

Douglas County School District #0001
Omaha, Nebraska

**Financial Statements and
Supplementary Information
August 31, 2020**

Together with Independent Auditor's Report

Douglas County School District #0001

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Douglas County School District #0001 (the District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Omaha Public Schools Foundation, a blended component unit, which is a major fund and represents 90.4%, 96.6%, and 68.1%, respectively, of the assets, net position, and revenues of the business-type activities of the District. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Omaha Public Schools Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the budgetary comparison schedule – general and grant funds (with legally adopted budgets) on pages 59 through 61, the schedule of changes in the net pension liability on page 62, the schedule of employer contributions on page 63, the related notes to the required supplementary information on pages 64 through 65, and the schedule of changes in total OPEB liability related ratios and notes on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying budgetary comparison schedules on pages 67 through 78 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Seim Johnson, LLP

Omaha, Nebraska,
November 30, 2020.



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

OVERVIEW

Management's Discussion and Analysis (MD&A) is information required to be presented by the Governmental Accounting Standards Board (GASB). This section will provide an introduction to the basic financial statements and an analytical overview of the Omaha Public School District's (the District) activities with primary emphasis on the District as a whole. The basic financial statements are comprised of three components: Government-wide financial statements, fund financial statements, and notes to the financial statements. It also provides additional information that supplements the financial statements and the notes to the financial statements. Our discussion and analysis of financial performance of the District is for the fiscal year ended August 31, 2020, and it is presented on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned and expenditures are recognized when they result in a liability for benefits received, even if they occur in an accounting period other than the current fiscal year.

GOVERNANCE ORGANIZATION AND RESPONSIBILITIES

The District is governed by the Board of Education (Board). 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.

BASIC FINANCIAL STATEMENTS

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

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

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

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

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

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

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

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

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

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

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

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

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

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

- **Notes to the Financial Statements** – The notes to the financial statements are an integral part of these financial statements and provide a more detailed presentation of various activities of the District, such as bonded indebtedness, leases, future obligations, commitments, and contingencies of the District. The reader of the financial statements should make particular note of the information included in the notes.
- **Required Supplementary Information (other than the Management's Discussion & Analysis)** – The budget to actual comparisons presented in this section provide a comparison of the District's actual and revised budgets compared to the actual expenditures and revenues for the year being audited. It also presents the variance between budget and actual. This report is required supplementary information.
- **Other Supplementary Information** – This section includes the Schedule of Expenditures of Federal Awards (SEFA) which presents the total expenditures for each federal award program in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Some amounts presented in the SEFA may differ from amounts presented or used in the preparation of the basic financial statements.

CONDENSED FINANCIAL STATEMENTS

The District's combined total assets increased by \$156,229, 12.61%. Capital assets are the largest portion of the District's total assets, 55.35%. This is due to the ongoing construction process related to the sale of bonds authorized in 2014 and 2018. The District uses these assets to provide services to its students and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources. The following table reflects the condensed summary of net position and the changes from fiscal year 2019 to 2020:

	SUMMARY OF NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 460,401	591,242	53,895	31,732	514,296	622,974
Capital assets, net	720,842	772,263	3,966	96	724,808	772,359
Total assets	1,181,243	1,363,505	57,861	31,828	1,239,104	1,395,333
Deferred outflows of resources	269,651	239,862	315	260	269,966	240,122
Current and other liabilities	102,220	127,197	3,363	1,292	105,583	128,489
Long-term liabilities	1,489,791	1,658,166	944	933	1,490,735	1,659,099
Total liabilities	1,592,011	1,785,363	4,307	2,225	1,596,318	1,787,588
Deferred inflows of resources	11,116	31,246	1	456	11,117	31,702
Net position:						
Net investment in capital assets	150,883	137,241	3,966	96	154,849	137,337
Restricted net position	133,193	204,635	30,879	18,190	164,072	222,825
Unrestricted net position	(436,309)	(555,118)	19,023	11,121	(417,286)	(543,997)
Total net position	\$ (152,233)	(213,242)	53,868	29,407	(98,365)	(183,835)

Approximately \$222,825 of the District's net position represents resources that are subject to external restrictions. Approximately \$137,337 of the District's net position represents investment in capital assets, net of related debt. The remaining balance of unrestricted net position, (\$543,997) is a result of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the recognition of the net pension liability for the District's retirement plan, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which requires recognition of the net postemployment benefit other than pension (OPEB) liability for medical insurance benefits offered to certain retired employees of the District.

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Management's Discussion and Analysis (Thousands of Dollars)

Business-Type Activities capital assets decreased approximately \$3,870, 97.58%, due to the completion of construction activities by the Omaha Public Schools Foundation and the subsequent transfer of the resulting capital assets to the District.

At August 31, 2020, the District reported an increased overall negative net position of \$183,835 because of recognition of the net pension liability, net OPEB liability, and the changes in deferred outflows and inflows related to these liabilities. The District's overall net pension liability increased \$54,577, 6.88%, to \$848,152 and the overall net OPEB liability increased \$1,299, 5.71%, to \$24,055.

The District's combined changes in net position, including both the governmental activities and business-type activities, changed from a year ago and decreased by \$85,470, -86.89%. The following table reflects the condensed Statement of Activities.

STATEMENT OF ACTIVITIES (in thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2020	2019	2020	2019	2020
Revenue:						
General revenue						
Taxes	\$ 293,954	313,744	--	--	293,954	313,744
Investment income	5,396	2,429	(545)	6,632	4,851	9,061
State funding	306,977	345,131	623	19	307,600	345,150
Federal funding	2,248	3,074	3,082	1,387	5,330	4,461
Other	27,308	10,457	61,188	42,419	88,496	52,876
Total general revenue	<u>635,883</u>	<u>674,835</u>	<u>64,348</u>	<u>50,457</u>	<u>700,231</u>	<u>725,292</u>
Program Expenses, Net:						
Functions/Programs						
Governmental activities						
Instruction and student support	(408,406)	(447,380)	--	--	(408,406)	(447,380)
General administration and board of education	(12,875)	(13,512)	--	--	(12,875)	(13,512)
School administration and staff support	(72,265)	(74,258)	--	--	(72,265)	(74,258)
Business support services	(45,540)	(49,187)	--	--	(45,540)	(49,187)
Building and grounds	(60,230)	(58,401)	--	--	(60,230)	(58,401)
Building, construction, renovation	(34,949)	(44,483)	--	--	(34,949)	(44,483)
Student transportation	(29,421)	(24,854)	--	--	(29,421)	(24,854)
Community use of facilities and regular preschool education	(9,447)	(12,183)	--	--	(9,447)	(12,183)
Summer school	(5,406)	138	--	--	(5,406)	138
Adult basic education	(655)	(411)	--	--	(655)	(411)
Debt service	(22,476)	(23,679)	--	--	(22,476)	(23,679)
Property tax recapture	(1,586)	(774)	--	--	(1,586)	(774)
Total governmental activities	<u>(703,256)</u>	<u>(748,984)</u>	<u>--</u>	<u>--</u>	<u>(703,256)</u>	<u>(748,984)</u>
Business-type activities						
Foundation	--	--	(32,264)	(23,613)	(32,264)	(23,613)
Other	--	--	(30,505)	(16,156)	(30,505)	(16,156)
Total business-type activities	<u>--</u>	<u>--</u>	<u>(62,769)</u>	<u>(39,769)</u>	<u>(62,769)</u>	<u>(39,769)</u>
Total primary government	<u>(703,256)</u>	<u>(748,984)</u>	<u>(62,769)</u>	<u>(39,769)</u>	<u>(766,025)</u>	<u>(788,753)</u>
Net transfers	1,278	13,140	(1,278)	(34,816)	--	(21,676)
Change in Net Position	(66,095)	(61,009)	301	(24,128)	(65,794)	(85,137)
Net Position, Beginning of Year	(64,647)	(152,233)	53,567	53,868	(11,080)	(98,365)
Prior period adjustment	(21,491)	--	--	(333)	(21,491)	(333)
Net Position, End of Year	<u>\$ (152,233)</u>	<u>(213,242)</u>	<u>53,868</u>	<u>29,407</u>	<u>(98,365)</u>	<u>(183,835)</u>

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

Total governmental revenue increased by \$25,061, 3.58%. This increase was primarily due to increases in state funding, \$37,550, 12.21%, and taxes, \$19,790, 6.73%, offset by decreases in other revenues of \$35,620, -40.25%. State funding increased due to additional state aid and relief to personal property tax payers, taxes increased due to increases in property valuations, and other funding decreased due to changes in the Foundation and Educare component units.

Total governmental expenses increased \$45,728, 6.50%, with Instructional and Student Support cost increasing \$38,974, 9.54%, and building, construction, and renovation increasing \$9,534, 27.28%.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

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

For the fiscal year ended August 31, 2020, the governmental funds had a total fund balance of \$405,766, an increase of \$97,596, 31.67%, from the prior year. This was the result of increases in the fund balance of \$38,806, 24.14%, in the General Fund and \$50,736, 70.63%, in the Special Building Fund. These increases were due to savings in operating expenses realized when the District shifted to a remote learning model in March 2020 as a result of the COVID-19 pandemic and the issuance of \$125,000 in General Obligation bonds.

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

The District's enterprise funds provide the same category of information found in the Business-Type Activities in Government-wide financial statements, but in more detail. The net position of the enterprise funds totaled \$29,407 on August 31, 2020, a decrease of \$24,461, or 45.41%. This was due to the transfer of capital assets and promises to give from the Foundation to the District.

The District's internal services are used to account for goods and services provided by an activity to other departments, funds or component units of the District. The consumption of these services and goods is primarily done by the District. The Net Position of the internal services fund was \$60,194, an increase of \$702, 1.18%.

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

The General Fund is the District's main operating fund. The General Fund's fund balance on August 31, 2020 was \$199,558, an increase of \$38,806, 24.14%. The following tables and graphs represent significant revenue and expenditure trends for the General Fund.

	General Fund Revenues (thousands of dollars)				
	2019 Amount	2020 Amount	2020 Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Taxes	\$ 252,180	264,370	41.95%	12,190	4.83%
Tuition	--	32	0.01%	32	100.00%
Fees	65	37	0.01%	(28)	-43.08%
Investment income	2,846	1,309	0.21%	(1,537)	-54.01%
State funding	333,168	353,841	56.14%	20,673	6.20%
Federal funding	699	514	0.08%	(185)	-26.47%
Fines and licenses	2,774	2,519	0.40%	(255)	-9.19%
Other revenue	7,087	7,580	1.20%	493	6.96%
Total revenue	\$ 598,819	630,202	100.00%	31,383	5.24%

Douglas County School District #0001

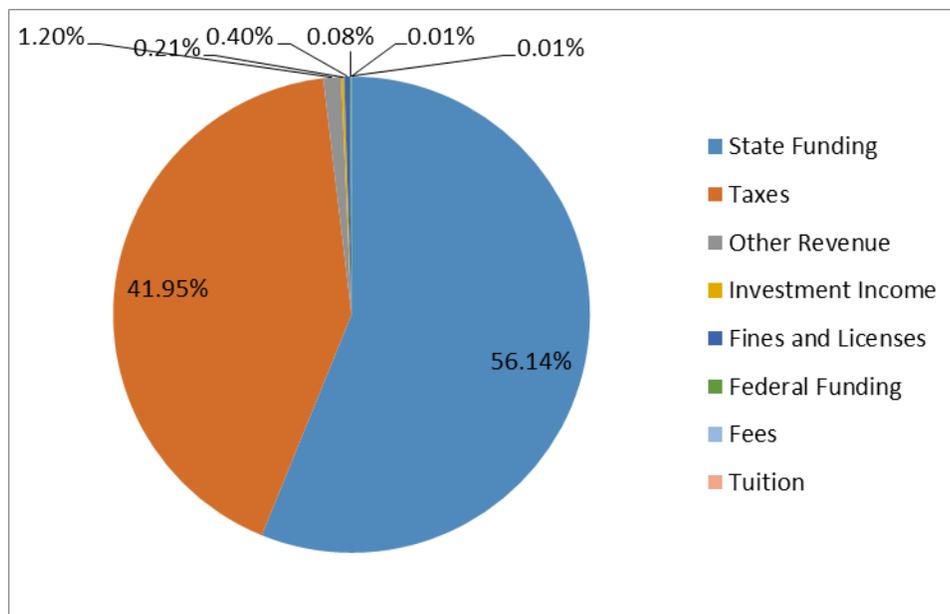
Management's Discussion and Analysis (Thousands of Dollars)

	General Fund Expenditures (thousands of dollars)				
	2019 Amount	2020 Amount	2020 Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Basic instruction	\$ 275,186	299,145	51.19%	23,959	8.71%
Special education	69,152	67,714	11.59%	(1,438)	-2.08%
Student services	34,463	35,292	6.04%	829	2.41%
Staff support services	16,448	16,750	2.87%	302	1.84%
General administration and board of education	10,542	11,881	2.03%	1,339	12.70%
School administration	34,896	35,036	6.00%	140	0.40%
Business support services	29,732	31,666	5.42%	1,934	6.50%
Building and grounds	54,965	51,257	8.77%	(3,708)	-6.75%
Student transportation	34,735	29,285	5.01%	(5,450)	-15.69%
Community use of facilities and regular preschool education	3,623	4,946	0.85%	1,323	36.52%
Early childhood special education	2,458	715	0.12%	(1,743)	-70.91%
Summer school	5,171	(50)	-0.01%	(5,221)	-100.97%
Adult basic education	153	159	0.03%	6	3.92%
Debt service	1,222	600	0.09%	(622)	-50.90%
Total expenditures	\$ 572,746	584,396	100.00%	11,650	2.03%

General Fund receipts increased \$31,383 due to increases in state funding, \$20,673, 6.20%, and taxes, \$12,190, 4.83%. The state funding increase was primarily due to a \$14,871 increase in state aid to schools as calculated by the Nebraska Department of Education. Tax revenue increased due to increases in property tax valuations.

Investment income decreased by \$1,537, 54.01%, as a result of declining interest rates during the fiscal year.

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



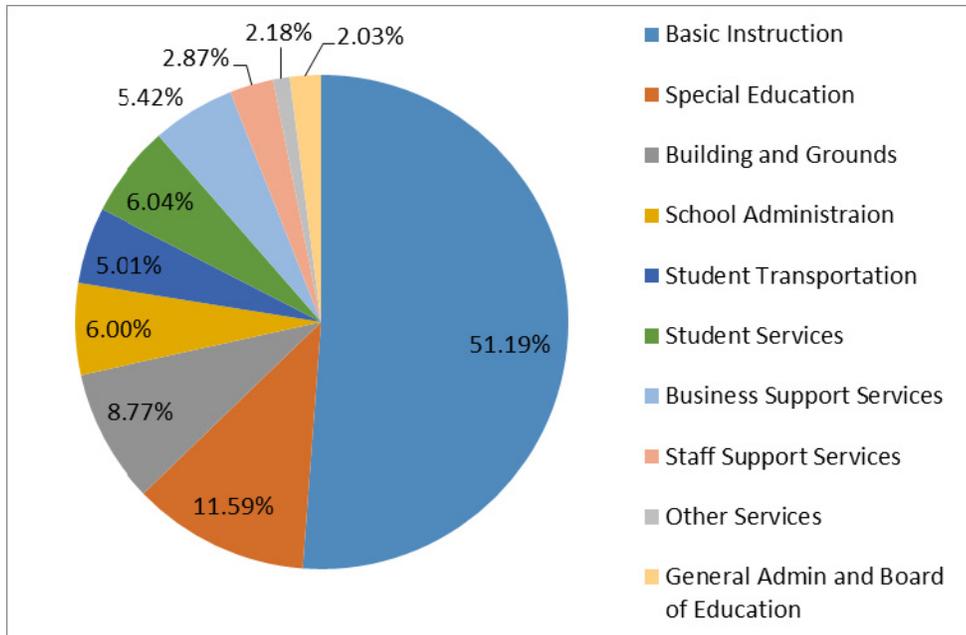
Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

General Fund expenditures increased \$11,650, 2.03%, primarily due to investments in student technology, early childhood educational materials, and an English Language Arts curriculum adoption. Basic Instruction increased by \$23,959, 8.71%, and business support services increased by \$1,934, 6.50%.

