Financial Statements
August 31, 2024

# Educational Service Unit No. 19

A Component Unit of Douglas County School District #0001

# Independent Auditor's Report

The Governing Board
Educational Service Unit No. 19
Omaha, Nebraska

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities and the 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, 2024, 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 the major fund of the ESU No. 19, as of August 31, 2024, and the 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, the financial statements present only ESU No. 19, and do not purport to, and do not, present fairly the financial position of the District as of August 31, 2024, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Correction of Error***

As discussed in Note 11 to the financial statements, certain errors resulting in overstatement of amounts previously reported for right-of-use leased assets and right-of-use leased assets accumulated amortization and understatement of right-of-use subscription IT assets, right-of-use subscription IT assets accumulated amortization and subscription IT liabilities and related expenditures/expenses as of August 31, 2023, were discovered by management of the District during the current year. Accordingly, a restatement has been made to the Governmental Activities net position as of September 1, 2023, to correct the error. Our opinions are not modified with respect to that matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

***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 opinions. 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, budgetary comparison schedule, schedule of ESU No. 19's proportionate share of the collective OPEB liability, schedule of ESU No. 19's proportionate share of the net pension liability, and schedule of employer contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 March 18, 2025, 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, 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
March 18, 2025

**Management's Discussion and Analysis**

**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. The government-wide financial statements provide information about the activities of the ESU No. 19 as a whole and present a longer-term view of the ESU No. 19's finances. The fund financial statements show how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the ESU No. 19's operations in more detail than the government-wide statements by providing information about the ESU No. 19's most significant funds. The notes to the financial statements provide further detail about various activities of the ESU No. 19.

**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 and OPEB/Pension schedules)* – 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 57.5% 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 2023-2024 budget for ESU No. 19 was $23,400,000.

**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**

| | 2024 | 2023 | Change | Percentage Change |
|---|---|---|---|---|
| Receipts | | | | |
| Local | $ 4,753,694 | $ 4,279,650 | $ 474,044 | 11.08% |
| State | 2,823,015 | 2,751,861 | 71,154 | 2.59% |
| Interlocal Agreement | 11,640,092 | 10,686,972 | 953,120 | 8.92% |
| Other receipts | 2,330,558 | 2,461,333 | (130,775) | -5.31% |
| Total receipts | 21,547,359 | 20,179,816 | 1,367,543 | 6.78% |
| Disbursements | | | | |
| Salaries and benefits | 13,445,810 | 12,198,290 | 1,247,520 | 10.23% |
| Purchased services | 6,739,721 | 6,102,168 | 637,553 | 10.45% |
| Supplies and materials | 2,823,679 | 2,823,678 | 1 | 0.00% |
| Capital outlay | 187,500 | 187,500 | - | 0.00% |
| Property tax recapture | 104,938 | 90,012 | 14,926 | 16.58% |
| Conference and travel | 91,452 | 91,452 | - | 0.00% |
| Dues and fees | 6,900 | 6,900 | - | 0.00% |
| Total disbursements | 23,400,000 | 21,500,000 | 1,900,000 | 8.84% |
| Net Change in Fund Balance | $ (1,852,641) | $ (1,320,184) | $ (532,457) | |

**Budgetary Analysis**

In reviewing the fiscal year 2024 revenue budget, ESU No. 19 budgeted an increase in revenue of $1,367,543, or 6.8%. This was primarily due to an increase of $953,120, 8.9%, in budgeted charges for services to the District and a decrease of $130,775, 5.3%, in use of cash reserves.

The expense budget for ESU No. 19 increased $1,900,000, or 8.8%, for fiscal year 2024. This increase was due to an increase in salaries and benefits of $1,247,520, or 10.2%, for annual salary increases and additional staff, and $600,553, or 9.84%, for additional purchased services.

## CONDENSED FINANCIAL STATEMENTS

### Net Position

The following table presents condensed financial information on ESU No. 19's net position for the fiscal years ending August 31, 2024 and 2023.

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023* |
| Assets | | |
| Current and other assets | $ 16,625,078 | $ 15,492,843 |
| Capital assets | 2,817,137 | 1,103,646 |
| Total assets | 19,442,215 | 16,596,489 |
| Deferred Outflows of Resources | 4,700,188 | 6,697,045 |
| Liabilities | | |
| Current and other liabilities | 3,588,062 | 1,981,662 |
| Long-term liabilities | 25,785,879 | 22,787,272 |
| Total liabilities | 29,373,941 | 24,768,934 |
| Deferred Inflows of Resources | 354,842 | 345,061 |
| Net position | | |
| Net investment in capital assets | 611,031 | 756,641 |
| Unrestricted | (6,197,411) | (2,577,102) |
| Total net position | $ (5,586,380) | $ (1,820,461) |

*2023 amounts have not been restated for correction of an error. See Note 11.

Capital assets of ESU No. 19, net of depreciation/amortization, included furniture, fixtures, equipment, software, right of use leased assets, and subscription IT assets totaling $2,817,137 at August 31, 2024. These capital assets are depreciated or amortized over various useful lives, depending on their asset category, using the straight-line method. The increase of $1,713,491 or 155.3%, in capital assets is primarily due to the $2,129,958, or 909.43%, increase in right-of-use subscription IT assets, net of accumulated amortization, for educational software for the District.

The District's change in net position changed from a year ago and increased by $272,747, 6.1%. The following table reflects the condensed Statement of Activities.

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023* |
| Revenues | | |
| Program revenues | | |
| Charges for services | $ 11,478,634 | $ 10,764,018 |
| General revenues | | |
| Taxes | 4,393,877 | 3,952,444 |
| State funding | 3,520,733 | 3,502,459 |
| Investment activity, net | 652,954 | 500,022 |
| Other | 2,494,207 | 2,197,016 |
| Total revenues | 22,540,405 | 20,915,959 |
| Expenses | | |
| Regular instruction | 21,616 | 9,817 |
| Student non-instructional support services and programs to schools | 2,503,813 | 3,744,976 |
| Support services - staff | 664,169 | 773,111 |
| Governance and general administration | 42,524 | 12,126 |
| Materials and equipment services to schools | 1,378,668 | 1,522,961 |
| Core services and technology infrastructure | 22,113,680 | 19,253,346 |
| Debt service | | |
| Interest | 12,011 | 21,896 |
| Property tax recapture | 5,992 | 52,541 |
| Total expenses | 26,742,473 | 25,390,774 |
| Change in net position | (4,202,068) | (4,474,815) |
| Beginning net position, as restated for 2024 | (1,384,312) | 2,654,354 |
| Ending net position | $ (5,586,380) | $ (1,820,461) |

*2023 amounts have not been restated for correction of an error. See Note 11.

