Educational Service Unit No. 19
A Component Unit of Douglas County School District #0001
Omaha, Nebraska

Financial Statements and Supplementary Information
August 31, 2022

Together with Independent Auditor's Report

Educational Service Unit No. 19

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EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Governing Board
Educational Service Unit No. 19:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Educational Service Unit No. 19 (ESU No. 19), a component unit of Douglas County School District #0001 (the District), statement of net position as of and for the year then ended August 31, 2022, and the related notes to the financial statements, which collectively comprise ESU No. 19's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of ESU No. 19 as of August 31, 2022, and respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ESU No. 19 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1(U) to the financial statements, ESU No. 19 adopted new accounting guidance related to the Statement No. 87 of the Government Accounting Standards Board (GASB), *Leases*, for the year ended August 31, 2022. Accordingly, a restatement has been made to the governmental activities net position as of September 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ESU No. 19's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 ESU No. 19's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ESU No. 19's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the budgetary comparison information on pages 31 through 32, the Schedule of ESU No. 19's Proportionate Share of the Net Pension Liability on page 32, the Schedule of Employer Contributions on pages 34 through 36, and the schedule of ESU No. 19's Proportionate Share of the OPEB Liability on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023 on our consideration of ESU No. 19's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ESU No. 19's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ESU No. 19's internal control over financial reporting and compliance.

Eide Bailly LLP

Omaha, Nebraska,
February 3, 2023.

OVERVIEW

Management's Discussion and Analysis (MD&A) is information required to be presented by the Governmental Accounting Standards Board (GASB). This section provides an introduction to the basic financial statements and an analytical overview of the Educational Service Unit No. 19's (ESU No. 19) activities with primary emphasis on the ESU No. 19 as a whole. The basic financial statements are comprised of three components: Government-wide financial statements, fund financial statements, and notes to the financial statements. It also provides additional information that supplements the financial statements and the notes to the financial statements. Our discussion and analysis of financial performance of the ESU No. 19 is for the fiscal year ended August 31, 2022, and it is presented on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned and expenditures are recognized when they result in a liability for benefits received, even if they occur in an accounting period other than the current fiscal year.

REPORT COMPONENTS

This annual report consists of the following components:

- **Financial Statements** – The financial statements present information about the ESU No. 19 that transpired during the fiscal year.

- **Notes to the Financial Statements** – The notes to the financial statements are an integral part of these financial statements and provide a more detailed presentation of various activities of the ESU No. 19, such as capital assets and organizational structure. The reader of the financial statements should make particular note of the information included in the notes.

- **Required Supplementary Information (other than MD&A)** – The Budgetary Comparison Schedule presented in this section allows the reader to see a comparison of the ESU No. 19's adopted budget compared to the actual expenditures and revenues for the year being audited. It also presents the variance between budget and actual. This report is required supplementary information.

GOVERNANCE, ORGANIZATION AND RESPONSIBILITIES

ESU No. 19 is governed by the Board of Education (Board) of Omaha Public School District (District). The nine-members of the Board represent nine sub-districts and are elected to four-year terms by the citizens of the District. The terms of the members of the Board overlap with elections occurring every two years. The Board is a policy-making body, deriving its authority from the State of Nebraska through the laws of the State. One of the statutory duties of the Board, as a governing body, is to prepare and approve an annual budget in accordance with the Nebraska Budget Act.

EDUCATIONAL MISSION

The mission of ESU No. 19 is to partner with Omaha Public Schools to provide innovative and quality educational services to enhance the educational opportunities which enable all students to achieve their highest potential. Contracted and core services in the areas of professional development, media technology, special education, and information technology, support the diverse needs of the District. ESU No. 19 is structured to provide core services to the District and, on a cost reimbursable basis, to other school districts throughout the State of Nebraska. ESU No. 19 works in cooperation with the District to support the District's mission, vision, and values. The mission, vision, and values of the District were established by the Board of Education of the District. These serve as the basic framework for budget and policy decisions. The District's mission, vision, and values are:

- **Mission**: To prepare all students for success in college, career, and life.
- **Vision**: Every student. Every day. Prepared for success.
- **Values**: Equity, Results, Leadership, Accountability, and Joy.

FINANCIAL STRUCTURE

The general operating fund of ESU No. 19 is a taxing fund. Accordingly, property taxes are legally restricted by State Statutes to 1.5 cents per $100 of assessed valuation. Salaries and benefits of professional and support staff make up 53.93% of the budgeted expenditures for ESU No. 19. The remainder of the expenses of ESU No. 19 are for supplies, equipment, and other approved operating expenditures. The 2021-2022 budget for ESU No. 19 was $20,000,000.

LOCAL SOURCES OF ESU REVENUES

- **Property Tax:** The property tax has been a traditional local source for the support of local political subdivisions. In Nebraska, property taxes are determined by a rate per $100 of assessed property value.
- **Interest from Investments:** The cash on hand of ESU No. 19 varies greatly throughout the year. In periods when cash on hand is in a positive position, the surplus funds are invested in approved, secured, and liquid investments. The interest earned becomes revenue for ESU No. 19.

STATE SOURCES OF ESU REVENUES

- **Pro-Rate Motor Vehicles:** Payments made on a fleet of apportionable vehicles in lieu of registration. The money is distributed to counties for redistribution to political subdivisions based on the relationship of their levy(s) to the total levy(s) in the county.
- **Property Tax Relief:** This amount is determined by the State of Nebraska to assist with property tax reductions.
- **Core Services State Aid:** Payments are received from the State of Nebraska for core services. This amount is calculated by the Nebraska Department of Education and is subject to change based upon State Appropriations.

INTERLOCAL AGREEMENT REVENUE

- **Interlocal Agreement Revenue from the District:** The District provides additional funding to the ESU No. 19. Revenues are a result of the Interlocal Agreement with the District for providing educational data processing services. This Interlocal Agreement was created under the guidelines of the Interlocal Cooperation Act of the State of Nebraska (NEB. Rev. Stat. 13-801 et seq.)

BUDGET AND FINANCIAL POLICIES

One of the most time-consuming activities carried out by the Governing Board and staff involves the preparation and adoption of an annual budget. Limitations, as defined in Nebraska state statutes, exist on the amount that ESU No. 19 can levy for property taxes. In addition, political subdivisions must deal with changes in non-tax revenues which can vary greatly from one year to the next. These uncontrollable factors must be dealt with while also addressing the service needs of a continually changing school district. Certain procedures must be carried out when adopting a budget or a tax request, and there are deadlines to meet throughout the budget adoption process.

- **Determining Budget Authority.** All political subdivisions in the State of Nebraska are under spending limitations on the general fund budget.
- **Exceeding the Budget Authority.** If a political subdivision decides that the calculated budget authority is insufficient, additional measures are provided to increase the level of spending authority. The additional measures would provide the appropriate level of service within their political subdivision. Unused revenue authority carried over from the previous year is available to be applied to a future budget.
- **Cash Reserve Limitation**. When preparing a budget, political subdivisions are allowed, and even encouraged, for cash flow purposes, to budget for a cash reserve. A budgeted cash reserve is the amount of funds a political subdivision expects to have on hand at the end of the fiscal year. As revenue sources are not received evenly throughout the fiscal year, an ESU could find itself in a cash short position with bills that need to be paid. By having cash on hand, an ESU is more likely to make payroll and pay bills when they are due, even in times of minimal cash receipts. Many political subdivisions consider at least two months of expenditures to be an adequate budgeted reserve.

