

***Lancaster County School District 001 -  
Lincoln Public Schools, Lincoln, Nebraska***

*Financial Statements and Supplemental Schedules -  
Modified Cash Basis*

*Independent Auditors' Opinion on Basic Financial Statements  
and Report on Internal Control and Compliance  
For the Year Ended August 31, 2016*

# LANCASTER COUNTY SCHOOL DISTRICT 001 - LINCOLN PUBLIC SCHOOLS

## TABLE OF CONTENTS

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	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1-3
<b>BASIC FINANCIAL STATEMENTS - MODIFIED CASH BASIS:</b>	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Statement of Assets, Liabilities and Fund Balances - Governmental Funds	6
Statement of Receipts, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Notes to the Basic Financial Statements	8-21
<b>SUPPLEMENTARY INFORMATION:</b>	
Individual Fund Schedules of Receipts, Expenditures and Fund Balance - Modified Cash Basis - Budget and Actual	22-33
Combined Schedule of Cash Receipts, Expenditures and Fund Balances	34
Schedule of Operational Expenditures - General Fund	35-38
Schedule of Expenditures of Federal Awards	39-41
<b>INTERNAL CONTROL AND COMPLIANCE REPORTS:</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	44-45
Schedule of Findings and Questioned Costs	46
Summary Schedule of Prior Audit Findings	47

November 2, 2016

## INDEPENDENT AUDITOR'S REPORT

Board of Education

**Lancaster County School District 001 - Lincoln Public Schools**

Lincoln, Nebraska

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund (excluding Educational Service Unit 18), and the aggregate remaining fund information of Lancaster County School District 001 - Lincoln Public Schools (the "School District"), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 Educational Service Unit 18, which represent 2.4 percent, 2.0 percent, and 2.5 percent, respectively, of the assets, net position, and receipts of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Educational Service Unit 18, is based solely on the report 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 auditors, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of August 31, 2016, and the respective changes in the modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note A.

### **Basis of Accounting**

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

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplemental information presented on pages 21-37 is presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 38-40 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards on pages 39-41 is the responsibility of management and was derived from and relate 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental information presented on page 22-38 is the responsibility of management and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2016, on our consideration of the School 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*HSMC Orizon LLC*

HSMC ORIZON LLC

# LANCASTER COUNTY SCHOOL DISTRICT 001 - LINCOLN PUBLIC SCHOOLS

## STATEMENT OF NET POSITION - MODIFIED CASH BASIS AUGUST 31, 2016

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	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 67,377
Investments	183,984,261
Inventories	<u>1,676,875</u>
Total assets	<u>185,728,513</u>
LIABILITIES:	
Accrued expenses and encumbrances	<u>19,337,871</u>
NET POSITION:	
Restricted	62,938,378
Unrestricted	<u>103,452,264</u>
Total net position	<u>\$ 166,390,642</u>

See Notes to Financial Statements.

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

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

Functions/Programs	Expenditures	Program Receipts		Net (Expenditures) Receipts and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 265,705,291	\$ 931,461	\$ 29,582,942	\$ (235,190,888)
Support services:				
Pupils	16,745,441			(16,745,441)
Staff	14,634,877			(14,634,877)
Business	91,581,362		7,346,895	(84,234,467)
Maintenance and operation of business	37,650,426			(37,650,426)
Pupil transportation	9,252,435	1,308	3,008,467	(6,242,660)
School lunch and milk	22,415,959	6,956,436	13,255,423	(2,204,100)
School activities	5,637,518	6,026,160		388,642
General administration	9,811,921			(9,811,921)
Office of principal	23,812,304			(23,812,304)
Community services	238,609			(238,609)
Categorical corporation and private	3,680,401		5,099,419	1,419,018
State categorical programs	926,876		966,114	39,238
Federal programs	23,421,306		32,777,861	9,356,555
Debt service	32,391,578		903,233	(31,488,345)
Summer school	998,256	176,549		(821,707)
Total governmental activities	558,904,560	14,091,914	92,940,354	(451,872,292)
General receipts:				
Taxes:				
Property taxes and state credits				233,798,277
Motor vehicle				18,404,338
Public power district sales				8,158,643
Fines and licenses				4,691,421
Sale of property				71,796
State aid				136,351,843
Interest income				303,167
Other				2,003,016
Total general receipts				403,782,501
Change in net position				(48,089,791)
Net position - beginning of year				214,480,433
Net position - end of year				\$ 166,390,642

See Notes to Financial Statements.

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

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

	General Fund	Special Building Fund	Bond Interest and Retirement Fund	Qualified Capital Purpose Undertaking Fund	School Lunch and Milk Fund	Educational Service Unit 18	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash	\$ 67,377							\$ 67,377
Investments	114,923,691	\$ 21,450,716	\$ 24,945,213	\$ 5,531,256	\$ 8,916,787	\$ 4,365,043	\$ 3,851,555	183,984,261
Inventories	415,949				1,260,926			1,676,875
Total assets	<u>\$ 115,407,017</u>	<u>\$ 21,450,716</u>	<u>\$ 24,945,213</u>	<u>\$ 5,531,256</u>	<u>\$ 10,177,713</u>	<u>\$ 4,365,043</u>	<u>\$ 3,851,555</u>	<u>\$ 185,728,513</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accrued expenses and encumbrances	<u>\$ 14,310,309</u>				<u>\$ 3,633,951</u>	<u>\$ 1,006,451</u>	<u>\$ 387,160</u>	<u>\$ 19,337,871</u>
Fund balances:								
Nonexpendable	415,949				1,260,926			1,676,875
Restricted:								
Capital outlay		\$ 21,450,716		\$ 5,531,256				26,981,972
Debt service			\$ 24,945,213					24,945,213
School lunch					5,282,836			5,282,836
Programs and services	1,108,839					3,358,592		4,467,431
Committed:								
Capital outlay	21,102,554							21,102,554
Programs and services	3,680,132							3,680,132
Assigned:								
Programs and services							3,525,207	3,525,207
Unassigned	74,789,234						(60,812)	74,728,422
Total fund balances	<u>101,096,708</u>	<u>21,450,716</u>	<u>24,945,213</u>	<u>5,531,256</u>	<u>6,543,762</u>	<u>3,358,592</u>	<u>3,464,395</u>	<u>166,390,642</u>
Total liabilities and fund balances	<u>\$ 115,407,017</u>	<u>\$ 21,450,716</u>	<u>\$ 24,945,213</u>	<u>\$ 5,531,256</u>	<u>\$ 10,177,713</u>	<u>\$ 4,365,043</u>	<u>\$ 3,851,555</u>	<u>\$ 185,728,513</u>

See Notes to Financial Statements.



