued)

Student Fee Fund - A Student Fee Fund is established to collect fees for participation in extracurricular activities, postsecondary education costs, and summer school or night school. The money is expended for the purposes for which it was collected from the students.

Fiduciary Fund Types

Activities Fund - The Activities Fund is used 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.

Major Funds

The District reports all governmental funds as major funds. The General Fund and its components are considered one fund for reporting purposes.

Basis of Accounting

The District prepares its financial statements on the cash basis, which is in conformity with the accounting practices prescribed or permitted by the State of Nebraska Department of Education; consequently, these statements represent a summary of the cash activity of the various funds of the District and do not include certain transactions that would be included if the District prepared its financial statements in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units. Under the cash basis, receipts are recognized when collected rather than when earned and expenses are recognized when paid rather than when incurred. Consequently, these financial statements are not intended to present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental units.

Taxes and other receipts collected by the county treasurers are included in receipts of the District in the year collected by the counties, and the District funds held by the county treasurers at year-end are included as assets of the District. This is in accordance with the requirements of the State of Nebraska Department of Education.

Capital Assets

Capital assets are not recorded as assets on the government-wide or fund financial statements, and depreciation is not recognized. Purchases of capital assets are recorded as disbursements by function in the financial statements.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

Long-term debt is not reported as a liability in the government-wide or fund financial statements. Proceeds from long-term debt are reported as receipts and payments of principal are reported as disbursements in both the government-wide and fund financial statements.

Equity Classification

Government-Wide Statements

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

Restricted net position consists of net assets with constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provision or enabling legislation.

Unrestricted net position consists of net assets that do not meet the definition of restricted.

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable

This classification includes amounts that cannot be spent because they either (a) are not in spendable form or (b) are legally or contractually required to be maintained intact. The District currently has no amounts classified in this category.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification (Continued)

Fund Financial Statements (Continued)

Fund Balance Classification (Continued)

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned

This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board delegating this responsibility to the District administrator through the budgetary process.

Unassigned

This classification includes the residual fund balance for the General Fund.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Balances and Activities

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

Budget Process and Property Taxes

The District is required by state law to hold public hearings and adopt annual budgets for all funds on the cash basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. The General Fund is also subject to a total non-special education expenditure limit. Appropriations for expenditures lapse at year-end. Any revisions to the adopted budget of total expenditures to any fund require a public hearing. 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 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 January 1. Taxes are due as of that date. One-half of the real estate taxes due January 1 become delinquent after the following May 1, with the second one-half becoming delinquent after September 1.

Compensated Absences

Vacation and sick leave are recorded when paid. Certified employees can accrue up to a maximum of 45 days for sick leave and 2 days for personal leave. Unused sick leave days over the 45-day maximum will be reimbursed at a rate of \$10 per unused day, and unused personal days will be reimbursed at a rate of \$50 per unused day. All other employees can accrue up to a maximum of 360 hours for sick leave and sixteen hours of personal leave; however, there is no payment for unused sick leave. Sixteen hours of sick leave may be exchanged for sixteen hours of personal leave each year. Management believes the amounts attributable to accumulated annual leave will not have a material financial impact on the accompanying financial statements. There was no liability for accrued vacation at August 31, 2016, as all vacation earned during the year must be used by August 31 with no carryover.

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS

For the following disclosures, deposits - including checking accounts, savings accounts, money market accounts, and certificates of deposit - are all classified as cash or cash and cash equivalents on the financial statements.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2016, all of the District's deposits with financial institutions were fully insured or collateralized by securities held in the District's name in the form of joint safekeeping receipts. State law requires all funds in depositories to be fully insured or collateralized, and the District's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits.

Investments

Nebraska statutes allow the District to make any investment allowed by the State Investment Officer. This includes bank certificates of deposit.

As defined by Governmental Accounting Standards Board Statement No. 3, the District had no investments as of August 31, 2016.

NOTE 3. RETIREMENT PLAN

Plan Description

The Stanton Community Schools District No. 3 contributes to the Nebraska School Employees Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Nebraska Public Employees Retirement System (NPERS). NPERS provides retirement and disability benefits to plan members and beneficiaries. The School Employees Retirement Act establishes benefit provisions.

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

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

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. RETIREMENT PLAN (Continued)

Plan Description (Continued)

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

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

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

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

For the District's year ended August 31, 2016, the District's total payroll for all employees was \$3,185,810. Total covered payroll was \$2,971,120. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

Contributions

The State's contribution is based on an annual actuarial valuation. In addition, the State contributes an amount equal to two percent of the compensation of all members. This contribution is considered a nonemployer contribution since school employees are not employees of the State. The employee contribution was equal to 9.78 percent from July 1, 2014, to June 30, 2015 (and from July 1, 2015, through August 31, 2016). The school district (employer) contribution is 101 percent of the employee contribution. The District's contribution to the Plan for its year ended August 31, 2016, was \$293,482.