BUDGETARY ACTIVITIES

RECEIPTS	2021	2022	Change	Percentage Change
Local	$ 3,777,790	3,981,733	203,943	5.40%
State	2,922,813	2,810,069	(112,744)	-3.86%
Interlocal Agreement	12,449,397	12,517,486	68,089	0.55%
Other non revenue	100,000	98,950	(1,050)	-1.05%
Total receipts	19,250,000	19,408,238	158	0.82%
DISBURSEMENTS				
Salaries and benefits	10,101,826	10,786,702	684,876	6.78%
Purchased services	5,813,393	6,108,808	295,415	5.08%
Supplies and materials	3,072,553	2,858,918	(213,635)	-6.95%
Capital outlay	105,000	57,500	(47,500)	-45.24%
Dues and fees	3,900	6,900	3,000	76.92%
Conference and travel	105,752	91,452	(14,300)	-13.52%
Property tax recapture	47,576	89,720	42,144	88.58%
Total disbursements	19,250,000	20,000,000	750	3.90%
Net change in fund balance	$ --	(591,762)	(591,762)	

BUDGETARY ANALYSIS

In reviewing the fiscal year 2022 revenue budget, ESU No. 19 budgeted a decrease of $112,744, 3.86%, in State Receipts revenue based upon a revised State ESU Core Services Aid formula, which is changed yearly. Budgeted revenue from Local revenue increased $203,943 or 5.40%, due to increases in real property valuations.

	Government-Wide Statement of Net Position			
ASSETS	**2021**	**2022**	**Change**	**Percentage Change**
Cash and cash equivalents	$ 14,912,384	14,652,240	(260,144)	-1.74%
Property tax receivable	625,540	370,488	(255,052)	-40.77%
Accounts receivable	2,545	--	(2,545)	-100.00%
Inventories	307,115	412,429	105,314	34.29%
Prepaid expenses	1,147,762	771,449	(376,313)	-32.79%
Right to use leased assets, net	694,649	598,195	(96,454)	-13.89%
Capital assets, net	5,209,426	2,566,360	(2,643,066)	-50.74%
Total assets	22,899,421	19,371,161	(3,528,260)	-15.41%
DEFERRED OUTFLOWS OF RESOURCES				
Pension and OPEB related deferred outflows	2,895,689	2,566,576	(329,113)	-11.37%
LIABILITIES				
Accounts payable	554,053	293,182	(260,871)	-47.08%
Payroll liabilities	1,462,654	1,663,701	201,047	13.75%
Special termination benefits	5,795	--	(5,795)	-100.00%
Lease obligations	722,461	633,802	(88,659)	-12.27%
Net pension and OPEB liabilities	15,293,547	13,019,071	(2,274,476)	-14.87%
Total liabilities	18,038,510	15,609,756	(2,428,754)	-13.46%
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	2,274,076	3,930,836	1,656,760	72.85%
NET POSITION				
Net investment in capital assets	5,181,614	2,530,753	(2,650,861)	-51.16%
Unrestricted	300,910	(133,608)	(434,518)	-144.40%
Total net position	$ 5,482,524	2,397,145	(3,085,379)	-56.28%

Cash and cash equivalents held at the end of fiscal year 2022 decreased $260,144 or 1.74% through the normal course of operations.

Capital assets of ESU No. 19, net of depreciation, included furniture, fixtures, equipment and software totaling $2,566,360 at August 31, 2022. These capital assets are depreciated over various useful lives, depending on their asset category, and are depreciated using the straight-line depreciation method. The decrease of $2,643,066 or 50.74%, in capital assets is primarily due to depreciation of the District's current enterprise resource planning software.

ESU No. 19 implemented GASB No. 87, *Leases*, which resulted in the recognition of lease obligations and right-to-use lease assets, net. See Note 11 to the financial statements.

The decrease of $260,871 or 47.08%, in accounts payable is primarily due to completion of the network security projects that were underway in the prior year.

	Government-Wide Statement of Activities			
REVENUE	**2021**	**2022**	**Change**	**Percentage Change**
Taxes	$ 3,401,449	3,650,015	248,566	7.31%
State funding	3,546,273	3,322,307	(223,966)	-6.32%
Interest income	105	17,781	17,676	16834.29%
Interlocal agreement	8,764,146	9,388,101	623,955	7.12%
Other revenue	12,448,354	2,778,236	(9,670,118)	-77.68%
Total revenues	28,160,327	19,156,440	(9,003,887)	-31.97%
EXPENSES				
Regular instruction	$ 65,778	7,970	(57,808)	-87.88%
Student non-instructional support services	3,457,605	3,257,600	(200,005)	-5.78%
Support services	647,497	456,747	(190,750)	-29.46%
Government and general administration	11,750	12,143	393	3.34%
Materials and equipment to schools	1,633,839	1,233,298	(400,541)	-24.52%
Core services & technology infrastructure	16,656,073	16,817,888	161,815	0.97%
Debt service				
Debt service interest	53,341	34,152	(19,189)	-35.97%
Property tax recapture	10,556	6,065	(4,491)	-42.54%
Total expenses	22,536,439	21,825,863	(710,576)	-3.15%
Change in net position	5,623,888	(2,669,423)	(8,293,311)	-147.47%
Net position, beginning of year	(529,508)	5,094,380	5,623,888	-1062.10%
Prior period adjustment	--	(27,812)	(27,812)	100.00%
Net position, begininning of year, restated	(529,508)	5,066,568	5,596,076	-1056.84%
Net position, end of year	$ 5,094,380	2,397,145	(2,669,423)	-52.95%

Total revenues decreased $9,003,887 or 31.97%. This was a result of a $10,000,000 contribution from the District for future investment in replacing existing enterprise resource planning software made in 2021, a similar contribution was not made in 2022.

Total expenses decreased $710,576 or 3.15%. This was due to depreciation expense for capital assets decreasing $1,276,167, 31.36%.

The table below represents condensed financial statements of ESU No. 19 on the modified accrual basis of accounting. Please refer to the notes to the financial statements for a more complete discussion of this method of accounting.

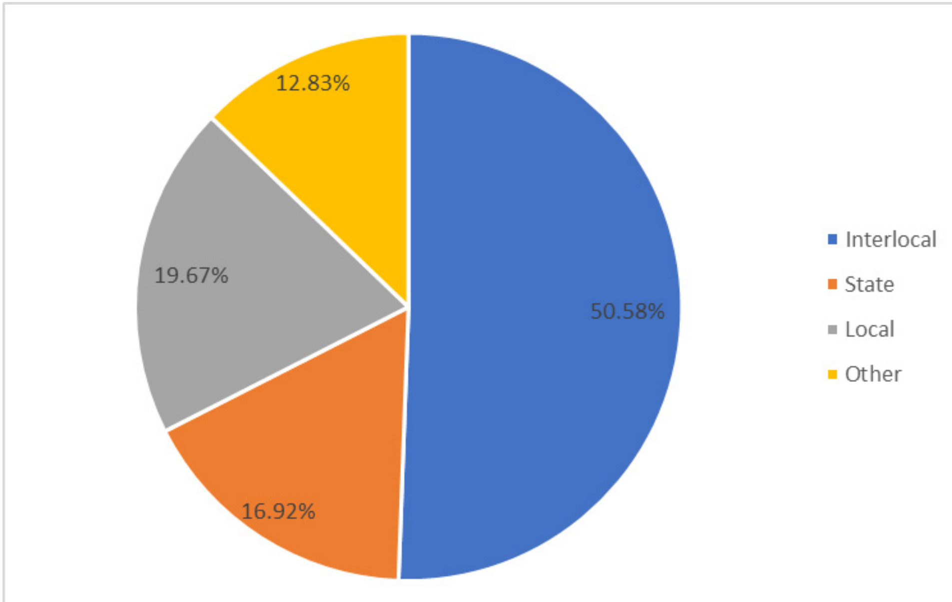
The balance sheet and statement of revenue, expenditures, and changes in fund balance represent the general fund of ESU 19 on the modified accrued basis. This modified basis accounting treats acquisition of assets and the payment of debt as current expenditures.

