



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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August 25, 2025

Gerald Kuhn, Chief Executive Officer
Learning Community of Douglas and Sarpy Counties
1612 N. 24th Street
Omaha, NE 68110

Dear Mr. Kuhn:

Attached is a copy of the audit report of the Learning Community of Douglas and Sarpy Counties for the fiscal year ended August 31, 2024. You can also access the report on our website at auditors.nebraska.gov.

If you have any questions concerning this report, please do not hesitate to write or call.

Sincerely,

Mike Foley
Auditor of Public Accounts

Enclosure

cc: Andrew Keck, Finance Director
Sharnell Shelton, Coordinating Council Chair
Timothy Hall, Coordinating Council Treasurer

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

SEPTEMBER 1, 2023, THROUGH AUGUST 31, 2024

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on August 25, 2025

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

TABLE OF CONTENTS

	<u>Page</u>
Key Officials and Contact Information	1
Financial Section	
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	7
Statement of Activities – Cash Basis	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds – Cash Basis	9
Statement of Receipts, Disbursements, and Changes in Fund Balances – Governmental Funds – Cash Basis	10
Notes to the Financial Statements	11 - 15
Other Information:	
Budgetary Comparison Schedule – General Fund	16
Budgetary Comparison Schedule – Elementary Learning Centers Fund	17
Budgetary Comparison Schedule – Capital Projects Fund	18
Notes to Other Information	19
Government Auditing Standards Section	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 - 21

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

KEY OFFICIALS AND CONTACT INFORMATION

Council Members
As of August 31, 2024

Name	Title
Brooke Givens	Subcouncil 1
Cynthia A. Johnson	Subcouncil 1
Sharnelle Shelton	Subcouncil 2 – Council Vice Chair
Carol Hahn	Subcouncil 2
Mark Hoeger	Subcouncil 3 – Council Chair
Warren R. Whitted, JR	Subcouncil 3
Raquel Dixon Rodriguez	Subcouncil 4
Vacant	Subcouncil 4
Douglas Brady	Subcouncil 5 – Council Secretary
Tonya Ward	Subcouncil 5
Andrew Brock	Subcouncil 6
Tim Hall	Subcouncil 6 – Council Treasurer

Learning Community of Douglas and Sarpy Counties Leadership

Name	Title
Gerald M. Kuhn	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

Opinion

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, 2024, 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.

In our opinion, the accompanying 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, 2024, and the respective changes in cash-basis financial position for the year then ended in accordance with cash-basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Learning Community and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee

that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Learning Community's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Learning Community's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises Management's Discussion and Analysis and Budgetary Comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2025, 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 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 Learning Community'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 Learning Community's internal control over financial reporting and compliance.



Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska

August 15, 2025

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 year ended August 31, 2024, and 2023. 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, 2024, compared to the year ended 2023, with receipts of \$482,302 and \$476,035, respectively. General Fund disbursements increased from \$455,462 in fiscal year 2023 to \$573,355 in fiscal year 2024. The Learning Community's General Fund balance decreased from \$339,239 at the end of fiscal year 2023 to \$248,186 at the end of fiscal year 2024.
- Elementary Learning Centers Fund receipts decreased for the year ended August 31, 2024, compared to the year ended August 31, 2023, with receipts of \$12,708,982 and \$12,894,309, respectively. The decrease is primarily due to a reduction in tax levy from \$0.014878 to \$0.012577 per \$100 of assessed valuation in 2023 and 2024, respectively. Elementary Learning Centers Fund disbursements increased for the year ended August 31, 2024, compared to the year ended August 31, 2023, with disbursements of \$8,742,184 and \$8,216,446, 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 include only 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, 2024, and 2023, amounted to \$27,068,674 and \$22,930,521, respectively.

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, 2024	Fiscal year ended August 31, 2023	Change from Prior Year
Receipts:			
Property and other taxes	\$ 12,291,833	12,692,338	(400,505)
State appropriations	1,187,604	1,176,910	10,694
Investment earnings	831,519	506,734	324,785
Other	15,100	5,816	9,284
Total receipts	14,326,056	14,381,798	(55,742)
Disbursements:			
Elementary learning centers	9,614,548	9,165,436	449,112
Coordinating Council	66,121	37,603	28,518
Administration	507,234	417,859	89,375
Total disbursements	10,187,903	9,620,898	567,005
Change in net position	\$ 4,138,153	4,760,900	(622,747)

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 balance amounted to \$248,186 as of August 31, 2024, a decrease of \$91,053 from the fund balance as of August 31, 2023. General Fund disbursements were more than total budgeted disbursements in the amount of \$75,155.

