

**Douglas County School District #0001**  
Omaha, Nebraska

**Financial Statements and  
Supplementary Information  
August 31, 2017**

**Together with Independent Auditor's Report**

# Douglas County School District #0001

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## Independent Auditor's Report

To the Board of Education  
Douglas County School District #0001:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Douglas County School District #0001 (the District), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Omaha Schools Foundation, a blended component unit, which is a major fund and represents 93.1%, 101.2%, and 42.3%, respectively, of the assets, net position, and revenues of the business-type activities of the District. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Omaha Schools Foundation, is based solely on the reports of the other auditors. 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, based on our audit and the report of other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the budgetary comparison schedule – general and major special revenue funds (with legally adopted budgets) on pages 55 and 56, the schedule of changes in the net pension liability on page 57, the schedule of employer contributions on page 58 and the related notes to the required supplementary information on pages 59 and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying budgetary comparison schedules on pages 61 through 65 and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* on pages 66 through 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*SEEM JOHNSON, LLP*

Omaha, Nebraska,  
November 14, 2017.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Douglas County School District 0001 (Omaha Public Schools)

**OVERVIEW**

Management's Discussion and Analysis (MD&A) is information required to be presented by the Governmental Accounting Standards Board (GASB). This section will provide an introduction to the basic financial statements and an analytical overview of the Omaha Public School District's (the District) activities with primary emphasis on the school district as a whole. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also provides additional information that supplements the financial statements and the notes to the financial statements. Our discussion and analysis of financial performance of the District is for the fiscal year ended August 31, 2017, and it is presented on the accrual basis, in accordance with generally accepted accounting principles (GAAP), which is a comprehensive basis of accounting generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded when earned and expenditures are recorded when they result in a liability for benefits received, even if they occur in an accounting period other than the current fiscal year.

**GOVERNANCE ORGANIZATION AND RESPONSIBILITIES**

The nine-member Governing Board is elected by the citizens of the community to four-year terms representing nine districts. The terms of the board members overlap with elections occurring every two years. The Governing Board is a policy-making body, deriving its authority from the State of Nebraska through the laws of the State. One of the statutory duties of the Governing Board, as a governing body, is to prepare and approve an annual budget in accordance with the Nebraska Budget Act.

**BASIC FINANCIAL STATEMENTS**

- **Government-Wide Financial Statements** – The government-wide financial statements present a broad overview of information on the primary government's activities (the District) and its component units. The component units include: Educational Service Unit No. 19, Friends of KIOS, Educare of Omaha, Inc., Omaha Education Services Agency and the Omaha Schools Foundation. As defined in GASB Statement No. 14, as amended, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relationships with the District. These statements show both the governmental and business-type activities of the school district. Any specific requests for information about the financial operations of the District's component units should be addressed to those agencies. The government-wide financial statements distinguish between functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The Statement of Net Position and the Statement of Activities comprise the government-wide statements and they divide the District's activities into three main categories:

**Governmental Activities:** Most of the District's basic services are included here such as instruction, student support, transportation, etc. Taxes, state aid, county fines and licenses, and other local revenues principally support these functions.

## Douglas County School District #0001

### Management's Discussion and Analysis (Thousands of Dollars)

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**Business-type Activities:** The District charges fees to customers in order to cover the costs of certain services it provides. The School Lunch Fund and the Cooperative Fund for Inter Local Agreements are among the activities included here.

**Component Units:** The District includes six component units as identified above. Although legally separate entities, the District is the primary recipient of the services provided by these entities.

The Statement of Net Position presents information on all the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the remaining difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether or not the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation.

- **Fund Financial Statements** – Fund financial statements present most of the individual components (funds) of the District in more detail than the government-wide financial statements. There are separate financial statements for the governmental funds, proprietary funds and fiduciary funds.

The governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual method measures cash and all other financial assets that can be readily converted to cash. These statements provide a detailed short-term view of the District's operations and the services it provides. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The reader of these financial statements should refer to the reconciliations on the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance to facilitate the comparison between governmental funds and governmental activities.

All of the District's services are reported in the governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at the end of the fiscal year, which are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

**Governmental Funds:** Governmental funds report information about the major funds individually and the non-major funds on aggregate. These statements focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances remaining at year-end which are available for spending. Therefore, the governmental funds provide a short-term view that helps the reader determine whether there are more or fewer resources that can be spent in the near future to finance the District's programs.

**Proprietary Funds:** Proprietary funds report resources that are not available to support the government's programs. These are generally supported by user fees. The District maintains several enterprise funds which are used to report the functions presented as business-type activities in the government-wide financial statements.

**Fiduciary Funds:** Fiduciary funds account for assets held in a trustee or fiduciary capacity. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. These activities are reported in a separate Statement of Fiduciary Net Position. The District excludes these activities from its government-wide financial statements because the District cannot use these assets to finance its operations.

## Douglas County School District #0001

### Management's Discussion and Analysis (Thousands of Dollars)

- **Notes to the Financial Statements** – The notes to the financial statements are an integral part of these financial statements and provide a more detailed presentation of various activities of the District such as bonded indebtedness, leases, future obligations, commitments and contingencies of the District. The reader of the financial statements should make particular note of the information included in the notes.
- **Required Supplementary Information (other than the Management's Discussion & Analysis)** – The budget to actual comparisons presented in this section, provides a comparison of the District's actual and revised budgets compared to the actual expenditures and revenues for the year being audited. It also presents the variance between budget and actual. This report is required supplementary information.
- **Other Supplementary Information** – This section includes the Schedule of Expenditures of Federal Awards that provides a listing of all federal funding received by the District in the year being audited. This report is presented on the basis of accounting permitted by the Nebraska Department of Education, which is a basis of accounting other than GAAP.

### CONDENSED FINANCIAL STATEMENTS

The District's combined total assets changed from a year ago, increasing by \$187,695. The largest portion of the District's assets 54% reflects capital assets. This is a direct result of the District acquiring property for future school locations and having construction in process, via the 2015 and 2016 Bond issuances, in the current fiscal year. The District uses these assets to provide services to its students and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources. The following table reflects the condensed summary of net position and the changes from fiscal year 2016 to 2017:

	<b>SUMMARY OF NET POSITION (in thousands)</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
Current and other assets	\$ 373,218	437,511	35,206	42,508	408,424	480,019
Capital assets, net	432,316	565,235	17,336	517	449,652	565,752
<b>Total assets</b>	<b>805,534</b>	<b>1,002,746</b>	<b>52,542</b>	<b>43,025</b>	<b>858,076</b>	<b>1,045,771</b>
Deferred outflows of resources	143,335	189,091	402	385	143,737	189,476
Current and other liabilities	96,674	117,125	4,804	2,015	101,478	119,140
Long-term liabilities	852,662	1,084,730	1,427	1,189	854,089	1,085,919
<b>Total liabilities</b>	<b>949,336</b>	<b>1,201,855</b>	<b>6,231</b>	<b>3,204</b>	<b>955,567</b>	<b>1,205,059</b>
Deferred inflows of resources	40,298	32,057	525	795	40,823	32,852
Net position:						
Net investment in capital assets	149,824	165,300	15,417	517	165,241	165,817
Restricted net position	138,568	165,229	22,329	19,623	160,897	184,852
Unrestricted net position	(329,157)	(372,604)	6,523	19,271	(322,634)	(353,333)
<b>Total net position</b>	<b>\$ (40,765)</b>	<b>(42,075)</b>	<b>44,269</b>	<b>39,411</b>	<b>3,504</b>	<b>(2,664)</b>

Approximately \$184,852 of the District's net position represents resources that are subject to external restrictions. Approximately \$165,817 of the District's net position represents investment in capital assets, net of related debt. The remaining balance of unrestricted net position, (\$353,333) is a result of GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, which requires the recognition of the net pension liability for the District's retirement plan.

Current and other assets and liabilities increased primarily due to the issuance of \$141 million of new General Obligation Bonds.

## Douglas County School District #0001

### Management's Discussion and Analysis (Thousands of Dollars)

Business-Type Activities – Capital assets decreased approximately \$17,000 due to a transfer of assets to the governmental activities. This transfer was recorded in the fiscal year 2016 governmental activities due to a timing difference between the Omaha Schools Foundation and Omaha Public Schools fiscal year ends.

At August 31, 2017, the District reported an overall negative net position of (\$2,664) as a result of recognition of the net pension liability.

The District's combined changes in net position (including both the governmental activities and business-type activities) changed from a year ago, decreasing by (\$6,168). The following table reflects the condensed Statement of Activities.

	<b>SUMMARY OF CHANGES IN NET POSITION (in thousands)</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>Revenue:</b>						
General revenue						
Taxes	\$ 311,591	318,088	--	--	311,591	318,088
Investment income	370	1,405	208	1,327	578	2,732
State funding	242,528	270,851	629	715	243,157	271,566
Federal funding	2,626	2,615	7,240	7,432	9,866	10,047
Capital contributions	17,266	--	--	--	17,266	0
Other	20,409	14,818	62,717	55,077	83,126	69,895
Total general revenue	<u>594,790</u>	<u>607,777</u>	<u>70,794</u>	<u>64,551</u>	<u>665,584</u>	<u>672,328</u>
<b>Program Expenses, Net:</b>						
<b>Functions/Programs</b>						
Governmental activities						
Instruction and student support	(322,422)	(358,350)	--	--	(322,422)	(358,350)
General administration and board of education	(7,477)	(10,785)	--	--	(7,477)	(10,785)
School administration and staff support	(60,343)	(65,819)	--	--	(60,343)	(65,819)
Business support services	(41,717)	(47,865)	--	--	(41,717)	(47,865)
Building and grounds	(53,483)	(55,099)	--	--	(53,483)	(55,099)
Building, construction, renovation	(11,208)	(10,565)	--	--	(11,208)	(10,565)
Student transportation	(29,654)	(30,427)	--	--	(29,654)	(30,427)
Community use of facilities and regular preschool education	(4,800)	(6,548)	--	--	(4,800)	(6,548)
Summer school	(5,450)	(6,024)	--	--	(5,450)	(6,024)
Adult basic education	(812)	(709)	--	--	(812)	(709)
Debt service	(13,177)	(15,714)	--	--	(13,177)	(15,714)
Property tax recapture	(1,096)	(1,182)	--	--	(1,096)	(1,182)
Total governmental activities	<u>(551,639)</u>	<u>(609,087)</u>	<u>--</u>	<u>--</u>	<u>(551,639)</u>	<u>(609,087)</u>
Business-type activities						
Cooperative activities	--	--	(41,247)	(28,939)	(41,247)	(28,939)
Foundation	--	--	(12,232)	(16,057)	(12,232)	(16,057)
Other	--	--	(8,244)	(8,174)	(8,244)	(8,174)
Total business-type activities	<u>--</u>	<u>--</u>	<u>(61,723)</u>	<u>(53,170)</u>	<u>(61,723)</u>	<u>(53,170)</u>
Total primary government	<u>(551,639)</u>	<u>(609,087)</u>	<u>(61,723)</u>	<u>(53,170)</u>	<u>(613,362)</u>	<u>(662,257)</u>
Net transfers	--	--	--	(16,239)	--	(16,239)
<b>Change in Net Position</b>	<u>43,151</u>	<u>(1,310)</u>	<u>9,071</u>	<u>(4,858)</u>	<u>52,222</u>	<u>(6,168)</u>
<b>Net Position, Beginning of Year</b>	<u>(83,916)</u>	<u>(40,765)</u>	<u>35,198</u>	<u>44,269</u>	<u>(48,718)</u>	<u>3,504</u>
<b>Net Position, End of Year</b>	<u>\$ (40,765)</u>	<u>(42,075)</u>	<u>44,269</u>	<u>39,411</u>	<u>3,504</u>	<u>(2,664)</u>

# Douglas County School District #0001

## Management's Discussion and Analysis (Thousands of Dollars)

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Governmental activities change in net position for fiscal year 2017 decreased by 99.79% or \$41,841. Governmental Activities revenue increased by \$12,987 which can be attributed to increases in State aid and general tax revenue.

Total expenses increased \$57,448, Instructional and Student Support cost represents \$35,928 or 62.5% of the overall increase.

### ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year, except where prohibited by State statutes.

For the fiscal year ended August 31, 2017, the governmental funds had total fund balance of \$282,324, an increase of \$33,916 in comparison with the prior year. The primary reason for the increase was the sale of the second tranche of \$141,000 of General Obligation Bonds.

The District's proprietary fund statements have two main sections. These sections are the enterprise funds and internal service funds.

The District's enterprise funds provide the same category of information found in the government-wide financial statements, but in more detail. Net position of the enterprise funds totaled \$39,411 on August 31, 2017, a decrease of \$4,858. This decrease is mainly due to activity within the Omaha Schools Foundation.

The District's internal services are used to account for goods and services provided by an activity to other departments, funds or component units of the District. The consumption of these services and goods is primarily done by the District. Net Position of the internal service funds total \$49,343 on August 31, 2017.

### ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General Fund is the District's main operating fund. The General Fund's fund balance on August 31, 2017 was \$117,095. The following tables and graphs represent significant revenue and expenditure trends for the General Fund.

	General Fund Revenues (thousands of dollars)				
	2016 Amount	2017 Amount	2017 Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Taxes	\$ 276,992	280,441	48.28%	3,449	1.25%
Tuition	231	294	0.05%	63	27.27%
Fees	97	83	0.01%	(14)	-14.43%
Interest on investments	48	322	0.06%	274	570.83%
State funding	275,700	286,838	49.37%	11,138	4.04%
Federal funding	1,015	948	0.16%	(67)	-6.60%
Fines and licenses	2,912	3,064	0.53%	152	5.22%
Other revenue	8,510	8,950	1.54%	440	5.17%
Total revenue	\$ 565,505	580,940	100.00%	15,435	2.73%

# Douglas County School District #0001

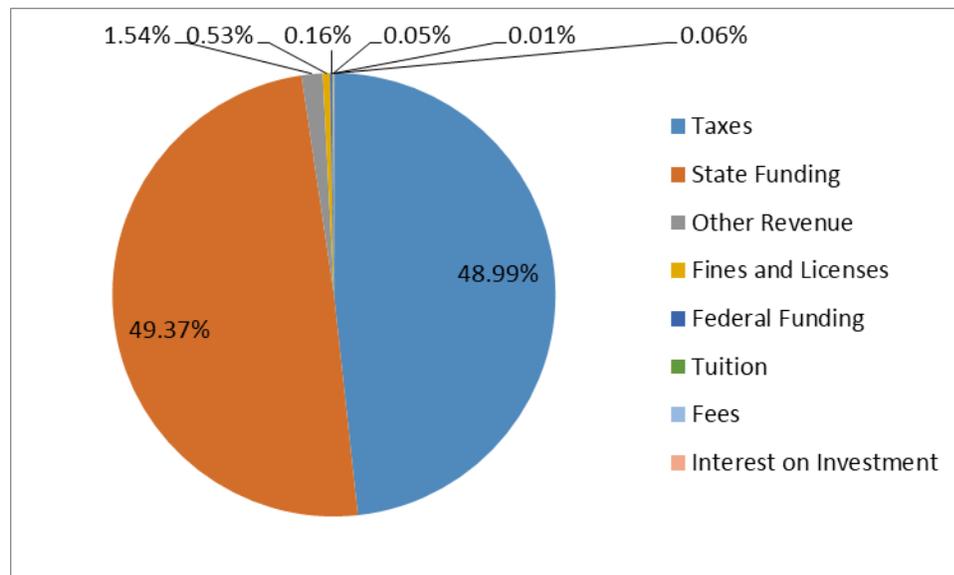
## Management's Discussion and Analysis (Thousands of Dollars)

General fund revenue increased mainly because of an increase in State funding and taxes. The tax revenue increased by \$3,449, the majority of this increase is the result of a 1.25% increase in assessed valuation in FY2017.

In addition, State funding increased by \$11,138. This increase is accounted for by increases in State aid funding. These amounts are determined by the State of Nebraska on an annual basis.