	Balance Sheet - General Fund			
	2021	**2022**	**Change**	**Percentage Change**
Cash and cash equivalents	$ 14,912,384	14,652,240	(260,144)	-1.74%
Property taxes receivable	625,540	370,488	(255,052)	-40.77%
Accounts receivable	2,545	--	(2,545)	100.00%
Inventories	307,115	412,429	105,314	34.29%
Prepaid expenses	1,147,762	771,449	(376,313)	-32.79%
Total assets	$ 16,995,346	16,206,606	(788,740)	-4.64%
Accounts payable	$ 554,053	293,182	(260,871)	-47.08%
Payroll liabilities	1,085,025	1,255,021	169,996	15.67%
Total liabilities	1,639,078	1,548,203	(90,875)	-5.54%
Nonspendable	1,454,877	1,183,878	(270,999)	-18.63%
Assigned	12,121,591	12,121,591	--	100.00%
Unassigned	1,779,800	1,352,934	(426,866)	-23.98%
Total fund balance	15,356,268	14,658,403	(697,865)	-4.54%
Total liabilities and fund balance	$ 16,995,346	16,206,606	(788,740)	-4.64%

ESU No. 19 had a $697,865 or 4.54%, decrease in fund balance. This reduction was primarily related to the reductions in property taxes receivable and prepaid expenses at year end.

	Statement of Revenues, Expenditures and Changes in Fund Balance			
	General Fund			
	2021	2022	Change	Percentage Change
Property taxes	$ 3,401,449	3,650,015	248,566	7.31%
State funding	3,279,416	3,140,784	(138,632)	-4.23%
Interlocal agreement	8,764,146	9,388,101	623,955	7.12%
Interest income	105	17,781	17,676	16834.29%
Other revenue	12,161,027	2,362,771	(9,798,256)	-80.57%
Total revenues	27,606,143	18,559,452	(9,046,691)	-32.77%
Regular instruction	36,766	3,863	(32,903)	-89.49%
Student non-instructional support services	2,936,125	3,109,956	173,831	5.92%
Support services - staff	531,468	494,323	(37,145)	-6.99%
Governance and general administration	11,750	12,143	393	3.34%
Material and equipment services	1,371,110	1,240,117	(130,993)	-9.55%
Core services & technology infrastructure	12,509,789	14,268,039	1,758,250	14.05%
Debt service				
Debt service interest	309,162	34,152	(275,010)	-88.95%
Debt service principal	53,341	288,416	235,075	440.70%
Property tax recapture	10,556	6,065	(4,491)	-42.54%
Total expenditures	17,770,067	19,457,074	1,687,007	9.49%
Excess of revenues over expenditures	9,836,076	(897,622)	(10,733,698)	-109.13%
Other financing sources				
Leases	--	199,757	199,757	-100.00%
Change in fund balance	9,836,076	(697,865)	(10,733,698)	-107.09%
Fund balance, beginning of year	5,520,192	15,356,268	9,836,076	178.18%
Fund balance, end of year	$ 15,356,268	14,658,403	(697,865)	-4.54%

Core services & technology infrastructure expenditures increased $1,758,250 or 14.05%, due to increases in compensation for staff and contracted services to support the District's technology needs.



CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At August 31, 2022, ESU No. 19 had $2,566,360 invested in capital assets, net of depreciation, an decrease of $2,643,066, 50.74%. Capital assets include buildings and improvements, equipment and furniture, computers, software, and textbooks. The decrease of $2,643,066 or 50.74%, in capital assets is primarily due to depreciation of the District's current enterprise resource planning software.

		2021	2022	Difference	% Change
Buildings and improvements	$	1,127,954	1,127,954	--	0.00%
Equipment and furniture		6,835,423	6,855,360	19,937	0.29%
Computers		2,429,568	2,548,180	118,612	4.88%
Software		33,092,505	33,092,505	--	0.00%
Textbooks		98,335	98,335	--	0.00%
		43,583,785	43,722,334	138,549	0.32%
Less: accumulated depreciation		(38,374,359)	(41,155,974)	(2,781,615)	7.25%
Total capital assets, net of depreciation		5,209,426	2,566,360	(2,643,066)	-50.74%

At August 31, 2022, ESU No. 19 had $633,802 of lease obligations. This is a decrease of $88,659 or 12.27%, as a result of current year obligations.

HISTORICAL OVERVIEW OF PROPERTY TAXES

The following table illustrates the changes in property tax requests and the amount of property taxes collected by ESU No. 19. The 2021-2022 budget, as well as prior year's budgets, reflects strategies that allow ESU No. 19 to utilize funding based upon the educational needs of the students served by ESU No. 19.

Property Taxes Collected	2018-2019 Actual	2019-2020 Actual	2020-2021 Actual	2021-2022 Actual	2022-2023 Budget
General Fund ESU No. 19	$ 3,075,163	$ 3,177,853	$ 3,173,678	$ 4,075,392	$ 4,322,447
Assessed Valuation	$ 22,180,983,314	$ 23,750,647,812	$ 25,430,909,648	$ 26,810,334,583	$ 28,816,312,950

STAFFING

The ESU 19 had 100.74 full-time equivalent employees as of August 31, 2022. They were composed of following classifications: Professional/Technical 58.74, maintenance 10.00, office personnel 18.00, administrative 4.00, and other 10.00.

EDUCATIONAL SERVICE UNIT NO. 19 CONTACT INFORMATION

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the Educational Service Unit No.19 accountability for the money it receives. Additional details, questions or comments can be requested from the following individuals.

Respectfully submitted by:

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Chief Financial Officer
Department of General Finance
Omaha Public School District
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Educational Service Unit No. 19

Statement of Net Position
August 31, 2022

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	14,652,240
Property taxes receivable		370,488
Inventories		412,429
Right-to-use leased assets, net		598,195
Other assets		771,449
Capital assets, net		2,566,360
Total assets		19,371,161
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows		2,506,044
OPEB related deferred outflows		60,532
Total deferred outflows of resources		2,566,576
Total assets and deferred outflows of resources	$	21,937,737
LIABILITIES		
Accounts payable	$	293,182
Accrued payroll liabilities		1,663,701
Long-term liabilities:		
Due within one year		286,797
Due in more than one year		13,366,076
Total liabilities		15,609,756
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows		3,885,749
OPEB deferred inflows		45,087
Total deferred inflows of resources		3,930,836
NET POSITION		
Net investment in capital assets		2,530,753
Unrestricted		(133,608)
Total net position		2,397,145
Total liabilities, deferred inflows of resources and net position	$	21,937,737

See notes to the basic financial statements

Educational Service Unit No. 19

Statement of Activities
For the Year Ended August 31, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
Government activities				
Regular instruction	$ 7,970	--	--	(7,970)
Student non-instructional support services and programs to schools	3,257,600	--	--	(3,257,600)
Support services - staff	456,747	--	--	(456,747)
Governance and general administration	12,143	--	--	(12,143)
Materials and equipment services to schools	1,233,298	--	--	(1,233,298)
Core services & technology infrastructure	16,817,888	9,388,101	--	(7,429,787)
Debt service -				
Debt service interest	34,152	--	--	(34,152)
Property tax recapture	6,065	--	--	(6,065)
Total governmental activities	$ 21,825,863	9,388,101	--	(12,437,762)