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 balance amounted to \$1,155,644 as of August 31, 2024, an increase of \$262,408 from the fund balance as of August 31, 2023. In 2024 and 2023, respectively, \$872,364, and \$948,990 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 balance amounted to \$25,664,844 as of August 31, 2024, an increase of \$3,966,798 from the fund balance as of August 31, 2023. Disbursements of \$8,742,184 were less than total budgeted disbursements of \$11,146,786 in the amount of \$2,404,602.

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 2024/2025 increased by 8.53% from the 2023/2024 property valuation.
- The Elementary Learning Centers Fund tax levy rate for 2025 remained at \$0.012577 per \$100 of assessed valuation compared to the 2024 levy rate.
- The Capital Projects Fund tax levy rate for 2025 remained at \$0.00125 per \$100 of assessed valuation compared to the 2024 levy.
- 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, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 26,292,854
Cash held by County Treasurer	<u>775,820</u>
Total assets	<u><u>\$ 27,068,674</u></u>
NET POSITION	
Restricted for:	
Leases and leasehold improvements	\$ 1,155,644
Research and evaluation	486,370
Elementary learning centers	25,178,474
Unrestricted	<u>248,186</u>
Total net position	<u><u>\$ 27,068,674</u></u>

See accompanying notes to the financial statements.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

Statement of Activities – Cash Basis

August 31, 2024

	Governmental Activities Total	FUNCTION		
		Administration	Coordinating Council	Elementary Learning Centers
DISBURSEMENTS				
Personnel services	\$ 1,569,176	507,234	--	1,061,942
Contracted/purchased services	7,569,997	--	65,623	7,504,374
Supplies and materials	22,060	--	127	21,933
Occupancy	874,656	--	--	874,656
Other	152,014	--	371	151,643
Total disbursements	10,187,903	507,234	66,121	9,614,548
RECEIPTS				
Property and other taxes	12,291,833			
State appropriations	1,187,604			
Investment earnings	831,519			
Other	15,100			
Total receipts	14,326,056			
CHANGE IN NET POSITION	4,138,153			
NET POSITION, BEGINNING OF YEAR	22,930,521			
NET POSITION, END OF YEAR	\$ 27,068,674			

See accompanying notes to the financial statements.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

Balance Sheet – Governmental Funds – Cash Basis

August 31, 2024

	Major Funds			
	General Fund	Capital Projects Fund	Elementary Learning Centers Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 248,186	1,085,534	24,959,134	26,292,854
Cash held by County Treasurer	--	70,110	705,710	775,820
Total assets	<u>\$ 248,186</u>	<u>1,155,644</u>	<u>25,664,844</u>	<u>27,068,674</u>
FUND BALANCES				
Restricted for leases and leasehold improvements	\$ --	1,155,644	--	1,155,644
Restricted for research and evaluation	--	--	486,370	486,370
Restricted for elementary learning centers	--	--	25,178,474	25,178,474
Unassigned	<u>248,186</u>	<u>--</u>	<u>--</u>	<u>248,186</u>
Total fund balances	<u>\$ 248,186</u>	<u>1,155,644</u>	<u>25,664,844</u>	<u>27,068,674</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, 2024**

	Major Funds			
	General Fund	Capital Projects Fund	Elementary Learning Centers Fund	Total Governmental Funds
RECEIPTS				
Property and other taxes	\$ --	1,102,381	11,189,452	12,291,833
State appropriations	470,000	--	717,604	1,187,604
Investment earnings	12,302	32,391	786,826	831,519
Other	--	--	15,100	15,100
Total receipts	<u>482,302</u>	<u>1,134,772</u>	<u>12,708,982</u>	<u>14,326,056</u>
DISBURSEMENTS				
Elementary learning centers	--	872,364	8,742,184	9,614,548
Coordinating Council	66,121	--	--	66,121
Administration	<u>507,234</u>	<u>--</u>	<u>--</u>	<u>507,234</u>
Total disbursements	<u>573,355</u>	<u>872,364</u>	<u>8,742,184</u>	<u>10,187,903</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(91,053)	262,408	3,966,798	4,138,153
FUND BALANCES, BEGINNING OF YEAR	<u>339,239</u>	<u>893,236</u>	<u>21,698,046</u>	<u>22,930,521</u>
FUND BALANCES, END OF YEAR	<u>\$ 248,186</u>	<u>1,155,644</u>	<u>25,664,844</u>	<u>27,068,674</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 2024). 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. 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.