Pension Liabilities

At June 30, 2015, the District had a liability of \$1,463,407 for its proportionate share of the net pension liability. (This liability is not recorded in the accompanying cash basis financial statements.) The net pension liability was measured as of June 30, 2015, and

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. RETIREMENT PLAN (Continued)

Pension Liabilities (Continued)

the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NPERS School Plan was 89.88% funded as of June 30, 2015, based on actuarial calculations comparing total pension liability to the plan fiduciary net position. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the District's proportion was 0.134639 percent, which was a decrease of 0.000261 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the District's allocated pension expense was \$35,176.

Actuarial Assumptions

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

Inflation	3.25 percent
Investment rate of return, net of investment expense and including inflation	8.0 percent
Projected salary increases, including inflation	4.0 - 9.0 percent
Cost-of-living adjustments (COLA)	2.50% with a floor benefit equal to 75% purchasing power of original benefit*

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

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

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

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

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. RETIREMENT PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2015, valuations for the School plan are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2011. The experience study report is dated August 20, 2012. A new experience study has been completed and adopted by the PERB in October 2016. The new actuarial assumptions will be reflected in the 2017 actuarial valuation.

The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the pension plan assets. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of first quarter 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Stocks	29.0%	4.4%
Non-US Stocks	13.5%	5.2%
Global Stocks	15.0%	4.8%
Fixed Income	30.0%	2.1%
Real Estate	7.5%	4.4%
Private Equity	5.0%	6.7%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability at both June 30, 2014, and June 30, 2015, was 8 percent. The discount rate is reviewed as part of the actuarial experience study, which was last performed for the period July 1, 2006, through June 30, 2011. The actuarial experience study is reviewed by the NPERS Board, which must vote to change the discount rate. A new experience study has been completed and adopted by the PERB in October 2016. The new actuarial assumptions will be reflected in the 2017 actuarial valuation.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. RETIREMENT PLAN (Continued)

Discount Rate (Continued)

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

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

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

	Discount Rate	District's Proportionate Share of Net Pension Liability
1% decrease	7.0%	\$3,322,754
Current discount rate	8.0%	\$1,463,407
1% increase	9.0%	\$(82,777)

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Nebraska Public Employees Retirement Systems Plan financial report. NPERS issues a publicly available financial report that includes financial statements and required supplementary information for NPERS. That report may be obtained by writing the NPERS, P.O. Box 94816, Lincoln, NE 68509-4816, by calling 1-800-245-5712 or via the internet at http://www.auditors.nebraska.gov/APA_Reports.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT

Long-term debt at August 31, 2016, consisted of the following:

Limited Tax Obligation Refunding Bonds, Series 2011, in the original amount of \$350,000, dated May 19, 2011. The interest ranges from 0.6% to 2.35%. Final payment is due December 15, 2016.

Limited Tax Obligation Refunding Bonds, Series 2013, in the original amount of \$1,575,000, dated December 12, 2013. The interest ranges from 0.4% to 3.0%. Final payment is due December 15, 2023.

Certificates of Participation, Series 2014, in the original amount of \$400,000, dated June 24, 2014. The interest ranges from 0.35% to 1.9%. Final payment is due June 15, 2021.

Limited Tax Building Improvement Bond, Series 2015, in the original amount of \$205,000, dated June 5, 2015. The interest ranges from 0.65% to 2.25%. Final payment is due December 15, 2022.

The following is a summary of long-term debt transactions of the District for the year ended August 31, 2016:

	Original Issue	Balance September 1, 2015	Issues	Retire- ments	Balance August 31, 2016
Limited Tax Obligation Refunding Bonds, Series 2011	350,000	125,000		60,000	65,000
Limited Tax Obligation Refunding Bonds, Series 2013	1,575,000	1,465,000		105,000	1,360,000
Certificates of Partici- pation, Series 2014	400,000	345,000		55,000	290,000
Limited Tax Building Improvement Bond, Series 2015	<u>205,000</u>	<u>205,000</u>	<u> </u>	<u> </u>	<u>205,000</u>
	<u>2,530,000</u>	<u>2,140,000</u>	<u> </u>	<u>220,000</u>	<u>1,920,000</u>

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT (Continued)

The principal and interest maturities are as follows:

Years Ending August 31,	Principal	Interest	Total
2017	250,000	36,417	286,417
2018	255,000	32,841	287,841
2019	265,000	29,613	294,613
2020	265,000	25,429	290,429
2021	270,000	20,277	290,277
2022 - 2024	615,000	25,671	640,671
	<u>1,920,000</u>	<u>170,248</u>	<u>2,090,248</u>

NOTE 5. FEDERAL AWARD PROGRAMS

The District received funds under various federal grant programs, and such assistance is to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

NOTE 6. 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. The District has purchased commercial insurance to offset these certain risks. Settled claims have not significantly exceeded this commercial coverage in any of the past three fiscal years.

