

**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 Reports on Internal Control and Compliance
For the Year Ended August 31, 2018*

LANCASTER COUNTY SCHOOL DISTRICT 001 - LINCOLN PUBLIC SCHOOLS

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October 30, 2018

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, 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, 2018, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2018, 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

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 21-43 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 44-46 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 44-46 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 pages 21-43 is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018, 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

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

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AUGUST 31, 2018**

	Governmental Activities
	<u> </u>
ASSETS:	
Cash	\$ 116,489
Investments	183,985,284
Inventories	<u> 2,398,010</u>
Total assets	<u>186,499,783</u>
LIABILITIES:	
Accrued expenses and encumbrances	<u> 16,800,527</u>
NET POSITION:	
Restricted	60,275,506
Unrestricted	<u>109,423,750</u>
Total net position	<u>\$ 169,699,256</u>

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

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED AUGUST 31, 2018**

Functions/Programs	Expenditures	Program Receipts		Net (Expenditures) Receipts and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 291,333,747	\$ 847,969	\$ 32,600,794	\$ (257,884,984)
Support services:				
Pupils	19,238,802			(19,238,802)
Staff	15,796,716			(15,796,716)
Business	20,236,032		1,036,235	(19,199,797)
Maintenance and operation of business	41,452,098			(41,452,098)
Pupil transportation	11,280,670		3,977,074	(7,303,596)
School lunch and milk	20,681,928	7,109,857	14,681,947	1,109,876
School activities	7,374,693	7,439,681		64,988
General administration	12,194,026			(12,194,026)
Office of principal	26,081,225			(26,081,225)
Community services	286,458			(286,458)
Categorical corporation and private	2,754,563		2,727,580	(26,983)
State categorical programs	1,541,409		1,258,540	(282,869)
Federal programs	23,434,259		28,907,828	5,473,569
Debt service	36,261,646		905,171	(35,356,475)
Summer school	1,480,126	183,490		(1,296,636)
Total governmental activities	<u>531,428,398</u>	<u>15,580,997</u>	<u>86,095,169</u>	<u>(429,752,232)</u>
General receipts:				
Taxes:				
Property taxes and state credits				266,359,799
Motor vehicle				20,593,869
Public power district sales				7,226,744
Fines and licenses				4,638,906
Bond proceeds				176,780
Sale of property				75,820
State aid				135,939,204
Interest income				1,508,462
Other				<u>3,901,580</u>
Total general receipts				<u>440,421,164</u>
Change in net position				10,668,932
Net position - beginning of year				<u>159,030,324</u>
Net position - end of year				<u>\$ 169,699,256</u>

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, 2018**

	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
ASSETS								
Cash	\$ 116,489							\$ 116,489
Investments	120,140,432	\$ 11,359,862	\$ 28,479,542	\$ 5,850,671	\$ 8,722,104	\$ 4,721,348	\$ 4,711,325	183,985,284
Inventories	491,714				1,906,296			2,398,010
Total assets	<u>\$ 120,748,635</u>	<u>\$ 11,359,862</u>	<u>\$ 28,479,542</u>	<u>\$ 5,850,671</u>	<u>\$ 10,628,400</u>	<u>\$ 4,721,348</u>	<u>\$ 4,711,325</u>	<u>\$ 186,499,783</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accrued expenses and encumbrances	<u>\$ 14,056,958</u>				<u>\$ 2,111,461</u>	<u>\$ 286,188</u>	<u>\$ 345,920</u>	<u>\$ 16,800,527</u>
Fund balances:								
Nonexpendable	491,714				1,906,296			2,398,010
Restricted:								
Capital outlay		11,359,862		5,850,671				17,210,533
Debt service			28,479,542					28,479,542
School lunch					6,610,643			6,610,643
Programs and services	1,633,332					4,435,160		6,068,492
Committed:								
Capital outlay	20,821,791							20,821,791
Programs and services	3,927,257							3,927,257
Assigned:								
Programs and services							4,408,769	4,408,769
Unassigned	79,817,583						(43,364)	79,774,219
Total fund balances	<u>106,691,677</u>	<u>11,359,862</u>	<u>28,479,542</u>	<u>5,850,671</u>	<u>8,516,939</u>	<u>4,435,160</u>	<u>4,365,405</u>	<u>169,699,256</u>
Total liabilities and fund balances	<u>\$ 120,748,635</u>	<u>\$ 11,359,862</u>	<u>\$ 28,479,542</u>	<u>\$ 5,850,671</u>	<u>\$ 10,628,400</u>	<u>\$ 4,721,348</u>	<u>\$ 4,711,325</u>	<u>\$ 186,499,783</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, 2018**