Total revenues increased $1,624,446 or 7.8%. This was primarily the result of increased of $714,616, or 6.64%, for services of the ESU 19 billed to the District and increased property tax revenues of $441,433, or 11.17%, from increased property values.

Total expenses increased $1,351,699 or 5.3%. This was a result of increases in salaries and benefits, purchased services, and supplies and materials used to provide core services and technology for the District.

**Analysis of Balances and Transactions of Individual Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. ESU No. 19 uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. ESU No. 19 has one fund, the General Fund.

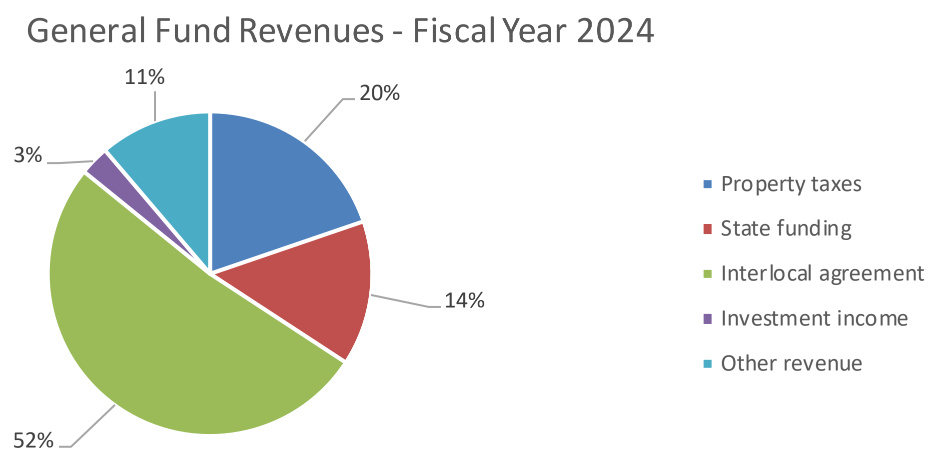
The General Fund is ESU No. 19's main operating fund. The General Fund's total fund balance on August 31, 2024, was $13,588,626, a decrease of $336,871, 2.4%. The following tables and graphs represent significant revenue and expenditure trends for the General Fund.

| | Year Ended August 31, | | Amount of Increase | Percent Increase |
|---|---|---|---|---|
| | 2024 | 2023 | (Decrease) | (Decrease) |
| Revenues | | | | |
| Property taxes | $ 4,393,877 | $ 3,952,444 | $ 441,433 | 11.17% |
| State funding | 3,212,641 | 3,109,257 | 103,384 | 3.33% |
| Interlocal agreement | 11,478,634 | 10,764,018 | 714,616 | 6.64% |
| Investment income | 652,954 | 500,022 | 152,932 | 30.59% |
| Other revenue | 2,494,207 | 2,454,541 | 39,666 | 1.62% |
| Total general fund revenues | $ 22,232,313 | $ 20,780,282 | $ 1,452,031 | 6.99% |

General Fund total revenues increased $1,452,031, or 7.0%. The largest increase was in interlocal revenue, $714,616, or 6.6%, from charges for services to the District.

| | Year Ended August 31, | | Amount of Increase | Percent Increase |
|---|---|---|---|---|
| | 2024 | 2023 | (Decrease) | (Decrease) |
| Expenditures | | | | |
| Regular instruction | $ 12,316 | $ - | $ 12,316 | N/A |
| Student non-instructional support services | 3,912,268 | 3,340,719 | 571,549 | 17.11% |
| Support services - staff | 662,279 | 659,787 | 2,492 | 0.38% |
| Governance and general administration | 42,524 | 12,126 | 30,398 | 250.68% |
| Material and equipment servic | 1,378,668 | 1,312,709 | 65,959 | 5.02% |
| Core services and technology infrastructure | 14,724,377 | 14,562,433 | 161,944 | 1.11% |
| Capital outlay | 3,236,007 | 237,790 | 2,998,217 | 1260.87% |
| Debt service | 1,766,064 | 1,476,594 | 289,470 | 19.60% |
| Total general fund expenditures | $ 25,734,503 | $ 21,602,158 | $ 4,132,345 | 19.13% |

General fund total expenditures increased $4,132,345, or 19.1%. The largest increase was $2,998,217, or 1,260.87%, for capital outlay for Right-of-use subscription IT assets for educational software used by the District.




**Capital Assets and Long-Term Debt Activity**

At August 31, 2024, ESU No. 19 had $2,817,137 invested in capital assets, net of depreciation/amortization, an increase of $1,713,491, 155.3%. Capital assets include buildings and improvements, equipment and furniture, computers, software, textbooks, right-of-use lease assets, and right-of-use subscription IT assets. The decrease in capital assets is primarily due to amortization of the District's current enterprise resource planning software.

The following table presents a summary of capital assets, net of accumulated depreciation/amortization as of August 31, 2024 and 2023.

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023* |
| Capital assets (net of accumulated depreciation/amortization where applicable) | | |
| Equipment | $ 125,355 | $ 275,461 |
| Computers | 84,376 | 160,131 |
| Software | 39,063 | 54,614 |
| Textbooks | 69,308 | 69,308 |
| Right-of-use lease assets | 134,870 | 309,925 |
| Right-of-use subscription IT assets | 2,364,165 | 234,207 |
| Total capital assets | $ 2,817,137 | $ 1,103,646 |

*2023 amounts have not been restated for correction of an error. See Note 11.

The following table presents a summary of long term liabilities as of August 31, 2024 and 2023.