NOTE 7. INTERFUND TRANSFERS

Interfund transfers for the year consisted of the following:

General Fund to the Nutrition Fund to offset increased food costs	50,000
General Fund to the Activities Fund to support student activities	15,000

NOTE 8. SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 25, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
GENERAL FUND COMPONENTS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - CASH BASIS
YEAR ENDED AUGUST 31, 2016

	General Fund	Depreciation Fund	Reclassifi- cations	Total
RECEIPTS				
Local sources				
Taxes				
Property taxes - general purpose	4,037,608			4,037,608
Public Power District sales tax	34,816			34,816
Motor vehicle taxes	193,631			193,631
Interest	10,202			10,202
Police court fines	525			525
Rental of school facilities	1,093			1,093
Contributions and donations	2,623			2,623
Corporate grants	10,000			10,000
Total local sources	<u>4,290,498</u>	<u> </u>	<u> </u>	<u>4,290,498</u>
County sources				
County fines and license fees	<u>44,591</u>	<u> </u>	<u> </u>	<u>44,591</u>
State sources				
State aid	370,547			370,547
Special education	315,529			315,529
Special education transportation	22,587			22,587
Homestead exemption	34,815			34,815
Property tax credit	304,565			304,565
High-ability learners	5,489			5,489
Flex funding school age support services	17,328			17,328
Pro-rate motor vehicle	9,444			9,444
State apportionment	66,891			66,891
Distance education	4,433			4,433
State categorical programs	3,861			3,861
Total state sources	<u>1,155,489</u>	<u> </u>	<u> </u>	<u>1,155,489</u>
Federal sources				
Title I	70,176			70,176
Title I - Accountability	5,454			5,454

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
GENERAL FUND COMPONENTS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - CASH BASIS
YEAR ENDED AUGUST 31, 2016

	General Fund	Depreciation Fund	Reclassifi- cations	Total
RECEIPTS (Continued)				
Federal sources (Continued)				
Title II, Part A (611) Base Allocation	14,143			14,143
IDEA Part B (611) Base Allocation	14,653			14,653
IDEA Preschool Base Allocation	3,401			3,401
IDEA Enrollment/Poverty	55,413			55,413
IDEA Part B Proportionate Share	1,566			1,566
REAP	30,954			30,954
Medicaid in Public Schools	4,212			4,212
Medicaid Administrative Activities	9,152			9,152
Total federal sources	<u>209,124</u>	<u> </u>	<u> </u>	<u>209,124</u>
Nonrevenue receipts				
Insurance proceeds	2,722			2,722
Transfers from other funds		50,000	(50,000)	
Other	10,815			10,815
Total nonrevenue receipts	<u>13,537</u>	<u>50,000</u>	<u>(50,000)</u>	<u>13,537</u>
Total receipts	<u>5,713,239</u>	<u>50,000</u>	<u>(50,000)</u>	<u>5,713,239</u>
DISBURSEMENTS				
Regular instruction	2,697,506			2,697,506
Regular instruction - flex-spending	38,058			38,058
Poverty programs	203,044			203,044
Special education programs	712,855			712,855
Special education early childhood	584			584
Support services				
Pupils	117,716			117,716
Staff	102,065			102,065
School improvement	166			166
Vehicle acquisition and maintenance	27,000			27,000
Maintenance and operation of building and plant	793,779		(10,000)	783,779
Regular pupil transportation	144,263		(40,000)	104,263
Special education pupil transportation	30,556			30,556

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
GENERAL FUND COMPONENTS
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE - CASH BASIS
YEAR ENDED AUGUST 31, 2016

	General Fund	Depreciation Fund	Reclassifi- cations	Total
DISBURSEMENTS (Continued)				
General and administrative				
Board of Education	16,303			16,303
Executive administration	247,596			247,596
District legal services	17,484			17,484
Office of the Principal	318,837			318,837
Business services	21,253			21,253
Federal programs	242,157			242,157
Transfer to other funds	65,000			65,000
Total disbursements	<u>5,796,222</u>	<u> </u>	<u>(50,000)</u>	<u>5,746,222</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
DISBURSEMENTS	(82,983)	50,000		(32,983)
FUND BALANCE, beginning of year	<u>2,927,225</u>	<u>430,971</u>	<u> </u>	<u>3,358,196</u>
FUND BALANCE, end of year	<u>2,844,242</u>	<u>480,971</u>	<u> </u>	<u>3,325,213</u>