	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	Reclassifications	Total Governmental Funds
RECEIPTS:									
Taxes:									
Property	\$ 223,806,006	\$ 88,221	\$ 33,385,662	\$ 5,880,725		\$ 3,199,185			\$ 266,359,799
Motor vehicle	20,465,875		100,135	18,258		9,601			20,593,869
Public power district sales	7,226,057		582	105					7,226,744
Babs subsidy				905,171					905,171
Bond proceeds				176,780					176,780
Sale of property	69,489	6,331							75,820
Fines and licenses	4,638,906								4,638,906
Tuition	88,917					10,175	\$ 183,490		282,582
State funding	168,289,345				\$ 107,410	2,189,097			170,585,852
Federal funding	28,907,828				14,574,537	1,581,103			45,063,468
Sales of lunches					7,109,857				7,109,857
Activities and other receipts							7,439,681		7,439,681
Contracted services						6,533,088		\$ (5,784,211)	748,877
Transfers - other funds	200,000						5,788,623	(5,988,623)	
Transfers - inter-fund	11,673,164							(11,673,164)	
Interest income	1,223,049	172,004	50,293		63,116				1,508,462
Grants and donations	4,419,510								4,419,510
Reimbursements and other	1,197,147	2,114,066	1,122,859	189,521	121,380	1,019	215,960		4,961,952
Total receipts	<u>472,205,293</u>	<u>2,380,622</u>	<u>34,659,531</u>	<u>7,170,560</u>	<u>21,976,300</u>	<u>13,523,268</u>	<u>13,627,754</u>	<u>(23,445,998)</u>	<u>542,097,330</u>
EXPENDITURES:									
Instruction	295,013,669					2,149,007		(5,828,929)	291,333,747
Support services:									
Pupils	12,732,272					6,706,530		(200,000)	19,238,802
Staff	11,535,173						5,558,521	(1,296,978)	15,796,716
Business	16,574,381	11,646,764						(7,985,113)	20,236,032
Maintenance and operation of business	44,377,098							(2,925,000)	41,452,098
Pupil transportation	11,896,200							(615,530)	11,280,670
General administration	12,210,220					149,806		(166,000)	12,194,026
School lunch and milk					20,681,928				20,681,928
School activities							7,374,693		7,374,693
Office of principal	26,081,225								26,081,225
Community services	286,458								286,458
Categorical corporation and private	2,754,563								2,754,563
State categorical programs	1,541,409								1,541,409
Federal programs	23,434,259								23,434,259
Debt service			29,191,166	7,066,249					36,257,415
Summer school	1,302,875						177,251		1,480,126
Core services						3,982,638		(3,982,638)	
Other	445,810		4,231					(445,810)	4,231
Total expenditures	<u>460,185,612</u>	<u>11,646,764</u>	<u>29,195,397</u>	<u>7,066,249</u>	<u>20,681,928</u>	<u>12,987,981</u>	<u>13,110,465</u>	<u>(23,445,998)</u>	<u>531,428,398</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) EXPENDITURES	12,019,681	(9,266,142)	5,464,134	104,311	1,294,372	535,287	517,289		10,668,932
FUND BALANCES, beginning of year	94,671,996	20,626,004	23,015,408	5,746,360	7,222,567	3,899,873	3,848,116		159,030,324
FUND BALANCES, end of year	<u>\$ 106,691,677</u>	<u>\$ 11,359,862</u>	<u>\$ 28,479,542</u>	<u>\$ 5,850,671</u>	<u>\$ 8,516,939</u>	<u>\$ 4,435,160</u>	<u>\$ 4,365,405</u>	<u>\$</u>	<u>\$ 169,699,256</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, 2018

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 financially accountable. Financial accountability is determined based on 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, Qualified Capital Purpose Undertaking Fund 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 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 these criteria, the School District has elected to report the Qualified Capital Purpose Undertaking Fund and ESU 18 as major funds for financial reporting purposes.

Fund Types – The accounts of the School District are organized based on 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 \$6,615,499 as of August 31, 2018, 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.

- Qualified Capital Purpose Undertaking Fund - 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, 2018 of \$3,982,638 was received from ESU 18 and 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, 2018 of \$1,360,175 was received from the General Fund and has been eliminated from the government-wide financial statements. This fund had a deficit fund balance of \$43,364 as of August 31, 2018, resulting from the timing of cash receipts for member payments to cover the expenditures of the fund.

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 is not considered 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

- 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 2017-2018 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	\$ 395,953,163	\$ 368,054,341	\$27,898,822

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 \$15.9 million at August 31, 2018 have not been reflected in the School District's financial statements.

The 2017 property tax valuation was \$21,179,076,624. A total tax levy of \$1.234 per \$100 of valuation was adopted to obtain a property tax assessment of \$261,362,430 for the School District's 2017-2018 budget year and a total tax levy of \$0.015 per \$100 of valuation was adopted to obtain a property tax levy of \$3,176,861 for the ESU 18 2017-2018 budget year.

Transfers – A transfer of \$445,810 to the Activities Fund has been recorded from the General Fund. A transfer of \$200,000 to the Depreciation Fund has been recorded as operational expenditures from the Activities Fund. A transfer of \$1,360,175 to the Cooperative Fund has been recorded as operational expenditures from the General Fund. A transfer of \$2,967,840 to the Contingency Fund has been recorded as operational expenditures from the General Fund. In addition, transfers of \$8,705,324 to the Depreciation Fund have been recorded as operational expenditures from 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, 2018, ESU 18 paid the School District \$3,982,638 for these services. ESU 18 provides certain technology and instructional media services to the School District. For the year ended August 31, 2018, the School District paid ESU 18 \$5,784,211 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 \$5,278,211 at August 31, 2018, 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, 2018, the School District had \$116,489 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, 2018. 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, 2018, 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, 2018, the cost of the District's investments was \$183,985,284.

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, 2018:

	<u>Cost</u>	<u>Fair Value Level 2</u>
Short-term Federal Investment Trust	\$ 162,631,131	\$ 162,631,131
Certificates of Deposits	450,000	450,000
Nebraska Public Agency Investment Trust	17,306,401	17,306,401
Nebraska School District Liquid Asset Fund	<u>3,597,752</u>	<u>3,597,752</u>
TOTAL	<u>\$ 183,985,284</u>	<u>\$ 183,985,284</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, 2017, there were 265 participating school districts. There 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 and ESU 18's year ended August 31, 2018, the District and ESU 18's total payroll for all employees was \$412,578,619. Total covered payroll was \$302,400,873. 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, 2016, to June 30, 2017, (and from July 1, 2017, through August 31, 2017). 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, 2018 was \$29,870,554.

Pension Liabilities

At June 30, 2017, the District and ESU 18 had a combined liability of \$201,350,955 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, 2017, 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 87.28% funded as of June 30, 2017 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, 2017, the District and ESU 18's proportion was 12.713428%, which was an increase of 0.168983% from its proportion measured as of June 30, 2016.

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, 2017, the District and ESU 18's allocated pension expense was \$20,069,051.

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.75%

Investment rate of return, net of investment expense and including inflation: 7.5%

Projected salary increases, including inflation: 3.5%- 8.5%

Cost-of-living adjustments (COLA): For members hired before July 1, 2013, it is 2.25% per annum, compounded annually. For members hired on or after July 1, 2013, it is 1.00% per annum, compounded annually, and there is no floor for the purchasing power of the benefit.

