

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

New Issue--Book-Entry Only

Ratings: S&P: AA+
Moody's: Aa2

Preliminary Official Statement Dated November 13, 2018

In the opinion of Bond Counsel, under existing laws, regulations and court decisions and subject to the qualifications set forth herein under "TAX EXEMPTION," interest on the Bonds is not includable in gross income for purposes of regular federal and Nebraska state income taxation. Interest on the Bonds is not subject to the alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended (the "Code"), but is required to be included in the calculation of adjusted current earnings to be used in computing corporate alternative minimum taxable income for taxable years beginning prior to January 1, 2018. See the caption "TAX EXEMPTION" herein.

\$80,000,000*

**DOUGLAS COUNTY SCHOOL DISTRICT 0001
(OMAHA, NEBRASKA, PUBLIC SCHOOLS)
GENERAL OBLIGATION BONDS, SERIES 2018**

Dated: Date of Delivery

Due: December 15 (see inside cover)

The General Obligation Bonds, Series 2018 (the "Bonds") are issuable as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry only form, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing June 15, 2019*. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal or redemption price of and interest on the Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE BONDS--Global Book-Entry Bonds." U.S. Bank National Association will act as paying agent and registrar for the Bonds. For terms relating to payments made to DTC or its nominee or in the event that the use of book-entry form is discontinued, see "THE BONDS."

MATURITY SCHEDULE*

(See Inside Cover Page)

The Bonds are payable from ad valorem taxes, unlimited as to rate and amount, levied by the District against all taxable property in the District. The full faith and credit of the District are pledged to the prompt payment of the principal of and interest on the Bonds. The Bonds are subject to optional redemption prior to maturity at any time on or after the tenth anniversary of the date of original issue, as described herein.

The Bonds are the first series of bonds issued pursuant to authorization of the voters of the District at the May 2018 statewide primary election at which the issuance by the District of \$409,900,000 of general obligation bonds was approved. As approved, the authorized bonds are to be issued to pay for building two high schools, one middle school and two elementary schools and furnishing and equipping the same, construction of capital improvements, additions, renovations, relocations and replacements of existing school buildings and furnishing and equipping the same, providing for air quality, heating, ventilation and air conditioning, life safety and energy improvements and upgrades for existing school buildings, and other capital projects, land acquisition, and furnishings and equipment relating to new and existing school buildings, and to pay costs of issuance for the Bonds. Proceeds of the Bonds are expected to be applied to the projects described in **Appendix A – The Projects**.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered in book-entry form, when, as and if issued and received by [_____] (the "Initial Purchaser"), and subject to the approval of legality by Baird Holm LLP, Omaha, Nebraska, Bond Counsel and General Counsel for the District, and certain other conditions. It is expected that the Bonds will be available for delivery through The Depository Trust Company, in New York, New York, on or about December 6, 2018.

[_____]

AMERITAS INVESTMENT CORP
Financial Advisor to the District

* Preliminary, subject to change

MATURITY SCHEDULE*

<u>Maturity December 15,</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price (%)</u>	<u>CUSIP</u>
2027	\$2,000,000			
2028	2,000,000			
2029	2,000,000			
2030	2,000,000			
2031	2,000,000			
2032	3,000,000			
2033	3,000,000			
2034	4,000,000			
2035	5,000,000			
2036	5,000,000			
2037	5,000,000			
2038	5,000,000			
2039	5,000,000			
2040	5,000,000			
2041	10,000,000			
2042	10,000,000			
2043	10,000,000			

* Preliminary, subject to change

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesperson or other person has been authorized by the District or the Initial Purchaser to give any information or to make any representations, other than those contained in this Official Statement with respect to the Bonds, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the District and other sources which are believed to be reliable. Nothing contained in the Official Statement is, or shall be relied on, as a promise or representation by the Initial Purchaser. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any offer or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date of this Official Statement.

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SUCH SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS ANY DOCUMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE TERMS OF THE OFFERING. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

OFFICIAL STATEMENT
relating to
\$80,000,000*
GENERAL OBLIGATION BONDS, SERIES 2018
ISSUED BY
DOUGLAS COUNTY SCHOOL DISTRICT 0001
(OMAHA, NEBRASKA, PUBLIC SCHOOLS)

INTRODUCTION

This Official Statement, including the inside cover page, is furnished in connection with the offering of \$80,000,000* of General Obligation Bonds, Series 2018 (the “Bonds”) of Douglas County School District 0001 (Omaha, Nebraska, Public Schools) (the “District”) as approved by the Board of Education of the District (the “Board”) pursuant to a resolution adopted by the Board on October 15, 2018 (the “Resolution”). The issuance by the District of \$409,900,000 in aggregate principal amount of its general obligation bonds was approved by a majority of the electors of the District voting on the proposition at the statewide primary election held on May 15, 2018. The Bonds are the first in a series of bonds issued pursuant to such authorization. See Appendix A – Future Financing Plans.

Forward Looking Statements. This Official Statement, including Appendix A, may contain statements which should be considered “forward-looking statements,” meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as “plan,” “expect,” “estimate,” “budget” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not expect or intend to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or fail to occur.

This Official Statement speaks only as of its date. The information contained in this Official Statement is subject to change. The District has no obligation to update the information in this Official Statement, except as described under the heading “CONTINUING DISCLOSURE UNDERTAKING”. Summaries and explanations of the Bonds, the Resolution and the statutes and other documents described herein do not purport to be complete and reference should be made to such sources for the complete provisions.

THE BONDS

Terms

The Bonds will bear an original issue date of the date of delivery, will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement.

Payment of Principal and Interest; Denominations

The principal of the Bonds due at maturity is payable upon presentation and surrender of the Bonds to U.S. Bank National Association, as the Paying Agent and Registrar (the “Registrar”) at the designated corporate trust office of the Registrar in St. Paul, Minnesota. The interest on the Bonds is payable on June 15 and December 15 of each year, beginning on June 15, 2019*, by check or draft mailed (or by wire transfer in the case of Cede & Co. as nominee for DTC) by the Registrar directly to the persons who are the registered owners as of the close of business on the last business day of the month immediately preceding the month in which each respective interest payment date occurs. The Bonds are issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof and are transferable as provided in the Resolution.

Global Book-Entry Bonds

The Bonds initially will be available to the ultimate purchasers in global book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased, except as described below and in Appendix C.

* Preliminary, subject to change

The description set forth in Appendix C of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to Participants (as defined in Appendix C) or Beneficial Owners (as defined in Appendix C) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Participants and Beneficial Owners of the Bonds, is based solely on information furnished by DTC. Accordingly, the District, the Registrar and the Initial Purchaser do not make any representations concerning these matters, and the Beneficial Owners of the Bonds should not rely on the information set forth in Appendix C with respect to such matters, but should instead confirm the same with the Participants from whom they purchased the Bonds.

The District and the Registrar will not have any responsibility or obligation to Participants, to Indirect Participants (as defined in Appendix C) or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant (as defined in Appendix C) or any Indirect Participant; (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal or redemption price of or interest on the Bonds; (iii) any notice which is permitted or required to be given to bondholders under the Resolution; (iv) the selection by DTC or any Direct or Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; or (v) any consent given or other action taken by DTC as registered owner of the Bonds.

The information set forth in Appendix C has been provided by DTC. No representation is made by the District, the Registrar or the Initial Purchaser as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof. The Beneficial Owners of the Bonds will rely on DTC Participants or Indirect Participants for timely payments and other notices and for otherwise making available to the Beneficial Owners the rights of a bondholder. No assurances can be given, in the event of the bankruptcy or insolvency of DTC or the Direct Participant or Indirect Participant through which a Beneficial Owner holds beneficial interest in the Bonds, that payment will be made by DTC, the Direct Participant or the Indirect Participant on a timely basis.

Notice to Bondholders

Notice of any proposed modification or amendment of the Resolution by means of a supplemental resolution that is to be effective with the consent of the registered owners of the Bonds as well as all notices of redemption, if any, will be mailed or otherwise sent to DTC, as the registered owner of the Bonds then outstanding.

No assurance can be given by the District or the Registrar that DTC will distribute to the Participants, or that the Participants will distribute to the Beneficial Owners, (i) payment of debt service on the Bonds paid to DTC, or its nominee, as the registered owner, or (ii) any redemption or other notices, or that DTC or the Participants will serve and act on a timely basis or in the manner described in this Official Statement.

Optional Redemption

The Bonds are subject to optional redemption prior to maturity at any time on or after the tenth anniversary of the date of original issue, as described herein.

Purpose and Authority

The proceeds of the Bonds will be used by the District to pay for building two high schools, one middle school and two elementary schools and furnishing and equipping the same, construction of capital improvements, additions, renovations, relocations and replacements of existing school buildings and furnishing and equipping the same, providing for air quality, heating, ventilation and air conditioning, life safety and energy improvements and upgrades for existing school buildings, and other capital projects, land acquisition, and furnishings and equipment relating to new and existing school buildings, and to pay costs of issuance for the Bonds. Proceeds of the Bonds are expected to be applied to the projects described in **Appendix A – The Projects**.

The Bonds are being issued pursuant to Sections 10-701 to 10-716.01, R.R.S. Neb. 2012, as amended. The issuance by the District of \$409,900,000 in aggregate principal amount of its general obligation bonds was approved by a majority of the electors of the District voting on the proposition at the statewide primary election held on May 15, 2018. The Bonds are the first in a series of bonds issued pursuant to such authorization.

Security

The Bonds are the general obligations of the District. As such, they are payable from ad valorem taxes, unlimited by law as to rate and amount, levied against all taxable property in the District, sufficient to pay the interest on and principal of

the Bonds as the same become due. The full faith and credit of the District have been pledged to the prompt payment of the principal of and interest on the Bonds.

Transfer of Bonds

The Bonds are transferable upon presentation for cancellation to the Registrar at its designated corporate trust office, initially its trust office in St. Paul, Minnesota. To be transferred, any Bonds must be accompanied by a written instrument of transfer in form satisfactory to the Registrar and must be accompanied by such signature guaranties and other evidence as the Registrar may require. Upon surrender of any Bond in proper form, the Registrar will deliver at its office or send by registered mail to the transferee owner or owners at such transferee owner's or owners' risk and expense, a new Bond or Bonds of the same maturity, interest rate and aggregate principal amount registered in the name of the transferee owner or owners. To the extent of the denominations permitted by the Resolution, one Bond may be transferred for several Bonds of a like maturity, interest rate and aggregate principal amount and several Bonds may be transferred for one or several Bonds, respectively, of the same maturity, interest rate and aggregate principal amount. Transfer of interests by Beneficial Owners, so long as there is a securities depository serving will be governed by the procedures described under "THE BONDS - Global Book-Entry Bonds" and as described in Appendix C.

SOURCES AND USES OF FUNDS

<u>Sources:</u>	
Bond Proceeds:	\$
Total Sources:	\$
<u>Uses:</u>	
Deposit to 2018 Construction Fund Account:	\$
Initial Purchaser's discount:	
Estimated Costs of Issuance and Rounding Amount (Including Bond Counsel, Financial Advisor and Rating Agency Fees):	
Total Uses:	\$

THE DISTRICT

The District is a Class V School District under Sections 79-102 and 79-409, R.R.S. Neb. 2014, as amended, and is the largest school district in Nebraska. The District covers 134 square miles and serves over sixteen percent (16%) of Nebraska's public school students. For detailed information concerning the District, see Appendix A.

[NO FURTHER TEXT ON THIS PAGE]

DEBT SERVICE ON THE BONDS*

The following table shows the debt service on the Bonds, based upon the maturity schedule and interest rates shown on the inside cover page of this Official Statement.

<u>Fiscal Year</u> <u>(Ending August 31)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$0	_____	_____
2020	0	_____	_____
2021	0	_____	_____
2022	0	_____	_____
2023	0	_____	_____
2024	0	_____	_____
2025	0	_____	_____
2026	0	_____	_____
2027	0	_____	_____
2028	\$2,000,000	_____	_____
2029	2,000,000	_____	_____
2030	2,000,000	_____	_____
2031	2,000,000	_____	_____
2032	2,000,000	_____	_____
2033	3,000,000	_____	_____
2034	3,000,000	_____	_____
2035	4,000,000	_____	_____
2036	5,000,000	_____	_____
2037	5,000,000	_____	_____
2038	5,000,000	_____	_____
2039	5,000,000	_____	_____
2040	5,000,000	_____	_____
2041	5,000,000	_____	_____
2042	10,000,000	_____	_____
2043	10,000,000	_____	_____
2044	10,000,000	_____	_____
Total	<u>\$80,000,000</u>	<u>\$_____</u>	<u>\$_____</u>

See Appendix A – “OUTSTANDING INDEBTEDNESS OF THE DISTRICT” and the District’s financial statements for descriptions of other outstanding indebtedness of the District.

* Preliminary, subject to change

CONTINUING DISCLOSURE UNDERTAKING

Undertaking

In accordance with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, as amended, the District has agreed in the Resolution (the "Undertaking") to provide the continuing disclosure information as set forth in Appendix D to this Official Statement.

Compliance with Prior Undertakings

The District's outstanding bonds were downgraded (i) on October 6, 2017, by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, to an assigned rating of "AA+" from an assigned rating of "AAA", and (ii) on September 29, 2017 by Moody's Investors Service to an assigned rating of "Aa2" from an assigned rating of "Aa1." The District failed to file, in a timely manner, a notice reporting this change in rating. Such notice has been subsequently filed. Any failure to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market.

BONDHOLDERS' RISKS

Prospective investors should carefully consider the risk factors set forth below and the other information included in this Official Statement. The risks described below are not the only risks that the District faces and the following discussion of risk factors is not, and is not intended to be, exhaustive. Additional risks and uncertainties not currently known to the District or that it currently believes are immaterial may also impair its operations. Any of these risks may have a material adverse effect on the District's financial condition. Bondholders may lose all or part of their investment in the Bonds.

1. Limitation of Rights Upon Insolvency. The State of Nebraska has authorized its political subdivisions to seek relief under the United States Bankruptcy Code by statute. The United States Bankruptcy Code enables debtors, including school districts, which are insolvent to obtain relief through petition and plan which may result in the modification or delay of payments to creditors, including bondholders. In the event of any insolvency upon the part of the District, the holders of the Bonds would be treated as general creditors of the District along with other unsecured claimants. The extent to which any applicable exceptions from limitations upon overall tax rates provided for in existing legislation, including the Tax Limitations and the Budget Limitations (see "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION"), might entitle bondholders to be treated as a separate class or otherwise given priority over other unsecured claimants is a matter that would be subject to future determinations of Nebraska state and federal courts interpreting and applying both state law and the United States Bankruptcy Code. Legislation has been introduced in the Nebraska Legislature to address the relative rights of holders of general obligation bonds such as the Bonds against other creditors. It cannot be predicted whether any such proposal will be enacted into law. Procedures under the Bankruptcy Code or other insolvency laws could result in delays in payment and modifications of payment rights.
2. Nebraska Developments Related to Budgets and Taxation. The Nebraska Legislature has taken actions designed to reduce the reliance of local governmental units on property taxation. For a discussion of certain related legislation, see "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION."
3. Economic Downturn/Decreased Nebraska State Tax Revenues. The State of Nebraska, like many other states, has periodically experienced decreased collections of revenues as a result of the impact of general economic conditions on enterprises in Nebraska. In response, the Nebraska Legislature passed legislation which eliminates or reduces state aid to certain political subdivisions, including counties and cities, and legislation which may reduce state aid to school districts. Further reductions in state expenditures affecting political subdivisions are likely to be considered from time to time as a result of economic conditions or in connection with tax cuts. Legislation affecting the taxing powers of political subdivisions, particularly with respect to occupation taxes, is also under consideration. Economic downturns also impact sales tax receipts and may have a delayed impact on determinations of valuations for local property taxes. See "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION – State Aid Limitations" herein.
4. Proposed Tax Legislation. Legislative and budget proposals have been released in recent years that would, among other things, subject interest on tax-exempt bonds (including the Bonds and other tax-exempt obligations of the District) to a federal income tax for taxpayers with incomes above certain thresholds. Additional proposals affecting tax-exempt interest may be considered from time to time which could limit the availability of or eliminate

federally tax-exempt interest on tax-exempt bonds. It is not possible to predict whether such proposals, or other proposals with similar effects, will be enacted into law. If enacted into law, such a proposal could affect the value or marketability of tax-exempt bonds (including the Bonds) and bondholders' tax liability, and could adversely affect the ability of the District to finance and/or refinance projects on favorable tax-exempt terms. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds.

NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION

Budget and Levy Limitations

The District's principal sources of revenue for its general fund are local property taxes as levied by the District, allocations from the Learning Community (derived by the Learning Community from local property taxes), State aid and, for certain prior fiscal years (but not the current fiscal year or any future years), amounts received under the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). The State aid formula has been revised several times in recent years. In addition, the Learning Community common levy has been repealed which will result in each member school district of the Learning Community being permitted, beginning with the 2017-2018 school year, to assess its own \$0.95 levy to replace funds previously generated through the Learning Community levy. See "Learning Community" below. A variety of factors including taxable valuations and per student costs and unique student needs are used to determine State aid. Budget limitations are discussed below.

The Nebraska Legislature has enacted legislation intended to reduce the level of property taxation and political subdivision expenditures in the State. Such legislation provides for budget limitations and places limits on the rate of taxation for general property taxes. Budget limitations relating to school districts (Section 79-1023 and related sections, the "Budget Limitations") limit the growth in general fund expenditures for school districts. Tax levy limitations (Section 77-3442 as amended, and related sections, the "Levy Limitations") provide for an overall limitation on the tax levies of school districts and other political subdivisions. The Budget Limitations, because they apply only to general fund expenditures, do not limit budgeting of expenditures for debt service on bonded debt, nor do they limit building fund and certain other special fund expenditures. The Levy Limitations provide for an express exclusion from the limitations for property tax levies for bonded indebtedness.

Budget Limitations. The Budget Limitations are subject to review and revision by the Nebraska Legislature. Over the past several legislative sessions, the Budget Limitations have been significantly revised and they are likely to be further revised in future legislative sessions.

Under the current requirements, on or before March 1 of each year, the Nebraska Department of Education must determine and certify to each school district the budget authority of each school district for the general fund budget of expenditures for the following fiscal year. Certain items are excluded from the calculation, including certain expenditures for which the District is permitted by statute to exceed limitations, expenditures for which voters have approved exceeding the limitations and expenditures in certain cases in which the District has elected to carry forward unused budget authority.

The Nebraska Department of Education follows the statutory formula in Section 79-1023 to determine the budget authority of each school district. The formula takes into account various factors, including (i) formula need (as provided for in Section 79-1007.11), (ii) student growth adjustment (as provided for in Section 79-1007.20), (iii) basic allowable growth rate (which is the base limitation provided for in Section 77-3446; currently set at 2.5%), and (iv) special education budget expenditures.

Levy Limitations. Under the Levy Limitations the rates for levying property taxes have been reduced for each type of governmental unit in the State of Nebraska. The rate for school districts generally is set at no more than \$1.05 per one hundred dollars (\$100) of taxable value. Property tax levies to pay bonded debt are not included in such limitations.

Because the Bonds are the general obligations of the District payable from the special property tax levy authorized by law, neither the tax levy nor the corresponding expenditures to pay debt service on the Bonds are subject to the Budget Limitations or the Levy Limitations.

State Aid Limitations

State aid is funded through the collection of statewide sales and income taxes. Legislative enactments in recent years have both increased and decreased the amounts of funds available for State aid to school districts, as well as established and revised procedures and formulae for the distribution of State aid to school districts.

The State of Nebraska, like many other states, has experienced decreased collections of revenues as general economic conditions have impacted the State. Such decreased collections have resulted in lower forecasts of revenues for budgeting purposes. State aid amounts may also be subject to legislative changes in the relevant statutes as to methods of allocation. Future general state aid payments may also be reduced or increased based upon a variety of factors set forth in the statutes currently governing such aid and the Legislature's ability and willingness to make appropriations for school districts. For the 2018-2019 year, the District expects to receive a total of \$275,686,280 in Total Certified State Aid, which is a decrease of \$12,541,655 from the State aid of \$288,227,935 budgeted for the prior fiscal year. Methods for providing for financing cities, schools and other local units in the future may depend upon actions by the Nebraska Legislature, initiative proposals by voters and decisions of the Nebraska Supreme Court and Federal courts. In particular, see "Learning Community" below.

Learning Community

The Nebraska Legislature enacted legislation (consisting principally of LB 1024 in 2006, LB 641 in 2007 and LB 988 and LB 1154 in 2008, referred to in combination and after taking into consideration changes made by such later bills and by LB 545 and LB 549 as enacted in 2009, as the "Douglas/Sarpy School Legislation"). This legislation was enacted to resolve certain controversies related to school funding, student transfer policies, provisions for education of lower income students, differences in socio-economic diversity and territorial claims and disputes among various school districts located in Douglas and Sarpy Counties. The Douglas/Sarpy School Legislation created a "Learning Community" composed of all school districts located within Douglas County and Sarpy County, including the District. The Learning Community came into being in January 2009, following election of the 18 voting members of its governing body. Twelve members were elected from six voting districts at the general election in November 2008. Six additional members from each of the six voting districts were elected by the boards of education having territory within such districts. Each such board-elected representative must be a member of one or another of the electing boards of education and must reside in that voting district. LB 1067, which was enacted in 2016, reduced the size of the governing board, beginning January 5, 2017, from 18 to 12 members by eliminating the members elected by the boards of education. Non-voting members may be appointed to represent school districts not represented by voting members of the governing body of the Learning Community.

Prior to the 2017-2018 fiscal year, the Learning Community could levy a maximum levy up to 95¢ per \$100 of taxable valuation (and in addition, could also levy up to 2¢ for special building fund purposes). In addition to any legislative and/or voter approved levy exclusions, each school district within the Learning Community could make a levy of up to \$1.05 per \$100 of taxable valuation, reduced by the levy rate or rates for the Learning Community for general fund and special building fund purposes (the "Differential Levy"). Tax receipts attributable to the Learning Community's general fund levy were to be distributed in accordance with each district's proportionate "formula need" as determined under statutes governing distribution of state aid after taking into consideration state aid as certified to be received and certain other receipts. In addition, the Learning Community could levy up to 5¢ per \$100 of taxable valuation for remodeling leased elementary learning facilities and up to 15¢ per \$100 of taxable valuation for elementary learning center employees, for contracts with other entities or individuals who are not employees of the learning community, for elementary learning center programs and services, and for pilot projects.

Prior to the 2017-18 school year, the Learning Community levied 95¢ per one hundred dollars (\$100) of taxable valuation within the Learning Community and distributed collections of such levy to its members (the "Common Levy"). In April 2016, the Nebraska Legislature adopted, and the Governor signed, LB1067 which, among other things, eliminated the Common Levy after the 2016-17 fiscal year. Commencing with the 2017-18 fiscal year, rate of levy for school districts in the Learning Community, including the District, may not exceed more than \$1.05 per one hundred dollars (\$100) of taxable value. LB1067 maintains the Learning Community structure and its programs, including two elementary learning centers and several early childhood education programs. The new law also requires the 11 school districts to work together to raise educational achievement among all metro-area students. In exchange for eliminating the Common Levy, LB1067 increased state support for the districts and the Learning Community.

As member districts and the Nebraska Legislature experience the effects of the Learning Community and the Douglas/Sarpy School Legislation, further modifications of the Douglas/Sarpy School Legislation are possible. No predictions can be made concerning the enactment of any such proposed legislation or its impact on the District. The actual operational effect of the Douglas/Sarpy School Legislation (and any amendments or modifications thereto) may differ materially from any currently anticipated or projected effects.

TAX EXEMPTION

The following is a summary of the material federal income tax consequences of holding and disposing of the Bonds. This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), existing proposed, temporary, and final Treasury Department regulations, and administrative rulings and judicial decisions, all as now in effect; and all of which are subject to change (possibly on a retroactive basis).

Except for the income tax laws of the State of Nebraska to the extent addressed below, no information regarding state, local or foreign tax law is provided. This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to specialized tax treatment, such as dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt institutions, foreign persons, individual retirement accounts and other tax deferred accounts.

Prospective investors should consult with their own tax advisors concerning the federal, state, local and other tax consequences of investing in the Bonds.

1. Federal Tax Exemption. Interest on the Bonds will not be includable in gross income for purposes of determining federal income taxes.

2. The Bonds are not Private Activity Bonds. The Bonds are being issued for essential governmental purposes and will not be “private activity bonds” as described in the Code. In connection with the issuance of the Bonds, the District will certify that none of the proceeds of the Bonds will be used to acquire property for which any persons will be a user other than as a member of the general public under the terms of the Code. The District will also certify that none of the proceeds of the Bonds will be used to make or finance loans to any person. Because the Bonds will not be “private activity bonds” as described in the Code, interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations; provided that such interest may be subject to the additional corporate alternative minimum tax on “adjusted current earnings”, which is described below.

3. The Bonds will not be Arbitrage Bonds under the Terms of the Code. In connection with the issuance of the Bonds, the District will certify certain of its expectations and anticipations with respect to the Bonds. Under certain circumstances, failure to pay rebates on a timely basis can result in a retroactive loss of tax-exempt status for bonds. Although the Code provides that the determination of whether or not a bond is an arbitrage bond is to be based upon reasonable expectations at the time of issuance, it also contains language which indicates that a bond is to be treated as an arbitrage bond “if the issuer intentionally uses any portion of the proceeds of the issue” to acquire higher yielding investments or replace funds which were used directly or indirectly to acquire such higher yielding investments. The Resolution will include a covenant on the part of the District to take all actions necessary to preserve the tax-exempt status of interest on the Bonds under the Code.

4. Other Tax Consequences. Under the Code, while interest on the Bonds is exempt as to taxpayers generally, such income may result in adverse federal income tax consequences to certain taxpayers, including, without limitation, individual recipients of social security or railroad retirement benefits, corporations subject to the additional alternative minimum tax, casualty and insurance companies, foreign corporations, and certain S corporations with “excess net passive income”. Investors with social security or railroad retirement income may have a tax imposed upon such social security or railroad retirement income depending upon whether or not they have received tax-exempt income such as interest on the Bonds. Corporations subject to the additional alternative minimum tax on “adjusted current earnings” for taxable years beginning prior to January 1, 2018, may be required to pay taxes on a portion of the interest income which is attributable to the Bonds. Casualty and insurance companies will be required to take into consideration tax-exempt interest income in determining losses for certain purposes. Foreign corporations may be required to take into account interest on the Bonds in computing the branch profits tax under Section 884 of the Code. Certain S Corporations may also be required to take interest on the Bonds into consideration for certain federal income tax purposes. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of the Bonds should consult with their own tax advisors concerning the applicability of these tax consequences and other federal income tax consequences of investment in the Bonds.

5. Financial Institutions - Deductibility of Attributable Interest. The Bonds are not “qualified tax-exempt obligations” of purposes of Section 265 of the Code. Under the Code, financial institutions are not allowed to deduct any portion of the interest expense allocable to the acquisition or carrying of certain tax-exempt bonds acquired after August 7, 1986,

unless such bonds have been designated by the issuer as “qualified tax-exempt obligations” under the Code. Financial institutions considering a purchase of the Bonds are advised that the Bonds have not been and cannot be so designated because of the size of the issue.

6. Changes in Federal and State Tax Law. From time to time, there are legislative proposals in Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. Litigation and/or regulatory action relating to such matters may also be commenced or continued. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. As noted above, the opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation. See “BONDHOLDERS’ RISKS – Proposed Tax Legislation” herein. Prospective purchasers should consult their own advisors with respect to state and local tax consequences of owning the Bonds.

7. Original Issue Discount and Premium. The initial public offering prices for certain of the Bonds (“Premium Bonds”) may be more than the principal amount payable at maturity. The initial public offering prices for other Bonds (“OID Bonds”) may be less than the principal amount payable at maturity. Following are general statements relating to Premium Bonds and OID Bonds.

Premium Bonds. Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof constitutes a “bond premium.” Under the Code, bond premium is amortized over the term of a Premium Bond for federal income tax purposes. As premium is amortized, the owner’s basis in the bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium attributable to such owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the bond prior to its maturity. The amount of the amortizable bond premium attributable to each tax year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. Even though the owner’s basis is reduced, no federal income tax deduction is allowed for the amortizable bond premium attributable to a taxable year. Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

OID Bonds. The difference between the initial public offering price, as set forth on the cover page hereof, of an OID Bond and the principal payable with respect to such OID Bond at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, subject to the provisions described above. In the case of an owner of an OID Bond, the amount of original issue discount which is treated as having accrued with respect to such OID Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such OID Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes. Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual OID Bond bearing original issue discount, on days which are determined by reference to the maturity of such OID Bond. The amount treated as original issue discount on such OID Bond for a particular semiannual accrual period is equal to (i) the product of (a) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (b) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, (ii) less the amount of any payments on such OID Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which would have been treated as original issue discount for such purposes during all prior periods. If such OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period. Owners of OID Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to OID Bonds as of any date, with respect to the accrual of original issue discount for such OID Bonds purchased in the secondary markets and with respect to the state and local tax

consequences of owning and disposing of OID Bonds.]

8. Nebraska Tax Exemption. Under existing laws, interest on the Bonds is not subject to the Nebraska state income tax except to the extent that such interest is subject to federal income taxes.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance and delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the District, nor the title of the members of the Board or other officers of the District to their respective offices is being contested or questioned. In connection with the closing of the sale of the Bonds, the District is expected to provide a closing certification that no such litigation is pending or, to the best of its knowledge, threatened, which would affect or question the validity of the Bonds.

LEGAL MATTERS

All legal matters incidental to the authorization, issuance, sale and validity of the Bonds are subject to the approval of Baird Holm LLP, Omaha, Nebraska, Bond Counsel and General Counsel to the District. The legal opinion of Bond Counsel will be provided to the purchaser at the time of delivery. The proposed form of opinion of Bond Counsel is attached to this Official Statement as Appendix E. Bond Counsel has examined a transcript of the District's proceedings and relied thereon without undertaking to verify the same by independent investigation. The legal opinion of Bond Counsel does not address the sufficiency of this Official Statement or any of the information contained herein, and Bond Counsel undertakes no responsibility therefor.