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	Original and Final Budget	2016 Actual	2015 Actual
RECEIPTS			
Local sources			
Taxes			
Property taxes - general purpose	4,406,539	4,037,608	4,207,622
Public Power District sales tax	36,000	34,816	36,043
Motor vehicle taxes	140,000	193,631	191,679
Interest on local revenue receipts	8,100	10,202	6,506
Local license fees and fines	1,775		1,685
Police court fines		525	275
Rental of school facilities		1,093	70
Contributions and donations	70	2,623	
Corporate grants		10,000	
Total local sources	<u>4,592,484</u>	<u>4,290,498</u>	<u>4,443,880</u>
County sources			
County fines and license fees	<u>36,000</u>	<u>44,591</u>	<u>44,923</u>
State sources			
State aid	370,546	370,547	544,227
Special education	318,000	315,529	352,487
Special education transportation	88,000	22,587	31,151
Homestead exemption		34,815	40,800
Property tax credit		304,565	200,120
High-ability learners	5,300	5,489	5,347
Flex funding school age support services		17,328	18,573
Pro-rate motor vehicle	9,600	9,444	9,679
State apportionment	71,000	66,891	70,586
Distance education		4,433	2,000
State categorical programs	2,000	3,861	
Total state sources	<u>864,446</u>	<u>1,155,489</u>	<u>1,274,970</u>

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	Original and Final Budget	2016 Actual	2015 Actual
RECEIPTS (Continued)			
Federal sources			
Title I	68,000	70,176	116,408
Title I - Accountability		5,454	8,137
Title II, Part A (611) Base Allocation	14,000	14,143	14,252
IDEA Part B Special Education	35,800	14,653	57,119
IDEA Preschool Base Allocation	3,400	3,401	3,401
IDEA Enrollment/Poverty	56,000	55,413	56,894
IDEA Part B Proportionate Share	1,300	1,566	1,377
Medicaid in Public Schools	4,600	4,212	4,690
Medicaid Administrative Activities	10,000	9,152	13,614
REAP	30,000	30,954	30,016
Total federal sources	<u>223,100</u>	<u>209,124</u>	<u>305,908</u>
Nonrevenue receipts			
Insurance adjustments		2,722	
Cash balance from merged/dissolved school districts			21
Other nonrevenue receipts	<u>8,000</u>	<u>10,815</u>	<u>18,225</u>
Total nonrevenue receipts	<u>8,000</u>	<u>13,537</u>	<u>18,246</u>
Total receipts	<u>5,724,030</u>	<u>5,713,239</u>	<u>6,087,927</u>
DISBURSEMENTS			
Regular instruction	3,166,070	2,697,506	2,545,472
Regular instruction - flex-spending		38,058	40,957
Poverty programs		203,044	190,204
Special education programs	1,033,500	712,855	716,410
Special education early childhood		584	173
Support services			
Pupils	136,540	117,716	96,873
Staff	126,940	102,065	95,112

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	Original and Final Budget	2016 Actual	2015 Actual
DISBURSEMENTS (Continued)			
Support services (Continued)			
School improvement		166	173
Vehicle acquisition and maintenance	27,000	27,000	
Maintenance and operation of building and plant	1,020,070	793,779	801,817
Regular pupil transportation	202,400	144,263	154,413
Special education pupil transportation	49,600	30,556	55,818
General and administrative			
Board of Education	27,690	16,303	20,700
Executive administration	269,950	247,596	247,789
District legal services	25,000	17,484	6,360
Office of the Principal	334,300	318,837	298,165
Business services	34,100	21,253	21,713
Federal programs	245,180	242,157	237,325
Transfers	65,000	65,000	65,000
Total disbursements	<u>6,763,340</u>	<u>5,796,222</u>	<u>5,594,474</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		(82,983)	493,453
FUND BALANCE, beginning of year		<u>2,927,225</u>	<u>2,433,772</u>
FUND BALANCE, end of year		<u>2,844,242</u>	<u>2,927,225</u>

See accompanying notes to budgetary schedules.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
CASH BASIS - BUDGET AND ACTUAL
DEPRECIATION FUND
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	Original and Final Budget	2016 Actual	2015 Actual
RECEIPTS			
Transfer - General Fund (as expensed from the General Fund)	<u>50,000</u>	<u>50,000</u>	<u>10,000</u>
DISBURSEMENTS			
Capital outlay	<u>480,971</u>	<u> </u>	<u>35,950</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		50,000	(25,950)
FUND BALANCE, beginning of year		<u>430,971</u>	<u>456,921</u>
FUND BALANCE, end of year		<u>480,971</u>	<u>430,971</u>