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023* |
| Leases payable | $ 141,299 | $ 347,005 |
| Subscription IT arrangements | 2,064,807 | - |
| Total OPEB liability | 335,542 | 308,348 |
| Net pension liability | 23,244,231 | 22,131,919 |
| Total long-term liabilities | $ 25,785,879 | $ 22,787,272 |

*2023 amounts have not been restated for correction of an error. See Note 11.

**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:

Shane T. Rhian
Chief Financial Officer
Department of General Finance
Omaha Public School District
3215 Cuming Street
Omaha, NE 68131-2024
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| | Governmental Activities |
|---|---|
| Assets | |
| Cash and cash equivalents | $ 15,005,955 |
| Receivables (net of allowance for uncollectibles): | |
| Property taxes | 464,059 |
| Inventories | 385,841 |
| Prepaid items | 769,223 |
| Capital assets: | |
| Capital assets, net of accumulated depreciation | 318,102 |
| Right-of-use leased assets, net of accumulated amortization | 134,870 |
| Right-of-use subscription IT assets, net of accumulated amortization | 2,364,165 |
| Total assets | 19,442,215 |
| Deferred Outflows of Resources | |
| Other postemployment benefits | 53,482 |
| Pension plans | 4,646,706 |
| Total deferred outflows of resources | 4,700,188 |
| Liabilities | |
| Accounts payable and accrued liabilities | 983,485 |
| Accrued payroll liabilities | 2,081,901 |
| Unearned revenue | 522,676 |
| Long-term liabilities | |
| Due within one year, other than pension and OPEB | 1,214,029 |
| Due within one year, total OPEB liability | 11,744 |
| Due in more than one year, other than pension and OPEB | 992,077 |
| Due in more than one year, total OPEB liability | 323,798 |
| Due in more than one year, net pension liability | 23,244,231 |
| Total liabilities | 29,373,941 |
| Deferred Inflows of Resources | |
| Other postemployment benefits | 156,160 |
| Pension plans | 198,682 |
| Total deferred outflows of resources | 354,842 |
| Net Position | |
| Net investment in capital assets | 611,031 |
| Unrestricted | (6,197,411) |
| Total net position | $ (5,586,380) |

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net Expense and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| Primary government | | | | | |
| Governmental activities | | | | | |
| Regular instruction | $ 21,616 | $ - | $ - | $ - | $ (21,616) |
| Student non-instructional support services and programs to schools | 2,503,813 | - | - | - | (2,503,813) |
| Support services - staff | 664,169 | - | - | - | (664,169) |
| Governance and general administration | 42,524 | - | - | - | (42,524) |
| Materials and equipment services to schools | 1,378,668 | - | - | - | (1,378,668) |
| Core services and technology infrastructure | 22,113,680 | 11,478,634 | - | - | (10,635,046) |
| Debt service interest | 12,011 | - | - | - | (12,011) |
| Property tax recapture | 5,992 | - | - | - | (5,992) |
| Total governmental activities | $ 26,742,473 | $ 11,478,634 | $ - | $ - | (15,263,839) |
| General revenues | | | | | |
| Taxes | | | | | 4,393,877 |
| State funding | | | | | 3,520,733 |
| Investment activity, net | | | | | 652,954 |
| Other revenue | | | | | 2,494,207 |
| Total general revenue | | | | | 11,061,771 |
| Change in net position | | | | | (4,202,068) |
| Net position - beginning, as previously reported | | | | | (1,820,461) |
| Adjustments (Note 11) | | | | | 436,149 |
| Net position, beginning, as restated | | | | | (1,384,312) |
| Net position - ending | | | | | $ (5,586,380) |

| | General Fund |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 15,005,955 |
| Receivables (net of allowance for uncollectibles) | |
| Property taxes | 464,059 |
| Inventories | 385,841 |
| Prepaid items | 769,223 |
| Total assets | $ 16,625,078 |
| **Liabilities and Fund Balance** | |
| Liabilities | |
| Accounts payable | $ 983,485 |
| Payroll liabilities | 1,530,291 |
| Unearned revenue | 522,676 |
| Total liabilities | 3,036,452 |
| Fund Balance | |
| Nonspendable | 1,155,064 |
| Assigned | 12,121,591 |
| Unassigned | 311,971 |
| Total fund balance | 13,588,626 |
| Total liabilities and fund balance | $ 16,625,078 |

| | |
|---|---|
| Total Fund Balance - Governmental Fund | $ 13,588,626 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. | 2,817,137 |
| Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the fund. | 4,345,346 |
| Compensated absences included in accrued payroll liabilities represents amounts that are not due and payable in the current period and, therefore, are not reported in the fund. | (551,610) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund. | (25,785,879) |
| Net Position of Governmental Activities | $ (5,586,380) |

| | General Fund |
|---|---|
| Revenues | |
| Property taxes | $ 4,393,877 |
| State funding | 3,212,641 |
| Interlocal agreement | 11,478,634 |
| Investment income | 652,954 |
| Other revenue | 2,494,207 |
| Total revenues | 22,232,313 |
| Expenditures | |
| Current | |
| Regular instruction | 12,316 |
| Student non-instructional support services and programs to schools | 3,912,268 |
| Support services - staff | 662,279 |
| Governance and general administration | 42,524 |
| Materials and equipment services to schools | 1,378,668 |
| Core services and technology infrastructure | 14,724,377 |
| Capital outlay | 3,236,007 |
| Debt service | |
| Principal | 1,748,061 |
| Interest and fiscal charges | 12,011 |
| Property tax recapture | 5,992 |
| Total expenditures | 25,734,503 |
| Deficiency of Revenues under Expenditures | (3,502,190) |
| Other Financing Sources | |
| Lease proceeds | 188,193 |
| Subscription IT arrangements | 2,977,126 |
| Total other financing sources | 3,165,319 |
| Net Change in Fund Balance | (336,871) |
| Fund Balance, Beginning of Year | 13,925,497 |
| Fund Balance, End of Year | $ 13,588,626 |

| | |
|---|---|
| Net Change in Fund Balance - Governmental Fund | $ (336,871) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense. | 864,507 |
| The net effect of the disposal of capital assets is to reduce net position. | (29,008) |
| In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used. | (137,294) |
| In the statement of activities OPEB is measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used. | (23,752) |
| In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental fund, however, the contributions are reported as expense. | (3,122,392) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (1,417,258) |
| Change in Net Position of Governmental Activities | $ (4,202,068) |

## Note 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, 2024 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.