UNDERWRITING

[_____], as Initial Purchaser, has agreed to purchase the Bonds from the District at the price of \$_____ (which amount takes into consideration the Initial Purchaser's discount in the amount of \$_____ and aggregate original issue _____ of \$_____, plus accrued interest, if any). The Initial Purchaser must take and pay for all of the Bonds, if any are purchased. The Initial Purchaser is purchasing the Bonds from the District for resale in the ordinary course of business activities. The public offering prices for the Bonds may be changed from time to time. The Initial Purchaser may offer and sell the Bonds to certain dealers at prices lower than the public offering prices.

FINANCIAL ADVISOR

Ameritas Investment Corp. has acted as Financial Advisor to the District in connection with the sale of the Bonds. The Financial Advisor will not be a manager or a member of any purchasing group submitting a proposal for the purchase of the Bonds. The Financial Advisor has read and participated in the preparation of this Official Statement and has supervised the compilation and editing thereof. The Financial Advisor has not, however, independently verified the factual and financial information contained in this Official Statement and, accordingly, expresses no view as to the sufficiency or accuracy thereof.

RATINGS

The Bonds have received the ratings of "Aa2" from Moody's Investors Service and "AA+" from Standard & Poor's Ratings Services. Each rating agency generally bases its ratings on its own investigations, studies and assumptions. The District has provided certain additional information and materials to each rating agency (some of which does not appear in this Official Statement). The ratings reflect only the views of each rating agency, and any explanation of the significance of such ratings may be obtained only from the respective rating agencies. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the respective rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. The District undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

FINANCIAL STATEMENTS

The financial statements of the District included in Appendix B to this Official Statement have been audited by Seim Johnson, LLP, of Omaha, Nebraska, independent certified public accountants, to the extent and for the periods indicated in their report thereon. Such financial statements have been included in reliance upon the report of Seim Johnson, LLP.

MISCELLANEOUS

All estimates and assumptions herein have been made on the basis of the best information available and are believed to be reasonable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

DOUGLAS COUNTY SCHOOL DISTRICT 0001
(OMAHA, NEBRASKA, PUBLIC SCHOOLS)

**APPENDIX A – INFORMATION CONCERNING THE DISTRICT
DOUGLAS COUNTY SCHOOL DISTRICT 0001
(OMAHA, NEBRASKA, PUBLIC SCHOOLS)**

SCHOOL DISTRICT OFFICIALS

Board of Education

Marque A. Snow, President

Lacey Merica, Vice President

Lou Ann Goding

Dr. Shavonna Holman

Tracy Casady

Ben Perlman

Amanda L. Ryan

Matt Scanlan

Ricky Smith

Superintendent of Schools

Dr. Cheryl Logan

Legal Counsel

Megan Neiles-Brasch, In-house Legal Counsel and Chief Negotiator for the District

Professional Services

Seim Johnson, LLP, Certified Public Accountants

Baird Holm LLP, Bond Counsel and General Counsel for the District

THE DISTRICT

The District is a Class V School District under Sections 79-102 and 79-409 R.R.S. Neb. as amended, and is the largest school district in Nebraska. The District covers 134 square miles and serves over sixteen percent (16.35%) of Nebraska's public school students and approximately thirty-five percent (35.60%) of the minority students within the State. The District operates a Career Center, seven senior high schools, eleven middle schools and sixty-two elementary schools with a total enrollment of approximately 52,000 students. Total enrollments have grown over the past five years and enrollment projections anticipate a slight growth in enrollment. The District employs approximately 4,000 full-time instructional staff members and is accredited by the Nebraska Department of Education with a rating of AA, the highest rating given. The District's secondary schools are accredited by the North Central Association of Colleges and Schools.

The District is governed by a nine person Board of Education, whose members are elected by voters from the applicable subdistricts. The District employs a Superintendent of Schools and also acts as the Treasurer of the District. The Board of Education selected Dr. Cheryl Logan as Superintendent on January 30, 2018. She began her position on July 1, 2018.

Capital Improvements/Site and Building Fund/Section 79-10,110

The District has provided for a variety of new facilities and renovations in recent years. In 1999, the voters of the District approved the issuance of \$253,885,000 of general obligation bonds to pay the costs of constructing additional school facilities and the renovation of existing facilities. The District undertook construction of three new elementary schools and one new middle school and the renovation and improvement of 23 existing schools using the proceeds of such voted bonds. In addition, the District has in recent years provided for a variety of capital improvements and two new facilities from its site and building fund, previously authorized under the terms of Section 79-10,126, R.R.S. Neb. ("Section 79-10,126") and currently authorized under the terms of Section 79-10,126.01, R.R.S. Neb. ("Section 79-10,126.01"). In 2014, the voters of the District approved the issuance of \$421,000,000 of general obligation bonds to pay the costs of fire, life safety and security improvements and equipment for existing school buildings, construction of capital improvements, additions, renovations, relocations and replacements of existing school buildings, land acquisition, other capital projects, and furnishing and equipment relating to new and existing school buildings

At the statewide primary election in May 2018 the voters of the District approved \$409,900,000 of general obligation bonds to pay the costs of building two high schools, one middle school and two elementary schools and furnishing and equipping the same, construction of capital improvements, additions, renovations, relocations and replacements of existing school buildings and furnishing and equipping the same, providing for air quality, heating, ventilation and air conditioning, life safety and energy improvements and upgrades for existing school buildings, and other capital projects, land acquisition, and furnishings and equipment relating to new and existing school buildings. This is the first issue in this series.

Section 79-10,126 authorizes a site and building fund tax levy of not to exceed 14¢ on each \$100 of taxable valuation. The levies made under this authorization through the 2017-18 fiscal year are reflected in the table "HISTORICAL TAX LEVIES" herein. Section 79-10,126.01 currently authorizes a site and building fund levy which may be funded from certain distributions from the Learning Community and from any tax levy amounts which the District determines to make from its Differential Levy (see, "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION--Learning Community" in main body of this Official Statement). For the 2017-18 fiscal year, this building fund levy has been set at \$0.00 per \$100 of taxable valuation. The District does not expect to receive any amounts for its building fund from amounts allocated from a building fund levy permitted to be made (but chosen not to be made) by the Learning Community. Accumulated amounts in the District's site and building fund are to be used to pay for future planned capital improvements and to meet capital improvement contingencies arising from time to time. At the end of the 2017-18 Fiscal year, the District had approximately \$7,891,479 accumulated in its site and building fund from the District's audited financial statements for the fiscal year ended August 31, 2018.

In past years, the District has issued bonds under Section 79-10,110, R.R.S. Neb. 2008, as amended ("Section "79-10,110") to pay for capital construction and improvement needs. Section 79-10,110 permits the issuance of bonds payable from limited taxes for certain capital construction projects in response to the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), which in 2009 and 2010 permitted the issuance of "build America bonds" ("BABs") and "qualified school construction bonds" ("QSCBs") with certain special standing under federal tax law. The Nebraska Legislature further amended the terms of Section 79-10,110 to permit the issuance of QSCBs authorized by the Hiring Incentives to Restore Employment Act (the "HIRE Act") from and after the year 2010.

Section 79-10,110 was recently amended to limit the types of eligible construction projects and to reduce the associated

levy for future projects from 5.2 cents to 3.1 cents.

Pursuant to the Recovery Act, the District has issued its Qualified School Construction Bonds (Tax Credit Bonds), Series 2009A, Limited Tax Payment Source—Taxable Interest, in the principal amount of \$17,375,000; Build America Bonds (Taxable Interest—Direct Pay), Series 2009B, Limited Tax Payment Source, in the principal amount of \$22,070,000; Limited Tax Obligation Qualified School Construction Bonds (Taxable Interest—Direct Pay), Series 2010A, in the principal amount of \$18,920,000; and Limited Tax Obligation Build America Bonds (Taxable Interest—Direct Pay), Series 2010B, in the principal amount of \$5,050,000, all as more fully described herein (collectively, the “Recovery Act Bonds”). The proceeds of the Recovery Act Bonds have been used to fund a variety of school buildings and improvements. The Recovery Act Bonds are payable from a limited tax which may not exceed in the aggregate 5.2¢ on each \$100 of taxable valuation.

Capital Improvement Plan

In April 2013 the Board of Education conducted an assessment of the District’s facilities for the development of a 2014 Facility Plan. The 2014 Facility Plan was prepared by the District’s administrative staff and serves as a guide for the Board of Education in determining capital expenditures. The Facility Plan assesses the adequacy of each elementary school, middle school and senior high school to deliver current and future anticipated programs and services. The Facility Plan identifies costs for improvements and additions to schools along with needs and requirements for constructing new schools. From the Facility Plan, the Board of Education determines specific projects to be constructed from time to time. Both the new Gateway Elementary school at 42nd and V Streets and the new Davis Middle school at 132nd and State Streets were selected by the Board from the 2009 Facility Plan. These and other projects have been funded by the Recovery Act Bonds. The Board reviewed and set objectives from the 2014 Facility Plan and its available funding sources. Submission of a bond issue to a vote by voters of the District was considered.

Pre-Election Activities; the November 2014 and May 2018 Election

In March 2014, the District entered into a Stakeholder Engagement, Communications Services and Program Management Services Agreement (“Agreement”) with Jacobs Project Management Co. (“Jacobs”). Pursuant to this Agreement, Jacobs provided pre-construction services to assist the District in developing a master capital improvement plan and a bond plan for renovation and construction of significant school facilities in preparation for an election to approve bonds to finance the plan. Specifically, Jacobs was required to initially perform the following activities:

- Review and validate the existing 2014 Facilities Assessment and develop a facilities master plan.
- During the development of the master plan, provide multiple viable options for each District facility to address facility needs, using existing District information, surveys, community engagement and District staff resources as well as expertise from Jacobs’ resources to support the master plan.
- Prepare a recommended bond plan and present the plan to the Board of Education, including recommending capital projects, funding of hard and soft project costs, proposing a schedule for implementation of projects and cash flow needs to fund projects.
- Provide informational support to the District prior to the bond election.

In addition to these activities, the Agreement obligated Jacobs to perform certain program management pre-construction services involving preparation of design and construction documents, development of design standards and pre-qualification of contractors. Jacobs was paid fees of \$422,275.00 for its services in developing the master plan and bond plan and work related to the developing those plans and \$176,022.00 for the program management pre-construction services.

Following approval of the Agreement by the Board of Education, Jacobs developed a master plan and a recommended bond plan using the resources referenced in the Agreement. This included utilization of a steering committee, community forums seeking public input, a review of existing District records, a review of existing District facilities and extensive work with District staff. Ultimately, this work resulted in a bond plan that was presented to the Board of Education which identified needed projects with an anticipated cost of over \$800,000,000. After consideration, the Board of Education decided to submit for voter approval a bond issue in the amount of \$421,000,000 with the intent to return to the voters at a future date for an undetermined additional amount of bond authority. The first ballot measure approving \$421,000,000 of general obligation bonds was approved by a significant majority (approximately 60% in favor) at an election held in conjunction with the statewide general election on November 4, 2014.

The Agreement provided that if the voters approved the bond issue, Jacobs would negotiate in good faith with the District for a fee to provide program management services during the design and construction of all projects funded by the bond issue, with the fee not to exceed 4% of the amount of the bond proceeds used for construction activities, less the amounts paid to Jacobs for the program management pre-construction services.

On December 1, 2014, the District and Jacobs entered into a First Amendment to the Agreement (“First Amendment”), obligating Jacobs to perform program management services for all of the District’s bond funded capital improvement projects. Jacobs is to be paid a fee for those services of 3.795% of the amount of the bonds authorized. The amount previously paid to Jacobs for the program management pre-construction services will be credited against that fee amount. There is no reimbursement for any expenses incurred by Jacobs in rendering its services. Payment of the fee is made monthly according to a schedule that is attached to the First Amendment. The first payment was made in November 2014, and the last payment will be made in October 2019. There is a provision in the First Amendment for reduction of the Jacobs’s fee by an amount determined by multiplying the total cost of land acquisition and relocation paid (approximately \$34,342,762) from bond funds times 3.795%, which will result an approximate fee savings of approximately \$1,303,308).

Also on December 1, 2014, the District and Jacobs entered into a Second Amendment to the Agreement (“Second Amendment”) wherein Jacobs agreed to cooperate and assist the District in the development and implementation of a small and disadvantaged business plan to encourage the utilization of economically disadvantaged business in the bond funded capital improvement projects. There was no increase in Jacobs’s fees for these additional services.

In 2018, Jacobs and the District assembled a 2018 Facilities Capital Plan from the projects that resulted from the facility assessment completed by DLR Group along with other previously reviewed itemized infrastructure needs and already documented capacity needs related to an increasing student population. Jacobs led Board workshops, community meetings, and team discussions related to the development of the 2018 bond program. Substantive information was added to the evaluation of District capital needs based on the DLR Facilities Assessment commissioned by the District. In early 2018, the Board of Education decided to submit for voter approval a second bond issue in the amount of \$409,900,000. The second ballot measure approving \$409,900,000 of general obligation bonds was similarly approved by a significant majority (approximately 67% in favor) at an election held in conjunction with the statewide primary election on May 15, 2018.

Following approval of the Bond issue, the Board of Education initiated and completed a Request for Proposals to select a firm to provide program management services during the design and construction of all projects funded by the second bond issue. On August 20, 2018, the Board of Education selected Jacobs to serve as the project manager. On September 5, 2018, the District and Jacobs entered into a new Agreement (“Second Agreement”) obligating Jacobs to perform program management services for all of the District’s bond funded capital improvement projects related to the second bond issue. Jacobs is to be paid a fee for those services of 3.2% of the amount of the bonds authorized. There is no reimbursement for any expenses incurred by Jacobs in rendering its services. Payment of the fee is made monthly according to a schedule that is attached to the Second Agreement. The first payment will be made in October 2018 and the last payment will be made in September 2023.

[NO FURTHER TEXT ON THIS PAGE]

THE PROJECTS

Taking into consideration projects expected to be funded from the proceeds of the Bonds (and allocation and re-allocation of funds within and among the authorized purposes to coordinate with project scheduling), Jacobs has identified a number of projects likely to be funded with the proceeds of the Bonds as follows:

Project Number	Project Name	School
321501	Catlin – Capital Improvement	Catlin Elementary
321502	Conestoga – Capital Improvement	Conestoga Elementary
321503	King – Capital Improvement	King Elementary
321504	Benson – Capital Improvement	Benson High
321505	Bryan - Capital Improvement	Bryan High
321506	Burke - Capital Improvement	Burke High
321507	1000 N. Ft. Crook Rd. Elementary School (New)	1000 N. Ft. Crook Rd. Elementary (New)
321508	60th & L. St. High School (New)	60th & L. St. High (New)
321509	156th & Ida St. High School (New)	156th & Ida St. High (New)
321510	Transition Program – Relocation and Build Out	Transition Program
321511	Pinewood - Open to Closed and Addition	Pinewood Elementary
321512	Edison – Capital Improvement and Addition	Edison Elementary
321513	Highland – Capital Improvement and Addition	Highland Elementary
321514	Masters – Capital Improvement and Addition	Masters Elementary
321515	Spring Lake – Capital Improvement and Addition	Spring Lake Elementary
321516	Lewis and Clark – Capital Improvement and Addition	Lewis and Clark Middle
321517	Central – Capital Improvement	Central High
321518	42nd & U St. Middle School (New)	42nd & U St. Middle (New)
321519	10th & Pine St. Elementary School (New)	10th & Pine St. Elementary (New)
321520	Adams – Capital Improvement	Adams Elementary
321521	Northwest – Capital Improvement	Northwest High
321522	Morton – Capital Improvement and Addition	Morton Middle
321523	North – Capital Improvement	North High
321524	Blackburn – Capital Improvement	Blackburn Alternative
321525	South – Capital Improvement	South High
321599	Program Contingency, incl. Escalation, Temp Housing, Utilities, Moves, Safety/Security, Commissioning, Haz Mat Contingency	
321500	Program Management, Owner Administration Expenses, Printing and Advertising, Builders Risk	

Depending on construction schedules and sequencing and other factors, the District may apply proceeds of the Bonds to other purposes authorized under the May 2018 election.

