

**AUDIT REPORT
OF THE
LEARNING COMMUNITY OF
DOUGLAS AND SARPY COUNTIES**

SEPTEMBER 1, 2018, THROUGH AUGUST 31, 2019

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the Auditor of Public Accounts.**

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Issued on April 14, 2020

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

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LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

KEY OFFICIALS AND CONTACT INFORMATION

Council Members

Name	Title
Bradley Ekwerekwu	Subcouncil 1
Brian Thommes	Subcouncil 1
Cornelius Williams	Subcouncil 2
Carol Hahn	Subcouncil 2 – Council Secretary
Mark Hoeger	Subcouncil 3 – Council Treasurer
Melinda Kozel	Subcouncil 3
Susan Kelley	Subcouncil 4 – Council Chair
Allen Hager	Subcouncil 4 – Council Vice Chair
Tonya Ward	Subcouncil 5
Anayeli Martinez-Real	Subcouncil 5
Mike Avery	Subcouncil 6
Jill Woodward	Subcouncil 6

Learning Community of Douglas and Sarpy Counties Leadership

Name	Title
David Patton, Ed. S.	Chief Executive Officer

Learning Community of Douglas and Sarpy Counties
1612 N. 24th Street
Omaha, NE 68110
www.learningcommunityds.org



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LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

INDEPENDENT AUDITOR'S REPORT

Learning Community Coordinating Council
Learning Community of Douglas and Sarpy Counties
Omaha, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities and each major fund of the Learning Community of Douglas and Sarpy Counties (Learning Community), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Learning Community's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Learning Community'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 Learning Community's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities and each major fund of the Learning Community as of August 31, 2019, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the Learning Community's basic financial statements. The Management's Discussion and Analysis and Budgetary Comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Management's Discussion and Analysis and Budgetary Comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements; accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2020, on our consideration of the Learning Community's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Learning Community's internal control over financial reporting and compliance.



Mark Avery, CPA
Assistant Deputy Auditor

April 8, 2020

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Learning Community of Douglas and Sarpy Counties (Learning Community) presents this Management's Discussion and Analysis of its financial statements to provide a narrative overview and analysis of the financial activities as of and for the fiscal years ended August 31, 2019 and 2018. Please read it in conjunction with the Learning Community's financial statements, which begin on page 7.

Financial Highlights

- General Fund receipts increased for the year ended August 31, 2019 compared to the year ended 2018, with receipts of \$940,136 and \$500,325, respectively. General Fund disbursements increased from \$506,990 in fiscal year 2018 to \$570,964 in fiscal year 2019. The Learning Community's General Fund balance increased from \$445,763 at the end of fiscal year 2018 to \$814,935 at the end of fiscal year 2019.
- Elementary Learning Centers Fund receipts increased for the year ended August 31, 2019 compared to the year ended August 31, 2018, with receipts of \$9,576,892 and \$9,153,620, respectively. The increase is primarily due to increased property valuations of 5.67% resulting in increased tax collections from its tax levy of \$0.015 per \$100 of assessed valuation in 2019 and 2018. Elementary Learning Centers Fund disbursements remained consistent for the year ended August 31, 2019 compared to the year ended August 31, 2018, with disbursements of \$8,266,727 and \$8,346,738, respectively.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Learning Community's financial activities.
- The Government-wide financial statements consist of a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis. These statements provide information about the activities of the Learning Community as a whole and present an overall view of the Learning Community's finances.
- The Fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Learning Community's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The fund financial statements of the Learning Community only include governmental activities. The Learning Community has no business type (proprietary) or fiduciary funds.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- The budgetary schedules, included as other information, provide information that further explains and supports the financial statements with a comparison of the Learning Community's budget for the year.