General revenues	
Taxes	$ 3,650,015
State funding	3,322,307
Interest income	17,781
Other revenue	2,778,236
Total general revenues	9,768,339
Change in net position	(2,669,423)
Net position, beginning of year	5,094,380
Prior period adjustment	(27,812)
Net position, beginning of year, restated	5,066,568
Net position, end of year	$ 2,397,145

See accompanying notes to the financial statements

Educational Service Unit No. 19

Balance Sheet – Governmental Fund
August 31, 2022

		General Fund
ASSETS		
Cash and cash equivalents	$	14,652,240
Property taxes receivable, net		370,488
Inventories		412,429
Prepaid expenses		771,449
Total assets	$	16,206,606
LIABILITIES		
Accounts payable	$	293,182
Accrued payroll liabilities		1,255,021
Total liabilities		1,548,203
FUND BALANCES		
Nonspendable		1,183,878
Assigned		12,121,591
Unassigned		1,352,934
Total fund balances		14,658,403
Total liabilities and fund balances	$	16,206,606
RECONCILIATION		
Total fund balance - governmental fund	$	14,658,403
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds		3,164,555
Deferred outflows of resources represent consumption of net position in future periods and therefore are not reported in the funds		2,566,576
Long-term liabilities, including lease obligations, are not due and payable in the current period and therefore are not reported in the funds		(14,061,553)
Deferred inflows of resources represent the acquisition of net position in future periods and therefore are not reported in the funds		(3,930,836)
Net position, governmental activities	$	2,397,145

See notes to basic financial statements

Educational Service Unit No. 19

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund
For the Year Ended August 31, 2022

	General Fund
REVENUES	
Property taxes	$ 3,650,015
State funding	3,140,784
Interlocal agreement	9,388,101
Interest income	17,781
Other revenue	2,362,771
Total revenues	18,559,452
EXPENDITURES	
Regular instruction	3,863
Student non-instructional support services and programs to schools	3,109,956
Support services - staff	494,323
Governance and general administration	12,143
Materials and equipment services to schools	1,240,117
Core services & technology infrastructure	14,268,039
Debt service -	
Debt service interest	34,152
Debt service principal	288,416
Property tax recapture	6,065
Total expenditures	19,457,074
DEFICIENCY OF REVENUES OVER EXPENDITURES	(897,622)
OTHER FINANCING SOURCES	
Leases	199,757
CHANGE IN FUND BALANCE	(697,865)
FUND BALANCE, BEGINNING OF YEAR	15,356,268
FUND BALANCE, END OF YEAR	$ 14,658,403
RECONCILIATION	
Net change in fund balance - governmental fund	$ (697,865)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense	(2,968,872)
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds	596,988
Repayment of lease obligations is an expenditures in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.	288,416
Capital assets financed by leases are reported in the governmental funds as a source of financing. These leases are not revenues in the statement of activities but rather constitute long-term liabilities in the statement of net position.	(199,757)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	111,910
Change in net position - governmental activities	$ (2,669,423)

(1) Summary of Significant Accounting Policies

These financial statements present Educational Service Unit No. 19 (ESU No. 19), a component unit of Douglas County School District #0001 (the District). The accompanying financial statements present only ESU No. 19 and do not intend to, and do not, present fairly the financial position of the District as of August 31, 2022 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The following is a summary of the significant accounting policies of ESU No. 19. These policies are in accordance with accounting principles generally accepted in the United States of America.

A. Reporting Entity

On June 19, 1972, the Board of Education (the Board) of the District, through official resolution and under powers from LB 928 passed by the Nebraska State Legislature, established ESU No. 19. ESU No. 19 was originally designed to provide educational data processing to the District and, on a cost reimbursable basis, to other districts throughout the State of Nebraska. Currently, its core services include, but are not limited to: staff development, technology, and audiovisual services.

The governing board of ESU No. 19 maintains a posture of cooperation with other school districts. However, ESU No. 19’s first responsibility is to the students and patrons of the District.

For financial reporting purposes, ESU No. 19 has included all funds, organizations, agencies, boards, commissions and authorities. ESU No. 19 has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with ESU No. 19 are such that exclusion would cause the financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of ESU No. 19 to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on ESU No 19. ESU No. 19 has no component units which meet the GASB criteria.

B. Basis of Presentation

Government-Wide Financial Statements

ESU No 19’s basic financial statements include both government-wide (reporting ESU No. 19 as a whole) and fund financial statements (reporting ESU No. 19’s major funds). The government-wide financial statements categorize activities as governmental or business-type and exclude any fiduciary activities.

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

ESU No. 19 does not report any business-type or fiduciary activities.

Governmental Fund Financial Statements

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

The financial transactions of ESU No. 19 are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. ESU No. 19 reports the following major governmental funds:

General Fund – This is the primary operating fund of ESU No. 19. It is used to account for all financial resources except those that are required to be accounted for elsewhere.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements for ESU No. 19 are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash flows take place. Property tax revenue is recognized in the year for which it is levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds for ESU No. 19 are reported using the current financial resources focus and the modified accrual basis of accounting. Under this method revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes and grants associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by ESU No. 19.

Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and pension obligations, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as other financing sources.

D. Cash and Cash Equivalents and Pooled Investments

ESU No. 19's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. A portion of ESU No 19's cash balances are pooled and invested in the Nebraska Liquid Asset Fund (NLAF). Investment in NLAF is valued at amortized cost.

E. Property Taxes Receivable, Net

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

F. Inventories and Prepaid Expenses

Inventories consist of expendable supplies held for consumption stated at cost on a first-in, first-out basis. Prepaid expenses are payments to vendors that benefit future reporting periods also reported on the consumption basis. Both inventories and prepaid expenses are similarly reported in government-wide and governmental fund financial statements.

G. Right to Use Leased Assets

Right to use leased assets are recognized at the lease commencement date and represent ESU No. 19's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight line method. The amortization period varies from 2 to 5 years.

H. Capital Assets and Depreciation/Amortization

Capital assets purchased or acquired by ESU No. 19, with a value over $5,000, are reported at cost. Contributed assets are reported at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Equipment under capital leases is amortized over the estimated useful life of the equipment. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation and amortization on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10 – 30 years
Equipment and furniture	5 years
Computers	3 years
Software	5 years
Textbooks	7 years

I. Deferred Outflows of Resources

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

J. Compensated Absences

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

All full time employees are eligible for sick leave benefit days. Days are awarded annually on August 1 and days from prior years carry over. Ten-month employees earn 10 days annually and twelve-month employees earn 12 days annually. Employees can carry up to a maximum balance dependent on their number of annual duty days worked and as specified per negotiated contracts.

If an employee retires, through normal or early retirement, and has more than 10 sick days accrued, they are eligible to participate in the accumulated sick leave conversion program. Accumulated days are forwarded to a health reimbursement account or tax sheltered annuity 403(b) on the employee's behalf at 50% of their pay rate (Note 7). Employees that have a balance of 10 days or less are paid the value of their days as per the calculation above. Certificated employees that have at least 18 years of creditable service and classified employees that have at least 20 years of creditable service are eligible for the accumulated sick leave conversion program. The calculation is the same as above.

Total obligations as of August 31, 2022 for compensated absences amounted to $845,692 and are included in accrued payroll liabilities in the statement of net position.

K. Pension

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

L. Total Other Postemployment Benefit (OPEB) Liability

For purposes of measuring the total OPEB liability and deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

M. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the statement of net position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and unrecognized items not yet charged to pension and OPEB expense.