Additional Capital Spending Requirements – Lease-Purchase Financing

The District has in the past obtained lease-purchase financing for certain equipment needs, principally transportation and computer equipment, in recent years through lease-purchase agreements with Omaha Education Services Agency (the “Agency”). The Agency is a separate corporate entity created by the District and Educational Service Unit No. 19 which was created under the Nebraska Interlocal Cooperation Act to act for the District and such Educational Service Unit. Lease payments made by the District to the Agency are authorized by Section 79-10,105, R.R.S. Neb. and are paid from the general funds of the District. Although the District may utilize the Agency for lease-purchase financing in the future,

there are no outstanding obligations of the Agency currently outstanding for which the District is obligated to make lease payments. See “OUTSTANDING INDEBTEDNESS OF THE DISTRICT—Outstanding Lease-Purchase Financing”.

During the 2018 school year, the District is planning on purchasing approximately \$1,000,000 of transportation equipment funded from cash in the Depreciation Fund. The District anticipates continued lease-purchase financing for transportation purposes and other equipment needs depending upon the future effects of budget and tax levy limitations. Transportation equipment acquisitions relating to replacement of vehicles were in excess of \$950,000 in the 2017-18 school year. Such requirements may or may not be met by additional equipment financings. In addition, the District has entered into certain other capital leases. As of August 31, 2017, the total outstanding principal obligation on such capital leases was approximately \$431,794.

OUTSTANDING INDEBTEDNESS OF THE DISTRICT

General Obligation Bonds

General obligation bonds may be issued by a Nebraska school district only after approval by a majority of the district’s voters. Refunding bonds and bonds issued under Section 79-10,110 may be issued without voter approval. The District is a Class V school district under Nebraska laws and as such has no legal limit on the amount of bonded indebtedness that it may incur.

Outstanding General Obligation Bonds

Upon issuance of the Bonds, the District will have general obligation bonds for which initial voter approval was obtained either on November 8, 1988, May 11, 1999, November 4, 2014 or May 15, 2018:

Designation of Issue	Principal Amount Outstanding (As of August 31, 2018)
General Obligation Refunding Bonds, Series 2010	\$ 62,525,000
General Obligation Refunding Bonds, Series 2012	50,760,000
General Obligation Refunding Bonds, Series 2014	7,470,000
General Obligation Bonds, Series 2015	141,000,000
General Obligation Bonds, Series 2016	141,000,000
General Obligation Bonds, Series 2017	105,470,000
 Total Outstanding General Obligation Bonds	 <u>\$508,225,000</u>

The District, with voter approval, may issue additional general obligation bonds as noted above.

Limited Tax Bonds

The District has previously issued limited tax bonds authorized under Section 79-10,110 for the following purposes: (a) elimination of environmental hazards, accessibility barriers and life safety code violations; (b) expenditures to improve indoor air quality and mold abatement and prevention; (c) any qualified capital purpose in any qualified zone academy; or (d) construction of a new public school facility or the acquisition of land or any expansion, rehabilitation, modernization, renovation or repair of any existing school facilities. The last of these permitted purposes (an “ARRA Purpose”) relates to Recovery Act Bonds as described above. All bonds issued under the terms of Section 79-10,110 are payable from a limited tax which in the aggregate for payments due on all such bonds in any given year may not exceed 5.2¢ on each \$100 of taxable valuation (provided that under Section 79-10,110, the District may exceed such 5.2 cent levy in any year in which the taxable valuation of the district is lower than the taxable valuation in the year in which the District last issued bonds under Section 79-10,110 and such maximum levy is insufficient to meet the combined annual principal and interest obligations for all bonds issued under Section 79-10,110). Such limited tax is currently required for making payment on the Recovery Act Bonds and the District’s currently outstanding qualified zone academy bonds. Additional bonds payable from this limited tax may be issued in the future, but the associated levy for future projects has been reduced from 5.2 cents to 3.1 cents. Limited tax supported bonds issued under Section 79-10,110 may be issued without voter approval.

Outstanding Limited Tax Bonds

The District currently has outstanding the following series of limited tax bonds:

Designation of Issue	Principal Amount Outstanding
Qualified Zone Academy Bond, Series 2003	\$610,584
Series 2009A Bonds (QSCBs)	17,375,000
Series 2009B Bonds (BABs)	17,925,000
Series 2010A Bonds (QSCBs)	18,920,000
Series 2010B Bonds (BABs)	1,770,000
 Total Outstanding Limited Tax Bonds	 \$56,600,584

As of August 31, 2018, the accumulated balance for each sinking fund is as follows:

Designation of Issue	Sinking Fund Amount Accumulated
Qualified Zone Academy Bond, Series 2003	621,326
Series 2009A Bonds (QSCBs)	8,893,954
Series 2010A Bonds (QSCBs)	<u>4,045,346</u>
 Total Sinking Funds for Limited Tax Bonds	 \$13,560,626

Cash Flow Borrowing

A relatively large portion of the District's revenues come from local property taxes. Property taxes in Douglas County become due on December 31 of each year but fall delinquent and begin to bear interest in the next calendar year, half on April 1 and half on August 1. Many taxpayers pay only upon the delinquency dates resulting in larger cash receipts in April and August of each year and the possibility of cash shortfalls, particularly in February and March of each year. The District believes that it is maintaining a sufficient cash fund balance to meet the cash flow demands of the District. Cash flow borrowings (permitted under Section 79-1070, R.R.S. Neb.) in future fiscal years may be required depending upon the levels of state aid funding, legislative changes and property value trends.

Debt Payment Record

The District has never defaulted on its obligation to pay principal of or interest on its indebtedness.

TOTAL DEBT SERVICE REQUIRED ON BONDED DEBT OF THE DISTRICT

General Obligation Bonds

The debt service requirements (including principal and interest) on the District’s outstanding general obligation bonds through the 2040-2041 fiscal year are as follows:

Fiscal Year	2010 Bonds	2012 Bonds	2014 Bonds	2015 Bonds	2016 Bonds	2017 Bonds	Fiscal Total
2018-2019	7,067,800.00	8,868,300.00	3,817,962.50	5,813,050.00	6,195,475.00	3,916,587.50	35,679,175.00
2019-2020	7,538,000.00	8,364,200.00	3,792,550.00	5,813,050.00	6,195,475.00	3,916,587.50	35,619,862.50
2020-2021	10,990,000.00	9,202,800.00		5,813,050.00	6,195,475.00	3,916,587.50	36,117,912.50
2021-2022	11,117,200.00	9,062,400.00		5,813,050.00	6,195,475.00	3,916,587.50	36,104,712.50
2022-2023	11,244,000.00	8,775,400.00		5,813,050.00	6,195,475.00	3,916,587.50	35,944,512.50
2023-2024	12,320,200.00	7,677,400.00		5,813,050.00	6,195,475.00	3,916,587.50	35,922,712.50
2024-2025	12,449,100.00	7,420,400.00		11,614,300.00	6,195,475.00	3,916,587.50	41,595,862.50
2025-2026				11,550,800.00	12,274,600.00	3,916,587.50	27,741,987.50
2026-2027				11,480,175.00	12,265,100.00	8,694,087.50	32,439,362.50
2027-2028				11,407,050.00	12,259,600.00	8,692,837.50	32,359,487.50
2028-2029				11,335,800.00	12,247,350.00	8,674,212.50	32,257,362.50
2029-2030				11,260,800.00	12,242,475.00	8,662,837.50	32,166,112.50
2030-2031				11,219,200.00	12,155,975.00	8,730,837.50	32,106,012.50
2031-2032				11,212,000.00	12,069,100.00	8,538,337.50	31,819,437.50
2032-2033				11,248,225.00	11,981,100.00	8,654,812.50	31,884,137.50
2033-2034				11,318,706.25	11,924,569.00	8,786,812.50	32,030,087.75
2034-2035				11,378,281.25	11,901,787.00	8,884,287.50	32,164,355.75
2035-2036				11,407,000.00	11,864,500.00	8,982,462.50	32,253,962.50
2036-2037				11,398,300.00	11,890,494.00	9,667,112.50	32,955,906.50
2037-2038				11,389,700.00	11,893,000.00	9,752,381.25	33,035,081.25
2038-2039				11,385,500.00	11,984,900.00	9,721,300.00	33,091,700.00
2039-2040				11,375,100.00	12,085,600.00	9,704,200.00	33,164,900.00
2040-2041				11,367,900.00	12,189,000.00	9,681,512.50	33,238,412.50
Total	72,726,300.00	59,370,900.00	7,610,512.50	228,227,137.50	236,597,475.00	167,160,731.25	771,693,056.25

Limited Tax Bonds

The total debt service and sinking fund requirements (including principal and interest) on the District’s outstanding limited tax obligation debt through the 2034-2035 fiscal year are as follows:

Fiscal Year	QZAB	QZAB	QSCB (1)	BAB	QSCB (1)	BAB	Direct Payments (2)	Total
2018-2019	-	-	1,411,718.74	1,682,029.50	1,760,200.00	652,805.50	(1,449,098.24)	4,057,655.50
2019-2020	-	-	1,411,718.74	1,681,002.75	1,760,200.00	629,205.50	(1,429,978.88)	4,052,148.11
2020-2021	-	-	1,411,718.74	1,675,526.25	1,760,200.00	603,363.50	(1,408,517.40)	4,042,291.09
2021-2022	-	-	1,411,718.74	1,675,737.75	2,235,200.00	-	(1,389,914.20)	3,932,742.29
2022-2023	-	-	1,411,718.74	1,673,841.25	2,235,200.00	-	(1,375,250.43)	3,945,509.56
2023-2024	-	-	1,411,718.74	1,669,836.75	2,235,200.00	-	(1,359,848.86)	3,956,906.63
2024-2025	-	-	1,411,718.74	1,668,592.50	2,235,200.00	-	(1,343,663.37)	3,971,847.87
2025-2026	-	-	1,248,828.12	1,667,090.00	2,385,200.00	-	(1,325,637.49)	3,975,480.63
2026-2027	-	-	-	1,664,906.25	3,535,200.00	-	(1,305,623.18)	3,894,483.07
2027-2028	-	-	-	1,664,358.75	3,635,200.00	-	(1,284,431.56)	4,015,127.19
2028-2029	-	-	-	1,660,301.25	3,067,600.00	-	(724,683.43)	4,003,217.82
2029-2030	-	-	-	1,662,441.25	-	-	(163,604.43)	1,498,836.82
2030-2031	-	-	-	1,659,094.75	-	-	(137,933.16)	1,521,161.59
2031-2032	-	-	-	1,655,033.00	-	-	(110,261.55)	1,544,771.45
2032-2033	-	-	-	1,651,267.00	-	-	(80,943.45)	1,570,323.55
2033-2034	-	-	-	1,642,645.00	-	-	(49,925.75)	1,592,719.25
2034-2035	-	-	-	1,648,560.00	-	-	(16,996.00)	1,631,564.00
	-	-	11,130,859.30	28,302,264.00	26,844,600.00	1,885,374.50	(14,956,311.38)	53,206,786.42

⁽¹⁾ Includes annual sinking fund deposits for redemption of bonds at maturity, and takes into account application of such deposits at maturity. The amounts shown above are the maximum payments scheduled. These amounts are reduced each year, if appropriate, by interest earning within each sinking fund.

⁽²⁾ Direct payment anticipated from US Treasury equal to a portion of interest due on 2009 BABs, 2010 QSCBs and 2010 BABs on each interest payment date. The District expects to comply with certain restrictions in order to receive such amounts. Net Debt Service shown is actual debt service net of scheduled direct-pay subsidy payments, but does not reflect budgetary cuts to such subsidy payments which resulted in reductions in the subsidy payments for 2014, 2015 and 2016 and (unless other budgetary or legislative actions are taken in the future) is expected to result in reductions in the subsidy payments for future years. Management of the District believes that these cuts will not have a material adverse impact on the financial condition of the District.

Total General Obligation and Limited Tax Bonds

The total debt service requirements (including principal and interest) on the District's outstanding limited tax obligation debt* and general obligation debt** through the 2040-2041 fiscal year are as follows:

Fiscal Year	General Obligation Bond Principal	General Obligation Bond Interest	Limited Tax Bond Principal	Limited Tax Bond Interest Net*	Fiscal Total
2018-2019	15,165,000.00	20,514,175.00	1,265,000.00	1,081,718.00	38,025,893.00
2019-2020	15,620,000.00	19,999,862.50	1,295,000.00	1,046,210.61	37,961,073.11
2020-2021	16,705,000.00	19,412,912.50	1,325,000.00	1,006,353.59	38,449,266.09
2021-2022	17,370,000.00	18,734,712.50	775,000.00	971,804.79	37,851,517.29
2022-2023	17,915,000.00	18,029,512.50	815,000.00	944,572.06	37,704,084.56
2023-2024	18,640,000.00	17,282,712.50	855,000.00	915,969.13	37,693,681.63
2024-2025	25,290,000.00	16,305,862.50	900,000.00	885,910.37	43,381,772.87
2025-2026	12,425,000.00	15,316,987.50	18,325,000.00	689,543.13	46,756,530.63
2026-2027	17,880,000.00	14,559,362.50	1,005,000.00	489,483.07	33,933,845.57
2027-2028	18,715,000.00	13,644,487.50	1,065,000.00	450,127.19	33,874,614.69
2028-2029	19,570,000.00	12,687,362.50	20,045,000.00	378,217.82	52,680,580.32
2029-2030	20,480,000.00	11,686,112.50	1,195,000.00	303,836.82	33,664,949.32
2030-2031	21,430,000.00	10,676,012.50	1,265,000.00	256,161.59	33,627,174.09
2031-2032	22,125,000.00	9,694,437.50	1,340,000.00	204,771.45	33,364,208.95
2032-2033	23,105,000.00	8,779,137.50	1,420,000.00	150,323.55	33,454,461.05
2033-2034	24,060,000.00	7,970,087.75	1,500,000.00	92,719.25	33,622,807.00
2034-2035	25,050,000.00	7,114,355.75	1,600,000.00	31,564.00	33,795,919.75
2035-2036	26,085,000.00	6,168,962.50	-	-	32,253,962.50
2036-2037	27,755,000.00	5,200,906.50	-	-	32,955,906.50
2037-2038	28,875,000.00	4,160,081.25	-	-	33,035,081.25
2038-2039	30,050,000.00	3,041,700.00	-	-	33,091,700.00
2039-2040	31,305,000.00	1,859,900.00	-	-	33,164,900.00
2040-2041	32,610,000.00	628,412.50	-	-	33,238,412.50
Total	508,225,000.00	263,468,056.25	55,990,000.00	9,899,286.42	837,582,342.67

*Net of subsidy payments; based on current subsidy payments; subject to change. Direct payment anticipated from US treasury equal to a portion of interest due on the 2009 and 2010 Build America Bonds (BABs) and 2010 Qualified School Construction Bonds (QSCBs) on each interest payment date. The District expects to comply with certain restrictions in order to receive such amounts. The net interest expense shown is actual interest expense net of scheduled direct-pay subsidy payments, but does not reflect budgetary cuts to such subsidy payments which resulted in reductions in the subsidy payments for 2014, 2015 and 2016 and (unless other budgetary or legislative actions are taken in the future) is expected to result in a reduction in the subsidy payments for future years. Management of the District believes that these reductions will not have a material adverse impact on the financial condition of the District.