See accompanying notes to budgetary schedules.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
CASH BASIS - BUDGET AND ACTUAL
QUALIFIED CAPITAL PURPOSE UNDERTAKING FUND
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	Original and Final Budget	2016 Actual	2015 Actual
RECEIPTS			
Taxes			
Property taxes - general purpose	236,469	216,269	216,306
Other local receipts	1,800	1,868	1,867
Homestead exemption		1,868	2,114
Property tax credit		16,206	10,369
Pro-rate motor vehicle	490	500	490
Interest	250	323	282
Sale of bonds			199,980
Total receipts	<u>239,009</u>	<u>237,034</u>	<u>431,408</u>
DISBURSEMENTS			
Capital outlay			907,801
Bond principal	170,000	165,000	165,000
Bond interest payments	35,000	33,991	32,285
Wire fees	1,600	1,050	1,600
Total disbursements	<u>206,600</u>	<u>200,041</u>	<u>1,106,686</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		36,993	(675,278)
FUND BALANCE, beginning of year		<u>210,019</u>	<u>885,297</u>
FUND BALANCE, end of year		<u>247,012</u>	<u>210,019</u>

See accompanying notes to budgetary schedules.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
CASH BASIS - BUDGET AND ACTUAL
BOND FUND
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	Original and Final Budget	2016 Actual	2015 Actual
RECEIPTS			
Taxes			
Property taxes - debt purpose		6	1,791
Homestead exemption			1
Pro-rate motor vehicle			12
Interest	<u>50</u>		<u>51</u>
Total receipts	<u>50</u>	<u>6</u>	<u>1,855</u>
DISBURSEMENTS	<u> </u>	<u> </u>	<u> </u>
RECEIPTS OVER DISBURSEMENTS		6	1,855
FUND BALANCE, beginning of year		<u>55,835</u>	<u>53,980</u>
FUND BALANCE, end of year		<u>55,841</u>	<u>55,835</u>

See accompanying notes to budgetary schedules.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
CASH BASIS - BUDGET AND ACTUAL
SPECIAL BUILDING FUND
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	Original and Final Budget	2016 Actual	2015 Actual
RECEIPTS			
Taxes			
Property taxes - general purpose	260,938	233,697	146,496
Public Power District sales tax	1,200	2,062	1,251
Homestead exemption		2,062	1,416
Property tax credit		17,883	6,945
Pro-rate motor vehicle	300	474	340
Interest	200	231	215
Total receipts	<u>262,638</u>	<u>256,409</u>	<u>156,663</u>
DISBURSEMENTS			
Capital outlay	203,000	7,700	385,550
Principal payments	56,000	55,000	55,000
Interest payments	4,300	4,205	4,288
Total disbursements	<u>263,300</u>	<u>66,905</u>	<u>444,838</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		189,504	(288,175)
FUND BALANCE, beginning of year		<u>11,536</u>	<u>299,711</u>
FUND BALANCE, end of year		<u>201,040</u>	<u>11,536</u>

See accompanying notes to budgetary schedules.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
CASH BASIS - BUDGET AND ACTUAL
SCHOOL NUTRITION FUND
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	Original and Final Budget	2016 Actual	2015 Actual
RECEIPTS			
Sale of lunches	108,000	100,356	104,113
State reimbursement	1,600	1,632	1,695
Federal reimbursement	120,000	115,091	126,110
Transfers from the General Fund	50,000	50,000	50,000
Other receipts		15,641	12,230
Total receipts	<u>279,600</u>	<u>282,720</u>	<u>294,148</u>
DISBURSEMENTS			
Salaries	103,000	97,969	96,383
Payroll taxes and benefits	18,900	16,153	15,364
Purchased services	7,000	3,487	5,747
Food and supplies	176,000	140,527	156,383
Equipment purchases	25,000		
Other expenses	5,744		695
Total disbursements	<u>335,644</u>	<u>258,136</u>	<u>274,572</u>
RECEIPTS OVER DISBURSEMENTS		24,584	19,576
FUND BALANCE, beginning of year		<u>70,785</u>	<u>51,209</u>
FUND BALANCE, end of year		<u>95,369</u>	<u>70,785</u>

See accompanying notes to budgetary schedules.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
CASH BASIS - BUDGET AND ACTUAL
STUDENT FEE FUND
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015)

	Original and Final Budget	2016 Actual	2015 Actual
RECEIPTS			
Activities receipts	<u>20,220</u>	<u>11,344</u>	<u>10,312</u>
DISBURSEMENTS			
Extracurricular activity fees	<u>22,400</u>	<u>9,278</u>	<u>12,579</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS		2,066	(2,267)
FUND BALANCE, beginning of year		<u>2,596</u>	<u>4,863</u>
FUND BALANCE, end of year		<u>4,662</u>	<u>2,596</u>

See accompanying notes to budgetary schedules.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
NOTES TO BUDGETARY SCHEDULES

NOTE 1. SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL

Basis of Accounting

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

Budget Law

The District is required by state law to hold public hearings and adopt annual budgets for all funds on the cash basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. The General Fund is also subject to a total non-special education expenditure limit. Appropriations for expenditures lapse at year-end. Any revisions to the adopted budget of total expenditures to any fund require a public hearing.