N. Net Position/Fund Balances

Net position of ESU No. 19 is classified in three components for government-wide presentation:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization, reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- *Restricted net position* results when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At August 31, 2022, ESU No. 19 has no restricted net position.
- *Unrestricted net position* is remaining net position that does not meet the definition of net investment in capital assets or restricted.

ESU No. 19 first applies restricted resources when an expense incurred for purposes for which both restricted and unrestricted resources are available.

Fund balance of ESU No. 19 is classified in the governmental fund financial statements as follows:

- *Nonspendable fund balance* consists of amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be kept intact. At August 31, 2022, ESU No. 19 had nonspendable fund balance for prepaid expenses and inventories in the amount of $1,183,878.
- *Restricted fund balance* consists of amounts that are restricted for specific purposes. These restrictions are either imposed by 1) externally imposed by creditors, grantors contributors, or laws or regulations of other governments or 2) imposed through constitutional provisions or enabling legislation. At August 31, 2022, ESU No. 19 had no restricted fund balance.
- *Committed fund balance* consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision making authority. These amounts cannot be used for any other purpose unless the District removes or changes the specific use by taking the same type of action it used to commit those amounts. The Board of Education is the District's highest level of authority. All actions concerning approving, eliminating, or modifying of minimal fund balances will be accomplished through resolution. At August 31, 2022, ESU No. 19 had no committed fund balance.
- *Assigned fund balance* consists of amounts that are constrained by ESU No. 19 intended to be used for specific purposes, but are neither restricted nor committed. The authority for making an assignment is not required to be the District's highest decision making authority. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regard to committed fund balances. The District management staff will have the overall responsibilities for monitoring these balances. At August 31, 2022, ESU No. 19 had assigned fund balance in the amount of $12,121,591 for the purchase of a new enterprise resource planning (ERP) system.
- *Unassigned fund balance* is the residual classification for the general fund. The general fund is the only fund to report a positive unassigned fund balance.

O. Interlocal Agreement

The District and ESU No. 19 have entered into an agreement whereby ESU No. 19 provides educational data processing services for the benefit of the District. During the fiscal year ended August 31, 2022, the District reimbursed ESU No. 19 $9,388,101 which is reported as Interlocal Agreement revenue in the accompanying financial statements.

P. Budget Process

ESU No. 19 prepares the operating budget for its general fund. The basis of accounting for budgetary purposes is the same as that used for regulatory reporting purposes permitted by the Nebraska Commissioner of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The operating budget includes disbursements and their financing means. Public hearings are conducted to obtain taxpayer comments. The budget is legally adopted by the Board of Education through passage of a resolution in accordance with state statutes. Total disbursements cannot legally exceed the adopted budget. Any revisions to the adopted budget must be approved by the Board of Education following a hearing to obtain taxpayer comments.

Q. Use of Estimates

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

R. Implementation of GASB Statement No. 87

As of September 1, 2021, ESU No. 19 adopted GASB Statement No. 87, *Leases.* The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflows of resources. The effect of the implementation of this standard on beginning net position is disclosed in Note 15 and the additional disclosures required by this standard are included in Note 6.

S. Recent Accounting Pronouncements

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The statement provides guidance on the accounting and financial reporting for SBITA for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The standard will be effective for reporting periods beginning after June 15, 2022. ESU No.19 is currently evaluating the effect the new standard will have on the financial statements

(2) Deposits and Pooled Investments

Nebraska Revised Statute §79-1043 provides that ESU No. 19 may, by and with the consent of the Board of Education of ESU No. 19, invest the funds of ESU No. 19 in securities, including repurchase agreements, the nature of which individuals of prudence, discretion and intelligence acquire or retain in dealing with the property of another.

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

- U.S. Treasury Bills, Treasury Notes, and Treasury Bonds or other United States securities guaranteed by or for which the credit of the United States is pledged for the payment of principal and interest or dividends.

- Bonds, debentures or other obligations issued by the Federal National Mortgage Association, the Federal Home Loan Corporation, or Government National Mortgage Association or any other obligations of any agency controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by Congress of the United States whose timely payment is unconditionally guaranteed by the United States of America.

ESU No. 19's bank accounts and investments are held by the District's agents in the District's name in accordance with state statutes. As of August 31, 2022, the carrying amount of ESU No. 19's cash was $14,652,240. ESU No. 19's deposits are included with other District deposits at a local bank. The deposits were entirely insured by the FDIC or collateralized with securities in the name of the District. ESU No. 19 has investments in the Nebraska Liquid Asset Fund (NLAF) reported as cash and cash equivalents, which are valued at amortized cost.

ESU No. 19 had no investments meeting the disclosure requirements of GASB Statement No. 72.

(3) Capital Assets

The changes in capital assets of ESU No. 19 are as follows:

	Balance August 31, 2021	Additions	Retirements	Balance August 31, 2022
Depreciable capital assets:				
Buildings and improvements	$ 1,127,954	--	--	1,127,954
Equipment and furniture	6,835,423	19,937	--	6,855,360
Computers	2,429,568	130,699	(12,087)	2,548,180
Software	33,092,505	--	--	33,092,505
Textbooks	98,335	--	--	98,335
Total depreciable capital assets	43,583,785	150,636	(12,087)	43,722,334
Less accumulated depreciation	38,374,359	2,793,177	(11,562)	41,155,974
Net capital assets	$ 5,209,426	(2,642,541)	(525)	2,566,360

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

Functions/Programs	Depreciation Expense
Governmental activities	
Regular instruction	$ 9,901
Student non-instructional support services and programs to schools	2,554
Support services - Staff	326,880
General administration and board of education	
School administration	363,044
Core services and technology infrastructure	2,090,798
Total governmental activities	$ 2,793,177

(4) Long-Term Liabilities

Long-term liabilities of ESU No. 19 as of August 31, 2022 are summarized as follows:

	Balance August 31, 2021	Increases	Decreases	Balance August 31, 2022	Due Within One Year
Right to use leases (Note 6)	$ 722,461	199,757	288,416	633,802	286,797
Special termination benefits	5,795	--	5,795	--	--
OPEB liability	405,932	--	8,713	397,219	--
Net pension liability	14,887,615	--	2,265,763	12,621,852	--
	$ 16,021,803	199,757	2,568,687	13,652,873	286,797

(5) Leases

Lessee Activities

ESU No. 19 has entered into lease obligations for printing equipment for various terms ranging from 28 to 60 months through January 2025. The District is required to make monthly principal and interest payments throughout the terms of the leases with interest rates ranging from 3.25% to 4.75%.

The remaining obligations associated with these leases are as follows:

Year ending August 31	Principal	Interest
2023	$ 286,797	21,896
2024	244,462	10,469
2025	102,543	1,150
Total	$ 633,802	33,515

The District's right to use assets related to the leases as of and for the year ended August 31, 2022 are as follows:

	Balance August 31, 2021	Additions	Deletions	Balance August 31, 2022
Right to use leased assets being amortized:				
Right to use leased equipment	$ 1,163,829	199,757	--	1,363,586
Total right to use leased assets being amortized	1,163,829	199,757	--	1,363,586
Less accumulated amortization	469,180	296,211	--	765,391
Net right to use leased assets	$ 694,649	(96,454)	--	598,195

The statement of revenue expenses and changes in net position for the year ended August 31, 2022 include amortization of right to use leased assets of $296,211.

(6) Retirement System

Plan Description

The employees of ESU No. 19 are covered by Omaha School Employees' Retirement System (OSERS). OSERS is a single-employer defined benefit retirement plan.

