Douglas County School District #0001
Omaha, Nebraska

Financial Statements and
Supplementary Information
August 31, 2018

Together with Independent Auditor's Report

Douglas County School District #0001

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SEIM JOHNSON

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, 2018, 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 90.9%, 97.2%, and 48.9%, 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 qualified audit opinions.

Basis for Qualified Opinion

The financial statements do not include an estimate of a liability for postemployment benefits other than pensions (OPEB) related to an implicit health insurance premium rate subsidy resulting from the legal requirement to allow employees retiring to remain on the District's healthcare plan until age 65 at August 31, 2018, as required by the adoption of new accounting guidance related to Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits-Other than Pensions* (Note 9). We were unable to obtain sufficient audit evidence relative to an estimate of the liability for OPEB at August 31, 2018 because management had not engaged an actuary and gathered historical data to arrive at an estimate. Consequently, we were unable to determine whether recognition of an estimated liability was necessary.

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Opinions

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, 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, 2018, 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 grant funds (with legally adopted budgets) on pages 55 and 57, the schedule of changes in the net pension liability on page 58, the schedule of employer contributions on page 59 and the related notes to the required supplementary information on pages 60 through 62 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 63 through 74 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 75 through 76 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 20, 2018 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.

Seim Johnson, LLP

Omaha, Nebraska,
November 20, 2018.

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, 2018, 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 recognized when earned and expenditures are recognized 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 Public Schools Foundation. As defined by the Governmental Accounting Standards Board, 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.

Business-type Activities: The District charges fees to customers 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.

- **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 $129,168. The largest portion of the District's assets, 56.3%, reflects Capital Assets. This is a direct result of the ongoing construction process related to the sale of bonds authorized in 2015. 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 2017 to 2018:

SUMMARY OF NET POSITION (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Current and other assets	$ 437,511	457,251	42,508	56,353	480,019	513,604
Capital assets, net	565,235	660,661	517	674	565,752	661,335
Total assets	1,002,746	1,117,912	43,025	57,027	1,045,771	1,174,939
Deferred outflows of resources	189,091	327,170	385	410	189,476	327,580
Current and other liabilities	117,125	98,795	2,015	2,137	119,140	100,932
Long-term liabilities	1,084,730	1,385,670	1,189	981	1,085,919	1,386,651
Total liabilities	1,201,855	1,484,465	3,204	3,118	1,205,059	1,487,583
Deferred inflows of resources	32,057	25,264	798	752	32,855	26,016
Net position:						
Net investment in capital assets	165,300	167,511	517	674	165,817	168,185
Restricted net position	165,229	165,987	19,623	30,098	184,852	196,085
Unrestricted net position	(372,604)	(398,145)	19,271	22,795	(353,333)	(375,350)
Total net position	$ (42,075)	(64,647)	39,411	53,567	(2,664)	(11,080)

Approximately $196,085 of the District's net position represents resources that are subject to external restrictions. Approximately $168,185 of the District's net position represents investment in capital assets, net of related debt. The remaining balance of unrestricted net position, ($375,350) 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 $105,000 of new General Obligation Bonds.

Business-Type Activities capital assets increased approximately $157 due to activities in the Omaha Schools Foundation.

At August 31, 2018, the District reported an overall negative net position of ($11,080) because of recognition of the net pension liability. The District's overall net pension liability is $770,477.

The District's combined changes in net position (including both the governmental activities and business-type activities) changed from a year ago, decreasing by ($8,416). The following table reflects the condensed Statement of Activities.

SUMMARY OF CHANGES IN NET POSITION (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Revenue:						
General revenue						
Taxes	$ 318,088	286,085	--	--	318,088	286,085
Investment income	1,405	3,927	1,327	2,506	2,732	6,433
State funding	270,851	333,834	715	822	271,566	334,656
Federal funding	2,615	2,642	7,432	4,728	10,047	7,370
Other	14,818	19,662	55,077	58,600	69,895	78,262
Total general revenue	607,777	646,150	64,551	66,656	672,328	712,806
Program Expenses, Net:						
Functions/Programs						
Governmental activities						
Instruction and student support	(358,350)	(399,271)	--	--	(358,350)	(399,271)
General administration and board of education	(10,785)	(9,637)	--	--	(10,785)	(9,637)
School administration and staff support	(65,819)	(70,732)	--	--	(65,819)	(70,732)
Business support services	(47,865)	(41,416)	--	--	(47,865)	(41,416)
Building and grounds	(55,099)	(61,496)	--	--	(55,099)	(61,496)
Building, construction, renovation	(10,565)	(21,115)	--	--	(10,565)	(21,115)
Student transportation	(30,427)	(28,899)	--	--	(30,427)	(28,899)
Community use of facilities and regular preschool education	(6,548)	(6,046)	--	--	(6,548)	(6,046)
Summer school	(6,024)	(7,840)	--	--	(6,024)	(7,840)
Adult basic education	(709)	(838)	--	--	(709)	(838)
Debt service	(15,714)	(19,970)	--	--	(15,714)	(19,970)
Property tax recapture	(1,182)	(1,462)	--	--	(1,182)	(1,462)
Total governmental activities	(609,087)	(668,722)	--	--	(609,087)	(668,722)
Business-type activities						
Foundation	--	--	(16,057)	(20,411)	(16,057)	(20,411)
Other	--	--	(37,113)	(32,089)	(37,113)	(32,089)
Total business-type activities	--	--	(53,170)	(52,500)	(53,170)	(52,500)
Total primary government	(609,087)	(668,722)	(53,170)	(52,500)	(662,257)	(721,222)
Net transfers	--	--	(16,239)	--	(16,239)	--
Change in Net Position	(1,310)	(22,572)	(4,858)	14,156	(6,168)	(8,416)
Net Position, Beginning of Year	(40,765)	(42,075)	44,269	39,411	3,504	(2,664)
Net Position, End of Year	$ (42,075)	(64,647)	39,411	53,567	(2,664)	(11,080)

Total governmental revenue increased by $38,373, or 6.3%. This increase was driven by an increase in state aid of $62,983, offset by a reduction in taxes of $32,004. Taxes were lower due to the discontinuation of the Learning Community. The State of Nebraska attempted to equalize the loss of revenue with an increase in state aid.

Total governmental expenses increased $56,635 with Instructional and Student Support cost representing $40,921, or 53.97%. Building, construction, and renovation increased $10,550, representing 35.40%. Debt service increased by $4,256 due to the issuance of the third tranche of the 2015 bond issue.

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, 2018, the governmental funds had total fund balance of $302,988, an increase of $20,664 in comparison with the prior year. This increase was caused by $17,584 net income in the general fund in conjunction with a $105,000 bond sale for the special building fund. Construction expenditures in the special building fund came to $114,883.

The District's proprietary fund statements have two main sections. These sections are the enterprise funds and internal services 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 $53,567 on August 31, 2018, an increase of $14,156. This increase is due to the change in net position of $12,166 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 services fund total $62,346 on August 31, 2018.

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, 2018 was $134,679. The following tables and graphs represent significant revenue and expenditure trends for the General Fund.

General Fund Revenues (thousands of dollars)

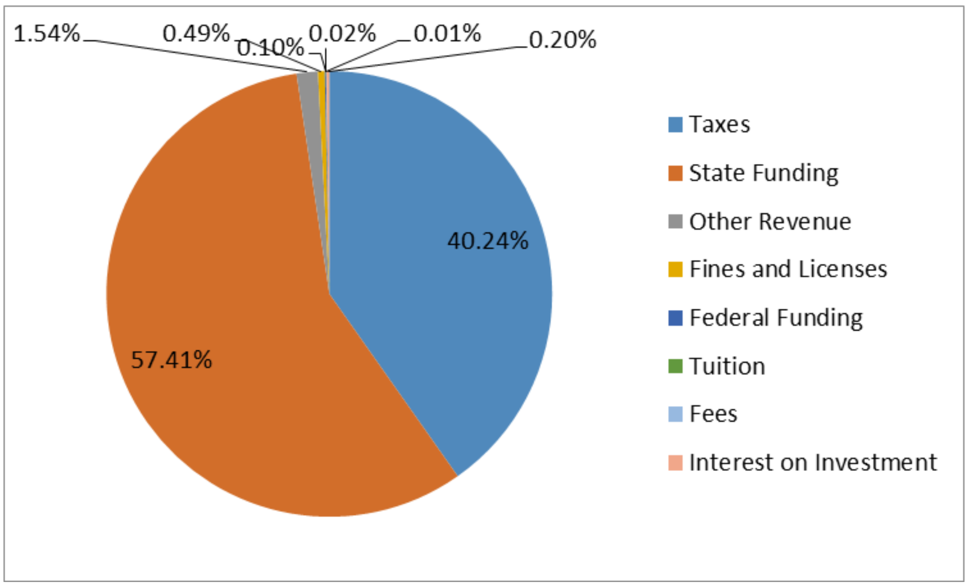
		2017 Amount	2018 Amount	2018 Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Taxes	$	280,441	243,977	40.23%	(36,464)	-13.00%
Tuition		294	132	0.02%	(162)	-55.10%
Fees		83	69	0.01%	(14)	-16.87%
Interest on investments		322	1,215	0.20%	893	277.33%
State funding		286,838	348,102	57.41%	61,264	21.36%
Federal funding		948	586	0.10%	(362)	-38.19%
Fines and licenses		3,064	2,950	0.49%	(114)	-3.72%
Other revenue		8,950	9,357	1.54%	407	4.55%
Total revenue	$	580,940	606,388	100.00%	25,448	4.38%

General receipts increased mainly because of an increase in state receipts and taxes. The tax revenue decreased by $36,434. Although property tax valuations increase by 1.272%, the overall assessed value for the district decreased as a result of the Learning Community being discontinued. The Learning Community property valuations included higher valued property in the western part of the city.

In addition, State Receipts increased by $61,264. This increase can be accounted for by increases in State Aid funding after the dissolution of the Learning Community. These amounts are determined by the State of Nebraska on an annual basis.

Interest on investments increased by $893, as a result of rising interest rates.