The School Plan's pre-retirement mortality rates were based on the RP-2014 White Collar Table for Employees (sex distinct with 100 percent of male rates for males and 55 percent of female rates for females), projected generationally with MP-2015.

The School Plan's post-retirement rates were based on the RP-2014 White Collar Table for Employees, set back two years, scaled (males: under 80, 1.008; over 80, 1.449; females: under 85, 0.924; over 85, 1.5855; geometrically blended), projected generationally with a SOA projection scale tool using 0.5% ultimate rate in 2035.

The School Plan's disability mortality rates were based on the RP-2014 Disabled Lives Table (static table).

The actuarial assumptions used in the July 1, 2017, valuations for the School plan are based on the results of the most recent actuarial experience study, which covered the four-year period ending June 30, 2015. The experience study report is dated November 17, 2016.

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 first quarter 2017, (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
Large Cap U.S. Equity	26.10%	5.83%
Small Cap U.S. Equity	2.90%	7.56%
Global Equity	15.00%	6.51%
International Developed Equity	10.80%	6.80%
Emerging Markets	2.70%	10.55%
Core Bonds	20.00%	1.63%
High Yield	3.50%	5.22%
Bank Loans	5.00%	2.78%
International Bonds	1.50%	1.41%
Private Equity	5.00%	9.70%
Real Estate	7.50%	5.18%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability at June 30, 2016 was 8 percent and decreased to 7.5 percent for June 30, 2017. The discount rate is reviewed as part of the actuarial experience study, which covered the four-year period ending June 30, 2015.

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 non-employers 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 payments for all current plan members were projected through 2116.

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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>Discount rate</u>	<u>District's proportionate Share of net pension liability</u>
1% decrease	6.5%	\$ 415,578,302
Current discount rate	7.5%	\$ 201,350,955
1% increase	8.5%	\$ 24,406,608

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, 2018 as follows:

\$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
\$33,295,000 general obligation bonds issued December 20, 2016, principal and interest of 5.00% payable each January 15 and July 15, final maturity date of January 15, 2021.	23,620,000
\$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.	11,600,000
\$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.	5,670,000
\$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.	102,835,000
\$80,345,000 general obligation refunding bonds issued on July 6, 2017, 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, 2027.	78,565,000
\$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.	7,140,000
\$41,745,000 limited tax general obligation refunding bonds issued December 12, 2017; principal and interest of 5.00% payable each January 15 and July 15; final maturity date of January 15, 2030.	41,745,000
\$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>\$ 382,467,134</u>

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

	Principal	Interest	Total
2019	\$ 24,515,000	\$ 15,828,461	\$ 40,343,461
2020	26,485,000	14,732,211	41,217,211
2021	28,927,134	12,843,244	41,770,378
2022	14,310,000	11,925,069	26,235,069
2023	15,095,000	11,253,244	26,348,244
2024-2028	87,810,000	44,982,631	132,792,631
2029-2033	91,370,000	25,738,363	117,108,363
2034-2038	80,885,000	9,134,250	90,019,250
Thereafter	13,070,000	239,984	13,309,984
	<u>\$ 382,467,134</u>	<u>\$ 146,677,457</u>	<u>\$ 529,144,591</u>

As of August 31, 2018, funds of \$28,479,542 were available in the Bond Interest and Retirement Fund to service general obligation bonds. During fiscal year 2018, principal and interest payments totaled \$29,191,166 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 2018, principal and interest payments, net of the Build America Bonds subsidy of \$905,171, were \$5,574,284 relative to these obligations.

Qualified zone academy bonds will be paid out of sinking funds established at the time of issue and maintained by third party trustees. Yearly payments of \$176,642 are due to the sinking funds each December 28. The sinking fund balance at August 31, 2018 is \$2,510,947. In addition to the yearly payments going forward, the District made a sinking fund payment of \$229,879 on November 19, 2017 related to the Taxable Limited Tax Build America Bonds, Series 2010 that were refunded on December 12, 2017.

On December 12, 2017, the District issued \$41,745,000 in limited tax general obligation refunding bonds at a premium of \$8,493,729. At a true interest cost of 2.296%, the proceeds will be used to advance refund \$46,825,000 of the current Series 2010 Taxable Limited Tax Build America Bonds and to pay for issuance costs. As a result of this refunding, the District decreased its total debt service payments over the next twenty-two years by approximately \$3,512,721 and obtained a net present value savings of approximately \$2,944,604 or 6.29% of the outstanding bonds.

Construction Contracts – The Special Building Fund has outstanding commitments on contracts at August 31, 2018 of approximately \$3.2 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, 2016, 2017 and 2018.

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, 2018**

	Budget (Original and Final)	Actual
FUND BALANCE, beginning of year	\$ 75,958,089	\$ 72,494,132
Receipts:		
Local sources:		
Property taxes	220,156,504	207,924,585
Motor vehicle taxes	18,570,000	19,909,085
Public power district sales tax	6,900,000	7,226,057
Interest	150,000	1,117,994
Fines and licenses	2,540,000	2,601,739
Tuition	100,000	88,917
Categorical grants	7,800,000	4,419,510
Other	150,000	99,137
	<u>256,366,504</u>	<u>243,387,024</u>
County sources:		
Fines and licenses	<u>2,200,000</u>	<u>2,037,167</u>
State sources:		
State aid	126,696,350	126,680,647
Special education	30,700,000	31,628,871
Homestead exemption		6,294,986
Property tax credit		9,586,435
State apportionment	6,650,000	7,069,460
Prorate motor vehicle	565,000	556,790
Other	260,000	1,675,964
State categorical	1,200,000	1,258,540
	<u>166,071,350</u>	<u>184,751,693</u>
Federal sources:		
Title I, Part A	8,889,237	14,215,187
Title I, Accountability	295,254	460,863
IDEA enrollment/poverty	5,680,117	6,066,001
IDEA 611 base allocation	2,560,924	2,803,859
Vocational education	378,170	166,638
Title IIA	1,128,321	1,076,527
21st century community learning centers	830,785	862,858
Other	29,612,192	3,255,895
	<u>49,375,000</u>	<u>28,907,828</u>
Other non-revenue receipts	<u>100,000</u>	<u>173,000</u>
Total receipts	<u>474,112,854</u>	<u>459,256,712</u>
Total available resources	<u>550,070,943</u>	<u>531,750,844</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, 2018**