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

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

Contributions

ESU No. 19 employees are required to contribute 9.78% of their annual salary to OSERS. Neb. Rev. Stat. §79-9,113 (1)(d) (Supp. 2018) provides that contributions by the District in any fiscal year shall be the greater of 101% of employee contributions, or 9.8778% of member salaries, or such amounts that may be necessary to maintain the solvency of OSERS. For the year ended August 31, 2022, an additional contribution of $29,482,561 was made by the District as recommended by the actuary, to maintain the solvency of OSERS. The State of Nebraska also contributes 2% of employees' compensation.

Total contributions for ESU No. 19, including is proportionate share of additional amounts to maintain solvency, for the year ending August 31, 2022 amounted to $1,229,666.

Benefits Provided

Each employee who has completed five or more years of creditable service is eligible to elect a deferred vested service annuity in lieu of a refund of accumulated contributions. OSERS provides for various benefits including normal retirement benefits, early retirement benefits, disability benefits, and pre-retirement and post-retirement survivor benefits. These benefits are paid monthly from OSERS. For members hired prior to July 1, 2013, the benefits under OSERS are based on an average of the highest three years of salary earned by employees during their employment with the District, up to their normal retirement dates. For members hired on or after July 1, 2013, the benefits under OSERS are based on an average of the highest five years of salary earned by employees during their employment with the District, up to their normal retirement dates.

Employees who terminate employment with fewer than five years of creditable service can elect to receive a refund or a rollover of the employee's contributions, plus accrued interest. For members hired prior to July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment of 1.5% or the increase in the consumer price index (CPI), whichever is lower. For members hired on or after July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment of 1.0% or the increase in the CPI, whichever is lower. Following ten full years of retirement, a medical cost of living supplement is paid. This supplement equals $10 per month for each year retired and increases by $10 each year to a maximum of $250 per month. For retirees with less than twenty years of service, the benefit is reduced proportionately. No state service annuity or medical COLA is provided for members hired on or after July 1, 2016.

Retirement eligibility rules for OSERS members are based on the member's date of hire in accordance with Neb. Rev. Stat. §72-978 (Supp. 2018) through 79-9,118 (Supp. 2016) known and cited as the Class V School Employees Retirement Act.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2022, ESU No. 19 reported a liability of $12,621,852 for its proportionate share of the net pension liability that reflected a reduction for the state of Nebraska support provided to the District. ESU No. 19's net pension liability was measured as of August 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2021. ESU No. 19's proportion of the net pension liability was based on ESU No. 19's share of contributions to OSERS relative to the contributions of all District contributions to OSERS. At August 31, 2021, ESU No. 19's proportion was 1.5775%, a decrease of 0.0128% from its proportion measured at August 31, 2020.

By statute, the state of Nebraska contributes 2.0% of members' compensation to fund the benefits provided by OSERS. A 30 year projection of contributions discounted back to the measurement date using the current year measurement period discount rate was utilized to determine the ratio of the present value of future contributions. This was used as the basis for determining the employer proportionate share of the collective pension amount as it represents the long term contribution effort to OSERS. ESU No. 19 recognized revenue in the amount of $181,522 from the state of Nebraska for its proportionate share of collective pension expense for the year ended August 31, 2021.

For the year ended August 31, 2022, ESU No. 19 recognized pension expense of $146,105. At August 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ --	2,196,678
Changes of assumptions	346,523	--
Differences between expected and actual experience	789,336	144,628
Changes in proportion and differences between contributions and proportionate share of contributions	140,519	1,544,443
District contributions subsequent to the measurement date	1,229,666	--
	$ 2,506,044	3,885,749

Deferred outflows of resources related to pensions included $1,229,667 resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended August 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	
2023	$ (447,439)
2024	(747,474)
2025	(851,969)
2026	(658,022)
2027	95,533
Total	$ (2,609,371)

Actuarial Methods and Assumptions

The total pension liability was measured as of August 31, 2021 and was determined by an actuarial valuation performed as of January 1, 2021, using standard actuarial formulae and using the following key actuarial assumptions:

Actuarial Assumptions:

Price Inflation	2.75%
Wage Inflation	3.25%
Long-term Rate of Return	7.50%
Municipal Bond Index Rate	2.12%
Single Equivalent Interest Rate	7.50%
Salary Increases	3.75% to 6.25%
Cost of Living Adjustments	1.5% members hired before July 1, 2013
	1.0% members hired after July 1, 2013
	Medical COLA of $10/month for each year retired (max $250/month), if hired before July 1, 2016.
Mortality	Pre-retirement mortality rates were based on the RP 2014 Combined Mortality Table, female rates set back 1 year and male rates set forward 1 year, projected on a generational basis using Scale MP-2016. Post-retirement mortality rates were based on the same rates as the pre-retirement tables. Post-disability mortality rates were based on the RP-2014 Disabled Retiree Mortality Table, without generational improvement.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of the most recent actuarial experience study dated April 5, 2017, which covered the five-year period ending August 31, 2016.

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

Discount rate: The discount rate used to measure the total pension liability at August 31, 2021 was 7.50%. There was no change in the discount rate since the prior measurement date.

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

a. Employee contribution rate: 9.78% of compensation.

b. District contribution rate: 101% of the employee contribution rate. In addition, if the statutory contribution rate is less than the actuarial determined contribution, the District will contribute the difference.

c. State contribution rate: 2% of the members' compensation.

d. Administrative expenses in the prior year were projected forward with price inflation as an estimate for administrative expenses in current and future years. The portion of expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each year for the remainder of the existing members to the total covered payroll for all members.

Based on those assumptions, OSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current OSERS' members. Therefore, the long-term expected rate of return on OSERS' investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability.

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

Long-term rate of return: The long-term expected rate of return on plan assets is reviewed as part of regular experience studies prepared periodically. The most recent analysis was performed and results were included in a report dated April 5, 2017. Generally several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by OSERS' investment consultant. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the long-term inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Municipal bond rate: A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 2.12% on the measurement date.

Periods of projected benefit payments: Projected future benefit payments for all current OSERS members were projected through 2120.

Assumed asset allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as provided by The Nebraska Investment Counsel's consultant for the last experience study, are summarized in the following table:

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

Sensitivity analysis: The following presents the net pension liability of ESU No. 19, calculated using the discount rate of 7.5%, as well as ESU No. 19's net pension liability calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	17,497,921	12,621,852	8,572,426

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

Payable to the Pension Plan

At August 31, 2022, ESU No. 19 reported a payable to OSERS of $60,582 for legally required employer contributions and $59,981 for legally required employee contributions withheld from employee wages which had not yet been remitted to OSERS.

(7) Other Postemployment Benefits (OPEB)

Plan Description

The District is a member of the Educator's Health Alliance, the largest insurance pool in the state of Nebraska. Under the pool, the District participates in a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Each employer in the pool is funded through a separate insurance contract. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

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

Retired participants must be age 55 or older at retirement. At August 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or retirees currently participating in the OPEB plan	289
Active employees	7,219
Total	7,508

Total OPEB Liability – ESU No. 19's proportionate share of the total OPEB liability of $397,219 was measured as of August 31, 2022, and was determined by an actuarial valuation as of August 31, 2021.

Actuarial Assumptions – The total OPEB liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions and the entry age normal level percent of pay cost method, applied to all periods included in the measurement.

Rate of Inflation	2.25% per annum.
Salary increases	3.25%, average, including inflation.
Discount rate	3.59% per annum.
Healthcare cost trend rate	5.00% per annum.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.59% based on the yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which reflects the High Quality 20 Year Tax-Exempt G.O. Bond Rate as of the measurement date.