The following graph provides a breakdown of the General fund revenues:

**General Fund Revenues FY17**



**General Fund Expenditures (thousands of dollars)**

	<u>2016 Amount</u>	<u>2017 Amount</u>	<u>2017 Percent of Total</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Basic instruction	\$ 255,404	267,116	47.85%	11,712	4.59%
Special education	62,092	66,748	11.95%	4,656	7.50%
Student services	32,214	34,089	6.11%	1,875	5.82%
Staff support services	16,318	16,702	2.99%	384	2.35%
General administration and board of education	8,924	11,499	2.06%	2,575	28.85%
School administration	31,648	33,647	6.03%	1,999	6.32%
Business support services	27,956	25,741	4.61%	(2,215)	-7.92%
Building and grounds	50,415	50,835	9.11%	420	0.83%
Student transportation	37,017	36,752	6.58%	(265)	-0.72%
Community use of facilities and regular preschool	4,379	4,719	0.85%	340	7.76%
Early childhood special education	1,425	3,591	0.64%	2,166	152.00%
Summer school	5,234	5,677	1.01%	443	8.46%
Adult education	148	177	0.03%	29	19.59%
Debt service	942	968	0.17%	26	2.76%
<b>Total expenditures</b>	<b>\$ 534,116</b>	<b>558,261</b>	<b>99.99%</b>	<b>24,145</b>	<b>4.52%</b>

# Douglas County School District #0001

## Management's Discussion and Analysis (Thousands of Dollars)

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Basic Instruction increased by \$11,712, or 4.59%, for fiscal year 2017. There are two primary causes that influenced this increase. The District made an additional payment to the retirement system in the amount of \$12,750, of which Basic Instruction accounted for \$6,704. In addition to this the instructional staff on average received 2.7% minimum increase in negotiated salary increase in all instructional staff.

Special Education increased by \$4,656, or 7.50%, for fiscal year 2017. There were several factors that can be attributed to this change. Instructional staff salaries were up 2.7% minimum in negotiated salary increases for staff. The District made an additional payment to the retirement system in the amount of \$12,750, of which special education accounted for \$1,489.

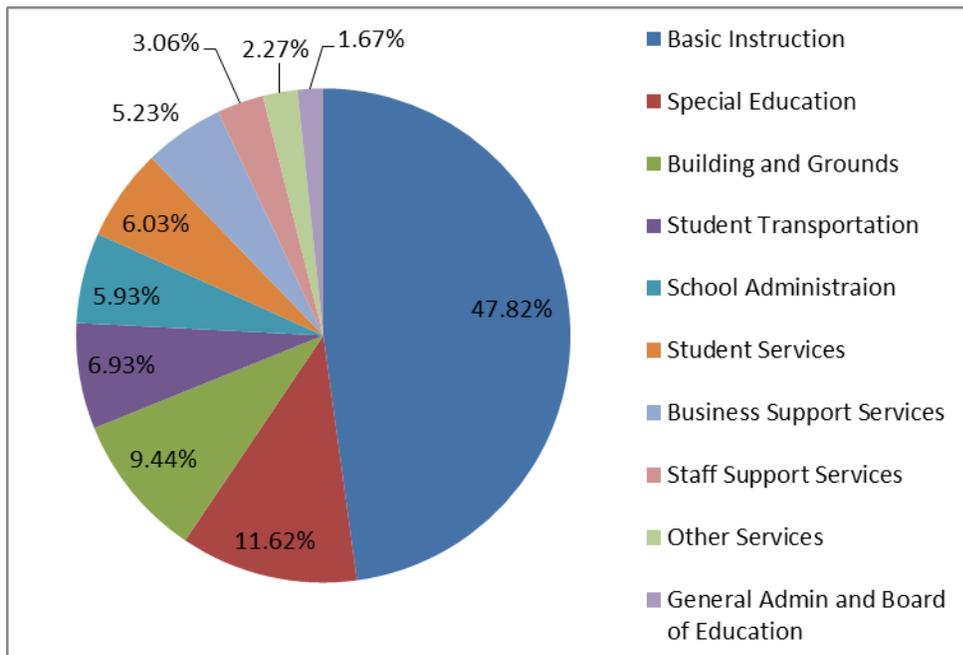
The increase in General Administration and Board of Education of \$2,575, or 28.85%, for fiscal year 2017. There were several factors that contributed. As mentioned above the additional payment to the pension plan of \$209. Staff salaries were up 2.7% minimum in negotiated salary increases for staff and the hiring of additional staff and related fringe benefit amounted to \$671. The District 3<sup>rd</sup> party legal costs were also up over \$341.

The Early Childhood Special Education increase of \$2,166, or 152.00%, increase in fiscal year 2017 is a direct result of transferring \$1,218 plus related fringe benefits of approximately \$463 from an overspent grant.

These three expenditures account for \$21,109 of the \$24,145, or 87.43%, of the net increase in expenditures.

The following graph provides a breakdown of General Fund expenditures:

**General Fund Expenditures FY17**



## Douglas County School District #0001

### Management's Discussion and Analysis (Thousands of Dollars)

#### BUDGETARY ANALYSIS

Annual budgets are prepared in accordance with State statutes on the cash basis of accounting which is a regulatory basis of accounting and is not consistent with accounting principles generally accepted in the United States of America. The budget is prepared by fund, department/building, and account. The only transfers allowed for in the General fund are those between departmental budgets. Any number of transfers can occur throughout each fiscal year as long as the original budgeted amount does not change. In 2016-2017, there were no budget amendments. Fund Balance increased due to actual expenditures and transfers lower than budgeted amounts.

#### General Fund Budgetary Analysis (in thousands) For the Year Ended August 31, 2017

	Original Budget	Final Budget	Actual
Revenue:			
Local	\$ 295,772	301,381	287,144
County and ESU receipts	2,500	2,500	2,174
State receipts	275,466	269,857	286,837
Federal receipts	650	650	1,186
Other local	7,685	7,685	7,057
Total	<u>582,073</u>	<u>582,073</u>	<u>584,398</u>
Expenditures and transfers	<u>582,073</u>	<u>582,073</u>	<u>555,730</u>
Total	<u>582,073</u>	<u>582,073</u>	<u>555,730</u>
Changes in fund balance	\$ <u>    --</u>	<u>    --</u>	<u>28,668</u>

#### CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At August 31, 2017, the District had \$565,752 invested in a broad range of capital assets, net of depreciation, including land, construction in progress, buildings and improvements, textbooks, equipment, and vehicles. The largest change is the ongoing construction projects that are a direct result of the 2015 and 2016 Bond issuances.

	2016 (in thousands)	2017 (in thousands)	Difference	% Change
Land	\$ 34,823	53,518	18,695	53.69%
Construction in progress	68,475	180,484	112,009	163.58%
Buildings and improvements	739,469	746,855	7,386	1.00%
Furniture, equipment, textbooks and art	121,102	128,129	7,027	5.80%
Computers and software	75,649	77,797	2,148	2.84%
Vehicles	19,234	19,989	755	3.93%
	1,058,752	1,206,772	148,020	13.98%
Less: accumulated depreciation	<u>(611,019)</u>	<u>(641,020)</u>	<u>(30,001)</u>	<u>4.91%</u>
Total capital assets, net of depreciation	<u>\$ 447,733</u>	<u>565,752</u>	<u>118,019</u>	<u>26.36%</u>

## Douglas County School District #0001

### Management's Discussion and Analysis (Thousands of Dollars)

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Long-term debt obligations of the District at August 31, 2017 are as follows:

General Obligation Bonds	\$	436,440
Qualified Zone Academy Bonds		611
Build America Bonds		20,880
Qualified School Construction Bonds		17,375
Capital Lease Obligations		432
Unamortized Premium		
Series 2010 Refunding Bonds		2,279
Series 2012 Refunding Bonds		6,709
Series 2014 Refunding Bonds		434
Series 2015 General Obligation Bonds		11,646
Series 2016 General Obligation Bonds		13,973
Unamortized Deferred Amount on Refunding		
Series 2010 Refunding		(3,047)
Series 2012 Refunding		(3,583)
Series 2014 Refunding		(81)
		<hr/>
Total Long Term Debt Obligations	\$	<u>504,068</u>

#### CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

All school districts in the state operate under a \$1.05 property tax levy limit and receive state aid based upon the same state aid formula (TEEOSA, Tax Equalization and Educational Opportunity Support Act). The District is part of the Learning Community of Douglas and Sarpy Counties (the "Learning Community"), which is considered the "local system" and all resources (both property tax and state aid) are processed through an additional statutory equalization formula before distribution to the school districts. For all 11 public school districts within the Learning Community, there is a maximum \$0.95 Learning Community common levy for general fund purposes and a maximum \$0.02 common levy for building fund purposes, though for fiscal year 2017 there was no levy by the Learning Community for the building fund. The unused levy authority under the property tax levy limit may be levied by the individual school districts, not the Learning Community, for their chosen purposes.

On April 19th, 2016 the Governor signed Legislature Bill 1067, a bill that made major changes to funding the Learning Community, including the elimination of the common levy between the 11 districts on July 1, 2017, and replacing open enrollment with option enrollment. The Legislature also provided for a Community Achievement Plan to be developed by the 11 districts in the Learning Community and approved by the Nebraska Department of Education to benefit poverty and ELL students. State funding for K-12 education is expected to continue to be a topic before the Nebraska Legislature in January of 2018. Law (s) impacting the state aid formula will impact future funding for the District.

## Douglas County School District #0001

### Management's Discussion and Analysis (Thousands of Dollars)

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#### REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the Omaha Public School District's accountability for the money it receives. Additional details, questions or comments can be requested from the following individuals.

Respectfully submitted by:

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Please visit the District's website at <http://www.ops.org> for additional financial and other information.

Omaha Public Schools does not discriminate on the basis of race, color, national origin, religion, sex, marital status, sexual orientation, disability, age, genetic information, citizenship status, or economic status in its programs, activities and employment and provides equal access to the Boy Scouts and other designated youth groups. The following individual has been designated to address inquiries regarding the non-discrimination policies: Superintendent of Schools, 3215 Cuming Street, Omaha, NE 68131 (531-299-9822).

# Douglas County School District #0001

## Statement of Net Position August 31, 2017 (Thousands of Dollars)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 323,770	3,040	326,810
Investments	49,462	22,240	71,702
Property taxes receivable, net	19,041	--	19,041
Internal balances	(911)	914	3
Accrued interest receivable	73	--	73
Accounts and other receivables	37,347	1,637	38,984
Promises to give	--	14,670	14,670
Inventories and prepaid expenses	8,729	7	8,736
Capital assets, net	565,235	517	565,752
Total assets	<u>1,002,746</u>	<u>43,025</u>	<u>1,045,771</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	6,711	--	6,711
Pension related deferred outflows	182,380	385	182,765
Total deferred outflows of resources	<u>189,091</u>	<u>385</u>	<u>189,476</u>
Total assets and deferred outflows of resources	<u>\$ 1,191,837</u>	<u>43,410</u>	<u>1,235,247</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 35,480	1,230	36,710
Accrued payroll liabilities	67,194	411	67,605
Contract retention	10,285	--	10,285
Accrued interest	4,166	--	4,166
Other liabilities	--	374	374
Long-term liabilities:			
Due within one year	16,777	--	16,777
Due in more than one year	1,067,953	1,189	1,069,142
Total liabilities	<u>1,201,855</u>	<u>3,204</u>	<u>1,205,059</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	10,824	--	10,824
Pension related deferred inflows	21,233	795	22,028
Total deferred inflows of resources	<u>32,057</u>	<u>795</u>	<u>32,852</u>
<b>NET POSITION</b>			
Net investment in capital assets	165,300	517	165,817
Restricted for:			
Debt service	40,361	--	40,361
Capital projects	107,592	--	107,592
Scholarships	--	19,623	19,623
Other purposes	17,276	--	17,276
Unrestricted:			
Designated for scholarships	--	10,952	10,952
Unrestricted	(372,604)	8,319	(364,285)
Total net position	<u>(42,075)</u>	<u>39,411</u>	<u>(2,664)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,191,837</u>	<u>43,410</u>	<u>1,235,247</u>

See accompanying notes to the financial statements

# Douglas County School District #0001

## Statement of Activities For the Year Ended August 31, 2017 (Thousands of Dollars)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Governmental activities</b>						
Basic instruction	\$ 310,625	348	30,033	(280,244)	--	(280,244)
Special education	75,535	294	56,744	(18,497)	--	(18,497)
Student services	72,089	5,133	8,936	(58,020)	--	(58,020)
Staff support services	32,026	579	1,944	(29,503)	--	(29,503)
General administration and board of education	15,108	--	4,323	(10,785)	--	(10,785)
School administration	36,316	--	--	(36,316)	--	(36,316)
Business support services	47,929	64	--	(47,865)	--	(47,865)
Building and grounds	55,099	--	--	(55,099)	--	(55,099)
Building, construction, renovation	10,565	--	--	(10,565)	--	(10,565)
Student transportation	37,717	7,290	--	(30,427)	--	(30,427)
Community use of facilities and regular preschool education	18,578	129	11,901	(6,548)	--	(6,548)
Early childhood special education	15,519	--	13,930	(1,589)	--	(1,589)
Summer school	6,024	--	--	(6,024)	--	(6,024)
Adult basic education	709	--	--	(709)	--	(709)
Debt service interest	15,714	--	--	(15,714)	--	(15,714)
Property tax recapture	1,182	--	--	(1,182)	--	(1,182)
<b>Total governmental activities</b>	<b>750,735</b>	<b>13,837</b>	<b>127,811</b>	<b>(609,087)</b>	<b>--</b>	<b>(609,087)</b>
<b>Business type activities</b>						
Cooperative activities	28,939	--	--	--	(28,939)	(28,939)
Foundation	16,057	--	--	--	(16,057)	(16,057)
Other	8,174	--	--	--	(8,174)	(8,174)
<b>Total business-type activities</b>	<b>53,170</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(53,170)</b>	<b>(53,170)</b>
<b>Total primary government</b>	<b>\$ 803,905</b>	<b>13,837</b>	<b>127,811</b>	<b>(609,087)</b>	<b>(53,170)</b>	<b>(662,257)</b>
<b>General revenues</b>						
Taxes				318,088	--	318,088
Income on investments				1,405	1,327	2,732
State funding				270,851	715	271,566
Federal funding				2,615	7,432	10,047
Fines and licenses				3,064	--	3,064
Other revenue				11,754	55,077	66,831
Net transfers				--	(16,239)	(16,239)
<b>Total general revenues and transfers</b>				<b>607,777</b>	<b>48,312</b>	<b>656,089</b>
Change in net position				(1,310)	(4,858)	(6,168)
Net position, beginning of year				(40,765)	44,269	3,504
Net position, end of year				<b>\$ (42,075)</b>	<b>39,411</b>	<b>(2,664)</b>

See accompanying notes to the financial statements

# Douglas County School District #0001

## Balance Sheet – Governmental Funds August 31, 2017 (Thousands of Dollars)

	General Operating Fund	Special Building Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 130,157	114,513	7,613	12,709	11,001	275,993
Investments	--	9,569	--	25,000	11,782	46,351
Property taxes receivable, net	15,743	--	--	2,601	697	19,041
Accounts receivable, net	708	20	32,552	--	55	33,335
Accrued interest receivable	--	22	--	51	--	73
Due from other funds	21,725	--	10,984	--	1,054	33,763
Inventories	2,232	--	--	--	175	2,407
Prepaid expenses	1,512	56	213	--	943	2,724
Total assets	<u>\$ 172,077</u>	<u>124,180</u>	<u>51,362</u>	<u>40,361</u>	<u>25,707</u>	<u>413,687</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 3,776	14,789	897	--	1,077	20,539
Accrued payroll liabilities	41,055	13	3,767	--	1,255	46,090
Other payables	8,875	--	--	--	--	8,875
Due to other funds	1,245	6,230	26,011	--	1,264	34,750
Contract retention	31	9,977	277	--	--	10,285
Total liabilities	<u>54,982</u>	<u>31,009</u>	<u>30,952</u>	<u>--</u>	<u>3,596</u>	<u>120,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	--	--	10,806	--	18	10,824
<b>FUND BALANCES</b>						
Nonspendable	3,744	56	213	--	1,118	5,131
Restricted	--	93,115	9,391	40,361	15,319	158,186
Committed	--	--	--	--	1,101	1,101
Assigned	10,251	--	--	--	4,555	14,806
Unassigned	103,100	--	--	--	--	103,100
Total fund balances	<u>117,095</u>	<u>93,171</u>	<u>9,604</u>	<u>40,361</u>	<u>22,093</u>	<u>282,324</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 172,077</u>	<u>124,180</u>	<u>51,362</u>	<u>40,361</u>	<u>25,707</u>	

### RECONCILIATION

Amounts reported in the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	558,166
Deferred outflows of resources represent consumption of net position in future periods and therefore are not reported in the funds.	179,649
Some assets are not due and receivable in the current period and therefore are not reported in the funds.	329
Long-term liabilities, including bonds payable and pension obligations, and related deferred inflows and outflows of resources are not due and payable in the current period and therefore are not reported in the funds.	(1,111,886)
Internal service funds are used by management to charge the costs of certain activities, such as, insurance and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	49,343
	<u>\$ (42,075)</u>

See accompanying notes to the financial statements

# Douglas County School District #0001

## Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended August 31, 2017 (Thousands of Dollars)