**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

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

	General Fund	Special Building Fund	Bond Interest and Retirement Fund	Qualified Capital Purpose Undertaking Fund	School Lunch and Milk Fund	Educational Service Unit 18	Other Governmental Funds	Reclass- ifications	Total Governmental Funds
RECEIPTS:									
Taxes:									
Property	\$ 195,724,680	\$	\$ 28,888,743	\$ 6,388,130		2,796,724	\$		\$ 233,798,277
Motor vehicle	18,283,859		91,353	20,297		8,829			18,404,338
Public power district sales	6,892,432		1,041,788	224,423					8,158,643
Babs Subsidy				903,233					903,233
Sale of property	54,296	17,500							71,796
Fines and licenses	4,691,421								4,691,421
Tuition	84,635					8,130	176,549		269,314
State funding	164,638,326				\$ 102,138	1,962,451			166,702,915
Federal funding	32,777,861				13,153,285	1,440,738			47,371,884
Sales of lunches					6,956,436				6,956,436
Activities and other receipts							6,026,160		6,026,160
Contracted services						6,320,252		\$ (5,481,556)	838,696
Transfers - other funds	300,000						5,560,666	(5,860,666)	
Transfers - inter-fund	8,623,680							(8,623,680)	
Interest income	62,589	240,573	5						303,167
Grants and donations	6,932,407								6,932,407
Reimbursements and other	1,286,907	7,850,694	9,057	1,943	60,014	856	176,611		9,386,082
Total receipts	<u>440,353,093</u>	<u>8,108,767</u>	<u>30,030,946</u>	<u>7,538,026</u>	<u>20,271,873</u>	<u>12,537,980</u>	<u>11,939,986</u>	<u>(19,965,902)</u>	<u>510,814,769</u>
EXPENDITURES:									
Instruction	266,611,830					1,777,202		(2,683,741)	265,705,291
Support services:									
Pupils	10,691,785					6,353,656		(300,000)	16,745,441
Staff	10,560,787						5,350,934	(1,276,844)	14,634,877
Business	15,051,079	85,738,065						(9,207,782)	91,581,362
Maintenance and operation of business	38,650,426							(1,000,000)	37,650,426
Pupil transportation	9,807,965							(555,530)	9,252,435
General administration	10,669,412					142,509		(1,000,000)	9,811,921
School lunch and milk					22,415,959				22,415,959
School activities							5,637,518		5,637,518
Office of principal	23,812,304								23,812,304
Community services	238,609								238,609
Categorical corporation and private	3,680,401								3,680,401
State categorical programs	926,876								926,876
Federal programs	23,421,306								23,421,306
Debt service			25,246,248	6,907,156					32,153,404
Summer school	803,229						195,027		998,256
Core services						3,497,745		(3,497,745)	
Other	444,260		238,174					(444,260)	238,174
Total expenditures	<u>415,370,269</u>	<u>85,738,065</u>	<u>25,484,422</u>	<u>6,907,156</u>	<u>22,415,959</u>	<u>11,771,112</u>	<u>11,183,479</u>	<u>(19,965,902)</u>	<u>558,904,560</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) EXPENDITURES	24,982,824	(77,629,298)	4,546,524	630,870	(2,144,086)	766,868	756,507		(48,089,791)
FUND BALANCES, beginning of year	<u>76,113,884</u>	<u>99,080,014</u>	<u>20,398,689</u>	<u>4,900,386</u>	<u>8,687,848</u>	<u>2,591,724</u>	<u>2,707,888</u>		<u>214,480,433</u>
FUND BALANCES, end of year	<u>\$ 101,096,708</u>	<u>\$ 21,450,716</u>	<u>\$ 24,945,213</u>	<u>\$ 5,531,256</u>	<u>\$ 6,543,762</u>	<u>\$ 3,358,592</u>	<u>\$ 3,464,395</u>	<u>\$</u>	<u>\$ 166,390,642</u>

See Notes to Financial Statements.

# LANCASTER COUNTY SCHOOL DISTRICT 001 – LINCOLN PUBLIC SCHOOLS

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

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** – Lancaster County School District 001 - Lincoln Public Schools (the “School District”) is a tax-exempt political subdivision and a Class IV school district of the State of Nebraska.

**Reporting Entity** – The financial statements of the School District include all significant separately administered organizations for which the School District is financially accountable, including its component unit, an entity for which the School District is considered to be financially accountable. Financial accountability is determined on the basis of selection of governing authority, imposition of will, a financial benefit/burden relationship, and/or fiscal dependency. The blended component unit, although a legally separate entity, is in substance part of the School District’s operations. Educational Service Unit No. 18 (“ESU 18”) of the State of Nebraska is considered a blended component unit of the School District and included in the basic financial statements. Separate financial statements for the ESU 18 may be obtained by calling Liz Standish at (402) 436-1635.

**Basis of Accounting** – The accompanying statements have been prepared on the modified cash basis of accounting. Under the modified cash basis of accounting, revenues are recognized when collected rather than when earned and expenses are recognized when paid rather than incurred. While a primarily cash basis methodology is used, the School District does utilize certain characteristics of accrual accounting in their accounting policies to more accurately depict the financial position and operations of the School District. Specifically, inventories are not recorded as expenditures until they are consumed, certain accrued liabilities are expensed prior to fiscal year-end and operating encumbrances are recorded in certain funds.

The year-end actual liabilities include:

- Payroll-related accrued expenses (employment taxes, retirement contributions, insurance premiums, dues, etc.) in any of the School District’s funds obligated by the year’s final payroll distributions but not yet actually disbursed on a cash basis; and
- Purchase order encumbrances which include a specific dollar-amount liability in the General Fund, Central Interscholastic Activity Fund, Educational Service Unit Fund, School Lunch and Milk Fund, Contingency Fund, and Cooperative Fund.

The year-end potential liabilities not recorded include:

- Potential liabilities based on blanket purchase orders in any of the School District’s funds, as these ongoing purchase orders do not represent a specific dollar-amount liability for the School District;
- Purchase order encumbrances in the Federal Fund, Special Grants Fund, Depreciation Fund, Employee Benefit Fund, School Activity Fund, Resale Fund, Bond Interest and Retirement Fund, Bond Construction Fund, Building Fund, Life Safety Fund, Build America Fund, Qualified Capital Purpose Undertaking Fund Debt Service and Student Fees Fund, as these encumbrances (if any) are longer-term and more likely to be changed in amount when liquidated; and
- Unencumbered accounts payable; deferred revenues; notes; bonds and capital lease obligations; compensated absences and pension liabilities.

Accordingly, the financial statements and schedules are not intended to present the financial position and results of operation in conformity with accounting principles generally accepted in the United States of America.

**Basis of Presentation** – The School District prepares its financial statements based on the provisions of Statement No. 34 (“Statement 34”) of the Government Accounting Standards Board (“GASB”) *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement 34 establishes standards for external financial reporting for all state and local government entities, which includes government-wide financial statements and fund financial statements.

**Government-wide and Fund Financial Statements** – The government-wide financial statements report information on all activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements.

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

The fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, receipts and expenditures. All of the School District’s funds are considered governmental funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District, meets specific mathematical criteria set forth by GASB or is identified as a major fund by the School District’s management. In addition to funds meeting this criteria, the School District has elected to report the Qualified Capital Purpose Undertaking Fund and the Bond Interest and Retirement Fund as major funds for financial reporting purposes.

**Fund Types** – The accounts of the School District are organized on the basis of funds, which are grouped into the following fund types for financial reporting purposes:

*General Fund* – Accounts for the financing of all facets of services rendered by the School District, inclusive of operation and maintenance, and includes the following School District funds:

- General Fund – Finances the basic educational services rendered by the School District and is used to account for all financial resources except those required or determined to be accounted for in another fund.
- Federal Fund – Accounts for most grant receipts from federal and non-federal sources that are legally restricted to expenditures for grant-specified purposes. This fund had a deficit fund balance of \$10,025,342 as of August 31, 2016, resulting from the timing of cash receipts for federal programs operated on a cost-reimbursement basis.
- Special Grants Fund – Accounts for non-federal grants obtained from public and private sources to be utilized for specific purposes by the School District.
- Depreciation Fund – Accumulates funds for eventual significant future capital outlays.
- Contingency Fund – Accounts for the operation of the School District’s risk management program by accumulating resources, which are utilized for workers’ compensation benefits, unemployment compensation, various self-insured losses, and various insurance coverages.

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

- \* School Activity Fund – Accounts for the financial operations of quasi-independent student organizations and other self-supporting or partially self-supporting school activities.
- \* Central Interscholastic Athletic Fund – Accounts for the proceeds of specific resources utilized for the interscholastic athletic activities of the School District.
- \* Resale Fund – Accounts for the purchase of items, which are then available for resale at district locations, such as bus passes and class project materials. Also includes receipts and expenditures from district functions that are intended to be operated on a break-even basis, such as facility rental.

*School Lunch and Milk Fund* – Accounts for the proceeds of breakfast and lunch receipts, U.S. Department of Agriculture reimbursements and commodities receipts, which are restricted to expenditures for specified purposes. Such activity is accounted for by the School District in its Nutrition Services Fund.