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



General Fund Expenditures (thousands of dollars)

		2017 Amount	2018 Amount	2018 Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Basic instruction	$	267,116	277,499	47.15%	10,383	3.89%
Special education		66,748	71,837	12.20%	5,089	7.62%
Student services		34,089	36,019	6.12%	1,930	5.66%
Staff support services		16,702	16,497	2.80%	(205)	-1.23%
General administration and board of education		11,499	10,330	1.75%	(1,169)	-10.17%
School administration		33,647	36,756	6.24%	3,109	9.24%
Business support services		25,741	34,973	5.94%	9,232	35.86%
Building and grounds		50,835	55,234	9.38%	4,399	8.65%
Student transportation		36,752	34,819	5.91%	(1,933)	-5.26%
Community use of facilities and regular preschool		4,719	4,441	0.75%	(278)	-5.89%
Early childhood special education		3,591	2,116	0.36%	(1,475)	-41.07%
Summer school		5,677	7,028	1.19%	1,351	23.80%
Adult education		177	176	0.03%	(1)	-0.56%
Debt service		968	1,079	0.18%	111	11.47%
Total expenditures	$	558,261	588,804	100.00%	30,543	5.47%

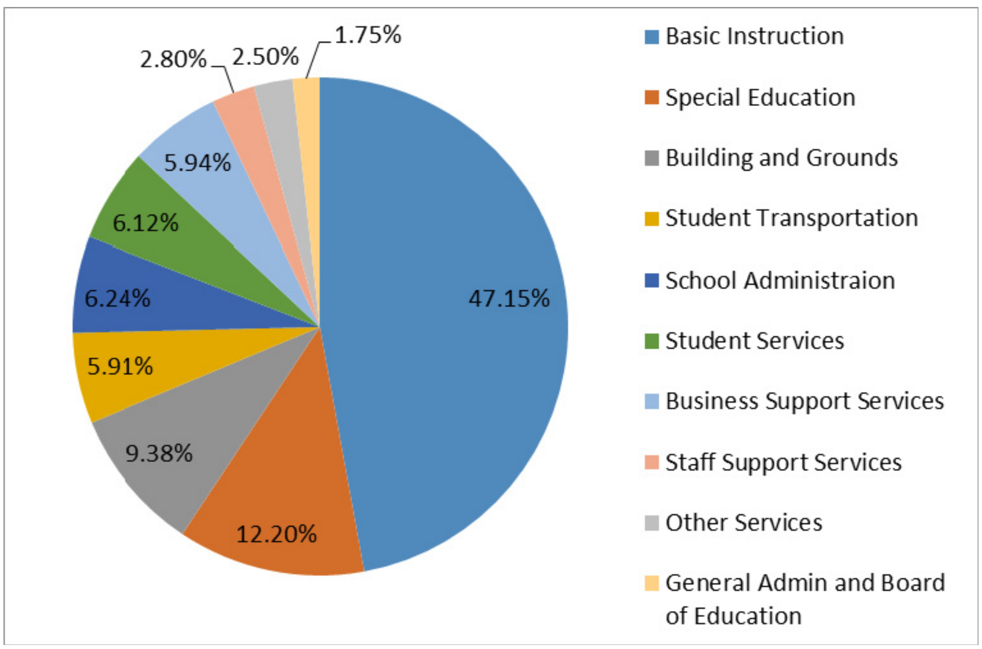
Basic Instruction increased by $10,383 or 3.89% for fiscal year 2018. There are two primary causes that influenced this increase. First, the District made an additional payment to the retirement system in the amount of $18,900 of which Basic Instruction accounted for $9,743, an increase of $3,040 from fiscal year 2016-2017. In addition to this, the instructional staff on average received a 3.8% increase in negotiated salary increase in all instructional staff.

Special Education increased by $5,089 or 7.62% for fiscal year 2018. There were several factors that can be attributed to this change. Instructional staff salaries were up 3.8% increase in negotiated salary increases for staff. The District made an additional payment to the retirement system in the amount of $18,900 of which Basic Instruction accounted for $2,213, a $725 increase from the previous fiscal year.

The decrease in General Administration and Board of Education of $1,169 or 10.17% for fiscal year 2018. There were several factors that contributed. The primary factor for this reduction is that the District is starting a general plan to reduce overall spending at the central office, due to an anticipated budget shortfall in fiscal year 2018-2019 and 2019-2020.

Business support services increased by $9,232 or 35.86%. This increase is primarily because of a software upgrade to PeopleSoft 9.2, which amounted to approximately $6,800.

The following graph provides a breakdown of General Fund expenditures:



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. 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 only if the original budgeted amount does not change. In 2017-2018, 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, 2018

		Original Budget	Final Budget	Actual
Revenue:				
Local	$	258,434	258,434	239,268
County and ESU receipts		2,100	2,100	1,777
State receipts		331,128	331,128	348,100
Federal receipts		1,521	1,521	1,502
Other local		6,261	6,261	7,843
Total		599,444	599,444	598,490
Expenditures and transfers		608,844	608,844	586,773
Changes in fund balance	$	(9,400)	(9,400)	11,717

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At August 31, 2018, the District had $660,661 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 Bond issue.

		2017 (in thousands)	2018 (in thousands)	Difference	% Change
Land	$	53,518	57,523	4,005	7.48%
Construction in progress		180,484	222,301	41,817	23.17%
Buildings and improvements		746,855	821,292	74,437	9.97%
Furniture, equipment, textbooks and art		128,129	135,000	6,871	5.36%
Computers and software		77,797	81,465	3,668	4.71%
Vehicles		19,989	18,592	(1,397)	-6.99%
		1,206,772	1,336,173	129,401	10.72%
Less: accumulated depreciation		(641,020)	(675,512)	(34,492)	5.38%
Total capital assets, net of depreciation	$	565,752	660,661	94,909	16.78%

Management's Discussion and Analysis (Thousands of Dollars)

Long-term debt obligations of the District at August 31, 2018 are as follows:

General Obligation Bonds	$	527,145
Qualified Zone Academy Bonds		611
Build America Bonds		19,695
Qualified School Construction Bonds		17,375
Capital Lease Obligations		966
Unamortized Premium		
Series 2010 Refunding Bonds		1,988
Series 2012 Refunding Bonds		5,834
Series 2014 Refunding Bonds		262
Series 2015 General Obilgation Bonds		11,131
Series 2016 General Obilgation Bonds		13,400
Series 2017 General Obilgation Bonds		7,998
Unamortized Deferred Amount on Refunding		
Series 2010 Refunding		(2,645)
Series 2012 Refunding		(3,135)
Series 2014 Refunding		(49)
Total Long Term Debt Obligations	$	600,576

CURRENTLY KNOW FACTS, DECISIONS OR CONDITIONS

All school districts in the state operate under a $1.05 per one hundred dollars of taxable value property tax levy limit. The districts also receive state aid based upon the same state aid formula (TEEOSA, Tax Equalization and Educational Opportunity Support Act).

The Omaha Public School District is a part of the Learning Community of Douglas and Sarpy Counties (the "Learning Community"), which is considered the "local system". All resources (both property tax and state aid) are processed through an additional statutory equalization formula before distribution to the Learning Community school districts. Prior to the 2017-2018 fiscal year, there was a maximum $0.95 per one hundred dollars of taxable value Learning Community common levy for general fund purposes and a maximum $0.02 per one hundred dollars of taxable value common levy for building fund purposes.

In April 2016, LB1067 was signed eliminating the Learning Community common levy after the 2016-17 fiscal year. Beginning with the 2017-18 fiscal year, the levy for districts in the Learning Community may not exceed more than $1.05 per one hundred dollars of taxable value. LB1067 maintains the Learning Community structure and its programs and requires the 11 Learning Community school districts to work together to raise educational achievement among all students. State funding for K-12 education is expected to continue to be a topic before the Nebraska Legislature. Law(s) impacting the state aid formula will impact future funding for the District.

In May 2018, the voters of the Omaha Public School District approved $409,900,000 of general obligation bonds to pay the costs of land acquisition, building and equipping two high schools, one middle school and two elementary schools. It also includes capital improvements, additions, renovations, life safety, air quality, energy improvements and upgrades for existing school buildings, and other capital projects.

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.

Douglas County School District #0001

Statement of Net Position
August 31, 2018 ***(Thousands of Dollars)***

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 298,961	6,551	305,512
Investments	84,553	30,908	115,461
Property taxes receivable, net	27,396	--	27,396
Internal balances	(1,095)	1,117	22
Accrued interest receivable	187	--	187
Accounts and other receivables	39,527	1,520	41,047
Promise to give	--	16,257	16,257
Inventories and prepaid expenses	7,722	--	7,722
Capital assets, net	660,661	674	661,335
Total assets	1,117,912	57,027	1,174,939
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	5,829	--	5,829
Pension related deferred outflows	321,341	410	321,751
Total deferred outflows of resources	327,170	410	327,580
Total assets and deferred outflows of resources	$ 1,445,082	57,437	1,502,519
LIABILITIES			
Accounts payable and accrued liabilities	$ 17,541	1,394	18,935
Accrued payroll liabilities	69,407	500	69,907
Contract retention	6,965	--	6,965
Accrued interest	4,882	--	4,882
Other liabilities	--	243	243
Long-term liabilities:			
Due within one year	17,234	--	17,234
Due in more than one year	1,368,436	981	1,369,417
Total liabilities	1,484,465	3,118	1,487,583
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	14,039	--	14,039
Pension related deferred inflows	11,225	752	11,977
Total deferred inflows of resources	25,264	752	26,016
Total liabilities and deferred inflows of resources	1,509,729	3,870	1,513,599
NET POSITION			
Net investment in capital assets	167,511	674	168,185
Restricted for:			
Debt service	42,290	--	42,290
Capital projects	110,958	--	110,958
Scholarships	--	30,098	30,098
Other purposes	12,739	--	12,739
Unrestricted:			
Designated for scholarships	--	11,089	11,089
Undesignated	(398,145)	11,706	(386,439)
Total net position	(64,647)	53,567	(11,080)
Total liabilities, deferred inflows of resources and net position	$ 1,445,082	57,437	1,502,519

See accompanying notes to the financial statements

Douglas County School District #0001

Statement of Activities
For the Year Ended August 31, 2018 *(Thousands of Dollars)*

Functions/Programs	Expenses	Programs Revenues: Charges for Services	Programs Revenues: Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position, Primary Government: Governmental Activities	Business-Type Activities	Total
Government activities						
Basic instruction	$ 336,830	--	30,395	(306,435)	--	(306,435)
Special education	84,424	132	60,219	(24,073)	--	(24,073)
Student services	75,608	4,925	6,681	(64,002)	--	(64,002)
Staff support services	33,734	656	3,736	(29,342)	--	(29,342)
General administration and board of education	16,512	--	6,875	(9,637)	--	(9,637)
School administration	41,390	--	--	(41,390)	--	(41,390)
Business support services	41,521	105	--	(41,416)	--	(41,416)
Building and grounds	61,496	--	--	(61,496)	--	(61,496)
Building, construction, renovation	21,115	--	--	(21,115)	--	(21,115)
Student transportation	36,591	7,692	--	(28,899)	--	(28,899)
Community use of facilities	19,626	170	13,410	(6,046)	--	(6,046)
Early childhood special education	15,185	--	10,424	(4,761)	--	(4,761)
Regular summer school	7,840	--	--	(7,840)	--	(7,840)
Adult basic education	838	--	--	(838)	--	(838)
Debt service interest	19,970	--	--	(19,970)	--	(19,970)
Property tax recapture	1,462	--	--	(1,462)	--	(1,462)
Total government activities	814,142	13,680	131,740	(668,722)	--	(668,722)
Business type activities						
Foundation	20,411	--	--	--	(20,411)	(20,411)
Other	32,089	--	--	--	(32,089)	(32,089)
Total business activities	52,500	--	--	--	(52,500)	(52,500)
Total primary government	$ 866,642	13,680	131,740	(668,722)	(52,500)	(721,222)
		General revenues				
		Taxes		286,085	--	286,085
		Interest on investments		3,927	2,506	6,433
		State funding		333,834	822	334,656
		Federal funding		2,642	4,728	7,370
		Fines and licenses		2,950	--	2,950
		Other revenue		16,712	58,600	75,312
		Total general revenues		646,150	66,656	712,806
		Change in net position		(22,572)	14,156	(8,416)
		Net position, beginning of year		(42,075)	39,411	(2,664)
		Net position, end of year		$ (64,647)	53,567	(11,080)