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.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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 (Reissue 2024), 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(2)(f) (Cum. Supp. 2024), 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(2)(g) (Cum. Supp. 2024), 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, in accordance with State statute, to establish the tax levy, 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, 2024, per \$100 of assessed valuation, was as follows:

	Levy Rate	Amount
Capital Projects Levy	\$ 0.001250	\$ 1,119,091
Elementary Learning Center Levy	0.012577	11,259,380

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.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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, 2024, 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, 2024, the Learning Community had restricted fund balances of \$26,820,488.

Committed – This component of fund balance consists of amounts that can be used only for the specific purposes determined by a formal action of 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, 2024, the Learning Community had no committed fund balances.

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, 2024, 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. Subsequent Events

The Learning Community considered events occurring through August 15, 2025, for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Cash and Cash Equivalents

Neb. Rev. Stat. § 77-2341(1) (Reissue 2024) authorizes the Learning Community Coordinating Council to invest in the following:

[C]ertificates 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.

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 State statute. At August 31, 2024, the Learning Community had no deposits exposed to custodial credit risk.

As of August 31, 2024, the carrying amount of the Learning Community's deposits was \$8,259,241, and the bank balance was \$8,550,000. The deposits were fully collateralized as of August 31, 2024, as follows:

Insured (FDIC) or collateralized with securities held by the Learning Community	\$ 250,000
Collateralized with securities held by the pledging financial institution in the Learning Community's name	<u>8,300,000</u>
	<u>\$ 8,550,000</u>

The Learning Community also held \$18,033,613 in a Goldman Sachs Government Fund (Fund), which intends to be a government money market fund. Government money market funds are money market funds that invest at least 99.5% of their total assets in cash, U.S. Government Securities, and/or repurchase agreements that are collateralized fully by cash or U.S. Government Securities. As a government money market fund, the Fund values its securities using the amortized cost method. The Fund seeks to maintain a stable net asset value ("NAV") of \$1.00 per share. Securities held by the Fund are not held in the Learning Community's name.

3. Funds Held by County Treasurer

Funds in the amount of \$666,891, \$106,667, and \$2,262 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, 2024. These amounts are remitted to the Learning Community subsequent to year end.

4. Operating Lease Commitments

The Learning Community leases office space under various operating lease agreements that have noncancelable lease terms in excess of one year. Rental expenditures, including operating expenditures associated with the leases, for the year ended August 31, 2024, amounted to \$872,364.

The following is a schedule by year of future minimum lease payments under operating leases as of August 31, 2024, that have initial or remaining lease terms in excess of one year:

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO THE FINANCIAL STATEMENTS

(Concluded)

4. **Operating Lease Commitments** (Concluded)

<u>Year Ended August 31</u>	<u>Amount</u>
2025	\$ 583,241
2026	577,874
2027	581,555
2028	585,899
2029	588,937
2030-2033	901,737

The Learning Community leases also include provisions for the Learning Community to pay separate operating costs associated with the leases. Those costs are not included in the table above.

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 was reduced by the following amounts for the year ended August 31, 2024, 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	\$ 256,690
City of Bellevue	Tax Increment Financing	25,431

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:

	<u>Maximum Coverage</u>
General Liability Claim	\$ 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, 2024**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	
RECEIPTS				
State appropriations	\$ 470,000	470,000	470,000	--
Investment earnings	<u>30,000</u>	<u>30,000</u>	<u>12,302</u>	<u>(17,698)</u>
Total receipts	<u>500,000</u>	<u>500,000</u>	<u>482,302</u>	<u>(17,698)</u>
DISBURSEMENTS				
Coordinating Council	28,200	28,200	66,121	(37,921)
Administration	<u>470,000</u>	<u>470,000</u>	<u>507,234</u>	<u>(37,234)</u>
Total disbursements	<u>498,200</u>	<u>498,200</u>	<u>573,355</u>	<u>(75,155)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	1,800	1,800	(91,053)	(92,853)
FUND BALANCE, BEGINNING OF YEAR	<u>--</u>	<u>--</u>	<u>339,239</u>	<u>339,239</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,800</u>	<u>1,800</u>	<u>248,186</u>	<u>246,386</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, 2024