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

*Special Building Fund* – Accounts for the acquisition, erection, alteration, or improvement of buildings and sites and includes the following School District funds:

- \* Bond Construction Fund – Accounts for the proceeds of bonds issued to pay for the construction and equipping of new schools; the acquisition and improvement of sites; the addition to existing school buildings; and the renovation, remodeling, and refurbishing of existing school buildings.
- \* Building Fund – Accounts for financial resources to be utilized in the acquisition or construction of major capital facilities; the acquisition and improvement of sites; the addition to existing school buildings; and the renovation, remodeling, and refurbishing of existing school buildings.

*Qualified Capital Purpose Undertaking Fund* – Accounts for the financial operations of the hazardous materials abatement management plan, programs to eliminate accessibility barriers, qualified zone academy projects, life safety code violations, indoor air quality remediation, and mold abatement and prevention.

- \* Life Safety, Indoor Air Quality and Mold Abatement/Prevention Fund - Accounts for proceeds of limited tax obligation bonds to finance life safety code violations, improve indoor air quality and abate or prevent mold.
- \* Qualified Capital Purpose Undertaking Fund Debt Service - Accounts for the accumulation of funds utilized to retire limited tax obligation bonds at maturity or when called and to pay interest due on those bonds.

*Cooperative Fund* –

- \* Cooperative Fund – Accounts for the receipt of revenues from the various parties to cooperative agreements and budgets expenditures to be made on behalf of the cooperative activity. Membership payment for the year ended August 31, 2016 of \$3,497,745 was received from ESU 18 has been eliminated from the government-wide financial statements.
- \* COOP Fund – TCA – Accounts for the receipt of revenues from the various parties to cooperative agreements and budgets expenditures to be made on behalf of the cooperative activity. Membership payment for the year ended August 31, 2016 of \$1,618,661 was received from the General Fund has been eliminated from the government-wide financial statements.

*Student Fees Fund* – Accounts for all money collected from students pursuant to certain provisions of the Public Elementary and Secondary Student Fee Authorization Act (Legislative Bill 1172 of 2002). The money expended from this fund must be for the purposes for which it was collected from students.

**Equity Classification** – For Government-wide Statements, equity is classified as net position and displayed in two components:

- a. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups, such as creditors, grantors, contributors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net position – All other net position that do not meet the definition of “restricted.” However, if the funds have been designated by the Board of Education, these funds have been shown separately to distinguish their designation.

It is the School District’s policy to first use restricted net position, then use unrestricted net position, when a disbursement is made for purposes in which both restricted and unrestricted net position are available.

**Equity Classification** – For Fund Financial Statements, governmental fund equity is reported as fund balance within each respective fund. The fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

- a. Non-spendable – This fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- b. Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Board of Education to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party; such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.
- c. Committed – This fund balance classification includes amounts that can only be used for the specific purposes imposed by formal action of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Board of Education or a District Administrator delegated that authority by the Board of Education.

- e. Unassigned – This fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

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

1. Prior to September 1, the Board of Education proposes a budget on the modified cash basis of accounting for the fiscal year commencing September 1. The budget includes proposed expenditures and the means of financing them. The budgetary process for the Special Building Funds could result in a deficiency of receipts over expenditures when proceeds are budgeted in a given year while expenditures are budgeted for on a multi-year project basis.
2. The School District establishes legally-adopted budgets for its funds in the following manner:

Individual Fund Basis:

- Depreciation Fund
- Contingency Fund
- School Lunch and Milk Fund
- Bond Interest and Retirement Fund
- Student Fees Fund

Combined Fund Basis:

*General Fund*

- General Fund
- Federal Fund
- Special Grants Fund

*Activities Fund*

- School Activity Fund
- Central Interscholastic Athletic Fund
- Resale Fund

*Special Building Fund*

- Bond Construction Fund
- Building Fund

*Cooperative Fund*

- Cooperative Fund
- COOP Fund – TCA

*Qualified Capital Purpose Undertaking Fund*

- Life Safety, Indoor Air Quality and Mold Abatement/Prevention Fund
- Qualified Capital Purpose Undertaking Fund Debt Service



Within the combined funds, individual fund budgets are maintained for internal management purposes for each fund listed.

3. Hearings are conducted at a public meeting to obtain public comments.
4. Prior to September 20, the budget is legally adopted by the Board of Education and submitted to the Office of the Auditor of Public Accounts, Nebraska Department of Education and Lancaster County Clerk.
5. Once approved by the Board, total expenditures cannot legally exceed total appropriations at the fund level nor for "regular education" in the General Fund without holding a public budget hearing and obtaining approval from the Board of Education. No supplemental appropriations or amendments were made to the original budget for the 2015-2016 fiscal year.
6. Appropriations lapse at the end of the fiscal year.
7. Compliance at the legal level of budgetary authority for Regular Education expenditures is demonstrated below:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Favorable Expenditures</u>
Regular Education	\$ 359,427,088	\$ 332,744,966	\$ 26,682,122

**Property Taxes** – The tax levies for all political subdivisions in Lancaster County are certified by the County Board on or before October 15. Real estate and personal property taxes are due and become an enforceable lien on property on December 31. The first half of real estate and personal property taxes becomes delinquent on April 1 and the second half becomes delinquent August 1 following the levy date. Delinquent taxes bear a statutory rate (currently 14%) of interest. Property taxes levied are recognized when received by the School District from Lancaster County. Accordingly, unremitted taxes collected by the County of approximately \$17.2 million at August 31, 2016 have not been reflected in the School District's financial statements.

The 2015 property tax valuation was \$19,028,682,942. A total tax levy of \$1.24 per \$100 of valuation was adopted to obtain a property tax assessment of \$235,803,958 for the 2015-2016 budget year.

**Transfers** – A transfer of \$444,260 to the Activities Fund has been recorded in the General Fund. A transfer of \$300,000 to the Depreciation Fund has been recorded as operational expenditures in the Activities Fund. A transfer of \$1,618,661 to the Cooperative Fund has been recorded as operational expenditures in the General Fund. A transfer of \$2,854,050 to the Contingency Fund has been recorded as operational expenditures in the General Fund. In addition, transfers of \$5,769,630 to the Depreciation Fund have been recorded as operational expenditures in the General Fund in accordance with the basis of accounting described above. These transfers have been eliminated in the government-wide financial statements.

**Interlocal Agreements** – The School District and ESU 18 have entered into agreements whereby each entity provides certain services on behalf of the other. The School District provides instructional media services, instructional and administrative technology services, and staff development services to the ESU 18. For the year ended August 31, 2016, ESU 18 paid the School District \$3,497,745 for these services. ESU 18 provides certain technology and instructional media services to the School District. For the year ended August 31, 2016, the School District paid ESU 18 \$5,481,556 for these services. All payments between the School District and ESU 18 have been eliminated in the government-wide financial statements.

**School District Treasurer's Balance** – The School District maintains a pooled cash account for all funds of the School District and the ESU 18 to more efficiently manage its cash.

**Inventories** – Inventories are valued at cost on an average cost basis and consist of commodities and expendable supplies held for consumption. Expenditures for donated commodities are determined on a first-in, first-out basis. The cost is recorded as an expenditure at the time individual inventory items are consumed.

**Compensated Absences** – Vacation benefits are recorded when paid. The liability for accumulated unpaid vacation benefits of the School District and ESU 18 amounting to approximately \$4,760,662 at August 31, 2016, has not been accrued for in the financial statements in accordance with the basis of accounting disclosed above.

Sick and annual leave are also recorded when paid. Under the Option A Annual Leave Plan, certificated employees who separate from the School District following twenty years of employment receive \$16.50 per hour for each hour of accumulated annual (sick) leave. Under the Option B Annual Leave Plan, certificated employees who separate from the School District following ten years of employment receive \$16.50 per hour for each hour of accumulated annual (sick) leave. Other employee groups receive a range from four to twenty-two dollars per accumulated hour of sick or annual leave after ten to twenty years of employment. The liability for sick and annual leave has not been determined, but management believes that annual payments for these benefits will not have a material financial impact on the accompanying financial statements and has not been accrued for in the financial statements in accordance with the basis of accounting disclosed above.

