

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

SEPTEMBER 1, 2009 THROUGH AUGUST 31, 2010

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the Auditor of Public Accounts.**

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Issued on April 12, 2011

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

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LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

EXIT CONFERENCE

An exit conference was held April 7, 2011, with the Learning Community to discuss the results of our audit. Those in attendance for the Learning Community of Douglas and Sarpy Counties were:

NAME	TITLE
Rick Kolowski	Chair
Cathy Bradley	Treasurer
Ted Stilwill	CEO
Brian Gabriel	Accountant/Analyst
Darren Osten	CPA – Seim Johnson



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LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2010, which collectively comprise the Learning Community's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Learning Community's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities and each major fund of the Learning Community, as of August 31, 2010, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2011, 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 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Signed Original on File

April 7, 2011

Don Dunlap, CPA
Assistant Deputy Auditor

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Learning Community of Douglas and Sarpy Counties (Learning Community) provides this Management's Discussion and Analysis of its financial statements to provide a narrative overview and analysis of the financial activities for the fiscal year ended August 31, 2010 and fiscal period 2009 (January to August 2009). Please read it in conjunction with the Learning Community's financial statements, which begin on page 7.

Financial Highlights

- General Fund receipts increased from \$500,000 in fiscal period 2009 (January – August 2009) to \$2,634,542 in fiscal year 2010, while General Fund disbursements increased from \$389,766 in fiscal period 2009 (January – August 2009) to \$1,151,344 in fiscal year 2010. The Learning Community's General Fund balance increased from \$110,570 at the end of fiscal period 2009 (January to August 2009) to \$1,593,768 at the end of fiscal year 2010.
- General Fund receipts increased due to an increase in appropriations of \$500,000 from the State of Nebraska and the allocation of Educational Service Unit No. 3 and No. 19 (ESU) Core Service funding in the amount of approximately \$1,628,000 pursuant to State statute. The increase in disbursements was due primarily to increased activities of the Learning Community, including implementation of its diversity plan and the initiation of elementary learning center programs.

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 Assets – 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 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 Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Learning Community's budget for the year.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FINANCIAL ANALYSIS OF THE LEARNING COMMUNITY

Net Assets

The Learning Community's net assets reported in the Statement of Net Assets – Cash Basis represent the financial position of the Learning Community. The Learning Community's net assets at August 31, 2010 and 2009 amounted to \$3,823,621 and \$110,570, respectively. The improvement in the financial position resulted from unspent tax levies restricted for capital projects in the amount of \$2,229,853, an increase in the appropriation from the State of Nebraska, the receipt of ESU Core Service funds and monies budgeted for elementary learning center programs that remained unspent because the elementary learning centers were not fully operational as of August 31, 2010.

Governmental Activities

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

	Fiscal year ended August 31, 2010	Fiscal period ended August 31, 2009	Change from Prior Year
Receipts:			
Tax receipts	\$ 2,227,908	\$ -	\$ 2,227,908
State funding	2,628,071	500,000	2,128,071
Investing earnings	8,416	336	8,080
	<u>4,864,395</u>	<u>500,336</u>	<u>4,364,059</u>
Total Receipts			
Disbursements:			
Elementary learning centers	347,566	-	347,566
Diversity	52,394	-	52,394
Coordinating Council	277,570	142,859	134,711
Administration	473,814	246,907	226,907
	<u>1,151,344</u>	<u>389,766</u>	<u>761,578</u>
Total Disbursements			
Increase in Net Assets	<u>\$ 3,713,051</u>	<u>\$ 110,570</u>	<u>\$ 3,602,481</u>

The increase in governmental receipts in 2010 was due to an increase in the appropriation from the Nebraska Legislature, the initial receipt of ESU Core Services funding, and tax receipts received in the Capital Projects Fund from the capital projects levy of \$0.0050 per \$100 of assessed valuation restricted to fund capital projects. The increase in governmental disbursements was primarily due to the implementation of the diversity plan and the initiation of elementary learning center programs. The increase in Coordinating Council and administration disbursements reflects the fact that 2009 was an eight (8) month reporting period from the inception of the Learning Community in January 2009 while 2010 was a 12-month fiscal year.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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, and Capital Projects Fund.