Student transportation decreased by (\$5,450), -15.69%. This decrease was due to the transition to remote learning in March 2020 as a result of the COVID-19 pandemic.

The following graph provides a breakdown of General Fund expenditures:



BUDGETARY ANALYSIS

Annual budgets are prepared in accordance with State statutes on the cash basis of accounting, which is a regulatory basis of accounting, and is not consistent with generally accepted accounting principles in the United States. The budget is prepared by fund, department/building, and account. The only transfers allowed in the General Fund are those between departmental budgets. Any number of transfers can occur throughout each fiscal year only if the original budgeted amount does not change. In 2019-2020, there was a \$37,000 budget amendment to utilize the 2018-19 unassigned general fund balance in excess of Board fund balance policy for one-time projects. The General Fund balance increased due to savings in expenditures as a result of the transition to remote learning in March 2020 as a result of the COVID-19 pandemic.

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

**General Fund Budgetary Analysis
(in thousands)
For the Year Ended August 31, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenue:			
Local	\$ 283,991	283,991	258,280
County and ESU receipts	1,500	1,500	1,717
State receipts	333,394	333,394	353,840
Federal receipts	905	905	2,606
Other local	<u>1,210</u>	<u>1,210</u>	<u>4,660</u>
Total	621,000	621,000	621,103
Expenditures and transfers	<u>658,000</u>	<u>658,000</u>	<u>582,674</u>
Changes in fund balance	<u>\$ (37,000)</u>	<u>(37,000)</u>	<u>38,429</u>

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At August 31, 2020, the District had \$772,359 invested in capital assets net of depreciation, an increase of \$47,551, 6.56%. Capital assets include land, construction in progress, buildings and improvements, textbooks, equipment, and vehicles. The largest change is the ongoing construction projects that are a direct result of the 2015 and 2018 Bond authorizations.

	<u>2019 (in thousands)</u>	<u>2020 (in thousands)</u>	<u>Difference</u>	<u>% Change</u>
Land	\$ 57,523	57,568	45	0.08%
Construction in progress	77,121	81,033	3,912	5.07%
Buildings and improvements	1,081,747	1,179,049	97,302	8.99%
Furniture, equipment, textbooks and art	138,264	149,252	10,988	7.95%
Computers and software	91,820	96,920	5,100	5.55%
Vehicles	<u>20,504</u>	<u>21,820</u>	<u>1,316</u>	<u>6.42%</u>
	1,466,979	1,585,642	118,663	8.09%
Less: accumulated depreciation	<u>(742,171)</u>	<u>(813,283)</u>	<u>(71,112)</u>	<u>9.58%</u>
Total capital assets, net of depreciation	<u>\$ 724,808</u>	<u>772,359</u>	<u>47,551</u>	<u>6.56%</u>

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

Long-term debt obligations of the District at August 31, 2020 are as follows:

General Obligation Bonds	\$	677,515
Build America Bonds		17,135
Qualified School Construction Bonds		36,295
Capital Lease Obligations		1,515
Unamortized Premium		
Series 2012 Refunding Bonds		4,083
Series 2015 General Obligation Bonds		10,099
Series 2016 General Obligation Bonds		12,068
Series 2017 General Obligation Bonds		7,219
Series 2018 General Obligation Bonds		1,276
Series 2020 General Obligation Bonds		10,677
Series 2020 Refunding Bonds		4,832
Unamortized Deferred Amount on Refunding		
Series 2012 Refunding		(2,239)
Series 2020 Refunding		<u>(1,408)</u>
Total Long Term Debt Obligations	\$	<u><u>779,067</u></u>

The District issued \$125,000 in General Obligation bonds for the construction of two new high schools, one new middle school, and two new elementary schools. The District also issued \$47,610 in Refunding bonds for the remaining balance of the 2010 Refunding bonds. The refunding will save the District's patrons \$4,195.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

All school districts in the state operate under a \$1.05 per one hundred dollars of taxable value property tax levy limit. The districts also receive state aid based upon the Tax Equalization and Educational Opportunity Support Act (TEEOSA).

Property tax relief and school funding reform continue to be significant topics in the Nebraska Legislature. LB 1107 was passed in August 2020 and creates a refundable income tax credit based on the amount of school district property taxes paid during the prior year. LB 1107 does not directly impact the calculation of state aid, but the significant appropriation of State General Funds to the income tax credit could have an indirect impact on the amount of future appropriations for state aid. The District will continue to monitor legislative initiatives in these areas and engage with Legislators and other stakeholders to advocate for access to adequate financial resources for the District.

In May 2018, the voters of the Omaha Public School District approved \$409.9 million of general obligation bonds to pay the costs of land acquisition, building and equipping two high schools, one middle school, and two elementary schools. It also includes capital improvements, additions, renovations, safety improvements, air quality, energy improvements and upgrades for existing school buildings, and other capital projects. The District expects to issue a third series of general obligation bonds from the May 2018 bond authorization in the spring of 2021 totaling \$130 million.

Douglas County School District #0001

Management's Discussion and Analysis (Thousands of Dollars)

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the Omaha Public School District's accountability for the money it receives. Additional details, questions or comments can be requested from the following individuals.

Respectfully submitted by:

Shane T. Rhian
Controller
Accounting & Finance
Department of General Finance
Omaha Public School District
3215 Cuming Street
Omaha, NE 68131-2024
Voice: 531-299-9430
Fax: 531-299-0418
Email: Shane.Rhian@ops.org

Please visit the District's website at <http://www.ops.org> for additional financial and other information.

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

Douglas County School District #0001

Statement of Net Position August 31, 2020 (Thousands of Dollars)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 476,077	3,091	479,168
Investments	19,496	28,009	47,505
Property taxes receivable, net	36,911	42	36,953
Internal balances	300	(300)	--
Accounts and other receivables	47,946	867	48,813
Inventories and prepaid expenses	10,512	23	10,535
Capital assets, net	772,263	96	772,359
Total assets	<u>1,363,505</u>	<u>31,828</u>	<u>1,395,333</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	3,647	--	3,647
Pension related deferred outflows	236,215	260	236,475
Total deferred outflows of resources	<u>239,862</u>	<u>260</u>	<u>240,122</u>
Total assets and deferred outflows of resources	<u>\$ 1,603,367</u>	<u>32,088</u>	<u>1,635,455</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 45,970	123	46,093
Accrued payroll liabilities	68,299	125	68,424
Contract retention	6,672	--	6,672
Accrued interest	6,256	--	6,256
Other liabilities	--	1,044	1,044
Long-term liabilities:			
Due within one year	18,162	--	18,162
Due in more than one year	1,640,004	933	1,640,937
Total liabilities	<u>1,785,363</u>	<u>2,225</u>	<u>1,787,588</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	17,829	--	17,829
Pension related deferred inflows	13,417	456	13,873
Total deferred inflows of resources	<u>31,246</u>	<u>456</u>	<u>31,702</u>
Total liabilities and deferred inflows of resources	<u>1,816,609</u>	<u>2,681</u>	<u>1,819,290</u>
NET POSITION			
Net investment in capital assets	137,241	96	137,337
Restricted for:			
Debt service	44,673	--	44,673
Capital projects	142,101	--	142,101
Scholarships	--	16,776	16,776
Other purposes	17,861	1,414	19,275
Unrestricted	(555,118)	11,121	(543,997)
Total net position	<u>(213,242)</u>	<u>29,407</u>	<u>(183,835)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,603,367</u>	<u>32,088</u>	<u>1,635,455</u>

See notes to basic financial statements

Douglas County School District #0001

Statement of Activities For the Year Ended August 31, 2020 (Thousands of Dollars)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Governmental activities						
Basic instruction	\$ 391,259	--	50,331	(340,928)	--	(340,928)
Special education	86,884	32	59,315	(27,537)	--	(27,537)
Student services	75,231	3,813	6,846	(64,572)	--	(64,572)
Staff support services	36,229	418	4,522	(31,289)	--	(31,289)
General administration and board of education	17,331	--	3,819	(13,512)	--	(13,512)
School administration	42,969	--	--	(42,969)	--	(42,969)
Business support services	50,540	4	1,349	(49,187)	--	(49,187)
Building and grounds	58,401	--	--	(58,401)	--	(58,401)
Building, construction, renovation	46,718	--	2,235	(44,483)	--	(44,483)
Student transportation	32,078	7,224	--	(24,854)	--	(24,854)
Community use of facilities	20,609	19	8,407	(12,183)	--	(12,183)
Early childhood special education	14,153	--	(190)	(14,343)	--	(14,343)
Regular summer school	(138)	--	--	138	--	138
Adult basic education	672	--	261	(411)	--	(411)
Debt service interest	23,679	--	--	(23,679)	--	(23,679)
Property tax recapture	774	--	--	(774)	--	(774)
Total governmental activities	<u>897,389</u>	<u>11,510</u>	<u>136,895</u>	<u>(748,984)</u>	<u>--</u>	<u>(748,984)</u>
Business-type activities						
Foundation	23,613	--	--	--	(23,613)	(23,613)
Other	16,156	--	--	--	(16,156)	(16,156)
Total business-type activities	<u>39,769</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(39,769)</u>	<u>(39,769)</u>
Total primary government	<u>\$ 937,158</u>	<u>11,510</u>	<u>136,895</u>	<u>(748,984)</u>	<u>(39,769)</u>	<u>(788,753)</u>
General revenues						
Taxes				\$ 313,744	--	313,744
Interest on investments				2,429	6,632	9,061
State funding				345,131	19	345,150
Federal funding				3,074	1,387	4,461
Fines and licenses				2,519	--	2,519
Other revenue				7,938	42,419	50,357
Total general revenues				<u>674,835</u>	<u>50,457</u>	<u>725,292</u>
Net transfers				<u>13,140</u>	<u>(34,816)</u>	<u>(21,676)</u>
Change in net position				<u>(61,009)</u>	<u>(24,128)</u>	<u>(85,137)</u>
Net position, beginning of year				(152,233)	53,868	(98,365)
Prior period adjustment				--	(333)	(333)
Net position, beginning of year, as restated				<u>(152,233)</u>	<u>53,535</u>	<u>(98,698)</u>
Net position, end of year				<u>\$ (213,242)</u>	<u>29,407</u>	<u>(183,835)</u>

See notes to basic financial statements

Douglas County School District #0001

Balance Sheet – Governmental Funds August 31, 2020 (Thousands of Dollars)

	General Operating Fund	Special Building Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 220,224	151,570	5,296	39,626	10,330	427,046
Investments	--	170	--	--	16,607	16,777
Property taxes receivable, net	30,964	--	--	5,108	839	36,911
Accounts receivable, net	570	21	45,655	--	96	46,342
Due from other funds	11,507	--	27,980	--	--	39,487
Prepaid expenses	1,859	70	284	--	820	3,033
Inventories	3,709	--	--	--	315	4,024
Total assets	<u>\$ 268,833</u>	<u>151,831</u>	<u>79,215</u>	<u>44,734</u>	<u>29,007</u>	<u>573,620</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 29,139	13,417	1,313	--	234	44,103
Accrued payroll liabilities	39,365	13	3,534	--	1,072	43,984
Other liabilities	771	--	--	61	1	833
Due to other funds	--	9,550	44,619	--	18	54,187
Contract retention	--	6,285	387	--	--	6,672
Total liabilities	<u>69,275</u>	<u>29,265</u>	<u>49,853</u>	<u>61</u>	<u>1,325</u>	<u>149,779</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	--	--	17,808	--	21	17,829
FUND BALANCES						
Nonspendable	5,568	70	284	--	1,135	7,057
Restricted	--	122,496	11,270	44,673	23,937	202,376
Committed	46,792	--	--	--	769	47,561
Assigned	26,855	--	--	--	1,820	28,675
Unassigned	120,343	--	--	--	--	120,343
Total fund balances	<u>199,558</u>	<u>122,566</u>	<u>11,554</u>	<u>44,673</u>	<u>27,661</u>	<u>406,012</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 268,833</u>	<u>151,831</u>	<u>79,215</u>	<u>44,734</u>	<u>29,007</u>	

RECONCILIATION

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	\$ 767,478
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund.	(788,971)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(893,808)
Some assets are not due and receivable in the current period and therefore are not reported in the funds.	235,853
Internal service funds are used by management to charge the costs of certain activities, such as, insurance and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>60,194</u>
Net position - governmental activities	<u>\$ (213,242)</u>

See notes to basic financial statements

Douglas County School District #0001

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended August 31, 2020 (Thousands of Dollars)

	General Operating Fund	Special Building Fund	Grant Funds	Debt Funds	Other Governmental Funds	Total Governmental Funds	
REVENUES							
Taxes	\$ 264,370	3,493	--	39,346	6,535	313,744	
Tuition	32	--	--	--	--	32	
Fees	37	--	--	--	--	37	
Investment income	1,309	1,522	11	197	398	3,437	
State revenue	353,841	321	1,270	3,322	3,537	362,291	
Federal revenue	514	--	87,345	--	--	87,859	
Fines and licenses	2,519	--	--	--	--	2,519	
Other revenue	7,580	876	15	--	20,958	29,429	
Total revenues	<u>630,202</u>	<u>6,212</u>	<u>88,641</u>	<u>42,865</u>	<u>31,428</u>	<u>799,348</u>	
EXPENDITURES							
Current							
Basic instruction	299,145	--	40,570	--	720	340,435	
Special education	67,714	--	5,554	--	--	73,268	
Student services	35,292	--	5,122	--	4,639	45,053	
Staff support services	16,750	--	4,392	--	11,944	33,086	
General administration and board of education	11,881	--	1,589	326	35	13,831	
School administration	35,036	--	--	--	--	35,036	
Business support services	31,666	18	1,175	102	7,185	40,146	
Building and grounds	51,257	--	--	--	(68)	51,189	
Building, construction, renovation	--	91,394	3,873	--	--	95,267	
Student transportation	29,285	--	--	--	--	29,285	
Community use of facilities and regular preschool education	4,946	--	12,773	--	--	17,719	
Early childhood special education	715	--	11,663	--	--	12,378	
Summer school	(50)	--	--	--	--	(50)	
Adult basic education	159	--	439	--	--	598	
Debt service							
Debt service interest	--	--	--	24,586	2,601	27,187	
Debt service principal	--	--	--	15,620	1,413	17,033	
Property tax recapture	600	7	--	137	29	773	
Total expenditures	<u>584,396</u>	<u>91,419</u>	<u>87,150</u>	<u>40,771</u>	<u>28,498</u>	<u>832,234</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES							
	<u>45,806</u>	<u>(85,207)</u>	<u>1,491</u>	<u>2,094</u>	<u>2,930</u>	<u>(32,886)</u>	
OTHER FINANCING SOURCES (USES)							
Bond proceeds, including refunding bonds	--	135,943	--	53,696	--	189,639	
Capital lease obligations	--	--	--	--	1,640	1,640	
Payments to bond refunding escrow agent	--	--	--	(53,551)	--	(53,551)	
Transfers in (out)	(7,000)	--	--	--	--	(7,000)	
Total other financing sources (uses)	<u>(7,000)</u>	<u>135,943</u>	<u>--</u>	<u>145</u>	<u>1,640</u>	<u>130,728</u>	
CHANGE IN FUND BALANCE	38,806	50,736	1,491	2,239	4,570	97,842	
FUND BALANCES, BEGINNING OF YEAR	160,752	71,830	10,063	42,434	23,091	308,170	
FUND BALANCES, END OF YEAR	\$ 199,558	122,566	11,554	44,673	27,661	406,012	
RECONCILIATION							
Net change in fund balances - total governmental funds						\$ 97,842	
Amounts reported for governmental activities in the statement of activities are different because:							
Internal service funds are used by management to charge the cost of certain activities to individual funds. The change in net position is reported with governmental activities.							702
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense.							51,485
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.							(191,279)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.							69,568
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.							29,735
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.							(119,062)
						<u>\$ (61,009)</u>	