	Budget (Original and Final)	Actual
Expenditures:		
Operational expenditures:		
Instruction - non-special education	\$ 183,114,172	\$ 184,440,918
Instruction - career academy programs	1,576,420	1,360,175
Instruction - non-special education (flex-spending)	3,657,455	3,239,963
Instruction - limited English proficiency	12,273,048	12,273,048
Instruction - poverty program	30,384,388	30,384,388
Instruction - special education	60,566,794	59,184,556
Instruction - early childhood special education	4,832,975	4,130,621
Support services - pupils	8,890,196	8,758,354
Support services - pupils (safety and security)	3,808,105	3,973,918
Support services - staff	12,265,896	11,535,173
General administration - board of education	1,655,740	1,621,890
General administration - executive administration services	4,961,340	5,153,055
District legal services	590,260	785,108
Office of principal	26,409,220	26,081,225
Support services - general administration, business services	11,081,750	10,050,596
Support services - vehicle acquisition and maintenance other than student transportation vehicles	741,890	796,555
Support services - maintenance and operation of building and site	42,736,591	44,377,098
Support services - regular pupil transportation	1,978,619	2,278,717
Support services - school age special education public transportation	6,334,412	7,585,309
Support services - below age five special education public transportation	1,696,920	2,032,174
Community services	405,749	286,458
Categorical grants from corporations and other private interests	7,800,000	2,754,563
State categorical programs	1,200,000	1,541,409
Federal programs	48,000,000	23,434,259
Summer school	365,620	1,302,875
Total operational expenditures	477,327,560	449,362,405
Transfers to other funds	445,810	445,810
Total expenditures	<u>477,773,370</u>	<u>449,808,215</u>
FUND BALANCE, end of year	<u>\$ 72,297,573</u>	<u>\$ 81,942,629</u>

**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, 2018**

	<u>Budget (Original and Final)</u>	<u>Actual</u>
FUND BALANCE, beginning of year	\$ 17,285,185	\$ 17,538,642
Operational transfers from the general fund	1,244,630	8,705,324
Operational transfers from the activities fund		200,000
Interest	<u>30,000</u>	<u>105,055</u>
Total receipts	<u>1,274,630</u>	<u>9,010,379</u>
Total available resources	<u>18,559,815</u>	<u>26,549,021</u>
Expenditures:		
Equipment	<u>18,559,815</u>	<u>5,727,230</u>
FUND BALANCE, end of year	<u>\$</u>	<u>\$ 20,821,791</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, 2018**

	Budget (Original and Final)	Actual
FUND BALANCE, beginning of year	\$ 3,053,402	\$ 4,639,222
Receipts:		
Operational transfers from the general fund	2,967,840	2,967,840
Other	60,000	970,362
Total receipts	<u>3,027,840</u>	<u>3,938,202</u>
Total available resources	<u>6,081,242</u>	<u>8,577,424</u>
Expenditures:		
Workers compensation	1,431,980	1,724,738
Insurance premiums	1,443,470	1,587,819
Other	3,205,792	1,337,610
Total expenditures	<u>6,081,242</u>	<u>4,650,167</u>
FUND BALANCE, end of year	<u>\$</u>	<u>\$ 3,927,257</u>

**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, 2018**

	Budget (Original and Final)	Actual
FUND BALANCE, beginning of year	\$ 22,950,591	\$ 23,015,408
Receipts:		
Property taxes and state credits	32,871,569	33,385,662
Interest	16,700	50,293
Other	1,218,000	1,223,576
Total receipts	<u>34,106,269</u>	<u>34,659,531</u>
Total available resources	<u>57,056,860</u>	<u>57,674,939</u>
Expenditures:		
Bond principal	15,775,000	15,560,000
Bond interest	13,638,009	13,631,166
Other	3,144	4,231
Total expenditures	<u>29,416,153</u>	<u>29,195,397</u>
OTHER FINANCING RECEIPTS (EXPENDITURES):		
Proceeds from sale of refunding bonds	347,355,000	
Payment to escrow account to refund bonds	<u>(347,355,000)</u>	
FUND BALANCE, end of year	<u>\$ 27,640,707</u>	<u>\$ 28,479,542</u>

**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, 2018**

	Budget (Original and Final)	Actual
FUND BALANCE, beginning of year	\$ 5,492,166	\$ 5,746,360
Receipts:		
Property taxes and state credits	5,720,735	5,880,724
Babs subsidy	898,387	905,171
Miscellaneous	<u>7,378,669</u>	<u>207,885</u>
Total receipts	<u>13,997,791</u>	<u>6,993,780</u>
Total available resources	<u>19,489,957</u>	<u>12,740,140</u>
Expenditures:		
Principal repayment	3,365,000	3,365,000
Bond sinking fund payments	406,521	406,521
Interest	3,115,024	3,114,455
Contracted services		178,245
Miscellaneous	<u>12,780,192</u>	<u>2,028</u>
Total expenditures	<u>19,666,737</u>	<u>7,066,249</u>
OTHER FINANCING RECEIPTS (EXPENDITURES):		
Net proceeds from sale of refunding bonds	49,969,831	49,969,831
Payment to escrow account to refund bonds	<u>(49,793,051)</u>	<u>(49,793,051)</u>
	<u>176,780</u>	<u>176,780</u>
FUND BALANCE, end of year	<u>\$</u>	<u>\$ 5,850,671</u>