	General Operating Fund	Special Building Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 280,441	--	--	29,795	7,852	318,088
Tuition	294	--	--	--	--	294
Fees	83	--	--	--	--	83
Interest on investments	322	555	7	119	294	1,297
State revenue	286,838	--	1,129	2,620	3,519	294,106
Federal revenue	948	--	71,179	--	643	72,770
Fines and licenses	3,064	--	--	--	--	3,064
Other revenue	8,950	2,731	244	--	19,103	31,028
Total revenues	<u>580,940</u>	<u>3,286</u>	<u>72,559</u>	<u>32,534</u>	<u>31,411</u>	<u>720,730</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Basic instruction	267,116	--	26,247	--	1,752	295,115
Special education	66,748	--	4,309	--	--	71,057
Student services	34,089	--	3,680	--	5,770	43,539
Staff support services	16,702	--	2,413	--	10,963	30,078
General administration and board of education	11,499	--	1,274	--	129	12,902
School administration	33,647	--	--	--	--	33,647
Business support services	25,741	97	3,872	3	7,693	37,406
Building and grounds	50,835	--	--	--	1,715	52,550
Building, construction, renovation	--	153,241	2,919	--	--	156,160
Student transportation	36,752	--	--	--	--	36,752
Community use of facilities and regular preschool education	4,719	--	12,803	--	--	17,522
Early childhood special education	3,591	--	11,060	--	--	14,651
Summer school	5,677	--	--	--	--	5,677
Adult basic education	177	--	603	--	--	780
<b>Debt service</b>						
Debt service interest	--	--	--	14,153	2,622	16,775
Debt service principal	--	--	--	14,295	2,082	16,377
Property tax recapture	968	--	--	160	54	1,182
Total expenditures	<u>558,261</u>	<u>153,338</u>	<u>69,180</u>	<u>28,611</u>	<u>32,780</u>	<u>842,170</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>22,679</b>	<b>(150,052)</b>	<b>3,379</b>	<b>3,923</b>	<b>(1,369)</b>	<b>(121,440)</b>
<b>OTHER FINANCING SOURCES</b>						
Bond proceeds	--	155,356	--	--	--	155,356
<b>CHANGE IN FUND BALANCES</b>	<b>22,679</b>	<b>5,304</b>	<b>3,379</b>	<b>3,923</b>	<b>(1,369)</b>	<b>33,916</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>94,416</b>	<b>87,867</b>	<b>6,225</b>	<b>36,438</b>	<b>23,462</b>	<b>248,408</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 117,095</b>	<b>93,171</b>	<b>9,604</b>	<b>40,361</b>	<b>22,093</b>	<b>282,324</b>
<b>RECONCILIATION</b>						
Net change in fund balances - total governmental funds						\$ 33,916
Amounts reported for governmental activities in the statement of activities are different because:						
Internal service funds are used by management to charge the cost of certain activities to individual funds. The change in net assets is reported with governmental activities.						(20)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense.						130,906
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.						(155,356)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.						16,377
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.						(13,352)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.						(13,781)
Change in net position - governmental activities						\$ (1,310)

See accompanying notes to the financial statements

# Douglas County School District #0001

## Statement of Net Position – Proprietary Funds August 31, 2017 (Thousands of Dollars)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Cooperative	Foundation	Other	Totals	Internal Service Funds
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ --	2,678	362	3,040	47,777
Investments	--	22,240	--	22,240	3,111
Accounts receivable, net	327	365	945	1,637	4,400
Due from other funds	1,167	--	--	1,167	76
Promises to give	--	6,790	--	6,790	--
Prepaid expenses	--	7	--	7	231
Inventories	--	--	--	--	3,367
Total current assets	1,494	32,080	1,307	34,881	58,962
Noncurrent assets					
Promises to give, net of current	--	7,880	--	7,880	--
Capital assets, net	12	319	186	517	7,069
Total assets	1,506	40,279	1,493	43,278	66,031
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	385	--	--	385	2,731
Total assets and deferred outflows of resources	\$ 1,891	40,279	1,493	43,663	68,762
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 1,167	25	38	1,230	6,066
Accrued payroll liabilities	88	--	323	411	4,150
Other liabilities	--	374	--	374	--
Due to other funds	253	--	--	253	--
Total current liabilities	1,508	399	361	2,268	10,216
Noncurrent liabilities					
Net pension liability	1,189	--	--	1,189	8,425
Total liabilities	2,697	399	361	3,457	18,641
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	795	--	--	795	778
Total deferred inflows of resources	795	--	--	795	778
<b>NET POSITION</b>					
Net investment in capital assets	12	319	186	517	7,069
Restricted for scholarships and other purposes	--	19,623	--	19,623	--
Unrestricted					
Designated for scholarships	--	10,952	--	10,952	--
Undesignated	(1,613)	8,986	946	8,319	42,274
Total net position	(1,601)	39,880	1,132	39,411	49,343
Total liabilities, deferred inflows of resources and net position	\$ 1,891	40,279	1,493	43,663	68,762

See accompanying notes to the financial statements

# Douglas County School District #0001

## Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds For the Year Ended August 31, 2017 (Thousands of Dollars)

	Business-Type Activities Enterprise Funds			Totals	Governmental
	Cooperative	Foundation	Other		Activities Internal Service Funds
<b>OPERATING REVENUES</b>					
School lunch charges	\$ --	--	--	--	3,581
Other operating revenues	25,063	25,960	4,054	55,077	8,061
Total operating revenues	<u>25,063</u>	<u>25,960</u>	<u>4,054</u>	<u>55,077</u>	<u>11,642</u>
<b>OPERATING EXPENSES</b>					
Salaries	1,090	2,214	4,471	7,775	9,192
Employee benefits	450	248	1,155	1,853	6,789
Purchased services	27,142	--	743	27,885	6,595
Supplies and materials	221	338	336	895	14,546
Capital outlay	7	10	190	207	1,645
Commodities expense	--	409	--	409	--
Other expenditures	29	12,838	1,279	14,146	5,529
Total operating expenses	<u>28,939</u>	<u>16,057</u>	<u>8,174</u>	<u>53,170</u>	<u>44,296</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(3,876)</u>	<u>9,903</u>	<u>(4,120)</u>	<u>1,907</u>	<u>(32,654)</u>
<b>NON-OPERATING REVENUES</b>					
Employer contribution	--	--	--	--	5,079
Interest and investment income	--	255	--	255	108
State subsidies	--	--	715	715	237
Federal subsidies	3,862	--	3,570	7,432	27,210
Unrealized/realized gains on investments, net	--	1,072	--	1,072	--
Total non-operating revenue, net	<u>3,862</u>	<u>1,327</u>	<u>4,285</u>	<u>9,474</u>	<u>32,634</u>
<b>NET INCOME (LOSS)</b>	<u>(14)</u>	<u>11,230</u>	<u>165</u>	<u>11,381</u>	<u>(20)</u>
<b>TRANSFERS OUT</b>	<u>--</u>	<u>(16,239)</u>	<u>--</u>	<u>(16,239)</u>	<u>--</u>
<b>CHANGE IN NET POSITION</b>	<u>(14)</u>	<u>(5,009)</u>	<u>165</u>	<u>(4,858)</u>	<u>(20)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>(1,587)</u>	<u>44,889</u>	<u>967</u>	<u>44,269</u>	<u>49,363</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ (1,601)</u>	<u>39,880</u>	<u>1,132</u>	<u>39,411</u>	<u>49,343</u>

See accompanying notes to the financial statements

# Douglas County School District #0001

## Statement of Cash Flows – Proprietary Funds For the Year Ended August 31, 2017 (Thousands of Dollars)

	Business-type Activities Enterprise Funds				Governmental Activities
	Cooperative	Foundation	Other	Total	Internal Service
					Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Received from user charges	\$ 27,059	--	--	27,059	3,581
Received from nonrevenue sources	--	--	--	--	4,321
Received from contributions	--	15,104	--	15,104	--
Received from other operating receipts	--	3,125	3,913	7,038	(279)
Payments to employees and vendors	(1,098)	(7,374)	(4,343)	(12,815)	(9,280)
Payments of employee benefits	(418)	--	(1,167)	(1,585)	(6,438)
Payments to suppliers for goods and services	(6,290)	--	(1,064)	(7,354)	(17,185)
Payments for contracted services - transportation	(23,086)	--	--	(23,086)	--
Payments for scholarships	--	(417)	--	(417)	--
Payments for grants	--	(9,973)	--	(9,973)	--
Payments for other expenditures	(29)	--	(1,280)	(1,309)	(5,544)
Cash provided (used) by operating activities	<u>(3,862)</u>	<u>465</u>	<u>(3,941)</u>	<u>(7,338)</u>	<u>(30,824)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Federal and state subsidies	3,862	--	4,286	8,148	27,447
Employer contributions	--	--	--	--	5,079
Cash provided by noncapital financing activities	<u>3,862</u>	<u>--</u>	<u>4,286</u>	<u>8,148</u>	<u>32,526</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>					
Payments for capital assets	--	(1,538)	(10)	(1,548)	(3,582)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment activity	--	(853)	--	(853)	393
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>--</u>	<u>(1,926)</u>	<u>335</u>	<u>(1,591)</u>	<u>(1,487)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>--</u>	<u>4,604</u>	<u>27</u>	<u>4,631</u>	<u>49,264</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ --</u>	<u>2,678</u>	<u>362</u>	<u>3,040</u>	<u>47,777</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (3,876)	9,903	(4,120)	1,907	(32,654)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	7	10	190	207	1,570
(Increase) decrease in accounts receivable	1,996	(52)	(141)	1,803	(3,741)
(Increase) decrease in promises to give	--	(7,680)	--	(7,680)	--
(Increase) decrease in inventory and prepayments	--	(5)	--	(5)	(610)
(Increase) decrease in deferred outflows of resources	16	--	--	16	(438)
Increase (decrease) in accounts payable	(1,182)	(1,213)	14	(2,381)	4,628
Increase (decrease) in payroll liabilities	(25)	--	116	91	(365)
Increase (decrease) in other liabilities	(831)	(498)	--	(1,329)	--
Increase (decrease) in net pension liability	(237)	--	--	(237)	287
Increase (decrease) in deferred inflows of resources	270	--	--	270	499
Net cash provided (used) by operating activities	<u>\$ (3,862)</u>	<u>465</u>	<u>(3,941)</u>	<u>(7,338)</u>	<u>(30,824)</u>

See accompanying notes to the financial statements

**Douglas County School District #0001**

**Statement of Fiduciary Net Position – Fiduciary Funds**  
**August 31, 2017 (Thousands of Dollars)**

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	<u>Employee Retirement Plan</u>	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 22,938	154	109
Investments	1,246,735	--	--
Accounts receivable	73,150	--	--
Contributions receivable	5,869	--	--
Prepaid expenses	24	--	--
Capital assets, net	--	2	4
Total assets	<u>1,348,716</u>	<u>156</u>	<u>113</u>
<b>LIABILITIES</b>			
Accounts payable	105,669	--	1
Payroll liabilities	9,864	--	--
Due to other funds	--	3	--
Other liabilities	--	--	112
Total liabilities	<u>115,533</u>	<u>3</u>	<u>113</u>
<b>NET POSITION</b>			
Restricted for pension benefits and other purposes	<u>\$ 1,233,183</u>	<u>153</u>	

*See accompanying notes to the financial statements*

**Douglas County School District #0001**

**Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
For the Year Ended August 31, 2017 (Thousands of Dollars)**

	Employee Retirement Plan	Private- Purpose Trusts
<b>ADDITIONS</b>		
Contributions		
Plan member contributions	\$ 34,883	--
Employer contributions	47,981	--
State contributions	8,614	--
Total contributions	<u>91,478</u>	<u>--</u>
Investment income (loss)		
Interest and dividends	5,188	1
Net depreciation in fair value of investments	70,670	--
Total investment income, net	<u>75,858</u>	<u>1</u>
Less investment expense	(2,641)	--
Net investment income	<u>73,217</u>	<u>1</u>
Purchases of service	<u>371</u>	<u>--</u>
Other income	<u>2</u>	<u>222</u>
Total additions	<u>165,068</u>	<u>223</u>
<b>DEDUCTIONS</b>		
Retirement annuities	114,319	--
Refunds to plan members, including interest	4,678	--
Administrative expenses		
Personnel costs	493	1
Professional fees	806	50
Other	85	180
Total deductions	<u>120,381</u>	<u>231</u>
CHANGE IN NET POSITION	44,687	(8)
NET POSITION, BEGINNING OF YEAR	<u>1,188,496</u>	<u>161</u>
NET POSITION, END OF YEAR	<u>\$ 1,233,183</u>	<u>153</u>

*See accompanying notes to the financial statements*

# Douglas County School District #0001

## Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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### (1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of Douglas County School District #0001 (the District). These policies are in accordance with accounting principles generally accepted in the United States of America.

#### A. *Reporting Entity*

The governmental reporting entity consists of the District (Primary Government) and its component units. Component units are legally separate organizations for which the District is financially accountable or other organizations whose nature and significant relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the District's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the District.

The basic financial statements include blended component units as defined by the Governmental Accounting Standards Board (GASB). The blended component units, although legally separate entities are, in substance, part of the District's operations and so data from these units are combined with data of the primary government.

For financial reporting purposes, the District's basic financial statements include all financial activities that are controlled by or are dependent upon the actions taken by the District. The financial statements of the individual component units may be obtained from the District, the Omaha Schools Foundation, Educational Service Unit No. 19, or Educare of Omaha, Inc.

#### *Educational Service Unit No. 19 (Blended Component Unit within Other Governmental Funds)*

On June 19, 1972, the Board of Education of the District, through official resolution and under powers from LB 928 passed by the Nebraska State Legislature, established Educational Service Unit No. 19 (ESU No. 19). ESU No. 19 was originally designed to provide educational data processing to the District and, on a cost reimbursable basis, to other districts throughout the State of Nebraska. Currently, its core services include, but are not limited to: staff development, technology, and audio-visual services. The Governing Board of ESU No. 19 maintains a posture of cooperating with other school districts. However, ESU No. 19's first responsibility is to the students and patrons of the District. ESU No. 19 has an August 31 fiscal year end and the information included herein is as of and for the year ended August 31, 2017.

#### *Friends of KIOS (Blended Component Unit within Other Governmental Funds)*

Friends of KIOS was created as a fund raising entity for KIOS-FM, the radio station of the District. The amounts raised are to be exclusively used to benefit the Omaha Public Schools radio station, KIOS-FM. For IRS purposes, this entity is classified as a 501(c)(3) organization. Friends of KIOS has an August 31 fiscal year end and the information included herein is as of and for the year ended August 31, 2017.

#### *Omaha Schools Foundation (Blended Component Unit within Enterprise Funds)*

The Omaha Schools Foundation (the Foundation) is a not-for-profit entity classified as a 501(c)(3) organization by the IRS. The Foundation was organized to solicit and receive contributions, gifts, grants, devises, or bequests of real or personal property or both and to use the income and principal exclusively for the benefit of the public schools operated by the District. The Foundation also administers programs beneficial to the education of pre-kindergarten or school age children.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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The Board of Directors manages the business and affairs of the Foundation. The number of Directors of the Board shall not be less than nine or more than eighteen; one of which shall at all times be a member of the Board of Education of the District; one shall be the President of the Omaha Education Association; and one of which shall be the President of the Omaha Council PTA/PTSA, or designee. The members-at-large are appointed by the Board of Education of the District in consultation with the Superintendent. The Secretary of the Board of Education of the District also serves as a member of the Board of Directors, in the office of the Treasurer.

The Foundation has a December 31 year end. The financial information included herein for the Foundation is as of and for the year ended December 31, 2016.

#### Omaha Education Services Agency (Blended Component Unit within Enterprise Funds)

On November 21, 2005, the Omaha Education Services Agency was created as a governmental agency pursuant to the Interlocal Cooperation Act of Nebraska as defined in State Statute Sections 13-801 to 13-827 of R.R.S. Neb. 1997.

The Board of Directors shall consist of the President of the Board of Education of the District (serving as the agency's president), the Vice-President of the Board of ESU No. 19 (serving as the agency's vice-president), the Superintendent of the District (serving as the agency's secretary/treasurer) and the Assistant Superintendent of the District (serving as the agency's assistant secretary/treasurer).

The Omaha Education Services Agency will support the educational missions of the member organizations by providing or contracting for the acquisition, finance, operation and maintenance of equipment, software, services and real estate. The Omaha Education Services Agency has an August 31 fiscal year end and the information included herein is as of and for the year ended August 31, 2017.

#### Educare of Omaha, Inc. (Blended Component Unit within Enterprise Funds)

On March 31, 2002, Educare of Omaha, Inc. (Educare) was formed as a 501(c)(3) organization to provide educational and developmental programs to pre-kindergarten children meeting designated criteria, including but not limited to LB 759.

The Board of Directors of Educare is comprised of not less than five or more than thirteen members. Five of the Director positions must be comprised by two co-chairpersons of the Educare Parent Policy Committee; two representatives from the Buffett Early Childhood Fund (a Nebraska not-for-profit corporation); and one representative from the District.