Comparative Data

Comparative data for the prior year have been presented in the budgetary schedules in order to provide an understanding of the changes in the District's financial position and operation (cash basis).

Transfers

Interfund transfers for the year consisted of the following:

General Fund to the Depreciation Fund for future capital outlay	50,000
---	--------

Reconciliation

The Nebraska Department of Education requires separate budgets for those funds considered as General Fund components for budget purposes.

A reconciliation of the General Fund financial reporting basis to the budgetary basis is as follows:

Receipts under disbursements - financial reporting basis	
General Fund	<u>(32,983)</u>
Receipts over (under) disbursements - budgetary basis	
General Fund	(82,983)
Depreciation Fund	50,000
	<u>(32,983)</u>

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
GENERAL FUND
SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016

REGULAR INSTRUCTION

Regular salaries	1,676,942
Substitute salaries	46,022
Clerical and paraprofessional staff salaries	32,154
Payroll taxes	132,255
Retirement	164,442
Health insurance	409,795
Other employee benefits	10,348
Purchased services	41,582
Supplies and materials	122,901
Textbooks	41,975
Other expenses	19,090
Total regular instruction	<u>2,697,506</u>

REGULAR INSTRUCTION - FLEX-SPENDING

Regular salaries	32,658
Payroll taxes	2,387
Retirement	2,999
Other employee benefits	14
Total regular instruction - flex-spending	<u>38,058</u>

POVERTY PROGRAMS

Regular salaries	151,872
Payroll taxes	11,239
Retirement	14,665
Health insurance	25,206
Other employee benefits	62
Total poverty programs	<u>203,044</u>

SPECIAL EDUCATION PROGRAMS

Regular salaries	138,380
Substitute salaries	5,878
Clerical and paraprofessional staff salaries	66,211
Payroll taxes	15,872
Retirement	18,453
Health insurance	41,002

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
GENERAL FUND
SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016

SPECIAL EDUCATION PROGRAMS (Continued)

Other employee benefits	62
Purchased services	207,030
Tuition paid to other agencies	197,310
Supplies and materials	3,875
Other expenses	18,782
Total special education programs	<u>712,855</u>

SPECIAL EDUCATION EARLY CHILDHOOD

Purchased services	317
Other expenses	267
Total special education early childhood	<u>584</u>

TOTAL INSTRUCTIONAL PROGRAMS	<u>3,652,047</u>
------------------------------	------------------

SUPPORT SERVICES - PUPILS

Regular salaries	60,980
Clerical and paraprofessional staff salaries	10,722
Payroll taxes	5,346
Retirement	7,083
Health insurance	18,934
Other employee benefits	21
Purchased services	10,836
Supplies and materials	2,293
Other expenses	1,501
Total support services - pupils	<u>117,716</u>

SUPPORT SERVICES - STAFF

Regular salaries	57,896
Payroll taxes	4,350
Retirement	5,716
Health insurance	13,827
Other employee benefits	21
Purchased services	7,628
Supplies and materials	5,742
Other expenses	6,885
Total support services - staff	<u>102,065</u>

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
GENERAL FUND
SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016

SUPPORT SERVICES - SCHOOL IMPROVEMENT

Other expenses	166
	166

SUPPORT SERVICES - BOARD OF EDUCATION

Regular salaries	
Clerical and paraprofessional staff salaries	840
Payroll taxes	64
Retirement	83
Accounting and auditing services	4,300
Other expenses	11,016
	11,016
Total support services - Board of Education	16,303

SUPPORT SERVICES - OFFICE OF THE PRINCIPAL

Regular salaries	157,434
Clerical and paraprofessional staff salaries	53,449
Payroll taxes	15,576
Retirement	20,097
Health insurance	43,248
Other employee benefits	254
Purchased services	17,262
Supplies and materials	6,583
Other expenses	4,934
	318,837
Total support services - Office of the Principal	318,837

DISTRICT LEGAL SERVICES

Legal services	17,484
	17,484

SUPPORT SERVICES - EXECUTIVE ADMINISTRATION

Superintendent salaries	132,475
Clerical and paraprofessional staff salaries	38,233
Payroll taxes	12,248
Retirement	16,732
Health insurance	28,646
Other employee benefits	214
Purchased services	8,489
Supplies and materials	6,175
Other expenses	4,384
	247,596
Total support services - executive administration	247,596

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
GENERAL FUND
SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016

SUPPORT SERVICES - BUSINESS SERVICES

Purchased services	14,566
Supplies and materials	6,687
Total support services - business services	<u>21,253</u>