See notes to basic financial statements

Douglas County School District #0001

Statement of Net Position – Proprietary Funds August 31, 2020 (Thousands of Dollars)

	Business-type Activities Enterprise Funds			Governmental Activities
	Foundation	Other	Totals	Internal Service Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 908	2,183	3,091	49,031
Investments	28,009	--	28,009	2,719
Accounts receivable	42	867	909	1,284
Due from other funds	--	--	--	15,000
Prepaid expenses	11	12	23	333
Inventories	--	--	--	3,122
Total current assets	28,970	3,062	32,032	71,489
Noncurrent assets				
Capital assets, net	73	23	96	4,785
Total assets	29,043	3,085	32,128	76,274
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	--	260	260	4,330
Total assets and deferred outflows of resources	\$ 29,043	3,345	32,388	80,604
LIABILITIES				
Current liabilities				
Accounts payable	\$ 47	76	123	1,034
Payroll liabilities	57	68	125	3,644
Other liabilities	188	353	541	--
Due to other funds	--	300	300	--
Current portion of notes payable	503	--	503	--
Total current liabilities	795	797	1,592	4,678
Noncurrent liabilities				
Net pension liability	--	933	933	15,521
Total liabilities	795	1,730	2,525	20,199
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	--	456	456	211
Total liabilities and deferred inflows of resources	795	2,186	2,981	20,410
NET POSITION				
Net investment in capital assets	73	23	96	4,785
Restricted for				
Other purposes	816	598	1,414	--
Scholarships	16,776	--	16,776	--
Unrestricted	10,583	538	11,121	55,409
Total net position	28,248	1,159	29,407	60,194
Total liabilities, deferred inflows of resources and net position	\$ 29,043	3,345	32,388	80,604

See notes to the basic financial statements

Douglas County School District #0001

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds For the Year Ended August 31, 2020 (Thousands of Dollars)

	Business-type Activities Enterprise Funds			Governmental Activities
	Foundation	Other	Totals	Internal Service Funds
OPERATING REVENUES				
School lunch charges	\$ --	--	--	2,188
Other operating revenues	27,743	14,676	42,419	2,338
Total operating revenues	<u>27,743</u>	<u>14,676</u>	<u>42,419</u>	<u>4,526</u>
OPERATING EXPENSES				
Salaries	3,846	2,453	6,299	9,886
Employee benefits	359	1,192	1,551	9,411
Purchased services	--	11,917	11,917	4,554
Supplies and materials	473	141	614	10,242
Capital outlay	32	13	45	1,670
Other expenditures	5,003	440	5,443	3,492
Commodities expense	13,900	--	13,900	--
Total operating expenses	<u>23,613</u>	<u>16,156</u>	<u>39,769</u>	<u>39,255</u>
OPERATING INCOME (LOSS)	<u>4,130</u>	<u>(1,480)</u>	<u>2,650</u>	<u>(34,729)</u>
NON-OPERATING REVENUES (EXPENSES)				
Employer contribution	--	--	--	5,206
Interest and investment income	955	--	955	344
State subsidies	--	19	19	577
Federal subsidies	--	1,387	1,387	22,304
Unrealized/realized gain	5,677	--	5,677	--
Total non-operating revenues, net	<u>6,632</u>	<u>1,406</u>	<u>8,038</u>	<u>28,431</u>
NET INCOME (LOSS)	<u>10,762</u>	<u>(74)</u>	<u>10,688</u>	<u>(6,298)</u>
TRANSFERS IN (OUT)	<u>(34,816)</u>	<u>--</u>	<u>(34,816)</u>	<u>7,000</u>
CHANGES IN NET POSITION	<u>(24,054)</u>	<u>(74)</u>	<u>(24,128)</u>	<u>702</u>
NET POSITION, BEGINNING OF YEAR	52,635	1,233	53,868	59,492
PRIOR PERIOD ADJUSTMENT	<u>(333)</u>	<u>--</u>	<u>(333)</u>	<u>--</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>52,302</u>	<u>1,233</u>	<u>53,535</u>	<u>59,492</u>
NET POSITION, END OF YEAR	<u>\$ 28,248</u>	<u>1,159</u>	<u>29,407</u>	<u>60,194</u>

See notes to the basic financial statements

Douglas County School District #0001

Statement of Cash Flows – Proprietary Funds For the Year Ended August 31, 2020 (Thousands of Dollars)

	Foundation	Other	Total	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from user charges	\$ --	13,595	13,595	2,188
Received from nonrevenue sources	--	--	--	(12,578)
Received from contributions	22,006	--	22,006	--
Received from other operating receipts	4,648	3,131	7,779	--
Payments to employees	(4,143)	(2,434)	(6,577)	(9,923)
Payments of employee benefits	--	(778)	(778)	(6,981)
Payments to suppliers for goods and services	(6,252)	6,821	569	(15,959)
Payments for contracted services - transportation	--	(20,131)	(20,131)	--
Payments for scholarships	(651)	--	(651)	--
Payments for grants	(12,209)	--	(12,209)	--
Payments for other expenditures	--	(450)	(450)	(3,605)
Net cash provided by (used in) operating activities	<u>3,399</u>	<u>(246)</u>	<u>3,153</u>	<u>(46,858)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal and state subsidies	--	1,406	1,406	22,881
Employer contributions	--	--	--	5,206
Interfund transfer	--	--	--	7,000
Net cash provided by noncapital financing activities	<u>--</u>	<u>1,406</u>	<u>1,406</u>	<u>35,087</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for capital assets	(9,605)	--	(9,605)	(1,604)
Proceeds from note payable	503	--	503	--
Net cash used in capital and related financing activities	<u>(9,102)</u>	<u>--</u>	<u>(9,102)</u>	<u>(1,604)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment activity	2,984	--	2,984	352
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(2,719)</u>	<u>1,160</u>	<u>(1,559)</u>	<u>(13,023)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,627</u>	<u>1,023</u>	<u>4,650</u>	<u>62,054</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 908</u>	<u>2,183</u>	<u>3,091</u>	<u>49,031</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 4,130	(1,480)	2,650	(34,729)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	32	4	36	1,670
Uncollectible promises to give	1,627	--	1,627	--
(Increase) decrease in accounts receivable	281	2,052	2,333	(14,915)
Increase in promises to give	(1,369)	--	(1,369)	--
Increase in inventory and prepaid expenses	(11)	(12)	(23)	(522)
Decrease in deferred outflows of resources	--	55	55	440
Decrease in accounts payable	(1,361)	(1,393)	(2,754)	(754)
Increase (decrease) in payroll liabilities	57	(66)	(9)	521
Increase in other liabilities	13	150	163	--
Increase (decrease) in net pension liability	--	(11)	(11)	1,237
Increase in deferred inflows of resources	--	455	455	194
Net cash provided by (used in) operating activities	<u>\$ 3,399</u>	<u>(246)</u>	<u>3,153</u>	<u>(46,858)</u>

See notes to the basic financial statements

Douglas County School District #0001

Statement of Fiduciary Net Position – Fiduciary Funds
August 31, 2020 (Thousands of Dollars)

	<u>Employee Retirement Plan</u>	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 18,348	840	128
Investments	1,358,371	--	--
Accounts receivable	109,452	--	--
Contributions receivable	12,813	--	--
Prepaid expenses	14	--	--
Capital assets, net	--	3	6
Total assets	<u>1,498,998</u>	<u>843</u>	<u>134</u>
LIABILITIES			
Accounts payable	104,069	--	2
Payroll liabilities	16,542	--	--
Other liabilities	--	--	132
Total liabilities	<u>120,611</u>	<u>--</u>	<u>134</u>
NET POSITION			
Restricted for pension benefits and other purposes	<u>\$ 1,378,387</u>	<u>843</u>	

See notes to basic financial statements

Douglas County School District #0001

**Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Year Ended August 31, 2020 (Thousands of Dollars)**

	Employee Retirement Plan	Private- Purpose Trusts
ADDITIONS		
Contributions		
Plan member contributions	\$ 35,295	--
Employer contributions	57,033	--
State contributions	8,929	--
Total contributions	<u>101,257</u>	<u>--</u>
Investment income		
Interest and dividends	21,778	4
Net appreciation in fair value of investments	98,418	--
Total investment income	<u>120,196</u>	<u>4</u>
Less investment expense	<u>(1,367)</u>	<u>--</u>
Net investment income	<u>118,829</u>	<u>4</u>
Purchase of service	<u>180</u>	<u>--</u>
Other income	<u>34</u>	<u>426</u>
Total additions	<u>220,300</u>	<u>430</u>
DEDUCTIONS		
Retirement annuities	129,988	--
Refunds to employees, including interest	6,497	--
Administrative expenses		
Personnel costs	497	--
Professional fees	356	1
Other	37	27
Total deductions	<u>137,375</u>	<u>28</u>
CHANGE IN NET POSITION	82,925	402
NET POSITION, BEGINNING OF YEAR	<u>1,295,462</u>	<u>441</u>
NET POSITION, END OF YEAR	<u>\$ 1,378,387</u>	<u>843</u>

See notes to basic financial statements

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

(1) Summary of Significant Accounting Policies

Douglas County School District #0001, more commonly known as Omaha Public Schools, is a tax-exempt political subdivision and a Class V school district of the State of Nebraska. The District is governed by a nine member Board of Education whose members are elected on a non-partisan basis.

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

A. *Reporting Entity*

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

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

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

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

On June 19, 1972, the Board of Education of the District, through official resolution and under powers from LB 928 passed by the Nebraska State Legislature, established Educational Service Unit No. 19 (ESU No. 19). ESU No. 19 was originally designed to provide educational data processing to the District and, on a cost reimbursable basis, to other districts throughout the State of Nebraska. Currently, its core services include, but are not limited to: staff development, technology, and audio-visual services. The Governing Board of ESU No. 19 maintains a posture of cooperating with other school districts. However, ESU No. 19's first responsibility is to the students and patrons of the District. ESU No. 19 has an August 31 fiscal year end and the information included herein is as of and for the year ended August 31, 2020.

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

Friends of KIOS was created as a fund raising entity for KIOS-FM, the radio station of the District. The amounts raised are to be exclusively used to benefit the Omaha Public Schools radio station, KIOS-FM. For IRS purposes, this entity is classified as a 501(c)(3) organization. Friends of KIOS has an August 31 fiscal year end and the information included herein is as of and for the year ended August 31, 2020.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

Omaha Public Schools Foundation (Blended Component Unit within Enterprise Funds)

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

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

During the year, the Foundation changed its fiscal year end from a December 31 to an August 31 year end. The financial information included herein for the Foundation is as of August 31, and for the 20 month period January 1, 2019 through August 31, 2020 to reflect all activities of the Foundation that incurred since the previous reporting period.

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

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

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

The Omaha Education Services Agency will support the educational missions of the member organizations by providing or contracting for the acquisition, finance, operation and maintenance of equipment, software, services and real estate. The Omaha Education Services Agency has an August 31 fiscal year end and the information included herein is as of and for the year ended August 31, 2020.

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

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

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

During the year, Educare changed its fiscal year end from an August 31 to a December 31 year end. The financial information included in the financial statements for Educare is as of December 31, 2019 and for the four month period September 1, 2019 through December 31, 2019.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

Omaha School Employees' Retirement System (Blended Component Unit within Fiduciary Funds)

In 1909, the District began maintaining a retirement system for its teachers. Subsequently, the District added two more retirement systems, one covering non-teaching school employees and one covering school cafeteria employees. In 1951, the Nebraska State Legislature consolidated the three systems into one new system. The new system, Omaha School Employees' Retirement System (OSERS), is a defined-benefit plan.

In accordance with Nebraska revised statutes, OSERS is governed by the 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 is included as a pension trust fiduciary fund of the District. The financial information included in the fiduciary fund financial statements is as of and for the fiscal year ending August 31, 2020.

B. Basis of Presentation

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds).

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities, which display information about the primary government as a whole. These statements categorize activities as governmental or business-type and exclude any fiduciary activity. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

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

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis in fund financial statements is on the major funds in either the governmental, proprietary or fiduciary activity categories. Major individual funds are reported as separate columns in the fund financial statements. All remaining governmental funds by category are summarized into a single column as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

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

The District reports the following major proprietary fund:

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

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

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

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

C. *Measurement Focus and Basis of Accounting*

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

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

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

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

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

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

D. *Budget Process*

The District prepares the operating budgets for the various funds. The basis of accounting for budgetary purposes is the same as that used for regulatory reporting purposes permitted by the Nebraska Commissioner of Education, which is a comprehensive basis of accounting other than GAAP. 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.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

E. Use of Estimates

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

F. Cash and Cash Equivalents

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

G. Investments and Pooled Investments

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

H. Receivables

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

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

I. Inventories and Prepaid Expenses

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

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

J. Capital Assets, Net

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

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

Estimated useful lives for depreciable assets are as follows:

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

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

K. Deferred Outflows of Resources

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

L. Compensated Absences

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

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

If an employee retires, through normal or early retirement, and has more than 10 sick days accrued, they are eligible to participate in the accumulated sick leave conversion program (Note 9). Accumulated days are converted to a health reimbursement account or tax sheltered annuity 403(b) on the employee's behalf at 50% of their pay rate. Employees that have a balance of 10 days or less are paid the value of their day as per the calculation above. Certificated employees that have at least 18 years of creditable service and classified employees that have at least 20 years of creditable service are eligible for the sick leave conversion program. The calculation is the same as above.

Total obligations as of August 31, 2020 for compensated absences amounted to \$24,605 for the governmental activities, \$18 for the business-type activities and \$56 for the fiduciary activities, included in accrued payroll liabilities in the statement of net position.

M. Pensions

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

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

N. Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred inflows of resources 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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

O. Deferred Inflows of Resources

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

In the statement of net position, deferred inflows of resources consist of unrecognized items not yet charged to pension expense.

P. Interfund Transactions

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

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

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

Q. Fund Balance

Fund balance of the District'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 District's highest level of authority. All actions concerning approving, eliminating, or modifying of minimal fund balances will be accomplished through resolution.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

- 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 District management staff will have the overall responsibilities for monitoring these balances.
- Unassigned fund balance is the residual classification for the general fund. The general fund is the only fund to report a positive unassigned fund balance.