FINANCIAL ANALYSIS OF THE LEARNING COMMUNITY

Net Position

The Learning Community's net position reported in the Statement of Net Position – Cash Basis represents the financial position of the Learning Community. The Learning Community's net position as of August 31, 2019 and 2018 amounted to \$8,337,879 and \$6,617,865, respectively. The increase in net position primarily resulted from increased revenue in 2019 resulting from increased property valuations in Douglas and Sarpy counties bringing an increase in tax receipts from the tax levy of \$0.015 per \$100 of assessed valuation in 2019 and 2018, and due to increased appropriations from the State of Nebraska in the General Fund.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Governmental Activities

A summary of the governmental activities of the Learning Community are as follows:

	Fiscal year ended August 31, 2019	Fiscal year ended August 31, 2018	Change from Prior Year
Receipts:			
Property and other taxes	\$ 9,580,162	9,128,261	451,901
State appropriations	1,673,359	1,226,792	446,567
Investment earnings	2,807	2,464	343
Other	2,290	--	2,290
Total receipts	11,258,618	10,357,517	901,101
Disbursements:			
Elementary learning centers	8,967,640	9,052,703	(85,063)
Coordinating Council	40,938	12,289	28,649
Administration	530,026	494,701	35,325
Total disbursements	9,538,604	9,559,693	(21,089)
Change in net position	\$ 1,720,014	797,824	922,190

Individual Fund Analysis

As mentioned previously, the Fund financial statements report the Learning Community's activities in more detail than the government-wide statements by providing information about the most significant funds. The fund financial statements of the Learning Community only include governmental activities – the General Fund, Capital Projects Fund, and the Elementary Learning Centers Fund.

General Fund – The General Fund is funded by appropriations from the State of Nebraska. The General Fund fund balance amounted to \$814,935 as of August 31, 2019, an increase of \$369,172 from the fund balance as of August 31, 2018. General Fund disbursements were less than total budgeted disbursements in the amount of \$12,576. Excess amounts are being carried over to the 2019-2020 fiscal year to fund ongoing operations of the Learning Community.

Capital Projects Fund – The Capital Projects Fund consists of unspent tax levies restricted by State statute for capital projects and lease or leasehold improvements. The Capital Projects Fund fund balance amounted to \$787,834 as of August 31, 2019, an increase of \$40,677 from the fund balance as of August 31, 2018. In 2019 and 2018, respectively, \$700,913 and \$705,965 was expended for purposes of leases and leasehold improvements for elementary learning centers.

Elementary Learning Centers Fund – The Elementary Learning Centers Fund is funded through taxes and other receipts restricted for purposes of supporting elementary learning center program activities. The Elementary Learning Centers Fund fund balance amounted to \$6,735,110 as of August 31, 2019, an increase of \$1,310,165 from the fund balance as of August 31, 2018. Disbursements of \$8,266,727 were less than total budgeted disbursements of \$9,084,886 in the amount of \$818,159.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Concluded)

Economic Factors Bearing on the Learning Community's Future

At the time these financial statements were prepared, the Learning Community was aware of several circumstances that impact the future activities of the Learning Community:

- The taxable property valuation for the Learning Community for 2019/2020 increased by 7.48% from the 2018/2019 property valuation.
- The Elementary Learning Centers Fund tax levy rate for 2020 is decreased to \$0.014802 per \$100 of assessed valuation compared to the 2019 levy rate at \$0.015 per \$100 of assessed valuation.
- The Capital Projects Fund tax levy rate for 2020 is consistent with the 2019 levy rate at \$0.00125 per \$100 of assessed valuation.
- General Fund monies, which are received through State appropriations, are subject to modification by the Nebraska Unicameral Legislature.

Contacting the Learning Community's Financial Management

This financial report is designed to provide the citizens, taxpayers, legislators and member school districts with a general overview of the Learning Community's finances and to demonstrate the Learning Community's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Learning Community of Douglas and Sarpy Counties, 1612 N. 24th Street, Omaha NE, 68110.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

Statement of Net Position – Cash Basis

August 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 8,043,969
Cash held by County Treasurer	<u>293,910</u>
Total assets	<u><u>\$ 8,337,879</u></u>
NET POSITION	
Restricted for:	
Leases and leasehold improvements	\$ 787,834
Research and evaluation	262,297
Elementary learning centers	6,550,869
Unrestricted	<u>736,879</u>
Total net position	<u><u>\$ 8,337,879</u></u>