See accompanying notes to the financial statements

Douglas County School District #0001

Balance Sheet – Governmental Funds
August 31, 2018 ***(Thousands of Dollars)***

		General Operating Fund	Special Building Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$	132,411	72,282	9,099	13,830	8,870	236,492
Investments		--	43,179	--	24,851	13,662	81,692
Property taxes receivable, net		22,927	--	--	3,544	925	27,396
Accounts receivable, net		429	17	38,414	--	80	38,940
Accrued interest receivable		--	122	--	65	--	187
Due from other funds		23,731	--	16,150	--	--	39,881
Prepaid expenses		991	--	272	--	875	2,138
Inventories		2,070	--	--	--	245	2,315
Total assets	$	182,559	115,600	63,935	42,290	24,657	429,041
LIABILITIES							
Accounts payable	$	3,606	9,576	669	--	1,931	15,782
Accrued payroll liabilities		43,030	8	4,129	--	1,124	48,291
Due to other funds		1,237	5,000	34,709	--	30	40,976
Contract retention		7	6,596	362	--	--	6,965
Total liabilities		47,880	21,180	39,869	--	3,085	112,014
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue		--	--	14,021	--	18	14,039
FUND BALANCES							
Nonspendable		3,061	--	272	--	1,120	4,453
Restricted		--	94,420	9,773	42,290	18,116	164,599
Committed		21,600	--	--	--	894	22,494
Assigned		941	--	--	--	1,424	2,365
Unassigned		109,077	--	--	--	--	109,077
Total fund balances		134,679	94,420	10,045	42,290	21,554	302,988
Total liabilities, deferred inflows of resources and fund balances	$	182,559	115,600	63,935	42,290	24,657	

RECONCILIATION

Amounts reported in the governmental funds 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.	654,587
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund.	(605,458)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(791,576)
Some assets are not due and receivable in the current period and therefore are not reported in the funds.	312,466
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.	62,346
	$ (64,647)

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, 2018 *(Thousands of Dollars)*

	General Operating Fund	Special Building Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 243,977	1	--	33,593	8,514	286,085
Tuition	132	--	--	--	--	132
Fees	69	--	--	--	--	69
Interest on investments	1,215	1,640	14	235	351	3,455
State revenue	348,102	--	1,927	2,595	3,649	356,273
Federal revenue	586	--	76,164	--	--	76,750
Fines and licenses	2,950	--	--	--	--	2,950
Other revenue	9,357	822	2,284	--	25,808	38,271
Total revenues	606,388	2,463	80,389	36,423	38,322	763,985
EXPENDITURES						
Current						
Basic instruction	277,499	--	31,062	--	544	309,105
Special education	71,837	--	4,347	--	--	76,184
Student services	36,019	--	3,311	--	6,060	45,390
Staff support services	16,497	--	2,905	--	11,638	31,040
General administration and board of education	10,330	--	1,542	--	22	11,894
School administration	36,756	--	1	--	--	36,757
Business support services	34,973	52	4,307	67	16,219	55,618
Building and grounds	55,234	--	--	--	1,505	56,739
Building, construction, renovation	--	114,883	6,565	--	--	121,448
Student transportation	34,819	--	--	--	--	34,819
Community use of facilities and regular preschool education	4,441	--	13,310	--	--	17,751
Early childhood special education	2,116	--	11,969	--	--	14,085
Summer school	7,028	--	--	--	--	7,028
Adult basic education	176	--	629	--	--	805
Debt service						
Debt service interest	--	--	--	19,353	2,580	21,933
Debt service principal	--	--	--	14,765	1,185	15,950
Property tax recapture	1,079	--	--	309	74	1,462
Total expenditures	588,804	114,935	79,948	34,494	39,827	858,008
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,584	(112,472)	441	1,929	(1,505)	(94,023)
OTHER FINANCING SOURCES						
Bond proceeds	--	113,721	--	--	--	113,721
Capital lease obligations	--	--	--	--	966	966
Total other financing sources	--	113,721	--	--	966	114,687
CHANGE IN FUND BALANCES	17,584	1,249	441	1,929	(539)	20,664
FUND BALANCES, BEGINNING OF YEAR	117,095	93,171	9,604	40,361	22,093	282,324
FUND BALANCES, END OF YEAR	$ 134,679	94,420	10,045	42,290	21,554	302,988

RECONCILIATION

Net change in fund balances - total governmental funds	$ 20,664
Amounts reported for governmental activities in the statement of activities are different because:	
Internal service funds are used by management to change the cost of certain activities to individual funds. The change in net assets is reported with governmental activities.	13,003
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.	80,135
Bond proceeds provide current financial resoures to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(113,721)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	15,950
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	(5,996)
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.	(32,607)
Change in net position - governmental activities	$ (22,572)

See accompanying notes to the financial statements

Douglas County School District #0001

Statement of Net Position – Proprietary Funds
August 31, 2018 *(Thousands of Dollars)*

	Business-type Activities Enterprise Funds			Governmental Activities
	Foundation	Other	Totals	Internal Service Funds
ASSETS				
Current assets				
Cash and cash equivalents	$ 4,111	2,440	6,551	62,469
Investments	30,908	--	30,908	2,861
Accounts receivable, net	432	1,088	1,520	840
Due from other funds	--	1,237	1,237	--
Promise to give	8,168	--	8,168	--
Prepaid expenses	--	--	--	237
Inventories	--	--	--	3,032
Total current assets	43,619	4,765	48,384	69,439
Noncurrent assets				
Promises to give, net of current	8,089	--	8,089	--
Capital assets, net	636	38	674	6,074
Total assets	52,344	4,803	57,147	75,513
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	--	410	410	9,202
Total assets and deferred outflows of resources	$ 52,344	5,213	57,557	84,715
LIABILITIES				
Current liabilities				
Accounts payable	$ 55	1,339	1,394	1,759
Accrued payroll liabilities	--	500	500	3,554
Other liabilities	243	--	243	--
Due to other funds	--	120	120	--
Total current liabilities	298	1,959	2,257	5,313
Noncurrent liabilities				
Net pension liability	--	981	981	17,056
Total liabilities	298	2,940	3,238	22,369
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	--	752	752	--
Total deferred inflows of resources	--	752	752	--
NET POSITION				
Net investment in capital assets	636	38	674	6,074
Restricted for scholarships and other purposes	30,098	--	30,098	--
Unrestricted				
Designated for scholarships	11,089	--	11,089	--
Undesignated	10,223	1,483	11,706	56,272
Total net position	52,046	1,521	53,567	62,346
Total liabilities, deferred inflows of resources and net position	$ 52,344	5,213	57,557	84,715

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, 2018 *(Thousands of Dollars)*

	Business-type Activities Enterprise Funds			Governmental Activities
	Foundation	Other	Total	Internal Service Fund
OPERATING REVENUES				
School lunch charges	$ --	--	--	3,355
Other operating revenues	30,071	28,529	58,600	5,554
Total operating revenues	30,071	28,529	58,600	8,909
OPERATING EXPENSES				
Salaries	2,344	5,846	8,190	8,898
Employee benefits	259	1,203	1,462	7,996
Purchased services	--	22,806	22,806	1,836
Supplies and materials	200	587	787	14,318
Capital outlay	9	173	182	1,820
Other expenditures	17,183	1,474	18,657	2,436
Commodities expense	416	--	416	--
Total operating expenses	20,411	32,089	52,500	37,304
OPERATING INCOME (LOSS)	9,660	(3,560)	6,100	(28,395)
NON-OPERATING REVENUES				
Employer contribution	--	--	--	12,736
Interest and investment income, net	250	--	250	472
State subsidies	--	822	822	599
Federal subsidies	--	4,728	4,728	27,591
Unrealized/realized gains on investments, net	2,256	--	2,256	--
Total non-operating revenue, net	2,506	5,550	8,056	41,398
CHANGE IN NET POSITION	12,166	1,990	14,156	13,003
NET POSITION, BEGINNING OF YEAR	39,880	(469)	39,411	49,343
NET POSITION, END OF YEAR	$ 52,046	1,521	53,567	62,346

See accompanying notes to the financial statements

Douglas County School District #0001

Statement of Cash Flows – Proprietary Funds
For the Year Ended August 31, 2018 *(Thousands of Dollars)*

	Foundation	Other	Total	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from user charges	$ --	21,878	21,878	3,355
Received from nonrevenue sources	--	--	--	9,191
Received from contributions	25,109	--	25,109	--
Received from other operating receipts	3,308	6,764	10,072	--
Payments to employees	(2,598)	(5,786)	(8,384)	(9,108)
Payments of employee benefits	--	(1,449)	(1,449)	(7,003)
Payments to suppliers for goods and services	(5,622)	(3,004)	(8,626)	(20,078)
Payments for contracted services - transportation	--	(20,389)	(20,389)	--
Payments for scholarships	(413)	--	(413)	--
Payments for grants	(11,863)	--	(11,863)	--
Payments for other expenditures	--	(1,474)	(1,474)	(2,440)
Cash provided by (used in) operating activities	7,921	(3,460)	4,461	(26,083)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal and state subsidies	--	5,550	5,550	28,190
Employer contributions	--	--	--	12,736
Cash provided by noncapital financing activities	--	5,550	5,550	40,926
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Payments for capital assets	(328)	(12)	(340)	(873)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment activity	(6,160)	--	(6,160)	722
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,433	2,078	3,511	14,692
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,678	362	3,040	47,777
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,111	2,440	6,551	62,469

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

	Foundation	Other	Total	Governmental Activities Internal Service Funds
Operating income (loss)	$ 9,660	(3,560)	6,100	(28,395)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	9	173	182	1,868
(Increase) decrease in accounts receivable	(67)	114	47	3,636
Increase in promises to give	(1,587)	--	(1,587)	--
Decrease in inventory and prepayments	7	--	7	329
Increase in deferred outflows of resources	--	(25)	(25)	(6,471)
Increase in accounts payable	30	134	164	(4,307)
Increase in payroll liabilities	--	89	89	(596)
Decrease in other liabilities	(131)	(134)	(265)	--
Decrease in net pension liability	--	(208)	(208)	8,631
Decrease in deferred inflows of resources	--	(43)	(43)	(778)
Net cash provided by (used in) operating activities	$ 7,921	(3,460)	4,461	(26,083)

See accompanying notes to the financial statements

Douglas County School District #0001

Statement of Fiduciary Net Position – Fiduciary Funds
August 31, 2018 ***(Thousands of Dollars)***

	Employee Retirement Plan	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	$ 1,412	248	121
Investments	1,318,105	--	--
Accounts receivable	76,898	--	--
Contributions receivable	6,022	--	--
Prepaid expenses	13	3	--
Capital assets, net	--	7	3
Total assets	1,402,450	258	124
LIABILITIES			
Accounts payable	108,713	1	--
Accrued payroll liabilities	52	--	--
Due to other funds	--	22	--
Other liabilities	--	--	124
Total liabilities	108,765	23	124
NET POSITION			
Restricted for pension benefits and other purposes	$ 1,293,685	235	

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, 2018 ***(Thousands of Dollars)***

		Employee Retirement Plan	Private-Purpose Trusts
ADDITIONS			
Contributions			
Plan member contributions	$	36,327	--
Employer contributions		55,564	--
State contributions		8,498	--
Total contributions		100,389	--
Investment income			
Interest and dividends		12,474	2
Net depreciation in fair value of investments		74,434	--
Total investment income, net		86,908	2
Less investment expense		(1,113)	--
Net investment income		85,795	2
Purchases of service		444	--
Other income		13	329
Total additions		186,641	331
DEDUCTIONS			
Retirement annuities		119,435	--
Refunds to plan members, including interest		5,837	--
Administrative expenses			
Personnel costs		452	--
Professional fees		290	83
Other		125	166
Total deductions		126,139	249
CHANGE IN NET POSITION		60,502	82
NET POSITION, BEGINNING OF YEAR		1,233,183	153
NET POSITION, END OF YEAR	$	1,293,685	235

See accompanying notes to the financial statements

(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 (GAAP).