## **B. DEPOSITS**

Nebraska Statutes §79-408, §79-1042 and §79-1043 provide that the School District may, by and with the consent of the Board of Education of the School District, invest the funds of the School 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. Per School District policy, excess deposits are swept into higher yielding investment accounts on a daily basis.

As of August 31, 2016, the School District had \$67,377 of cash held at various locations throughout the District for various operating purposes.

The bank balances of the School District's deposits were entirely insured or collateralized as of August 31, 2016. All securities collateralizing the School District's deposits were held by the pledging financial institution but not in the School District's name. As of August 31, 2016, the School District's investments in bonds and notes were backed by the full faith and credit of the U.S. Government or U.S. Government agencies and its investments in certificates of deposit were either insured or collateralized by securities held by financial institutions but not in the School District's name. The Nebraska School District Liquid Asset Fund is similar in nature to an open-end mutual fund designed and managed specifically for Nebraska School Districts and invests in securities allowable for such entities under Nebraska statutes.

## **C. INVESTMENTS**

For financial reporting purposes, the School District's investments are carried at cost, which approximates fair value due to the nature of the investments. As of August 31, 2016, the cost of the District's investments was \$183,984,262.

The District has not adopted a fair value measurement policy, but is providing information to enhance the understanding of its investments. A fair value policy establishes a framework for measuring fair value and expanded disclosures about fair value measurements. If adopted, the policy applies to all assets and liabilities that are measured and reported on a fair value basis. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

Assets and liabilities are classified into one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents financial instruments at cost and fair value utilizing the above hierarchy as of August 31, 2016:

	<u>Cost</u>	<u>Fair Value Level 2</u>
Short-term Federal Investment Trust	\$ 159,012,016	\$ 159,012,016
Certificates of Deposits	4,376,109	4,376,109
Nebraska Public Agency Investment Trust	17,053,962	17,053,962
Nebraska School District Liquid Asset Fund	<u>3,542,175</u>	<u>3,542,175</u>
TOTAL	<u>\$ 183,984,262</u>	<u>\$ 183,984,262</u>

**Risks** – The School District attempts to mitigate the following types of deposit and investment risks through compliance with the State Statutes referred to above. The three types of deposit and investment risks are the following:

- Custodial Credit Risk – for deposits and investments, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the School District will not be able to recover the value of its deposits or investments or collateral securities in the possession of a third party.
- Credit Risk – for deposits and investments, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the School District.
- Interest Rate Risk – for deposits and investments, interest rate risk is the risk that the value of deposits and investments will decrease as a result of a rise in interest rates.

The School District's investment policy does not restrict investment maturities. The School District minimizes its interest rate risk by structuring its investment portfolio so that securities mature to meet the School District's cash needs, which is accomplished in part by investing primarily in short-term investments or in investment vehicles that allow for monthly cash draws.

#### D. PENSION PLANS

The employees of Lincoln Public Schools and ESU 18 are covered by the following pension plan:

The District and ESU 18 contribute to the Nebraska School Employees Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Nebraska Public Employees Retirement System (NPERS). NPERS provides retirement and disability benefits to plan members and beneficiaries. The School Employees Retirement Act establishes benefit provisions.

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

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

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

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

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

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

For the District ESU 18's year ended August 31, 2016, the District and ESU 18's total payroll for all employees was \$369,878,080. Total covered payroll was \$276,064,037. Covered payroll refers to all compensation paid by the District and ESU 18 to active employees covered by the Plan.

### Contributions

The State's contribution is based on an annual actuarial valuation. In addition, the State contributes an amount equal to two percent of the compensation of all members. This contribution is considered a nonemployer contribution since school employees are not employees of the State. The employee contribution was equal to 9.78 percent from July 1, 2014, to June 30, 2015, (and from July 1, 2015, through August 31, 2015). The school district (employer) contribution is 101 percent of the employee contribution. The District and ESU 18's contribution to the Plan for its year ended August 31, 2016 was \$27,269,053.

### Pension Liabilities

At June 30, 2015, the District and ESU 18 had a combined liability of \$134,759,525 for their proportionate share of the net pension liability. (This liability is not recorded in the accompanying modified cash basis financial statements.) The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined using an actuarial valuation as of that date. The NPERS School Plan was 89.88% funded as of June 30, 2015 based on actuarial calculations comparing total pension liability to the plan fiduciary net position. The District and ESU 18's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the District and ESU 18's proportion was 12.373524%, which was an increase of .230614% from its proportion measured as of June 30, 2014.

Under Nebraska Statute 79-966.01, if the actuarially required contribution rate exceeds the rate of all contributions required by the School Employees Retirement Act by the District, the added contributions, if any, are required to be paid by the State of Nebraska. Accordingly, the District is not responsible for any portion of this liability beyond its current annual funding requirements. Thus the future liability, if any, related to the unfunded benefits will not have a material financial impact on the accompanying financial statements and has not been accrued for in the financial statements in accordance with the basis of accounting disclosed above.

For the year ended June 30, 2015, the District and ESU 18's allocated pension income was \$2,670,070.

## Actuarial Assumptions

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

Valuation Date	July 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Single equivalent amortization period	21 years
Asset valuation method	5 Year Smoothed Market
Inflation	3.25%
Investment rate of return, net of investment expense and including inflation	8.0%
Projected salary increases, including inflation	4.0%-9.0%
Cost-of-living adjustments (COLA)	2.50% with a floor benefit equal to 75% purchasing power of original benefit*

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

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

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

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

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

The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the pension plan assets. The return assumptions were developed using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015, (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Stocks	29.0%	4.5%
Non-U.S. Stocks	13.5%	5.1%
Global Stocks	15.0%	4.9%
Fixed Income	30.0%	2.1%
Real Estate	7.5%	4.6%
Private Equity	5.0%	6.7%
Total	100%	

### Discount Rate

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

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

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

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

	<u>Discount rate</u>	<u>District's proportionate Share of net pension liability</u>
1% decrease	7.0%	\$305,979,675
Current discount rate	8.0%	\$134,759,525
1% increase	9.0%	\$ (7,622,582)

### Plan Fiduciary Net Position

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



## E. COMMITMENTS AND CONTINGENCIES

The commitments of the School District consist of bonds payable and construction contracts for school buildings and self-insurance.

**Bonds payable** – The School District has general obligation, limited tax obligation, and qualified zone academy bonds outstanding at August 31, 2016 as follows:

\$100,000,000 general obligation bonds issued January 28, 2009, principal and interest ranging from 3.00% to 5.00% payable each January 15 and July 15, final maturity date of January 15, 2039; optional redemption available beginning January 15, 2019.	\$ 85,145,000
\$120,000,000 general obligation bonds issued April 2, 2014, principal and interest ranging from 3.00% to 5.00% payable each January 15 and July 15, final maturity date of January 15, 2039; optional redemption available beginning January 15, 2024.	108,080,000
\$40,915,000 general obligation refunding bonds issued October 1, 2009; principal and interest ranging from .50% to 5.00% payable each January 15 and July 15, final maturity date of January 15, 2021; optional redemption available beginning July 15, 2019.	18,670,000
\$13,290,000 general obligation refunding bonds issued February 15, 2012; principal and interest ranging from .20% to 3.00% payable each January 15 and July 15; final maturity date of January 15, 2022.	8,315,000
\$115,120,000 general obligation refunding bonds issued on August 27, 2015, principal and interest ranging from 2.00% to 5.00% payable each January 15 and July 15; final maturity date of January 15, 2036; optional redemption available beginning January 15, 2025.	112,880,000
\$20,000,000 limited tax building improvement bonds issued August 26, 2009; principal and interest ranging from 2.25% to 5.00% payable each January 15 and July 15; final maturity date of January 15, 2020.	13,770,000
\$46,825,000 taxable limited tax building improvement bonds issued June 23, 2010; principal and interest ranging from 4.55% to 6.10% payable each January 15 and July 15; final maturity date of January 15, 2030.	46,825,000
\$3,975,401 qualified zone academy bonds issued November 19, 2002; non-interest bearing with principal due in lump sum November 19, 2017.	3,975,401
\$3,212,134 qualified zone academy bonds issued December 28, 2005; non-interest bearing with principal due in lump sum December 28, 2020.	<u>3,212,134</u>
	<u>\$ 400,872,535</u>