**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.

**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 general fund 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.

**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 and OPEB 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.

**Cash and Cash Equivalents**

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.

**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.

**Inventories and Prepaid Items**

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.

**Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. ESU No. 19 maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by ESU No. 19, no salvage value is taken into consideration for depreciation purposes. Estimated useful lives for depreciable assets are as follows:

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

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 please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 5 years.

Right to use subscription IT assets are recognized at the subscription commencement date and represent ESU No. 19's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method or. The amortization period varies from 1 to 3 years.

**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 the unamortized portion of the net difference between projected and actual earnings on pension plan investments, 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.

**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 5). 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.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Lease liabilities represent ESU No. 19's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by ESU No. 19.

Subscription liabilities represent ESU No. 19's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by ESU No. 19.

**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.

**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.

**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 unrecognized items not yet charged to pension and OPEB expense.

**Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in ESU No. 19's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any long-term debt or lease attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities related to those assets. At August 31, 2024, ESU No. 19 had no restricted net position. Unrestricted net position is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Fund Balance**

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

- Nonspendable Fund Balance – Consists of amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be kept intact.

- Restricted Fund Balance – Consists of amounts that are restricted for specific purposes. These restrictions are either 1) externally imposed by creditors, grantors, contributors, or by laws or regulations of other governments or 2) imposed through constitutional provisions or enabling legislation.

- Committed Fund Balance – Consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government removes or changes the specific use by taking the same type of action it used to commit those amounts. The Board of Education is the ESU No. 19's highest level of authority. All actions concerning approving, eliminating, or modifying of minimal fund balances will be accomplished through resolution.

- Assigned Fund Balance – Consists of amounts that are constrained by the government intended to be used for specific purposes but are neither restricted nor committed. The authority for making an assignment is not required to be the government's highest decision-making authority. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regard to committed fund balances. The ESU No. 19 management staff will have the overall responsibilities for monitoring these balances.

- Unassigned fund balance – Consists of the residual classification for the general fund. The general fund is the only fund to report a positive unassigned fund balance.

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

**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.

**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.

**Adoption of New Accounting Standard**

As of August 31, 2024, ESU No. 19 adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The implementation of this standard requires additional presentation and disclosure requirements for accounting changes and error corrections. The financial statements have been updated to conform to the presentation requirements related to the error correction in the financial statements for the year ended August 31, 2024. The additional disclosures required by this standard are included in Note 11.

## Note 2 - Cash and Cash Equivalents

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, 2024, the carrying amount of ESU No. 19's cash was $15,005,955. 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.

## Note 3 - Capital Assets

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

| | Beginning Balance, as Restated (Note 11) | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | $ 1,127,954 | $ - | $ - | $ 1,127,954 |
| Equipment | 6,876,526 | 29,325 | - | 6,905,851 |
| Computers | 2,527,378 | 21,658 | 19,305 | 2,529,731 |
| Software | 33,109,514 | 19,705 | - | 33,129,219 |
| Textbooks | 98,335 | - | - | 98,335 |
| Total capital assets, being depreciated | 43,739,707 | 70,688 | 19,305 | 43,791,090 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 1,127,954 | - | - | 1,127,954 |
| Equipment | 6,601,065 | 179,431 | - | 6,780,496 |
| Computers | 2,367,247 | 97,413 | 19,305 | 2,445,355 |
| Software | 33,054,900 | 35,256 | - | 33,090,156 |
| Textbooks | 29,027 | - | - | 29,027 |
| Total accumulated depreciation | 43,180,193 | 312,100 | 19,305 | 43,472,988 |
| Net capital assets, being depreciated | 559,514 | (241,412) | - | 318,102 |
| Right-of-use leased assets being amortized | 813,498 | 188,193 | 52,409 | 949,282 |
| Less accumulated amortization | 480,047 | 357,766 | 23,401 | 814,412 |
| Net right-of-use leased assets | 333,451 | (169,573) | 29,008 | 134,870 |
| Right-of-use subscription IT assets being amortized | 2,383,848 | 2,977,126 | 1,037,111 | 4,323,863 |
| Less accumulated amortization | 1,295,175 | 1,701,634 | 1,037,111 | 1,959,698 |
| Net right-of-use subscription IT assets | 1,088,673 | 1,275,492 | - | 2,364,165 |
| Governmental Activities Capital Assets, Net | $ 1,981,638 | $ 864,507 | $ 29,008 | $ 2,817,137 |

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

| | |
|---|---|
| Governmental activities | |
| Regular instruction | $ 9,300 |
| Student non-instructional support services and programs to schools | 1,756,864 |
| Support services - staff | 1,890 |
| Core services and technology infrastructure | 603,446 |
| Total depreciation/amortization expense - governmental activities | $ 2,371,500 |

## Note 4 - Leases

### Lessee Activities

ESU No. 19 has entered into lease agreements for the use of various building spaces and office equipment. ESU No. 19 is required to make principal and interest payments through January 2025. The lease agreements have interest rates between 3.25% and 4.75%. For leases with no interest rate stated, ESU No. 19 has utilized its incremental borrowing rate for valuing the lease. Governmental activities leases payable are liquidated by the General Fund.

The future principal and interest lease payments as of August 31, 2024, are as follows:

| Years Ending August 31, | Governmental Activities Principal | Governmental Activities Interest |
|---|---|---|
| 2025 | $ 141,299 | $ 1,290 |

## Note 5 - Subscription-Based Information Technology Arrangements (SBITAs)

ESU No. 19 has entered into SBITA contracts for various software products. ESU No. 19 is required to make principal and interest payments through September 2025. The subscription liability was valued using discount rates between 1.71% and 3.378%. For SBITA contracts with no interest rate stated, ESU No. 19 has utilized its incremental borrowing rate for valuing the liability. Subscription IT agreements are liquidated by the General Fund.