Mortality rates were based on the RP 2014 Mortality Table, female rates set back 1 year and male rates set forward 1 year, projected on a generational basis using Scale MP-2016. Post-retirement mortality rates were based on the same rates as the pre-retirement tables. Post-disability mortality rates were based on the RP-2014 Disabled Retiree Mortality Table, without generational improvement.

The actuarial assumptions used in the August 31, 2021 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of ESU No. 19, as well as what the ESU No 19's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.59%) or 1% higher (4.54%) than the current discount rate.

	1% Decrease (2.59%)	Discount Rate (3.59%)	1% Increase (4.59%)
Total OPEB liability	$ 430,459	397,219	366,123

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of ESU No. 19 as well as what ESU No. 19's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	$ 345,688	397,219	459,289

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended August 31, 2022, ESU No. 19 recognized OPEB expense of $39,026. At August 31, 2022, ESU No. 19 reported deferred outflows of resources related to OPEB for the following services:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 32,558	--
Changes in assumptions	27,974	45,087
	$ 60,532	45,087

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	
2023	$ 409
2024	409
2025	409
2026	409
2027	409
Thereafter	13,400
	$ 15,445

(8) Termination Benefits

Accumulated Sick Leave

ESU No. 19 is under the umbrella of the Douglas County School District #0001 and is included as “the District” in the paragraph below:

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

The District is the Plan Administrator for this program and may choose to contract with a third party administrator to manage the day-to-day activities associated with these benefits. ESU No. 19’s total obligation for the accumulated sick leave benefit amounts to $408,680 at August 31, 2022.

(9) Commitments and Contingencies

ESU No. 19 is under the umbrella of the District and is included as the District in the paragraphs below:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for risks of loss including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District contracts with reputable carriers for various insurance coverages and has purchased excess liability coverage insurance policy covering individual claims in excess of $1,000,000 and releasing the risk of loss for individual claims below $1,000,000. The District has established four separate funds to address the payment of claims that are less than the deductible amounts. Actual claims paid from these funds did not exceed the District's expectations during the fiscal year ended August 31, 2022.

Subsequent to year end, ESU No. 19 entered into a software agreement for website, mobile application and mass notification systems. ESU No. 19 is to pay approximately $204,000 annually until June 2025.

(10) Tax Abatement

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

Property tax revenues of ESU No. 19 were reduced by the following amounts for the year ended August 31, 2022 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Omaha	Tax Increment Financing	$ 259,730
City of Bellevue	Tax Increment Financing	1,697

(11) Adoption of New Standard

As of September 1, 2021, ESU No. 19 adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requirements recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflows of resources. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Net position, September 1, 2021, as previously reported	$ 5,094,380
Recognition of right to use leased assets	694,649
Recognition of lease liabilities	(722,461)
Net position, September 1, 2021, restated	$ 5,066,568

Educational Service Unit No. 19

Required Supplementary Information and Notes to Required Supplementary Information
Budgetary Comparison Schedule – General Fund (Unaudited)
For the Year Ended August 31, 2022

Function		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	FUND BALANCE, beginning of year	15,121,830	15,121,830	15,121,830	--
	RECEIPTS				
1000	Local receipts	$ 14,368,524	14,368,524	13,327,229	(1,041,295)
3000	State receipts	2,810,069	2,810,069	3,140,785	330,716
5000	Nonrevenue receipts	2,229,645	2,229,645	2,365,315	135,670
	Total receipts	19,408,238	19,408,238	18,833,329	(574,909)
	DISBURSEMENTS				
1100	General education instructional	15,795	15,795	5,795	10,000
2100	Student non-instructional support services	3,388,939	3,334,939	3,130,357	204,582
2200	Support services - staff	591,865	591,865	501,156	90,709
2300	Board of control and general administration	14,800	14,800	10,793	4,007
2900	Materials and equipment services	1,442,355	1,442,355	1,273,395	168,960
3550	Core services & technology infrastructure	14,456,526	14,571,526	14,090,959	480,567
5000	Debt services	89,720	28,720	22,345	6,375
	Total disbursements	20,000,000	20,000,000	19,034,800	965,200
	DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(591,762)	(591,762)	(201,471)	390,291
FUND BALANCE, end of year		$ 14,530,068	14,530,068	14,920,359	390,291

See accompanying independent auditor's report

Notes to Required Supplementary Information – Budgetary Comparison Schedule

Budgetary Reporting Reconciliation – Governmental Funds

The preceding Budgetary Comparison Schedule presents comparisons of the legally adopted budget (more fully described in Note 1O) with actual data on the cash basis of accounting. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), a reconciliation of resultant basis, timing, perspective, and entity deficiencies in the change in fund balance for the year ended August 31, 2022 is presented below:

	General Fund
Excess of receipts over disbursements (budgetary basis)	$ (201,471)
Adjustments:	
Change in property taxes receivable	(255,052)
Change in accounts receivable	(2,545)
Change in prepaid expenses	(376,312)
Change in inventories	47,121
Change in payables and accrued liabilities	90,394
Change in fund balance (GAAP basis)	$ (697,865)

Educational Service Unit No. 19

Required Supplementary Information and Notes to Required Supplementary Information
Schedule of ESU No. 19's Proportionate Share of the Net Pension Liability
Last Eight Fiscal Years

Omaha School Employees' Retirement System
Last Eight Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
ESU No. 19's proportion of net pension liability	1.5775%	1.5903%	1.5074%	1.5819%	1.7489%	1.8960%	1.8893%	1.8184%
ESU No. 19's proportionate share of the net pension liability	$ 12,621,852	14,887,615	14,248,950	14,127,221	15,162,382	12,854,327	10,977,424	7,855,270
State of Nebraska's proportionate share of the net pension liability associated with ESU No. 19	1,608,809	1,836,058	1,631,018	1,771,216	1,898,299	2,602,670	2,222,646	1,590,490
Total	$ 14,230,661	16,723,673	15,879,968	15,898,437	17,060,681	15,456,997	13,200,070	9,445,760
ESU No. 19's covered employee payroll	$ 6,530,503	6,092,672	6,221,811	7,176,509	8,306,789	7,821,519	7,418,484	7,093,594
ESU No. 19's proportionate share of the net pension liability as a percentage of its covered employee payroll	193.28%	244.35%	229.02%	196.85%	182.53%	164.35%	147.97%	110.74%
Plan fiduciary net position as a percentage of the total pension liability	67.13%	59.55%	57.82%	59.16%	58.72%	63.68%	67.58%	74.98%

* The amounts presented for each fiscal year were determined as of August 31.

See accompanying independent auditor's report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, ESU No. 19 will present information for those years for which information is available.

Educational Service Unit No. 19

Required Supplementary Information and Notes to Required Supplementary Information
Schedule of Employer Contributions
Last 10 Fiscal Years

Omaha School Employees' Retirement System
Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$	1,229,666	1,096,959	956,474	1,013,380	1,093,987	1,093,921	772,594	732,783	700,691	630,821
Contributions in relation to the actuarially determined contribution		1,229,666	1,096,959	956,474	1,013,380	1,093,987	1,093,921	772,594	732,783	700,691	630,821
Contribution deficiency (excess)	$	--	--	--	--	--	--	--	--	--	--
ESU No. 19's covered employee payroll	$	7,415,923	6,530,503	6,092,672	6,221,811	7,176,509	8,306,789	7,821,519	7,418,484	7,093,594	6,715,863
Contributions as a percentage of covered employee payroll		16.581%	16.797%	15.699%	16.288%	15.244%	13.169%	9.878%	9.878%	9.878%	9.393%

* The amounts presented for each fiscal year were determined as of August 31.