Future debt service requirements relating to the above bond issues are as follows:

	Principal	Interest	Total
2017	\$ 16,265,000	\$ 16,639,330	\$ 32,904,330
2018	18,670,401	16,133,849	34,804,250
2019	15,390,000	15,627,798	31,017,798
2020	15,945,000	15,023,174	30,968,174
2021	19,797,134	14,328,511	34,125,645
2022-2026	83,285,000	60,447,447	143,732,447
2027-2031	97,890,000	39,062,988	136,952,988
2030-2034	92,860,000	18,963,875	111,823,875
Thereafter	40,770,000	2,758,200	43,528,200
	<u>\$ 400,872,535</u>	<u>\$ 198,985,172</u>	<u>\$ 599,857,707</u>

As of August 31, 2016, funds of \$24,945,213 were available in the Bond Interest and Retirement Fund to service general obligation bonds. During fiscal year 2016, principal and interest payments, totaled \$25,246,248 from this fund.

Limited tax obligation bonds and taxable limited tax building improvement bonds will be paid out of current and future tax levies of the Qualified Capital Purpose Undertaking Fund, in accordance with Nebraska Statute §79-10,110. During fiscal year 2016, principal and interest payments, net of the Build America Bonds subsidy of \$903,233, were \$5,592,622 relative to these obligations.

Qualified zone academy bonds will be paid out of sinking funds established at the time of issue and maintained by a third party trustees. Yearly payments of \$229,879 and \$176,642 are due to the sinking funds each November 19 and December 28, respectively. The sinking fund balances at August 31, 2016 are \$3,482,078 and \$2,022,943, respectively.

**Construction Contracts** – The Special Building Fund has outstanding commitments on contracts at August 31, 2016 of approximately \$36.6 million. These construction contracts primarily relate to a comprehensive ten-year facilities improvement plan, including new school buildings; additions, and other improvements to existing school buildings, and acquisition of sites for school buildings. The commitments will be financed by current available funds and bond proceeds.

**Self-Insurance** – The School District uses a blend of self-insurance and commercial insurance to manage its financial risk. The School District's primary areas of risk are covered as follows:

- Workers' Compensation – benefits, medical expenses, evaluation expenses, legal fees, and other administrative costs are self-insured up to a maximum retention of \$500,000 per incident. Excess liabilities are commercially insured in accordance with the Nebraska Workers' Compensation laws.
- Unemployment Compensation – the School District is a "self-insured employer" under regulations promulgated by the Nebraska Department of Labor, and utilizes a third-party administrator to monitor quarterly reimbursements to the Department of Labor.
- Real and Personal Property, Basic Liability, Motor Vehicle Liability, and Errors and Omissions – the School District utilizes a "protected self-insurance" program whereby losses are self-insured up to a maximum retention of \$250,000 per incident. Excess liabilities are self-insured, with the excess liability covered by various commercial insurers.
- Flood Insurance – the School District is commercially insured for losses due to floods.
- Employee Death Benefit – active-employee death benefits are payable pursuant to the School District's various employment agreements, ranging from \$5,000 to \$20,000 per individual, are self-insured.

The School District did not pay any settlement amounts which exceeded its insurance coverages or amounts that exceeded its budget estimates for self-insured risks for the years ending August 31, 2014, 2015 and 2016

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

**Other** – The School District is involved in other legal actions whereby certain parties are making claims for damages. Management believes the outcome of these proceedings will not have any material financial impact on the School District. Certain pending litigation initiated by other school districts against the State of Nebraska and the manner in which the state funds public school districts could ultimately produce a result, which might have a material financial impact on the School District. Management is aware of no means by which it might reasonably anticipate the effect on the School District, if any, of such result.

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

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

	<b>Budget (Original and Final)</b>	<b>Actual</b>
FUND BALANCE, beginning of year	\$ 60,507,880	\$ 54,876,581
Receipts:		
Local sources:		
Property taxes	197,803,161	181,755,147
Motor vehicle taxes	16,545,000	17,735,451
Public power district sales tax	6,700,000	6,892,432
Interest	5,500	59,796
Fines and licenses	2,840,000	2,601,666
Tuition	100,000	84,635
Categorical Grants	6,800,000	6,932,407
Other	150,000	163,918
	<u>230,943,661</u>	<u>216,225,452</u>
County sources:		
Fines and licenses	<u>1,700,000</u>	<u>2,089,755</u>
State sources:		
State aid	127,876,651	127,869,381
Special education	28,300,000	27,671,560
Homestead exemption		5,194,929
Property tax credit		8,774,604
State apportionment	6,000,000	6,520,011
Prorate motor vehicle	600,000	548,408
Other	245,000	1,646,123
State categorical	<u>1,200,000</u>	<u>966,114</u>
	<u>164,221,651</u>	<u>179,191,130</u>
Federal sources:		
Title I, Part A	9,224,105	13,581,877
Title I, Accountability	422,121	305,234
IDEA enrollment/poverty	5,305,655	7,546,688
IDEA 611 base allocation	2,560,924	3,274,629
Vocational education	407,316	511,621
Title IIA	1,091,030	1,095,060
Head start	1,652,862	1,324,723
21st century community learning centers	743,952	739,496
Other	<u>25,200,035</u>	<u>4,398,533</u>
	<u>46,608,000</u>	<u>32,777,861</u>
Other non-revenue receipts	<u>100,000</u>	<u>118,611</u>
Total receipts	<u>443,573,312</u>	<u>430,402,809</u>
Total available resources	<u>504,081,192</u>	<u>485,279,390</u>

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**GENERAL FUND**

**SCHEDULE OF RECEIPTS, EXPENDITURES AND**

**FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL (CONTINUED)**

**FOR THE YEAR ENDED AUGUST 31, 2016**

	<b>Budget (Original and Final)</b>	<b>Actual</b>
Expenditures:		
Operational expenditures:		
Instruction - non-special education	\$ 167,517,942	\$ 167,484,218
Instruction - career academy programs	1,399,300	1,618,661
Instruction - non-special education (flex-spending)	3,294,714	2,969,309
Instruction - limited English proficiency	10,980,169	10,980,169
Instruction - poverty program	24,053,453	24,053,453
Instruction - non-special education below age 5 (flex-spending)		4,705
Instruction - special education	55,579,480	55,965,639
Instruction - early childhood special education	3,336,401	3,535,676
Support services - pupils	8,035,491	8,144,343
Support services - pupils (safety and security)	3,345,030	2,547,442
Support services - staff	11,643,447	10,560,787
General administration - board of education	1,728,080	1,684,496
General administration - executive administration services	4,773,680	5,480,850
District legal services	590,260	615,086
Office of principal	23,414,065	23,812,304
Support services - general administration, business services	9,757,950	10,897,719
Support services - vehicle acquisition and maintenance other than student transportation vehicles	746,430	637,439
Support services - maintenance and operation of building and site	39,601,273	38,650,426
Support services - regular pupil transportation	2,137,624	1,845,945
Support services - school age special education public transportation	5,155,286	6,054,320
Support services - below age five special education public transportation	1,624,337	1,907,700
Community services	257,918	238,609
Categorical grants from corporations and other private interests	6,800,000	3,680,401
State categorical programs	1,200,000	926,876
Federal programs	45,725,400	23,421,306
Summer school	335,820	803,229
Total operational expenditures	433,033,550	408,521,108
Transfers to other funds	519,180	444,260
Total expenditures	433,552,730	408,965,368
FUND BALANCE, end of year	\$ 70,528,462	\$ 76,314,022