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	
RECEIPTS				
Property and other taxes	\$ 11,146,786	11,146,786	11,189,571	42,666
State appropriations	717,000	717,000	717,604	604
Investment earnings	1,283,000	1,283,000	786,826	(496,174)
Other	--	--	15,100	15,100
Total receipts	<u>13,146,786</u>	<u>13,146,786</u>	<u>12,708,982</u>	<u>(437,804)</u>
DISBURSEMENTS				
Elementary learning centers	<u>11,146,786</u>	<u>11,146,786</u>	<u>8,742,184</u>	<u>2,404,602</u>
Total disbursements	<u>11,146,786</u>	<u>11,146,786</u>	<u>8,742,184</u>	<u>2,404,602</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	2,000,000	2,000,000	3,966,798	1,966,798
FUND BALANCE, BEGINNING OF YEAR	<u>14,429,699</u>	<u>14,429,699</u>	<u>21,698,046</u>	<u>7,268,347</u>
FUND BALANCE, END OF YEAR	<u>\$ 16,429,699</u>	<u>16,429,699</u>	<u>25,664,844</u>	<u>9,235,145</u>

The accompanying notes are an integral part of this schedule.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**Other Information –
Budgetary Comparison Schedule – Capital Projects Fund
For the Year Ended August 31, 2024**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	
RECEIPTS				
Property and other taxes	\$ 1,107,900	1,107,900	1,102,381	(5,519)
Investment Earnings	<u>--</u>	<u>--</u>	<u>32,391</u>	<u>32,391</u>
Total receipts	<u>1,107,900</u>	<u>1,107,900</u>	<u>1,134,772</u>	<u>26,872</u>
DISBURSEMENTS				
Elementary Learning Centers – Lease payments	<u>874,000</u>	<u>874,000</u>	<u>872,364</u>	<u>1,636</u>
Total disbursements	<u>874,000</u>	<u>874,000</u>	<u>872,364</u>	<u>1,636</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	233,900	233,900	262,408	28,508
FUND BALANCE, BEGINNING OF YEAR	<u>643,525</u>	<u>643,525</u>	<u>893,236</u>	<u>249,711</u>
FUND BALANCE, END OF YEAR	<u>\$ 877,425</u>	<u>877,425</u>	<u>1,155,644</u>	<u>278,219</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, 2024

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
INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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 (*Government Auditing Standards*), 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, 2024, 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 August 15, 2025. The report notes that the financial statements were prepared on the cash basis of accounting.

Report on 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) 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 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, contained in Comment #1 ("Financial Statement Errors and Footnote Restatements") of the Management Letter, described below, that we consider to be a significant deficiency.

- The Learning Community did not have controls in place to ensure accurate financial reporting for the fiscal year ending August 31, 2024. Issues identified included expenses recorded in the wrong period, incorrect employee salary reporting, lack of documentation for how payroll costs were split between funds, unreported receipts, and cash balances not properly reconciled at year-end. These issues led to expenses being overstated by \$907,793 and cash balances understated by \$916,088. Additionally, the Learning Community did not properly report Lease Obligations as required by auditing standards, resulting in significant overstatements to the footnotes. The Learning Community adjusted the financial statements for the items identified.

Learning Community Response: The Learning Community agrees that policies and procedures should be improved and implemented. There have been changes to the procedures that will improve the reconciliation of accounts and accuracy for FY 2025.

Report on 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 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 Comment #5 ("Budgeted General Fund Disbursements Exceeded") of the Management Letter, and is described below:

- The Learning Community was not in compliance with the Nebraska Budget Act, as it exceeded its budgeted General Fund disbursements by \$75,155. The Nebraska Budget Act prohibits a governing body from exceeding its adopted budgeted amount.

Learning Community Response: The Learning Community is currently creating a cost allocation policy regarding expenses that will properly allocate administrative costs across the various funding streams as applicable.

Additional items

We noted certain additional items that we reported to management of the Learning Community in a separate letter dated August 15, 2025.

Learning Community's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Learning Community's responses to the findings identified in our audit and described in the accompanying management letter. The Learning Community's responses were not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 result of that testing, and not to provide an opinion on the effectiveness of the Learning Community'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.



Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska

August 15, 2025



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August 15, 2025

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, 2023, and have issued our report thereon dated August 15, 2025. 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. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. Financial Statement Errors and Footnote Restatements

During our audit of the financial statements of the Learning Community, we noted errors that resulted in significant misstatements. We proposed the Learning Community adjust its financial statements to correct the identified misstatements. These errors were due to multiple factors, including the fact that the Learning Community could not provide or produce a general ledger of transactions or account balances for the fiscal year because its accounting system had become inoperable during the fiscal year. Consequently, the Learning Community had to rely on the activity in the bank statements to produce its financial schedules, which resulted in inaccuracies. A new Finance Director was also hired during the year. The Learning Community did correct the financial statements for all proposed adjustments.