The financial information included in the financial statements for Educare are as of and for the fiscal year ending August 31, 2017.

#### **B. Basis of Presentation**

##### *Government-Wide Financial Statements*

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize activities as governmental or business-type and exclude any fiduciary activity.

For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### *Fund Financial Statements*

The emphasis in fund financial statements is on the major funds in either the governmental, proprietary or fiduciary activity categories. Major individual funds are reported as separate columns in the fund financial statements. All remaining governmental funds by category are summarized into a single column as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Operating Fund is the primary operating fund of the District. It is used to account for all financial resources except those that are required to be accounted for elsewhere.

The Special Building Fund is used to account for (1) resources accumulated from tax levies and spent for Board of Education authorized facility renovation and construction and (2) for revenues and expenditures for Board of Education authorized facility renovation and construction and associated with the issuance of General Obligation Bonds.

The Debt Service Fund is used to account for resources accumulated from tax levies and spent for Board of Education authorized General Obligation Bond debt and interest payments.

The Grant Fund is used to account for all revenues and Board of Education authorized expenditures for programs that have Federal, State, or private funding.

The District reports the following major proprietary funds:

The Cooperative Fund records activities of the District in the context of cooperative activities between two or more political subdivisions as defined in the Interlocal Agreement Act.

The Foundation records the activities of a 501(c)(3) not-for-profit organization that receives donations on behalf of the District and administers programs that are beneficial to the education of pre-kindergarten and school age children.

The Internal Service funds are used to account for financing of goods or services provided by an activity to other departments, funds, or component units of the District. They are also used to account for self-insurance funds to accommodate risk financing. The District's internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial activity of the Internal Service funds is included in the governmental activities column when presented in the government-wide financial statements.

The Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the District's programs. Since by definition these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide financial statements.

#### *C. Measurement Focus and Basis of Accounting*

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, principal and interest on long-term debt, claims and judgments, compensated absences and pension obligations are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for services and contributions for program purposes. Operating expenses for proprietary funds include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### *D. Budget Process*

The District prepares the operating budgets for the various funds. The basis of accounting for budgetary purposes is the same as that used for regulatory reporting purposes permitted by the Nebraska Commissioner of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The operating budget includes disbursements and their financing means. Public hearings are conducted to obtain taxpayer comments. The budget is legally adopted by the Board of Education through passage of a resolution in accordance with state statutes. Total disbursements cannot legally exceed the adopted budget. Any revisions to the adopted budget must be approved by the Board of Education following a hearing to obtain taxpayer comments.

#### *E. Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### *F. Cash and Cash Equivalents*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

# Douglas County School District #0001

## Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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### G. *Investments and Pooled Investments*

Investments are reported at fair value, except for investments in the Nebraska Liquid Asset Fund (NLAF), which are valued at amortized cost, and investments in certificates of deposit, which are stated at cost. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

### H. *Receivables*

All receivables, including property taxes receivable, are shown net of an allowance for uncollectible amounts, if applicable.

Property taxes are assessed, levied, due and payable on a calendar year basis as of December 31, based on an assessed valuation as of each January 1, and are payable in two equal installments on or before March 31 and July 31. Property taxes become delinquent April 1 and August 1. Property taxes receivable represents the amount of tax levied for the current year, which is uncollected as of August 31.

### I. *Inventories and Prepaid Expenses*

Inventories in governmental funds consist of expendable supplies held for consumption. They are reported at weighted average cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund and similar component unit inventories are recorded at cost on a first-in, first-out basis.

Prepaid expenses are payments to vendors that benefit future reporting periods reported on the consumption basis. Both inventories and prepaid expenses are similarly reported in government-wide and fund financial statements.

### J. *Capital Assets, Depreciation and Amortization*

The District's capital assets with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with cost of \$5,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated over their estimated useful lives using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation/amortization are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10 – 30 years
Furniture and equipment, computers, art, textbooks and vehicles	3 – 10 years

The District has policy to recognize works of art at cost upon acquisition or fair market value if donated at time of acquisition.

### K. *Deferred Outflows of Resources*

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unamortized deferred amounts on advance refunding of debt, unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date, but before the end of the employer's reporting period.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### L. *Compensated Absences*

Full time 12-month employees accrue vacation on a semi-monthly or monthly basis, depending on the applicable pay period. All unused days from prior years are carried over, however, the maximum accumulated vacation days can never exceed the current year authorization plus five days. Days can be used, or paid to the employee if the employee terminates employment or transfers to a position, which no longer qualifies for vacation. Payment is the number of days remaining at the employee's daily rate of pay.

All full time employees are eligible for sick leave benefit days. Days are accrued for sick leave on a semi-monthly or monthly basis depending on the applicable pay period. All unused days from prior years are carried over. Ten-month employees earn 10 days annually and Twelve-month employees earn 12 days annually. Employees can carry up to a maximum balance dependent on their number of annual duty days worked and as specified per negotiated contracts.

If an employee retires, through normal or early retirement, and has more than 10 sick days accrued, they are eligible to participate in the accumulated sick leave conversion program. Accumulated days are converted to a health reimbursement account or tax sheltered annuity 403(b) on the employee's behalf at 50% of their pay rate (Note 6). Employees that have a balance of 10 days or less are paid the value of their day as per the calculation above. Certificated employees that have at least 18 years of creditable service and classified employees that have at least 20 years of creditable service are eligible for the sick leave conversions program. The calculation is the same as above.

Total obligations as of August 31, 2017 for compensated absences amounted to \$20,715 for the governmental activities, \$3 for the business-type activities and \$60 for the fiduciary activities, included in accrued payroll liabilities in the statement of net position.

#### M. *Deferred Inflows of Resources*

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized to be used to pay liabilities of the current period or expected to be collected soon enough thereafter to be used to pay liabilities of current period. Deferred inflows of resources represent the deferral of grant proceeds for specific projects which have not commenced.

In the statement of net position, deferred inflows of resources consist the unamortized portion of the net difference between expected and actual experience in the total pension liability and projected and actual earnings on pension plan investments.

#### N. *Interfund Transactions*

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

Transactions among District funds that would be treated as revenue and expenditures or expenses if they involved organizations external to the District are accounted for as revenue and expenditures or expenses in the funds involved.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### O. *Net Position/Fund Balance*

Fund balance of the District's governmental funds are classified in the financial statements as follows:

- *Nonspendable fund balance* consists of amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be kept intact.
- *Restricted fund balance* consists of amounts that are restricted for specific purposes. These restrictions are either 1) externally imposed by creditors, grantors, contributors, or by laws or regulations of other governments or 2) imposed through constitutional provisions or enabling legislation.
- *Committed fund balance* consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision making authority. These amounts cannot be used for any other purpose unless the government removes or changes the specific use by taking the same type of action it used to commit those amounts. The Board of Education is the District's highest level of authority. All actions concerning approving, eliminating, or modifying of minimal fund balances will be accomplished through resolution.
- *Assigned fund balance* consists of amounts that are constrained by the government intended to be used for specific purposes, but are neither restricted nor committed. The authority for making an assignment is not required to be the government's highest decision making authority. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regards to committed fund balances. The District management staff will have the overall responsibilities for monitoring these balances.
- *Unassigned fund balance* is the residual classification for the general fund. The general fund is the only fund to report a positive unassigned fund balance.

The District considers that all incurred and spent restricted, committed, and assigned amounts have been utilized first before unassigned amounts are made.

Net position of the District is classified in the fiduciary, proprietary and government-wide statements of net position are as follows:

- *Net investment in capital assets* consists of capital assets net of accumulated depreciation/amortization and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction and improvement of those assets.
- *Restricted net position* results when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* is remaining net position that does not meet the definition of net investment in capital assets or restricted.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### *Minimum Fund Balance Policy*

As defined by GASB Statement No. 54, the unassigned fund balance is equal to the amount of fund balance which is not classified as restricted, committed or assigned. The unassigned fund balance for the general fund shall be maintained at a level between 10% and 20% of the prior year's expenditures of the general fund. In any instance, unassigned fund balance shall be maintained at a level which is compliant with Nebraska Revised Statute §79-1027. The purpose of the unassigned fund balance is to maintain sufficient cash flow, maintain investment grade bond ratings, offset revenue shortfalls and provide funds for unforeseen expenditures related to emergencies.

Fund balance calculations shall be made on an annual basis and reported in the District's financial statements. Should the unassigned general fund balance as reported in the financial statements fall below the minimum 10%, the District will budget to replenish the shortfall through reducing recurring expenditures or increasing revenues within the next three year budget cycles. Should the unassigned general fund balance as reported in the financial statements exceed the maximum 20% for two consecutive years the District will consider such fund balance surplus for one-time expenditures that are nonrecurring in nature in the next available budget cycle plans. The unassigned fund balance may be expended below the minimum 10% for an extraordinary circumstance or nonrecurring emergency that the District's Board of Education authorizes. Administrative staff recommendations related to the fund balance shall occur throughout the budget development process. The annual fund balance plan is approved by the Board of Education with the annual approval of the District's budget.

#### *P. Income Taxes*

The Foundation, Educare and Friends of KIOS are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code, and have received determination letters stating that they are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Internal Revenue Service has established standards to be met to maintain tax exempt status.

The Foundation, Educare and Friends of KIOS account for uncertainties in accounting for income tax assets and liabilities using guidance included in FASB ASC Topic 740, *Income Taxes*. The Foundation, Educare of Omaha, Inc. and Friends of KIOS recognize the effect of income tax positions only if those positions are more likely than not of being sustained.

As of the date of the statement of net position, Educare and Friends of KIOS have no uncertain tax positions accrued. As of the date of the Foundation financial statements, the Foundation has no uncertain tax positions accrued.

#### *Q. Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Omaha School Employees' Retirement System (OSERS) and additions to/deductions from OSERS' fiduciary net position have been determined on the same basis as they are reported by OSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### *R. Subsequent Events*

The District considered events occurring through November 14, 2017 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

#### (2) Deposits and Investments

##### A. Douglas County School District #0001

Nebraska Revised Statute §79-1,043 provides that the District may, by and with the consent of the Board of Education of the District, invest the funds of the District in securities, including repurchase agreements, the nature of which individuals of prudence, discretion and intelligence acquire or retain in dealing with the property of another.

Collateral is required for any demand deposits, savings accounts, and certificates of deposit at 102% of all amounts not covered by federal deposit insurance. Obligations that may be pledged are as follows:

- U.S. Treasury Bills, Treasury Notes, and Treasury Bonds or other United States securities guaranteed by or for which the credit of the United States is pledged for the payment of principal and interest or dividends.
- Bonds, debentures or other obligations issued by the Federal National Mortgage Association, the Federal Home Loan Corporation, or Government National Mortgage Association or any other obligations of any agency controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by Congress of the United States whose timely payment is unconditionally guaranteed by the United States of America.

#### Credit Risk

Credit Quality Distribution of Securities with Credit Exposures as a Percentage of Each Bond Fund are listed below:

	<b>Credit Quality Distribution of Securities with Credit Exposures as a Percentage of Each Bond Fund</b>			
	US Bank Sinking QZAB '03	US Bank Sinking QSCB '10	US Bank Sinking QSCB '09	US Bank Bond Proceeds GOB Series '15
Percentage US Treasury Obligations	--	--	--	100%
Percentage of FHLMC Disc Note	100%	--	--	--
Percentage of SLGS	--	100%	100%	--

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses that may result from increasing interest rates.

<u>Maturity (Years)</u>	<u>As a Percentage of Market Value</u>
0 to 5	100.00%

#### Interest Rate Risk

The District's funds at August 31, 2017 contained no individual highly sensitive debt investments with exposure to interest rate changes.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### Foreign Currency Risk

There is no foreign currency risk in any of the District's investments.

#### Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has investments in the Nebraska Liquid Asset Fund (NLAF), which are valued at amortized cost, and investments in certificates of deposit, which are stated at cost. The remaining amount of the District's investments, including unspent bond proceeds, had the following fair value measurements at August 31, 2017:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<b>Investments by fair value level</b>				
Cash and money market funds	\$ 181	181	--	--
International equities	8	8	--	--
FNMA mortgage notes	534	--	534	--
Interest earning investment contracts	3,111	--	3,111	--
U.S. Government and Treasury obligations	20,541	--	20,541	--
Total investments by fair value level	<u>\$ 24,375</u>	<u>189</u>	<u>24,186</u>	<u>--</u>

#### *B. Omaha Schools Foundation*

##### Legal and Contractual Provisions

The Board of Directors of the Foundation has established the investment policy of the Foundation. The investment policy emphasizes a balance of both income and growth of the principal. The Foundation can invest in equity and fixed income securities. The portfolio may consist of corporate notes, corporate bonds, mortgaged back bonds, preferred stock, collateralized mortgage obligations, corporate debt securities, money market accounts, fixed income common trust funds, equity mutual funds, common stocks and common trust funds.

##### Deposit Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation does not have a deposit policy for custodial credit risk. At December 31, 2016, the Foundation had credit risk arising from cash deposits in excess of federally insured limits. The Foundation has not incurred any loss resulting from these excess cash balances during the period under audit.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### Investment Credit Risk

It is the Foundation's policy to minimize investment credit risk and to avoid extreme fluctuations in both the market value and the income from bond investments. The Foundation's investments are limited to municipal bonds, U.S. Government Agencies and corporate bonds with a credit rating of "A" or better. Investment assets subject to credit risk held at December 31, 2016 are categorized as follows:

<u>Credit Rating</u>	
AAA	58.3%
AA	22.8%
A	18.9%

#### Interest Rate Risk

The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Fair Value Measurement

The Foundation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Foundation had the following recurring fair value measurements at December 31, 2016:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<b>Investments by fair value level</b>				
Common stocks	\$ 5,713	5,713	--	--
Municipal bonds	1,706	--	1,706	--
Corporate bonds	2,228	--	2,228	--
U.S. Government obligations	276	--	276	--
Real estate investment trusts	324	--	324	--
Mutual funds, money markets, and other	<u>11,993</u>	<u>11,347</u>	<u>646</u>	<u>--</u>
Total investments by fair value level	<u>\$ 22,240</u>	<u>17,060</u>	<u>5,180</u>	<u>--</u>

#### C. *Omaha School Employees' Retirement System (OSERS)*

##### Legal and Contractual

Effective January 1, 2017, OSERS investments must be in the custody of the State of Nebraska or deposited with an agent in the State's name. Neb Rev. Stat. §72-1269.01(3) (Supp. 2016) directs the appointed members of the Nebraska Investment Council to do the following:

*[A]ct with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the assets of the retirement systems...*

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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OSERS' policy in regard to the allocation of invested assets is established and may be amended by the Nebraska Investment Council. Ultimately, the investment objectives, asset allocation, investment strategy, and responsibilities for the assets of OSERS will be set forth in the Nebraska Investment Council's investment policy statement for defined benefit plans. However, there will be a period of transition as the Nebraska Investment Council determines the appropriate asset allocation and investment strategy for the OSERS investment portfolio and moves toward that structure.

The fundamental objective of the OSERS investment portfolio during the transition period is to be able to pay the promised retirement benefits of the OSERS employees covered by the plan. The asset allocation and implementation strategy for the investment of the assets is long-term. The objective for the rate of return from the investment of the assets is to maximize the investment return on the assets within acceptable levels of risk. The following table sets out the asset allocation policy adopted by the Nebraska Investment Council for the OSERS portfolio:

<u>Asset Class</u>	<u>Policy Target Allocation</u>
U.S. equities	29.0%
Global equities	15.0%
Non-U.S. equities	13.5%
Real estate	7.5%
Private equity	5.0%
Fixed income	30.0%

#### Credit Risk

The Nebraska Investment Council has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A. The maximum exposure to any single investment grade issuer, excluding the U.S. government, its agencies or instrumentalities, or government-sponsored entities, is five percent, and the maximum exposure to a single issuer below investment grade is three percent. OSERS' rated debt investments as of August 31, 2017, were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale.

<u>Credit Quality Distribution of Securities with Credit Exposures</u>			
AAA	\$	14,692	6.26%
AA		7,249	3.09%
A		16,101	6.86%
BBB		31,737	13.52%
BB		7,278	3.10%
B		4,119	1.75%
CCC		1,563	0.67%
CCC		81	0.03%
D		410	0.17%
NR		151,525	64.55%
Total Value	\$	<u>234,755</u>	<u>100.00%</u>

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### Interest Rate Risk

The Nebraska Investment Council has contracts with investment managers that limit the portfolio's duration compared to that of the portfolio's benchmark. OSERS' portfolio by contractual maturity is as follows:

<u>Maturity (Years)</u>	<u>Portfolio Amount</u>
0 to 4	\$ 85,069
5 to 10	36,990
Over 10	112,697

#### Foreign Currency Risk

The Nebraska Investment Council does not have a formal policy to limit foreign currency risk. The exposure to foreign currency is outlined below on a portfolio wide basis, including accrued interest.