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

Minimum Fund Balance Policy

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

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

R. Income Taxes

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

The Foundation, Educare and Friends of KIOS are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation, Educare and Friends of KIOS are subject to federal income tax on any unrelated business taxable income.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

S. *Recent Accounting Pronouncements*

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. In May 2020, GASB issued Statement No. 95, *Postponed Effective Dates of Certain Authoritative Guidance*. The standard postpones the effective date of GASB Statement No. 87 for 12 months to reporting periods beginning after December 15, 2019. The District is currently evaluating the effect the new standard will have on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The standard implements a single approach to accounting for leases. Lessees will be required to recognize a lease liability, measured at the present value of expected payments net of incentives, and an intangible right-to-use asset for all leases with terms of greater than 12 months. As payments are made, lessees will reduce the liability and recognize interest expense. Lease terms will include options to extend or terminate leases if it is reasonably certain that those options will be exercised. In May 2020, GASB issued Statement No. 95, *Postponed Effective Dates of Certain Authoritative Guidance*. The standard postpones the effective date of GASB Statement No. 87 for 18 months to reporting periods beginning after June 15, 2021. The District is currently evaluating the effect the new standard will have on the financial statements.

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

T. *Subsequent Events*

The District considered events occurring through November 30, 2020 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

(2) Deposits and Investments

A. Douglas County School District #0001

Nebraska Revised Statute §79-1043 provides that the District may, by and with the consent of the Board of Education of the District, invest the funds of the District in securities, including repurchase agreements, the nature of which individuals of prudence, discretion and intelligence acquire or retain in dealing with the property of another.

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

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

As of August 31, 2020, the District's deposits and certificates of deposit were fully insured or collateralized.

Credit Risk

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

	Credit Quality Distribution of Securities with Credit Exposures as a Percentage of Each Bond Fund					
	US Bank Sinking QSCB '09	US Bank Sinking QSCB '10	US Bank Bond Proceeds GOB Series '15	US Bank Bond Proceeds GOB Series '16	US Bank Bond Proceeds GOB Series '18	US Bank Bond Proceeds GOB Series '20
Percentage US Treasury Obligations	--	--	--	--	--	65%
Percentage of Nebraska Liquid Asset Fund	--	--	100%	100%	100%	35%
Percentage of State and Local Gov't Securities	99%	99%	--	--	--	--
Percentage of cash and cash equivalents	1%	1%	--	--	--	--

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

Maturity (Years)	As a Percentage of Market Value
0 to 5	100.00%

Interest Rate Risk

The District's funds at August 31, 2020 contained no individual highly sensitive debt investments with exposure to interest rate changes.

Foreign Currency Risk

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

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

Fair Value Measurement

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

The District has investments in the Nebraska Liquid Asset Fund (NLAF) reported as cash and cash equivalents, which are valued at amortized cost, and investments in certificates of deposit, which are stated at cost. The remaining amount of the District's investments, including unspent bond proceeds, had the following fair value measurements at August 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Cash and money market funds	\$ 201	201	--	--
International equities	5	5	--	--
FNMA mortgage notes	--	--	--	--
Interest earning investment contracts	2,719	--	2,719	--
U.S. Government and Treasury obligations	16,461	--	16,461	--
	<u>19,386</u>	<u>206</u>	<u>19,180</u>	<u>--</u>
Total investments by fair value level	\$ 19,386	206	19,180	--
Investments - other:				
Certificates of deposit	\$ 28			

B. Omaha Schools Foundation

Legal and Contractual Provisions

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

Deposit Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation does not have a deposit policy for custodial credit risk. At August 31, 2020, the Foundation had credit risk arising from cash deposits in excess of federally insured limits. The Foundation has not incurred any loss resulting from these excess cash balances during the period under audit.

Investment Credit Risk

It is the Foundation's policy to minimize investment credit risk and to avoid extreme fluctuations in both the market value and the income from bond investments. The Foundation's investments are limited to municipal bonds, U.S. Government Agency securities and corporate bonds with a credit rating of "A" or better.

Interest Rate Risk

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

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

Fair Value Measurement

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

The Foundation had the following recurring fair value measurements at August 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Common stocks	\$ 8,011	8,011	--	--
Municipal bonds	2,108	--	2,108	--
Corporate bonds	3,557	--	3,557	--
U.S. Government obligations	48	--	48	--
Real estate investment trusts	122	--	122	--
Mutual funds, money markets, and other	14,163	13,958	205	--
Total investments by fair value level	<u>\$ 28,009</u>	<u>21,969</u>	<u>6,040</u>	<u>--</u>

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

Legal and Contractual

OSERS investments must be in the custody of the State of Nebraska or deposited with an agent in the State's name. Neb Rev. Stat. §72-1239.01(3) (Supp. 2019) directs the appointed members of the Nebraska Investment Council to do the following:

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

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

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

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

<u>Asset Class</u>	<u>Policy Target Allocation</u>
U.S. equities	27.0%
Global equities	19.0%
Non-U.S. equities	13.5%
Real estate	7.5%
Private equity	5.0%
Fixed income	30.0%

Credit Risk

The Nebraska Investment Council has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A. The maximum exposure to any single investment grade issuer, excluding the U.S. government, its agencies or instrumentalities, or government-sponsored entities, is five percent, and the maximum exposure to a single issuer below investment grade is three percent. OSERS' rated debt investments as of August 31, 2020, were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale.

<u>Credit Quality Distribution of Securities with Credit Exposures</u>			
AAA	\$	10,163	4.68%
AA		6,993	3.22%
A		23,887	11.00%
BBB		53,194	24.51%
BB		5,944	2.74%
B		2,422	1.12%
CCC		1,018	0.47%
CC		158	0.07%
D		76	0.04%
NR		<u>113,205</u>	<u>52.15%</u>
Total Value	\$	<u>217,060</u>	<u>100.00%</u>

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

Interest Rate Risk

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

<u>Maturity (Years)</u>	<u>Portfolio Amount</u>
0 to 4	\$ 53,194
5 to 10	47,132
Over 10	116,734

Foreign Currency Risk

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

<u>Currency</u>	<u>Market Value</u>	<u>Percentage of Portfolio</u>
Australian Dollar	\$ 305	0.02%
Brazilian Real	1,772	0.13%
Canadian Dollar	10,841	0.80%
Danish Krone	378	0.03%
Euro	29,660	2.18%
Hong Kong Dollar	802	0.06%
Japanese Yen	9,415	0.69%
Mexican Peso	243	0.02%
New Zealand Dollar	166	0.01%
Pound Sterling	22,747	1.67%
South Korean Won	526	0.04%
Swedish Krona	2,207	0.16%
Swiss Franc	5,886	0.43%
Turkish Lira	924	0.07%
Other	2,771	0.20%
US Dollar	1,269,728	93.49%
Total	\$ 1,358,371	100.00%

Fair Value Measurement

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

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

OSERS has the following recurring fair value measurements at August 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Cash equivalents	\$ 18,729	18,729	--	--
Corporate bonds	88,283	--	88,283	--
Government securities	42,975	--	42,975	--
Municipal bonds and other	2,471	1,873	598	--
Asset backed securities	6,830	--	6,830	--
Mortgages	76,501	--	76,501	--
Commingled funds	672,731	73,176	599,422	133
Equity securities	148,279	148,279	--	--
ADR/GDR	4,190	4,079	111	--
	<u>1,060,989</u>	<u>246,136</u>	<u>814,720</u>	<u>133</u>
Total investments by fair value level				
Investments measured at net asset value (NAV):				
Limited partnerships	<u>297,382</u>			
	<u>297,382</u>			
Total investments measured at NAV				
	<u>297,382</u>			
Total investments measured at fair value				
	<u>\$ 1,358,371</u>			

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

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

The following table sets forth disclosures of OSERS' investments whose fair value is estimated using net asset value per share (or its equivalent) as of August 31, 2020:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Limited Partnerships (1)	\$ <u>297,382</u>	<u>44,361</u>	Daily	3 - 6 months

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

D. *Friends of KIOS*

Legal and Contractual

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

Credit Risk

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

Interest Rate Risk

It is the practice of Friends of KIOS to minimize credit risk and to avoid extreme fluctuations in both the market value and the income from investments. The Friends of KIOS currently has an investment in the Weitz Value fund. The cash composite of the fund was 3.37% of the fund balance as of August 31, 2020. The market value of the fund held by Friends of KIOS and the concentration of cash and equity securities on the fund are as follows:

	<u>Equity Securities</u>	<u>Cash</u>	<u>Market Value</u>
Weitz Fund	\$ <u>80</u>	<u>2</u>	<u>82</u>

Fair Value Measurement

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

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

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

E. *Educare of Omaha, Inc.*

Legal and Contractual

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

Douglas County School District #0001

**Notes to Basic Financial Statements
August 31, 2020 (Thousands of Dollars)**

Credit Risk

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

Fair Value Measurement

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

(3) Due From/Due To Other Funds

The detail of interfund receivables and payables at August 31, 2020 is as follows:

Governmental Activities:		Amount
<u>Due from other funds:</u>		
General	Other Governmental	\$ 18
General	Special Building	9,550
General	Grant	1,639
General	Cooperative	300
Internal Service	Grant	15,000
Grant	Grant	27,980
	Total:	54,487
 <u>Due to other funds:</u>		
Special Building	General	9,550
Grant	General	1,639
Grant	Grant	27,980
Grant	Internal Service	15,000
Other Governmental	General	18
	Total:	54,187
		\$ 300
Business-Type Activities:		
<u>Due to other funds:</u>		Amount
Cooperative	General	300
		\$ (300)

Interfund receivable and payable balances consist of amounts related to revenue and expenditure transactions during fiscal year 2020 which will be repaid during fiscal year 2021.

Douglas County School District #0001

**Notes to Basic Financial Statements
August 31, 2020 (Thousands of Dollars)**

(4) Capital Assets, Net

Capital asset activity for the year ended August 31, 2020 is as follows:

	Governmental Activities				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Nondepreciable capital assets:					
Land	\$ 57,523	45	--	--	57,568
Construction in process	73,281	91,901	(84,149)	--	81,033
Total nondepreciable capital assets	130,804	91,946	(84,149)	--	138,601
Depreciable capital assets:					
Buildings and improvements	1,081,464	13,153	84,149	--	1,178,766
Furniture	33	--	--	--	33
Equipment	23,376	4,455	--	(2,163)	25,668
Computers	54,574	5,745	--	(1,146)	59,173
Software	37,071	498	--	--	37,569
Art	4,070	--	--	--	4,070
Textbooks and library books	110,614	8,693	--	--	119,307
Vehicles	18,693	1,321	--	(5)	20,009
Total depreciable capital assets	1,329,895	33,865	84,149	(3,314)	1,444,595
Less accumulated depreciation/amortization	739,857	73,930	--	(2,854)	810,933
Net depreciable capital assets	590,038	(40,065)	84,149	(460)	633,662
Net capital assets	\$ 720,842	51,881	--	(460)	772,263

	Business-Type Activities				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Nondepreciable capital assets:					
Construction in process	\$ 3,840	9,300	(13,140)	--	--
Depreciable capital assets:					
Buildings and improvements	283	--	--	--	283
Furniture	89	3	--	--	92
Equipment	48	--	--	--	48
Computers	175	3	--	--	178
Art	12	--	--	--	12
Textbooks and library books	22	--	--	--	22
Vehicles	1,811	--	--	--	1,811
Total depreciable capital assets	2,440	6	--	--	2,446
Less accumulated depreciation/amortization	2,314	36	--	--	2,350
Net depreciable capital assets	126	(30)	--	--	96
Net capital assets	\$ 3,966	9,270	(13,140)	--	96

Douglas County School District #0001

**Notes to Basic Financial Statements
August 31, 2020 (Thousands of Dollars)**

	Fiduciary Activities				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Depreciable capital assets:					
Equipment	\$ 18	--	--	--	18
Computers	3	1	--	--	4
Textbooks	9	3	--	--	12
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total depreciable capital assets	30	4	--	--	34
Less accumulated depreciation/amortization	21	4	--	--	25
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net capital assets	<u>\$ 9</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>9</u>

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

Functions/Programs	Depreciation Expense
Governmental activities	
Basic instruction	\$ 4,345
Special education	61
Student services	333
Staff support services	718
General administration and board of education	7,067
School administration	12
Business support services	15,002
Building and grounds	84
Building, construction, renovation	45,562
Student transportation	117
Community use of facilities and regular preschool education	600
Early childhood special education	6
Adult basic education	23
	<hr/>
Total governmental activities	<u>\$ 73,930</u>

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

(5) Long-Term Liabilities

Long-term liabilities of the District as of August 31, 2020 are summarized as follows:

	Bond Issue Date	Interest Rates	Balance August 31, 2019	Increases	Decreases	Balance August 31, 2020	Due Within One Year
(A)	12/07/2009	0.99 - 6.07%	\$ 17,250	--	705	16,545	735
(B)	12/08/2009	1.875%	17,375	--	--	17,375	--
(C)	04/01/2010	2.00 - 4.00%	57,865	--	57,865	--	--
(C)	04/01/2010		1,696	--	1,696	--	--
(D)	12/09/2010	6.00%	18,920	--	--	18,920	--
(E)	12/09/2010	1.12 - 4.53%	1,180	--	590	590	590
(F)	05/01/2012	1.00 - 5.00%	43,970	--	6,535	37,435	7,635
(F)	05/01/2012		4,959	--	876	4,083	--
(G)	02/01/2014	1.00 - 5.00%	3,755	--	3,755	--	--
(G)	02/01/2014		88	--	88	--	--
(H)	04/08/2015	3.00 - 5.00%	141,000	--	--	141,000	--
(H)	04/08/2015		10,615	--	516	10,099	--
(I)	12/30/2016	3.00 - 5.00%	141,000	--	--	141,000	--
(I)	12/30/2016		12,825	--	757	12,068	--
(J)	11/14/2017	3.00 - 5.00%	105,470	--	--	105,470	--
(J)	11/14/2017		7,669	--	450	7,219	--
(K)	11/15/2018	3.125 - 5.00%	80,000	--	--	80,000	--
(K)	11/15/2018		1,331	--	55	1,276	--
(L)	01/21/2020	3.00 - 5.00%	--	125,000	--	125,000	--
(L)	01/21/2020		--	10,943	266	10,677	--
(M)	05/06/2020	5.00%	--	47,610	--	47,610	8,895
(M)	05/06/2020		--	5,086	254	4,832	--
Bond obligations, including unamortized premium			666,968	188,639	74,408	781,199	17,855
(N)	Capital lease obligations		773	867	125	1,515	307
	Special termination benefits		6,663	--	2,485	4,178	--
	OPEB liability		22,756	1,299	--	24,055	--
	Net pension liability		793,575	54,577	--	848,152	--
			<u>\$ 1,490,735</u>	<u>245,382</u>	<u>77,018</u>	<u>1,659,099</u>	<u>18,162</u>

Debt Obligations

A summary of the debt obligations of the District at August 31, 2020 is as follows:

(A) American Recovery and Reinvestment Act - Build America Bonds 2009

On December 7, 2009, the District authorized the issuance of Build America Bonds authorized under the American Recovery and Reinvestment Act (ARRA) of 2009 in the amount of \$22,620. Interest payments are made semi-annually with the interest rate increasing from 0.99% to 6.07%, net of an interest subsidy from the United States Treasury equal to 32% of the interest due on each of the payments. Principal payments are made annually. Final payment is due December 15, 2034. As of August 31, 2020, the unmatured balance was \$16,545.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

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

On December 8, 2009, the District authorized the issuance of Qualified School Construction Tax Credit Bonds authorized under the American Recovery and Reinvestment Act (ARRA) of 2009 in the amount of \$17,375. Interest payments are made quarterly with the interest rate of 1.875%. Annual deposits are made into a sinking fund for the future retirement of the bonds. Maturity date of the bonds is December 15, 2025. As of August 31, 2020, the sinking fund established to pay for the bonds at maturity has a market value of \$11,121. As of August 31, 2020, the unmatured balance was \$17,375.