See accompanying notes to the financial statements.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

Statement of Activities – Cash Basis
For the Year Ended August 31, 2019

	FUNCTION			
	Governmental Activities Total	Administration	Coordinating Council	Elementary Learning Centers
DISBURSEMENTS				
Personnel services	\$ 1,011,836	413,844	--	597,992
Contracted/purchased services	7,727,284	77,408	37,424	7,612,452
Supplies and materials	44,377	16,785	999	26,593
Occupancy	729,012	9,383	--	719,629
Other	26,095	12,606	2,515	10,974
Total disbursements	<u>9,538,604</u>	<u>530,026</u>	<u>40,938</u>	<u>8,967,640</u>
RECEIPTS				
Property and other taxes	9,580,162			
State appropriations	1,673,359			
Investment earnings	2,807			
Other	2,290			
Total receipts	<u>11,258,618</u>			
CHANGE IN NET POSITION	1,720,014			
NET POSITION, BEGINNING OF YEAR	<u>6,617,865</u>			
NET POSITION, END OF YEAR	<u>\$ 8,337,879</u>			

See accompanying notes to the financial statements.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

Balance Sheet – Governmental Funds – Cash Basis
August 31, 2019

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Elementary Learning Centers Fund	
ASSETS				
Cash and cash equivalents	\$ 814,935	765,411	6,463,623	8,043,969
Cash held by County Treasurer	--	22,423	271,487	293,910
Total assets	<u>\$ 814,935</u>	<u>787,834</u>	<u>6,735,110</u>	<u>8,337,879</u>
FUND BALANCES				
Restricted for leases and leasehold improvements	\$ --	787,834	--	787,834
Restricted for research and evaluation	78,056	--	184,241	262,297
Restricted for elementary learning centers	--	--	6,550,869	6,550,869
Unassigned	<u>736,879</u>	<u>--</u>	<u>--</u>	<u>736,879</u>
Total fund balances	<u>\$ 814,935</u>	<u>787,834</u>	<u>6,735,110</u>	<u>8,337,879</u>

See accompanying notes to the financial statements.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**Statement of Receipts, Disbursements, and Changes in Fund Balances –
Governmental Funds – Cash Basis**
For the Year Ended August 31, 2019

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Elementary Learning Centers Fund	
RECEIPTS				
Property and other taxes	\$ --	741,282	8,838,880	9,580,162
State appropriations	940,000	--	733,359	1,673,359
Investment earnings	136	308	2,363	2,807
Other	--	--	2,290	2,290
Total receipts	<u>940,136</u>	<u>741,590</u>	<u>9,576,892</u>	<u>11,258,618</u>
DISBURSEMENTS				
Elementary learning centers	--	700,913	8,266,727	8,967,640
Coordinating Council	40,938	--	--	40,938
Administration	530,026	--	--	530,026
Total disbursements	<u>570,964</u>	<u>700,913</u>	<u>8,266,727</u>	<u>9,538,604</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	369,172	40,677	1,310,165	1,720,014
FUND BALANCES, BEGINNING OF YEAR	<u>445,763</u>	<u>747,157</u>	<u>5,424,945</u>	<u>6,617,865</u>
FUND BALANCES, END OF YEAR	<u>\$ 814,935</u>	<u>787,834</u>	<u>6,735,110</u>	<u>8,337,879</u>

See accompanying notes to the financial statements.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of the Learning Community of Douglas and Sarpy Counties (Learning Community) consistently applied in the preparation of the accompanying financial statements. The Learning Community's financial statements are presented on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

A. Reporting Entity

The Learning Community is a tax-exempt political subdivision in the State of Nebraska organized under Neb. Rev. Stat. § 79-2102 (Reissue 2014). The geographic area served by the Learning Community consists of the metropolitan area surrounding Omaha, Nebraska, generally located within Douglas, Sarpy and Washington Counties, and includes the geographic territory of the 11 school districts headquartered in Douglas and Sarpy Counties. The Learning Community is governed by a 12-member Learning Community Coordinating Council elected from its six Subcouncil Districts, and with regard to each of its six Subcouncil Districts, an Achievement Subcouncil composed of the Learning Community Coordinating Council's members, who represent the Subcouncil District.