The future principal and interest lease payments as of August 31, 2024, are as follows:

| Years Ending August 31, | Governmental Activities Principal | Governmental Activities Interest |
|---|---|---|
| 2025 | $ 1,072,730 | $ 62,997 |
| 2026 | 992,077 | 30,169 |
| | $ 2,064,807 | $ 93,166 |

## Note 6 - Long-Term Liabilities

The following is a summary of changes in long-term liabilities of ESU No. 19 for the year ended August 31, 2024:

| | Beginning Balance, as Restated (Note 11) | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Leases payable | $ 347,005 | $ 188,193 | $ 393,899 | $ 141,299 | $ 141,299 |
| Subscription IT arrangements | 441,843 | 2,977,126 | 1,354,162 | 2,064,807 | 1,072,730 |
| | $ 788,848 | $ 3,165,319 | $ 1,748,061 | $ 2,206,106 | $ 1,214,029 |

**Leases Payable**

Leases payable consists of long-term leases as described in Note 4. Leases payable of the governmental activities are liquidated by the general fund.

**Subscription IT Agreements**

Subscription IT agreements consist of long-term subscription IT arrangements as described in Note 5. Subscription IT agreements are liquidated by the General Fund.

## Note 7 - Other Postemployment Benefits (OPEB)

**Plan Description**

ESU No. 19's employees are participants in an OPEB plan provided by the District. 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. The plan does not issue a separate report.

**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, 2024, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 169 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | 6,793 |
| Total | 6,962 |

**Total OPEB Liability**

ESU No. 19's proportionate share of the total OPEB liability of $323,798 was measured as of August 31, 2024, and was determined by an actuarial valuation as of August 31, 2024.

**Actuarial Assumptions**

The total OPEB liability in the August 31, 2024, 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.

| | |
|---|---|
| Inflation | 2.25% per annum |
| Salary increases | 3.25%, average, including inflation |
| Discount rate | 3.87% per annum |
| Healthcare cost trend rate | 7.20% in the current year, grading to 5.00% per annum over the next 4 years |

Mortality rates for active members were based on the Pub-2010 General Members (Median) Employee Mortality Table projected generationally using the NPERS projection scale. Mortality rates for retirees were based on the Pub-2010 General Members (Median) Retiree Mortality Table projected generationally using the NPERS projection scale. Mortality rates for beneficiaries were based on the Pub-2010 General Members (Median) Contingent Survivor Mortality Table projected generationally using the NPERS projection scale.

The actuarial assumptions used in the August 31, 2024 valuation were based on the results of an actuarial experience study dated December 6, 2021.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.87% 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.

**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 (2.87%) or 1% higher (4.87%) than the current discount rate.

| | 1% Decrease (2.87%) | Current Discount Rate (3.87%) | 1% Increase (4.87%) |
|---|---|---|---|
| Total OPEB liability | $ 364,043 | $ 335,542 | $ 309,120 |

**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 (6.20%) or 1% higher (8.20%) than the current healthcare cost trend rates.

| | 1% Decrease (6.20%, grading to 4.00% over 4 years) | Healthcare Cost Trend Rate (7.20%, grading to 5.00% over 4 years) | 1% Increase (8.20%, grading to 6.00% over 4 years) |
|---|---|---|---|
| Total OPEB liability | $ 292,614 | $ 335,542 | $ 387,358 |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended August 31, 2024, ESU No. 19 recognized OPEB expense of $22,900. At August 31, 2024, ESU No. 19 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 28,766 | $ 99,121 |
| Changes of assumptions | 24,716 | 57,039 |
| | $ 53,482 | $ 156,160 |

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

| | |
|---|---|
| 2025 | $ (8,035) |
| 2026 | (8,035) |
| 2027 | (8,035) |
| 2028 | (8,035) |
| 2029 | (8,035) |
| Thereafter | (62,503) |

## Note 8 - Retirement System

### Plan Description

The employees of ESU No. 19 are covered by 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

Employees of ESU No. 19 are required to contribute 9.78% of their annual salary to OSERS. Neb. Rev. Stat. §79-9,113 (1)(d) (Cum. Supp. 2022) 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, 2024, an additional contribution of approximately $45,482,000 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 its proportionate share of additional amounts to maintain solvency, for the year ending August 31, 2024 amounted to $1,573,916.

### Benefits Provided

Each employee who has completed five or more years of creditable service is eligible to elect a deferred vested service annuity in lieu of a refund of accumulated contributions. OSERS provides for various benefits including normal retirement benefits, early retirement benefits, disability benefits, and pre-retirement and post-retirement survivor benefits. These benefits are paid monthly from OSERS.

For members hired prior to July 1, 2013, the benefits under OSERS are based on an average of the highest three years of salary earned by employees during their employment with the District, up to their normal retirement dates.

For members hired on or after July 1, 2013, the benefits under OSERS are based on an average of the highest five years of salary earned by employees during their employment with the District, up to their normal retirement dates. Employees who terminate employment with fewer than five years of creditable service can elect to receive a refund or a rollover of the employee's contributions, plus accrued interest.

For members hired prior to July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment of 1.5% or the increase in the consumer price index (CPI), whichever is lower.

For members hired on or after July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment of 1.0% or the increase in the CPI, whichever is lower. Following 10 full years of retirement, a medical cost of living supplement is paid. This supplement equals $10 per month for each year retired and increases by $10 each year to a maximum of $250 per month.

For retirees with less than 20 years of service, the benefit is reduced proportionately. 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. §79-978 (Reissue 2014, Cum. Supp. 2022) through 79-9,124 (Cum. Supp. 2022) known 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, 2024, ESU No. 19 reported a liability of $23,244,231 for its proportionate share of the net pension liability that reflected a reduction for the state of Nebraska support provided to OSERS. ESU No. 19's net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2023. ESU No. 19's proportion of the net pension liability was based on ESU No. 19's share of contributions to the pension plan relative to the contributions of all District contributions to OSERS. At December 31, 2023, ESU No. 19's proportion was 2.1976%, an increase of 0.3604% from its proportion measured at August 31, 2022.