General Fund – The General Fund is funded by an appropriation from the State of Nebraska and the allocation of ESU Core Services funding. The General Fund balance amounted to \$1,593,768 at August 31, 2010, an increase of \$1,483,198 from the balance at August 31, 2009, primarily due to an increased appropriation and initial receipt of ESU Core Service funds to support program activities which had not yet been implemented as of August 31, 2010. General Fund disbursements were less than total budgeted disbursements in the amount of \$1,602,454. Excess amounts are being carried over to the 2010-2011 fiscal year to fund future programs and ongoing operations of the Learning Community.

Capital Projects Fund – The capital projects fund consists of amounts received as a result of the capital projects levy in the amount of \$2,344,457, or \$0.0050 per \$100 of assessed valuation for the 2009 tax year. These funds are restricted by State statute for capital projects.

Economic Factors Bearing on the Learning Community's Future

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

- The taxable property valuation for the Learning Community for 2010/2011 increased by 0.22% from the prior year property valuation.
- Commencing with the 2010/2011 fiscal year, the levy authority of the Learning Community Coordinating Council pursuant to Neb. Rev. Stat. § 77-3442 (Cum. Supp. 2010) is as follows:
 - General Fund Common Levy (between \$0.00 and \$0.95 within the \$1.05 levy limit per \$100 of assessed valuation) to be levied and distributed to member school districts for their General Fund budgets. The General Fund Common Levy approved at a rate of \$0.95 for the 2010/2011 fiscal year is \$446,406,452.
 - Special Building Fund Common Levy (between \$0.00 and \$0.02 within the \$1.05 levy limit per \$100 of assessed valuation) to be levied and distributed to member school districts for their special building funds. There was no building fund common levy approved for the 2010/2011 fiscal year.
 - Capital Projects Levy (between \$0.00 and \$0.02 per \$100 of assessed valuation) for elementary learning center facility leases, for remodeling of leased elementary learning center facilities, and for up to fifty percent of the estimated cost for focus school or program capital projects approved by the Learning Community Coordinating Council. The Capital Projects Levy approved at a rate of \$0.00125 for the 2010/2011 fiscal year is \$587,377.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

- Elementary Learning Center Levy (between \$0.00 and \$0.01 per \$100 of assessed valuation) for elementary learning center operations, pilot projects, and employees. The Elementary Learning Center Levy approved at a rate of \$0.01 for the 2010/2011 fiscal year is \$4,699,015.

Property tax receipts raised by each levy will be disbursed or distributed pursuant to the 2010/2011 Learning Community budget.

- General Fund monies, which are received by State appropriation and allocation, are subject to modification by the Nebraska Unicameral Legislature.
- Commencing with the 2010/2011 fiscal year, the use of ESU Core Service funding is restricted to evaluation and research of Learning Community programs and may not be used for general operations.
- As a result of the receipt of notifications of recertification of property values in Douglas County, Nebraska, the Learning Community's share in tax loss for the Common Levies and the Capital Projects Levy applicable to the 2009 tax year amounts to be approximately \$606,000 and \$3,200, respectively.

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, 6949 South 110th Street, Omaha NE 68128-5721.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES
STATEMENT OF NET ASSETS - CASH BASIS
 August 31, 2010

	GOVERNMENTAL ACTIVITIES TOTAL
Assets	
Cash and Cash Equivalents	\$ 3,714,106
Cash held by County Treasurer	109,515
Total Assets	\$ 3,823,621
 Net Assets	
Restricted for:	
Capital projects	\$ 2,229,853
Unrestricted	1,593,768
Total Net Assets	\$ 3,823,621

The accompanying notes are an integral part of the financial statements.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended August 31, 2010