The Learning Community's financial statements are presented as the primary government and include all the funds and activities for which the Learning Community is financially accountable.

B. Basis of Presentation

Government-Wide Financial Statements. The government-wide financial statements include the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, which present information about the Learning Community as a whole. The statements present the Learning Community's financial statements as governmental activities. The Learning Community has no business type or fiduciary activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Fund Financial Statements. Fund financial statements report information about the Learning Community's funds. The Learning Community consists of three funds: the General Fund, the Capital Projects Fund and the Elementary Learning Centers Fund.

Separate columns are presented for each major governmental fund in the fund financial statements. The Learning Community has three governmental funds in the fund financial statements, described below:

General Fund – The General Fund is the operating fund of the Learning Community. It is used to account for all financial resources except those required to be accounted for in other funds.

Capital Projects Fund – The Capital Projects Fund is used to account for taxes levied and other receipts used to acquire or improve sites and/or erect, alter or improve buildings, and to finance facility lease payments and any leasehold improvements.

Elementary Learning Centers Fund – The Elementary Learning Centers Fund is used to account for taxes levied and other receipts used to support elementary learning center program activities.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. **Measurement Focus and Basis of Accounting**

The government-wide and fund financial statements are presented using a cash basis measurement focus. The reported net position and fund balances are considered a measurement of “available cash and investments.” The activities reported focus on cash received and cash disbursed.

Under the cash basis of accounting, revenues are recognized when cash is received by the Learning Community, and expenditures are recognized when paid.

D. **Budget Process**

The Learning Community is required by State law to adopt annual operating budgets at the fund level for its three funds. Budgets are prepared and presented on the cash basis of accounting, which is consistent with the basis of accounting used in presenting the basic financial statements and with the requirements of the State of Nebraska Budget Act.

Public hearings are held to obtain taxpayer comments regarding the proposed budget, and the budget is legally adopted by the Learning Community Coordinating Council on or before September 1 through passage of a resolution in accordance with State statutes. Total disbursements cannot legally exceed the adopted budget. Any revisions for increases in the budget must be approved by the Learning Community Coordinating Council following a hearing to obtain taxpayer comments.

E. **Property Taxes**

Under Neb. Rev. Stat. § 79-2104 (Cum. Supp. 2018), the Learning Community Coordinating Council has the authority to levy the following property taxes:

- Capital Projects Levy (between \$0.00 and \$0.005, as noted in Neb. Rev. Stat. § 77-3442 (Reissue 2018), per \$100 of assessed valuation) to be used by the Learning Community for capital projects related to elementary learning centers or new focus schools or programs.
- Elementary Learning Center Levy (between \$0.00 and \$0.015, as noted in Neb. Rev. Stat. § 77-3442 (Reissue 2018), per \$100 of assessed valuation) for elementary learning center operations, pilot projects and employees.

The property tax requirement resulting from the budgeting process is utilized to establish the tax levy in accordance with State statutes, which attaches as an enforceable lien on the property within the Learning Community as of December 31. Taxes are due as of that date. One half of the real estate taxes become delinquent after the following April 1, and the second one half is delinquent after August 1. The combined tax levy of the Learning Community for the year ended August 31, 2019, per \$100 of assessed valuation, was as follows:

	<u>Levy Rate</u>		<u>Amount</u>
Capital Projects Levy	\$ 0.00125	\$	745,644
Elementary Learning Center Levy	0.015		8,947,729

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

Common Levies. With the passage of Legislative Bill 1067 (2016), effective September 1, 2017, the levy authority of the Learning Community for the General Fund Common Levy and the Special Building Fund Common Levy was discontinued. Total receipts by county treasurers and distributions to the member school districts under previous amounts levied for the common levies during year ended August 31, 2019, are as follows:

	General Fund Common Levy	Special Building Fund Common Levy
Cash held by county treasurers, August 31, 2018	\$ 80,508	1
Total collections, net of 1% county treasurer commission	688,956	(201)
Less distributions to member school districts	(692,576)	(112)
Cash held by county treasurers, August 31, 2019	<u>\$ 76,888</u>	<u>(312)</u>

F. Cash and Cash Equivalents

The Learning Community’s cash and cash equivalents are considered to be cash and short-term investments with original maturities of three months or less from the date of acquisition.