**Does not include debt service on the Bonds

Future Financing Plans

As a part of the District's strategic planning process, the Board of Education in 2014 identified a minimum of approximately \$800,000,000 of priority project needs which it intends to finance through the issuance of general obligation bonds. During Board discussions and based on community input, the Board of Education determined to seek voter approval for these amounts in two separate phases, the first of which (\$421,000,000) was obtained in November 2014, and the second of which (\$409,900,000) was obtained in May 2018.

The District may from time to time issue limited tax bonds or enter into lease purchase agreements to finance ordinary capital needs. In addition, the District may from time to time enter into transactions to refund outstanding bonds as appropriate.

FINANCIAL INFORMATION
Douglas County School District 0001

Taxable Valuation 2018-2019 Fiscal Year	\$22,180,983,314
General Obligation Debt as of September 1, 2018 (excluding the Bonds)	\$508,225,000
Limited Tax Supported Debt as of September 1, 2018*	55,990,000
Lease-Purchase Debt as of September 1, 2018**	0
Total Tax Supported Debt (excluding the Bonds)	<u>\$564,215,000</u>
Ratio of Net Direct Tax Supported Debt to Taxable Valuation	2.5437%

* Does not take into account sinking fund deposits reflected in the debt service table presented under TOTAL DEBT SERVICE REQUIRED ON BONDED DEBT OF THE DISTRICT – Limited Tax Bonds, herein.

** Lease-Purchase Debt does not include any vendor-financed leases

Overlapping and Underlying Debt

	2017-18 Taxable Valuation	Outstanding G.O. Bonded Debt⁽¹⁾	Percent Applicable To School District	Amount Applicable to School District
City of Omaha	\$32,703,220,890	\$524,955,445	64.30%	\$337,546,351
Douglas County	42,036,416,590	80,725,000	47.95	38,707,638
Sarpy County	14,493,101,695	39,205,000 ⁽²⁾	6.00	2,352,300
Omaha-Douglas Building Commission ⁽³⁾	42,036,416,590	36,870,000	47.95	17,679,165
TOTAL	\$131,269,155,765	\$681,755,445		\$396,285,454

⁽¹⁾ Indebtedness includes outstanding lease-purchase obligations.

⁽²⁾ Includes \$16,210,000 of limited tax bonds, \$7,615,000 of certificates of participation, and \$15,380,000 of lease rental revenue bonds.

⁽³⁾ The act authorizing the issuance of bonds by the Omaha-Douglas Public Building Commission permits the Commission to levy a tax of \$0.017 per \$100 of actual valuation on all taxable property in Douglas County; the levy for the 2017-18 fiscal year is \$0.015 per \$100 of actual taxable valuation. In addition, under lease agreements with the County and the City of Omaha, operating and maintenance expenses and debt service amounts due in excess of the property tax revenues generated by the levy are prorated between Douglas County and the City of Omaha based on the ratio of space utilized by each entity. The relative shares of the City and the County vary based upon utilization of space under several agreements.

Douglas County and Sarpy County include Sanitary Improvement Districts (SIDs), which are political subdivisions located outside of the corporate limits of cities, many of which have bonded debt and construction fund warrants outstanding. Bonded debt and construction fund warrants of SIDs are retired from a combination of general taxes and special assessments levied against real estate and certain tangible personal property (not including automobiles). A significant portion of such SID debt is attributable to property located within the District, particularly in Douglas County.

Debt Related Plans and Actions of Certain Other Douglas County Issuers

The City is engaged in a major separation of parts of its sanitary sewer system from its storm sewer system, the Clean Solutions for Omaha program (the “CSO Program”), for which the publicly reported cost is estimated at \$2 billion. The CSO Program is an unfunded federal mandate, requiring the City of Omaha to reduce overflows of sewage in the Missouri River and Papillion Creek and improve water quality by 2027. Significantly higher sewer use fees for Omaha residents, ranging up from \$31.66 (based on 100 cubic feet) per month in 2016 to approximately \$51 or more per month in 2018, are anticipated as a payment source.

The Papio-Missouri River Natural Resources District, with a taxing jurisdiction extending over all or part of six counties including Douglas County and Sarpy County, has issued and outstanding approximately \$64,000,000 of limited tax bonds payable from a limited tax levy of 1¢ on each \$100 of taxable valuation for flood control, storm water and water quality projects.

Qualified Pension Plan Obligations

The employees of the District participate in a defined benefit retirement plan known as the Omaha School Employees’ Retirement System (OSERS), which is established by the Nebraska statutes as a separate retirement system for the eligible employees of the District. A general description of OSERS, including the contribution obligations of the District under OSERS and summary of the annual pension costs and net pension obligation to OSERS for the fiscal year ended August 31, 2017, is provided at note (8) of the Notes to Basic Financial Statements of the District’s Financial Statement of August 31, 2017, included as Appendix B. OSERS has a special funding situation, in which, in addition to the employee and District contributions, the State of Nebraska contributes 2.00% of members’ compensation to fund the benefits provided by OSERS. For the fiscal year ended August 31, 2017, OSERS received \$47,981,000 in contributions from the District and \$6,897,000 in contributions from the State of Nebraska.

In 2016, the Nebraska State Legislature passed LB 447 which made several changes to the administration of OSERS. The most significant changes relate to the management of the pension fund trust assets and the make-up of the Retirement Board of Trustees. Effective January 1, 2017, the Nebraska Investment Council is responsible for the investment of the OSERS pension trust portfolio (approximately \$1.1 billion). Effective July 1, 2016 the composition of the Retirement Board of Trustees decreased from its then current ten member composition to a seven member composition, consisting of three elected active members, one elected retired member, two business persons who are not members of OSERS and the Superintendent of the School District (or his/her designee). LB 447 also enacted a specific definition of “solvency” for purposes of determining the additional contributions of the District that may be necessary to maintain the solvency of OSERS. This new definition generally adopts an actuarially required contribution rate based on all contributions to OSERS in making this determination of solvency.

TERC Appeal Obligations

The Tax Equalization and Review Commission (“TERC”) is an administrative body before which appeals of property tax protests are heard. Resolution of cases before TERC may take several years after taxes are assessed and initially collected. Successful TERC appeals by a taxpayer result in an obligation of the recipients of real estate taxes (including the District) to return taxes attributable to the appealing taxpayer to the extent an appeal is successful (sometimes referred to as recapture). The District is subject to recapture of prior years’ property tax receipts that have been awarded to property owners through TERC. These awards are either taken from current tax receipts or if the financial impact would be negative from a cash flow perspective a repayment plan can be established. The District for the 2017-2018 School Year has budgeted \$900,000 for recapture on a District-wide basis. Through August 31, 2018, the amount recaptured was \$1,078,033. Over the past six years, the District has averaged \$959,477.60 in recaptured property tax receipts.

GENERAL STATISTICAL INFORMATION

The following tables show historical property tax valuations, tax levies, numbers of pupils, numbers of staff, revenue by source for the District’s general fund, general fund expenditures, site and building fund expenditures, bond redemption fund expenditures and total expenditures during recent years. The District operates on a fiscal year commencing September 1 and ending on August 31 of the following year.

**OMAHA PUBLIC SCHOOLS
HISTORICAL PROPERTY TAX VALUATION**

YEAR	TAXABLE VALUATION
2014-15	19,370,086,656
2015-16	19,954,698,480
2016-17	20,208,566,050
2017-18	21,028,142,224
2018-19	22,180,983,314

**OMAHA PUBLIC SCHOOLS
HISTORICAL TAX LEVIES**

YEAR	GENERAL FUND**	BOND FUND	SITE AND BUILDING FUND	QCP* FUND	TOTAL
2014-15	0.12084	0.10352	0.00000	0.02396	0.24832
2015-16	0.12200	0.13575	0.00000	0.02200	0.27975
2016-17	0.11559	0.15253	0.00000	0.02591	0.29403
2017-18	1.06792	0.16247	0.00000	0.02700	1.25739
2018-19	1.06405	0.16248	0.00000	0.01848	1.24501

* Qualified Capital Purpose Fund, formerly the Environmental Hazard Abatement or “Asbestos” Fund. This fund supports the payment of principal and interest on the Recovery Act Bonds, qualified school construction bonds and qualified zone academy bonds and provides additional funds for school improvements.

**The Learning Community General Fund Levy of 0.95000 has reduced the District General Fund Levy since 2009-10. But see “Learning Community”.

Composite Tax Levies

The following table shows the composite tax levies for each of the principal taxing authorities applicable to properties located within the District and within the City of Omaha and the total levy applicable to such properties:

	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
Douglas County	0.28059	0.28057	0.28059	0.28059	0.28509
Omaha-Douglas Pub. Bldg Comm.	0.01500	0.01500	0.01500	0.01500	0.01290
Papio-Mo. Riv. NRD	0.03780	0.03803	0.03804	0.03276	0.03275
City of Omaha*	0.47922	0.47922	0.48922	0.48922	0.49922
Douglas Co. School District 0001	1.25739	0.29504	0.27975	0.24832	0.25204
Metro Community College	0.09500	0.09500	0.09500	0.09500	0.09500
Learning Community	0.00000	0.95000	0.95000	0.95000	0.95000

*Excluding MAT Levy

The following table shows the preliminary anticipated levy rates and percentages of distribution for property taxes for property located within the District and inside the City of Omaha for the 2017-2018 tax year:

Tax Levying Body	Rate of Levy (cents per \$100 of value)	Percentage of Distribution for Tax Receipts
Douglas County	0.28059	12.48%
Omaha-Douglas Pub. Bldg. Comm.	0.01500	0.67%
Papio-Mo. Riv. NRD	0.03780	1.68%
City of Omaha	0.47922	21.31%
Douglas County School District 0001	1.25739	55.92%
Educational Service Unit	0.09500	4.22%
Metropolitan Comm. Coll.	0.01500	0.67%
Omaha Transit Authority	0.05247	2.33%
Learning Community Gen. Fund	0.00000	0.00%
Learning Community Special Cap. Imp.	0.01625	0.72%
Total	2.24872	100.00%

Source: Douglas County

**OMAHA PUBLIC SCHOOLS
OCTOBER MEMBERSHIP (ENROLLMENT) BY YEAR: 2014-2018**

GRADE LEVEL	2014	2015	2016	2017	2018
Headstart	936	907	904	923	907
Pre-kin	1,662	1,619	1,778	1,732	1,747
Total Pre-Kin and Headstart	2,598	2,526	2,682	2,655	2,654
Kin	4,370	4,147	3,810	4,104	4,103
First	4,388	4,240	4,118	3,824	4,077
Second	3,870	4,294	4,257	4,141	3,810
Third	4,194	3,810	4,226	4,225	4,081
Fourth	3,959	4,063	3,708	4,238	4,157
Fifth	3,956	3,896	4,046	3,707	4,169
Sixth	3,816	3,823	3,843	3,936	3,634
Total K-6	28,553	28,273	28,008	28,175	28,031
Seventh	3,647	3,653	3,682	3,760	3,829
Eighth	3,493	3,548	3,634	3,686	3,760
Ninth	3,388	3,390	3,517	3,588	3,754
Total 7-9	10,528	10,591	10,833	11,034	11,343
Tenth	3,364	3,461	3,516	3,665	3,697
Eleventh	3,248	3,325	3,446	3,465	3,583
Twelfth	3,734	3,709	3,819	3,887	3,872
Total 10-12	10,346	10,495	10,781	11,017	11,152
Total K-12	49,427	49,359	49,622	50,226	50,526
Change from Previous Year K-12	903	(68)	303	604	300
GRAND TOTAL	52,025	51,885	52,304	52,881	53,180

NOTE: Official membership taken on the fourth Tuesday in September.

**BOARD OF EDUCATION
School District of Omaha
As of September 6, 2018**

	Regular					Total
	FTE	ESU FTE	SpEd FTE	Federal FTE	Total FTE	Individual Employees
Teachers	3,306.25	1	518.48	246.37	4,072.10	4,043
Admin	30.61	3	4.39	2.23	40.23	39
Field	48.42	3	19.87	13.44	84.73	81
Principals	156.74	0	2	0.26	159.00	159
Classroom Sup						
Full-time	111.15	3.5	99.78	58.54	272.97	248
Part-time	0.13		0	0	0.13	1
Office Personnel						
Full-time	260.83	20	16.42	9.19	306.44	304
Part-time	2.14	0.13	0.33	0.77	3.37	26
Operation-Custodial					-	
Full-time	389.65	0	13.35	3.45	406.45	403
Part-time	11.05	0	0	0	11.05	85
Maintenance					-	
Full-time	58	13	0	0	71.00	71
Part-time	0.13	0	0	0	0.13	1
Nutrition Services					-	
Full-time	202.44	0	0	0	202.44	221
Part-time	30.55	0	0	0	30.55	235
Transportation					-	
Full-time	22.12	0	282.71	73.86	378.69	326
Part-time	0.4	0	14.15	3.45	18.00	115
Professional/Tech					-	
Full-time	154.23	51.75	20.59	48.72	275.29	276
Part-time	0.66	0.13	0.11	0.03	0.93	7
Paraprofessional					-	
Full-time	408.93	0	348.72	179.05	936.70	1,005
Part-time	22.63	0	1.99	1.88	26.50	203
Security					-	
Full-time	123.5	0	12.5	0	136.00	136
Part-time	0	0	0	0	-	0
Head Start	0	0	0	39.86	39.86	41
Total	5,340.56	95.51	1,355.39	681.10	7,472.56	8,026.00

Status of Labor Agreements

Employees of the District are affiliated with several unions. The bargaining unit representing the District's educators is the Omaha Education Association (OEA). The OEA has approved a one-year agreement for the 2018-2019 school year. Base salary increases from 2017-18 to 2018-19 are approximately 1.62%. Existing benefits will be maintained during the course of the agreement. The OEA and the District will begin negotiations for 2019-2020 contract in the fall of 2018. The OEA also represents the District's Educational Interpreters. The Sign Language Interpreters operate under the terms of a one year agreement, which calls for a 0% total package increase from 2017-2018 to 2018-2019.

Other employees of the District are affiliated with Service Employees Union Local 226 which consists of five individual bargaining divisions: Operations, Educational Professionals, Transportation, Nutrition Services and Office Personnel. The Local 226 affiliated bargaining units each rejected the school district's last, best and final offer for the 2018-2019 school year. On August 5, 2018, the Board of Education unilaterally implemented its last best and final offer for each of those bargaining units.

The Operations unit operates under a one year contract with a 0% total package increase for the 2018-2019 school year.

The Transportation unit operates under a one year contract with a 0% total package increase for the 2018-2019 school year. Current district proposals call for a 2.97% total package increase for the 2016-2017 school year and a 3.37% total package increase for the 2017-2018 school year.

The Educational Paraprofessionals unit operates under a one year contract with a 0% total package increase for the 2018-2019 school year.

The Nutrition Services unit operates under the terms of a one year contract with a 0% total package increase for the 2018-2019 school year.