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, 2018.

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, 2018.

Omaha Public Schools Foundation (Blended Component Unit within Enterprise Funds)

The Omaha Public Schools Foundation (the Foundation), formerly Omaha Schools Foundation, is a governmental 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.

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, 2017.

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, 2018.

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, 2018.

B. Basis of Presentation

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).

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities, which display information about the primary government as a whole. These 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 normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities rely to a significant extent on fees and charges for service.

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

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide 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 fund:

> 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 recognized when earned and expenses are recognized 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.

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 recognized 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 GAAP 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.

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:

August 31, 2018 (Thousands of Dollars)

Buildings and improvements	10 – 30 years
Furniture and equipment, computers and software, art, textbooks and library books, 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.

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 (Note 10). 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. 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 conversion program. The calculation is the same as above.

Total obligations as of August 31, 2018 for compensated absences amounted to $21,382 for the governmental activities, $32 for the business-type activities and $19 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 of unrecognized items not yet charged to pension expense.

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.

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.

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 nonspendable, 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.

August 31, 2018 (Thousands of Dollars)

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 20, 2018 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(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:

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

August 31, 2018 (Thousands of Dollars)

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.

Maturity (Years)	As a Percentage of Market Value
0 to 5	100.00%

Interest Rate Risk

The District's funds at August 31, 2018 contained no individual highly sensitive debt investments with exposure to interest rate changes.

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, 2018:

	Total	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Cash and money market funds	$ 207	207	--	--
International equities	7	7	--	--
FNMA mortgage notes	574	--	574	--
Interest earning investment contracts	2,861	--	2,861	--
U.S. Government and Treasury obligations	55,957	--	55,957	--
Total investments by fair value level	$ 59,606	214	59,392	--
Investments - other				
Certificates of deposit	$ 24,883			

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 backed 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.

August 31, 2018 (Thousands of Dollars)

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, 2017, 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.

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 Agency securities and corporate bonds with a credit rating of "A" or better. Investments subject to credit risk held at December 31, 2017 are categorized as follows:

Credit Rating	
AAA	52.7%
AA	26.3%
A	21.0%

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, 2017:

	Total	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Common stocks	$ 7,713	7,713	--	--
Municipal bonds	1,839	--	1,839	--
Corporate bonds	4,598	--	4,598	--
U.S. Government obligations	346	--	346	--
Real estate investment trusts	210	--	210	--
Mutual funds, money markets, and other	16,202	14,514	1,688	--
Total investments by fair value level	$ 30,908	22,227	8,681	--

August 31, 2018 (Thousands of Dollars)

C. Omaha School Employees' Retirement System (OSERS)

Legal and Contractual

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…*

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:

Asset Class	Policy Target Allocation
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, 2018, 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.

August 31, 2018 (Thousands of Dollars)

Credit Quality Distribution of Securities with Credit Exposures

AAA	$	11,643	6.09%
AA		6,550	3.43%
A		17,167	8.98%
BBB		32,354	16.92%
BB		6,745	3.53%
B		3,830	2.00%
CCC		1,385	0.72%
CC		187	0.10%
D		84	0.04%
NR		111,274	58.19%
Total Value	$	191,219	100.00%

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:

Maturity (Years)		Portfolio Amount
0 to 4	$	54,478
5 to 10		35,038
Over 10		101,703

August 31, 2018 (Thousands of Dollars)

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.

Currency	Market Value	Percentage of Portfolio
Australian Dollar	$ 2,032	0.16%
Brazilian Real	1,536	0.12%
Canadian Dollar	1,573	0.12%
Danish Krone	603	0.05%
EMU (Euro)	20,331	1.54%
Hong Kong Dollar	2,432	0.18%
Indonesian Rupiah	180	0.01%
Japanese Yen	10,207	0.77%
Mexican Peso	483	0.04%
New Zealand Dollar	330	0.03%
Norwegian Krone	524	0.04%
Pound Sterling	7,991	0.61%
South Korean Won	459	0.03%
Swedish Krona	1,222	0.09%
Swiss Franc	5,564	0.42%
Turkish Lira	245	0.02%
Other	530	0.04%
US Dollar	1,261,863	95.73%
Total	$ 1,318,105	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.

August 31, 2018 (Thousands of Dollars)

OSERS has the following recurring fair value measurements at August 31, 2018:

		Total	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level					
Cash equivalents	$	39,792	39,792	--	--
Corporate bonds		59,322	--	59,246	76
Government securities		39,868	--	39,868	--
Municipal bonds and other		3,533	2,402	1,131	--
Asset backed securities		17,539	--	17,198	341
Mortgages		70,997	--	70,997	--
Commingled funds		573,602	46,548	527,054	--
Equity securities		122,866	122,748	106	12
ADR/GDR		5,838	5,838	--	--
Total investments by fair value level		933,357	217,328	715,600	429
Investments measured at the net asset value (NAV)					
Limited partnerships		384,748			
Total investments measured at the NAV		384,748			
Total investments measured at fair value	$	1,318,105			

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, 2018:

		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Limited Partnerships (1)	$	384,748	97,096	Daily	3 - 6 months

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 9.11% of the fund balance as of August 31, 2018. 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:

	Equity Securities	Cash	Market Value
Weitz Fund	$ 58	6	64

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.

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 No. 72.

August 31, 2018 (Thousands of Dollars)

(3) Due From/Due To Other Funds

The detail of interfund receivables and payables at August 31, 2018 is as follows:

Governmental Activities:

		Amount
Due from other funds:		
General	Other Governmental	$ 30
General	Fiduciary	22
General	Special Building	5,000
General	Grant	18,559
General	Cooperative	120
Grant	Grant	16,150
	Total:	39,881
Due to other funds:		
General	Cooperative	1,237
Special Building	General	5,000
Grant	General	18,559
Grant	Grant	16,150
Other Governmental	General	30
	Total:	40,976
		$ (1,095)

Business-Type Activities:

		Amount
Due from other funds:		
Cooperative	General	$ 1,237
Due to other funds:		
Cooperative	General	120
		$ 1,117

Fiduciary Activities:

		Amount
Due to other funds:		
Fiduciary	General	$ 22

August 31, 2018 (Thousands of Dollars)

Interfund receivable and payable balances consist of amounts related to revenue and expenditure transactions during fiscal year 2018 which will be repaid during fiscal year 2019.

(4) Capital Assets, Depreciation and Amortization

Capital asset activity for the year ended August 31, 2018 is as follows:

	Governmental Activities				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable capital assets:					
Land	$ 53,518	4,005	--	--	57,523
Construction in process	180,184	73,788	(31,671)	--	222,301
Total nondepreciable capital assets	233,702	77,793	(31,671)	--	279,824
Depreciable capital assets:					
Buildings and improvements	746,642	43,746	32,209	(1,305)	821,292
Furniture	32	1	--	--	33
Equipment	19,220	3,822	--	(1,286)	21,756
Computers	49,180	6,187	--	(2,042)	53,325
Software	28,433	245	(538)	--	28,140
Art	4,070	--	--	--	4,070
Textbooks and library books	104,676	4,465	--	--	109,141
Vehicles	18,178	706	--	(292)	18,592
Total depreciable capital assets	970,431	59,172	31,671	(4,925)	1,056,349
Less accumulated depreciation/amortization	638,898	41,100	--	(4,486)	675,512
Net depreciable capital assets	331,533	18,072	31,671	(439)	380,837
Net capital assets	$ 565,235	95,865	--	(439)	660,661

	Business-Type Activities				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable capital assets:					
Construction in process	$ 300	321	--	--	621
Depreciable capital assets:					
Buildings and improvements	213	--	--	--	213
Furniture	61	6	--	--	67
Equipment	36	12	--	--	48
Computers	184	--	--	--	184
Art	12	--	--	--	12
Textbooks and library books	22	--	--	--	22
Vehicles	1,811	--	--	--	1,811
Total depreciable capital assets	2,339	18	--	--	2,357
Less accumulated depreciation/amortization	2,122	182	--	--	2,304
Net depreciable capital assets	217	(164)	--	--	53
Net capital assets	$ 517	157	--	--	674

August 31, 2018 (Thousands of Dollars)

	Fiduciary Activities				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Depreciable capital assets:					
Equipment	$ 13	5	--	--	18
Computers	2	2	--	--	4
Textbooks	7	--	--	--	7
Total depreciable capital assets	22	7	--	--	29
Less accumulated depreciation/amortization	16	3	--	--	19
Net capital assets	$ 6	4	--	--	10

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	$ 4,109
Special education	96
Student services	367
Staff support services	787
General administration and board of education	6,291
School administration	15
Business support services	13,104
Building and grounds	86
Building, construction, renovation	15,477
Student transportation	136
Community use of facilities and regular preschool education	602
Early childhood special education	7
Adult basic education	23
Total governmental activities	$ 41,100

August 31, 2018 (Thousands of Dollars)

(5) Long-Term Liabilities

Long-term liabilities of the District as of August 31, 2018 are summarized as follows:

Bond Issue Date	Interest Rates	Balance August 31, 2017	Increases	Decreases	Balance August 31, 2018	Due Within One Year
11/05/2003	None	611	--	--	611	611
12/07/2009	0.99 – 6.07%	18,570	--	645	17,925	675
12/08/2009	1.875%	17,375	--	--	17,375	--
04/01/2010	2.00 - 4.00%	66,865	--	4,340	62,525	4,660
04/01/2010		2,279	--	291	1,988	--
12/09/2010	6.00%	18,920	--	--	18,920	--
12/09/2010	1.12 - 4.53%	2,310	--	540	1,770	590
05/01/2012	1.00 - 5.00%	57,520	--	6,760	50,760	6,790
05/01/2012		6,708	--	874	5,834	--
02/01/2014	1.00 - 5.00%	11,135	--	3,665	7,470	3,715
02/01/2014		435	--	173	262	--
04/07/2015	3.00 - 5.00%	141,000	--	--	141,000	--
04/07/2015		11,646	--	515	11,131	--
12/30/2016	3.00 - 5.00%	141,000	--	--	141,000	--
12/30/2016		13,973	--	573	13,400	--
11/14/2017	3.00 - 5.00%	--	105,470	--	105,470	--
11/14/2017		--	8,251	253	7,998	--
Bond obligations, including unamortized premium		510,347	113,721	18,629	605,439	17,041
Capital lease obligations		432	729	195	966	193
Special termination benefits		11,366	--	1,597	9,769	--
Net pension liability		563,804	206,673	--	770,477	--
		$ 1,085,949	321,123	20,421	1,386,651	17,234

Debt Obligations

A summary of the debt obligations of the District at August 31, 2018 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 November 15, 2018. As of August 31, 2018, the sinking fund established to pay for bonds at maturity had a market value of $621. As of August 31, 2018, 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, 2018, the unmatured balance was $17,925.