The following are the significant misstatements the Learning Community corrected:

- **Expenses Recognized in the Incorrect Period:** The Learning Community contracts with an external accounting firm to compile its financial statements. The external accounting firm relies on financial data and reports provided by the Learning Community to compile the financial statements. In reviewing the information used to compile the financial statements, the Auditor of Public Accounts (APA) noted that the reported expenses included \$1,129,871 of expenditures that had been reported previously as expenses in the financial statements for the fiscal year ending August 31, 2023. Similarly, the APA noted that the financial statements excluded \$290,759 of expenditures that were issued during the fiscal year, but were still outstanding as of August 31, 2024. These errors were due to the Learning Community's reliance on bank statement information for all expenditures and using the date an expense cleared the bank as the basis for reporting rather than the date a check or payment was issued. The table below shows the net effect of these misstatements by fund:

Fund	Over/(Under) Statement
General Fund	\$ (54)
Capital Projects Fund	347
Elementary Learning Centers Fund	838,819
Total Overstatement	\$ 839,112

- **Payroll Coding:** The Learning Community could not provide documentation to support all \$1,652,857 of payroll costs. Due to not having a general ledger for the fiscal year, the Learning Community used payroll reports to determine payroll costs. Upon request, the Learning Community obtained payroll registers from its payroll partner. Using these records, the APA observed that reported payroll costs included \$76,869 of net pay and Health Saving Account (HSA) contributions in excess of the amount included in the payroll registers. The APA also observed that health insurance premiums were overreported by \$6,712. In addition, \$100 of flex plan expenditures was recognized in the incorrect period.

Additionally, the APA noted that the Learning Community did not have policies or procedures that documented how payroll costs were allocated. Employee pay was recorded 100% to either the General Fund or the Elementary Learning Centers Fund based on job position. Administrative staff, including the CEO and the Finance Director, were paid from the General Fund, while employees of the Elementary Learning Centers or the Parent University program were paid from the Elementary Learning Centers Fund. However, the allocation of health insurance premiums between the General Fund and Elementary Learning Centers Fund did not align with the allocation of employee pay. All other payroll costs, such as vision insurance, life insurance, accidental death and dismemberment insurance, and HSA contributions, were paid from the Elementary Learning Centers Fund, even though some of those employees were paid from the General Fund. As a result, these costs were disproportionately paid from the Elementary Learning Centers Fund.

The errors noted above resulted in total payroll costs being overstated by \$83,681. The effects on both the General Fund and Elementary Learning Centers Fund are shown below:

	General Fund	Elementary Learning Centers Fund
Reported	\$ 461,652.00	\$ 1,191,205.00
Actual	507,234.00	1,061,942.00
Over/(Under) Statement	\$ (45,582.00)	\$ 129,263.00

- **Unrecognized Receipts:** During the fiscal year, the Learning Community received \$15,000 of funds from outside sources. When receipted, these funds were recorded as reductions to expenses rather than recorded as receipts. As a result, both receipts and expenditures for the Elementary Learning Centers fund were understated by \$15,000.
- **Unreconciled Cash and Cash Equivalents:** Cash and cash equivalents at August 31, 2024, were originally reported as \$25,376,766; however, this did not reconcile back to the Learning Community's bank statements at August 31, 2024. Upon confirming the amount held in the Learning Community's bank and considering reconciling items, the proper amount of cash and cash equivalents was determined to be \$26,292,854, which was \$916,088 more than originally reported. The Learning Community had not performed a reconciliation between the bank statements and the accounting system due to the latter being inoperable. Additionally, when the APA reached out for documentation of how the ending cash balance was determined, the documentation provided included an unreconciled \$77,000 variance which had not been addressed.
- **Lease Obligations:** The Learning Community's footnote for lease commitments included future amounts for non-lease components. Under the Governmental Accounting Standards Board (GASB) Codification, costs of non-lease components (e.g., maintenance costs) should be accounted for separately from lease components (e.g., rights to use a building or space). The table below shows the variances identified:

Year	Learning Community Reported Amounts	APA Calculated Amounts	Variance
FY 2025	\$ 1,067,397	\$ 583,241	\$ (484,156)
FY 2026	\$ 775,598	\$ 577,874	\$ (197,724)
FY 2027	\$ 779,279	\$ 581,555	\$ (197,724)
FY 2028	\$ 783,623	\$ 585,899	\$ (197,724)
FY 2029	\$ 768,661	\$ 588,937	\$ (179,724)
FY 2030-2033	\$ 934,691	\$ 901,737	\$ (32,954)

Governmental Accounting Standards Board (GASB) Cod. Sec. L20.164 (paragraph .164 of Section L20) states, in part, “If a lessee or lessor enters into a contract that contains both a lease component (such as the right to use a building) and a nonlease component (such as maintenance services for the building), the government should account for the lease and nonlease components as separate contracts[.]”