The Office Personnel unit operates under the terms of a one-year contract with a 0% total package increase for the 2018-2019 school year.

The District's Security Personnel are associated with Eastern Nebraska School Security Union, Local 28. The parties have not yet commenced negotiations for the 2018-2019 school year.

The District's Maintenance and Crafts Unit is not affiliated with another union. The District's Maintenance and Crafts Unit rejected the District's last, best and final offer for the 2018-2019 school year. On September 17, 2018, the Board of Education unilaterally implemented its last best and final offer for each of those bargaining units. The Maintenance and Crafts unit operates under the terms of a one-year contract with a 0% total package increase for the 2018-2019 school year.

The District's School Psychologists are currently represented by the Omaha School Psychologists Association. The District's School Psychologists operate under a one year agreement from 2018-2019, which calls for a 0% total package increase for the 2018-2019 school year.

**REVENUE GENERAL FUND – CASH BASIS
FIVE FISCAL YEAR COMPARISONS AMOUNT AND PERCENTAGE
2014-2018**

	2014	2014	2015	2015	2016	2016	2017	2017	2018	2018
	Total Year	% of Total	Total Year	% of Total	Total Year	% of Total	Total Year	% of Total	Total Year	% of Total
Local Receipts										
Current Taxes	235,440,082	46.17%	234,430,855	45.50%	234,028,898	42.13%	250,468,747	42.86%	200,257,260	33.46%
Delinquent Taxes	4,411,380	0.87%	4,315,063	0.84%	4,371,309	0.79%	3,544,884	0.61%	4,263,516	0.71%
Motor Vehicle Rental Tax	33,639	0.01%	160,976	0.03%	390,111	0.07%	312,340	0.05%	398,182	0.07%
OPPD - In Lieu of Tax	6,082,839	1.19%	5,787,427	1.12%	119,296	0.02%	130,931	0.02%	0	0.00%
Public Housing Authority	2,150	0.00%	238	0.00%	1,999	0.00%	183	0.00%	4,359	0.00%
Carline Taxes	67,730	0.01%	69,225	0.01%	76,726	0.01%	67,319	0.01%	134,793	0.02%
OPPD 5 % Gross Tax	1,968,588	0.39%	1,931,232	0.37%	7,611,114	1.37%	8,116,168	1.39%	8,733,132	1.46%
Motor Vehicle Tax	22,615,440	4.44%	20,163,739	3.91%	21,281,925	3.83%	22,533,639	3.86%	22,531,911	3.76%
Tuition Other District Reg Ed	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Tuition Individuals Reg Ed	52,766	0.01%	47,371	0.01%	0	0.00%	82,404	0.01%	0	0.00%
Tuition Other District SPED	274,627	0.05%	291,857	0.06%	231,116	0.04%	211,940	0.04%	131,788	0.02%
Tuition Individual SPED	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Summer School Tuition & Fees	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Adult Education Tuition & Fees	3,165	0.00%	5,270	0.00%	5,410	0.00%	2,350	0.00%	1,132	0.00%
Other Fees	96,110	0.02%	81,804	0.02%	91,213	0.02%	81,315	0.01%	67,803	0.01%
Transportation	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Interest on Investment	11,550	0.00%	15,074	0.00%	47,803	0.01%	321,683	0.06%	1,215,194	0.20%
Liquor Licenses	2,900	0.00%	0	0.00%	0	0.00%	5,525	0.00%	2,550	0.00%
Tobacco Licenses	165	0.00%	0	0.00%	0	0.00%	300	0.00%	180	0.00%
Police Court Fines	1,186,939	0.23%	1,092,331	0.21%	871,026	0.16%	881,586	0.15%	1,172,678	0.20%
Activities Receipts	1,889	0.00%	0	0.00%	0	0.00%	0	0.00%	15	0.00%
Sales of Lunches/Milk	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Community Service Receipts	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Rental of School Facilities	435,138	0.09%	417,997	0.08%	406,122	0.07%	382,990	0.07%	352,830	0.06%
Contributions and Donations	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Salary Contributions	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Employer Contribution Retire	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%

Receipt from Service Purchase	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Local Contracted Services	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Interlocal Agreements	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Miscellaneous Local	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Property Uninsured Loss	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total Local Receipts	272,687,096	53.48%	268,810,460	52.17%	269,534,068	48.52%	287,144,303	49.14%	239,267,324	39.98%

County Receipts

County Receipts	2,347,066	0.46%	2,106,923	0.41%	2,040,693	0.37%	2,174,107	0.37%	1,777,250	0.30%
ESU Receipts	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total County Receipts	2,347,066	0.46%	2,106,923	0.41%	2,040,693	0.37%	2,174,107	0.37%	1,777,250	0.30%

State Receipts

Relief to Property Taxpayers	2,633,937	0.52%	3,598,840	0.70%	9,947,705	1.79%	8,401,043	1.44%	9,227,592	1.54%
State Aid Receipts	182,532,301	35.80%	187,666,285	36.42%	213,112,874	38.37%	226,192,234	38.71%	288,227,935	48.16%
Temporary Mitigation Funds	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
SPED Program School Age	22,365,341	4.39%	23,932,084	4.64%	30,299,766	5.45%	28,280,542	4.84%	26,444,360	4.42%
SPED Transportation School Age	7,917,545	1.55%	7,257,015	1.41%	7,891,785	1.42%	7,289,631	1.25%	7,692,349	1.29%
State Early Childhood	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Apportionment	7,949,524	1.56%	8,982,070	1.74%	8,607,600	1.55%	8,583,418	1.47%	8,983,936	1.50%
In-Lieu-of School Land Tax	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Nursing Services Funds	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Homestead Exemption	5,515,113	1.08%	5,543,835	1.08%	5,169,626	0.93%	7,115,968	1.22%	6,942,073	1.16%
State Categorical Programs	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Other State Programs	271,091	0.05%	53,171	0.01%	0	0.00%	347,617	0.06%	0	0.00%
Pro-Rate Motor Vehicle	667,112	0.13%	658,652	0.13%	668,476	0.12%	626,556	0.11%	579,000	0.10%
State Contracted Services	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Education Innovation Grants	2,000	0.00%	4,000	0.00%	2,000	0.00%	0	0.00%	4,284	0.00%
Other State Receipts	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
State contrib for Retirement	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total State Receipts	229,853,963	45.08%	237,695,951	46.13%	275,699,832	49.63%	286,837,007	49.08%	348,101,530	58.16%

Federal Receipts

Title I Carry Over	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Medicaid Administrative Acts	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Title VI - B Birth to 5 SPED	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
IDEA Enrollment/Poverty	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Title 8 (Impact Aid)	15,461	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Medicaid in Schools (MIPS)	110,410	0.02%	646,995	0.13%	308,372	0.06%	704,327	0.12%	75,607	0.01%
Other Federal Receipts	405,862	0.08%	476,550	0.09%	470,016	0.08%	481,572	0.08%	510,687	0.09%
Total Federal Receipts	<u>531,733</u>	<u>0.10%</u>	<u>1,123,545</u>	<u>0.22%</u>	<u>778,388</u>	<u>0.14%</u>	<u>1,185,899</u>	<u>0.20%</u>	<u>586,294</u>	<u>0.10%</u>

Non-Revenue Receipts

Other Non-Revenue	2,225,670	0.44%	1,607,149	0.31%	1,403,435	0.25%	1,498,573	0.26%	1,558,562	0.26%
Insurance Adjustments	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Sale of Property	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Gain/Loss on Sale of Vehicles	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Tax Anticipation Notes	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Long Term Loans	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Sales of Supplies & Junk	17,621	0.00%	87,772	0.02%	29,594	0.01%	19,939	0.00%	20,169	0.00%
Sale of Bonds	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Loss and Damage	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Reimb for Employee Services	1,878,715	0.37%	3,399,842	0.66%	5,573,384	1.00%	5,132,178	0.88%	6,806,031	1.14%
Abatement Reimbursement	364,647	0.07%	446,284	0.09%	427,229	0.08%	406,353	0.07%	373,230	0.06%
Non-Revenue Receipts	<u>4,486,652</u>	<u>0.88%</u>	<u>5,541,048</u>	<u>1.08%</u>	<u>7,433,642</u>	<u>1.34%</u>	<u>7,057,043</u>	<u>1.21%</u>	<u>8,757,992</u>	<u>1.46%</u>
Grand Total Receipts	<u><u>509,906,510</u></u>	<u><u>100.00%</u></u>	<u><u>515,277,928</u></u>	<u><u>100.00%</u></u>	<u><u>555,486,622</u></u>	<u><u>100.00%</u></u>	<u><u>584,398,360</u></u>	<u><u>100.00%</u></u>	<u><u>598,490,389</u></u>	<u><u>100.00%</u></u>

**SITE AND BUILDING FUND CASH EXPENDITURES:
FISCAL YEARS 2013-14 THROUGH 2017-18**

Purpose	2013-14	2014-15	2015-16	2016-2017	2017-2018
Equipment	\$1,646,146	\$1,921,415	\$1,897,651	\$1,515,760	\$2,849,429
Buildings Remodeling/New	3,675,594	5,191,170	30,972,625	73,589,165	97,209,469
Construction*	4,685,429	2,585,833	19,692,003	53,872,972	66,906,476
Land Acquisition	-	177,500	13,473,680	18,846,007	8,484,270
Other Expenditures Site	106,081	4,705,839	794,277	343,944	5,848,914
Total	<u>10,113,250</u>	<u>14,581,757</u>	<u>66,830,236</u>	<u>148,167,848</u>	<u>181,298,560</u>

* Includes application of proceeds of general obligation and limited tax bonds.

**GENERAL FUND EXPENDITURES – CASH BASIS
FIVE FISCAL YEAR AMOUNT AND PERCENTAGES AS OF AUGUST 31, 2018**

Function	2014 Total Year	2014 % of Total	2015 Total Year	2015 % of Total	2016 Total Year	2016 % of Total	2017 Total Year	2017 % of Total	2018 Total Year	2018 % of Total
Adult Basic Education	\$(877)	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Non-Vocational Adult Education	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Adult High School	171,405	0.03%	\$163,872	0.03%	\$148,235.11	0.03%	174,709.52	0.03%	176,479.00	0.03%
Basic Instruction	236,455,013	47.60%	246,245,079	47.76%	254,914,112.14	47.45%	265,786,623.15	47.83%	278,297,424.32	47.43%
Instructional Support Services	15,612,467	3.14%	15,926,124	3.09%	16,359,592.13	3.05%	16,577,213.24	2.98%	16,667,308.06	2.84%
Early Childhood - SPED & Community Use of Facilities	1,943,686	0.39%	1,254,039	0.24%	1,827,515.64	0.34%	3,870,981.16	0.70%	2,436,281.75	0.42%
Early Childhood - Non-SPED	2,789,534	0.56%	3,388,312	0.66%	3,975,988.20	0.74%	4,194,279.38	0.75%	4,179,003.49	0.71%
Student Support Services	30,286,171	6.10%	30,671,191	5.95%	31,579,944.96	5.88%	33,310,045.58	5.99%	35,419,358.38	6.04%
School Administration	31,750,968	6.39%	32,765,923	6.36%	31,696,005.57	5.90%	33,518,299.79	6.03%	36,346,153.89	6.19%
Special Education Programs	58,231,892	11.72%	58,914,908	11.43%	62,078,710.57	11.56%	66,003,007.20	11.88%	71,630,849.03	12.21%
Regular Summer School	5,466,662	1.10%	5,267,399	1.02%	5,120,196.54	0.95%	5,501,881.61	0.99%	5,145,061.36	0.88%
Saturday Programs	153,622	0.03%	146,715	0.03%	125,016.49	0.02%	115,024.88	0.02%	114,513.96	0.02%
Transfers to Activity Funds	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Buildings & Grounds	49,127,987	9.89%	48,728,002	9.45%	50,781,186.90	9.45%	52,127,893.22	9.38%	54,783,929.99	9.34%
Business Support Services	22,523,920	4.53%	24,809,359	4.81%	31,295,016.07	5.83%	25,950,656.20	4.67%	34,177,300.24	5.82%
Board of Education & General Administration	6,769,501	1.36%	8,340,143	1.62%	8,936,804.44	1.66%	10,305,598.78	1.85%	11,171,471.56	1.90%
Transportation Services	34,432,329	6.93%	37,292,781	7.23%	37,336,686.11	6.95%	37,232,085.34	6.70%	35,067,745.29	5.98%
Debt Services	1,015,411	0.20%	1,580,349	0.31%	951,050.38	0.18%	980,463.38	0.18%	1,078,033.20	0.18%
Employee Assistance Program	53,950	0.01%	53,138	0.01%	51,266.22	0.01%	80,649.58	0.01%	83,990.16	0.01%
Total General Fund Expenditures	\$496,783,639	100.00%	\$515,547,335	100.00%	\$537,177,327.47	100.00%	\$555,729,412.00	100.00%	\$586,774,903.68	100.00%

**OMAHA PUBLIC SCHOOLS TOTAL GOVERNMENT ACTIVITIES EXPENDITURES
FISCAL YEARS 2012-13 THROUGH 2016-17**

Fiscal Year	Total Expenditures
2012-13	\$607,589,251
2013-14	634,377,504
2014-15	650,297,658
2015-16	690,154,700
2016-17	750,733,827

School District Budget Limitations/State Aid

The District’s principal sources of revenue for its general fund are local property taxes and state aid. State aid is allocated to school districts based upon statutory formulas which take into consideration taxable valuations, student population, per student costs and a variety of other factors. The District’s current budget is governed by the provisions of the “Budget Limitations” which are discussed under the heading “NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION”. The “Levy Limitations,” also discussed under the heading “NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION,” limit the current tax levies and will also limit such levies for subsequent fiscal years. Such limitations do not affect the District’s ability to levy and collect taxes sufficient to pay the principal of and interest on the Bonds.

CITY OF OMAHA - GENERAL INFORMATION

Location and General Background

Omaha, founded in 1854, is the largest city in the State of Nebraska. Omaha is the hub of a transportation network leading to all parts of the nation and thus offers advantages to business and industry competing in regional and national markets. This fact is substantiated by the growth of population, employment and income during recent years.

Area and Population

The U.S. Census Bureau in the 2010 Census reported that the population of the eight-county Omaha Metropolitan Statistical Area (“MSA”), comprising five Nebraska counties and three Iowa counties, numbered 931,666 with over 1.2 million within a 60-minute drive. The U. S. Census Bureau’s estimate of the 2017 population of the City of Omaha and of the MSA are approximately 466,893 and 970,023, respectively.

Transportation

Over 4.6 million passengers, more than 148 million pounds of cargo and mail passed through Eppley Airfield, Omaha’s principal airport, in 2017. In the last decade, Eppley Airfield has made over \$110 million in investments in terminal, apron, cargo area, and runway expansions. Eppley Airfield offers between 150 and 170 flights per day and is serviced by eight national air carriers (recent mergers within the industry may change the number), 18 regional airlines, eight air freight carriers and two full-service general aviation facilities. A total of 118 general aviation aircraft, including 55 executive jets, are based at Eppley Airfield. There are 70-80 departures out of Eppley Airfield daily.

Omaha is general headquarters for the Union Pacific Railroad is headquartered in Omaha. The Burlington Northern Santa Fe and the Canadian National railroads also provide service and combine to make Omaha an important rail center.