**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, 2018**

	Budget (Original and Final)	Actual
FUND BALANCE, beginning of year	\$ 3,517,451	\$ 3,886,162
Receipts:		
Activities receipts	7,054,190	5,803,791
Other local receipts	1,000,000	1,635,890
Transfer from general fund	445,810	445,810
Total receipts	<u>8,500,000</u>	<u>7,885,491</u>
Total available resources	<u>12,017,451</u>	<u>11,771,653</u>
Expenditures:		
Salaries and benefits	239,740	230,890
Purchased services	614,950	336,130
Supplies and materials	7,495,110	6,675,041
Other	150,200	132,632
Total expenditures	<u>8,500,000</u>	<u>7,374,693</u>
FUND BALANCE, end of year	<u>\$ 3,517,451</u>	<u>\$ 4,396,960</u>

**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, 2018**

	Budget (Original and Final)	Actual
FUND BALANCE, beginning of year	\$ 6,923,827	\$ 7,222,567
Receipts:		
Lunchroom	7,598,500	7,109,857
USDA and state subsidy	13,328,000	12,716,022
Commodity	2,300,000	1,965,924
Other	24,000	184,497
Total receipts	<u>23,250,500</u>	<u>21,976,300</u>
Total available resources	<u>30,174,327</u>	<u>29,198,867</u>
Expenditures:		
Salaries and benefits	11,175,300	10,311,292
Food	9,600,000	7,475,851
New equipment and vehicles	2,000,000	372,909
Other	7,399,027	2,521,876
Total expenditures	<u>30,174,327</u>	<u>20,681,928</u>
FUND BALANCE, end of year	<u>\$</u>	<u>\$ 8,516,939</u>

**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, 2018**

	Budget (Original and Final)	Actual
FUND BALANCE, beginning of year	\$ 25,501,335	\$ 20,626,004
Receipts:		
Property taxes		88,219
Interest	57,500	172,004
Lease income	366,000	647,205
Sale of property		6,331
Miscellaneous	1,000,000	1,466,863
Total receipts	<u>1,423,500</u>	<u>2,380,622</u>
Total available resources	<u>26,924,835</u>	<u>23,006,626</u>
Expenditures:		
Salaries and benefits		48,469
Contracted services		159,608
Supplies		34,602
Equipment		180,200
Site acquisition and improvements		4,108
Building acquisition and improvements	26,924,835	11,219,777
Total expenditures	<u>26,924,835</u>	<u>11,646,764</u>
FUND BALANCE, end of year	<u>\$</u>	<u>\$ 11,359,862</u>

**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, 2018**

	Budget (Original and Final)	Actual
FUND BALANCE, beginning of year	\$ _____	\$ (43,616)
Receipts:		
Member payments	6,914,250	4,159,498
Transfer from general fund		1,360,175
Miscellaneous	100,000	39,100
Total receipts	<u>7,014,250</u>	<u>5,558,773</u>
Total available resources	<u>7,014,250</u>	<u>5,515,157</u>
Expenditures:		
Salaries and benefits	4,167,160	3,759,746
Contracted services	1,119,510	777,416
Supplies	431,410	754,823
Miscellaneous	1,296,170	266,536
Total expenditures	<u>7,014,250</u>	<u>5,558,521</u>
FUND BALANCE, end of year	<u>\$ _____</u>	<u>\$ (43,364)</u>

**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, 2018**

	Budget (Original and Final)	Actual
FUND BALANCE, beginning of year	\$ 7,756	\$ 5,570
Receipts:		
Student fees	1,000,000	183,490
Total available resources	1,007,756	189,060
Expenditures:		
Salaries and benefits	1,000,000	154,880
Equipment and supplies	7,756	22,371
Total expenditures	1,007,756	177,251
FUND BALANCE, end of year	\$	\$ 11,809

LANCASTER COUNTY SCHOOL DISTRICT 001 - LINCOLN PUBLIC SCHOOLS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULES FOR THE YEAR ENDED AUGUST 31, 2018

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 RECEIPTS, EXPENDITURES AND FUND BALANCES, EXCLUDING ESU NO. 18
FOR THE YEAR ENDED AUGUST 31, 2018**

	Fund Balances (Deficits) At Beginning Of		Receipts	Expenditures	Transfers In (Out)	Excess (Deficiency) Of Receipts Over (Under) Expenditures	Fund Balances (Deficits) At End Of Year	Fund Balance Composition			
	Year							School District Treasurer's Balance	Investments	Inventories	Liabilities
GENERAL FUND:											
General fund	\$ 81,564,516	\$ 425,769,187	\$ 406,929,758	\$ (13,479,149)	\$ 5,360,280	\$ 86,924,796	\$ 116,489	\$ 100,368,057	\$ 491,714	\$ (14,051,464)	
Federal fund	(10,966,579)	27,785,339	23,434,259		4,351,080	(6,615,499)		(6,615,499)			
Special grants fund	1,896,195	5,702,186	5,965,049		(262,863)	1,633,332		1,633,332			
Total	<u>72,494,132</u>	<u>459,256,712</u>	<u>436,329,066</u>	<u>(13,479,149)</u>	<u>9,448,497</u>	<u>81,942,629</u>	<u>116,489</u>	<u>95,385,890</u>	<u>491,714</u>	<u>(14,051,464)</u>	
DEPRECIATION FUND	17,538,642	105,055	5,727,230	8,905,324	3,283,149	20,821,791		20,821,791			
CONTINGENCY FUND	4,639,222	970,362	4,650,167	2,967,840	(711,965)	3,927,257		3,932,751		(5,494)	
ACTIVITIES FUND:											
School activity fund	2,240,656	4,561,552	4,671,422	205,600	95,730	2,336,386		2,336,386			
Central interscholastic athletic fund	1,325,237	1,242,239	990,791	240,210	491,658	1,816,895		1,869,903		(53,008)	
Resale fund	320,269	1,635,890	1,512,480	(200,000)	(76,590)	243,679		243,679			
Total	<u>3,886,162</u>	<u>7,439,681</u>	<u>7,174,693</u>	<u>245,810</u>	<u>510,798</u>	<u>4,396,960</u>		<u>4,449,968</u>		<u>(53,008)</u>	
SCHOOL LUNCH AND MILK FUND	7,222,567	21,976,300	20,681,928		1,294,372	8,516,939		8,722,104	1,906,296	(2,111,461)	
BOND INTEREST AND RETIREMENT FUND	23,015,408	34,659,531	29,195,397		5,464,134	28,479,542		28,479,542			
SPECIAL BUILDING FUND	20,626,004	2,380,622	11,646,764		(9,266,142)	11,359,862		11,359,862			
QUALIFIED CAPITAL PURPOSE UNDERTAKING FUND:											
Qualified capital purpose undertaking fund debt service	5,746,360	7,170,560	7,066,249		104,311	5,850,671		5,850,671			
COOPERATIVE FUND	(43,616)	4,198,598	5,558,521	1,360,175	252	(43,364)		242,411		(285,775)	
STUDENT FEES FUND	5,570	183,490	177,251		6,239	11,809		18,946		(7,137)	
GRAND TOTAL - ALL FUNDS	<u>\$ 155,130,451</u>	<u>\$ 538,340,911</u>	<u>\$ 528,207,266</u>	<u>\$</u>	<u>\$ 10,133,645</u>	<u>\$ 165,264,096</u>	<u>\$ 116,489</u>	<u>\$ 179,263,936</u>	<u>\$ 2,398,010</u>	<u>\$ (16,514,339)</u>	