Good internal control and sound accounting practices require financial information to be complete and accurate. This includes procedures to ensure the financial statements, including accompanying footnotes, are correct, and adjustments are made to rectify all known significant misstatements. Without such procedures, there is an increased risk that material misstatements may occur and remain undetected.

We recommend the Learning Community strengthen procedures to ensure financial information is complete, accurate, and in accordance with accounting standards.

Learning Community Response: The Learning Community agrees that policies and procedures should be improved and implemented. There have been changes to the procedures that will improve the reconciliation of accounts and accuracy for FY 2025.

2. Lack of Documented Oversight Over Expenditures

During our testing of expenditures, the APA noted that, for 6 of 12 expenditures and 7 of 19 credit card purchases made, the Learning Community could not provide documentation to support that the Learning Community Coordinating Council (Council) had reviewed and approved the expenses. Beginning in April 2024, there was no indication in the meeting minutes that the Council was being provided with a list of monthly expenses for review and approval. Additionally, the March 2024 expenses presented to the Council did not include one expenditure tested. The Learning Community stated that the Council was presented with the monthly expenditures for review; however, this was not documented in the minutes, and no other documentation could be provided to support review and approval. Below is a summary of the expenditures tested that could not be traced to Council approval:

Vendor	Description	Date	Amount
One World Community Health Centers, Inc	Operation of South Learning Center	6/6/2024	\$ 164,839.00
Omaha Public Schools	Providing resources, programming, and support for early childhood education within Subcouncil #2	8/2/2024	\$ 156,048.43
Lund Company	Rent for Learning Community North Center	8/16/2024	\$ 109,916.95
Sarpy County Election Commission	Election costs for Coordinating Council District 6	8/15/2024	\$ 34,788.28
Stable Gray Inc.	Advertising costs	6/17/2024	\$ 19,200.00
Infinet Solutions	Laptops and setup costs	1/19/2024	\$ 16,580.00
Great Kids Inc.	Next Generation Prenatal to 36 Months Curriculum Set	3/18/2024	\$ 2,275.00

Vendor	Description	Date	Amount
Amazon	Art supplies and sensory toys for children	8/25/2024	\$ 526.66
Topgolf	Employee appreciation event	8/8/2024	\$ 389.59
Target	Socks, Beanies, and Jackets for clothing drive to support participant families	5/2/2024	\$ 346.80
Love LLC	Facilitator costs for literacy-based games, art projects, and family engagement programing for the Parent University Summer Camp	7/9/2024	\$ 330.00
Upstream Brewing	New employee lunch for newly hired finance director	7/9/2024	\$ 169.93
Adam Magic	Magician for Parent University Summer Camp outreach event	6/20/2024	\$ 106.25

Additionally, the Learning Community's accounting and policies manual requires that, for purchases of \$15,000-\$19,999.99, three bids must be obtained, and prior approval by the Council must also be expressed. For two expenditures tested that fell within this range, the Council did not have documentation to support that bidding requirements were met or prior approval was given. See details below:

Vendor	Purpose	Amount
Infinet Solutions, Inc.	Laptops	\$ 16,580
Stable Gray Inc.	Advertising	\$ 19,200

For the Stable Gray Inc. expenditure noted in the above table, no documentation was on file to show that bidding was performed prior to the payment tested in June 2024. However, the Learning Community did provide documentation that a request for proposal (RFP) was issued, and multiple bids were received and reviewed in August 2024, which included a bid from Stable Gray Inc. However, per the minutes from the Council's August 8, 2024, meeting, none of the bids were satisfactory, and the Council recommended that the Learning Community hire someone to bring advertising in-house. Per the Learning Community, no additional bids or hires were made after this meeting, and the Learning Community continues to pay Stable Gray Inc. without a formal contract or agreement.

Good internal controls and sound accounting practices require the Council to oversee the Learning Community's operations and to ensure that purchases are made in accordance with the Learning Community's policies and procedures.