Two interstate highways (Interstate 80 and Interstate 29), five federal highways and seven state highways provide fast all-weather routes within Nebraska and to and from the rest of the nation. In addition, Interstate 480 (downtown spur) and Interstate 680 (circumferential route) provide access to all parts of the metropolitan area.

More than 100 motor common carriers haul freight to and from Omaha and all parts of the nation, making Omaha a major Midwestern trucking center. Several bus lines operate between Omaha and points in Iowa, Illinois, and Nebraska.

Utility Services

Residential, commercial and industrial electric service rates in Omaha historically have been below the national averages, according to reports of the Edison Electric Institute in its Statistical Yearbook of the Electrical Utility Industry. In addition to low rates, the Omaha Public Power District, a Nebraska political subdivision, provides its customers ample power with a net generating capability of 3,222.7 megawatts.

The Metropolitan Utilities District (“MUD”), a Nebraska political subdivision, distributes natural gas and water in the Omaha area. Rates compare favorably with those prevailing in other metropolitan areas in the nation. Omaha has a plentiful water supply (Missouri River and Platte River wells) and a water system designed to the standards of the National Board of Fire Underwriters, with a current capacity of 334 million gallons a day. MUD’s supply of natural gas is purchased wholesale from up to 20 different suppliers. This supply is supplemented with peak-shaving storage facilities which can provide up to approximately 30% of peak demand.

Education

Omaha is the location of Creighton University, the University of Nebraska at Omaha and the University of Nebraska Medical Center. These institutions, together with three additional colleges located in Omaha, offer educational programs at the graduate and undergraduate levels, in law and in the health professions: medicine, dentistry, nursing and pharmacy.

Public elementary and secondary education are provided by five local school districts: Douglas County School District 0001 (Omaha Public Schools), Douglas County School District No. 0066 (Westside), Douglas County School District No. 0017 (Millard), Douglas County School District No. 0054 (Ralston) and Douglas County School District 0010 (Elkhorn). The Omaha Public Schools has the largest enrollment of pupils residing within the City. The City also has a number of private and parochial schools at the elementary and secondary levels.

Health Services

There are thirteen hospitals within the City of Omaha, six of them classified as acute-care community hospitals. Of the remaining seven hospitals, two are acute-care hospitals operated by governmental entities (one by the State of Nebraska and one by Douglas County), four are specialized hospitals (pediatrics, maternity care, geriatrics and psychiatry) and one is a major hospital of the Veterans Administration. There are more than 1,200 physicians and more than 300 dentists in Omaha; their services are utilized both by Omaha residents and by persons within the surrounding region.

Military

The United States Strategic Command (“USSTRATCOM”) is headquartered at Offutt Air Force Base, just south of Omaha. The missions of U.S. Strategic Command are: to deter attacks on U.S. vital interests, to ensure U.S. freedom of action in space and cyberspace, to deliver integrated kinetic and non-kinetic effects to include nuclear and information systems in support of U.S. Joint Force Commander operations, to synchronize global missile defense plans and operations, to synchronize regional combating of weapons of mass destruction plans, to provide integrated surveillance and reconnaissance allocation recommendations to the Secretary of Defense, and to advocate for capabilities as assigned. The estimated impact of Offutt Air Force Base on the Greater Omaha community is more than \$1.3 billion.

Economy

From an economy founded on the livestock industry in the late nineteenth century, Omaha is a major grain exchange market in the United States. Food processing is also an important part of the economy and is represented by such companies as Kellogg Company, and Omaha Steaks International.

The geographic centrality of Omaha in the United States encourages commercial development, and the City is home to four Fortune 500 companies, which represent a diverse array of industries: Berkshire Hathaway, Mutual of Omaha Companies, Peter Kiewit Sons’, Inc. and Union Pacific Corp. The City’s economy continues to diversify, although it still remains agriculturally oriented. The Omaha MSA contains more than 650 manufacturing plants, including plants operated by Lozier Corporation and Valmont Industries Inc. In the early 1980s, Omaha began

developing as a major participant in the reservation, customer service and direct-response center industry. Currently, there are 50 such firms located within the City. In total these companies employ a labor force in excess of 40,000. Major employers in this group include First Data Corporation, Oriental Trading Co., Inc., West Corporation, PayPal, Marriott Worldwide Reservation Center and Omaha Steaks. Omaha is the home of Peter Kiewit Sons', Inc., one of the largest construction and mining organizations in North America, TD Ameritrade, a major discount stock brokerage firm, and 21 insurance companies, including Mutual of Omaha, the world's largest mutual health and accident company, and Woodmen of the World Life Insurance Society. In December of 2012, meatpacking employment in the Omaha MSA numbered 6,500. The district offices of the Farm Credit System for Nebraska, Iowa, South Dakota and Wyoming are headquartered in Omaha.

The City is economically attractive to potential residents. The annual cost of living in the City in the second quarter of 2015 across all categories was approximately 92% of the national average. Omaha MSA residents enjoy a median household income (2017) of \$62,247 – approximately 1% higher than the national average. The 2017 unemployment rate for the Omaha MSA was 2.8% compared with 4.1% for the United States.

Selected Economic Indicators

The following table shows the employment distribution by industry group (non-farm employment) for the greater Omaha area for 2015, 2016 and 2017:

Industry	Average for 2015		Average for 2016		Average for 2017	
	Number	% of	Number	% of	Number	% of
		Total		Total		Total
Natural Resources and Construction	25,600	5.2%	26,400	5.3%	27,200	5.5%
Manufacturing	32,700	6.7%	32,600	6.6%	33,300	6.8%
Trade, Transportation and Utilities	97,600	19.8%	97,300	19.6%	97,100	19.4%
Information	11,500	2.3%	11,800	2.4%	11,600	2.3%
Financial Activities	42,200	8.6%	43,500	8.7%	43,500	8.7%
Professional and Business Services	73,800	15.0%	74,100	14.9%	72,700	14.5%
Educational and Healthcare Services	76,500	15.6%	79,000	15.9%	80,200	16%
Leisure and Hospitality	48,200	9.8%	48,700	9.8%	50,200	10%
Other Services	17,800	3.6%	17,700	3.6%	17,900	3.6%
Government	<u>65,800</u>	<u>13.4%</u>	<u>66,300</u>	<u>13.3%</u>	<u>66,100</u>	<u>13.2%</u>
Total Non-Farm Employment	491,700	100.0%	497,500	100.0%	499,800	100.0%

Source: U.S. Bureau of Labor Statistics: State and Area Employment, Hours and Earnings

Omaha MSA Population and Employment

	<u>Population¹</u>	<u>Non-Farm Employment²</u>
2012	885,707	469,700
2013	895,573	477,400
2014	904,421	484,700
2015	915,312	491,600
2016	924,129	497,500
2017	970,023	499,800

¹ Source: U.S. Census Bureau

² Source: Greater Omaha Chamber of Commerce; U.S. Bureau of Labor Statistics.

Largest Employers – City of Omaha Combined Statistical Area (2017)

Company	Product/Service	# of Employees
1. Offutt Air Force Base*	National Security	9,500+
2. CHI Health System	Health Care	7,500+
3. Omaha Public Schools	Education	7,500+
4. Methodist Health System	Health Care	5,000+
5. Nebraska Medicine	Healthcare	5,000+
6. University of Nebraska Medical Center	Medical School	3,000+
7. Children’s Hospital & Medical Center	Health Care	3,000+
8. First Data Corp.	Transaction Processing	3,000+
9. Union Pacific Railroad Co.	Transportation	3,000+
10. Hy-vee Inc.	Grocery Store/Retail Trade	3,000+
11. First National Bank of Nebraska	Banking/Finance	3,000+
12. West Corp.	Telemarketing	3,000+
13. WalMart Stores	Department Store/Retail Trade	3,000+
14. Mutual of Omaha Insurance Co.	Finance & Insurance	3,000+
15. Creighton University.	Education	3,000+

*Located in Sarpy County (immediately south of Omaha).

Source: Omaha World-Herald, Greater Omaha Chamber of Commerce, City of Omaha, and Area School Districts

Omaha MSA Personal Income (per capita)

<u>Year</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>U.S. Per Capita Personal Income</u>
2011	39,002,772	45,057	44,208
2012	41,589,835	47,681	45,326
2013	45,523,902	47,482	45,362
2014	44,154,343	48,821	46,129
2015	47,178,248	51,543	48,190
2016	49,545,167	53,613	49,246

Source: Bureau of Economic Analysis, SA1-3, CA1-3

Omaha MSA¹ Net Taxable Sales

Year	Total Net Taxable Sales (000)	Net Taxable Sales of Motor Vehicles (000)
2012	9,836,544	1,317,213
2013	10,481,207	1,406,622
2014	10,833,500	1,479,463
2015	10,991,751	1,557,987
2016	11,269,441	1,636,298
2017	11,577,324	1,699,394

Source: Nebraska Department of Revenue.

¹ Includes the five Nebraska Counties in the eight County MSA.

² Nebraska Counties of MSA (Cass, Douglas, Sarpy, Washington, Saunders.)

Value of Building Permits - City of Omaha

<u>Year</u>	<u>Total Permit Value</u>
2013	925,888,218
2014	696,323,576
2015	710,108,025
2016	874,046,803
2017	806,569,323

Source: Divisions of Permits and Inspections, City of Omaha

Major Taxpayers

The following are firms located within the City of Omaha with real estate valuations in excess of \$27,000,000 as of September 16, 2017.

FIRST NATIONAL BANK OMAHA	\$182,100,400
WESTROADS MALL LLC	92,602,800
168TH & DODGE LP	88,292,300
TD AMERITRADE SERVIC CO	87,466,500
OAK VIEW MALL LLC	85,206,100
FIRST DATA RESOURCES INC	69,864,000
NEBRASKA FURNITURE MART	67,674,200
UNITED OF OMAHA LIFE INS	58,164,700
SFI LTD PARTNERSHIP	56,134,300
COMMERCIAL FEDERAL SAV & LOAN	44,937,400
WAL-MART REAL ESTATE BUS TR	44,183,600
CLARKSON REGIONAL HEALTH	42,878,600
TARGET CORPORATION	40,902,000
REGENCY LAKESIDE ASSOC LLC	36,831,500
ATRIUM FINANCE III LP	35,363,400
CONAGRA FOODS PACKAGED FOODS	35,160,700
CONAGRA FOODS INC	34,727,800
WAL-MART REAL ESTATE BUSINESS	32,650,700
BUCKS INC	30,805,200
AIRLITE PLASTICS CO	30,242,400
USGP II OMAHA FBI LP	29,887,600
MFR PARTNERS VII LLC	29,734,500
DOUGLAS BUILDING LLC	29,450,000
KELLOGG USA INC	29,352,800
GUARANTEE MUTUAL LIFE	29,346,900
BROADMOOR APARTMENTS LIMITED	28,782,400
HILLSBOROUGH POINTE LLC	28,393,100
OMAHA PLAZA INVESTMENTS LLC	28,320,300
LOZIER CORP	27,941,500
TL STREET MARKETPLACE MAIN NE	27,758,900
OMAHA WORLD HERALD	27,253,400
WEST TELESERVICES CORP	27,205,700
OMAHA BUSINESS PARK LLC	27,193,900

Source: Records of the Tax Control Department, Office of the Douglas County Treasurer.

SUMMARY FINANCIAL STATEMENT AND OPERATING STATISTICS

The following table sets forth in summary form the financial and operating information which the District will provide pursuant to its undertaking as described under the heading "CONTINUING DISCLOSURE UNDERTAKING":

Taxable valuation for current tax year (presently 2018-19):	\$22,180,983,314
General Obligation Bonded Debt, Lease Related Debt and Limited Tax Supported Debt (2018-19 Budget):	\$564,215,000*
Principal Amount of Lease Related Debt	\$0**
Current Enrollment (as of October 10, 2018):	52,881
Total Budgeted General Fund Expenditures Current Fiscal Year:	\$617,090,766
Total Number of Employees:	8,026

* Indebtedness includes outstanding stated principal amounts for general obligation bonds (excluding the Bonds), limited tax supported bonds and includes qualified zone academy bonds and qualified school construction bonds (without consideration for debt service funds on hand) and lease-purchase obligation but does not include any vendor-financed leases.

** Lease related debt does not include any vendor-financed leases.

APPENDIX B - FINANCIAL STATEMENTS OF THE DISTRICT

Douglas County School District #0001
Omaha, Nebraska

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

Together with Independent Auditor's Report

Douglas County School District #0001

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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Omaha Schools Foundation, a blended component unit, which is a major fund and represents 93.1%, 101.2%, and 42.3%, respectively, of the assets, net position, and revenues of the business-type activities of the District. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Omaha Schools Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

SEEM JOHNSON, LLP

Omaha, Nebraska,
November 14, 2017.



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

OVERVIEW

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

GOVERNANCE ORGANIZATION AND RESPONSIBILITIES

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

BASIC FINANCIAL STATEMENTS

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

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

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

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

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

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

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

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

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

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

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

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

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

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

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

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

CONDENSED FINANCIAL STATEMENTS

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

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

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

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

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

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

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

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

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

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

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

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

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

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

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

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

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

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

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

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

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

Douglas County School District #0001

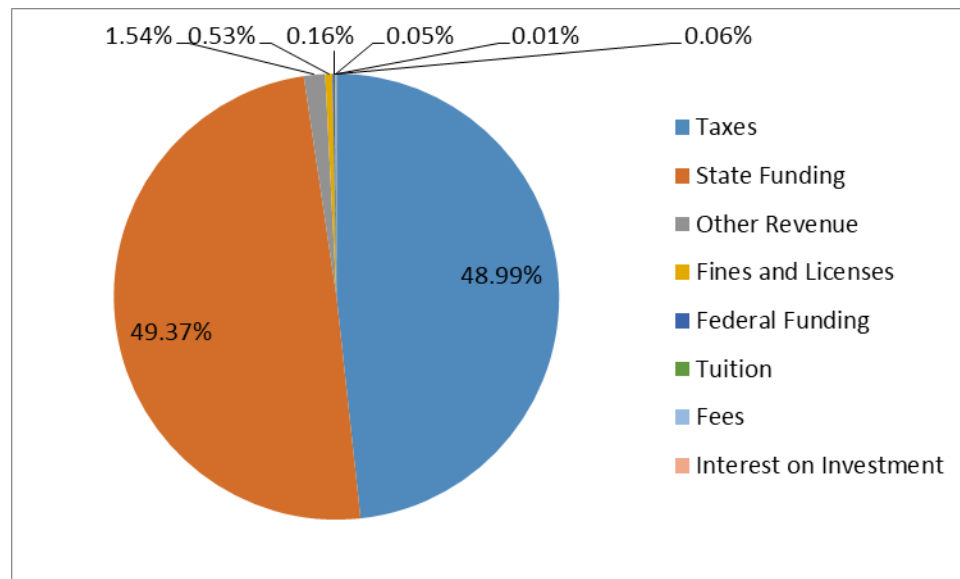
Management's Discussion and Analysis (Thousands of Dollars)

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

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

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

General Fund Revenues FY17



General Fund Expenditures (thousands of dollars)