(C) General Obligation Refunding Bonds - Series 2010

On April 1, 2010, the District issued \$87,325 in General Obligation Refunding Bonds to advance refund \$86,000 of outstanding Series 2001B Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 2.0% to 4.0%. Final payment is due in June 2025. These bonds were refunded with the issuance of the Series 2020B General Obligation Refunding Bonds.

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

On December 9, 2010, the District authorized the issuance of Qualified School Construction Tax Credit Bonds authorized under the American Recovery and Reinvestment Act (ARRA) of 2009 in the amount of \$18,920. Interest payments are made quarterly with the interest rate of 6.00%, net of an interest subsidy from the United States Treasury equal to 95% of the interest due on each of the payments. Annual deposits will be made into a sinking fund for the future retirement of the bonds. The funding requirements of the sinking fund are included in the bond requirements in the table below. Maturity date of the bonds is December 9, 2027. As of August 31, 2020, the sinking fund established to pay for the bonds at maturity has a market value of \$5,371. As of August 31, 2020, the unmatured balance was \$18,920.

(E) American Recovery and Reinvestment Act - Build America Bonds 2010

On December 9, 2010, the District authorized the issuance of Build America Bonds authorized under the American Recovery and Reinvestment Act (ARRA) of 2009 in the amount of \$5,080. Interest payments are made semi-annually with the interest rate increasing from 1.12% to 4.53%, net of an interest subsidy from the United States Treasury equal to 32% of the interest due on each of the payments. Principal payments are made annually. Final payment is due December 1, 2020. As of August 31, 2020, the unmatured balance was \$590.

(F) General Obligation Refunding Bonds - Series 2012

On May 1, 2012, the District issued \$84,175 in General Obligation Refunding Bonds to advance refund \$88,060 of outstanding Series 2003A Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 1.00% to 5.00%. Final payment is due in June 2025. As of August 31, 2020, the unmatured balance was \$37,435.

The issuance of this resulted in a premium of \$11,374. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2020, the unamortized balance was \$4,083.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,039. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations through the year 2025 using the straight-line method. Amortization on the deferred amount was \$448 for the year ended August 31, 2020. The unamortized balance at August 31, 2020 amounted to \$2,239.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

(G) General Obligation Refunding Bonds - Series 2014

On February 1, 2014, the District issued \$21,355 in General Obligation Refunding Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 1.00% to 5.00%. Final payment is due in June 2020. The bonds were paid in full during the year ended August 31, 2020.

(H) General Obligation Bonds - Series 2015

On April 8, 2015, the District issued \$141,000 in new General Obligation Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 3.00% to 5.00%. Final payment is due in June 2040. As of August 31, 2020, the unmatured balance was \$141,000.

The issuance of this resulted in a premium of \$12,893. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2020, the unamortized balance was \$10,099.

(I) General Obligation Bonds - Series 2016

On December 30, 2016, the District issued \$141,000 in new General Obligation Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 3.00% to 5.00%. Final payment is due in December 2040. As of August 31, 2020, the unmatured balance was \$141,000.

The issuance of this resulted in a premium of \$14,356. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2020, the unamortized balance was \$12,068.

(J) General Obligation Bonds – Series 2017

On November 14, 2017, the District issued \$105,470 in new General Obligation Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 3.00% to 5.00%. Final interest payment is due in December 2040. As of August 31, 2020, the unmatured balance was \$105,470.

The issuance of this resulted in a premium of \$8,251. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2020, the unamortized balance was \$7,219.

(K) General Obligation Bonds – Series 2018

On November 15, 2018, the District issued \$80,000 in new General Obligation Bonds. Principal and interest payments are made semi-annually with the interest rate increasing from 3.125% to 5.00%. Final interest payment is due in December 15, 2043. As of August 31, 2020, the unmatured balance was \$80,000.

The issuance of this resulted in a premium of \$1,367. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2020, the unamortized balance was \$1,276.

(L) General Obligation Bonds – Series 2020

On January 21, 2020, the District issued \$125,000 in new General Obligation Bonds. Principal and interest payments are made semi-annually with the interest rates ranging from 3.00% to 5.00%. Final interest payment is due December 15, 2043. As of August 31, 2020, the unmatured balance was \$125,000.

The issuance of this resulted in a premium of \$10,943. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2020, the unamortized balance was \$10,677.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

(M) General Obligation Bonds – Series 2020B

On May 6, 2020, the District issued \$47,610 in new General Obligation Refunding Bonds to refund the outstanding Series 2010 General Obligation Bonds. Principal and interest payments are made semi-annually with an interest rate of 5.00%. Final interest payment is due in December 15, 2024. As of August 31, 2020, the unmatured balance was \$47,610.

The issuance of this resulted in a premium of \$5,086. This premium is being amortized on a straight-line basis over the life of the bonds. As of August 31, 2020, the unamortized balance was \$4,832.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,482. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations using the straight-line method. Amortization on the deferred amount was \$74 for the year ended August 31, 2020. The unamortized balance at August 31, 2020 was \$1,408.

(N) Capital Lease Obligations

The District enters into capital lease obligations for printing equipment. The total cost of the equipment was \$1,640, net of accumulated amortization of \$137.

Sequestration

The “Budget Control Act of 2011” requires, among other things, mandatory across-the-board reductions in Federal spending, also known as sequestration. On March 1, 2013, the interest subsidies for the ARRA Build America Bonds 2009, ARRA Build America Bonds 2010 and ARRA Qualified School Construction Bonds (Tax Credit Bonds) 2010 were reduced by 8.2%. Effective October 1, 2019, the sequestration rate was reduced to 5.9%

Principal and interest requirements for bond obligations outstanding as of August 31, 2020, are as follows:

<u>Years Ending August 31</u>	<u>Bond Requirements</u>	<u>Interest Requirements</u>	<u>Interest Subsidy, Net of Sequestration</u>	<u>Total</u>
2021	\$ 17,855	31,422	(1,325)	47,952
2022	16,900	30,220	(1,308)	45,812
2023	17,515	29,043	(1,294)	45,264
2024	24,270	27,770	(1,280)	50,760
2025	21,095	26,060	(1,264)	45,891
2026-2030	98,472	110,295	(4,521)	204,246
2031-2035	165,926	75,078	(310)	240,694
2036-2040	204,975	42,166	--	247,141
2041-2044	163,937	10,361	--	174,298
	<u>730,945</u>	<u>382,415</u>	<u>(11,302)</u>	<u>1,102,058</u>
Unamortized premium	<u>50,254</u>			
	<u>\$ 781,199</u>			

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

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

Year Ending August 31	Leasing Obligations	Interest Obligations	Total
2021	\$ 307	56	363
2022	320	43	363
2023	333	30	363
2024	348	15	363
2025	207	2	209
Total	\$ 1,515	146	1,661

(6) Fund Balance

A summary of governmental fund balances as of August 31, 2020 is as follows:

	General Operating Fund	Special Building Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total
Fund balances:						
Nonspendable -						
Inventories	\$ 3,709	--	--	--	315	4,024
Prepaid expenses	1,859	70	284	--	820	3,033
Restricted -						
Debt service	--	--	--	44,673	--	44,673
Capital projects	--	122,496	--	--	--	122,496
Grants	--	--	11,270	--	--	11,270
Qualified purpose	--	--	--	--	19,534	19,534
ESU No. 19	--	--	--	--	4,403	4,403
Committed to -						
KIOS	--	--	--	--	769	769
2020/2021 School Year	46,792	--	--	--	--	46,792
Assigned to -						
Open purchase orders	11,421	--	--	--	--	11,421
New school opening costs	14,457	--	--	--	--	14,457
School activity	--	--	--	--	1,701	1,701
Student fees	--	--	--	--	119	119
Central office and school support	977	--	--	--	--	977
Unassigned	120,343	--	--	--	--	120,343
Total fund balance	\$ 199,558	122,566	11,554	44,673	27,661	406,012

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

Fiscal Year	Financial Statements Unassigned Fund Balance as of Percentage of Total General Fund Expenditures	Regulatory Fund Balance as a Percentage of Total General Fund Expenditures
2020	20.35%	15.50%
2019	27.26%	20.69%
2018	18.68%	20.76%

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

(7) Retirement System

Plan Description

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

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

Membership Information

Membership consisted of the following as of January 1, 2019, the valuation date used to measure the total pension liability at August 31, 2019:

Retirees and beneficiaries receiving benefits	4,826
Inactive members entitled to but not yet receiving benefits	1,114
Inactive nonvested members entitled to refund of contributions	671
Active plan members	<u>7,177</u>
Total	<u><u>13,788</u></u>

Contributions

Employees of the District are required to contribute 9.78% of their annual salary to OSERS. Neb. Rev. Stat. §79-9,113 (1)(d) (Supp. 2018) provides that contributions by the District in any fiscal year shall be the greater of 101% of employee contributions, or 9.8778% of member salaries, or the actuarial determined contribution rate to maintain the solvency of OSERS.

For the year ended August 31, 2020, the actuarial determined contribution resulted in an additional required contribution of \$19,825. Total additional contributions made by the District during the year ended August 31, 2020 amounted to \$21,357. The State of Nebraska also contributes 2% of employees' compensation.

For the fiscal year ending August 31, 2020, total contributions by the District to OSERS, including the additional amounts to maintain solvency, amounted to \$57,006. Total contributions from the State of Nebraska amounted to \$10,145.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

Benefits Provided

Each employee who has completed five or more years of creditable service is eligible to elect a deferred vested service annuity in lieu of a refund of accumulated contributions. OSERS provides for various benefits including normal retirement benefits, early retirement benefits, disability benefits, and pre-retirement and post-retirement survivor benefits. These benefits are paid monthly from OSERS. For members hired prior to July 1, 2013, the benefits under OSERS are based on an average of the highest three years of salary earned by employees during their employment with the District, up to their normal retirement dates. For members hired on or after July 1, 2013, the benefits under OSERS are based on an average of the highest five years of salary earned by employees during their employment with the District, up to their normal retirement dates. Employees who terminate employment with fewer than five years of creditable service can elect to receive a refund or a rollover of the employee's contributions, plus accrued interest. For members hired prior to July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment of 1.5% or the increase in the consumer price index (CPI), whichever is lower. For members hired on or after July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment of 1.0% or the increase in the CPI, whichever is lower. Following 10 full years of retirement, a medical cost of living supplement is paid. This supplement equals \$10 per month for each year retired and increases by \$10 each year to a maximum of \$250 per month. For retirees with less than 20 years of service, the benefit is reduced proportionately. No state service annuity or medical COLA is provided for members hired on or after July 1, 2016.

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

Actuarial Methods and Assumptions

The total pension liability was measured as of August 31, 2019 and was determined by an actuarial valuation performed as of January 1, 2019, using standard actuarial formulae and using the following key actuarial assumptions:

Actuarial Assumptions:

Price Inflation	2.75%
Wage Inflation	3.25%
Long-term Rate of Return	7.50%
Municipal Bond Index Rate	3.16%
Single Equivalent Interest Rate.....	7.50%
Salary Increases	3.75% to 6.25%
Cost of Living Adjustments	1.5% members hired before July 1, 2013 1.0% members hired after July 1, 2013
	Medical COLA of \$10/month for each year retired (max \$250/month), if hired before July 1, 2016.
Mortality	Pre-retirement mortality rates were based on the RP 2014 Mortality Table, female rates set back 1 year and male rates set forward 1 year, projected on a generational basis using Scale MP-2016. Post-retirement mortality rates were based on the same rates as the pre-retirement tables. Post-disability mortality rates were based on the RP-2014 Disabled Retiree Mortality Table, without generational improvement.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of the most recent actuarial experience study dated April 5, 2017, which covered the five year period ending August 31, 2016.

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

Discount rate: The discount rate used to measure the total pension liability at August 31, 2019 was 7.50%. There was no change in the discount rate since the prior measurement date.

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

- a. Employee contribution rate: 9.78% of compensation.
- b. District contribution rate: 101% of the employee contribution rate. In addition, if the statutory contribution rate is less than the actuarial determined contribution, the District will contribute the difference.
- c. State contribution rate: 2% of the members' compensation.
- d. Administrative expenses in the prior year were projected forward with price inflation as an estimate for administrative expenses in current and future years. The portion of expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each year for the remainder of the existing members to the total covered payroll for all members.

Based on those assumptions, OSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current OSERS' members. Therefore, the long-term expected rate of return of 7.5% was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Municipal bond rate: A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 3.16% on the measurement date.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

Periods of projected benefit payments: Projected future benefit payments for all current OSERS members were projected through 2118.

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

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

Sensitivity analysis: The following presents the net pension liability of the District, calculated using the discount rate of 7.5%, as well as the District's net pension liability calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ <u>1,103,933</u>	<u>848,152</u>	<u>635,732</u>

Pension plan fiduciary net position

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

Douglas County School District #0001

**Notes to Basic Financial Statements
August 31, 2020 (Thousands of Dollars)**

Net Pension Liability and Changes in the Net Pension Liability

	Increase (Decrease)		
	(a) Total Pension Liability	(b) Fiduciary Net Position	(c) Net Pension Liability
Balance, August 31, 2018	\$ 2,186,755	1,293,685	893,070
Changes for the year -			
Service cost at end of year	42,354	--	42,354
Interest on total pension liability	159,150	--	159,150
Differences between expected and actual experience	(17,657)	--	(17,657)
Contributions - employer	--	57,267	(57,267)
Contributions - State	--	7,420	(7,420)
Contributions - member	--	35,614	(35,614)
Net investment income (loss)	--	31,298	(31,298)
Benefit payments, including member refunds	(131,896)	(131,896)	--
Administrative expense	--	(1,087)	1,087
Other	1,992	3,161	(1,169)
Net changes	53,943	1,777	52,166
Balance, August 31, 2019	\$ 2,240,698	1,295,462	945,236

OSERS has a special funding situation, in which, by statute, the State of Nebraska contributes 2.0% of members' compensation to fund the benefits provided by OSERS. At August 31, 2020, the District reported a liability of \$848,152 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2019. 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. At the August 31, 2019 measurement date, the District's proportionate share was 89.729087%, an increase of 0.869904%.

The State of Nebraska's proportionate share of the collective net pension liability amounted to \$97,084. At the August 31, 2019 measurement date, the State's proportionate share was 10.270913%. The District recognized revenue in the amount of \$16,927 for the support provided by the State of Nebraska.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

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

For the year ended August 31, 2020, the District recognized pension expense of \$112,992. At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 70,787	--
Changes of assumptions	62,558	--
Differences between expected and actual experience	25,851	13,815
Changes in proportion and differences between contributions and proportionate share of contributions	20,273	58
District contributions subsequent to the measurement date	<u>57,006</u>	<u>--</u>
	<u>\$ 236,475</u>	<u>13,873</u>

Deferred outflows of resources related to pensions included \$57,006 resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended August 31, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31:	<u>Amount</u>
2021	\$ 63,149
2022	49,136
2023	42,121
2024	12,706
2025	(1,135)
Thereafter	<u>(381)</u>
	<u>\$ 165,596</u>

Payable to the Pension Plan

At August 31, 2020, the District reported a payable of \$2,814 for the outstanding amount of legally required District contributions for August 2020 and \$2,792 for legally required employee contributions withheld from employee wages which had not yet been remitted to OSERS.