We recommend the Learning Community strengthen procedures to ensure all costs are reviewed and formally approved by the Council, and purchases are made in accordance with the Learning Community's policies and procedures.

Learning Community Response: The Learning Community agrees that costs should be approved by the council. The Learning Community is currently reviewing internal policies. The Learning Community partially agrees with the finding regarding the Stable Gray payment. The current policy requires council approval for purchases above \$15,000. The amount was in excess of \$15,000 only because the payment was for 3 months of service. If the payments were paid by month, it would not have exceeded the \$15,000 limit.

3. Unauthorized Disbursements

The Learning Community made at least \$1,019 in purchases from the Elementary Learning Centers Fund that were not expressly authorized by State statute. The expenditures at issue include the following:

- A \$412 disbursement for catering 22 plates of food (approximately \$19/plate) for a Learning Community Coordinating Council (Council) meeting to approve the Learning Community's budget. The Learning Community noted that the meals were for not only the 12 members of the Council but also the Finance Director and CEO, who were also required to attend the meeting. The Learning Community could not provide documentation supporting to whom the remaining eight plates, costing \$150, were served or that it was a reasonable expense for the Learning Community.

- A \$516 disbursement for a staff appreciation event held at TopGolf on August 8, 2024. The costs included \$274 for food and non-alcoholic drinks, \$248 for the reservation, \$35 for the tip, and \$9 for pre-pay difference. The APA noted that a \$50 discount was applied to the total bill. The Learning Community provided a list of 11 employees who participated in the event; however, according to the TopGolf receipt, 13 guests attended, and the Learning Community could not explain this difference.
- A \$119 disbursement, at Plank Seafood, for lunch between the Learning Community's CEO, one Council Member, and the Council Member's husband.
- A \$170 disbursement, at Upstream Brewing, for a new hire lunch held for the Finance Director.
- One employee was reimbursed for \$64 for meals purchased for what was described as working lunches or lunches with coworkers.

Additionally, the APA reviewed the Learning Community's credit card statements and noted \$7,751 of credit card purchases made at restaurants during the fiscal year. While some of these purchases may have been related to Elementary Learning Center programs, others were for the benefit of the Learning Community's employees. The Learning Community does not have a policy that specifies when meals will be paid for Learning Community employees.

Neb. Rev. Stat. § 79-2101 (Reissue 2024) states, in part, "Learning community means a political subdivision which shares the territory of member school districts and is governed by a learning community coordinating council." (Emphasis added.)

Regarding the powers of political subdivisions, the Nebraska Supreme Court has stated the following:

Political subdivisions "'are purely entities of legislative creation. They do not exist independent of some action of the legislative department of government bringing them into being. All the powers which they can possess are derived from the creator. Unlike natural persons they can exercise no power except such as has been expressly delegated to them, or such as may be inferred from some express delegated power essential to give effect to that power."' *Metropolitan Utilities Dist. v. City of Omaha*, 171 Neb. 609, 614, 107 N.W.2d 397, 401 (1961). See, also, *Garver v. City of Humboldt*, 120 Neb. 132, 231 N.W. 699 (1930). Traditionally, Nebraska has required strict construction regarding the authority granted to a political subdivision. See *Metropolitan Utilities Dist. v. City of Omaha*, *supra*.

Nebraska League of Sav. and Loan Associations v. Johnson, 215 Neb. 19, 24, 337 N.W.2d 114, 117 (1983).

Neb. Rev. Stat. § 79-2104 (Reissue 2024) sets out the powers of the Council. Among those are making the types of disbursements specified in subsection (3) of that statute:

Levy for early childhood education programs for children in poverty, for elementary learning center employees, for contracts with other entities or individuals who are not employees of the learning community for elementary learning center programs and services, and for pilot projects pursuant to subdivision (2)(g) of section 77-3442, except that not more than ten percent of such levy may be used for elementary learning center employees;

None of the expenditures at issue appear to fall within either the above statutory language or, for that matter, any other of which the APA is aware, nor was the Learning Community able to identify express authority for them.

A similar finding was identified in the prior audit.

We recommend the Learning Community implement controls to ensure its expenditures are authorized by State statute. Furthermore, we recommend the Learning Community establish a policy that documents when the Learning Community will allow meals to be purchased for employees or when they will reimburse employees for meals.