<u>Currency</u>	<u>Market Value</u>	<u>Percentage of Portfolio</u>
Australian Dollar	\$ 273	0.02%
British Sterling Pound	2,859	0.23%
Canadian Dollar	491	0.04%
Danish Kroner	4,677	0.38%
EMU (Euro)	9,657	0.77%
Hong Kong Dollar	1,438	0.12%
Indonesian Rupiah	128	0.01%
Japanese Yen	7,720	0.62%
Mexican Peso	820	0.07%
New Zealand Dollar	293	0.02%
Norwegian Krone	274	0.02%
Pound Sterling	4,705	0.38%
South Korean Won	212	0.02%
Swedish Krona	1,024	0.08%
Swiss Franc	2,637	0.21%
Turkish Lira	433	0.03%
Other	290	0.02%
US Dollar	1,208,804	96.96%
Total	\$ 1,246,735	100.00%

#### Fair Value Measurement

OSERS categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

OSERS has the following recurring fair value measurements at August 31, 2017:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<b>Investments by fair value level</b>				
Cash and cash equivalents	\$ 14,402	59	14,343	--
Corporate bonds	87,620	1,229	86,137	254
Government securities	56,440	--	56,440	--
Municipal bonds and other	1,732	1,691	41	--
Asset-backed securities	13,351	2,157	11,190	4
Mortgages	73,255	--	73,255	--
Commingled funds	435,763	179,606	256,157	--
Equity securities	68,796	65,139	3,657	--
ADR/GDR	89,624	88,373	1,251	--
	<u>840,983</u>	<u>338,254</u>	<u>502,471</u>	<u>258</u>
<b>Investments measured at the net asset value (NAV)</b>				
Limited partnerships	<u>405,752</u>			
Total investments measured at the NAV	<u>405,752</u>			
Total investments measured at fair value	\$ <u>1,246,735</u>			

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) have not been categorized in the fair value hierarchy. The fair value amounts at NAV presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the statement of fiduciary net position. Investments valued using the net asset value per share are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. OSERS values these investments based on the partnerships' audited financial statements. If August 31 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than August 31. If August 31 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

The following table sets forth disclosures of OSERS' investments whose fair value is estimated using net asset value per share (or its equivalent) as of August 31, 2017:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Limited Partnerships (1)	\$ <u>405,752</u>	<u>121,992</u>	Daily	3 - 6 months

# Douglas County School District #0001

## Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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### Impairment Loss

Included in net appreciation in the fair value of investments of OSERS for the year ended August 31, 2017 is \$25,262 related to an impairment loss recognized for Atlantic Asset Management, LLC's Global Yield Opportunity Fund (Fund). Since its initial investment in July 2013, OSERS has contributed capital totaling \$125,000 into the Fund. As of December 31, 2016, OSERS had received a return of capital amounting to approximately \$99,738. At August 31, 2017, the value of this investment has been reduced to \$0 on the statement of fiduciary net position.

### D. *Friends of KIOS*

#### Legal and Contractual

The Board of Directors has established the investment philosophy of the Friends of KIOS. The investment philosophy emphasizes a balance of both income and growth. While the Friends of KIOS can invest in any type of investment available in the market, they have chosen to primarily follow the investment practices of the District.

#### Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to it. The Friends of KIOS does not have a deposit policy for custodial credit risk. All deposits of Friends of KIOS were insured and collateralized.

#### Interest Rate Risk

It is the practice of Friends of KIOS to minimize credit risk and to avoid extreme fluctuations in both the market value and the income from investments. The Friends of KIOS currently has an investment in the Weitz Value fund. The cash composite of the fund was 17.92% of the fund balance as of August 31, 2017. The market value of the fund held by Friends of KIOS and the concentration of cash and equity securities on the fund are as follows:

	<u>Equity Securities</u>	<u>Cash</u>	<u>Market Value</u>
Weitz Fund	\$ <u>46</u>	<u>11</u>	<u>57</u>

#### Fair Value Measurement

The Friends of KIOS uses the fair value hierarchy established by GAAP based on the valuation used to ensure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the Weitz Fund was determined using the quoted price in active markets (Level 1 inputs).

The Friends of KIOS had no other investments meeting the disclosure requirements of GASB Statement No. 72.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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E. *Educare of Omaha, Inc.*

Legal and Contractual

Educare of Omaha, Inc. (Educare) currently does not have sufficient cash flow to allow for investment opportunities to maximize income for the organization. At such time as adequate funding is available for investing, the Board of Directors will adopt an investment policy.

Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to it. Educare does not have a deposit policy for custodial credit risk. Educare maintains its cash balances at two financial institutions located in Omaha, Nebraska. Educare, at times, maintains balances in excess of Federal Deposit Insurance Corporation Insurance limits. Management believes the risk relating to these deposits is minimal.

Fair Value Measurement

Educare had no investments meeting the disclosure requirements of GASB Statement 72.

**Douglas County School District #0001**

**Notes to Basic Financial Statements  
August 31, 2017 (Thousands of Dollars)**

**(3) Due From/Due To Other Funds**

The detail of interfund receivables and payables at August 31, 2017 is as follows:

<b>Governmental Activities:</b>		<u>Amount</u>
<u>Due from other funds:</u>		
General	Other Governmental	\$ 210
General	General	2
General	Fiduciary	3
General	Special Building	6,230
General	Grant	15,027
General	Cooperative	253
Grant	Grant	10,984
Other Governmental	Other Governmental	1,054
Internal Service	General	<u>76</u>
	Total:	<u>33,839</u>
 <u>Due to other funds:</u>		
General	General	2
General	Cooperative	1,167
General	Internal Service	76
Special Building	General	6,230
Grant	General	15,027
Grant	Grant	10,984
Other Governmental	Other Governmental	1,054
Other Governmental	General	<u>210</u>
	Total:	<u>34,750</u>
		<u>\$ (911)</u>
 <b>Business-Type Activities:</b>		
		<u>Amount</u>
<u>Due from other funds:</u>		
Cooperative	General	\$ <u>1,167</u>
<u>Due to other funds:</u>		
Cooperative	General	<u>253</u>
		<u>\$ 914</u>
 <b>Fiduciary Activities:</b>		
		<u>Amount</u>
<u>Due to other funds:</u>		
Fiduciary	General	\$ <u><u>3</u></u>

# Douglas County School District #0001

## Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

Interfund receivable and payable balances consist of amounts related to revenue and expenditure transactions during fiscal year 2017 which will be repaid during fiscal year 2018.

### (4) Capital Assets, Depreciation and Amortization

Capital asset activity for the year ended August 31, 2017 is as follows:

	<b>Governmental Activities</b>				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable capital assets:					
Land	\$ 34,823	20,847	--	(2,152)	53,518
Construction in process	53,472	133,196	(6,304)	(180)	180,184
<b>Total nondepreciable capital assets</b>	<b>88,295</b>	<b>154,043</b>	<b>(6,304)</b>	<b>(2,332)</b>	<b>233,702</b>
Depreciable capital assets:					
Buildings and improvements	739,256	1,322	6,304	(240)	746,642
Furniture	32	--	--	--	32
Equipment	18,048	1,183	--	(11)	19,220
Computers	47,585	5,397	--	(3,802)	49,180
Software	27,878	588	--	(33)	28,433
Art	4,099	--	--	(29)	4,070
Textbooks and library books	98,801	5,875	--	--	104,676
Vehicles	17,423	1,584	--	(829)	18,178
<b>Total depreciable capital assets</b>	<b>953,122</b>	<b>15,949</b>	<b>6,304</b>	<b>(4,944)</b>	<b>970,431</b>
Less accumulated depreciation/amortization	609,100	34,683	--	(4,885)	638,898
<b>Net depreciable capital assets</b>	<b>344,022</b>	<b>(18,734)</b>	<b>6,304</b>	<b>(59)</b>	<b>331,533</b>
<b>Net capital assets</b>	<b>\$ 432,317</b>	<b>135,309</b>	<b>--</b>	<b>(2,391)</b>	<b>565,235</b>

	<b>Business-Type Activities</b>				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable capital assets:					
Construction in process	\$ 15,002	2,564	(17,266)	--	300
Depreciable capital assets:					
Buildings and improvements	213	--	--	--	213
Furniture	60	1	--	--	61
Equipment	30	6	--	--	36
Computers	186	2	--	(4)	184
Art	12	--	--	--	12
Textbooks and library books	21	1	--	--	22
Vehicles	1,811	--	--	--	1,811
<b>Total depreciable capital assets</b>	<b>2,333</b>	<b>10</b>	<b>--</b>	<b>(4)</b>	<b>2,339</b>
Less accumulated depreciation/amortization	1,919	207	--	(4)	2,122
<b>Net depreciable capital assets</b>	<b>414</b>	<b>(197)</b>	<b>--</b>	<b>--</b>	<b>217</b>
<b>Net capital assets</b>	<b>\$ 15,416</b>	<b>2,367</b>	<b>(17,266)</b>	<b>--</b>	<b>517</b>

**Douglas County School District #0001**

**Notes to Basic Financial Statements  
August 31, 2017 (Thousands of Dollars)**

	<b>Fiduciary Activities</b>				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Depreciable capital assets:					
Equipment	\$ 13	--	--	--	13
Computers	2	--	--	--	2
Textbooks	6	1	--	--	7
	<u>21</u>	<u>1</u>	<u>--</u>	<u>--</u>	<u>22</u>
Total depreciable capital assets	21	1	--	--	22
Less accumulated depreciation/amortization	14	2	--	--	16
	<u>7</u>	<u>(1)</u>	<u>--</u>	<u>--</u>	<u>6</u>
Net capital assets	\$ 7	(1)	--	--	6

The following schedule shows the amount of depreciation charged to each governmental function on the government-wide statement of activities:

Functions/Programs	Depreciation Expense
Governmental activities	
Basic instruction	\$ 3,784
Special education	118
Student services	405
Staff support services	858
General administration and board of education	6,382
School administration	38
Business support services	12,951
Building and grounds	108
Building, construction, renovation	9,239
Student transportation	156
Community use of facilities and regular preschool education	612
Early childhood special education	8
Adult basic education	24
	<u>34,683</u>
Total governmental activities	\$ 34,683

*Donated Facilities*

The Foundation assists with the financing of certain construction of facilities for the District. Due to the timing differences of the year end of the Foundation (December 31) and the District (August 31), certain related capital projects are included as transfers of property when completed, or are included in construction in process if not completed, on the Foundation's financial statements. Amounts are recognized as contributions by the District when projects have completed and are included in buildings and improvements on the government-wide statements of the District.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

During 2016, construction was completed on two elementary learning center facilities that were financed by the Foundation. These facilities were completed and transferred to the District during 2016 and recognized as contributions in the District's financial statements as of and for the year ended August 31, 2016.

Details of the recognition for the donated facilities are as follows:

Omaha Schools Foundation	
Transfer of property, for the year ending December 31, 2016	\$ 16,239
Timing differences	<u>(16,239)</u>
Contributions recognized by the District during the year ending August 31, 2017	<u>\$ --</u>

#### (5) Long-Term Liabilities

Long-term liabilities of the District as of August 31, 2017 are summarized as follows:

Bond Issue Date	Interest Rates	Balance August 31, 2016	Increases	Decreases	Balance August 31, 2017	Due Within One Year
10/21/2002	None	\$ 992	--	992	--	--
11/05/2003	None	611	--	--	611	611
12/07/2009	0.99 - 6.07%	19,195	--	625	18,570	645
12/08/2009	1.875%	17,375	--	--	17,375	--
04/01/2010	2.00 - 4.00%	71,020	--	4,155	66,865	4,340
04/01/2010		2,571	--	292	2,279	--
12/09/2010	6.00%	18,920	--	--	18,920	--
12/09/2010	1.12 - 4.53%	2,775	--	465	2,310	540
05/01/2012	1.00 - 5.00%	64,170	--	6,650	57,520	6,760
05/01/2012		7,583	--	875	6,708	--
02/01/2014	1.00 - 5.00%	14,625	--	3,490	11,135	3,665
02/01/2014		608	--	173	435	--
04/07/2015	3.00 - 5.00%	141,000	--	--	141,000	--
04/07/2015		12,162	--	516	11,646	--
12/30/2016	1.00 - 5.00%	--	141,000	--	141,000	--
12/30/2016		--	14,356	383	13,973	--
Bond obligations, including unamortized premium		373,607	155,356	18,616	510,347	16,561
Capital lease obligations		638	--	206	432	216
Special termination benefits		12,246	--	910	11,336	--
Net pension liability		483,189	80,615	--	563,804	--
		<u>\$ 869,680</u>	<u>235,971</u>	<u>19,732</u>	<u>1,085,919</u>	<u>16,777</u>

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### Debt Obligations

A summary of the debt obligations of the District at August 31, 2017 are as follows:

#### Qualified Zone Academy Bonds – Series 2003 (Central High School Project)

On November 5, 2003, the District authorized the issuance of Qualified Zone Academy Bonds in the amount of \$611. Annual deposits for principal only are made into a sinking fund for the future retirement of the bonds. The maturity on these bonds is October 15, 2017. As of August 31, 2017, the sinking fund established to pay for bonds at maturity had a market value of \$577. As of August 31, 2017 the unmatured balance was \$611.

#### American Recovery and Reinvestment Act - Build America Bonds 2009

On December 7, 2009, the District authorized the issuance of Build America Bonds authorized under the American Recovery and Reinvestment Act (ARRA) of 2009 in the amount of \$22,620. Interest payments are made semi-annually with the interest rate increasing from 0.99% to 6.07%, net of an interest subsidy from the United States Treasury equal to 35% of the interest due on each of the payments. Principal payments are made annually. Final payment is due December 15, 2034. As of August 31, 2017, the unmatured balance was \$18,570.

#### American Recovery and Reinvestment Act - Qualified School Construction Bonds (Tax Credit Bonds) 2009

On December 8, 2009, the District authorized the issuance of Qualified School Construction Tax Credit Bonds authorized under the American Recovery and Reinvestment Act (ARRA) of 2009 in the amount of \$17,375. Interest payments are made quarterly with the interest rate of 1.875%. Annual deposits are made into a sinking fund for the future retirement of the bonds. Maturity date of the bonds is December 15, 2025. As of August 31, 2017, the sinking fund established to pay for the bonds at maturity has a market value of \$7,696. As of August 31, 2017, the unmatured balance was \$17,375.

#### General Obligation Refunding Bonds - Series 2010

On April 1, 2010, the District issued \$87,325 in General Obligation Refunding Bonds to advance refund \$86,000 of outstanding Series 2001B Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 2.0% to 4.0%. Final payment is due in June 2025. As of August 31, 2017, the unmatured balance was \$66,865.

The issuance of this resulted in a premium of \$4,383. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2017, the unamortized balance was \$2,279.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,026. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations through the year 2025 using the straight-line method. Amortization on the deferred amount was \$402 for the year ended August 31, 2017. The unamortized balance at August 31, 2017 was \$3,047.

#### American Recovery and Reinvestment Act - Qualified School Construction Bonds (Tax Credit Bonds) 2010

On December 9, 2010, the District authorized the issuance of Qualified School Construction Tax Credit Bonds authorized under the American Recovery and Reinvestment Act (ARRA) of 2010 in the amount of \$18,920. Interest payments are made quarterly with the interest rate of 6.00%, net of an interest subsidy from the United States Treasury equal to 95% of the interest due on each of the payments. Annual deposits will be made into a sinking fund for the future retirement of the bonds. The funding requirements of the sinking fund are included in the bond requirements in the table below. Maturity date of the bonds is December 9, 2027. As of August 31, 2017, the sinking fund established to pay for the bonds at maturity has a market value of \$3,412. As of August 31, 2017, the unmatured balance was \$18,920.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### American Recovery and Reinvestment Act - Build America Bonds 2010

On December 9, 2010, the District authorized the issuance of Build America Bonds authorized under the American Recovery and Reinvestment Act (ARRA) of 2010 in the amount of \$5,080. Interest payments are made semi-annually with the interest rate increasing from 1.12% to 4.53%, net of an interest subsidy from the United States Treasury equal to 35% of the interest due on each of the payments. Principal payments are made annually. Final payment is due December 1, 2020. As of August 31, 2017, the unmatured balance was \$2,310.

#### General Obligation Refunding Bonds - Series 2012

On May 1, 2012, the District issued \$84,175 in General Obligation Refunding Bonds to advance refund \$88,060 of outstanding Series 2003A Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 1.00% to 5.00%. Final payment is due in June 2025. As of August 31, 2017, the unmatured balance was \$57,520.