(8) **Postemployment Benefits Other than Pensions (OPEB)**

Plan Description

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

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

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 September 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or retirees currently participating in the OPEB plan	246
Active employees	<u>6,768</u>
Total	<u><u>7,014</u></u>

Total OPEB Liability – The District's total OPEB liability of \$24,055 was measured as of August 31, 2020, and was determined by an actuarial valuation as of September 1, 2019.

Actuarial Assumptions – The total OPEB liability in the September 1, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal level percent of pay cost method, applied to all periods included in the measurement.

Rate of Inflation (effective September 1, 2019)	3.50% per annum.
Salary increases (effective September 1, 2019)	2.00%, average, including inflation.
Discount rate (effective September 1, 2019)	3.50% per annum.
Healthcare cost trend rate (effective September 1, 2019)	4.00% per annum.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50% 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 Bond Buyer 20-Bond GO Index as of the measurement date.

Mortality rates were based on the Death-In-Service and Retired Lives mortality rates from the Wisconsin Retirement System 2015-2017 Experience Study, with the MP-2018 generational improvement scale.

The actuarial assumptions used in the September 1, 2019 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

Changes in the Total OPEB Liability

Total OPEB liability, beginning of year	\$ <u>22,756</u>
Changes during the year:	
Service cost	1,202
Interest cost	839
Benefit payments	<u>(742)</u>
Net changes	<u>1,299</u>
Total OPEB liability, end of year	\$ <u><u>24,055</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.50%) or 1% higher (4.50%) than the current discount rate.

	<u>1% Decrease</u> <u>(2.50%)</u>	<u>Discount Rate</u> <u>(3.50%)</u>	<u>1% Increase</u> <u>(4.50%)</u>
Total OPEB liability	\$ <u>26,592</u>	<u>24,055</u>	<u>21,244</u>

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (3.0%) or 1% higher (5.0%) than the current healthcare cost trend rates.

	<u>1% Decrease</u> <u>(3.0%)</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rate</u> <u>(4.0%)</u>	<u>1% Increase</u> <u>(5.0%)</u>
Total OPEB liability	\$ <u>20,000</u>	<u>24,055</u>	<u>31,051</u>

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB – For the year ended August 31, 2020, the District recognized OPEB expense of \$2,041. At August 31, 2020, there were no deferred inflows of resources or deferred outflows of resources reported by the District related to OPEB from changes in assumptions used in the actuarial valuation.

(9) Termination Benefits

Accumulated Sick Leave

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

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

The District is the Plan Administrator for this program and may choose to contract with a third party administrator to manage the day-to-day activity associated with these benefits. At August 31, 2020, the obligation under the termination benefit amounted to \$21,007, included in accrued payroll liabilities in the Internal Service Funds of governmental activities. The obligation is funded through employer contributions on an ongoing basis.

Special Termination Benefits

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

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

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

At August 31, 2020 the District has obligations to 132 participants with a total liability of \$4,178. This amount represents the discounted present value of the gross benefits due to participants each year until they reach age 62. The discount rate used by the District is 4%. Actual early retirement expenditures for the year ended August 31, 2020 amounted to \$2,134.

The special termination benefits under the early retirement plan was discontinued effective for the 2018-2019 school year.

(10) **Interfund Transfers**

The detail of interfund transfers for the year ending August 31, 2020 is as follows:

<u>Governmental Funds</u>		
<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Internal Service Funds	General Fund	\$ <u><u>7,000</u></u>

The District transferred \$7,000 to the Internal Service Funds to fund the depreciation reserve fund in the amount of \$5,000 and for the payment of property and liability insurance claims in the amount of \$2,000.

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

Net Transfers with Foundation

Details of the recognition of transfers from the Foundation are as follows:

Foundation		
Transfers of property for the period ending August 31, 2020	\$	13,440
Transfers of promises to give		<u>21,376</u>
Net Transfers - Business Type Activites		34,816
Promises to give transferred to another organization		(1,366)
Promises to give not meeting revenue recognition (a)		(20,010)
Timing differences		<u>(300)</u>
Net transfers - Governmental Activities	\$	<u><u>13,140</u></u>

The Foundation assists with the financing of certain construction of facilities for the District. During 2020, construction was completed on an elementary learning center facility that was financed by the Foundation and recognized as contribution in the District's financial statements. Due to the timing differences of the beginning of the reporting periods of the Foundation (January 1, 2019) and the District (September 1, 2019), certain related capital projects are included as transfers of property when completed, or are included in construction in process if not completed, on the Foundation's financial statements. Amounts are recognized as contributions by the District when projects have completed and are included in capital assets, net on the government-wide statements of the District.

During the year, the District and the Foundation entered into an Assignment and Assumption Agreement for the transfer of certain promises to give from a community foundation. The Foundation elected to recognize this assignment and assumption as a transfer to the District for balance of the outstanding promises to give in the amount of \$20,010. The District did not recognize the transfer in upon the assignment and assumption as the grants have eligibility (time and/or purpose) requirements yet to be met. The District has elected to recognize these voluntary nonexchange transactions when the eligibility requirements are met, in accordance with GASB Statement 65, paragraph 10. Grants received in the amount of \$17,829 have been recognized as deferred revenue in the accompanying statement of net position and will be recognized as revenue when related eligibility requirements are met.

(11) Deficit Net Position

The District had a deficit unrestricted net position of \$543,997 at August 31, 2020 primarily due to recognizing the net pension liability.

(12) Tax Abatements

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

Property tax revenues of the District were reduced by the following amounts for the year ended August 31, 2020 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Omaha	Tax Increment Financing	\$ 19,832
City of Bellevue	Tax Increment Financing	122

Douglas County School District #0001

Notes to Basic Financial Statements August 31, 2020 (Thousands of Dollars)

(13) Commitments and Contingencies

Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance for risks of loss including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District contracts with reputable carriers for various insurance coverages and has purchased an excess liability coverage insurance policy covering individual claims in excess of \$1,000,000 and retains 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, 2020.

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

Construction Commitments

In connection with the \$421,000 bond initiative passed in 2014 and the \$409,900 bond initiative passed in 2018, and the issuance of the Series 2015, Series 2016, Series 2017, Series 2018 and Series 2020 General Obligation Bonds, the District has entered into various ongoing construction contracts amounting to approximately \$255,000 for the construction of new school facilities and renovation and improvement to existing facilities. The District has commitments of approximately \$172,297 remaining on various ongoing construction contracts at August 31, 2020.

Litigation

From time to time, the District is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates these matters will be resolved without any further material adverse effect on the District's future financial position or changes in financial position.

(14) Coronavirus Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. The District implemented a remote learning environment and closed school buildings in response to directed health measures in March 2020 that extended through the end of the school year.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law that provides \$30 billion for an Education Stabilization Fund to provide relief funds to schools and institutes of higher education in response to the coronavirus. The Elementary Secondary School Emergency Relief (ESSER) Fund funding is to be used to assist the District to continue to provide educational services to their students through, but not limited to, such activities as the purchase of personal protective equipment, cleaning and sanitizing materials, planning for and coordinating during long term closures, and educational technology and supplies and services that will support remote learning. The District was awarded approximately \$23.2 million of relief funds, of which \$7.8 million was expended as of August 31, 2020 primarily for purposes of educational technology to support a remote learning environment. The District has the ability to commit, or obligate, the remaining relief funds through September 30, 2022.

Douglas County School District #0001

**Notes to Basic Financial Statements
August 31, 2020 (Thousands of Dollars)**

(15) Prior Period Adjustment – Foundation

Net assets without donor restrictions at January 1, 2019 have been restated for unrealized gains recognized in error in prior years and incorrectly reported in investment account balances. The correction has no effect on the results of the current year's activities, however, the cumulative effect of this correction decreases beginning net assets without donor restrictions by \$333.

Additionally, it was determined that \$12,223 of net assets recognized as without donor restrictions, should be recognized as with donor restrictions. Previously issued financial statements have not been restated to correct this error.

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Adjustment to reclassify net asset classifications	\$ (12,223)	\$ 12,223	\$ --
Adjustment to correct unrealized gains	<u>(333)</u>	<u>--</u>	<u>(333)</u>
Prior Period Adjustment	<u>\$ (12,556)</u>	<u>\$ 12,223</u>	<u>\$ (333)</u>

Douglas County School District #0001

Required Supplementary Information Budgetary Comparison Schedule – General Fund (with legally adopted budgets) For the Year Ended August 31, 2020 (Thousands of Dollars)

Function	General Operating Fund					
	Final Adopted Budget	Transfers In/Out	Revised Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)	
FUND BALANCE, beginning of year	\$ 179,925	--	179,925	179,925	--	
RECEIPTS						
Local sources						
Taxes						
1110	Property taxes - general purpose	248,898	--	248,898	221,098	(27,800)
1111	Property taxes - learning community	--	--	--	62	62
1115	Carline tax	90	--	90	71	(19)
1120	Public power district sales tax	7,000	--	7,000	9,559	2,559
1125	Motor vehicle taxes	25,300	--	25,300	24,960	(340)
1230	Tuition from other districts (special ed)	--	--	--	32	32
1250	Summer school tuition and fees	--	--	--	33	33
1260	Adult education tuition and fees	--	--	--	4	4
1410	Interest	1,500	--	1,500	1,309	(191)
1610	Local license fees and fines	3	--	3	5	2
1620	Police court fines	900	--	900	796	(104)
1910	Rental of school facilities	300	--	300	351	51
	Total local sources	283,991	--	283,991	258,280	(25,711)
County sources						
2110	County fines and license fees	1,500	--	1,500	1,717	217
State sources						
3110	State aid	291,561	--	291,561	291,561	--
3120	Special education	25,500	--	25,500	25,839	339
3125	Special education transportation	7,600	--	7,600	7,224	(376)
3130	Homestead exemption	--	--	--	7,666	7,666
3131	Property tax credit	--	--	--	11,861	11,861
3132	Personal property tax credit	--	--	--	154	154
3180	Pro-rate motor vehicle	400	--	400	373	(27)
3200	State apportionment	8,333	--	8,333	8,881	548
3990	Other state receipts	--	--	--	281	281
	Total state sources	333,394	--	333,394	353,840	20,446
Federal sources						
4450	Medicaid in public schools	425	--	425	--	(425)
4850	Universal Service Fund	--	--	--	2,092	2,092
4990	Other federal categorical receipts	480	--	480	514	34
	Total federal sources	905	--	905	2,606	1,701
Nonrevenue receipts						
5400	Sale of property	20	--	20	17	(3)
5690	Other nonrevenue receipts	1,190	--	1,190	4,643	3,453
	Total nonrevenue receipts	1,210	--	1,210	4,660	3,450
	Total receipts	621,000	--	621,000	621,103	103
DISBURSEMENTS						
1100	Regular instruction	309,227	(2,048)	307,179	287,762	19,417
1200	Special education	74,101	262	74,363	68,413	5,950
Support services						
2100	Pupils	43,206	567	43,773	34,101	9,672
2200	Staff	17,406	(149)	17,257	16,518	739
2520	Vehicle acquisition and maintenance	2,751	--	2,751	336	2,415
2600	Maintenance and operation of bldg/plant	57,968	298	58,266	53,094	5,172
2750	Regular pupil transportation	25,169	--	25,169	15,819	9,350
2760	Special education pupil transportation	15,247	2	15,249	14,473	776
General and administrative						
2310	Board of education	808	--	808	954	(146)
2320	Executive administration	9,820	239	10,059	9,342	717
2400	Office of the principal	36,589	14	36,603	35,614	989
2510	Business services	43,814	576	44,390	37,614	6,776
3000	State programs	13,479	137	13,616	4,918	8,698
4000	Federal programs	1,029	--	1,029	810	219
6000	Summer school	5,715	102	5,817	2,116	3,701
7000	Adult education	195	--	195	162	33
5000	Debt service	1,476	--	1,476	628	848
	Total disbursements	658,000	--	658,000	582,674	75,326
	EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(37,000)	--	(37,000)	38,429	75,429
FUND BALANCE, end of year	\$ 142,925	--	142,925	218,354	75,429	
ANALYSIS OF FUND BALANCE						
	Cash and cash equivalents			\$ 219,957		
	Receivables			10,111		
	Prepays			40		
	Inventory			2,561		
	Payables			(14,315)		
				\$ 218,354		

See accompanying independent auditor's report

Douglas County School District #0001

Required Supplementary Information Budgetary Comparison Schedule – Grant Fund (with legally adopted budgets) For the Year Ended August 31, 2020 (Thousands of Dollars)

Function	Grant Fund		
	Final Adopted Budget	Current Fiscal Year Actual	Variance Favorable (Unfavorable)
FUND BALANCE, beginning of year	\$ (9,882)	(9,882)	--
RECEIPTS			
Local sources			
1410 Interest	--	11	11
1925 Categorical grants from corporations	20,378	23,955	3,577
Total local sources	20,378	23,966	3,588
State sources			
3135 High-ability learners	312	330	18
3155 Textbook loan	287	160	(127)
3540 State early childhood	581	778	197
Total state sources	1,180	1,268	88
Federal sources			
4200 Title 1	33,419	31,415	(2,004)
4300 Title II	2,716	2,648	(68)
4400 IDEA	15,309	14,103	(1,206)
4450 Medicaid in public schools	--	966	966
4455 Medicaid administrative activities	4,500	1,993	(2,507)
4700 Federal vocation & applied technology educ.	858	805	(53)
4910 Indian Education	237	339	102
4915 Title I, Part C	2,112	1,432	(680)
4925 Title III, Part A	1,392	1,165	(227)
4940 Head Start	7,600	6,929	(671)
4990 Other federal categorical receipts	382	1,681	1,299
Total federal sources	68,525	63,476	(5,049)
Nonrevenue receipts			
5690 Other nonrevenue receipts	--	16	16
Total receipts	90,083	88,726	(1,357)
DISBURSEMENTS			
1100 Regular instruction	47,821	40,921	6,900
1200 Special education	5,949	5,455	494
Support services			
2100 Pupils	8,069	4,959	3,110
2200 Staff	525	4,188	(3,663)
2591 Building and sites	100	5,097	(4,997)
General and administrative			
2320 Executive administration	2,500	1,594	906
2510 Business services	--	1,206	(1,206)
3000 State programs	11,800	13,229	(1,429)
4000 Federal programs	12,781	11,680	1,101
7000 Adult education	538	452	86
Total disbursements	90,083	88,781	1,302
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	--	(55)	(55)
FUND BALANCE, end of year	\$ (9,882)	(9,937)	(55)
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 5,296	
Receivables		28,254	
Payables		(43,487)	
		\$ (9,937)	

See accompanying independent auditor's report

Douglas County School District #0001

Required Supplementary Information Budgetary Comparison Schedule – General and Grant Funds (with legally adopted budgets) For the Year Ended August 31, 2020 (Thousands of Dollars)

Budget to GAAP Reporting Reconciliation – Governmental Funds

The accompanying schedule of receipts, expenditures and change in fund balance budget to actual, presents comparison of legally adopted budget as described in Note 1D with actual data on the cash basis of accounting. Because accounting principles applied for the purpose of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of the resultant basis, timing, perspective, and entity deficiencies in revenue or expenses for the year ended August 31, 2020 are presented below.