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

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

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

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

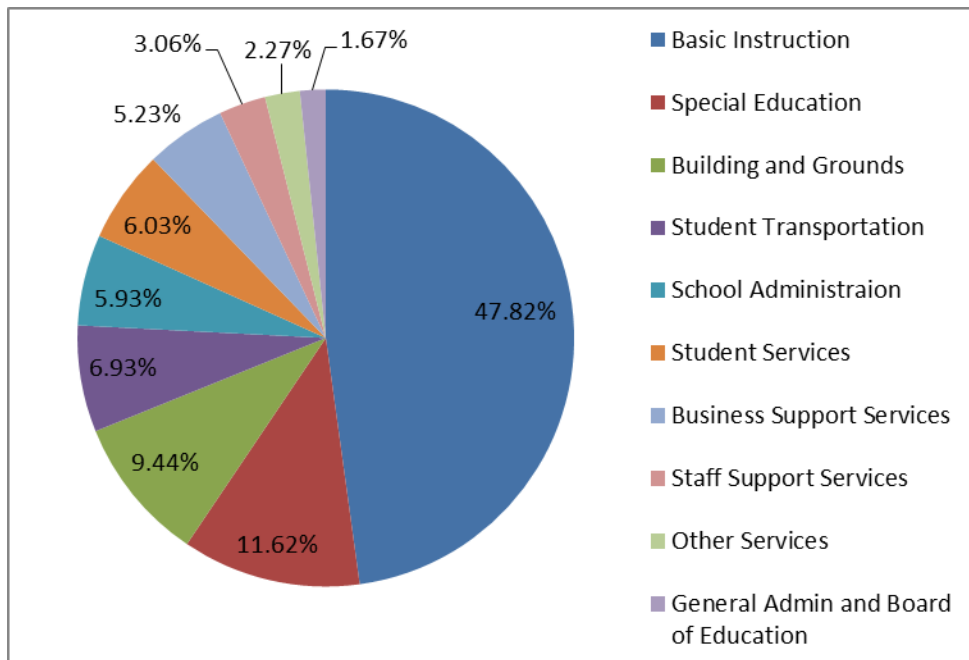
The increase in General Administration and Board of Education of \$2,575, or 28.85%, for fiscal year 2017. There were several factors that contributed. As mentioned above the additional payment to the pension plan of \$209. Staff salaries were up 2.7% minimum in negotiated salary increases for staff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

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

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

The following graph provides a breakdown of General Fund expenditures:

General Fund Expenditures FY17



Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

BUDGETARY ANALYSIS

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

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

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

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

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

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

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

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

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

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

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

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

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

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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Chief Financial Officer
Department of General Finance and Administrative Services
Omaha Public School District
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Omaha, NE 68131-2024
Voice: 531-299-9825
Fax: 402-557-2019
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Please visit the District's website at <http://www.ops.org> for additional financial and other information.

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

Douglas County School District #0001

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

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

See accompanying notes to the financial statements

Douglas County School District #0001

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

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

See accompanying notes to the financial statements

Douglas County School District #0001

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

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

RECONCILIATION

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

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

See accompanying notes to the financial statements

Douglas County School District #0001

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

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

See accompanying notes to the financial statements

Douglas County School District #0001

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

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

See accompanying notes to the financial statements

Douglas County School District #0001

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

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

See accompanying notes to the financial statements

Douglas County School District #0001

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

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

See accompanying notes to the financial statements

Douglas County School District #0001

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

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

See accompanying notes to the financial statements

Douglas County School District #0001

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

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

See accompanying notes to the financial statements

Douglas County School District #0001

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

(1) Summary of Significant Accounting Policies

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

A. *Reporting Entity*

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

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

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

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

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

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

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

Omaha Schools Foundation (Blended Component Unit within Enterprise Funds)

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

Douglas County School District #0001

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

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

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

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

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

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

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

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

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

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

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

Douglas County School District #0001

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

The District reports the following major proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Douglas County School District #0001

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

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

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

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

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

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

D. Budget Process

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

E. Use of Estimates

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

F. Cash and Cash Equivalents

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

Douglas County School District #0001

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

G. *Investments and Pooled Investments*

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

H. *Receivables*

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

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

I. *Inventories and Prepaid Expenses*

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

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

J. *Capital Assets, Depreciation and Amortization*

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

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

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

K. *Deferred Outflows of Resources*

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

Douglas County School District #0001

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

L. *Compensated Absences*

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

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

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

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

M. *Deferred Inflows of Resources*

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

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

N. *Interfund Transactions*

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

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

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

Douglas County School District #0001

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

O. *Net Position/Fund Balance*

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

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

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

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

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

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

Douglas County School District #0001

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

Minimum Fund Balance Policy

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

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

P. Income Taxes

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

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

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

Q. Pensions

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

R. Subsequent Events

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

Douglas County School District #0001

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

(2) Deposits and Investments

A. Douglas County School District #0001

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

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

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

Credit Risk

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

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

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

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

Interest Rate Risk

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

Douglas County School District #0001

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

Foreign Currency Risk

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

Fair Value Measurement

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

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

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

B. Omaha Schools Foundation

Legal and Contractual Provisions

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

Deposit Custodial Credit Risk

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

Douglas County School District #0001

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

Investment Credit Risk

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

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

Interest Rate Risk

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

Fair Value Measurement

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

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

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

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

Legal and Contractual

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

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

Douglas County School District #0001

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

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

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

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

Credit Risk

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

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

Douglas County School District #0001

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

Interest Rate Risk

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

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

Foreign Currency Risk

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

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

Fair Value Measurement

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

Douglas County School District #0001

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

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

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

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

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

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

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

Douglas County School District #0001

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

Impairment Loss

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

D. *Friends of KIOS*

Legal and Contractual

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

Credit Risk

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

Interest Rate Risk

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

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

Fair Value Measurement

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

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

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

Douglas County School District #0001

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

E. *Educare of Omaha, Inc.*

Legal and Contractual

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

Credit Risk

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

Fair Value Measurement

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

Douglas County School District #0001

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

(3) Due From/Due To Other Funds

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

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

Douglas County School District #0001

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

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

(4) Capital Assets, Depreciation and Amortization

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

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

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

Douglas County School District #0001

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

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

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

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

Donated Facilities

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

Douglas County School District #0001

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

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

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

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

(5) Long-Term Liabilities

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

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

Douglas County School District #0001

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

Debt Obligations

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

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

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

American Recovery and Reinvestment Act - Build America Bonds 2009

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

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

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

General Obligation Refunding Bonds - Series 2010

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

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

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

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

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

Douglas County School District #0001

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

American Recovery and Reinvestment Act - Build America Bonds 2010

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

General Obligation Refunding Bonds - Series 2012

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

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

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

General Obligation Refunding Bonds - Series 2014

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

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

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

General Obligation Bonds - Series 2015

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

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

General Obligation Bonds - Series 2016

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

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

Douglas County School District #0001

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

Capital Lease Obligations

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

Sequestration

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

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

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

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

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

Douglas County School District #0001

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

(6) Other Post-Employment Benefits

Accumulated Sick Leave

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

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

Special Termination Benefits

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

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

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

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

Death Benefit Plan for Certificated Staff

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

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

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

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

Douglas County School District #0001

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

Supplemental Retirement Benefit Plan for Administrative Employees

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

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

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

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

(7) Fund Balance

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

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

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

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

Douglas County School District #0001

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

(8) Retirement System

Plan Description

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

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

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

Membership Information

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

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

Contributions

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

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

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

Douglas County School District #0001

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

Benefits Provided

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

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

Net Pension Liability

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

Actuarial Assumptions:

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

Douglas County School District #0001

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

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

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

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

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

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

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

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

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

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

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

Douglas County School District #0001

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

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
Small Cap Equity	12%	7.1%
Global Equity	15%	7.6%
Specialty Funds	15%	11.0%
Alternatives	25%	7.6%
Fixed Income	5%	3.4%
High Yield Investments	16%	5.9%
Real Estate	12%	7.0%
Total	100%	

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

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

Pension plan fiduciary net position

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

Douglas County School District #0001

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

Changes in the Net Pension Liability

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

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

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

Douglas County School District #0001

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

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

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

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

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

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

Payable to the Pension Plan

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

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

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

Douglas County School District #0001

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

(10) Interfund Transfers

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

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

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

(11) Deficit Net Position

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

(12) Tax Abatements

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

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

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

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

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

Douglas County School District #0001

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

(13) Commitments and Contingencies

Risk Management

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

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

Construction Commitments

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

Litigation

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

(14) Subsequent Events

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

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

Douglas County School District #0001

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

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

See accompanying independent auditor's report

Douglas County School District #0001

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

Budget to GAAP Reporting Reconciliation – Governmental Funds

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

General Operating Fund

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

Special Building Fund

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

Debt Service Fund

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

Douglas County School District #0001

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

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

See accompanying independent auditor's report

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

Douglas County School District #0001

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

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

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

See accompanying independent auditor's report

Douglas County School District #0001

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

Notes to the Schedules:

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

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

Changes in actuarial assumptions:

9/1/2013 valuation:

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

9/1/2010 valuation:

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

9/1/2008 valuation:

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

Douglas County School District #0001

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

9/1/2007 valuation:

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

Method and assumptions used in calculations of Actuarially Determined Contributions:

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

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

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

Douglas County School District #0001

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

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

See accompanying independent auditor's report

Douglas County School District #0001

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

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

See accompanying independent auditor's report

Douglas County School District #0001

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

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

See accompanying independent auditor's report

Douglas County School District #0001

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

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

See accompanying independent auditor's report

Douglas County School District #0001

Other Supplementary Information

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

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

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

See accompanying independent auditor's report

Douglas County School District #0001

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

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

Douglas County School District #0001

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

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

The accompanying notes are an integral part of this schedule

Douglas County School District #0001

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

Note 1 Basis of Presentation

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

Note 2 Summary of Significant Accounting Policies

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

Note 3 Indirect Cost Rate

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

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

SEEM JOHNSON, LLP

Omaha, Nebraska,
November 14, 2017.

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

Independent Auditor's Report

To the Board of Education
Douglas County School District #0001

Report on Compliance for Each Major Federal Program

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

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

SEEM JOHNSON, LLP

Omaha, Nebraska.
November 14, 2017.

Douglas County School District #0001

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

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? x Yes No

II. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal award findings or questioned costs reported.

Douglas County School District #0001

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

Finding No. 2016-001:

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

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

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

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

Status: Finding cleared.

APPENDIX C

GLOBAL BOOK-ENTRY INFORMATION

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each separate maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participant’s accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and at www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents relating to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Registrar) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar (from funds provided by the District), disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

APPENDIX D
FORM OF CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District, being the only “obligated person” with respect to the Bonds, has agreed in the Resolution that it will provide the following continuing disclosure information to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB:

(a) not later than seven months after the end of each fiscal year of the District (the “Delivery Date”), financial information or operating data for the District generally consistent with the information set forth under the heading “SUMMARY FINANCIAL STATEMENT AND OPERATING STATISTICS” as shown in Appendix A to the Official Statement for the Bonds (“Annual Financial Information”);

(b) when and if available, audited financial statements for the District; audited financial information shall be prepared in conformity with generally accepted accounting principles as presently in effect, including GASB No. 34; and

(c) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (7) modifications to rights of the holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

- (11) rating changes;

(12) bankruptcy, insolvency, receivership or similar events of the District (this event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);

(13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(d) in a timely manner, notice of any failure on the part of the District to provide Annual Financial Information or Audited Financial Statements not later than the Delivery Date.

The District has not undertaken to provide notice of the occurrence of any other event, except the events listed above.

The District has agreed that all documents provided to the MSRB under the terms of this continuing disclosure undertaking shall be in such electronic format and accompanied by such identifying information as shall be prescribed by the MSRB. The District has reserved the right to modify from time to time the specific types of information provided or the format of the presentation of such information or the accounting methods in accordance with which such information is presented, to the extent necessary or appropriate in the judgment of the District, consistent with the Rule. The District has agreed that such covenants are for the benefit of the registered owners of the Bonds (including Beneficial Owners) and that such covenants may be enforced by any registered owner or Beneficial Owner, provided that any such right to enforcement shall be limited to specific enforcement of such undertaking and any failure shall not constitute an event of default under the Resolution. The continuing disclosure obligations of the District, as described above, shall cease when none of the Bonds remain outstanding.

APPENDIX E
FORM OF OPINION OF BOND COUNSEL

_____, 2018

RE: GENERAL OBLIGATION BONDS, SERIES 2018, OF DOUGLAS COUNTY SCHOOL DISTRICT 0001 (OMAHA, NEBRASKA, PUBLIC SCHOOLS), IN THE STATE OF NEBRASKA, DATE OF ORIGINAL ISSUE – _____, 2018

Ladies and Gentlemen:

We have examined the certified transcript of proceedings of Douglas County School District 0001 (Omaha, Nebraska, Public Schools), in the State of Nebraska (the “Issuer”), for the issuance of General Obligation Bonds, Series 2018, date of original issue — _____, 2018, in the principal amount of _____ Million Dollars (\$ _____) (the “Bonds”) in pursuance of Sections 10-701 to 10-716.01, Reissue Revised Statutes of Nebraska, 2012, as amended, for the purpose of paying a portion of the costs of building two high schools, one middle school and two elementary schools and furnishing and equipping the same, construction of capital improvements, additions, renovations, relocations and replacements of existing school buildings and furnishing and equipping the same, providing for air quality, heating, ventilation and air conditioning, life safety and energy improvements and upgrades for existing school buildings, and other capital projects, land acquisition, and furnishings and equipment relating to new and existing school buildings (collectively, the “Project”) and paying costs of issuance. The transcript shows, among other things, certain covenants and certifications relating to the status of interest on the Bonds with respect to state and federal tax law. The transcript has been certified by the Secretary of the Issuer and is identified by a stamp bearing our name on each page. We have relied upon the certified transcript without undertaking to verify the same by independent investigation.

The Bonds are being issued in fully registered form in denominations of \$5,000 or integral multiples thereof and bear date of original issue of _____, 2018; the Bonds bear interest at the rates, become due at the times and are redeemable prior to maturity as set out in the Bonds and as established under the resolution of the Board of Education of the Issuer adopted on _____, 2018 (the “Resolution”).

No opinion is expressed herein with respect to the accuracy, adequacy, or completeness of any of the statements or information used in the selling of the Bonds and we have not undertaken responsibility for any such statements or information. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

Based upon such examination of the transcript, we are of the opinion, as of the date hereof and under existing law, that:

A. The Issuer has lawful authority for the issuance of the Bonds and the Bonds are the valid and binding obligations of the Issuer.

B. The transcript reflects in the Resolution that the Issuer shall cause to be levied and collected annually a special levy of taxes on all the taxable property in the territory of the Issuer, without limitation as to rate or amount, for the purpose of paying and sufficient to pay the interest on and principal of the Bonds as and when such interest and principal become due.

C. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, no opinion is expressed herein with respect to the treatment of such interest under the additional corporate alternative minimum tax on “adjusted

current earnings” as provided for in Section 56(c) and (g) of the Internal Revenue Code of 1986, as amended (the “Code”) or with respect to any other tax based thereon or with respect to any other consequences affecting the federal income tax liability of a recipient of the interest on the Bonds. The Bonds are not “private activity bonds” as described in the Code. The opinions set forth in this paragraph are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

D. Under existing laws with respect to Nebraska state income taxes, such state income taxes are based upon the federal income taxes and federal taxable income and interest on the Bonds in the hands of the holders thereof will be subject to Nebraska state income taxes only to the extent that it may be subject to federal income taxes.

It is to be understood that the rights of the holders of the Bonds and the priorities and enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, extension, compromise and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent applicable and that their priorities and enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,