G. Net Position

Net position of the Learning Community is classified in two components:

- *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, contributors or laws or regulations external to the Learning Community.
- *Unrestricted net position* is remaining net position that does not meet the definition of restricted.

H. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – This component of fund balance consists of amounts that are not in a spendable form or are required to be maintained intact. At August 31, 2019, the Learning Community had no nonspendable fund balances.

Restricted – This component of fund balance consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers. At August 31, 2019, the Learning Community had restricted fund balances of \$7,601,000.

Committed – This component of fund balance consists of amounts that can be used only for the specific purposes determined by a formal action by the Learning Community Coordinating Council. Commitments may be changed or lifted only by the Learning Community taking the same formal action that imposed the constraint originally. At August 31, 2019, the Learning Community had no committed fund balances.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies** (Concluded)

Assigned – This component of fund balance consists of amounts intended to be used by the Learning Community for specific purposes, as intended by the Learning Community Coordinating Council. At August 31, 2019, the Learning Community had no assigned fund balances.

Unassigned – This component of fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

The Learning Community first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted resources are available.

I. Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

J. Subsequent Events

The Learning Community considered events occurring through February 21, 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.

2. **Deposits**

Neb. Rev. Stat. § 77-2341 (Reissue 2018) provides that the Learning Community Coordinating Council may invest in the following:

Certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act and as provided in the authorized investment guidelines of the Nebraska Investment Council in effect on the date the investment is made.

Deposits

As of August 31, 2019, the carrying amount of the Learning Community's deposits was \$8,043,969, and the bank balance was \$8,383,054. The deposits were fully collateralized as of August 31, 2019.

Credit Risk:

Custodial credit risk is the risk that, in event of a bank failure, the Learning Community's deposits may not be returned. The Learning Community does not have a formal deposit policy for custodial credit risk beyond requirements set forth by the State statutes. At August 31, 2019, the Learning Community has no deposits exposed to custodial credit risk.

3. **Funds Held by County Treasurer**

Funds in the amount of \$219,253, \$72,111, and \$2,546 were held by the Douglas, Sarpy and Washington County Treasurers, respectively, for the Elementary Learning Centers Fund and the Capital Projects Fund of the Learning Community as of August 31, 2019. These amounts are remitted to the Learning Community subsequent to year end.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Concluded)

4. **Operating Lease Commitments**

The Learning Community leases office space under various operating lease agreements that have non-cancelable lease terms in excess of one year. Rental expenditures relating to these leases for the year ending August 31, 2019, amounted to \$700,913.

The following is a schedule by year of future minimum lease payments under operating leases as of August 31, 2019, that have initial or remaining lease terms in excess of one year:

<u>Year Ended August 31,</u>	<u>Amount</u>
2020	\$ 774,814
2021	787,508
2022	751,757
2023	754,459
2024	757,215
2025-2029	849,586
2030-2034	652,373

5. **Tax Abatements**

Tax abatements are a reduction in tax revenue that result from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenue 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 revenue of the Learning Community were reduced by the following amounts for the year ended August 31, 2019, 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	\$ 273,690
City of Bellevue	Tax Increment Financing	14,482

6. **Contingencies**

The Learning Community is exposed to various risks of loss related to torts; theft; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Learning Community carries commercial insurance for risks of loss, including workers' compensation. The Learning Community assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage since its inception in January 2009. Significant coverage includes:

General Liability Claim	\$	<u>Maximum Coverage</u> 2,000,000
Workers' Compensation Claim	\$	500,000
Crime/Employee Dishonesty Claim	\$	1,000,000
Auto Claim	\$	1,000,000
Umbrella Policy	\$	4,000,000
School Leader Risk Protector	\$	3,000,000