<u>General Operating Fund</u>	
Excess of receipts over disbursements (budgetary basis)	\$ 38,429
Adjustments:	
Record change in receivables	7,751
Record change in inventories	368
Record change in prepaids	655
Record change in payables	<u>(8,397)</u>
Change in fund balance (GAAP basis)	\$ <u><u>38,806</u></u>
<u>Grant Fund</u>	
Deficiency of receipts over disbursements (budgetary basis)	\$ (55)
Adjustments:	
Record change in receivables	7,553
Record change in prepaids	(53)
Record change in payables	1,685
Record change in unavailable revenue	<u>(7,639)</u>
Change in fund balance (GAAP basis)	\$ <u><u>1,491</u></u>

Douglas County School District #0001

Required Supplementary Information Schedule of Changes in the Net Pension Liability For the Year Ended August 31, 2020 (Thousands of Dollars)

Omaha School Employees' Retirement System For the Last Six Fiscal Years*						
	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 42,354	37,704	37,821	39,451	38,242	36,090
Interest	159,150	152,896	144,648	138,933	133,950	128,868
Differences between expected and actual experience	(17,657)	19,474	26,757	7,104	(2,960)	--
Changes of assumptions	--	--	141,348	--	--	--
Other	1,992	1,832	2,088	1,946	2,920	2,276
Benefit payments, including refunds of employee contributions	(131,896)	(125,272)	(118,997)	(113,106)	(106,735)	(100,810)
Net change in total pension liability	<u>53,943</u>	<u>86,634</u>	<u>233,665</u>	<u>74,328</u>	<u>65,417</u>	<u>66,424</u>
Total pension liability - beginning	<u>2,186,755</u>	<u>2,100,121</u>	<u>1,866,456</u>	<u>1,792,128</u>	<u>1,726,711</u>	<u>1,660,287</u>
Total pension liability - ending (a)	<u>2,240,698</u>	<u>2,186,755</u>	<u>2,100,121</u>	<u>1,866,456</u>	<u>1,792,128</u>	<u>1,726,711</u>
Plan fiduciary net position						
Contributions - employer	57,267	55,564	47,981	33,903	33,109	31,913
Contributions - state	7,420	7,111	6,897	6,661	6,453	6,285
Contributions - member	35,614	36,327	34,883	33,764	32,584	31,596
Net investment income	31,298	85,795	73,217	15,375	(51,214)	153,982
Benefit payments, including refunds of employee contributions	(131,896)	(125,272)	(118,997)	(113,106)	(106,735)	(100,810)
Administrative expense	(1,087)	(867)	(1,384)	(1,290)	(814)	(897)
Other	3,161	1,844	2,090	2,082	3,003	2,305
Net change in plan fiduciary net position	<u>1,777</u>	<u>60,502</u>	<u>44,687</u>	<u>(22,611)</u>	<u>(83,614)</u>	<u>124,374</u>
Plan fiduciary net position - beginning	<u>1,293,685</u>	<u>1,233,183</u>	<u>1,188,496</u>	<u>1,211,107</u>	<u>1,294,721</u>	<u>1,170,347</u>
Plan fiduciary net position - ending (b)	<u>1,295,462</u>	<u>1,293,685</u>	<u>1,233,183</u>	<u>1,188,496</u>	<u>1,211,107</u>	<u>1,294,721</u>
Net pension liability (a-b)	<u>\$ 945,236</u>	<u>893,070</u>	<u>866,938</u>	<u>677,960</u>	<u>581,021</u>	<u>431,990</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>57.82%</u>	<u>59.16%</u>	<u>58.72%</u>	<u>63.68%</u>	<u>67.58%</u>	<u>74.98%</u>
Covered payroll	<u>\$ 364,154</u>	<u>371,440</u>	<u>356,676</u>	<u>345,231</u>	<u>333,166</u>	<u>323,074</u>
Employers' net pension liability as a percentage of covered payroll	<u>259.57%</u>	<u>240.43%</u>	<u>243.06%</u>	<u>196.38%</u>	<u>174.39%</u>	<u>133.71%</u>

See accompanying independent auditor's report

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

Douglas County School District #0001

**Required Supplementary Information
Schedule of Employer Contributions
For the Year Ended August 31, 2020 (Thousands of Dollars)**

		Omaha School Employees' Retirement System For the Last 10 Fiscal Years*									
		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined employer contribution	\$	55,501	54,211	55,526	50,777	31,004	28,161	27,940	30,990	29,040	30,262
Actual contributions -											
Employer statutory		35,676	35,967	36,664	35,231	33,903	33,109	31,913	29,581	28,861	26,336
Employer additional		21,357	21,300	18,900	12,750	--	--	--	--	4,330	--
Total actual contributions		<u>57,033</u>	<u>57,267</u>	<u>55,564</u>	<u>47,981</u>	<u>33,903</u>	<u>33,109</u>	<u>31,913</u>	<u>29,581</u>	<u>33,191</u>	<u>26,336</u>
Annual contribution deficiency (excess)	\$	<u>(1,532)</u>	<u>(3,056)</u>	<u>(38)</u>	<u>2,796</u>	<u>(2,899)</u>	<u>(4,948)</u>	<u>(3,973)</u>	<u>1,409</u>	<u>(4,151)</u>	<u>3,926</u>
Covered payroll	\$	<u>360,891</u>	<u>364,154</u>	<u>371,440</u>	<u>356,676</u>	<u>345,231</u>	<u>333,166</u>	<u>323,074</u>	<u>313,946</u>	<u>307,258</u>	<u>310,229</u>
Actual contributions as a percentage of covered payroll		<u>15.80%</u>	<u>15.73%</u>	<u>14.96%</u>	<u>13.45%</u>	<u>9.82%</u>	<u>9.94%</u>	<u>9.88%</u>	<u>9.42%</u>	<u>10.80%</u>	<u>8.49%</u>

See accompanying independent auditor's report

Douglas County School District #0001

Required Supplementary Information Notes to Required Supplementary Information For the Year Ended August 31, 2020

Notes to the Schedules:

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

- 2019: The Unfunded Actuarial Accrued Liability (UAAL) legacy amortization base was reset to 30 years. New layers of UAAL that occur in the future will be amortized over new 30-year periods.
- 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, 2016.
- The 2018 session of the Nebraska Legislature enacted Legislative Bill 1005 (LB 1005), which states that the School 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.
- 2011: The member contribution rate was increased by the 2011 Legislature from 8.30% to 9.30%, effective September 1, 2011. Since the employer contributes 101% of the member contribution rate, the 1.00% increase in the member contribution rate resulted in an increase of 1.01% in the District's contribution rate.

Changes in actuarial assumptions:

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.

Douglas County School District #0001

Required Supplementary Information Notes to Required Supplementary Information For the Year Ended August 31, 2020

- 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%.

9/1/2010 valuation:

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

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. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, August 31, 2019 (based on the January 1, 2017 actuarial valuation).

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Layered basis with remaining periods ranging from 24 to 26 years
Asset valuation method	Market related smoothed value
Price inflation	2.75%
Salary increases, including wage inflation	3.75% to 6.25%
Long-term rate of return, net of investment expense, and including inflation	7.50%
Cost-of-living adjustments	1.50% if hired before July 1, 2013 1.00% if hired on or after July 1, 2013 Medical COLA of \$10/month for each year retired (max \$250/month), if hired before July 1, 2016

Douglas County School District #0001

Required Supplementary Information Schedule of Changes in Total OPEB Liability, Related Ratios and Notes For the Year Ended August 31, 2020 (Thousands of Dollars)

	<u>2020</u>	<u>2019</u>
Service cost	\$ 1,202	1,254
Interest cost	839	796
Employer contributions	<u>(742)</u>	<u>(785)</u>
Net changes in total OPEB liability	1,299	1,265
Total OPEB liability, beginning of year	<u>22,756</u>	<u>21,491</u>
Total OPEB liability, end of year	<u>\$ 24,055</u>	<u>22,756</u>
Covered payroll	\$ 381,090	382,977
Total OPEB liability as a percentage of covered payroll	6.31%	5.94%

Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios

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, 2020	3.50%
Year ended August 31, 2019	3.50%

See accompanying independent auditor's report

Douglas County School District #0001

**Other Supplementary Information
Budgetary Comparison Schedule – Special Building Fund
For the Year Ended August 31, 2020 (Thousands of Dollars)**

Function	Special Building Fund		
	Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
FUND BALANCE, beginning of year	\$ 79,058	79,058	--
RECEIPTS			
Local sources			
Taxes			
1110 Property taxes - general purpose	4,000	3,336	(664)
1115 Carline tax	--	1	1
1125 Motor vehicle taxes	--	2	2
1410 Interest	2,520	1,524	(996)
1990 Other local receipts	--	154	154
3990 Other state receipts	--	321	321
5100 Sale of bonds	236,641	135,943	(100,698)
5690 Other receipts	350	871	521
Total receipts	<u>243,511</u>	<u>142,152</u>	<u>(101,359)</u>
DISBURSEMENTS			
2515-300 Purchased services	4,400	4,840	(440)
2515-500 Capital outlay	670	246	424
2515-510 Site acquisition and improvements	1,685	381	1,304
2515-520 Building acquisition and improvements	316,501	78,285	238,216
2515-600 Other expenses	202	518	(316)
5000-607 Repayment of taxes paid	--	7	(7)
Total disbursements	<u>323,458</u>	<u>84,277</u>	<u>239,181</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(79,947)</u>	<u>57,875</u>	<u>137,822</u>
FUND BALANCE, end of year	\$ <u>(889)</u>	<u>136,933</u>	<u>137,822</u>
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 151,569	
Investments		170	
Payables		<u>(14,806)</u>	
		<u>\$ 136,933</u>	

See accompanying independent auditor's report

Douglas County School District #0001

**Other Supplementary Information
Budgetary Comparison Schedule – Debt Service Fund
For the Year Ended August 31, 2020 (Thousands of Dollars)**

<u>Function</u>	<u>Debt Service Fund</u>			
	<u>Final Adopted Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>	
FUND BALANCE, beginning of year	\$ 38,670	38,670	--	
RECEIPTS				
Taxes				
1110	Property taxes	41,716	38,151	(3,565)
1115	Carline tax	21	12	(9)
3130	Homestead exemption	--	1,265	1,265
3180	Pro-rate motor vehicle	281	58	(223)
1410	Interest	198	226	28
1990	Other local receipts	1,809	1,596	(213)
3990	Other state receipts	--	46	46
5100	Sale of bonds	44,099	52,696	8,597
	Total receipts	<u>88,124</u>	<u>94,050</u>	<u>5,926</u>
DISBURSEMENTS				
5000-607	Repayment of taxes paid	200	142	58
5000-610	Redemption of principal	15,620	68,155	(52,535)
5000-620	Debt service interest	24,845	24,724	121
5000-690	Other miscellaneous expense	40,000	137	39,863
	Total disbursements	<u>80,665</u>	<u>93,158</u>	<u>(12,493)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS				
		<u>7,459</u>	<u>892</u>	<u>(6,567)</u>
FUND BALANCE, end of year	\$ <u>46,129</u>	<u>39,562</u>	<u>(6,567)</u>	
ANALYSIS OF FUND BALANCE				
	Cash and cash equivalents	\$ 39,623		
	Payables	<u>(61)</u>		
		<u>\$ 39,562</u>		

See accompanying independent auditor's report

Douglas County School District #0001

**Other Supplementary Information
Budgetary Comparison Schedule – Other Governmental Funds
For the Year Ended August 31, 2020 (Thousands of Dollars)**

<u>Function</u>	<u>Qualified Capital Purpose Fund</u>		
	<u>Final Adopted Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
FUND BALANCE, beginning of year	\$ 2,892	2,892	--
RECEIPTS			
Taxes			
1110 Property taxes	3,902	3,277	(625)
1115 Carline tax	3	1	(2)
3130 Homestead exemption	231	105	(126)
3180 Motor vehicle taxes	24	5	(19)
1410 Interest	1	5	4
1990 Other local receipts	400	134	(266)
3990 Other state receipts	--	4	4
Total receipts	<u>4,561</u>	<u>3,531</u>	<u>(1,030)</u>
DISBURSEMENTS			
2515-300 Purchased services	10	1	9
5000-607 Repayment of taxes paid	80	20	60
5000-610 Redemption of principal	3,006	2,659	347
5000-620 Debt service interest	2,476	1,128	1,348
Total disbursements	<u>5,572</u>	<u>3,808</u>	<u>1,764</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	<u>(1,011)</u>	<u>(277)</u>	<u>734</u>
FUND BALANCE, end of year	\$ <u>1,881</u>	<u>2,615</u>	<u>734</u>
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 2,616	
Payables		<u>(1)</u>	
		<u>\$ 2,615</u>	

See accompanying independent auditor's report

Douglas County School District #0001

Other Supplementary Information

Budgetary Comparison Schedule – Other Governmental Funds (Continued)

For the Year Ended August 31, 2020 (Thousands of Dollars)

<u>Function</u>	<u>Student Fee Funds</u>		
	<u>Final Adopted Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
FUND BALANCE, beginning of year	\$ 120	120	--
RECEIPTS			
1741 Extracurricular activity fees	893	805	(88)
DISBURSEMENTS			
2100-600 Other expenses	900	806	94
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(7)	(1)	6
FUND BALANCE, end of year	\$ 113	119	6
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 119	
		\$ 119	

See accompanying independent auditor's report

Douglas County School District #0001

**Other Supplementary Information
 Budgetary Comparison Schedule – Other Governmental Funds (Continued)
 For the Year Ended August 31, 2020 (Thousands of Dollars)**

Function	Activity Funds		
	Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
FUND BALANCE, beginning of year	\$ 1,664	1,664	--
RECEIPTS			
1710 Activities receipts	--	701	701
1990 Other local receipts	--	923	923
5690 Other nonrevenue receipts	5,675	2,543	(3,132)
Total receipts	5,675	4,167	(1,508)
DISBURSEMENTS			
2515-300 Purchased services	--	601	(601)
2515-400 Supplies and materials	--	1,091	(1,091)
2515-500 Capital outlay	--	16	(16)
2515-600 Other expenses	6,500	2,384	4,116
Total disbursements	6,500	4,092	2,408
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(825)	75	900
FUND BALANCE, end of year	\$ 839	1,739	900
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 1,757	
Investments		5	
Receivables		14	
Payables		(37)	
		\$ 1,739	

See accompanying independent auditor's report

Douglas County School District #0001

**Other Supplementary Information
Budgetary Comparison Schedule – Other Governmental Funds (Continued)
For the Year Ended August 31, 2020 (Thousands of Dollars)**

<u>Function</u>	ESU No. 19 Funds		
	<u>Final Adopted Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
FUND BALANCE, beginning of year	\$ 2,502	2,502	--
RECEIPTS			
1000 Local receipts	13,794	12,004	(1,790)
3000 State receipts	2,976	3,257	281
5000 Nonrevenue receipts	2,480	4,805	2,325
Total receipts	<u>19,250</u>	<u>20,066</u>	<u>816</u>
DISBURSEMENTS			
1100 General education instructional	23	23	--
2100 Student non-instructional support services	3,177	2,928	249
2200 Support services - staff	632	532	100
2300 Board of control and general administration	13	13	--
2900 Materials and equipment services	1,426	1,114	312
3550 Core services & technology infrastructure	13,937	12,537	1,400
5000 Debt services	43	10	33
Total disbursements	<u>19,251</u>	<u>17,157</u>	<u>2,094</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1)</u>	<u>2,909</u>	<u>2,910</u>
FUND BALANCE, end of year	\$ <u>2,501</u>	<u>5,411</u>	<u>2,910</u>
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 5,185	
Inventory and prepaids		228	
Payables		<u>(2)</u>	
		\$ <u>5,411</u>	