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

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

---

	<b>Budget (Original and Final)</b>	<b>Actual</b>
FUND BALANCE, beginning of year	<u>\$ 12,174,519</u>	<u>\$ 18,546,052</u>
Operational transfers from the general fund	1,119,630	5,769,630
Operational transfers from the activities fund		300,000
Interest		<u>2,793</u>
Total receipts	<u>1,119,630</u>	<u>6,072,423</u>
Total available resources	<u>13,294,149</u>	<u>24,618,475</u>
Expenditures:		
Equipment	<u>13,294,149</u>	<u>3,515,921</u>
FUND BALANCE, end of year	<u>\$</u>	<u>\$ 21,102,554</u>



**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**CONTINGENCY FUND  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED AUGUST 31, 2016**

---

	<b>Budget (Original and Final)</b>	<b>Actual</b>
FUND BALANCE, beginning of year	\$ 2,395,672	\$ 2,691,251
Receipts:		
Operational transfers from the general fund	2,854,050	2,854,050
Other	190,000	1,023,811
Total receipts	3,044,050	3,877,861
Total available resources	5,439,722	6,569,112
Expenditures:		
Workers compensation	1,444,340	1,274,291
Insurance premiums	1,253,470	1,300,453
Other	2,741,912	314,236
Total expenditures	5,439,722	2,888,980
FUND BALANCE, end of year	\$	\$ 3,680,132

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**BOND INTEREST AND RETIREMENT FUND  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED AUGUST 31, 2016**

---

	<b>Budget (Original and Final)</b>	<b>Actual</b>
FUND BALANCE, beginning of year	\$ 21,220,271	\$ 20,398,689
Receipts:		
Property taxes and state credits	29,202,292	28,888,742
Interest	130	5
Other	1,662,500	1,142,199
Total receipts	30,864,922	30,030,946
Total available resources	52,085,193	50,429,635
Expenditures:		
Bond principal	11,930,000	11,930,000
Bond interest	13,316,254	13,316,248
Other	1,872	238,174
Total expenditures	25,248,126	25,484,422
OTHER FINANCING RECEIPTS (EXPENDITURES):		
Proceeds from sale of refunding bonds	378,020,000	
Payment to escrow account to refund bonds	(378,020,000)	
FUND BALANCE, end of year	\$ 26,837,067	\$ 24,945,213

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

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

	<b>Budget (Original and Final)</b>	<b>Actual</b>
FUND BALANCE, beginning of year	\$ 5,875,461	\$ 4,900,386
Receipts:		
Property taxes and state credits	6,440,468	6,388,130
Babs subsidy	898,388	903,233
Miscellaneous	63,765,000	246,663
Total receipts	71,103,856	7,538,026
Total available resources	76,979,317	12,438,412
Expenditures:		
Principal repayment	3,170,000	3,170,000
Bond sinking fund payments	406,521	406,522
Interest	3,325,855	3,325,855
Contracted services	1,000,000	3,000
Miscellaneous	69,076,941	1,779
Total expenditures	76,979,317	6,907,156
FUND BALANCE, end of year	\$	\$ 5,531,256

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**ACTIVITIES FUND  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED AUGUST 31, 2016**

---

	<b>Budget (Original and Final)</b>	<b>Actual</b>
FUND BALANCE, beginning of year	\$ 2,017,852	\$ 2,684,549
Receipts:		
Activities receipts	6,555,740	5,038,740
Other local receipts	1,000,000	987,420
Transfer from general fund	444,260	444,260
Total receipts	8,000,000	6,470,420
Total available resources	10,017,852	9,154,969
Expenditures:		
Salaries and benefits	192,800	216,186
Purchased services	253,250	280,243
Supplies and materials	7,192,000	4,717,525
Operational transfers to the depreciation fund		300,000
Other	361,950	123,564
Total expenditures	8,000,000	5,637,518
FUND BALANCE, end of year	\$ 2,017,852	\$ 3,517,451

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**SCHOOL LUNCH AND MILK FUND  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED AUGUST 31, 2016**

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	<b>Budget (Original and Final)</b>	<b>Actual</b>
FUND BALANCE, beginning of year	\$ 7,403,587	\$ 8,687,848
Receipts:		
Lunchroom	7,092,000	6,941,471
USDA and state subsidy	10,840,100	11,360,593
Commodity	1,437,000	1,894,831
Other		74,978
Total receipts	19,369,100	20,271,873
Total available resources	26,772,687	28,959,721
Expenditures:		
Salaries and benefits	10,039,950	9,009,136
Food	8,500,000	7,329,409
New equipment and vehicles		478,623
Other	8,232,737	5,598,791
Total expenditures	26,772,687	22,415,959
FUND BALANCE, end of year	\$	\$ 6,543,762

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

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

---

	<b>Budget (Original and Final)</b>	<b>Actual</b>
FUND BALANCE, beginning of year	\$ 103,666,201	\$ 99,080,014
Receipts:		
Interest	55,500	240,573
Lease income	318,000	353,493
Miscellaneous	33,830,000	7,514,701
Total receipts	34,203,500	8,108,767
Total available resources	137,869,701	107,188,781
Expenditures:		
Salaries and benefits		100,028
Contracted services		123,371
Supplies		244,837
Equipment		967,235
Site acquisition and improvements	1,000,000	62,935
Building acquisition and improvements	133,213,186	84,239,659
Other	3,656,515	
Total expenditures	137,869,701	85,738,065
FUND BALANCE, end of year	\$	\$ 21,450,716



**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**COOPERATIVE FUND  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED AUGUST 31, 2016**

---

	<b>Budget (Original and Final)</b>	<b>Actual</b>
FUND BALANCE, beginning of year	\$ (8,503)	\$ (2,895)
Receipts:		
Member payments	5,615,620	3,637,396
Transfer from general fund	1,399,300	1,618,661
Miscellaneous	100,000	36,960
Total receipts	<u>7,114,920</u>	<u>5,293,017</u>
Total available resources	<u>7,106,417</u>	<u>5,290,122</u>
Expenditures:		
Salaries and benefits	4,468,450	3,559,727
Contracted services	782,950	797,771
Supplies	213,320	672,787
Equipment	357,040	52,906
Miscellaneous	1,293,160	267,743
Total expenditures	<u>7,114,920</u>	<u>5,350,934</u>
FUND BALANCE, end of year	\$ (8,503)	\$ (60,812)

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**STUDENT FEES FUND  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED AUGUST 31, 2016**

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	<b>Budget (Original and Final)</b>	<b>Actual</b>
FUND BALANCE, beginning of year	\$	\$ 26,234
Receipts:		
Student fees	1,000,000	176,549
Total available resources	1,000,000	202,783
Expenditures:		
Salaries and benefits	1,000,000	157,580
Equipment and supplies		37,447
Total expenditures	1,000,000	195,027
FUND BALANCE, end of year	\$	\$ 7,756

# **LANCASTER COUNTY SCHOOL DISTRICT 001 - LINCOLN PUBLIC SCHOOLS**

## **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULES FOR THE YEAR ENDED AUGUST 31, 2016**

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### **A. BUDGETARY ACCOUNTING**

The School District prepares its budget for the Governmental Funds on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the basic financial statements. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

The term "Budgetary Fund Balance" used in these supplementary schedules is synonymous with the terms "Fund Balance – Modified Cash Basis" used in the basic financial statements.