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 $308,092 from the state of Nebraska for its proportionate share of collective pension expense for the year ended August 31, 2024.

| | |
|---|---|
| ESU's proportionate share of net pension liability | $ 23,244,231 |
| State of Nebraska's proportionate share of the net pension liability associated with ESU | 2,681,810 |
| Total | $ 25,926,041 |

For the year ended August 31, 2024, ESU No. 19 recognized pension expense of $2,978,383. At August 31, 2024, ESU No. 19 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 |
|---|---|---|
| Differences between expected and actual economic experience | $ 1,481,457 | $ 50,549 |
| Changes in actuarial assumptions | 761,007 | - |
| Net collective difference between projected and actual investment earnings | 475,100 | - |
| Changes in proportion | 186,786 | 148,133 |
| Contributions paid subsequent to the measurement date | 1,742,356 | - |
| Total | $ 4,646,706 | $ 198,682 |

Deferred outflows of resources related to pensions included $1,742,356 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ended August 31, | Pension Expense Amount |
|---|---|
| 2025 | $ 672,028 |
| 2026 | 1,020,201 |
| 2027 | 1,055,833 |
| 2028 | (49,249) |
| 2029 | 6,855 |

**Actuarial Methods and Assumptions**

The total pension liability was measured as of December 31, 2023, and was determined by an actuarial valuation performed as of January 1, 2024 using standard actuarial formulae and using the following key actuarial assumptions:

| | |
|---|---|
| Price Inflation | 2.55% |
| Wage Inflation | 3.05% |
| Long-term Rate of Return | 7.20% |
| Municipal Bond Index Rate | 3.38% |
| Single Equivalent Interest Rate | 7.20% |
| Salary Increases | 3.05 - 6.45% |
| Cost of Living Adjustments | 1.50% for members hired before July 1, 2013<br>1.00% for members hired after July 1, 2013<br>Medical COLA of $10/month for each year retired (max of $250/month), if hired before July 1, 2016 |

Pre-retirement mortality rates for retirees were based on the Pub-2010 General Members (Median) Employee Mortality Table projected generationally using NPERS projection scale. Post-retirement mortality rates for retirees were based on the Pub-2010 General Members (Median) Retiree Mortality Table projected generationally using NPERS projection scale. Post-retirement mortality rates for beneficiaries were based on the Pub-2010 General Members (Median) Contingent Survivor Mortality Table projected generationally using NPERS projection scale. Post-disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree Mortality Table, without generational improvement.

The actuarial assumptions used in the January 1, 2024, valuation were based on the results of an actuarial experience study dated December 6, 2021.

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 December 31, 2023, was 7.20%. The discount rate used to measure the total pension liability at August 31, 2022, the previous measurement date, was 7.30%.

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:

- Employee contribution rate: 9.78% of compensation.
- 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.
- State contribution rate: 2% of the members' compensation.
- Administrative expenses for the current and future years were assigned to be 0.24% of the proportionate share of covered payroll.

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 7.20% was applied to all periods of projected benefit payments to determine the total pension liability.

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

Long-term rate of return: The long-term expected rate of return on plan assets is reviewed as part of regular experience studies prepared periodically. The most recent analysis was performed, and results were included, in a report dated December 6, 2021. Generally several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by OSERS' investment consultant. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the long-term inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Municipal bond rate: A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 3.38% on the measurement date.

Periods of projected benefit payments: Projected future benefit payments for all current OSERS members were projected through 2123.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| U.S. Equity | 27.0% | 4.3% |
| Non-U.S. Equity | 11.5% | 5.3% |
| Global Equity | 19.0% | 4.9% |
| Fixed Income | 30.0% | 1.1% |
| Private equity | 5.0% | 6.6% |
| Real Estate | 7.5% | 3.9% |
| Totals | 100.0% | |

**Sensitivity Analysis**

The following presents the net pension liability of ESU No. 19, calculated using the discount rate of 7.20%, as well as ESU No. 19's net pension liability calculated using a discount rate that is 1 percentage-point lower (6.20%) or 1 percentage-point higher (8.20%) than the current rate:

| | 1% Decrease (6.20%) | Current Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|---|---|---|
| Net pension liability | $ 33,804,412 | $ 23,244,231 | $ 19,388,906 |

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, 2024, ESU No. 19 reported a payable to OSERS of $64,439 for legally required employer contributions and $63,799 for legally required employee contributions withheld from employee wages which had not yet been remitted to OSERS.

## Note 9 - 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.

Accumulated sick leave of $551,610 is included in accrued payroll liabilities in the statement of net position. Payments for accumulated sick leave are made from the general fund.

## Note 10 - Net Position/Fund Balance

### Net Investment in Capital Assets

The amounts comprising ESU No. 19’s net investment in capital assets on the government-wide statement of net position are as follows:

| | Governmental Activities |
|---|---|
| Capital Assets, Net of Accumulated Amortization/Depreciation | $ 2,817,137 |
| Capital Related Debt | (2,206,106) |
| | $ 611,031 |

**Fund Balance**

ESU No. 19 classified fund balances within the governmental fund as follows at August 31, 2024:

| | General Fund |
|---|---|
| Fund Balances | |
| Nonspendable | |
| Inventories | $ 385,841 |
| Prepaid items | 769,223 |
| Total nonspendable | 1,155,064 |
| Assigned | |
| ERP replacement | 12,121,591 |
| Unassigned | 311,971 |
| Total Fund Balances | $ 13,588,626 |

## Note 11 - Correction of Error

During fiscal year 2024, ESU No. 19 determined that there were certain errors in amounts previously reported in the 2023 financial statements resulting in a restatement of the beginning net position. The corrections related to an overstatement of right-of-use leased assets and related accumulated amortization and an understatement of subscription IT liabilities and right-of-use subscription IT assets and related accumulated amortization.