The issuance of this resulted in a premium of \$11,374. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2017, the unamortized balance was \$6,708.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,039. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations through the year 2025 using the straight-line method. Amortization on the deferred amount was \$448 for the year ended August 31, 2017. The unamortized balance at August 31, 2017 amounted to \$3,583.

#### General Obligation Refunding Bonds - Series 2014

On February 1, 2014, the District issued \$21,355 in General Obligation Refunding Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 1.00% to 5.00%. Final payment is due in June 2020. As of August 31, 2017, the unmatured balance was \$11,135.

The issuance of this resulted in a premium of \$1,043. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2017, the unamortized balance was \$435.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$194. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations through the year 2020 using the straight-line method. Amortization on the deferred amount was \$32 for the year ended August 31, 2017. The unamortized balance at August 31, 2017 was \$81.

#### General Obligation Bonds - Series 2015

On April 8, 2015, the District issued \$141,000 in new General Obligation Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 3.00% to 5.00%. Final payment is due in June 2040. As of August 31, 2017, the unmatured balance was \$141,000.

The issuance of this resulted in a premium of \$12,893. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2017, the unamortized balance was \$11,646.

#### General Obligation Bonds - Series 2016

On December 30, 2016, the District issued \$141,000 in new General Obligation Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 1.00% to 5.00%. Final payment is due in December 2040. As of August 31, 2017, the unmatured balance was \$141,000.

The issuance of this resulted in a premium of \$14,356. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2017, the unamortized balance was \$13,973.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

#### Capital Lease Obligations

The District has various capital leases for printing equipment. The total cost of the equipment was \$1,189 net of accumulated amortization of \$725.

#### Sequestration

The "Budget Control Act of 2011" requires, among other things, mandatory across-the-board reductions in Federal spending, also known as sequestration. On March 1, 2013, the interest subsidies for the ARRA Build America Bonds 2009, ARRA Build America Bonds 2010 and ARRA Qualified School Construction Bonds (Tax Credit Bonds) 2010 were reduced by 8.4%. Effective October 1, 2015, the sequestration rate was reduced to 6.9%

Principal and interest requirements for bond obligations outstanding as of August 31, 2017, are as follows:

<u>Years Ending August 31</u>	<u>Bond Requirements</u>	<u>Interest Requirements</u>	<u>Interest Subsidy, Net of Sequestration</u>	<u>Total</u>
2018	\$ 16,561	19,637	(1,466)	34,732
2019	16,430	19,128	(1,449)	34,109
2020	16,915	18,559	(1,430)	34,044
2021	18,030	17,911	(1,409)	34,532
2022	18,145	17,180	(1,390)	33,935
2023-2027	115,840	72,205	(6,710)	181,335
2028-2032	100,360	46,599	(2,421)	144,538
2033-2037	96,375	25,869	(148)	122,096
2038-2042	<u>76,650</u>	<u>6,274</u>	<u>--</u>	<u>82,924</u>
	475,306	<u>243,362</u>	<u>(16,423)</u>	<u>702,245</u>
Unamortized premium	<u>35,041</u>			
	<u>\$ 510,347</u>			

The District is required to make the following remaining payments under the capital lease obligations as follows:

<u>Year Ending August 31</u>	<u>Leasing Obligations</u>	<u>Interest Obligations</u>	<u>Total</u>
2018	216	15	231
2019	<u>216</u>	<u>5</u>	<u>221</u>
Total	<u>\$ 432</u>	<u>20</u>	<u>452</u>

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### (6) Other Post-Employment Benefits

##### Accumulated Sick Leave

The District has a mandatory plan for conversion of accumulated sick leave benefits into a supplemental retirement income benefit and/or post-retirement medical expense reimbursement program upon an employee's retirement from the District. These benefits will be funded by the District on a pay-as-you-go basis at the time of each employee's retirement. The amount of this benefit is equal to one-half of the employee's unused accumulated sick leave at the time of his/her retirement and is solely funded by the District. The District will make a determination based upon an interview with each employee prior to his or her retirement date as to which benefit will be most beneficial for the employee – (1) a tax sheltered annuity 403(b); or (2) health reimbursement account.

The District is the Plan Administrator for this program and may choose to contract with a third party administrator to manage the day-to-day activity associated with these benefits. At August 31, 2017, the obligation under the post-employment benefit amounted to \$1,132, included in accrued payroll liabilities in the Internal Service funds of governmental activities. The obligation is funded through employer contributions on an ongoing basis.

##### Special Termination Benefits

In March 2006, the District approved a voluntary early retirement plan for employees. Eligible employees must have completed at least 18 credible years service as a full-time employee to the District, must have reached the age of 55 as of the separation date, and must be a certificated employee. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits will be equal to the lesser of the monthly Social Security retirement benefit that will be payable to the certificated employee at age 62 (as determined by the School District as of the employee's August 31 separation date) or 25% of the certificated employee's scheduled monthly salary in the certificated employee's last full year of employment.

The policy requires early retirement benefits be paid on a monthly basis. Benefit payments will begin in the month following the employee's separation date and will continue until the employee reaches age 62 at which time they will be qualified to receive social security benefits.

At August 31, 2017 the District has obligations to 243 participants with a total liability of \$11,336. This amount represents the discounted present value of the gross benefits due to participants each year until they reach age 62. The discount rate used by the District is 4%. Actual early retirement expenditures for the year ended August 31, 2017 amounted to \$3,768.

##### Death Benefit Plan for Certificated Staff

In September 2006, the District established a death benefit plan for retired or terminated certificated staff. Eligibility for certificated staff is determined through retirement or termination of employment with 18 years of credible years of service and attaining age 55 years. There is no maximum age of eligibility and benefits are in effect for 84 months.

In the event a participant should die before the seventh (7th) anniversary of the date of his or her retirement, the District shall pay to the participant's designated beneficiary, a death benefit in an amount determined based upon timing of occurrence from retirement date.

This plan was closed for new retirees effective November 16, 2015, but the District is still providing benefits to previously eligible members.

Actual expenditures paid for the year ending August 31, 2017 amounted to \$78,448.

# Douglas County School District #0001

## Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

### Supplemental Retirement Benefit Plan for Administrative Employees

In September 2006, the District established a benefit for highly compensated certified administrators who have been approved for retirement under OSERS or terminate employment with at least 18 credible years of service and have attained at least age 55 as a full time employee.

The benefit plan provides 60 monthly post-retirement payments to the Section 403(b) Plan on behalf of an eligible employee following retirement, beginning Sept 1st following the date of the eligible employee's retirement.

The monthly post-retirement benefit shall be equal to 2.0833% multiplied by the amount by which the employee's final salary exceeds ninety percent (90%) of the Social Security taxable wage base in effect for the calendar year of the employee's retirement, as determined under Section 230 of the Social Security Act, as amended from time to time.

This plan was terminated effective October 5, 2015, but the District is still providing benefits to previously eligible members. At August 31, 2017 the District has an obligation to 10 individuals for a total liability of \$219. Actual expenditures for the year ended August 31, 2017 amounted to \$140.

### (7) Fund Balance

A summary of governmental fund balances as of August 31, 2017 is as follows:

	General Operating Fund	Special Building Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total
Fund balances:						
Nonspendable -						
Inventories	\$ 2,232	--	--	--	175	2,407
Prepaid expenses	1,512	56	213	--	943	2,724
Restricted -						
Debt service	--	--	--	40,361	--	40,361
Capital projects	--	93,115	--	--	--	93,115
Grants	--	--	9,391	--	--	9,391
Qualified purpose	--	--	--	--	14,421	14,421
ESU No. 19	--	--	--	--	898	898
Committed to -						
KIOS	--	--	--	--	1,101	1,101
Assigned to -						
ERP Replacement	--	--	--	--	3,106	3,106
School activity	--	--	--	--	1,449	1,449
Central office and school support	10,251	--	--	--	--	10,251
Unassigned	103,100	--	--	--	--	103,100
Total fund balance	\$ 117,095	93,171	9,604	40,361	22,093	282,324

The fund balance percentage for the General Operating Fund is as follows:

Fiscal Year	Financial Statements Unassigned Fund Balance as of Percentage of Total General Fund Expenditures	Regulatory Fund Balance as a Percentage of Total General Fund Expenditures
2017	18.47%	21.25%
2016	14.49%	15.29%
2015	12.19%	9.27%
2014	10.06%	16.85%
2013	11.57%	13.10%
2012	9.26%	10.51%

# Douglas County School District #0001

## Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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### (8) Retirement System

#### Plan Description

The employees of the District are covered by Omaha School Employees' Retirement System (OSERS). OSERS is a single-employer defined benefit retirement plan.

In accordance with Nebraska revised statutes, OSERS is governed by a Board of Trustees, which is comprised of three members who are active employees of the District, one annuitant member, two business people approved by the District Board of Education, and the Superintendent of the District, or his/her designee. OSERS is administered by the Executive Director of OSERS. The State of Nebraska has the authority under which plan provisions and obligations may be amended or established.

OSERS issues a publicly available financial report that includes financial statements and required supplementary information for OSERS. That report may be obtained by contacting the Omaha School Employees' Retirement System by e-mail at [osers@ops.org](mailto:osers@ops.org), by phone at 531-299-0329, or by mail at 3215 Cuming Street, Omaha, NE 68131-2024.

#### Membership Information

Membership consisted of the following as of September 1, 2015, the valuation date used to measure the total pension liability at August 31, 2016:

Retirees and beneficiaries receiving benefits	4,351
Deferred vested plan members	1,194
Active and leave of absence plan members	<u>7,393</u>
Total	<u><u>12,938</u></u>

#### Contributions

Employees of the District are required to contribute 9.78% of their annual salary to OSERS. Neb. Rev. Stat. §79-9,113 (1)(c) (Supp. 2016) provides that contributions by the District in any fiscal year shall be the greater of 101% of employee contributions, or 9.878% of member salaries, or the actuarial determined contribution rate to maintain the solvency of OSERS using a closed 30 year amortization period.

For the year ended August 31, 2017, the actuarial determined contribution resulted in an additional required contribution of \$12,750, which was contributed by the District. The State of Nebraska also contributes 2% of employees' compensation

For the fiscal year ending August 31, 2017, total contributions by the District to OSERS, including the additional amounts to maintain solvency, amounted to \$47,981. Total contributions from the State of Nebraska amounted to \$8,615.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### Benefits Provided

Each employee who has completed five or more years of creditable service is eligible to elect a deferred vested service annuity in lieu of a refund of accumulated contributions. OSERS provides for various benefits including normal retirement benefits, early retirement benefits, disability benefits, and pre-retirement and post-retirement survivor benefits. These benefits are paid monthly from OSERS. For members hired prior to July 1, 2013, the benefits under OSERS are based on an average of the highest three years of salary earned by employees during their employment with the District, up to their normal retirement dates. For members hired on or after July 1, 2013, the benefits under OSERS are based on an average of the highest five years of salary earned by employees during their employment with the District, up to their normal retirement dates. Employees who terminate employment with fewer than five years of creditable service can elect to receive a refund or a rollover of the employee's contributions, plus accrued interest. For members hired prior to July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment of 1.5% or the increase in the consumer price index (CPI), whichever is lower. For members hired on or after July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment of 1.0% or the increase in the CPI, whichever is lower. Following 10 full years of retirement, a medical cost of living supplement is paid. This supplement equals \$10 per month for each year retired and increases by \$10 each year to a maximum of \$250 per month. For retirees with less than 20 years of service, the benefit is reduced proportionately.

Retirement eligibility for members hired on or after July 1, 2016 is set at 35 years of service, age 55 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced with 35 years of service or at age 55 with 85 points. Early retirement eligibility is age 60 with five years of service. No state service annuity or medical COLA is provided for members hired on or after July 1, 2016.

#### Net Pension Liability

The total pension liability was measured as of August 31, 2016 and was determined by an actuarial valuation performed as of September 1, 2015, using standard actuarial formulae and using the following key actuarial assumptions:

##### Actuarial Assumptions:

Price Inflation .....	3.00%
Wage Inflation .....	4.00%
Long-term Rate of Return .....	8.00%
Municipal Bond Index Rate .....	2.85%
Single Equivalent Interest Rate.....	8.00%
Salary Increases .....	4.00% to 5.60%
Cost of Living Adjustments .....	1.5% members hired before July 1, 2013 1.0% members hired after July 1, 2013
	Medical COLA of \$10/month for each year retired (max \$250/month), if hired before July 1, 2016.
Mortality .....	Pre-retirement mortality rates were based on the RP 2000 Combined Mortality Table, female rates set back 1 year and male rates with no set back, projected on a generational basis using Scale AA. Post-retirement mortality rates were based on the same rates as the pre-retirement tables. Post-disability mortality rates were based on the same tables as the post-retirement tables, with ages set forward 10 years.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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The actuarial assumptions used in the September 1, 2015 valuation were based on the results of the most recent actuarial experience study dated December 23, 2013, which covered the five year period ending August 31, 2012.

Information relating to the discount rate used in the actuarial valuations is as follows:

**Discount rate:** The discount rate used to measure the total pension liability at August 31, 2016 was 8.00%. There was no change in the discount rate since the prior measurement date.

**Projected cash flows:** The projection of cash flows used to determine the discount rate assumed that plan contributions from members, the District and the state of Nebraska will be made at the current contribution rates as set out in state statute:

- a. Employee contribution rate: 9.78% of compensation.
- b. District contribution rate: 101% of the employee contribution rate.
- c. State contribution rate: 2% of the members' compensation.

Based on those assumptions, OSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current OSERS' members. Therefore, the long-term expected rate of return on OSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

The fiduciary net position projections are based upon OSERS' financial status on the measurement date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 68. As such, the fiduciary net position projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of OSERS, or OSERS' ability to make benefit payments in future years.

**Long-term rate of return:** The long-term expected rate of return on plan assets is reviewed as part of regular experience studies prepared periodically. The most recent analysis was performed and results were included in a report dated December 23, 2013. Generally several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by OSERS' investment consultant. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the long-term inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**Municipal bond rate:** A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 2.85%

**Periods of projected benefit payments:** Projected future benefit payments for all current OSERS members were projected through 2114.

**Douglas County School District #0001**

**Notes to Basic Financial Statements  
August 31, 2017 (Thousands of Dollars)**

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**Assumed asset allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Small Cap Equity	12%	7.1%
Global Equity	15%	7.6%
Specialty Funds	15%	11.0%
Alternatives	25%	7.6%
Fixed Income	5%	3.4%
High Yield Investments	16%	5.9%
Real Estate	12%	7.0%
Total	<u>100%</u>	

**Sensitivity analysis:** The following presents the net pension liability of the District, calculated using the discount rate of 8%, as well as the District's net pension liability calculated using a discount rate that is 1 percentage-point lower (7%) or 1 percentage-point higher (9%) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Net pension liability	\$ <u>902,832</u>	<u>677,960</u>	<u>489,977</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Omaha School Employees' Retirement System financial report.

**Douglas County School District #0001**

**Notes to Basic Financial Statements  
August 31, 2017 (Thousands of Dollars)**

Changes in the Net Pension Liability

	Increase (Decrease)		
	(a) Total Pension Liability	(b) Fiduciary Net Position	(c) Net Pension Liability
Balance, August 31, 2015	\$ 1,792,128	1,211,107	581,021
Changes for the year -			
Service cost at end of year	39,451	--	39,451
Interest on total pension liability	138,933	--	138,933
Differences between expected and actual experience	7,104	--	7,104
Contributions - employer	--	33,903	(33,903)
Contributions - State	--	6,661	(6,661)
Contributions - member	--	33,764	(33,764)
Net investment income (loss)	--	15,375	(15,375)
Benefit payments, including member refunds	(113,106)	(113,106)	--
Administrative expense	--	(1,290)	1,290
Other	1,946	2,082	(136)
Net changes	74,328	(22,611)	96,939
Balance, August 31, 2016	\$ 1,866,456	1,188,496	677,960

OSERS has a special funding situation, in which, by statute, the State of Nebraska contributes 2.0% of members' compensation to fund the benefits provided by OSERS. At August 31, 2017, the District reported a liability of \$563,804 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 1, 2015. The District's proportion of the net pension liability was based on the District's share of the statutorily required contributions (9.8778%) to the pension plan relative to the total statutorily required contributions (11.8778%) to OSERS. At the August 31, 2016 measurement date, the District's proportionate share was 83.161865%

The State of Nebraska's proportionate share of the collective net pension liability amounted to \$114,156. At the August 31, 2016 measurement date, the State's proportionate share was 16.838135%. The District recognized revenue in the amount of \$14,390 for the support provided by the State of Nebraska.