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**COMBINED SCHEDULE OF CASH RECEIPTS, EXPENDITURES AND FUND BALANCES, EXCLUDING ESU NO. 18  
FOR THE YEAR ENDED AUGUST 31, 2016**

	Fund Balances (Deficits) At Beginning Of Year	Receipts	Expenditures	Transfers In (Out)	Excess (Deficiency) Of Receipts Over (Under) Expenditures	Fund Balances (Deficits) At End Of Year	Fund Balance Composition			
							School District Treasurer's Balance	Investments	Inventories	Liabilities
GENERAL FUND:										
General fund	\$ 68,571,896	\$ 395,757,154	\$ 368,411,924	\$ (10,686,601)	\$ 16,658,629	\$ 85,230,525	\$ 67,377	\$ 99,055,355	\$ 415,949	\$ (14,308,156)
Federal fund	(13,316,307)	26,712,271	23,421,306		3,290,965	(10,025,342)		(10,025,342)		
Special grants fund	(379,008)	7,933,384	6,445,537		1,487,847	1,108,839		1,108,839		
Total	54,876,581	430,402,809	398,278,767	(10,686,601)	21,437,441	76,314,022	67,377	90,138,852	415,949	(14,308,156)
DEPRECIATION FUND	18,546,052	2,793	3,515,921	6,069,630	2,556,502	21,102,554		21,102,554		
CONTINGENCY FUND	2,691,251	1,023,811	2,888,980	2,854,050	988,881	3,680,132		3,682,285		(2,153)
ACTIVITIES FUND:										
School activity fund	1,676,651	4,035,163	3,835,326	204,050	403,887	2,080,538		2,080,538		
Central interscholastic athletic fund	675,582	1,003,577	935,789	240,210	307,998	983,580		1,020,731		(37,151)
Resale fund	332,316	987,420	566,403	(300,000)	121,017	453,333		453,333		
Total	2,684,549	6,026,160	5,337,518	144,260	832,902	3,517,451		3,554,602		(37,151)
SCHOOL LUNCH AND MILK FUND	8,687,848	20,271,873	22,415,959		(2,144,086)	6,543,762		8,916,787	1,260,926	(3,633,951)
BOND INTEREST AND RETIREMENT FUND	20,398,689	30,030,946	25,484,422		4,546,524	24,945,213		24,945,213		
SPECIAL BUILDING FUND	99,080,014	8,108,767	85,738,065		(77,629,298)	21,450,716		21,450,716		
QUALIFIED CAPITAL PURPOSE UNDERTAKING FUND:										
Qualified capital purpose undertaking fund debt service	4,900,386	7,538,026	6,907,156		630,870	5,531,256		5,531,256		
COOPERATIVE FUND	(2,895)	3,674,356	5,350,934	1,618,661	(57,917)	(60,812)		279,761		(340,573)
STUDENT FEES FUND	26,234	176,549	195,027		(18,478)	7,756		17,192		(9,436)
GRAND TOTAL - ALL FUNDS	\$ 211,888,709	\$ 507,256,090	\$ 556,112,749	\$	\$ (48,856,659)	\$ 163,032,050	\$ 67,377	\$ 179,619,218	\$ 1,676,875	\$ (18,331,420)

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**GENERAL FUND  
SCHEDULE OF OPERATIONAL EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 2016**

Instruction - non-special education:

Salaries:	
Teachers	\$ 112,336,397
Substitutes	2,827,357
Clerical and paraprofessional staff	2,637,845
Employee benefits	34,215,182
Purchased services	2,673,229
Tuition paid to other districts (regular education)	12,655,075
Supplies and materials	19,173
Capital outlay	8,555
Other	111,405
	<u>167,484,218</u>

Instruction - career academy programs:

Purchased services	<u>1,618,661</u>
	<u>1,618,661</u>

Instruction - non-special education (flex spending):

Salaries:	
Teachers	2,276,402
Substitutes	150
Clerical and paraprofessional staff	3,183
Employee benefits	675,221
Supplies and materials	14,353
	<u>2,969,309</u>

Instruction - limited English proficiency:

Salaries:	
Teachers	6,213,657
Substitutes	151,041
Clerical and paraprofessional staff	1,255,543
Employee benefits	2,261,398
Purchased services	205,460
Supplies and materials	860,683
Other	32,387
	<u>10,980,169</u>

Instruction - poverty programs

Salaries:	
Teachers	15,524,691
Substitutes	369,486
Clerical and paraprofessional staff	1,678,335
Employee benefits	5,038,727
Purchased services	809,255
Supplies and materials	495,461
Other	137,498
	<u>24,053,453</u>

Instruction - non-special education below age 5 (flex spending):

Salaries:	
Clerical and paraprofessional staff	4,027
Employee benefits	678
	<u>4,705</u>

Instruction - special education:

Salaries:	
Teachers	26,817,694
Substitutes	638,983
Clerical and paraprofessional staff	12,104,227
Employee benefits	12,993,196
Purchased services	1,873,510
Supplies and materials	690,038
Capital outlay	771,000
Other	76,991
	<u>55,965,639</u>

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**GENERAL FUND  
SCHEDULE OF OPERATIONAL EXPENDITURES (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2016**

Instruction - early childhood special education:

Salaries:	
Teachers	\$ 1,824,313
Substitutes	21,590
Clerical and paraprofessional staff	725,246
Employee benefits	816,804
Purchased services	67,849
Supplies and materials	34,267
Other	45,607
	<u>3,535,676</u>

Support services - pupils:

Salaries:	
Professional	5,724,073
Clerical and paraprofessional staff	482,014
Employee benefits	1,696,698
Purchased services	71,043
Supplies and materials	132,042
Other	38,473
	<u>8,144,343</u>

Support services - pupils-safety and security:

Salaries:	
Professional	1,635,897
Employee benefits	647,733
Purchased services	235,241
Supplies and materials	22,020
Other	6,551
	<u>2,547,442</u>

Support services - staff:

Salaries:	
Professional	5,393,273
Clerical and paraprofessional staff	715,992
Employee benefits	1,724,658
Purchased services	1,363,263
Supplies and materials	1,209,156
Other	154,445
	<u>10,560,787</u>

General administration - board of education:

Purchased services	41,309
Accounting and auditing services	42,350
Liability Insurance	1,546,180
Supplies and materials	5,543
Other	49,114
	<u>1,684,496</u>

General administration - executive administration services:

Salaries:	
Superintendent	309,239
Administrative staff	1,474,474
Clerical staff	1,169,535
Employee benefits	802,152
Purchased services	534,979
Supplies and materials	67,242
Capital outlay	1,000,000
Other	123,229
	<u>5,480,850</u>

Direct legal services:

Contracted legal services	<u>615,086</u>
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Office of principal:

Salaries:	
Professional staff	10,682,182
Clerical staff	7,307,068
Employee benefits	5,716,322
Other	106,732
	<u>23,812,304</u>



**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**GENERAL FUND  
SCHEDULE OF OPERATIONAL EXPENDITURES (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2016**

Support services - general administration, business services:

Salaries:

Professional staff	\$ 543,649
Clerical staff	1,881,984
Employee benefits	938,572
Purchased services	5,072,863
Supplies and materials	347,254
Capital outlay	2,075,000
Other	38,397
	<u>10,897,719</u>

Support services - vehicle acquisition and maintenance other  
than student transportation vehicles:

Professional staff	28,097
Employee benefits	11,026
Purchased services	230,544
Supplies and materials	(408)
Capital outlay	368,180
	<u>637,439</u>

Support services - maintenance and operation of building and site:

Salaries:

Professional staff	212,357
Clerical and custodial staff	19,616,562
Employee benefits	7,013,485
Purchased services	7,841,515
Supplies and materials	2,682,878
Capital outlay	1,234,929
Other	48,700
	<u>38,650,426</u>

Support services - pupil transportation:

Salaries:

Professional staff	12,587
Clerical staff and drivers	560,125
Employee benefits	305,217
Purchased services	872,542
Supplies and materials	20,230
Capital outlay	73,692
Other	1,552
	<u>1,845,945</u>

Support services - school age special education pupil transportation:

Salaries:

Professional staff	62,582
Clerical staff and drivers	2,784,908
Employee benefits	1,517,519
Purchased services	1,214,621
Supplies and materials	100,582
Capital outlay	366,390
Other	7,718
	<u>6,054,320</u>

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**GENERAL FUND  
SCHEDULE OF OPERATIONAL EXPENDITURES (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2016**