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**Other Information –
Budgetary Comparison Schedule – General Fund
For the Year Ended August 31, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
RECEIPTS				
State appropriations	\$ 485,000	485,000	940,000	455,000
Investment earnings	700	700	136	(564)
Total receipts	<u>485,700</u>	<u>485,700</u>	<u>940,136</u>	<u>454,436</u>
DISBURSEMENTS				
Coordinating Council	61,680	61,680	40,938	20,742
Administration	521,860	521,860	530,026	(8,166)
Total disbursements	<u>583,540</u>	<u>583,540</u>	<u>570,964</u>	<u>12,576</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(97,840)	(97,840)	369,172	467,012
FUND BALANCE, BEGINNING OF YEAR	<u>446,164</u>	<u>446,164</u>	<u>445,763</u>	<u>(401)</u>
FUND BALANCE, END OF YEAR	<u>\$ 348,324</u>	<u>348,324</u>	<u>814,935</u>	<u>466,611</u>

The accompanying notes are an integral part of this schedule.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**Other Information –
Budgetary Comparison Schedule – Elementary Learning Centers Fund
For the Year Ended August 31, 2019**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
RECEIPTS				
Property and other taxes	\$ 8,858,252	8,858,252	8,838,880	(19,372)
State appropriations	733,359	733,359	733,359	--
Investment earnings	1,500	1,500	2,363	863
Other	--	--	2,290	2,290
Total receipts	<u>9,593,111</u>	<u>9,593,111</u>	<u>9,576,892</u>	<u>(16,219)</u>
DISBURSEMENTS				
Elementary learning centers	<u>9,084,886</u>	<u>9,084,886</u>	<u>8,266,727</u>	<u>818,159</u>
Total disbursements	<u>9,084,886</u>	<u>9,084,886</u>	<u>8,266,727</u>	<u>818,159</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	508,225	508,225	1,310,165	801,940
FUND BALANCE, BEGINNING OF YEAR	<u>4,718,746</u>	<u>4,718,746</u>	<u>5,424,945</u>	<u>706,199</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,226,971</u>	<u>5,226,971</u>	<u>6,735,110</u>	<u>1,508,139</u>

The accompanying notes are an integral part of this schedule.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO OTHER INFORMATION

For the Year Ended August 31, 2019

BUDGETARY COMPARISON SCHEDULE

The Learning Community has provided budgetary comparison schedules for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules include the original budget and final budget amounts. The original budget is the first complete appropriated budget adjusted by reserves, transfers, and other legally authorized changes before the beginning of the fiscal year. The original budget would also include amounts automatically carried over from prior years when required by law. The final budget is the original budget adjusted by all reserves, transfers, and other legally authorized changes applicable to the fiscal year as approved by the Learning Community Coordinating Council or otherwise legally authorized.

The Learning Community is required by State law to adopt annual operating budgets at the fund level for its three funds. Budgets are prepared and presented on the cash basis of accounting, which is consistent with the basis of accounting used in presenting the basic financial statements and with the requirements of the State of Nebraska Budget Act.

Public hearings are held to obtain taxpayer comments regarding the proposed budget, and the budget is legally adopted by the Learning Community Coordinating Council on or before September 1 through passage of a resolution in accordance with State statutes. Total disbursements cannot legally exceed the adopted budget. Any revisions for increases in the budget must be approved by the Learning Community Coordinating Council following a hearing to obtain taxpayer comments.



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LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES
**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

Learning Community Coordinating Council
Learning Community of Douglas and Sarpy Counties
Omaha, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Learning Community of Douglas and Sarpy Counties (Learning Community) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Learning Community's basic financial statements, and have issued our report thereon dated April 8, 2020. The report notes that the financial statements were prepared on the cash basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Learning Community's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Learning Community's internal control. Accordingly, we do not express an opinion on the effectiveness of the Learning Community's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Learning Community’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional Items

We noted certain additional items that we reported to management of the Learning Community in a separate letter dated April 8, 2020.