**Douglas County School District #0001**

**Notes to Basic Financial Statements  
August 31, 2017 (Thousands of Dollars)**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions

For the year ended August 31, 2017, the District recognized pension expense of \$85,463. At August 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 129,841	20,362
Differences between expected and actual experience	4,943	1,666
District contributions subsequent to the measurement date	<u>47,981</u>	<u>--</u>
	<u>\$ 182,765</u>	<u>22,028</u>

Deferred outflows of resources related to pensions included \$47,981 resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended August 31, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31:	<u>Amount</u>
2018	\$ 29,182
2019	29,182
2020	39,412
2021	13,878
2022	890
2023	<u>212</u>
	<u>\$ 112,756</u>

Payable to the Pension Plan

At August 31, 2017, the District reported a payable of \$2,918 for the outstanding amount of legally required District contributions for August 2017 and \$2,979 for legally required employee contributions withheld from employee wages which had not yet been remitted to OSERS.

**(9) Tax Sheltered Annuity Program (403(b) Plan)**

The District has adopted a tax sheltered annuity program (403(b) Plan) covering all employees who are employed for at least 20 hours per week. Employees are eligible to participate if they meet minimum monthly contribution requirements. Benefits depend solely on amounts contributed to the plan plus investment earnings. The benefits payable under the plan are not available to employees until they reach the age of 59 1/2. The District, at the discretion of the Board of Education, may provide contributions to the 403(b) plan for individual employees. There were no contributions made by the District for the year ended August 31, 2017.

**Douglas County School District #0001**

**Notes to Basic Financial Statements  
August 31, 2017 (Thousands of Dollars)**

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**(10) Interfund Transfers**

The detail of interfund transfers for the year ending August 31, 2017 is as follows:

<b>Governmental Funds</b>		
<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
ESU No. 19	Other Governmental	\$ <u>4,000</u>

The District transferred \$4,000 to ESU No. 19 to fund the upgrade of the District's ERP system.

**(11) Deficit Net Position**

The District had a deficit unrestricted net position of \$372,604 at August 31, 2017 primarily due to recognizing the net pension liability.

**(12) Tax Abatements**

GASB Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Property tax revenues of the District were reduced by the following amounts for the year ended August 31, 2017 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Omaha	Tax Increment Financing	\$4,030
City of Bellevue	Tax Increment Financing	\$ 19

The District is one of 11 school district members of The Learning Community of Douglas and Sarpy Counties (the Learning Community), which was created by the Nebraska Legislature in 2007 to improve student achievement in the participating school districts. Through 2017, member school districts share a common levy which is collected based on their combined valuation. Effective in 2018, distribution of taxes through the Learning Community common levy no longer occurs.

The District's share of property tax revenues of the Learning Community were reduced by \$7,567 for the year ended August 31, 2017, under Tax Increment Financing agreements entered into by various political subdivisions within the boundaries of the Learning Community in Douglas, Sarpy and Washington Counties, Nebraska.

## Douglas County School District #0001

### Notes to Basic Financial Statements August 31, 2017 (Thousands of Dollars)

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#### (13) Commitments and Contingencies

##### 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 carries commercial insurance for risks of loss including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District contracts with reputable carriers for various insurance coverages and has purchased an excess liability coverage insurance policy covering individual claims in excess of \$200,000 and retains the risk of loss for individual claims below \$200,000. The District has established four separate funds to address the payment of claims that are less than the deductible amounts. Actual claims paid from these funds did not exceed the District's expectations during the fiscal year ended August 31, 2017.

The Foundation carries commercial insurance for risks of loss including directors and officers, property, commercial general liability and workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage. The Foundation contracts with reputable carriers and utilizes various levels of deductibles per claim and in the aggregate, depending on the type of insurance.

##### Construction Commitments

In connection with the \$421,000 bond initiative and issuance of the Series 2015 and Series 2016 General Obligation Bonds, the District has entered into various construction contracts amounting to approximately \$245,400 for the construction of new school facilities and renovation and improvement to existing facilities. The District has commitments of approximately \$77,600 remaining on various construction contracts at August 31, 2017.

##### Litigation

From time to time, the District is involved in litigation and regulatory investigations arising in the normal course of business. Although the ultimate outcomes of any legal matter cannot be predicted with certainty, based upon present information, there is potential for certain legal matters that may result in an unfavorable outcome. As a result, management has recognized a liability of approximately \$4,417 in its internal service funds for any potential settlements resulting from litigation. After consultation with legal counsel, management estimates these matters will be resolved without any further material adverse affect on the District's future financial position or changes in financial position.

#### (14) Subsequent Events

Subsequent to year end, the District was notified of an overpayment error by the Douglas County Treasurer that paid Learning Community common levy funds to the District that should have been allocated to other member school districts within the Learning Community. The Douglas County Treasurer is in the process of recouping the diverted funds from the District to distribute the appropriate funds to the other schools, which is expected to total approximately \$8,875. A payable was recognized by the District for this amount in accordance with the reporting framework used by the District described in Note 1.

Subsequent to year end, the District authorized the issuance of \$114,375 in general obligation bonds, originally approved by residents of the District as part of the \$421,000 bond measure passed in 2014, to be used for funding construction costs through the Special Building Fund. Sale of the bonds is expected in November 2017.

Douglas County School District #0001

Required Supplementary Information  
 Budgetary Comparison Schedule – General and Major Special Revenue Funds (with legally adopted budgets)  
 For the Year Ended August 31, 2017 (Thousands of Dollars)

	General Operating Fund					Special Building Fund			Debt Service Fund		
	Final Adopted Budget	Transfers In/Out	Revised Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)
RECEIPTS											
Local	\$ 295,772	5,609	301,381	287,144	(14,237)	16	625	609	31,150	29,767	(1,383)
County and ESU receipts	2,500	--	2,500	2,174	(326)	--	--	--	--	--	--
State receipts	275,466	(5,609)	269,857	286,837	16,980	--	--	--	1,453	2,620	1,167
Federal receipts	650	--	650	1,186	536	--	--	--	--	--	--
Insurance adjustments	--	--	--	--	--	--	--	--	--	--	--
Sale of property	--	--	--	--	--	--	2,000	2,000	--	--	--
Sale of supplies & junk	50	--	50	20	(30)	--	--	--	--	--	--
Other non-revenue	2,000	--	2,000	1,499	(501)	276	623	347	--	--	--
Abatement reimbursement	410	--	410	406	(4)	--	--	--	--	--	--
Loss and damage	--	--	--	--	--	--	--	--	--	--	--
Reimb for employee services	5,225	--	5,225	5,132	(93)	--	--	--	--	--	--
Total receipts	582,073	--	582,073	584,398	2,325	292	3,248	2,956	32,603	32,387	(216)
DISBURSEMENTS											
Current											
Basic instruction	275,691	232	275,923	265,787	10,136	--	--	--	--	--	--
Special education	66,724	207	66,931	66,003	928	--	--	--	--	--	--
Student services	33,751	60	33,811	33,310	501	--	--	--	--	--	--
Staff supported services	17,800	127	17,927	16,577	1,350	--	--	--	--	--	--
General admin and board of education	10,500	(18)	10,482	10,306	176	--	--	--	--	--	--
School administration	34,673	324	34,997	33,518	1,479	--	--	--	--	--	--
Business support services	29,922	(1,009)	28,913	25,951	2,962	--	97	(97)	--	--	--
Building and grounds	54,362	(83)	54,279	52,128	2,151	--	--	--	--	--	--
Building, construction, renovation	--	--	--	--	--	237,700	148,140	89,560	--	--	--
Student transportation	45,421	(4)	45,417	37,232	8,185	--	--	--	--	--	--
Comm use of facilities and reg presch ed	4,642	45	4,687	4,657	30	--	--	--	--	--	--
Early childhood special education	1,074	4	1,078	3,489	(2,411)	--	--	--	--	--	--
Summer school	6,314	115	6,429	5,617	812	--	--	--	--	--	--
Adult education	199	--	199	175	24	--	--	--	--	--	--
Debt service											
Debt service interest	--	--	--	--	--	--	--	--	17,113	14,153	2,960
Debt service principal	--	--	--	--	--	--	--	--	14,295	14,295	--
Property tax recapture	1,000	--	1,000	980	20	--	--	--	100	161	(61)
Total disbursements	582,073	--	582,073	555,730	26,343	237,700	148,237	89,463	31,508	28,609	2,899
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	--	--	--	28,668	28,668	(237,408)	(144,989)	92,419	1,095	3,778	2,683
OTHER FINANCING SOURCES (USES)											
Bond proceeds, including refunding bonds	--	--	--	--	--	116,735	155,356	38,621	17,036	--	(17,036)
Payments to bond refunding escrow agent	--	--	--	--	--	--	--	--	(40,000)	--	(40,000)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER DISBURSEMENTS	--	--	--	28,668	28,668	(120,673)	10,367	131,040	(21,869)	3,778	(54,353)
Fund Balance, Beginning of Year	112,984	--	112,984	112,984	--	97,970	97,970	--	33,931	33,931	--
Fund Balance, End of Year	\$ 112,984	--	112,984	141,652	28,668	(22,703)	108,337	131,040	12,062	37,709	(54,353)

See accompanying independent auditor's report

## Douglas County School District #0001

### Required Supplementary Information Budgetary Comparison Schedule – General and Major Special Revenue Funds (with legally adopted budgets) For the Year Ended August 31, 2017 (Thousands of Dollars)

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#### Budget to GAAP Reporting Reconciliation – Governmental Funds

The accompanying schedule of revenue, expenditures and change in fund balance budget to actual, presents comparison of legally adopted budget as described in Note 1D with actual data on the cash basis of accounting. Because accounting principles applied for the purpose of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of the resulted basis, timing, perspective, and entity deficiencies in revenue or expenses for the year ended August 31, 2017 are presented below.

##### General Operating Fund

Excess of receipts and other financing sources over disbursements (budgetary basis)	\$	28,668
Adjustments:		
Record change in receivables		(3,789)
Record change in inventories		(7)
Record change in prepaids		696
Record change in payables		<u>(2,889)</u>
Change in fund balance (GAAP basis)	\$	<u><u>22,679</u></u>

##### Special Building Fund

Deficiency of receipts over disbursements (budgetary basis)	\$	10,367
Adjustments:		
Record change in receivables		39
Record change in prepaids		48
Record change in payables		<u>(5,150)</u>
Change in fund balance (GAAP basis)	\$	<u><u>5,304</u></u>

##### Debt Service Fund

Excess of receipts over disbursements (budgetary basis)	\$	3,778
Adjustments:		
Record change in receivables		<u>145</u>
Change in fund balance (GAAP basis)	\$	<u><u>3,923</u></u>

# Douglas County School District #0001

## Required Supplementary Information Schedule of Changes in the Net Pension Liability For the Year Ended August 31, 2017 (Thousands of Dollars)

Omaha School Employees' Retirement System For the Last Three Fiscal Years*			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>			
Service cost	\$ 39,451	38,242	36,090
Interest	138,933	133,950	128,868
Differences between expected and actual experience	7,104	(2,960)	--
Other	1,946	2,920	2,276
Benefit payments, including refunds of employee contributions	(113,106)	(106,735)	(100,810)
<b>Net change in total pension liability</b>	<u>74,328</u>	<u>65,417</u>	<u>66,424</u>
<b>Total pension liability - beginning</b>	<u>1,792,128</u>	<u>1,726,711</u>	<u>1,660,287</u>
<b>Total pension liability - ending (a)</b>	<u>1,866,456</u>	<u>1,792,128</u>	<u>1,726,711</u>
<b>Plan fiduciary net position</b>			
Contributions - employers	33,903	33,109	31,913
Contributions - state	6,661	6,453	6,285
Contributions - member	33,764	32,584	31,596
Net investment income	15,375	(51,214)	153,982
Benefit payments, including refunds of employee contributions	(113,106)	(106,735)	(100,810)
Administrative expense	(1,290)	(814)	(897)
Other	2,082	3,003	2,305
<b>Net change in plan fiduciary net position</b>	<u>(22,611)</u>	<u>(83,614)</u>	<u>124,374</u>
<b>Plan fiduciary net position - beginning</b>	<u>1,211,107</u>	<u>1,294,721</u>	<u>1,170,347</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>1,188,496</u>	<u>1,211,107</u>	<u>1,294,721</u>
<b>Net Pension Liability (a-b)</b>	<u>\$ 677,960</u>	<u>581,021</u>	<u>431,990</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<u>63.68%</u>	<u>67.58%</u>	<u>74.98%</u>
<b>Covered-employee payroll</b>	<u>\$ 345,231</u>	<u>333,166</u>	<u>323,074</u>
<b>Employers' net pension liability as a percentage of covered payroll</b>	<u>196.38%</u>	<u>174.39%</u>	<u>133.71%</u>

*See accompanying independent auditor's report*

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available.

**Douglas County School District #0001**

**Required Supplementary Information  
Schedule of Employer Contributions  
For the Year Ended August 31, 2017 (Thousands of Dollars)**

Omaha School Employees' Retirement System  
For the Last 10 Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined employer contribution	\$ 50,777	31,004	28,161	27,940	30,990	29,040	30,262	27,049	20,333	16,609
Employer statutory	35,231	33,903	33,109	31,913	29,581	28,861	26,336	25,331	22,148	20,108
Employer additional	12,750	--	--	--	--	4,330	--	--	3,171	5,067
Total actual contributions	47,981	33,903	33,109	31,913	29,581	33,191	26,336	25,331	25,319	25,175
Annual contribution deficiency (excess)	\$ 2,796	(2,899)	(4,948)	(3,973)	1,409	(4,151)	3,926	1,718	(4,986)	(8,566)
Covered-employee payroll	\$ 356,676	345,231	333,166	323,074	313,946	307,258	310,229	302,229	287,770	272,720
Actual contributions as a percentage of covered-employee payroll	13.45%	9.82%	9.94%	9.88%	9.42%	10.80%	8.49%	8.38%	8.80%	9.23%

*See accompanying independent auditor's report*

## Douglas County School District #0001

### Required Supplementary Information Notes to Required Supplementary Information For the Year Ended August 31, 2017

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#### Notes to the Schedules:

**Changes of benefit terms:** The following changes to the Plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of September 1 listed below:

- 2013: The 2013 session of the Nebraska legislature enacted Legislative Bill 553 (LB 553), which increased the Member's contribution rate from 9.3% of pay to 9.78% of pay. The School District's contribution rate is equal to 101% of the employee contribution rate so the District's contribution rate increased from 9.393% of pay to 9.878% of pay. The State contribution rate also increased permanently from 1% (plus \$973,301) to 2% of payroll, effective July 1, 2014. LB 553 also created a new benefit structure for members hired on or after July 1, 2013 with the same benefit structure as pre-July 1, 2013 hires except annual cost of living adjustments are the lesser of 1% or CPI and final average compensation is defined as 1/60 of the total compensation received during the five fiscal years of highest compensation.
- 2011: The member contribution rate was increased by the 2011 Legislature from 8.30% to 9.30%, effective September 1, 2011. Since the employer contributes 101% of the member contribution rate, the 1.00% increase in the member contribution rate resulted in an increase of 1.01% in the District's contribution rate.
- 2009: Legislation passed in 2009 increased the employee contribution rate from 7.30% to 8.30% of pay. The School District contributes 101% of the employee rate so the District's contribution increased from 7.373% to 8.383% of pay. The legislation that enacted these changes also provided for a temporary increase in the State's contribution rate from 0.70% to 1.00% of pay for July, 2009 to July, 2014.
- 2007: Legislation passed in 2007 increased the employee contribution rate from 6.30% to 7.30% of pay and provided for the employer contribution rate of 101% of the employee rate.

#### Changes in actuarial assumptions:

9/1/2013 valuation:

- The one-year age set forward in mortality rates for active male employees was eliminated.
- Classified members' retirement rates were adjusted.
- Vested certificated members' assumption to elect a refund of contributions was adjusted at certain ages.
- The assumed interest rate credited on member contribution accounts was lowered from 7% to 3%.

9/1/2010 valuation:

- The inflation assumption was changed from 3.50% to 3.00%
- The real rate of return increased from 4.50% to 5.00%.
- The productivity portion of the general wage increase assumption increased from 0.50% to 1.00%.

9/1/2008 valuation:

- Mortality table was changed to the RP-2000 table with age adjustments (+1 male, -1 female) and generational projections of mortality improvements.
- Retirement rates were adjusted to better fit the observed experience.
- The use of a disability assumption was eliminated.
- Termination rates were modified to better fit the observed experience.
- Small adjustments based on actual experience were made to the election of a refund assumption.

## Douglas County School District #0001

### Required Supplementary Information Notes to Required Supplementary Information For the Year Ended August 31, 2017

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9/1/2007 valuation:

- The actuarial value of assets was reset to the actual market value.
- The funding policy was set equal to the normal cost plus amortization of the unfunded actuarial liability over a closed 30 year period, commencing September 1, 2007.