	Governmental Activities TOTAL	FUNCTION			Diversity
		Administration	Coordinating Council	Elementary Learning Centers	
Disbursements:					
Personal Services	\$ 392,756	\$ 177,786	\$ 214,970	\$ -	\$ -
Contracted/purchased services	378,093	232,533	15,589	85,471	44,500
Supplies and materials	13,267	13,188	79	-	-
Occupancy	30,359	28,161	-	2,198	-
Other	336,869	22,146	46,932	259,897	7,894
Total Expenses	<u>1,151,344</u>	<u>\$ 473,814</u>	<u>\$ 277,570</u>	<u>\$ 347,566</u>	<u>\$ 52,394</u>
Receipts:					
Appropriations	2,628,071				
Property and Other Taxes	2,227,908				
Unrestricted Investment Interest	8,416				
Total General Revenues	<u>4,864,395</u>				
Change in Net Assets	3,713,051				
Net Assets September 1, 2009	<u>110,570</u>				
Net Assets August 31, 2010	<u>\$ 3,823,621</u>				

The accompanying notes are an integral part of the financial statements.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
August 31, 2010

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Assets:			
Cash and Cash Equivalents	\$ 1,593,768	\$ 2,120,338	\$ 3,714,106
Cash held by County Treasurer	-	109,515	109,515
Total Assets	<u>\$ 1,593,768</u>	<u>\$ 2,229,853</u>	<u>\$ 3,823,621</u>
Fund Balance:			
Reserved for:			
Capital projects	\$ -	\$ 2,229,853	\$ 2,229,853
Unreserved	<u>1,593,768</u>	<u>-</u>	<u>1,593,768</u>
Total Fund Balances	<u>\$ 1,593,768</u>	<u>\$ 2,229,853</u>	<u>\$ 3,823,621</u>

The accompanying notes are an integral part of the financial statements.

**LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended August 31, 2010

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
RECEIPTS:			
Appropriations	\$ 2,628,071	\$ -	\$ 2,628,071
Taxes	-	2,227,908	2,227,908
Miscellaneous:			
Investment Interest	6,471	1,945	8,416
TOTAL RECEIPTS	<u>2,634,542</u>	<u>2,229,853</u>	<u>4,864,395</u>
DISBURSEMENTS BY FUNCTION:			
Current:			
Elementary Learning Centers	347,566	-	347,566
Diversity	52,394	-	52,394
Coordinating Council	277,570	-	277,570
Administrative	473,814	-	473,814
TOTAL DISBURSEMENTS	<u>1,151,344</u>	<u>-</u>	<u>1,151,344</u>
Excess of Receipts Over Disbursements	1,483,198	2,229,853	3,713,051
 FUND BALANCES, SEPTEMBER 1, 2009	 <u>110,570</u>	 <u>-</u>	 <u>110,570</u>
 FUND BALANCES, AUGUST 31, 2010	 <u><u>\$ 1,593,768</u></u>	 <u><u>\$ 2,229,853</u></u>	 <u><u>\$ 3,823,621</u></u>

The accompanying notes are an integral part of the financial statements.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2010

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 of Douglas and Sarpy Counties (Learning Community) is a tax exempt political subdivision in the State of Nebraska organized under Neb. Rev. Stat. § 79-2102 (Reissue 2008). 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 all 11 school districts headquartered in Douglas and Sarpy Counties. The Learning Community is governed by a Coordinating Council, and, with regard to each of its six Subcouncil Districts, an Achievement Subcouncil composed of the Coordinating Council 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 Assets – 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 four funds, the Common Levy General Fund, the Common Levy Special Building Fund, the General Fund, and the Capital Projects Fund. Pursuant to Neb. Rev. Stat. § 79-1073 (Cum. Supp. 2010) and Neb. Rev. Stat. § 79-1073.01 (Cum. Supp. 2010), the Common Levy General Fund tax receipts and Common Levy Special Building Fund tax receipts are distributed directly by county treasurers to member school districts rather than deposited

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

in a Learning Community depository account and distributed by the Learning Community. Because the Learning Community's financial statements are presented on a cash basis, and they are not financially accountable for these funds, the activities of the Common Levy General Fund and the Common Levy Special Building Fund are therefore not included in the financial statements of the Learning Community.