Learning Community Response: The Learning Community partially agrees with this finding. The Learning Community is in the process of creating more policies regarding employee meals and other food items related to maintaining appropriate documentation for these disbursements. In practice, employee events are ways to retain current employees which improves the interactions with families the Learning Community serves. A meal with outside vendors or community leaders is a way to expand the reach of the Learning Community within the Omaha area. These potential new partnerships can enhance the Learning Community and could provide more opportunities for the families we serve.

4. Excess Lodging Expenses

During the period of May 28, 2024, through May 31, 2024, three members of the Learning Community Coordinating Council and three Learning Community employees attended the 2024 National Community Schools & Family Conference at the Georgia World Congress Center in Atlanta, Georgia. During this three-night stay, all six individuals booked rooms at the Hyatt Place in Atlanta Centennial Park at \$231 per night each, which resulted in total costs, including taxes, of \$4,944.

The Learning Community explained that this hotel was chosen based on proximity to the conference, as the conference hotel was booked, as well as price; however, the Learning Community could not provide any documentation to support that the hotel chosen was reasonable. The U.S. General Service Administration (GSA) per diem rate for lodging in Atlanta, Georgia, for May and June 2024, was \$173 per night, which is \$58 less per night. The lodging for the trip exceeded the GSA rate by \$1,038.

Good internal controls and sound business practices require policies and procedures to ensure that lodging rates paid by public funds are reasonable and economical, and documentation is maintained on file to support such decision.

We recommend the Learning Community strengthen procedures for ensuring documentation is maintained to support the reasonableness of hotel costs.

Learning Community Response: The Learning Community agrees that conference expenses should be reviewed for reasonableness and will keep documentation for future trips. The Learning Community strives to locate hotels with rates aligning with GSA rates but acknowledges that it may not always be possible. The hotel in question was above the GSA rate but the attendees did not need to rent vehicles for the conference, which would offset the higher costs above GSA rates.

5. Budgeted General Fund Disbursements Exceeded

The Learning Community failed to comply with the Nebraska Budget Act, as it exceeded its budgeted General Fund disbursements by \$75,155. The amount of the Learning Community's budgeted General Fund disbursements for the period September 1, 2023, to August 31, 2024, was set at \$498,200; however, the Learning Community disbursed \$573,355 from the General Fund. This is considered reportable noncompliance.

Neb. Rev. Stat. § 13-504 (Reissue 2022) states, in part, the following:

(1) Each governing body shall annually or biennially, as the case may be, prepare a proposed budget statement on forms prescribed and furnished by the auditor. The proposed budget statement shall be made available to the public by the political subdivision prior to publication of the notice of the hearing on the proposed budget statement pursuant to section 13-506. A proposed budget statement shall contain the following information, except as provided by state law:

** * * **

(b) For the current fiscal year or biennial period, actual and estimated revenue from all sources, including motor vehicle taxes, allocated to the funds and separately stated as to each such source; The actual unencumbered cash balance available at the beginning of the year or biennial period; the amount received from personal and real property taxation; and the amount of actual and estimated expenditures, whichever is applicable. Such statement shall contain the cash reserve for each fiscal year or biennial period and shall note whether or not such reserve is encumbered. Such cash reserve projections shall be based upon the actual experience of prior years or biennial periods. The cash reserve shall not exceed fifty percent of the total budget adopted exclusive of capital outlay items[.]

(Emphasis added.) Neb. Rev. Stat. § 13-510 (Reissue 2022) states the following:

Whenever during the current fiscal year or biennial period it becomes apparent to a governing body that due to unforeseen emergencies there is temporarily insufficient money in a particular fund to meet the requirements of the adopted budget of expenditures for that fund, the governing body may by a majority vote, unless otherwise provided by state law, transfer money from other funds to such fund. No expenditure during any fiscal year or biennial period shall be made in excess of the amounts indicated in the adopted budget statement, except as authorized in section 13-511, or by state law. Any officer or officers of any governing body who obligates funds contrary to the provisions of this section shall be guilty of a Class V misdemeanor.

(Emphasis added.)

We recommend the Learning Community implement procedures to ensure it does not exceed its budgeted General Fund disbursement amount. This may include reviewing its General Fund disbursements and determining whether any can be paid with its other funds.

Learning Community Response: The Learning Community is currently creating a cost allocation policy regarding expenses that will properly allocate administrative costs across the various funding streams as applicable.

* * * * *

It should be noted this letter is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the Learning Community.

Draft copies of this letter were furnished to the Learning Community to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. The formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Learning Community's internal control over financial reporting or on compliance. This letter 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. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Zachary Wells, CPA, CISA
Assistant Deputy Auditor