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, 2018, the sinking fund established to pay for the bonds at maturity has a market value of $8,894. As of August 31, 2018, 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, 2018, the unmatured balance was $62,525.

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, 2018, the unamortized balance was $1,988.

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, 2018. The unamortized balance at August 31, 2018 was $2,645.

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, 2018, the sinking fund established to pay for the bonds at maturity has a market value of $4,045. As of August 31, 2018, the unmatured balance was $18,920.

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, 2018, the unmatured balance was $1,770.

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, 2018, the unmatured balance was $50,760.

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, 2018, the unamortized balance was $5,834.

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, 2018. The unamortized balance at August 31, 2018 amounted to $3,135.

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, 2018, the unmatured balance was $7,470.

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, 2018, the unamortized balance was $262.

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, 2018. The unamortized balance at August 31, 2018 was $49.

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, 2018, 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, 2018, the unamortized balance was $11,131.

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 3.00% to 5.00%. Final payment is due in December 2040. As of August 31, 2018, 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, 2018, the unamortized balance was $13,400.

General Obligation Bonds – Series 2017

On November 14, 2017, the District issued $105,470 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 interest payment is due in December 2040. As of August 31, 2018, the unmatured balance was $105,470.

The issuance of this resulted in a premium of $8,251. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2018, the unamortized balance was $7,998.

Capital Lease Obligations

The District enters into capital lease obligations for printing equipment. The total cost of the equipment was $966, net of accumulated amortization of $16.

August 31, 2018 (Thousands of Dollars)

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, 2017, the sequestration rate was reduced to 6.6%

Principal and interest requirements for bond obligations outstanding as of August 31, 2018, are as follows:

Years Ending August 31	Bond Requirements	Interest Requirements	Interest Subsidy, Net of Sequestration	Total
2019	$ 17,041	23,045	(1,353)	38,733
2020	16,915	22,476	(1,336)	38,055
2021	18,030	21,828	(1,316)	38,542
2022	18,145	21,096	(1,298)	37,943
2023	18,730	20,349	(1,284)	37,795
2024-2028	115,100	85,871	(6,182)	194,789
2029-2033	131,975	54,507	(1,137)	185,345
2034-2038	134,925	29,037	(63)	163,899
2039-2043	93,965	4,672	--	98,637
	564,826	282,881	(13,969)	833,738
Unamortized premium	40,613			
	$ 605,439			

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

Year Ending August 31	Leasing Obligations	Interest Obligations	Total
2019	193	38	231
2020	186	28	214
2021	194	20	214
2022	202	12	214
2023	191	4	195
Total	$ 966	102	1,068

August 31, 2018 (Thousands of Dollars)

(6) Fund Balance

A summary of governmental fund balances as of August 31, 2018 is as follows:

		General Operating Fund	Special Building Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total
Fund balances:							
Nonspendable -							
Inventories	$	2,070	--	--	--	245	2,315
Prepaid expenses		991	--	272	--	875	2,138
Restricted -							
Debt service		--	--	--	42,290	--	42,290
Capital projects		--	94,420	--	--	--	94,420
Grants		--	--	9,773	--	--	9,773
Qualified purpose		--	--	--	--	16,538	16,538
ESU No. 19		--	--	--	--	1,578	1,578
Committed to -							
KIOS		--	--	--	--	894	894
Central office and school support		21,600	--	--	--	--	21,600
Assigned to -							
School activity		--	--	--	--	1,440	1,440
Student fees		--	--	--	--	(16)	(16)
Central office and school support		941	--	--	--	--	941
Unassigned		109,077	--	--	--	--	109,077
Total fund balance	$	134,679	94,420	10,045	42,290	21,554	302,988

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
2018	18.68%	20.76%
2017	18.47%	21.25%
2016	14.49%	15.29%

(7) 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, by phone at 531-299-0329, or by mail at 3215 Cuming Street, Omaha, NE 68131-2024.

August 31, 2018 (Thousands of Dollars)

Membership Information

Membership consisted of the following as of January 1, 2017, the valuation date used to measure the total pension liability at August 31, 2017:

Retirees and beneficiaries receiving benefits	4,542
Inactive members entitled to but not yet receiving benefits	1,035
Inactive nonvested members entitled to refund of contributions	347
Active plan members	7,462
Total	13,386

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. 2018) 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, 2018, the actuarial determined contribution resulted in an additional required contribution of $18,862. Total additional contributions made by the District during the year ended August 31, 2018 amounted to $18,900. The State of Nebraska also contributes 2% of employees' compensation.

For the fiscal year ending August 31, 2018, total contributions by the District to OSERS, including the additional amounts to maintain solvency, amounted to $55,591. Total contributions from the State of Nebraska amounted to $8,498.

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.

August 31, 2018 (Thousands of Dollars)

Net Pension Liability

The total pension liability was measured as of August 31, 2017 and was determined by an actuarial valuation performed as of January 1, 2017, using standard actuarial formulae and using the following key actuarial assumptions:

Actuarial Assumptions:

Price Inflation	2.75%
Wage Inflation	3.25%
Long-term Rate of Return	7.50%
Municipal Bond Index Rate	3.53%
Single Equivalent Interest Rate	7.50%
Salary Increases	3.75% to 6.25%
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 2014 Mortality Table, female rates set back 1 year and male rates set forward 1 year, projected on a generational basis using Scale MP-2016. Post-retirement mortality rates were based on the same rates as the pre-retirement tables. Post-disability mortality rates were based on the RP-2014 Disabled Retiree Mortality Table, without generational improvement.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of the most recent actuarial experience study dated April 5, 2017, which covered the five year period ending August 31, 2016.

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, 2017 was 7.50%. The discount rate at the prior measurement date was 8.00%.

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. In addition, if the statutory contribution rate is less than the actuarial determined contribution, the District will contribute the difference.
c. State contribution rate: 2% of the members' compensation.
d. Administrative expenses in the prior year were projected forward with price inflation as an estimate for administrative expenses in current and future years. The portion of expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each year for the remainder of the existing members to the total covered payroll for all members.

August 31, 2018 (Thousands of Dollars)

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 of 7.5% 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 April 5, 2017. 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 3.53% on the measurement date.

Periods of projected benefit payments: Projected future benefit payments for all current OSERS members were projected through 2116.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity	26.1%	6.3%
Small cap equity	2.9%	6.8%
Global equity	15.0%	7.2%
International developed equity	10.8%	7.2%
Emerging markets	2.7%	7.5%
Core bonds	20.0%	2.9%
High yield investments	3.5%	5.4%
Bank loans	5.0%	4.4%
International bonds	1.5%	2.2%
Real estate	7.5%	5.7%
Private equity	5.0%	8.5%
Total	100%	

August 31, 2018 (Thousands of Dollars)

Sensitivity analysis: The following presents the net pension liability of the District, calculated using the discount rate of 7.5%, as well as the District's net pension liability calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate:

		1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	$	1,135,946	866,938	643,769

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.

Changes in the Net Pension Liability

		Increase (Decrease)		
		(a) Total Pension Liability	(b) Fiduciary Net Position	(c) Net Pension Liability
Balance, August 31, 2016	$	1,866,456	1,188,496	677,960
Changes for the year -				
Service cost at end of year		37,821	--	37,821
Interest on total pension liability		144,648	--	144,648
Differences between expected and actual experience		26,757	--	26,757
Changes of assumptions		141,348	--	141,348
Contributions - employer		--	47,981	(47,981)
Contributions - State		--	6,897	(6,897)
Contributions - member		--	34,883	(34,883)
Net investment income (loss)		--	73,217	(73,217)
Benefit payments, including member refunds		(118,997)	(118,997)	--
Administrative expense		--	(1,384)	1,384
Other		2,088	2,090	(2)
Net changes		233,665	44,687	188,978
Balance, August 31, 2017	$	2,100,121	1,233,183	866,938

August 31, 2018 (Thousands of Dollars)

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, 2018, the District reported a liability of $770,477 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2017. A 30 year projection of contributions discounted back to the measurement date using the current year measurement period discount rate was utilized to determine the ratio of the present value of future contributions. This was used as the basis for determining the employer proportionate share of the collective pension amount as it represents the long term contribution effort to OSERS. At the August 31, 2017 measurement date, the District's proportionate share was 88.873252%

The State of Nebraska's proportionate share of the collective net pension liability amounted to $96,462. At the August 31, 2017 measurement date, the State's proportionate share was 11.126748%. The District recognized revenue in the amount of $13,646 for the support provided by the State of Nebraska.

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

For the year ended August 31, 2018, the District recognized pension expense of $85,463. At August 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$	111,996	10,621
Changes of assumptions		104,401	--
Differences between expected and actual experience		24,013	1,356
Changes in proportion and differences between contributions and proportionate share of contributions		25,750	--
District contributions subsequent to the measurement date		55,591	--
	$	321,751	11,977

Deferred outflows of resources related to pensions included $55,591 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, 2018. 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:		Amount
2019	$	65,655
2020		76,276
2021		48,988
2022		35,108
2023		28,156
	$	254,183

Payable to the Pension Plan

At August 31, 2018, the District reported a payable of $3,066 for the outstanding amount of legally required District contributions for August 2017 and $3,065 for legally required employee contributions withheld from employee wages which had not yet been remitted to OSERS.

(8) 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, 2018.

(9) Postemployment Benefits Other than Pensions (OPEB)

Plan Description

The District is a member of the Educator's Health Alliance, the largest insurance pool in the state of Nebraska. Under the pool, the District participates in a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Each employer in the pool is funded through a separate insurance contract. No assets are accumulated in a trust.

OPEB Benefits

Individuals who are employed by the District and have participated in the group health plan for at least five years prior to retirement are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the District's established premiums for the elected medical and prescription drug benefits coverage. The District does not provide any rate subsidies for the retirees electing coverage as the premiums for retirees is slightly different than premiums for active employees, however, the health insurance coverage terms are the same as coverage for active employees, which results in an implicit rate subsidy and an OPEB liability.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for OPEB plans. Actuaries estimate such liabilities using assumptions that include:

- Termination rates
- Mortality rates
- Retirement rates
- Discount rates
- Healthcare cost increases
- Premiums
- Inflation rates
- Post-retirement participation rates

The accuracy of these assumptions is critical in establishing an appropriate OPEB liability for the District. The District has not yet gathered necessary historical data to provide to an actuary to determine whether recognition of an estimated OPEB liability is necessary at August 31, 2018.

(10) Termination 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, 2018, the obligation under the termination benefit amounted to $916, 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, 2018 the District has obligations to 213 participants with a total liability of $9,388. 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, 2018 amounted to $3,375.

The special termination benefits under the early retirement plan was discontinued for the 2018-2019 school year.

(11) Deficit Net Position

The District had a deficit unrestricted net position of $375,350 at August 31, 2018 primarily due to recognizing the net pension liability.

August 31, 2018 (Thousands of Dollars)

(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, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Omaha	Tax Increment Financing	$16,925
City of Bellevue	Tax Increment Financing	$ 85

(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, 2018.

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, Series 2016 and Series 2017 General Obligation Bonds, the District has entered into various construction contracts amounting to approximately $186,400 for the construction of new school facilities and renovation and improvement to existing facilities. The District has commitments of approximately $74,820 remaining on various construction contracts at August 31, 2018.