Separate columns are presented for each major governmental fund in the fund financial statements.

The Learning Community has two 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 revenues used to acquire or improve sites and/or erect, alter, or improve buildings.

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 assets 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 four 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 Nebraska Budget Act.

Public hearings are held to obtain taxpayer comments regarding the proposed budget and the budget is legally adopted by the 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 to the budget must be approved by the Coordinating Council following a hearing to obtain taxpayer comments.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Property Taxes and Common Levies

Under Neb. Rev. Stat. § 79-2104 (Cum. Supp. 2010), the Learning Community Coordinating Council has the authority to levy the following property taxes:

- Common Levy General Fund (between \$0.00 and \$0.95 within the \$1.05 levy limit as noted in Neb. Rev. Stat. § 77-3442 (Reissue 2009) per \$100 of assessed valuation) tax receipts are distributed by county treasurers directly to member school districts based upon the amount which the Coordinating Council certifies for each member school district in accordance with Neb. Rev. Stat. § 79-1073 (Reissue 2009).
- Common Levy Special Building Fund (between \$0.00 and \$0.02 within the \$1.05 levy limit as noted in Neb. Rev. Stat. § 77-3442 (Reissue 2009) per \$100 of assessed valuation) tax receipts are distributed by county treasurers directly to member school districts based upon the amount which the Coordinating Council certifies for each member school district in accordance with Neb. Rev. Stat. § 79-1073.01 (Reissue 2009).
- Capital Projects Fund levy (between \$0.00 and \$0.05 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.

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, 2010, per \$100 of assessed valuation was as follows:

	<u>Levy Rate</u>	<u>Amount</u>
Common Levy General Fund	\$ 0.95	\$ 445,446,849
Common Levy Special Building Fund	0.01	4,688,914
Capital Projects Fund levy	0.005	2,344,457

Total collections by county treasurers and distributions to the member school districts under the common levies are as follows:

	<u>General Fund Common Levy</u>	<u>Special Building Fund Common Levy</u>
Total Collections	\$ 434,894,244	\$ 4,620,663
Distributions to Member School Districts	414,089,214	4,401,669
Cash held by County Treasurers	<u>\$ 20,805,030</u>	<u>\$ 218,994</u>

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

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 Assets

Net assets of the Learning Community are classified as either:

- *Restricted expendable net assets* are noncapital net assets 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 assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt* or *restricted*.

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

H. Subsequent Events

The Learning Community considered events occurring through April 7, 2011, for recognition of disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

2. Deposits and Investments

Neb. Rev. Stat. § 79-1043 (Reissue 2008) provides that, with the approval of the Coordinating Council, that funds may be invested in securities, including repurchase agreements, the nature of which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another.

As of August 31, 2010, the carrying amount of the Learning Community's deposits was \$3,714,106 and the bank balance was \$3,741,794. The deposits were entirely insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by a local financial institution's trust department. Included in the cash balances are investments in repurchase agreements in the amount of \$1,121,308.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Funds Held by County Treasurer

Funds in the amount of \$85,695, \$23,286, and \$532 were held by the Douglas, Sarpy, and Washington County Treasurers, respectively, for the Capital Projects Fund of the Learning Community as of August 31, 2010. These amounts were remitted to the Learning Community subsequent to the year end.

4. Operating Leases

The Learning Community leases office space and equipment under various operating lease agreements which have non-cancelable lease terms in excess of one year. Rental expenditures relating to these leases for the year ended August 31, 2010, amounted to \$15,808. The following is a schedule of future minimum rentals on such leases as of August 31, 2010:

<u>Year Ending August 31,</u>	<u>Amount</u>
2011	\$ 12,162
2012	3,175
2013	<u>2,117</u>
Total future minimum rentals	<u>\$ 17,454</u>

5. Commitments and 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 include:

	<u>Maximum Coverage</u>
General Liability Claim	\$ 2,000,000
Worker's Compensation Claim	\$ 500,000

Litigation and Going Concern

Litigation challenging the constitutionality of the Common Levy General Fund and Common Levy Special Building Fund was commenced in January 2010 and dismissed for lack of jurisdiction in August 2010. Litigation challenging the constitutionality of the Common Levy General Fund and Common Levy Special Building Fund was filed in December 2010 and is currently ongoing. A finding that the common levy is unconstitutional could negatively impact the Learning Community concept.