SUPPORT SERVICES - VEHICLE ACQUISITION AND MAINTENANCE

Capital outlay	<u>27,000</u>
----------------	---------------

SUPPORT SERVICES - MAINTENANCE AND OPERATION
OF BUILDING AND PLANT

Regular salaries	272,701
Payroll taxes	20,777
Retirement	20,325
Health insurance	26,899
Other employee benefits	71
Purchased services	323,226
Supplies and materials	90,052
Capital outlay	<u>39,728</u>
Total support services - maintenance and operation of building and plant	<u>793,779</u>

SUPPORT SERVICES - REGULAR PUPIL TRANSPORTATION

Salaries of drivers	39,114
Payroll taxes	2,953
Retirement	3,856
Purchased services	54,169
Mileage to parents	2,000
Supplies and materials	678
Capital outlay	40,000
Other expenses	<u>1,493</u>
Total support services - regular pupil transportation	<u>144,263</u>

SUPPORT SERVICES - SPECIAL EDUCATION PUPIL
TRANSPORTATION

Salaries of drivers	19,633
Payroll taxes	1,335
Retirement	1,830

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
GENERAL FUND
SCHEDULE OF CASH DISBURSEMENTS FOR OPERATIONAL EXPENSES
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016

SUPPORT SERVICES - SPECIAL EDUCATION PUPIL

TRANSPORTATION (Continued)

Purchased services	7,365
Supplies and materials	<u>393</u>
Total support services - special education pupil transportation	<u>30,556</u>

FEDERAL PROGRAMS

REAP	30,954
Title I	109,614
Title II, Part A (611) Base Allocation	5,454
IDEA Base	35,886
IDEA Preschool Base Allocation	3,401
IDEA Enrollment/Poverty	55,413
IDEA Part B Proportionate Share	937
IDEA Proportionate Share	<u>498</u>
Total federal programs	<u>242,157</u>

TRANSFERS

Transfers to the School Nutrition Fund	50,000
Transfers to the Activities Fund	<u>15,000</u>
Total transfers	<u>65,000</u>

TOTAL DISBURSEMENTS	<u><u>5,796,222</u></u>
---------------------	-------------------------

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
ACTIVITIES FUND
SCHEDULE OF CHANGES IN CASH BALANCES
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016

	Balance 9/1/15	Receipts	Disburse- ments	Adjust- ments	Balance 8/31/16
Academics					
Annual	10,945	7,840	10,408		8,377
Art	1,900				1,900
Drama	385	1,000	1,241	(144)	
Speech	478	304	553	432	661
Instrumental Music	1,877	2,531	1,820	(791)	1,797
Vocal Music	499	583	2,333	1,525	274
Tri-M	1,200	1,584	887	(1,115)	782
Vocational	1,078	20	571		527
High School Library	575				575
Special Ed	208		26		182
Explorers' Club	39	2,325	2,524	203	43
Total academics	<u>19,184</u>	<u>16,187</u>	<u>20,363</u>	<u>110</u>	<u>15,118</u>
Athletics					
Athletics	239	86,910	82,757	(800)	3,592
Change	(200)	1,572		28	1,400
Concession Stand	9,566	22,520	27,368	(2,642)	2,076
Camp Account HS Boys' Basketball	1,151	987	1,100	602	1,640
Camp Account HS Girls' Basketball	172	6,498	4,541	(100)	2,029
Camp Account HS Volleyball	11,855	25,743	32,935	418	5,081
Camp Account MS Volleyball			288	372	84
Camp Account MS Football		1,251	2,315	1,064	
Camp Account HS Track	517	681	423		775
Camp Account HS Football	3,178	10,516	8,429	(1,975)	3,290
Guts Program Weight Lifting	7				7
Cross-Country	505	290	124		671
Drill Team	725	5,334	2,681	694	4,072
Wrestling	80	773	768	(359)	(274)
Flag		10	57	840	793
Golf	203	803	385	(38)	583
Total athletics	<u>27,998</u>	<u>163,888</u>	<u>164,171</u>	<u>(1,896)</u>	<u>25,819</u>

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
ACTIVITIES FUND
SCHEDULE OF CHANGES IN CASH BALANCES
(UNAUDITED)
YEAR ENDED AUGUST 31, 2016