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 Learning Community’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark Avery, CPA
Assistant Deputy Auditor

April 8, 2020



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 8, 2020

Learning Community Coordinating Council
Learning Community of Douglas and Sarpy Counties
Omaha, Nebraska

We have audited the basic financial statements of the Learning Community of Douglas and Sarpy Counties (Learning Community), as of and for the year ended August 31, 2019, and have issued our report thereon dated April 8, 2020. In planning and performing our audit of the basic financial statements of the Learning Community, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the Learning Community's compliance with certain provisions of laws, regulations, contracts, and grants.

During our audit, we noted certain matters involving internal control over financial reporting and other operational matters that are presented here. This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

Financial Statement Errors

The Learning Community's financial statements were compiled by an accounting firm. The Auditor of Public Accounts (APA) then audited those financial statements. During our audit, we noted the following issues with the compiled financial statements:

- Cash and Cash Equivalents and the Net Position at the End of the Year were understated by \$124,429.
- Disbursements for Contracted/Purchased Services were overstated by \$122,612, Supplies and Materials were overstated by \$3,126, and Other Disbursements were understated by \$1,560.
- Receipts for Investment Earnings were understated by \$251.

During the fiscal year, the Learning Community upgraded its accounting software system, which included converting the software from accrual to cash basis accounting. During this conversion process, the Learning Community worked with the accounting firm that compiled its financial statements to enter monthly journal entries into the new software system to reconcile the Learning Community's accounts. However, during this process, the Learning Community also recorded separate transactions into the software system that included some of the same transactions already reflected in the monthly journal entries, causing a duplication. These duplicate entries should have been reversed by the Learning Community but were not, which caused the errors identified above.

We also noted errors in the footnotes to the financial statements. While reviewing the Summary of Significant Accounting Policies footnote regarding Property Taxes and Common Levies, we noted that the amount reported for the General Fund Common Levy for Distributions to Member Schools was overstated by \$1,693,804, Total Collections were overstated by \$1,708,490, and the amount for Cash held by county treasurers at August 31, 2019, was overstated by \$14,686.

While reviewing the Operating Lease Commitments footnote, we noted an overstatement of \$396 in the amount reported on the schedule of future minimum lease payments for fiscal year 2021, an overstatement of \$40,320 in the amount reported for fiscal years 2022, 2023, and 2024, an overstatement of \$215,909 in the amount reported for the combined fiscal years 2025-2029, and an overstatement of \$184,479 in the amount reported for the combined fiscal years 2030-2034. These overstatements were due to the inclusion of lease payments for the Learning Community's South Center Annex location for periods in which both the lessor and the Learning Community had the option to cancel without permission from either party.

The APA discussed the identified errors with the Learning Community, and all adjustments were made to correct the errors when proposed by the APA.

A good internal control plan and sound accounting practices require procedures to ensure that financial information is complete, accurate, and in accordance with accounting standards. This includes procedures to ensure the financial statements are correct.

Governmental Accounting Standards Board (GASB) Statement No. 87 states that a "lease term is the period during which a lessee has a noncancelable right to use an underlying asset (referred to as the noncancelable period) Periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party . . . are cancelable periods and are excluded from the lease term."

Without strong accounting practices to ensure financial information is complete, accurate, and in accordance with accounting standards, there is a greater risk that material misstatements may occur and remain undetected.

We recommend the Learning Community implement procedures to ensure financial information is complete, accurate, and compiled correctly.

Learning Community Response: The Learning Community appreciates the suggestions of the State Auditor's Office to implement procedures that will make sure financial information is complete, accurate and compiled correctly. Significant steps have already been taken in this area and we look forward to improved accurate reporting in the future.

* * * * *

It should be noted this report is critical in nature, containing only our comment and recommendation on the area noted for improvement and does not include our observations on any strong features of the Learning Community.

Draft copies of this report were furnished to the Learning Community to provide its management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been incorporated into this report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

This report is intended solely for the information and use of the Learning Community, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Mark Avery, CPA
Assistant Deputy Auditor