See accompanying independent auditor's report

Notes to the Schedules:

Changes of benefit and funding terms: The following changes to the Plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of September 1 (January 1 starting in 2017) listed below:

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

The 2018 session of the Nebraska Legislature enacted Legislative Bill 1005 (LB 1005), which states that the District must contribute an amount equal to or greater than the actuarially required contribution rate provided in the most recent valuation report.

2017: The 2016 session of the Nebraska Legislature enacted Legislative Bill 447 (LB 447), which changed the retirement provisions for members hired on or after July 1, 2016 to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2016 is set at 35 years of services, age 55 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced with 35 years of service or at age 55 with 85 points. Early retirement eligibility is age 60 with five years of service. No medical COLA is provided for members hired on or after July 1, 2016.

2013: The 2013 session of the Nebraska legislature enacted Legislative Bill 553 (LB 553), which increased the member's contribution rate from 9.3% of pay to 9.78% of pay. The District's contribution rate is equal to 101% of the employee contribution rate so the District's contribution rate increased from 9.393% of pay to 9.878% of pay. The State contribution rate also increased permanently from 1% (plus $973,301) to 2% of payroll, effective July 1, 2014. LB 553 also created a new benefit structure for members hired on or after July 1, 2013 with the same benefit structure as pre-July 1, 2013 hires except annual cost of living adjustments are the lesser of 1% or CPI and final average compensation is defined as 1/60 of the total compensation received during the five fiscal years of highest compensation.

Changes in actuarial assumptions:

1/1/2019 valuation:

- The amortization of the Unfunded Actuarial Accrued Liability (UAAL) was changed to reset the legacy UAAL over a 30 year period beginning January 9, 2019. New layers of UAAL that occur in the future are also amortized over a new 30-year periods beginning on the valuation date.

1/1/2017 valuation:

- The investment return assumption was lowered from 8% to 7.5%.
- The inflation assumption was lowered from 3% to 2.75%.
- The assumed interest rate credited on employee contributions was lowered from 3% to 2.75%.
- The general wage increase assumption was lowered from 4% to 3.25%.
- The mortality assumption was changed to the RP-2014 Mortality Table, with a one-year age set forward for males and a one-year age setback from females. Generational mortality improvements are modeled using the MP-2016 scale.
- Retirement rates were modified for both certificated and classified employees.
- The probability of electing a refund at termination was modified for classified employees.
- Termination rates for certificated employees were changed to be the same regardless of gender, and are purely service-based for both certificated and classified employees.

- The salary increase assumption was changed to a service-based assumption for both certificated and classified employees.
- The amortization of the UAAL was changed to a "layered" approach with new pieces of UAAL amortized over a 25-year period beginning on the valuation date. The legacy UAAL continues to be amortized on its current schedule.
- The valuation date changed from September 1 to January 1.

9/1/2013 valuation:

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

Method and assumptions used in calculations of Actuarially Determined Contributions:

OSERS is funded by statutory contribution rates for members, the District and the state of Nebraska. If the statutory contribution rate is less than the Actuarially Determined Contributions, the District will contribute the difference. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, August 31, 2021 (based on the January 1, 2021 actuarial valuation).

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Layered basis with the Legacy base amortized over a closed 30-year period beginning January 1, 2019. All subsequent bases are amortized over a closed 30-year period beginning on the valuation date.
Asset valuation method	Market related smoothed value
Price inflation	2.75%
Salary increases, including wage inflation	3.75% to 6.25%
Long-term rate of return, net of investment expense, and including inflation	7.50%
Cost-of-living adjustments	1.50% if hired before July 1, 2013 1.00% if hired on or after July 1, 2013 Medical COLA of $10/month for each year retired (max $250/month), if hired before July 1, 2016

Educational Service Unit No. 19

Required Supplementary Information
Schedule of ESU No. 19’s Proportionate Share of the Collective OPEB Liability and Related Notes
Last Three Fiscal Years

		2022	2021	2020
ESU No. 19's proportion of the OPEB liability	$	1.49%	1.43%	1.41%
ESU No. 19's proportionate share of the OPEB liability	$	397,219	405,932	338,434
Covered employee payroll	$	6,085,186	5,605,366	5,361,663
Total OPEB liability as a percentage of covered employee payroll		6.53%	7.24%	6.31%

Notes to the Schedule of ESU No. 19’s Proportionate Share of the Collective OPEB Liability

Changes in benefit terms:

- There were no significant changes in benefit terms.

Changes in assumptions:

- Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended August 31, 2022	3.59%
Year ended August 31, 2021	2.14%
Year ended August 31, 2020	3.50%

See accompanying independent auditor’s report

CPAs & BUSINESS ADVISORS

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

Independent Auditor's Report

To the Governing Board
Educational Service Unit No. 19:

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 and major fund of Educational Service Unit No. 19 (ESU No. 19), a component unit of Douglas County School District #0001 (the District), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise ESU No. 19's basic financial statements, and have issued our report thereon dated February 3, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ESU No. 19's internal control over financial reporting (internal control) as a basis for designing 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 ESU No. 19's internal control. Accordingly, we do not express an opinion on the effectiveness of ESU No. 19's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Item No. 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ESU No. 19's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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ESU No. 19's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on ESU No. 19's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. ESU No. 19's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Eide Bailly LLP

Omaha, Nebraska,
February 3, 2023.

I. FINANCIAL STATEMENT FINDINGS

2022-001
MATERIAL WEAKNESS

Criteria:	The design and operation of ESU No. 19's internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in ESU No. 19's financial statements on a timely basis.
Condition:	The preparation of financial statements requires tremendous detail. The financial statements prepared by management for the audit required several adjusting entries, including some identified by management, in order to fairly state ESU No. 19's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).
Context:	ESU No. 19 prepares its interim financial statements throughout the fiscal year on the cash basis of accounting and performs a conversion of the statements to the modified accrual and full accrual basis, as applicable, for financial reporting purposes at the end of its fiscal year. This is a significant undertaking, and a very complex process. After management provided its initial financial statements, several audit adjustments and a number of additional entries provided by management were required to fairly state ESU No. 19's financial statements in accordance with GAAP.
Cause:	Due to turnover in the accounting department of the District, including the Chief Financial Officer, as well as time constraints related to the period between the end of ESU No. 19's fiscal year and the audit reporting deadline imposed by the Nebraska Department of Education, management was unable to complete a thorough review of its GAAP basis financial statements for accuracy and completeness prior to the audit commencing.
Effect:	Several audit adjustments and reclassifications were required to correct misstatements in the financial statements to accurately present the basic financial statements and notes to the financial statements in accordance with GAAP.
Recommendation:	We recommend management review its closing schedule and financial statement preparation and reporting processes in an effort to identify efficiencies that may allow management to prevent, and detect and correct, misstatements in order to produce complete and accurate financial statements.

Views of Responsible Officials and Planned Corrective Action:

Management is aware of this deficiency in internal control over financial reporting. Management will review and revise where necessary the processes for preparing financial statements. This review will focus on areas that inhibit the timely and accurate preparation of ESU No. 19's financial statements and will include:

- Increased use of analytics to review activity in key accounts on at least a quarterly basis. The District hired a new Controller in October 2022 as part of the implementation of its new strategic plan and this individual will greatly improve existing processes.
- Documented reviews of quarterly reconciliations of key accounts by the Accounting Manager and new Controller as part of the process of improving internal controls over financial reporting.

Management expects this finding to be resolved by August 31, 2023.