Litigation

From time to time, the District is involved in litigation and regulatory investigations arising in the normal course of business. 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 authorized the issuance of $80,000 in general obligation bonds originally approved by residents of the District as part of the $409,900 bond measure passed in 2018, to be used for funding construction costs through the Special Building Fund. Sale of the bonds is expected in November 2018.

Douglas County School District #0001

Required Supplementary Information
Budgetary Comparison Schedule – General Fund (with legally adopted budgets)
For the Year Ended August 31, 2018 (Thousands of Dollars)

		General Operating Fund				
Function		Final Adopted Budget	Transfers In/Out	Revised Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ 141,652		141,652	141,652	--
	RECEIPTS					
	Local sources					
	Taxes					
1110	Property taxes - general purpose	226,283	--	226,283	194,652	(31,631)
1111	Property taxes - learning community	--	--	--	9,873	9,873
1115	Carline tax	70	--	70	135	65
1120	Public power district sales tax	8,130	--	8,130	8,733	603
1125	Motor vehicle taxes	22,194	--	22,194	22,930	736
1230	Tuition from other districts (special ed)	230	--	230	132	(98)
1250	Summer school tuition and fees	89	--	89	68	(21)
1260	Adult education tuition and fees	3	--	3	1	(2)
1410	Interest	20	--	20	1,215	1,195
1610	Local license fees and fines	3	--	3	3	
1620	Police court fines	1,000	--	1,000	1,173	173
1910	Rental of school facilities	412	--	412	353	(59)
	Total local sources	258,434	--	258,434	239,268	(19,166)
	County sources					
2110	County fines and license fees	2,100	--	2,100	1,777	(323)
	State sources					
3110	State aid	288,228	--	288,228	288,228	--
3120	Special education	26,000	--	26,000	26,444	444
3125	Special education transportation	7,600	--	7,600	7,692	92
3130	Homestead exemption	--	--	--	6,942	6,942
3131	Property tax credit	--	--	--	8,905	8,905
3132	Personal property tax credit	--	--	--	312	312
3160	Ward of state reg	50	--	50	--	(50)
3161	Ward of state spec ed	50	--	50	--	(50)
3180	Pro-rate motor vehicle	600	--	600	579	(21)
3200	State apportionment	8,600	--	8,600	8,984	384
3990	Other state receipts	--	--	--	14	14
	Total state sources	331,128	--	331,128	348,100	16,972
	Federal sources					
4450	Medicaid in public schools	450	--	450	76	(374)
4850	Universal Service Fund	591	--	591	915	324
4990	Other federal categorical receipts	480	--	480	511	31
	Total federal sources	1,521	--	1,521	1,502	(19)
	Non-revenue receipts					
5400	Sale of property	30	--	30	20	(10)
5690	Other non-revenue receipts	6,231	--	6,231	7,823	1,592
	Total non-revenue receipts	6,261	--	6,260	7,843	1,582
	Total receipts	599,444	--	599,444	598,490	(954)
	DISBURSEMENTS					
1100	Regular instruction	287,541	659	288,200	278,297	9,903
1200	Special education	73,205	150	73,354	71,631	1,723
	Support services					
2100	Pupils	35,362	33	35,395	35,419	(24)
2200	Staff	18,148	(507)	17,642	16,667	975
2520	Vehicle acquisition and maintenance	1,191	--	1,191	359	832
2600	Maintenance and operation of bldg/plant	56,650	(89)	56,562	54,784	1,778
2750	Regular pupil transportion	23,633		23,633	19,848	3,785
2760	Special education pupil transportation	16,404		16,404	14,861	1,543
	General and administrative					
2310	Board of education	723	--	723	428	295
2320	Executive administration	10,508	38	10,546	10,393	153
2400	Office of the principal	36,372	(163)	36,209	36,346	(137)
2510	Business services	33,315	(9)	33,307	34,527	(1,220)
3000	State programs	5,304	(99)	5,204	4,530	674
4000	Federal programs	2,888	(13)	2,874	2,169	705
6000	Summer school	6,398	--	6,398	5,260	1,138
7000	Adult education	202	--	202	176	26
5000	Debt service	1,000	--	1,000	1,078	(78)
	Total disbursements	608,844	--	608,844	586,773	22,071
	EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(9,400)	--	(9,400)	11,717	(23,024)
	FUND BALANCE, end of year	$ 132,252	--	132,252	153,368	21,115
	ANALYSIS OF FUND BALANCE					
	Cash and cash equivalents				$ 132,206	
	Receivables				23,004	
	Prepaids				40	
	Inventory and other debits				1,181	
	Payables				(3,063)	
					$ 153,368	

See accompanying independent auditor's report

Douglas County School District #0001

Required Supplementary Information
Budgetary Comparison Schedule – Grant Fund (with legally adopted budgets)
For the Year Ended August 31, 2018 (Thousands of Dollars)

		Grant Funds		
Function		Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ (2,200)	(2,200)	--
	RECEIPTS			
	Local sources			
1410	Interest	--	14	14
1925	Categorical grants from corporations	22,425	13,944	(8,481)
1990	Other local receipts	--	1	1
	Total local sources	22,425	13,959	(8,466)
	State sources			
3135	High-ability learners	3,550	330	(3,220)
3155	Textbook loan	--	142	142
3540	State early childhood	1,200	1,455	255
	Total state sources	4,750	1,927	(2,823)
	Federal sources			
4200	Title 1	27,000	26,393	(607)
4300	Title II	3,000	4,136	1,136
4400	IDEA	16,250	8,357	(7,893)
4455	Medicaid administrative activities	4,500	874	(3,626)
4700	Federal vocation & applied technology educ.	--	756	756
4910	Indian education	--	200	200
4915	Title I, Part C	1,350	1,217	(133)
4925	Title III, Part A	1,450	946	(504)
4940	Head Start	7,500	7,414	(86)
4990	Other federal categorical receipts	--	4,836	4,836
	Total federal sources	61,050	55,129	(5,921)
	Non-revenue receipts			
5690	Other non-revenue receipts	--	2,282	2,282
	Total non-revenue receipts	--	2,282	2,282
	Total receipts	88,225	73,299	(14,926)
	DISBURSEMENTS			
1100	Regular instruction	37,157	30,744	6,413
1200	Special education	5,364	4,458	906
	Support services			
2100	Pupils	3,476	3,472	4
2200	Staff	7,358	2,890	4,468
2591	Building and sites	5,293	6,532	(1,239)
	General and administrative			
2320	Executive administration	3,149	1,098	2,051
2400	Office of the principal	--	1	(1)
2510	Business services	181	4,862	(4,681)
3000	State programs	13,697	13,543	154
4000	Federal programs	12,075	12,009	66
7000	Adult education	474	633	(158)
	Total disbursements	88,225	80,242	7,983
	DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	--	(6,943)	(22,909)
	FUND BALANCE, end of year	$ (2,200)	(9,143)	(6,943)
	ANALYSIS OF FUND BALANCE			
	Cash and cash equivalents		$ 9,099	
	Receivables		16,154	
	Payables		(34,396)	
			$ (9,143)	

See accompanying independent auditor's report

Douglas County School District #0001

Required Supplementary Information
Budgetary Comparison Schedule – General and Grant Funds
(with legally adopted budgets)
For the Year Ended August 31, 2018 (Thousands of Dollars)

Budget to GAAP Reporting Reconciliation – Governmental Funds

The accompanying schedule of receipts, 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, 2018 are presented below.

General Operating Fund		
Excess of receipts over disbursements (budgetary basis)	$	11,717
Adjustments:		
Record change in receivables		7,210
Record change in inventories		(8)
Record change in prepaids		(541)
Record change in payables		(794)
Change in fund balance (GAAP basis)	$	17,584

Grant Fund		
Deficiency of receipts over disbursements (budgetary basis)	$	(6,943)
Adjustments:		
Record change in receivables		10,305
Record change in prepaids		59
Record change in payables		(2,980)
Change in fund balance (GAAP basis)	$	441

Douglas County School District #0001

Required Supplementary Information
Schedule of Changes in the Net Pension Liability
For the Year Ended August 31, 2018 (Thousands of Dollars)

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

		2018	2017	2016	2015
Total pension liability					
Service cost	$	37,821	39,451	38,242	36,090
Interest		144,648	138,933	133,950	128,868
Differences between expected and actual experience		26,757	7,104	(2,960)	--
Changes of assumptions		141,348	--	--	--
Other		2,088	1,946	2,920	2,276
Benefit payments, including refunds of employee contributions		(118,997)	(113,106)	(106,735)	(100,810)
Net change in total pension liability		233,665	74,328	65,417	66,424
Total pension liability - beginning		1,866,456	1,792,128	1,726,711	1,660,287
Total pension liability - ending (a)		2,100,121	1,866,456	1,792,128	1,726,711
Plan fiduciary net postion					
Contributions - employer		47,981	33,903	33,109	31,913
Contributions - state		6,897	6,661	6,453	6,285
Contributions - member		34,883	33,764	32,584	31,596
Net investment income		73,217	15,375	(51,214)	153,982
Benefit payments, including refunds of employee contributions		(118,997)	(113,106)	(106,735)	(100,810)
Administrative expense		(1,384)	(1,290)	(814)	(897)
Other		2,090	2,082	3,003	2,305
Net change in plan fiduciary net position		44,687	(22,611)	(83,614)	124,374
Plan fiduciary net position - beginning		1,188,496	1,211,107	1,294,721	1,170,347
Plan fiduciary net position - ending (b)		1,233,183	1,188,496	1,211,107	1,294,721
Net Pension Liability (a-b)	$	866,938	677,960	581,021	431,990
Plan fiduciary net position as a percentage of the total pension liability		58.72%	63.68%	67.58%	74.98%
Covered-employee payroll	$	356,676	345,231	333,166	323,074
Employers' net pension liability as a percentage of covered payroll		243.06%	196.38%	174.39%	133.71%

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, 2018 (Thousands of Dollars)

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

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	$	55,526	50,777	31,004	28,161	27,940	30,990	29,040	30,262	27,049	20,333
Employer statutory		36,664	35,231	33,903	33,109	31,913	29,581	28,861	26,336	25,331	22,148
Employer additional		18,900	12,750	--	--	--	--	4,330	--	--	3,171
Total actual contributions		55,564	47,981	33,903	33,109	31,913	29,581	33,191	26,336	25,331	25,319
Annual contribution deficiency (excess)	$	(38)	2,796	(2,899)	(4,948)	(3,973)	1,409	(4,151)	3,926	1,718	(4,986)
Covered-employee payroll	$	371,440	356,676	345,231	333,166	323,074	313,946	307,258	310,229	302,229	287,770
Actual contributions as a percentage of covered-employee payroll		14.96%	13.45%	9.82%	9.94%	9.88%	9.42%	10.80%	8.49%	8.38%	8.80%

See accompanying independent auditor's report

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 (January 1 starting 2017) listed below:

2018: The 2017 session of the Nebraska Legislature enacted Legislative Bill 415 (LB415), which changed the retirement provisions for members hired on or after July 1, 2018 to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2018 is set at age 60 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced at age 60 with 85 points. Early retirement eligibility is age 60 with five years of service. No medical COLA is provided for members hired on or after July 1, 2018.

2017: The 2016 session of the Nebraska Legislature enacted Legislative Bill 447 (LB 447), which changed the retirement provisions for members hired on or after July 1, 2016 to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2016 is set at 35 years of services, 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 medical COLA is provided for members hired on or after July 1, 2016.