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

**SCHEDULE OF RECEIPTS, EXPENDITURES, AND FUND BALANCE
MODIFIED CASH BASIS - ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Actual</u>
Receipts:	
Local sources:	
1110 Local property taxes	\$ 207,924,585
1115 Carline tax	114,042
1120 Public power district sales tax	7,226,057
1125 Motor vehicle taxes	19,795,043
1230 Tuition received from other districts	88,917
1410 Interest	1,117,994
1610 Local license fees	139,995
1620 Police court fines	2,461,744
1925 Categorical grants from corporations & other private interests	4,419,510
1995 Other local receipts	99,137
Total local receipts	<u>243,387,024</u>
County sources:	
2110 Fines and license fees	<u>2,037,167</u>
Total county receipts	<u>2,037,167</u>
State receipts:	
3110 State aid	126,680,647
3120 Special education programs	27,651,797
3125 Special education transportation	3,977,074
3130 Homestead Exemption	6,294,986
3131 Property tax credit	9,148,732
3132 Personal property tax credit	437,703
3135 Payments for high ability learners	256,705
3155 Textbook loan	24,137
3166 Flex funding	1,395,122
3180 Pro-rate motor vehicle	556,790
3200 State apportionment	7,069,460
3500 Categorical programs	1,258,540
Total state receipts	<u>184,751,693</u>

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

**SCHEDULE OF RECEIPTS, EXPENDITURES, AND FUND BALANCE
MODIFIED CASH BASIS - ACTUAL - GENERAL FUND, CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Actual</u>
Federal receipts:	
4200 Title I, Part A	14,215,187
4210 Title I Accountability	460,863
4215 Title I Part 1003G	286,104
4230 Title I, Part D, Subpart 2	89,410
4310 Title II, Part A	1,076,527
4404 IDEA Bart B	2,803,859
4406 IDEA Preschool	220,352
4410 IDEA	6,066,001
4412 IDEA Part B	331,439
4415 IDEA Special projects	2,583
4450 Medicaid in public schools	20,630
4455 Medicaid administrative activities	1,101,859
4700 Vocational aid	166,638
4910 Indian education	139,003
4915 Title I, Part C	111,231
4925 Title III Part A	447,820
4968 Title IV, Part B	862,858
4990 Other categorical receipts	505,464
Total federal receipts	<u>28,907,828</u>
Non-revenue receipts:	
5400 Sale of property	69,489
5690 Other receipts	103,511
Total non-revenue receipts	<u>173,000</u>
Total receipts	<u>\$ 459,256,712</u>

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

**SCHEDULE OF RECEIPTS, EXPENDITURES, AND FUND BALANCE
MODIFIED CASH BASIS - ACTUAL - GENERAL FUND, CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Actual</u>
Expenditures	
Program:	
1100 Regular instructional programs	\$ 184,440,918
1115 Career academy programs	1,360,175
1125 Regular instructional programs school age	3,239,963
1150 Limited English Proficiency programs	12,273,048
1160 Poverty programs	30,384,388
1200 Special education instructional programs	59,169,016
1280 Special education instructional programs - unified sports	15,540
1291 Special education instructional programs - ages 3-5	3,372,622
1292 Special education instructional programs - ages 0-2	757,999
2100 Support services - pupils	8,758,354
2150 Safety & Security	3,973,918
2200 Support services - staff	11,535,173
2310 Board of education	1,621,890
2320 Executive administration services	5,153,055
2330 District legal services	785,108
2400 Office of the principal	26,081,225
2510 General administration - business services	10,050,596
2520 Vehicle acquisition and maintenance	796,555
2600 Support services - maintenance and operation of building(s) and site(s)	44,377,098
2750 Regular pupil transportation	2,278,717
2760 School age special education pupil transportation	7,585,309
2765 Below age five special education pupil transportation	2,032,174
3000 Community services	286,458
3400 Categorical grants from corporations & other private interests	2,754,563
3500 State categorical programs	1,541,409
4200 Title I, Part A	10,107,513
4210 Title I Accountability	330,074
4215 Title I Part 1003(G)	362,070
4230 Title I, Part D, subpart 2	101,499
4310 Title I, Part A	1,017,801
4404 IDEA Part B base allocation	2,699,276
4406 IDEA Preschool	194,125
4410 IDEA	5,585,883
4412 IDEA Part B proportionate share	341,930
4415 IDEA Special projects	2,272
4700 Vocational aid	378,170
4910 Indian education	135,344
4915 Title I, Part C	128,967
4925 Title III Part A	433,884
4968 Title IV, Part B	902,664
4990 Other federal categorical expenditures	712,787
6000 Summer school	1,302,875
8000 Transfers	445,810
Total disbursements by all programs	<u>\$ 449,808,215</u>

See Notes to Schedules of Receipts, Expenditures and Fund Balances.