Beginning net position and fund balance was restated as follows:

| | Governmental Activities |
|---|---|
| Net position (deficit) at August 31, 2023, as previously reported | $ (1,820,461) |
| Correct overstatement of right-of-use leased assets at August 31, 2023 | (550,088) |
| Correct overstatement of right-of-use leased assets accumulated amortization at August 31, 2023 | 573,614 |
| Correct understatement of right-of-use subscription IT assets at August 31, 2023 | 1,011,279 |
| Correct understatement of right-of-use subscription IT assets accumulated amortization at August 31, 2023 | (156,813) |
| Correct understatement of subscription IT liabilities at August 31, 2023 | (441,843) |
| Net position (deficit) at September 1, 2023, as restated | $ (1,384,312) |

If these amounts had been properly recorded in the prior year, the change in net position would have been adjusted as follows for the year ended August 31, 2023:

| | Governmental Activities |
|---|---|
| Change in net position (deficit) at August 31, 2023, as previously reported | $ (4,474,815) |
| Correct overstatement of right-of-use leased assets at August 31, 2023 | (550,088) |
| Correct overstatement of right-of-use leased assets accumulated amortization at August 31, 2023 | 573,614 |
| Correct understatement of right-of-use subscription IT assets at August 31, 2023 | 1,011,279 |
| Correct understatement of right-of-use subscription IT assets accumulated amortization at August 31, 2023 | (156,813) |
| Correct understatement of subscription IT liabilities at August 31, 2023 | (441,843) |
| Change in net position (deficit) at August 31, 2023, as restated | $ (4,038,666) |

## Note 12 - 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, 2024, the District reimbursed ESU No. 19 $11,478,634, which is reported as Interlocal Agreement revenue in the accompanying financial statements.

## Note 13 - Risk Management

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, 2024.

## Note 14 - 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, 2024 under agreements entered into by the following entities:

| Entity | Tax Abatement Program | Amount |
|---|---|---|
| City of Omaha | Tax Increment Financing | $ 215,459 |
| City of Bellevue | Tax Increment Financing | 1,828 |
| | | $ 217,287 |

Required Supplementary Information
August 31, 2024

# Educational Service Unit No. 19

| Function | | Final Adopted Budget | Transfers In (Out) | Revised Budget | Actual Amounts Budgetary Basis | Variance With Final Budget |
|---|---|---|---|---|---|---|
| | FUND BALANCE, Beginning of year | $ 14,762,435 | $ - | $ 14,762,435 | $ 14,762,435 | $ - |
| | RECEIPTS | | | | | |
| 1000 | Local Sources | 16,393,786 | - | 16,393,786 | 16,320,202 | (73,584) |
| 3000 | State Sources | 2,823,015 | - | 2,823,015 | 3,212,643 | 389,628 |
| 4000 | Federal receipts | - | - | - | 522,676 | 522,676 |
| 5000 | Nonrevenue receipts | 2,330,558 | - | 2,330,558 | 2,494,206 | 163,648 |
| | Total receipts | 21,547,359 | - | 21,547,359 | 22,549,727 | 1,002,368 |
| | DISBURSEMENTS | | | | | |
| 2100 | Student non-instructional support services | 3,593,110 | - | 3,593,110 | 3,522,407 | 70,703 |
| 2200 | Support services - staff | 668,118 | - | 668,118 | 668,399 | (281) |
| 2300 | Board of control and general administration | 16,800 | - | 16,800 | 42,351 | (25,551) |
| 2900 | Materials and equipment services | 1,431,243 | (57,062) | 1,374,181 | 1,371,401 | 2,780 |
| 3550 | Core services and technology infrastructure | 17,585,791 | (105,000) | 17,480,791 | 16,492,741 | 988,050 |
| 5000 | Debt service | 104,938 | 57,062 | 162,000 | 5,992 | 156,008 |
| | Total disbursements | 23,400,000 | (105,000) | 23,295,000 | 22,103,291 | 1,191,709 |
| | (DEFICIENCY) EXCESS OF RECEIPTS (UNDER) OVER DISBURSEMENTS | (1,852,641) | 105,000 | (1,747,641) | 446,436 | (189,341) |
| | FUND BALANCE, end of year | $ 12,909,794 | $ 105,000 | $ 13,014,794 | $ 15,208,871 | |

**Budgetary Reporting Reconciliation – Governmental Funds**

The preceding Budgetary Comparison Schedule presents comparisons of the legally adopted budget (more fully described in Note 1) 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, 2024 is presented below:

| | | |
|---|---|---|
| Excess of Receipts over Disbursements (Budgetary Basis) | $ | 446,436 |
| Adjustments | | |
| Record change in receivables | | 175,154 |
| Record change in inventories | | 28,385 |
| Record change in prepaids | | 482,260 |
| Record change in payables | | (946,430) |
| Record change in unearned revenues | | (522,676) |
| Change in fund balance (GAAP basis) | $ | (336,871) |

| Measurement Date | Employer's Proportion (Percentage) of the Total OPEB Liability | Employer's Proportionate Share (Amount) of the Total OPEB Liability (a) | Employer's Covered-Payroll (b) | Employer's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Payroll (a/b) |
|---|---|---|---|---|
| 2023 | 1.61% | $ 335,542 | $ 7,533,263 | 4.45% |
| 2022 | 1.56% | 308,348 | 7,057,034 | 4.37% |
| 2021 | 1.49% | 397,219 | 6,085,186 | 6.53% |
| 2020 | 1.43% | 405,932 | 5,605,366 | 7.24% |
| 2019 | 1.41% | 338,434 | 5,361,663 | 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, 2024 | 3.87% |
| Year Ended August 31, 2023 | 3.81% |
| Year ended August 31, 2022 | 3.59% |
| Year ended August 31, 2021 | 2.14% |
| Year ended August 31, 2020 | 3.50% |

| Measurement Date | Employer's Proportion (Percentage) of the Net Pension Liability | Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a) | State of Nebraska's Proportionate Share (Amount) of the Net Pension Liability (Asset) (b) | Total (a+b) (c) | Employer's Covered-Payroll (d) | Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Payroll (a/d) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2023 | 2.1976% | $ 23,244,231 | $ 2,681,810 | $ 25,926,041 | $ 8,204,438 | 283.31% | 57.26% |
| 2022* | 1.8372% | 22,131,919 | 2,416,631 | 24,548,550 | 7,415,923 | 298.44% | 54.14% |
| 2021 | 1.5775% | 12,621,852 | 1,608,809 | 14,230,661 | 6,530,503 | 193.28% | 67.13% |
| 2020 | 1.5903% | 14,887,615 | 1,836,058 | 16,723,673 | 6,092,672 | 244.35% | 59.55% |
| 2019 | 1.5074% | 14,248,950 | 1,631,018 | 15,879,968 | 6,221,811 | 229.02% | 57.82% |
| 2018 | 1.5819% | 14,127,221 | 1,771,216 | 15,898,437 | 7,176,509 | 196.85% | 59.16% |
| 2017 | 1.7489% | 15,162,382 | 1,898,299 | 17,060,681 | 8,306,789 | 182.53% | 58.72% |
| 2016 | 1.8960% | 12,854,327 | 2,602,670 | 15,456,997 | 7,821,519 | 164.35% | 63.68% |
| 2015 | 1.8893% | 10,977,424 | 2,222,646 | 13,200,070 | 7,418,484 | 147.97% | 67.58% |
| 2014 | 1.8184% | 7,855,270 | 1,590,490 | 9,445,760 | 7,093,594 | 110.74% | 74.98% |

* The measurement date was changed from 8/31 to 12/31 starting with year 2022.