See accompanying independent auditor's report

Douglas County School District #0001

**Other Supplementary Information
 Budgetary Comparison Schedule – Other Governmental Funds (Continued)
 For the Year Ended August 31, 2020 (Thousands of Dollars)**

<u>Function</u>	KIOS - Funds 911 & 915		
	Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
FUND BALANCE, beginning of year	\$ 1,002	1,002	--
RECEIPTS			
1410 Interest	--	6	6
1925 Categorical grants from corporations	917	--	(917)
1990 Other local receipts	--	893	893
Total local sources	<u>917</u>	<u>899</u>	<u>(18)</u>
Nonrevenue receipts			
5690 Other nonrevenue receipts	--	99	99
Total receipts	<u>917</u>	<u>998</u>	<u>81</u>
DISBURSEMENTS			
2200 Staff	917	900	17
Total disbursements	<u>917</u>	<u>900</u>	<u>17</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>--</u>	<u>98</u>	<u>98</u>
FUND BALANCE, end of year	\$ <u>1,002</u>	<u>1,100</u>	<u>98</u>
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 681	
Investments		72	
Receivables		<u>347</u>	
		<u>\$ 1,100</u>	

See accompanying independent auditor's report

Douglas County School District #0001

**Other Supplementary Information
Budgetary Comparison Schedule – Internal Service Funds
For the Year Ended August 31, 2020 (Thousands of Dollars)**

<u>Function</u>	<u>Depreciation Funds</u>		
	<u>Final Adopted Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
FUND BALANCE, beginning of year	\$ 6,028	6,028	--
RECEIPTS			
1410 Interest	--	24	24
5500 Transfers from the general fund	1,691	5,000	3,309
Total receipts	1,691	5,024	3,333
DISBURSEMENTS			
2500-500 Capital outlay	5,000	1,301	3,699
Total disbursements	5,000	1,301	3,699
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(3,309)	3,723	7,032
FUND BALANCE, end of year	\$ 2,719	9,751	7,032
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 2,751	
Receivables		7,000	
		\$ 9,751	

See accompanying independent auditor's report

Douglas County School District #0001

**Other Supplementary Information
Budgetary Comparison Schedule – Internal Service Funds (Continued)
For the Year Ended August 31, 2020 (Thousands of Dollars)**

<u>Function</u>	<u>Employee Benefit Funds</u>		
	<u>Final Adopted Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
FUND BALANCE, beginning of year	\$ 12,732	12,732	--
RECEIPTS			
1410 Interest	--	45	45
5500 Transfers from the general fund	--	5,186	5,186
5690 Other nonrevenue receipts	262	2,343	2,081
Total receipts	262	7,574	7,312
DISBURSEMENTS			
2500-200 Employee benefits	11,600	6,995	4,605
Total disbursements	11,600	6,995	4,605
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(11,338)	579	11,917
FUND BALANCE, end of year	\$ 1,394	13,311	11,917
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 12,848	
Investments		2,719	
Receivables		350	
Payables		(2,606)	
		\$ 13,311	

See accompanying independent auditor's report

Douglas County School District #0001

**Other Supplementary Information
 Budgetary Comparison Schedule – Internal Service Funds (Continued)
 For the Year Ended August 31, 2020 (Thousands of Dollars)**

Function	Contingency Funds		
	Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
FUND BALANCE, beginning of year	\$ 19,916	19,916	--
RECEIPTS			
1410 Interest	--	138	138
5500 Transfers from the general fund	104	2,000	1,896
Total receipts	104	2,138	2,034
DISBURSEMENTS			
2310-643 Judgements/settlements	15,000	1,983	13,017
Total disbursements	15,000	1,983	13,017
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(14,896)	155	15,051
FUND BALANCE, end of year	\$ 5,020	20,071	15,051
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 18,071	
Receivables		2,000	
		\$ 20,071	

See accompanying independent auditor's report

Douglas County School District #0001

**Other Supplementary Information
Budgetary Comparison Schedule – Internal Service Funds (Continued)
For the Year Ended August 31, 2020 (Thousands of Dollars)**

<u>Function</u>	<u>School Lunch Funds</u>		
	<u>Final Adopted Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
FUND BALANCE, beginning of year	\$ 26,286	26,286	--
RECEIPTS			
1410 Interest	1	136	135
1720 Sale of lunches/milk	1,769	2,058	289
1990 Other local receipts	--	129	129
3150 State reimbursement	124	--	(124)
4800 Federal reimbursement	9,072	21,619	12,547
4945 Child and adult care food program	669	952	283
5690 Other nonrevenue receipts	--	92	92
Total receipts	<u>11,635</u>	<u>24,986</u>	<u>13,351</u>
DISBURSEMENTS			
2100-100 Salaries	12,354	9,376	2,978
2100-200 Employee benefits	3,929	3,989	(60)
2100-300 Purchased services	3,261	2,398	863
2100-400 Supplies and materials (excluding food)	2,452	1,498	954
2100-470 Food	16,641	9,851	6,790
2100-500 Capital outlay	102	300	(198)
2100-600 Other expenses	24	19	5
Total disbursements	<u>38,763</u>	<u>27,431</u>	<u>11,332</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	<u>(27,128)</u>	<u>(2,445)</u>	<u>24,683</u>
FUND BALANCE, end of year	\$ <u>(842)</u>	<u>23,841</u>	<u>24,683</u>
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 15,358	
Receivables		6,009	
Inventory and prepaids		<u>2,474</u>	
		\$ <u>23,841</u>	

See accompanying independent auditor's report

Douglas County School District #0001

Other Supplementary Information

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

For the Year Ended August 31, 2020 (Thousands of Dollars)

Function	Cooperative Funds		
	Final Adopted Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
FUND BALANCE, beginning of year	\$ (157)	(157)	--
RECEIPTS			
1990 Other local receipts	--	831	831
5690 Other receipts	35,371	12,765	(22,606)
Total receipts	35,371	13,596	(21,775)
DISBURSEMENTS			
1160-110 Salary - Teachers	--	596	(596)
1160-140 Salary - Clerical and paraprofessional staff	--	54	(54)
1160-200 Employee benefits	--	242	(242)
1160-300 Purchased services	--	112	(112)
1160-400 Supplies and materials	--	11	(11)
1160-600 Other expenses	--	2	(2)
2100 Total support services - pupils	--	12,687	(12,687)
2510 Total general administration - business services	35,398	--	35,398
Total disbursements	35,398	13,704	21,694
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(27)	(108)	(81)
FUND BALANCE, end of year	\$ (184)	(265)	(81)
ANALYSIS OF FUND BALANCE			
Cash and cash equivalents		\$ 44	
Payables		(309)	
		\$ (265)	

See accompanying independent auditor's report

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Douglas County School District #0001 (the District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2020. Our report includes a reference to other auditors who audited the financial statements of the Omaha Public Schools Foundation, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we did identify a certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2020-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as 2020-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-003.

The District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Seim Johnson, LLP

Omaha, Nebraska,
November 30, 2020.

Douglas County School District #0001

Schedule of Findings and Responses For the Year Ended August 31, 2020

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- | | | |
|---|----------------------|---------------------------------|
| • Material weakness(es) identified? | <u> x </u> Yes | <u> </u> No |
| • Significant deficiency(ies) identified? | <u> x </u> Yes | <u> </u> None Reported |

Noncompliance material to financial statements noted?	<u> x </u> Yes	<u> </u> No
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II. FINANCIAL STATEMENT FINDINGS

Internal Control Deficiencies:

2020-001 MATERIAL WEAKNESS

Criteria: The design and operation of the District's internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in the District's financial statements on a timely basis.

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

Context: The District maintains a separate asset management module within its accounting system that interfaces with the general ledger that is not being utilized appropriately. In addition, a significant amount of manual processes are also involved in the reporting of capital assets. Additionally, a software upgrade caused issues within the asset management module of the accounting system.

Cause: Certain capital asset additions were not appropriately entered into the District's asset management module of the accounting system, and the manual process used to recognize amounts not included in the asset management module resulted in errors that were not detected and corrected by the system of internal controls.

Effect: Audit adjusting entries were required to appropriately report capital asset activities and recognize depreciation expense appropriately in the financial statements.

Recommendation: We recommend management review and strengthen the internal controls over its financial reporting processes as related to capital assets to ensure that all capital asset activity is being properly recognized in the financial statements.

Douglas County School District #0001

Schedule of Findings and Responses For the Year Ended August 31, 2020

Views of Responsible
Officials and Planned
Corrective Action:

Management is aware of this deficiency in internal control over financial reporting and is working to make improvements in this area. See the attached Corrective Action Plan.

2020-002 SIGNIFICANT DEFICIENCY

Criteria:

The design and operation of the District's internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in the District's financial statements on a timely basis.

Condition:

The preparation of financial statements requires tremendous detail. The financial statements prepared by management for audit required several adjusting entries, including some identified by management, in order to fairly state the District's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Context:

The District prepares its interim financial statements throughout the fiscal year on the cash basis of accounting and performs a conversion of the statements to the modified accrual and full accrual basis, as applicable, for financial reporting purposes at the end of its fiscal year. This is a significant undertaking, and a very complex process. After management provided its initial financial statements, several audit adjustments and a number of additional entries provided by management were required to fairly state the District's financial statements in accordance with GAAP.

Cause:

Due to turnover in the accounting department, some unforeseen issues with the accounting system, as well as time constraints related to the period between the end of the District's fiscal year and the audit reporting deadline imposed by the Nebraska Department of Education, management was unable to complete a thorough review of its GAAP basis financial statements for accuracy and completeness prior to the audit commencing.

Effect:

Several audit adjustments and reclassifications were required to correct misstatements in the financial statements to accurately present the basic financial statements and notes to the financial statements in accordance with GAAP.

Recommendation:

We recommend management review its closing schedule and financial statement preparation and reporting processes in an effort to identify efficiencies that may allow management to prevent, and detect and correct, misstatements in order to produce complete and accurate financial statements.

Views of Responsible
Officials and Planned
Corrective Action:

Management is aware of this deficiency in internal control over financial reporting. See the attached Corrective Action Plan for management's planned corrective action.

Douglas County School District #0001

Schedule of Findings and Responses For the Year Ended August 31, 2020

Instances of Noncompliance:

Item 2020-003

Criteria:	State statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to adopt. The amounts that may be budgeted for specific funds are subject to various expenditures and/or tax levy limitations. Total fund expenditures may not exceed total appropriations at the fund level.
Condition:	Expenditures for the year ended August 31, 2020 exceeded the amounts budgeted in the Debt Service Fund.
Cause:	Certain debt refinancing costs exceeded budgeted expenditures based on debt refinancing transactions.
Effect:	The District incurred higher than budgeted expenditures for payments made upon advance refunding of the Series 2010 General Obligation Bonds.
Recommendation:	We recommend the District amend future Fund budgets in accordance with the Nebraska Budget Act when it becomes known that actual expenditures will exceed the originally adopted budget.
Views of Responsible Officials:	Overall the District was under budget based upon total expenditures incurred across all funds during the year. The District will incorporate procedures to ensure a budget amendment is prepared for any future refinancing of debt to ensure actual expenditures do not exceed amounts budgeted in the Debt Service Fund.
Conclusion:	Response accepted.



Douglas County School District #0001

Corrective Action Plan For the Year Ended August 31, 2020

Finding No. 2020-001

Criteria: The design and operation of the District's internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in the District's financial statements on a timely basis.

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

Planned Corrective Action: Management will implement the following corrective actions to strengthen internal controls and financial reporting for capital assets:

- Recruit and train an experienced accountant to oversee the capital assets area.
 - This position has seen significant turnover during the past 16 months and has been vacant since late August of this year.
 - This accountant will report directly to the District's new Accounting Manager that joined the District in August 2020. The Accounting Manager will meet regularly with the Capital Asset Accountant to monitor activities related to accounting for capital assets.
 - Onboarding processes and materials for this position will be reviewed and updated to ensure that this individual is trained properly and able to address the issues in this finding.
- Continue to identify and resolve system deficiencies in the capital assets module of the accounting system, engaging outside consultants if needed.
- Review and revise where necessary all procedures for processing capital assets in the accounting system module to ensure all capital assets are properly recorded, depreciated, and disposed.
- Reconcile the capital assets module to the general ledger on a quarterly basis and document a review of these reconciliations by the Accounting Manager.

Management expects this finding to be resolved by August 31, 2021.

Finding No. 2020-002

Criteria: The design and operation of the District's internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in the District's financial statements on a timely basis.



Douglas County School District #0001

Corrective Action Plan For the Year Ended August 31, 2020

Condition: The preparation of financial statements requires tremendous detail. The financial statements prepared by management for audit required several adjusting entries, including some identified by management, in order to fairly state the District's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Planned Corrective Action: Management will review and revise where necessary the processes for preparing financial statements. This review will focus on areas that inhibit the timely and accurate preparation of the District's financial statements and will include:

- Increased use of analytics to review activity in key accounts on at least a quarterly basis. The District hired a new Financial Planning and Analysis Manager in June as part of the implementation of its new strategic plan and this individual will greatly improve existing processes.
- Documented reviews of quarterly reconciliations of key accounts by the new Accounting Manager that joined the District in August 2020.

There were also several issues that caused adjustments to the normal course of preparing the District's financial statements:

- There were a significant number of vacancies leading up to the financial statement preparation process that required existing staff to assume new and unfamiliar duties while still completing their own regular responsibilities.
 - Two Lead Accountants retired on July 31, 2020 and new staff did not assume these roles until September 1, 2020.
 - There were six other open staff positions in July and August. Four of these positions have been filled and the remaining two are in the recruitment process and expect to be filled by January 1, 2021.
- There were two significant issues related to our ability to process transactions in the accounting system during late September. It took the accounting and IMS teams two weeks to resolve these issues, which delayed the financial statement preparation process.

Management expects this finding to be resolved by August 31, 2021.

Respectfully submitted by:

Shane Rhian
Controller
Douglas County School District #0001



Douglas County School District #0001

Summary Schedule of Prior Audit Findings For the Year Ended August 31, 2020

Finding No. 2019-001

Condition: The design and operation of the District's internal controls should allow management or employees, in the normal course of performing their assigned prevent or detect misstatements in the District's financial statements on a timely basis.

Previous Response for Finding: Management will continue to work toward implementing the following corrective actions to strengthen internal controls and financial reporting for capital assets:

- Review capital asset management module in PeopleSoft 9.2 implemented in August 2018. A capital asset management consultant was onsite in August 2019 to identify implementation errors and provide direction on best practices in the system. This information has been very valuable in identifying past errors and will be used to modify business practices to better align with system processing.
- Recruit capital asset accountant. A new capital asset accountant has been hired with extensive PeopleSoft experience. This individual will work with existing staff to review and update business practices, validate existing system data, and input manual data into the system.

Management expects to have this finding resolved by August 31, 2020.

Conclusion: Due to turnover in the accounting department, management was not able to fully implement its corrective action during the fiscal year. While an individual was recruited to fill the capital asset accountant position, that individual was transferred to a different position in 2020.

Management is taking immediate steps to identify deficiencies in the internal controls over financial reporting for capital assets. Appropriate corrective action will be taken to resolve all issues related to this finding by August 31, 2020.

Status: Finding not cleared. See Finding 2020-001.