#### Method and assumptions used in calculations of Actuarially Determined Contributions:

OSERS is funded by statutory contribution rates for members, the School District and the State of Nebraska. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, August 31, 2016 (based on the September 1, 2015 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Market related smoothed value
Price inflation	3.00%
Salary increases, including wage inflation	4.00% to 5.60%
Long-term rate of return, net of investment expense, and including inflation	8.00%
Cost-of-living adjustments	1.50% if hired before July 1, 2013 1.00% if hired on or after July 1, 2013 Medical COLA of \$10/month for each year retired (max \$250/month)

# Douglas County School District #0001

## Other Supplementary Information Budgetary Comparison Schedule – Other Governmental Funds For the Year Ended August 31, 2017 (Thousands of Dollars)

	Qualified Capital Purpose Funds			Student Fee Funds			Activity Funds		
	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>									
Local	\$ 5,532	5,038	(494)	--	587	587	--	1,523	1,523
State receipts	381	442	61	--	--	--	--	--	--
Federal receipts	--	--	--	--	--	--	--	--	--
Other non-revenue	--	--	--	800	--	(800)	5,800	3,364	(2,436)
Loss and damage	--	--	--	--	--	--	--	3	3
Reimb for employee services	--	--	--	--	--	--	--	151	151
Total receipts	<u>5,913</u>	<u>5,480</u>	<u>(433)</u>	<u>800</u>	<u>587</u>	<u>(213)</u>	<u>5,800</u>	<u>5,041</u>	<u>(759)</u>
<b>DISBURSEMENTS</b>									
Basic instruction	--	--	--	800	484	316	--	--	--
Special education	--	--	--	--	--	--	--	--	--
Student services	500	--	500	--	104	(104)	6,500	4,975	1,525
Staff supported services	--	--	--	--	--	--	--	--	--
General admin and board of education	--	--	--	--	--	--	--	--	--
School administration	--	--	--	--	--	--	--	--	--
Business support services	90	106	(16)	--	--	--	--	--	--
Building and grounds	1,620	1,704	(84)	--	--	--	--	--	--
Building, construction, renovation	--	--	--	--	--	--	--	--	--
Comm use of facilities and reg presch ed	--	--	--	--	--	--	--	--	--
Early childhood special education	--	--	--	--	--	--	--	--	--
Adult education	--	--	--	--	--	--	--	--	--
Debt service interest	1,270	1,243	27	--	--	--	--	--	--
Debt service principal	2,917	2,547	370	--	--	--	--	--	--
Property tax recapture	28	34	(6)	--	--	--	--	--	--
Total disbursements	<u>6,425</u>	<u>5,634</u>	<u>791</u>	<u>800</u>	<u>588</u>	<u>212</u>	<u>6,500</u>	<u>4,975</u>	<u>1,525</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	(512)	(154)	358	--	(1)	(1)	(700)	66	766
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in (out)	--	--	--	--	(4,000)	(4,000)	--	--	--
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER DISBURSEMENTS</b>	(512)	(154)	358	--	(4,001)	(4,001)	(700)	66	766
Fund Balance, Beginning of Year	2,633	2,633	--	4,001	4,001	--	1,561	1,561	--
Fund Balance, End of Year	<u>\$ 2,121</u>	<u>2,479</u>	<u>358</u>	<u>4,001</u>	<u>--</u>	<u>(4,001)</u>	<u>861</u>	<u>1,627</u>	<u>766</u>

See accompanying independent auditor's report

# Douglas County School District #0001

## Other Supplementary Information Budgetary Comparison Schedule – Other Governmental Funds (Continued) For the Year Ended August 31, 2017 (Thousands of Dollars)

	Grant Funds			KIOS - Funds 911 & 915			ESU19 Funds		
	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS</b>									
Local	\$ 501	218	(283)	--	904	904	15,640	12,118	(3,522)
State receipts	1,733	1,545	(188)	--	--	--	3,042	3,077	35
Federal receipts	84,984	67,198	(17,786)	917	--	(917)	2,371	746	(1,625)
Other non-revenue	--	--	--	--	(22)	(22)	300	310	10
Loss and damage	--	--	--	--	--	--	--	--	--
Reimb for employee services	--	33	33	--	--	--	2,116	1,825	(291)
Total receipts	<u>87,218</u>	<u>68,994</u>	<u>(18,224)</u>	<u>917</u>	<u>882</u>	<u>(35)</u>	<u>23,469</u>	<u>18,076</u>	<u>(5,393)</u>
<b>DISBURSEMENTS</b>									
Basic instruction	39,619	25,997	13,622	--	--	--	2,179	1,372	807
Special education	4,279	3,936	343	--	--	--	--	--	--
Student services	3,754	3,777	(23)	--	--	--	808	644	164
Staff supported services	4,448	2,253	2,195	917	831	86	10,854	10,435	419
General admin and board of education	2,821	1,266	1,555	--	--	--	13	123	(110)
School administration	--	--	--	--	--	--	--	--	--
Business support services	174	2,966	(2,792)	--	--	--	9,601	6,957	2,644
Building and grounds	--	--	--	--	--	--	--	--	--
Building, construction, renovation	6,868	3,084	3,784	--	--	--	--	--	--
Comm use of facilities and reg presch ed	12,918	12,684	234	--	--	--	--	--	--
Early childhood special education	11,653	11,109	544	--	--	--	--	--	--
Adult education	684	595	89	--	--	--	--	--	--
Debt service interest	--	--	--	--	--	--	--	--	--
Debt service principal	--	--	--	--	--	--	--	--	--
Property tax recapture	--	--	--	--	--	--	14	21	(7)
Total disbursements	<u>87,218</u>	<u>67,667</u>	<u>19,551</u>	<u>917</u>	<u>831</u>	<u>86</u>	<u>23,469</u>	<u>19,552</u>	<u>3,917</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	--	1,327	1,327	--	51	51	--	(1,476)	(1,476)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in (out)	--	--	--	--	--	--	--	4,000	4,000
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER DISBURSEMENTS</b>	--	1,327	1,327	--	51	51	--	2,524	2,524
Fund Balance, Beginning of Year	(3,528)	(3,528)	--	1,175	1,175	--	3,448	3,448	--
Fund Balance, End of Year	<u>\$ (3,528)</u>	<u>(2,201)</u>	<u>1,327</u>	<u>1,175</u>	<u>1,226</u>	<u>51</u>	<u>3,448</u>	<u>5,972</u>	<u>2,524</u>

See accompanying independent auditor's report

**Douglas County School District #0001**

**Other Supplementary Information  
Budgetary Comparison Schedule – Internal Service Funds  
For the Year Ended August 31, 2017 (Thousands of Dollars)**

	Depreciation Funds			Employee Benefit Funds		
	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)
RECEIPTS	\$ 6,102	1,018	(5,084)	2,716	7,102	4,386
TOTAL RECEIPTS	<u>6,102</u>	<u>1,018</u>	<u>(5,084)</u>	<u>2,716</u>	<u>7,102</u>	<u>4,386</u>
DISBURSEMENTS	6,000	3,241	2,759	11,170	6,949	4,221
TOTAL DISBURSEMENTS	<u>6,000</u>	<u>3,241</u>	<u>2,759</u>	<u>11,170</u>	<u>6,949</u>	<u>4,221</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	102	(2,223)	(2,325)	(8,454)	153	8,607
Net Position, Beginning of Year	<u>7,470</u>	<u>7,470</u>	<u>--</u>	<u>11,137</u>	<u>11,137</u>	<u>--</u>
Net Position, End of Year	<u>\$ 7,572</u>	<u>5,247</u>	<u>(2,325)</u>	<u>2,683</u>	<u>11,290</u>	<u>8,607</u>

*See accompanying independent auditor's report*

**Douglas County School District #0001**

**Other Supplementary Information  
 Budgetary Comparison Schedule – Internal Service Funds (Continued)  
 For the Year Ended August 31, 2017 (Thousands of Dollars)**

	Contingency Funds			School Lunch Funds		
	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)
RECEIPTS	\$ 103	1,167	1,064	23,325	31,076	7,751
TOTAL RECEIPTS	<u>103</u>	<u>1,167</u>	<u>1,064</u>	<u>23,325</u>	<u>31,076</u>	<u>7,751</u>
DISBURSEMENTS	10,100	612	9,488	46,020	30,474	15,546
TOTAL DISBURSEMENTS	<u>10,100</u>	<u>612</u>	<u>9,488</u>	<u>46,020</u>	<u>30,474</u>	<u>15,546</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(9,997)	555	10,552	(22,695)	602	23,297
Net Position, Beginning of Year	<u>10,354</u>	<u>10,354</u>	<u>--</u>	<u>22,945</u>	<u>22,945</u>	<u>--</u>
Net Position, End of Year	<u>\$ 357</u>	<u>10,909</u>	<u>10,552</u>	<u>250</u>	<u>23,547</u>	<u>23,297</u>

*See accompanying independent auditor's report*

**Douglas County School District #0001**

**Other Supplementary Information**

**Budgetary Comparison Schedule – Proprietary Funds (with legally adopted budgets)**

**For the Year Ended August 31, 2017 (Thousands of Dollars)**

	Cooperative Funds		
	Final Adopted Budget	Fiscal Year Actual	Variance Favorable (Unfavorable)
RECEIPTS	\$ 60,141	30,891	(29,250)
TOTAL RECEIPTS	<u>60,141</u>	<u>30,891</u>	<u>(29,250)</u>
DISBURSEMENTS	60,340	30,383	29,957
TOTAL DISBURSEMENTS	<u>60,340</u>	<u>30,383</u>	<u>29,957</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(199)	508	707
Net Position, Beginning of Year	<u>(760)</u>	<u>(760)</u>	<u>--</u>
Net Position, End of Year	<u><u>\$ (959)</u></u>	<u><u>(252)</u></u>	<u><u>707</u></u>

*See accompanying independent auditor's report*

# Douglas County School District #0001

## Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Passed Through to Subrecipients	Expenditures of Federal Awards
U.S. DEPARTMENT OF EDUCATION				
Direct Programs				
Classroom Fellow	Title IV IPA Agreement	84.Unknown		\$ 8,825
Indian Education	S060A160926	84.060A		197,023
NICE Phase IV	S299A120065 - 15	84.299A		22,016
Total Direct Programs				<u>227,864</u>
Passed through the State of Nebraska Department of Education				
Special Education (IDEA) Cluster				
IDEA Base & Enrollment/Poverty	17-4404-00-19-028-0001/ 17-4410-00-19-028-0001	84.027		12,485,389
IDEA Base Pre School	17-4406-00-19-028-0001	84.173		238,221
IDEA Part B - RDA TIP Support Grant	28-0001-248-DTIPS27-17	84.027		283,929
Total Special Education (IDEA) Cluster				<u>13,007,539</u>
Title I				
Title I Basic		84.010		23,664,767
Title I Part A Accountability	17-4210-00-019-028-0001	84.010		676,269
Total Title I				<u>24,341,036</u>
Career/Technical Education - Basic Grants	17-4700-00-19-028-0001	84.048		716,413
SPED Planning Region Team Grant	28-0001-248-2C5-17	84.181		41,082
State Personnel Development Grant 2	28-0001-248-SPDG78-17	84.323A		5,847
SIG (School Improvement Grant)	2016-19-028-0001-185-SIG	84.377		373,822
Title II Part A	17-4310-00-19-028-0001	84.367		2,401,138
Title I Migrant	17-4915-00-19-028-0001	84.011		1,139,439
McKinney-Vento Homeless Education Assistance	17-4991-00-19-028-0001	84.196		87,000
Title III - Immigrant Education	17-4926-00-19-028-0001	84.365		51,813
Title III - Limited English	17-4925-00-19-028-0001	84.365A		957,670
Total passed through the State of Nebraska Department of Education				43,122,799
Total U.S. DEPARTMENT OF EDUCATION				<u>43,350,663</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the State of Nebraska Department of Education				
Child Nutrition Cluster				
USDA School Lunch and Breakfast	13898414	10.553		20,679,559
USDA School Lunch and Breakfast	13898414	10.555		3,187,617
Summer Food Program	13898114	10.559		847,481
Passed through the State of Nebraska Department of Health and Human Services				
Food Commodities Received - Non Cash Award	47600262900	10.553		2,174,785
Total Child Nutrition Cluster				<u>26,889,442</u>
Passed through the State of Nebraska Department of Education				
Child and Adult Care Food Program	13899414	10.558		1,606,552
Fruit/Vegetable Program	13897314	10.582		888,872
Total passed through the State of Nebraska Department of Education				<u>2,495,424</u>
Total U.S. DEPARTMENT OF AGRICULTURE				<u>29,384,866</u>

**Douglas County School District #0001**

**Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended August 31, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Passed Through to Subrecipients	Expenditures of Federal Awards
U.S. ENVIRONMENTAL PROTECTION AGENCY Environmental Education Grant		66.951		<u>2,000</u>
Total U.S. ENVIRONMENTAL PROTECTION AGENCY				<u>2,000</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES Direct Programs				
Head Start	07CH010261-02-02	93.600	\$ 2,642,250	6,823,656
Passed through the Nebraska Department of Health & Human Services Refugee School Impact Grant	90ZE0214-02-00/ 1701NERSOC	93.576		168,103
Passed through the Nebraska Schools Medicaid Consortium Medical Assistance Program	051005NE5ADM	93.778		<u>1,562,403</u>
Total U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>2,642,250</u>	<u>8,554,162</u>
U.S. DEPARTMENT OF DEFENSE Direct Program				
ROTC	0812.17JROTC	12.357		<u>480,032</u>
Total U.S. DEPARTMENT OF DEFENSE				<u>480,032</u>
Total EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,642,250</u>	<u>81,771,723</u>

*The accompanying notes are an integral part of this schedule*

## Douglas County School District #0001

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2017

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#### **Note 1 Basis of Presentation**

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

#### **Note 2 Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the same basis of accounting (cash basis) in accordance with the accounting procedures and reporting requirements permitted by the Nebraska Commissioner of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3 Indirect Cost Rate**

The District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**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***

**Independent Auditor's Report**

To the Board of Education  
Douglas County School District #0001:

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, the business-type activities, each major fund, and the aggregate remaining fund information of Douglas County School District #0001 (the District), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2017. Our report includes a reference to other auditors who audited the financial statements of the Omaha Schools Foundation, as described in our report on the District's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

SEEM JOHNSON, LLP

Omaha, Nebraska,  
November 14, 2017.

**Report on Compliance For Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

**Independent Auditor's Report**

To the Board of Education  
Douglas County School District #0001

**Report on Compliance for Each Major Federal Program**

We have audited Douglas County School District #0001's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The District's basic financial statements include the operations of Educare of Omaha, Inc., which expended \$3,075,541 in federal awards which is not included in the schedule of expenditures of federal awards of the District during the year ended August 31, 2017. Our audit, described below, did not include the operations of Educare of Omaha, Inc. because the component unit engaged auditors to perform a separate audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

## **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*SEEM JOHNSON, LLP*

Omaha, Nebraska.  
November 14, 2017.

# Douglas County School District #0001

## Schedule of Findings and Questioned Costs For the Year Ended August 31, 2017

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### I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes     x     No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes     x     None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     x     No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes     x     No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes     x     None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes     x     No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>Child Nutrition Cluster</u>
10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.559	Summer Food Service Program for Children (Summer Food Service Program) (SFSP)
93.778	Medical Assistance Program (Medicaid; Title XIX)

Dollar threshold used to distinguish between type A and type B programs                     \$2,493,810                    

Auditee qualified as low-risk auditee?     x     Yes              No

### II. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

### III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal award findings or questioned costs reported.

**Douglas County School District #0001**

**Summary Schedule of Prior Audit Findings  
For the Year Ended August 31, 2017**

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**Finding No. 2016-001:**

Condition: We identified misstatements in the financial statements during the audit related to the recognition of capital assets that were not initially identified by the District's internal controls.

Previous Response for Finding: Once aware of the adjustments, management recognized the correcting entries in the financial statements. Management is aware of this deficiency in its internal control and will review and improve its procedures and controls over the capital asset transaction cycle to ensure that all capital asset activity is properly captured and recognized in the financial statements. Management is initiating an additional reconciliation process which will identify and validate that any asset accounted for in a prior period and recorded into the capital asset ledger of the accounting system in a subsequent year is recorded.

Conclusion: The results of the adjustments and deficiency in internal control is a result of accruals from the prior year that were not detected in the current year in the capital asset system. The District incorporated additional controls for validating that all accrual entries are properly accounted for in the capital asset system. With the new additional controls in place, the capital asset system is maintained properly and more effectively to ensure completeness and accuracy of the recognition of capital asset activity in the District's financial statements.

The District is currently undergoing an upgrade of its Financial Information System in fiscal year 2017-2018. The entire capital asset system and processes will be reviewed and simplified with emphasis placed upon automation of data processing where possible, the elimination of manual entries and processes, and improvement of work flows. The goal is to simplify and streamline the entire capital asset accounting process.

Status: Finding cleared.