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered-Payroll (c) | Contributions as a Percentage of Covered-Payroll (b/c) |
|---|---|---|---|---|---|
| 2024 | $ 1,965,411 | $ 1,965,411 | $ - | $ 9,639,863 | 20.39% |
| 2023* | 1,571,385 | 1,571,385 | - | 8,204,438 | 19.15% |
| 2022 | 1,229,666 | 1,229,666 | - | 7,415,923 | 16.58% |
| 2021 | 1,096,959 | 1,096,959 | - | 6,530,503 | 16.80% |
| 2020 | 956,474 | 956,474 | - | 6,092,672 | 15.70% |
| 2019 | 1,013,380 | 1,013,380 | - | 6,221,811 | 16.29% |
| 2018 | 1,093,987 | 1,093,987 | - | 7,176,509 | 15.24% |
| 2017 | 1,093,921 | 1,093,921 | - | 8,306,789 | 13.17% |
| 2016 | 772,594 | 772,594 | - | 7,821,519 | 9.88% |
| 2015 | 732,783 | 732,783 | - | 7,418,484 | 9.88% |

* The measurement date was changed from 8/31 to 12/31 starting with year 2023.

**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:

2022: The 2021 session of the Nebraska Legislature enacted Legislative Bill 147 (LB 147), which modified the eligibility requirements to participate in the System. Employees who are contracted for less than 30 hours per week are eligible to participate in the System if they average more than 30 hours per week during any three calendar months of a fiscal year. No census data was received to allow quantification of the impact of LB 147 on the January 1, 2022 valuation

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**

1/1/2024 valuation:

- The investment return assumption was lowered from 7.30% to 7.20%.
- The inflation assumption was lowered from 2.60% to 2.55%.
- The assumed interest rate credited on employee contributions was lowered from 2.60% to 2.55%.
- The general wage increase assumption was lowered from 3.10% to 3.05%.

1/1/2023 valuation:

- The investment return assumption was lowered from 7.40% to 7.30%.
- The inflation assumption was lowered from 2.70% to 2.60%.
- The assumed interest rate credited on employee contributions was lowered from 2.70% to 2.60%.
- The general wage increase assumption was lowered from 3.20% to 3.10%.

1/1/2022 valuation:

- The investment return assumption was lowered from 7.50% to 7.40%.
- The inflation assumption was lowered from 2.75% to 2.70%.
- The assumed interest rate credited on employee contributions was lowered from 2.75% to 2.70%.
- The general wage increase assumption was lowered from 3.25% to 3.20%.
- The mortality assumption was changed to the Pub-2010 General Members (Median) Mortality Tables with generational mortality improvements modeled using the NPERS projection scale. No generational mortality improvement is reflected for disabled members.
- Retirement rates were modified for both Certificated and Classified employees.
- Termination rates were modified for both Certificated and Classified employees.
- The probability of a vested member electing a refund upon termination was adjusted for both Certificated and Classified members and is now based on years of service.
- The active member marriage assumption was reduced from 100% to 85%.
- The salary increase assumption was changed to reflect the lower general wage inflation, and the merit salary scale was adjusted to better reflect observed experience.
- An explicit assumption for administrative expenses was adopted as a component of the actuarial contribution rate and was set to 0.24% of pay.
- The amortization period for future amortization bases was reduced from 30 to 25 years.

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 School District must 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, December 31, 2023, (based on the January 1, 2023, 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. Subsequent bases established prior to January 1, 2022, are amortized over a closed 30-year period beginning on the valuation date. All bases established subsequent to January 1, 2022, are amortized over a closed 25-year period beginning on the valuation date.

| | |
|---|---|
| Asset valuation method | Market related smoothed value |
| Price inflation | 2.60% |
| Salary increases, including wage inflation | 3.10% to 6.50% |
| Long-term rate of return, net of investment expense, and including inflation | 7.30% |
| Cost-of-living adjustments | 1.50% if hired before July 1, 2013<br>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

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Governing Board
Educational Service Unit No. 19
Omaha, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and the 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, 2024, 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 March 18, 2025.

**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 ESU No. 19'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 have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001, 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

**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 statements 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 ESU No. 19’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ESU No. 19’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Omaha, Nebraska
March 18, 2025

## Section I – Financial Statement Findings

**2024-001** **Preparation of Financial Statements, Including Adjusting Journal Entries and Correction of Error**
**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 and ensure all account balances are adjusted accurately for reporting.

*Condition*: The preparation of financial statements requires tremendous detail. The financial statements prepared by management for the audit required several adjusting entries, including additional entries identified by management and others identified by the audit process, 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). 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. After management provided its initial financial statements, several audit adjustments and a number of additional entries provided by management as well as identified by the audit process were required to fairly state ESU No. 19's financial statements in accordance with GAAP. These adjusting entries included a restatement of net position to correct various errors from the prior year.

*Cause*: Due to recent turnover in the accounting department of the District as well as time constraints related to the period between the end of ESU No. 19's fiscal year and the scheduled inception of the audit of the financial statements, 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*: Management is aware of this deficiency in internal control over financial reporting and adjusting journal entries. Management will review and revise where necessary the processes for preparing financial statements and adjust account balances for reporting. This review will focus on areas that inhibit the timely and accurate preparation of ESU No. 19's financial statements and will include:

- Increased review of roles in the financial reporting process to create efficiencies and effectiveness.
- Increased use of analytics to review activity in key accounts on at least a quarterly basis.
- Documented reviews of quarterly reconciliations of key accounts by the Accounting Manager and Controller as part of the process of improving internal controls over financial reporting.

Management expects this finding to be resolved by August 31, 2025.