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

**SCHEDULE OF RECEIPTS, EXPENDITURES, AND FUND BALANCE
MODIFIED CASH BASIS - ACTUAL - GENERAL FUND, CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Actual</u>
Fund balance, September 1	\$ 72,494,132
Receipts	<u>459,256,712</u>
Total funds available	531,750,844
Expenditures	<u>449,808,215</u>
Fund balance, August 31	<u>\$ 81,942,629</u>
Analysis of fund balance:	
Cash in bank:	
Checking accounts and cash on hand	\$ 116,489
Investments	<u>95,385,890</u>
	95,502,379
Inventory	491,714
Liabilities	<u>(14,051,464)</u>
Fund balance, August 31	<u>\$ 81,942,629</u>
Cash at county treasurer not included above:	
Lancaster County	<u>\$ 13,670,606</u>

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

**SCHEDULE OF RECEIPTS, EXPENDITURES, AND FUND BALANCE
MODIFIED CASH BASIS - ACTUAL - BOND INTEREST AND RETIREMENT FUND
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Actual</u>
Fund balance, September 1	\$ <u>23,015,408</u>
Receipts:	
Local property taxes	30,997,105
Carline taxes	17,344
Interest	50,293
Other local receipts	1,123,441
Homestead exemption	957,961
Property tax credit	1,363,769
Personal property tax credit	66,827
Pro-rate motor vehicle	<u>82,791</u>
Total cash receipts	<u>34,659,531</u>
Total funds available	<u>57,674,939</u>
Expenditures:	
Redemption of principal	15,560,000
Debt service interest	13,631,166
Other miscellaneous expenses	<u>4,231</u>
Total expenditures	<u>29,195,397</u>
Fund balance, August 31	\$ <u><u>28,479,542</u></u>
Analysis of fund balance:	
Cash in bank:	
Investments	\$ <u>28,479,542</u>
Fund balance, August 31	\$ <u>28,479,542</u>
Cash at county treasurer not included above:	
Lancaster County	\$ <u>1,725,180</u>

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

**SCHEDULE OF RECEIPTS, EXPENDITURES, AND FUND BALANCE
MODIFIED CASH BASIS - ACTUAL - QUALIFIED CAPITAL PURPOSE UNDERTAKING FUND
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Actual</u>
Fund balance, September 1	\$ 5,746,360
Receipts:	
Local property taxes	5,468,128
Carline taxes	3,112
Other local receipts	189,626
Homestead exemption	163,513
Property tax credit	237,732
Personal property tax credit	11,352
Pro-rate motor vehicle	15,146
Sale of bonds	176,780
Other non-revenue receipts	905,171
Total receipts	<u>7,170,560</u>
Total funds available	<u>12,916,920</u>
Expenditures:	
Redemption of principal	3,771,521
Debt service interest	3,114,455
Other miscellaneous expenses	180,273
Total expenditures	<u>7,066,249</u>
Fund balance, August 31	<u>\$ 5,850,671</u>
Analysis of fund balance:	
Cash in bank:	
Investments	<u>\$ 5,850,671</u>
Fund balance, August 31	<u>\$ 5,850,671</u>
Cash at county treasurer not included above:	
Lancaster County	<u>\$ 229,140</u>

See Notes to Schedules of Receipts, Expenditures and Fund Balances.

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

**SCHEDULE OF RECEIPTS, EXPENDITURES, AND FUND BALANCE
MODIFIED CASH BASIS - ACTUAL - SCHOOL LUNCH AND MILK FUND
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Actual</u>
Fund balance, September 1	\$ 7,222,567
Receipts:	
Interest	63,116
Sale of lunches/milk	7,109,857
Other local receipts	91,134
State reimbursement	107,410
Federal reimbursement	12,608,612
Other federal categorical receipts	1,965,924
Other non-revenue receipts	<u>30,247</u>
Total receipts	<u>21,976,300</u>
Total funds available	<u>29,198,867</u>
Expenditures:	
Salary - professional staff	142,935
Salary - clerical and cooks	6,561,690
Employee benefits	3,606,667
Purchased services	506,558
Supplies and materials	857,720
Food	7,475,851
Capital outlay	372,909
Other expenses	57,598
Indirect costs	<u>1,100,000</u>
Total expenditures	<u>20,681,928</u>
Fund balance, August 31	<u>\$ 8,516,939</u>
Analysis of fund balance:	
Cash in bank:	
Investments	\$ 8,722,104
	<u>8,722,104</u>
Inventories	1,906,296
Liabilities	<u>(2,111,461)</u>
Fund balance, August 31	<u>\$ 8,516,939</u>

See Notes to Schedules of Receipts, Expenditures and Fund Balances.

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

**SCHEDULE OF RECEIPTS, EXPENDITURES, AND FUND BALANCE
MODIFIED CASH BASIS - ACTUAL - SPECIAL BUILDING FUND
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Actual</u>
Fund balance, September 1	\$ 20,626,004
Receipts:	
Local property taxes	88,219
Carline taxes	200
Interest	172,004
Other local receipts	2,091,962
Homestead exemption	2
Pro-rate motor vehicle	914
Sale of property	6,331
Other non-revenue receipts	20,990
Total receipts	<u>2,380,622</u>
Total funds available	<u>23,006,622</u>
Expenditures:	
Building improvements	61,527
Purchased services	208,077
Capital outlay	180,200
Site acquisition and improvements	4,108
Building, acquisition and improvements	11,192,852
Total expenditures	<u>11,646,764</u>
Fund balance, August 31	<u>\$ 11,359,862</u>
Analysis of fund balance:	
Cash in bank:	
Investments	\$ <u>11,359,862</u>
Fund balance, August 31	<u>\$ 11,359,862</u>
Cash at county treasurer not included above:	
Lancaster County	<u>\$ 1</u>

See Notes to Schedules of Receipts, Expenditures and Fund Balances.