Support services - below age five special education pupil transportation:

Salaries:	
Professional staff	\$ 19,720
Clerical staff and drivers	877,517
Employee benefits	478,166
Purchased services	382,724
Supplies and materials	31,693
Capital outlay	115,448
Other	2,432
	<u>1,907,700</u>

Community services

Salaries:	
Clerical staff and others	166,752
Employee benefits	53,777
Other	18,080
	<u>238,609</u>

Categorical grants from corporations and other private interests:

Salaries:	
Professional staff	433,023
Clerical staff	335,240
Employee benefits	225,389
Purchased services	88,118
Supplies and materials	2,519,026
Other	79,605
	<u>3,680,401</u>

State categorical programs:

Salaries:	
Professional staff	239,200
Clerical staff	183,999
Employee benefits	179,450
Purchased services	223,163
Supplies and materials	81,966
Capital outlay	6,500
Other	12,598
	<u>926,876</u>

Federal programs:

Title I, Part A	8,562,532
Title I, NCLB	348,063
IDEA enrollment/poverty	5,632,583
IDEA 611 base allocation	2,560,924
Vocational education	409,200
Title IIA	988,341
Head start	1,835,078
21st century community learning centers	746,466
Other	2,338,119
	<u>23,421,306</u>

Summer school:

Salaries:	
Professional staff	267,079
Clerical staff	254,673
Employee benefits	121,488
Purchased services	109,595
Supplies and materials	49,126
Other	1,268
	<u>803,229</u>

Transfers:

Activities fund	444,260
	<u>444,260</u>

Total operational cash expenditures \$ 408,965,368

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2016**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture:</b>			
Pass-through Nebraska Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	55-0001	\$ 1,940,170
National School Lunch Program	10.555	55-0001	8,595,954
Total Child Nutrition Cluster			10,536,124
Pass-through Lancaster County Health Department:			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559		123,793
Total Child Nutrition Cluster			123,793
Fresh Fruit and Vegetable Program	10.582		456,445
Child and Adult Care Food Program	10.558		142,092
Nutrition Training	10.574		19,646
Farm to School	10.575		10,462
Pass-through Nebraska Department of Social Services:			
Child Nutrition Cluster - Non-cash Awards:			
Food Donation	10.555		1,894,831
Total U.S. Department of Agriculture			<u>13,183,393</u>
<b>U.S. Department of Justice:</b>			
Pass-through Lancaster County:			
Edward Byrne Memorial Formula Grant Program	16.738		213,337
Total U.S. Department of Justice			<u>213,337</u>
<b>Investing in Innovation:</b>			
Pass-through University of South Dakota:			
I-3 Reading	47.076		5,953
Total Investing in Innovation			<u>5,953</u>
<b>U.S. Department of Education:</b>			
Direct Programs:			
Indian Education - Formula Grants to Local Educational Agencies (Indian Education Act - Subpart 1)	84.060		143,631
School Climate Transformation	84.184G		235,935
Fund for the Improvement of Education	84.215		2,918
High School Graduation Initiative	84.360		96,813
Pass-through Nebraska Department of Education:			
Title I Grants to Local Educational Agencies	84.010		8,990,556
Migrant Education - State Grant Program ( Title 1, Part C of ESEA)	84.011		66,927
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027		8,688,272
Special Education - Preschool Grants (IDEA, Preschool)	84.173		190,724
Total Special Education Cluster (IDEA)			<u>8,878,996</u>
Career and Technical Education - Basic Grants to States	84.048		410,396
Grants for Infants and Families with Disabilities	84.181		59,321
Education for Homeless Children and Youth - Grants for State and Local Activities	84.196		44,000
21st Century Community Learning Centers	84.287		746,466
State Personnel Development	84.323		4,572
Advanced Placement Grants	84.330		13,497
Title III - English Language Acquisition Grants	84.365		515,903
Title II - Improving Teacher Quality State Grants	84.367		988,341
SIG (School Improvement)	84.377		216,012
Total U.S. Department of Education			<u>21,414,284</u>

See Notes to Schedule of Expenditures of Federal Awards.

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2016**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>U.S. Department of Health and Human Services:</b>			
Pass-through Lincoln Action Program Community Development Agency:			
Administration for Children, Youth and Families - Head Start	93.600		\$ 1,835,078
Refugee and Entrant Assistance - Discretionary Grants	93.576		61,253
Pass-through Nebraska Department of Social Services:			
Medical Assistance Program	93.778		1,074,252
Pass-through Nebraska Schools Medicaid Consortium:			
Medical Assistance Program	93.778		1,053,193
Total U.S. Department of Health and Human Services			<u>4,023,776</u>
 Total Federal Awards Expended			 <u>\$ 38,840,743</u>

See Notes to Schedule of Expenditures of Federal Awards.

# **LANCASTER COUNTY SCHOOL DISTRICT 001 - LINCOLN PUBLIC SCHOOLS**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2016**

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### **A. BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting is consistent with the method utilized for the basic financial statements.

Certain federal grants received by the School District are funded on a cost-reimbursement basis whereby expenditures are subject to audit by various government agencies prior to submitting reimbursement. Under such circumstances and in a manner consistent with the basis of accounting described above, expenditure balances for these grants represent the expenditure of funds received during the course of the year. This treatment results in timing differences, which are resolved over the term of the grant period.

### **B. REPORTING ENTITY**

The School District, for purposes of the Schedule of Expenditures of Federal Awards, includes all funds for which the School District is financially accountable and also includes the funds for which ESU 18 is financially accountable.

### **C. PASS-THROUGH AWARDS**

The School District receives certain federal awards in the form of pass-through awards from the State of Nebraska and other various agencies. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

### **D. NON-CASH AWARDS**

The National School Lunch Program involves both cash and non-cash awards to the School District. Such non-cash awards consist of donated commodities, which are separately identified, in the Schedule of Expenditures of Federal Awards. Donated commodity expenditures are determined on a first-in, first-out basis.

### **E. CONTINGENCIES**

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

November 2, 2016

**INDEPENDENT AUDITOR'S 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**

Board of Education  
**Lancaster County School District 001 - Lincoln Public Schools**  
Lincoln, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lancaster County School District 001 – Lincoln Public Schools (the "School District"), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 2, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of School 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 School District'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 School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that 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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
HSMC ORIZON LLC

November 2, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

Board of Education  
**Lancaster County School District 001 - Lincoln Public Schools**  
Lincoln, Nebraska

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

We have audited Lancaster County School District 001 – Lincoln Public Schools' (the "School 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 School District's major federal programs for the year ended August 31, 2016. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School 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 School 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 of the School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School 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, 2016.

## Report on Internal Control over Compliance

Management of the School 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 School 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 the 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 School 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.

  
HSMC ORIZON LLC



# **LANCASTER COUNTY SCHOOL DISTRICT 001 - LINCOLN PUBLIC SCHOOLS**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2016**

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### **Part I: Summary of Auditors' Results:**

1. The independent auditors' report on the financial statements expressed an unmodified opinion.
2. No material weaknesses in internal control over financial reporting were reported.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. No material weaknesses in internal control over compliance with requirements that could have a direct and material effect on a major federal awards program were reported.
5. The independent auditors' report on compliance with requirements that could have a direct and material effect to each major federal award program expressed an unmodified opinion.
6. The audit disclosed no findings required to be reported by the Uniform Guidance.
7. The School District's major programs were:
  - Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, & 10.559)
  - Head Start (CFDA 93.600)
  - Medical Assistance Program (CFDA 93.778)
8. A threshold of \$1,165,222 was used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance.
9. The School District was not a low-risk auditee as the term is defined in the Uniform Guidance.

### **Part II: Findings Related to the Financial Statements:**

None

### **Part III: Findings and Questioned Costs Related to Federal Awards:**

None

**LANCASTER COUNTY SCHOOL DISTRICT 001 -  
LINCOLN PUBLIC SCHOOLS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2016**

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There were no prior year audit findings. There were no questioned costs in the prior year audit.