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 form 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:

1/1/2017 valuation:

- The investment return assumption was lowered from 8% to 7.5%.
- The inflation assumption was lowered from 3% to 2.75%.
- The assumed interest rate credited on employee contributions was lowered from 3% to 2.75%.
- The general wage increase assumption was lowered from 4% to 3.25%.
- The mortality assumption was changed to the RP-2014 Mortality Table, with a one-year age set forward for males and a one-year age setback from females. Generational mortality improvements are modeled using the MP-2016 scale.
- Retirement rates were modified for both certificated and classified employees.
- The probability of electing a refund at termination was modified for classified employees.
- Termination rates for certificated employees were changed to be the same regardless of gender, and are purely service-based for both certificated and classified employees.
- The salary increase assumption was changed to a service-based assumption for both certificated and classified employees.
- The amortization of the UAAL was changed to a “layered” approach with new pieces of UAAL amortized over a 25-year period beginning on the valuation date. The legacy UAAL continues to be amortized on its current schedule.
- The valuation date changed from September 1 to January 1.

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 form 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.

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, 2017 (based on the January 1, 2017 actuarial valuation).

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Layered basis with remaining periods ranging from 25 to 27 years
Asset valuation method	Market related smoothed value
Price inflation	2.75%
Salary increases, including wage inflation	3.75% to 6.25%
Long-term rate of return, net of investment expense, and including inflation	7.50%
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), if hired before July 1, 2016

Douglas County School District #0001

Other Supplementary Information
Budgetary Comparison Schedule – Special Building Fund
For the Year Ended August 31, 2018 (Thousands of Dollars)

Function		Special Building Fund Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ 108,337	108,337	--
	RECEIPTS			
	Local sources			
	Taxes			
1110	Property taxes - general purpose	--	1	1
1410	Interest	685	1,603	918
5100	Sale of bonds	125,130	113,721	(11,409)
5690	Other receipts	646	761	115
	Total receipts	126,461	116,086	(10,375)
	DISBURSEMENTS			
2515-300	Purchased services	7,774	5,335	2,439
2515-500	Capital outlay	9,369	2,813	6,556
2515-510	Site acquisition and improvements	6,398	4,981	1,417
2515-520	Building acquisition and improvements	214,517	106,542	107,975
2515-600	Other expenses	407	118	289
5000-607	Repayment of taxes paid	2	--	2
	Total disbursements	238,467	119,789	118,678
	DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(112,006)	(3,703)	108,303
	FUND BALANCE, end of year	$ (3,669)	104,634	108,303
	ANALYSIS OF FUND BALANCE			
	Cash and cash equivalents		$ 72,282	
	Investments		43,179	
	Payables		(10,827)	
			$ 104,634	

See accompanying independent auditor's report

Douglas County School District #0001

Other Supplementary Information
Budgetary Comparison Schedule – Debt Service Fund
For the Year Ended August 31, 2018 (Thousands of Dollars)

Function		Debt Service Fund Final Adopted Budget	Debt Service Fund Actual Amounts Budgetary Basis	Debt Service Fund Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ 37,709	37,709	--
	RECEIPTS			
	Taxes			
1110	Property taxes	34,374	32,629	(1,745)
1115	Carline tax	11	21	10
3130	Homestead exemption	--	899	899
3180	Pro-rate motor vehicle	72	237	165
1410	Interest	76	221	145
1990	Other local receipts	1,352	1,390	38
3990	Other state receipts	--	2	2
5100	Sale of bonds	36,321	--	(36,321)
	Total receipts	72,206	35,399	(36,807)
	DISBURSEMENTS			
5000-607	Repayment of taxes paid	150	309	(159)
5000-610	Redemption of principal	14,765	14,765	--
5000-620	Debt service interest	19,057	19,353	(296)
5000-690	Other miscellaneous expense	40,000	--	40,000
	Total disbursements	73,972	34,427	39,545
	EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,766)	972	2,738
	FUND BALANCE, end of year	$ 35,943	38,681	2,738
	ANALYSIS OF FUND BALANCE			
	Cash and cash equivalents		$ 13,830	
	Investments		24,851	
			$ 38,681	

See accompanying independent auditor's report

Douglas County School District #0001

Other Supplementary Information
Budgetary Comparison Schedule – Other Governmental Funds
For the Year Ended August 31, 2018 (Thousands of Dollars)

			Qualified Capital Purpose Fund		
Function			Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$	2,478	2,478	--
	RECEIPTS				
	Taxes				
1110	Property taxes		6,194	5,403	(791)
1115	Carline tax		4	4	--
3130	Homestead exemption		251	176	(75)
3180	Motor vehicle taxes		26	13	(13)
1410	Interest		1	7	6
1990	Other local receipts		436	238	(198)
3990	Other state receipts		--	4	4
	Total receipts		6,912	5,845	(1,067)
	DISBURSEMENTS				
2515-100	Salaries		593	494	99
2515-200	Employee benefits		240	195	45
2515-300	Purchased services		1,139	1,126	13
2515-520	Building acquisition and improvements		50	3	48
2515-600	Other expenses		77	42	35
5000-607	Repayment of taxes paid		30	57	(27)
5000-610	Redemption of principal		2,896	2,747	149
5000-620	Debt service interest		2,624	1,210	1,414
	Total disbursements		7,649	5,874	1,776
	DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS		(737)	(29)	709
	FUND BALANCE, end of year	$	1,741	2,449	709
	ANALYSIS OF FUND BALANCE				
	Cash and cash equivalents			$ 2,449	
				$ 2,449	

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, 2018 (Thousands of Dollars)

		Student Fee Funds		
Function		Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ --	--	--
	RECEIPTS			
	Extracurricular activity fees	772	612	(160)
1741	Total receipts	772	612	(160)
	DISBURSEMENTS			
	Other expenses	800	628	172
2100-600	Total disbursements	800	628	172
	DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(28)	(16)	12
	FUND BALANCE, end of year	$ (28)	(16)	12
	ANALYSIS OF FUND BALANCE			
	Payables		$ (16)	
			$ (16)	

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, 2018 (Thousands of Dollars)

		Activity Funds		
Function		Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ 1,627	1,627	--
	RECEIPTS			
1710	Activities receipts	--	848	848
1990	Other local receipts	--	688	688
5690	Other nonrevenue receipts	5,760	3,563	(2,197)
	Total receipts	5,760	5,099	(661)
	DISBURSEMENTS			
2515-300	Purchased services	--	721	(721)
2515-400	Supplies and materials	--	479	(479)
2515-500	Capital outlay	--	2	(2)
2515-600	Other expenses	6,500	3,970	2,530
	Total disbursements	6,500	5,172	1,328
	DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(740)	(73)	667
	FUND BALANCE, end of year	$ 887	1,554	667
	ANALYSIS OF FUND BALANCE			
	Cash and cash equivalents		$ 1,548	
	Investments		10	
	Receivables		11	
	Payables		(15)	
			$ 1,554	

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, 2018 (Thousands of Dollars)

Function			ESU No. 19 Funds Final Adopted Budget	ESU No. 19 Funds Actual Amounts Budgetary Basis	ESU No. 19 Funds Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$	5,970	5,970	--
	RECEIPTS				
1000	Local receipts		19,548	15,573	(3,975)
3000	State receipts		3,046	3,217	171
5000	Nonrevenue receipts		2,424	4,975	2,551
	Total receipts		25,018	23,765	(1,253)
	DISBURSEMENTS				
1100	General education instructional		--	104	(104)
2100	Student non-instructional support services		3,355	3,099	256
2200	Support services - staff		749	624	125
2300	Board of control and general administration		13	12	1
2900	Materials and equipment services		1,430	1,348	82
3550	Core services & technology infrastructure		23,486	20,298	3,188
5000	Debt services		25	16	9
	Total disbursements		29,058	25,501	3,557
	DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS		(4,040)	(1,736)	2,304
	FUND BALANCE, end of year	$	1,930	4,234	2,304
	ANALYSIS OF FUND BALANCE				
	Cash and cash equivalents		$	4,075	
	Inventory and other assets			159	
			$	4,234	

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, 2018 (Thousands of Dollars)

		KIOS - Funds 911 & 915		
Function		Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ 1,226	1,226	--
	RECEIPTS			
	Local sources			
1410	Interest	--	12	12
1925	Categorical grants from corporations	1,225	--	(1,225)
1990	Other local receipts	--	1,003	1,003
	Total local sources	1,225	1,015	(210)
	Nonrevenue receipts			
5690	Other nonrevenue receipts	--	(5)	(5)
	Total receipts	1,225	1,010	(215)
	DISBURSEMENTS			
	Support services			
2200	Staff	1,225	1,055	170
	Total disbursements	1,225	1,055	170
	DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	--	(45)	45
	FUND BALANCE, end of year	$ 1,226	1,181	(45)
	ANALYSIS OF FUND BALANCE			
	Cash and cash equivalents		$ 798	
	Investments		91	
	Receivables		292	
			$ 1,181	

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, 2018 (Thousands of Dollars)

		Depreciation Funds		
Function		Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ 5,247	5,247	--
	RECEIPTS			
1410	Interest	--	41	41
5500	Transfers from the general fund	2,492	1,000	(1,492)
	Total receipts	2,492	1,041	(1,451)
	DISBURSEMENTS			
2500-500	Capital outlay	5,000	776	4,224
	Total disbursements	5,000	776	4,224
	EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(2,508)	265	2,773
	FUND BALANCE, end of year	$ 2,739	5,512	2,773

ANALYSIS OF FUND BALANCE	
Cash and cash equivalents	$ 5,512
	$ 5,512

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, 2018 (Thousands of Dollars)

Function		Employee Benefit Funds Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ 11,289	11,289	--
	RECEIPTS			
1410	Interest	--	97	97
5500	Transfers from the general fund	--	5,240	5,240
5690	Other nonrevenue receipts	3,729	3,067	(663)
	Total receipts	3,729	8,404	4,674
	DISBURSEMENTS			
2500-200	Employee benefits	11,100	6,769	4,331
	Total disbursements	11,100	6,769	4,331
	EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(7,371)	1,635	9,005
	FUND BALANCE, end of year	$ 3,918	12,924	9,005
	ANALYSIS OF FUND BALANCE			
	Cash and cash equivalents		$ 12,458	
	Investments		2,861	
	Receivables		252	
	Payables		(2,647)	
			$ 12,924	

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, 2018 (Thousands of Dollars)

			Contingency Funds		
Function			Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$	10,909	10,909	--
	RECEIPTS				
1410	Interest		--	142	142
5500	Transfers from the general fund		185	12,625	12,440
	Total receipts		185	12,767	12,582
	DISBURSEMENTS				
2310-643	Judgements/settlements		11,000	1,238	9,762
	Total disbursements		11,000	1,238	9,762
	EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS		(10,815)	11,529	22,344
	FUND BALANCE, end of year	$	94	22,438	22,344
	ANALYSIS OF FUND BALANCE				
	Cash and cash equivalents			$ 22,438	
				$ 22,438	

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, 2018 (Thousands of Dollars)