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. Subsequent Events

Legislation

Commencing with the 2010/2011 fiscal year, the fund structure and levy authority of the Learning Community Coordinating Council was revised pursuant to Neb. Rev. Stat. § 77-3442 (Cum. Supp. 2010) as follows:

- Common Levy General Fund (between \$0.00 and \$0.95 within the \$1.05 levy limit per \$100 of assessed valuation) to be levied and distributed to member school districts for their General Fund budgets.
- Common Levy Special Building Fund (between \$0.00 and \$0.02 within the \$1.05 levy limit per \$100 of assessed valuation) to be levied and distributed to member school districts for their special building funds.
- Capital Projects Fund levy (between \$0.00 and \$0.02 per \$100 of assessed valuation) for elementary learning center facility leases, for remodeling of leased elementary learning center facilities, and for up to fifty percent of the estimated cost for focus schools or program capital projects approved by the Learning Community Coordinating Council.
- Elementary Learning Center Levy (between \$0.00 and \$0.01 per \$100 of assessed valuation) for elementary learning center operations, pilot projects and employees.

Tax Levies

As a result of the receipt of notifications of recertification of property values in Douglas County, Nebraska, the Learning Community's share in tax loss for the Common Levies and the Capital Projects Levy applicable to the 2009 tax year amounts to be approximately \$606,000 and \$3,200, respectively.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended August 31, 2010

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	
FUND BALANCE, BEGINNING OF YEAR	\$ 111,727	\$ 111,727	\$ 110,570	\$ (1,157)
RECEIPTS				
Appropriations	2,628,071	2,628,071	2,628,071	-
Investment earnings	14,000	14,000	6,471	(7,529)
Total Resources Available	<u>2,753,798</u>	<u>2,753,798</u>	<u>2,745,112</u>	<u>(8,686)</u>
DISBURSEMENTS				
Elementary Learning Centers	1,713,334	1,713,334	347,566	1,365,768
Diversity	100,000	100,000	52,394	47,606
Coordinating Council	319,174	319,174	277,570	41,604
Administrative	621,290	621,290	473,814	147,476
Total Disbursements	<u>2,753,798</u>	<u>2,753,798</u>	<u>1,151,344</u>	<u>1,602,454</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,593,768</u>	<u>\$ 1,593,768</u>

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended August 31, 2010

BUDGETARY COMPARISON SCHEDULES

GAAP Requirements

Accounting principles generally accepted in the United States of America (GAAP) requires budgetary comparison schedules for the General Fund and for each major special revenue fund that has a legally adopted annual budget. GAAP further requires the budgetary comparison schedules to 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 Coordinating Council or otherwise legally authorized.

Budgetary Process

The Learning Community is required by State law to adopt annual operating budgets at the fund level for its four 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 Nebraska Budget Act.

Public hearings are held to obtain taxpayer comments regarding the proposed budget and the budget is legally adopted by the 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 to the budget must be approved by the 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**

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

We have audited the financial statements of the governmental activities and each major fund of the Learning Community of Douglas and Sarpy Counties as of and for the year ended August 31, 2010, and have issued our report thereon dated April 7, 2011. The report notes the financial statements were prepared on the basis of cash receipts and disbursements. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Learning Community of Douglas and Sarpy Counties' internal control over financial reporting as a basis for designing our auditing procedures 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 of Douglas and Sarpy Counties' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Learning Community of Douglas and Sarpy Counties' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Learning Community of Douglas and Sarpy Counties' financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Learning Community of Douglas and Sarpy Counties' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

This report is intended solely for the information and use of management, the Learning Community of Douglas and Sarpy Counties' Coordinating Council, others within the entity, the State Legislature, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

Signed Original on File

April 7, 2011

Don Dunlap, CPA
Assistant Deputy Auditor