	Balance 9/1/15	Receipts	Disburse- ments	Adjust- ments	Balance 8/31/16
Classes					
Class of 2013	1			(1)	
Class of 2014	32			(32)	
Class of 2017			225	225	
Class of 2018				158	158
Prom	1,015	2,183	1,840		1,358
Total classes	<u>1,048</u>	<u>2,183</u>	<u>2,065</u>	<u>350</u>	<u>1,516</u>
Elementary					
Elementary	8,190	6,513	4,101		10,602
Elementary Library	4,149	2,274	2,240		4,183
Elementary Student Council	1,314		745		569
Total elementary	<u>13,653</u>	<u>8,787</u>	<u>7,086</u>		<u>15,354</u>
General					
General	21,109	659	6,630	(1,494)	13,644
Interest	101	49			150
Investments	5,633	14			5,647
Pop Machines	1,070				1,070
Total general	<u>27,913</u>	<u>722</u>	<u>6,630</u>	<u>(1,494)</u>	<u>20,511</u>
Organizations					
Teammates		207	311	104	
FBLA	2,645	19,077	18,462	419	3,679
FFA	8,985	30,442	24,425	327	15,329
National Honor Society	1,029	482	1,000		511
Student Senate	6,532	2,621	3,212	2,080	8,021
Middle School Student Senate	2,199	410	191		2,418
Total organizations	<u>21,390</u>	<u>53,239</u>	<u>47,601</u>	<u>2,930</u>	<u>29,958</u>
Teachers					
Elementary	455	510	200		765
Elementary Student Council	1,800	1,419	416		2,803
Total teachers	<u>2,255</u>	<u>1,929</u>	<u>616</u>		<u>3,568</u>
TOTAL ACTIVITIES FUND	<u>113,441</u>	<u>246,935</u>	<u>248,532</u>		<u>111,844</u>
BUDGET		<u>295,000</u>	<u>320,000</u>		



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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

To the Board of Education
Stanton Community Schools District No. 3
Stanton, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stanton Community Schools District No. 3, Stanton, Nebraska, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Stanton Community Schools District No. 3, Stanton, Nebraska's basic financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stanton Community Schools District No. 3, Stanton, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stanton Community Schools District No. 3, Stanton, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Stanton Community Schools District No. 3, Stanton, Nebraska's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies. These deficiencies are reported as items 2016-001 and 2016-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stanton Community Schools District No. 3, Stanton, Nebraska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Stanton Community Schools District No. 3, Stanton, Nebraska's Response to Findings

Stanton Community Schools District No. 3, Stanton, Nebraska's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Stanton Community Schools District No. 3, Stanton, Nebraska's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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

Dana F Cole + Company, LLP

Lincoln, Nebraska
October 25, 2016

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2016

2016-001 SEGREGATION OF DUTIES

Criteria

Internal controls should be in place to ensure proper segregation of duties.

Condition

Management should possess the ability to prepare financial statements in accordance with the cash basis of accounting. The preparation of financial statements under this basis of accounting requires that management possess the ability to properly record and classify transactions in a general ledger, reconcile all accounts, measure and record needed adjustments to the accounts, and prepare the financial statements and related disclosures without the assistance from the auditors.

Cause

Limited number of staff.

Potential Effect

Errors in the financial statement or disclosures could occur and not be detected by management.

Recommendation

Management should carefully review financial statements including disclosures and understand the relationship to the underlying data. All proposed adjustments should be understood and approved.

District's Response

The District relies on the auditor to propose the adjustments necessary to prepare the financial statements, including the related disclosures. The District reviews such financial statements.

2016-002 ESTABLISH INTERNAL CONTROL OVER FINANCIAL STATEMENT PREPARATION AND REVIEW

Criteria

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of financial statements, including the notes to the financial statements, in conformity with the cash basis of accounting.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2016

2016-002 ESTABLISH INTERNAL CONTROL OVER FINANCIAL STATEMENT PREPARATION AND REVIEW
(Continued)

Condition

The District does not have a system of internal control that would provide management with reasonable assurance that the District financial statements and related disclosures are complete and presented in accordance with the cash basis of accounting. As such, management requested us to compile the trial balance from the general ledger and prepare a draft of the financial statements, including the related note disclosures.

Cause

Limited number of staff.

Potential Effect

Due to the lack of segregation of duties in this area, cash may be subject to misappropriation.

Recommendation

We recommend that the District continue to review the situation and make improvements where possible.

District's Response

The District has implemented procedures such as reviews of bank statements and bank reconciliations by the manager to improve segregation of duties issues. The Board of Education also reviews and approves all expenditures. The District will, within the constraints of existing time and cost considerations, continue to review the situation and make improvements. In addition, the District subsequent to year-end has created an accounting and procedures manual.

STANTON COMMUNITY SCHOOLS DISTRICT NO. 3
STANTON, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2016

The prior audit findings are as follows:

FINANCIAL STATEMENT FINDINGS

2015-001 SEGREGATION OF DUTIES

There were no changes in the segregation of duties. See current year finding 2016-001.

2015-002 ESTABLISH INTERNAL CONTROL OVER FINANCIAL STATEMENT PREPARATION AND REVIEW

There were no changes in the internal control over financial statement preparation and review. See current year finding 2016-002.