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

**SCHEDULE OF RECEIPTS, EXPENDITURES, AND FUND BALANCE
MODIFIED CASH BASIS - ACTUAL - EDUCATIONAL SERVICE UNIT NO. 18
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Actual</u>
Fund balance, September 1	<u>\$ 3,899,873</u>
Receipts:	
Local property taxes	2,972,285
Tuition	10,175
Contracted services	6,533,088
Other local receipts	2,651
State aid	2,189,097
Homestead	89,950
Property tax credit	136,950
Pro-rate motor vehicle	7,969
Federal receipts	<u>1,581,103</u>
Total receipts	<u>13,523,268</u>
Total funds available	<u>17,423,141</u>
Expenditures:	
Instruction (non-special education)	794,800
Instruction (special education)	1,354,207
Support services and programs	6,706,530
General administration	149,806
Co-op contracts	<u>3,982,638</u>
Total expenditures	<u>12,987,981</u>
Fund balance, August 31	<u>\$ 4,435,160</u>
Analysis of fund balance:	
Cash in bank:	
Investments	<u>\$ 4,721,348</u>
	4,721,348
Encumbrances	<u>(286,188)</u>
Fund balance, August 31	<u>\$ 4,435,160</u>
Cash at county treasurer not included above:	
Lancaster County	<u>\$ 164,464</u>

See Notes to Schedules of Receipts, Expenditures and Fund Balances.

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

**NOTES TO SCHEDULES OF RECEIPTS, EXPENDITURES AND FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2018**

A. BASIS OF PRESENTATION

The Schedules of Receipts, Expenditures and Fund Balance for each major fund are supplementary information required by the Nebraska Department of Education. The District prepared this information on the modified cash basis of accounting, which is the same basis of accounting used to prepare the District's financial statements. The presentation follows the same major function codes as that are used by the District to prepare their Annual Financial Report, which the District submits, to the Nebraska Department of Education.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:			
Pass-through Nebraska Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	55-0001-000, 173NE308N1099	\$ 2,238,576
National School Lunch Program	10.555	55-0001-000, 173NE308N1099	9,549,761
Total Child Nutrition Cluster			<u>11,788,337</u>
Fresh Fruit and Vegetable Program	10.582	55-0001-000, 173NE377L1603	501,855
Child and Adult Care Food Program	10.558	55-0001-000, 173NE308N2020, 173NE308N1099	90,220
Pass-through Lancaster County Health Department:			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	173NE308N1099	228,200
Farm to School	10.575	55-0001-000	4,149
Pass-through Nebraska Department of Social Services:			
Child Nutrition Cluster - Non-cash Awards:			
Food Donation	10.555	55-0001-000	<u>1,965,925</u>
Total U.S. Department of Agriculture			<u>14,578,686</u>
U.S. Department of Education:			
Direct Programs:			
Indian Education - Formula Grants to Local Educational Agencies (Indian Education Act - Subpart 1)			
	84.060	S060A160641, S060A170641	135,344
School Climate Transformation	84.184G	S184G14390	220,487
Pass-through Nebraska Department of Education:			
Title I Grants to Local Educational Agencies			
	84.010	S010A160027, S010A170027	10,539,086
Migrant Education - State Grant Program (Title 1, Part C of ESEA)	84.011	55-0001-000, S011A160027, S011A170027	84,966
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	H027A160079, H027A170079	8,629,362
Special Education - Preschool Grants (IDEA, Preschool)	84.173	55-0001-000, H173A160077, H173A170077	194,125
Total Special Education Cluster (IDEA)			<u>8,823,487</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, 2018**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Education, continued:			
Pass-through Nebraska Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	55-0001-000, V048A160027, V048A170027	378,170
Grants for Infants and Families with Disabilities	84.181	55-0001-000, H181A160033, H181A170033	19,481
Education for Homeless Children and Youth - Grants for State and Local Activities	84.196	55-0001-000, S196A160028, S196A170028	44,000
21st Century Community Learning Centers	84.287	55-0001-000, S287C140027, S287C150027, S287C160027, S287C170027	902,664
State Personnel Development	84.323	55-0001-000, H323A11009	1,557
Title III - English Language Acquisition Grants	84.365	55-0001-000, S365A160027, S365A170027	433,884
Title II - Improving Teacher Quality State Grants	84.367	S367A160026, S367A170026	1,017,801
SIG (School Improvement)	84.377	55-0001-000, S377A130028, S377A140028, S377A150028, S377A160028	362,070
Title IV Part A - Student Support and Academic Enrichment	84.424A	S424A170028	<u>375,788</u>
Pass-through University of South Dakota			
I-3 Reading - Investing in Innovation	84.411	55-0001-000	160
Total U.S. Department of Education			<u>23,338,945</u>
U.S. Department of Health and Human Services:			
Pass-through Lincoln Action Program Community Development Agency:			
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0214-02-00, 2018NERSOC	\$ 91,165
Pass-through Nebraska Department of Social Services:			
Medical Assistance Program	93.778	051805NE5MAP	1,373,789
Pass-through Nebraska Schools Medicaid Consortium:			
Medical Assistance Program	93.778	051505NE5ADM	<u>1,101,859</u>
Total U.S. Department of Health and Human Services			<u>2,566,813</u>
Total Federal Awards Expended			<u>\$ 40,484,444</u>

LANCASTER COUNTY SCHOOL DISTRICT 001 - LINCOLN PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2018

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.

The School District has not elected to use the 10% de minimis cost rate.

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 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.

October 30, 2018

**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, 2018, 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 October 30, 2018.

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 the 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
HSMC ORIZON LLC

October 30, 2018

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, 2018. 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, 2018.

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, 2018

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 & 10.559)
 - Medical Assistance Program (CFDA 93.778)
8. A threshold of \$1,214,533 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, 2018**

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