		School Lunch Funds		
Function		Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ 23,547	23,547	--
	RECEIPTS			
1410	Interest	2	192	190
1720	Sale of lunches/milk	3,527	3,165	(362)
1990	Other local receipts	--	191	191
3150	State reimbursement	248	297	49
4800	Federal reimbursement	18,094	26,623	8,529
4945	Child and adult care food program	1,334	968	(366)
5690	Other nonrevenue receipts	--	193	193
	Total receipts	23,205	31,629	8,424
	DISBURSEMENTS			
2100-100	Salaries	10,998	9,169	1,829
2100-200	Employee benefits	3,238	3,929	(691)
2100-300	Purchased services	1,272	3,079	(1,807)
2100-400	Supplies and materials (excluding food)	1,640	1,718	(78)
2100-470	Food	24,044	12,453	11,591
2100-500	Capital outlay	138	48	90
2100-600	Other expenses	123	57	66
	Total disbursements	41,453	30,453	11,000
	EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(18,248)	1,176	19,424
	FUND BALANCE, end of year	$ 5,299	24,723	19,424
	ANALYSIS OF FUND BALANCE			
	Cash and cash equivalents		$ 22,061	
	Receivables		6	
	Inventory and other assets		2,656	
			$ 24,723	

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, 2018 (Thousands of Dollars)

		Cooperative Funds		
Function		Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	$ (253)	(253)	--
	RECEIPTS			
1990	Other local receipts	3,000	1,508	(1,492)
4990	Other federal categorical receipts	--	1,011	1,011
5690	Other receipts	39,975	20,371	(19,604)
	Total receipts	42,975	22,890	(20,085)
	DISBURSEMENTS			
1160-110	Salary - Teachers	1,500	743	757
1160-140	Salary - Clerical and paraprofessional staff	--	11	(11)
1160-200	Employee benefits	250	244	6
1160-300	Purchased services	500	253	247
1160-400	Supplies and materials	500	90	410
1160-600	Other expenses	250	46	204
2100	Total support services - pupils	--	20,321	(20,321)
2510	Total general administration - business services	40,000	55	39,945
4990	Other federal categorical expenditures	--	962	(962)
	Total disbursements	43,000	22,725	20,275
	EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(25)	165	190
	FUND BALANCE, end of year	$ (278)	(88)	190
	ANALYSIS OF FUND BALANCE			
	Cash and cash equivalents		$ 32	
	Payables		(120)	
			$ (88)	

See accompanying independent auditor's report

Douglas County School District #0001

Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Indentifying Number	Federal CFDA Number	Passed Through to Subrecipients	Expenditures of Federal Awards
U.S. DEPARTMENT OF EDUCATION				
Direct Programs				
Indian Education	S060A170926	84.060A		$ 213,164
Total Direct Programs				213,164
Passed through the State of Nebraska Department of Education				
Special Education (IDEA) Cluster				
IDEA Base & Enrollment/Poverty	18-(4404,4410,4411,4412)-00-19-028-0001-18	84.027		13,333,476
IDEA Base Pre School	18-4406-00-19-028-0001-18	84.173		238,223
IDEA Part B - RDA TIP Support Grant	18-0001-248-DTIPS20-18	84.027		225,210
Total Special Education (IDEA) Cluster				13,796,909
Title I				
Title I Basic	18-4200-00-019-028-0001-18	84.010A		29,169,148
Title I Part A Accountability	18-4210-00-019-028-0001-18	84.010		654,882
Total Title I				29,824,030
Title I Part D Neglected and Delinquent	18-4230-00-19-028-0001-18	84.013A		198,308
Career/Technical Education - Basic Grants	18-4700-00-19-028-0001-18	84.048		893,033
SPED Planning Region Team Grant	18-4415-00-19-028-0001-18	84.181		32,542
State Personnel Development Grant	18-4690-62-19-28-0001	84.323A		1,040
SIG (School Improvement Grant)	2017-19-028-0001-185-SIG	84.377		404,840
Title II Part A	18-4310-00-19-028-0001-18	84.367A		3,196,497
Title I Migrant	18-4915-00-19-028-0001-18	84.011		1,276,269
McKinney-Vento Homeless Education Assistance	18-4990-00-19-028-0001-18	84.196		87,000
Title III - Immigrant Education	18-4926-00-19-028-0001-18	84.365A		192,377
Title III - Limited English	18-4925-00-19-028-0001-18	84.365A		1,014,877
Title IV - Student Support and Academic Enrichment	18-4967-00-19-028-0001-18	84.424A		91,516
				7,388,298
Total passed through the State of Nebraska Department of Education				51,009,238
Total U.S. DEPARTMENT OF EDUCATION				51,222,402
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the State of Nebraska Department of Education				
Child Nutrition Cluster				
USDA School Lunch and Breakfast	13898414	10.555		24,335,482
Summer Food Program	13898114	10.559		788,796
Passed through the State of Nebraska Department of Health and Human Services				
Food Commodities Received - Non Cash Award	47600262900	10.553		2,371,394
Total Child Nutrition Cluster				27,495,672
Passed through the State of Nebraska Department of Education				
Child and Adult Care Food Program	13899414	10.558		1,550,206
Fruit/Vegetable Program	13897314	10.582		916,927
Total passed through the State of Nebraska Department of Education				2,467,133
Total U.S. DEPARTMENT OF AGRICULTURE				29,962,805
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Direct Programs				
Head Start	07CH010261-03	93.600	$ 2,895,626	7,453,340
Passed through the Nebraska Department of Health & Human Services				
Refugee School Impact Grant	90ZE0214-02-00/2018NERSOC	93.566		119,224
Passed through the Nebraska Schools Medicaid Consortium				
Medical Assistance Program	051005NE5ADM	93.778		874,390
Total U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				8,446,954
U.S. DEPARTMENT OF DEFENSE				
Direct Program				
ROTC	0812.18JROTC	12.357		510,636
Total EXPENDITURES OF FEDERAL AWARDS			$ **2,895,626**	**90,142,797**

The accompanying notes are an integral part of this schedule

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2018

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, 2018. 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.

SEIM JOHNSON

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, 2018, 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 20, 2018. Our report expressed a modified opinion on such financial statements because we were unable to obtain sufficient audit evidence relative to an estimate of OPEB liability at August 31, 2018. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified However, as described in the schedule of findings and questioned costs, we did identify certain deficiencies that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questions costs as item 2018-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questions costs as item 2018-002 to be a significant deficiency.

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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.*

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Seim Johnson, LLP

Omaha, Nebraska,
November 20, 2018.

SEIM JOHNSON

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, 2018. 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 $3,511,573 in federal awards which is not included in the schedule of expenditures of federal awards of the District during the year ended August 31, 2018. 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, 2018.

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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.

Seim Johnson, LLP

Omaha, Nebraska.
November 20, 2018.

Douglas County School District #0001

Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2018

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: Qualified

Internal control over financial reporting:

• Material weakness(es) identified?	x Yes	____ No
• Significant deficiency(ies) identified?	x Yes	____ 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 federal 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 federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Education Agencies (Title I, Part A of the ESEA)
84.367	Supporting Effective Instruction State Grants (Title II, Part A)
93.778	Medical Assistance Program (Medicaid; Title XIX)

Dollar threshold used to distinguish between type A and type B programs	$2,704,284

Auditee qualified as low-risk auditee?	x Yes	____ No

II. FINANCIAL STATEMENT FINDINGS

2018-001
MATERIAL WEAKNESS

Criteria:	GASB Statement No. 16, *Accounting for Compensated Absences*, defines the recognition criteria for accounting and reporting of compensated absences.
Condition:	Management did not initially calculate an appropriate liability for accrued sick leave balances due to employees of the District. Both the initial and revised calculations provided by management for audit were not calculated accurately.
Context:	An adjusting entry of approximately $4,700,000 was required to appropriately state the District's liability for accrued sick leave. An uncorrected misstatement was also identified related to the accrued sick leave liability resulting from inappropriate rounding of eligibility periods.
Cause:	Management's internal processes used to track, accrue and record accrued sick leave did not function appropriately. Initial calculations prepared by management included employees which were not eligible to accumulate sick leave balances, and management's initial revision of its calculation was also calculated incorrectly.
Effect:	Accrued sick leave balances were overstated by approximately $4,700,000 in the District's financial statements presented for audit.
Recommendation:	We recommend management review, revise, centralize and document its processes procedures over calculating its accrued sick leave liabilities to ensure accurate reporting in future periods
Views of Responsible Officials and Planned Corrective Action:	See attached Corrective Action Plan

2018-002
SIGNIFICANT DEFICIENCY

Criteria:	The design of operation of the District's internal controls over its financial reporting process should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in the basic financial statements on a timely basis.
Condition:	The preparation of financial statements requires tremendous detail. The financial statements prepared by management for audit required several adjusting entries, including some identified by management, in order to fairly state the District's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).
Context:	The District prepares its interim financial statements throughout the fiscal year on the cash basis of accounting and performs a conversion of the statements to the modified accrual and full accrual basis, as applicable, for financial reporting purposes at the end of its fiscal year. This is a significant undertaking, and a very complex process. After management provided its initial financial statements, sixteen audit adjustments, including six provided by management, were required to fairly state the District's financial statements in accordance with GAAP.

Cause:	Due to an internal accounting software update and conversion, as well as time constraints related to the period between the end of the District's fiscal year and the reporting deadline imposed by the Nebraska Department of Education, management was unable to complete a thorough review of its financial statements prior to beginning the audit process.
Effect:	Sixteen audit adjustments were required to present basic combined financial statements and notes to the financial statements in accordance with GAAP.
Recommendation:	We recommend management review its closing schedule and financial statement preparation processes in an effort to identify efficiencies that may allow management to produce accurate, timely financial statements.
Views of Responsible Officials and Planned Corrective Action:	See attached Corrective Action Plan

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal award findings or questioned costs reported.

Douglas County School District #0001

Corrective Action Plan
For the Year Ended August 31, 2018

Finding No. 2018-001

Criteria: GASB Statement No. 16, *Accounting for Compensated Absences*, defines the recognition criteria for accounting and reporting of compensated absences.

Condition: Management did not initially calculate an appropriate liability for accrued sick leave balances due to employees of the District. Both the initial and revised calculations provided by management for audit were not calculated accurately.

Planned Corrective Action: The District has formed a team consisting of individuals from Benefits department and Financial Analysts in the Accounting department to review and make required modifications to the current process. The net results of this team have been already been implemented. Those actions are as follows:

- Moving the running of the primary reports up by a week to allow for all time to be processed and reviewed by the Benefits staff prior to releasing it to Accounting and Finance
- Centralizing the reviewing the data and calculating the distributions to the Financial Analyst
- Establishing primary points of contact information interpretations
- Training of the Financial Staff in how the calculations are made

Finding No. 2018-002

Criteria: The design of operation of the District's internal controls over its financial reporting process should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in the basic financial statements on a timely basis.

Condition: The preparation of financial statements requires tremendous detail. The financial statements prepared by management for audit required several adjusting entries, including some identified by management, in order to fairly state the District's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Douglas County School District #0001

Corrective Action Plan
For the Year Ended August 31, 2018

Planned Corrective Action: The District has initiated review of all of Accounting and Finance processes with respect to financial statement preparation and data processing to identify and implement any necessary changes to current processes that will allow for production of accurate and timely financial statements. This review will focus on three main themes:

- Processing monthly financial statements and streamlining the reconciliation and review processes.
- Early identification of entries that will require modifications in the movements from cash to modified basis of accounting.
- Elimination of self-imposed bottle necks by cross training accounting staff in arears outside their primary responsibilities.

Respectfully submitted by:

Michael Kunkle
Manager
Accounting Manager
Omaha Public Schools