

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

SEPTEMBER 1, 2011 THROUGH AUGUST 31, 2012

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the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
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Issued on June 13, 2013

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 June 10, 2013, with the Learning Community of Douglas and Sarpy Counties (Learning Community) to discuss the results of our audit. Those in attendance for the Learning Community were:

NAME	TITLE
Paul Hartnett	Council Treasurer
Ted Stilwill	Chief Executive Officer
Brian Gabrial	Finance Director



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LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

INDEPENDENT AUDITORS' REPORT

Learning Community 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, 2012, 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described 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 assets and liabilities arising from cash transactions of the governmental activities and each major fund of the Learning Community as of August 31, 2012, and its revenue collected and expenses paid during the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2013, on our consideration of the Learning Community's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison information on pages 4 – 6 and 18 – 20 are not a required part of the basic financial statements but are other information. We have applied certain limited procedures to the other information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SIGNED ORIGINAL ON FILE

June 12, 2013

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 years ended August 31, 2012, and 2011. Please read it in conjunction with the Learning Community's financial statements, which begin on page 7.

Financial Highlights

- General Fund receipts increased from \$916,609 in fiscal year 2011 to \$1,027,023 in fiscal year 2012, and General Fund disbursements decreased from \$724,427 in fiscal year 2011 to \$688,202 in fiscal year 2012. The Learning Community's General Fund balance decreased from \$1,110,950 at the end of fiscal year 2011 to \$774,771 at the end of fiscal year 2012.
- General Fund receipts increased primarily due to an increase in appropriations of Educational Service Unit (ESU) No. 3 and No. 19 Core Service funding in the amount of \$110,549 for research and evaluation projects. The decrease in General Fund disbursements is due to a decrease in the amounts paid for the Learning Community Coordinating Council's salaries as a result of Nebraska Revised Statute 32-546.01, which provides per diem payments to those council members elected or appointed prior to April 6, 2010. As member's terms expired, they became no longer eligible to receive a per diem. The last Learning Community Coordinating Council members eligible to receive a per diem have their terms expire on January 3, 2013.

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 the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Other 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, 2012 and 2011 amounted to \$8,001,254 and \$7,264,650, respectively. The improvement in the financial position primarily resulted from tax levies collected to support the operation of elementary learning center programs.

Governmental Activities

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

	Fiscal year ended August 31, 2012	Fiscal year ended August 31, 2011	Change from Prior Year
Receipts:			
Tax receipts	\$ 4,773,784	\$ 5,114,445	\$ (340,661)
State funding	1,257,451	1,961,950	(704,499)
Investing earnings	32,124	23,237	8,887
Total Receipts	6,063,359	7,099,632	(1,036,273)
Disbursements:			
Elementary learning centers	4,638,553	2,934,176	1,704,377
Diversity	73,685	44,673	29,012
Coordinating Council	62,182	159,751	(97,569)
Administration	552,335	520,003	32,332
Total Disbursements	5,326,755	3,658,603	1,668,152
Increase in Net Assets	\$ 736,604	\$ 3,441,029	\$ (2,704,425)

The decrease in governmental receipts in 2012 was primarily due to tax receipts collected in the Elementary Learning Centers Fund from the levy of \$0.01 per \$100 of assessed valuation restricted for elementary learning center programs. The increase in governmental disbursements was primarily due to the increase of elementary learning center program activities.

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.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

General Fund – The General Fund is funded by appropriations from the State of Nebraska. The General Fund balance amounted to \$774,771 at August 31, 2012, a decrease of \$336,179 from the balance at August 31, 2011, primarily due to transfers of General Funds to the Elementary Learning Centers Fund in 2012. General Fund disbursements were less than total budgeted disbursements in the amount of \$300,076. Excess amounts are being carried over to the 2012-2013 fiscal year to fund future programs and ongoing operations of the Learning Community.

Capital Projects Fund – The Capital Projects Fund consists of unspent tax levies received as a result of the capital projects levy in the amount of \$587,376, or \$0.00125 per \$100 of assessed valuation for the 2010 tax year, and \$0, or \$0.00 per \$100 of assessed valuation for the 2011 tax year. These funds are restricted by State statute for capital projects and lease and leasehold improvements.

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. Elementary Learning Centers Fund balance amounted to \$4,306,154 as of August 31, 2012. Disbursements of \$4,627,376 were less than budgeted disbursements of \$6,777,985 as programs for elementary learning centers were just being established in the current fiscal year. Excess amounts are being carried over to fund program activities in future years.

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 impact the future activities of the Learning Community:

- The taxable property valuation for the Learning Community for 2012/2013 increased by 1.02% from the prior year property valuation.
- General Fund monies, which are received through State appropriations, are subject to modification by the Nebraska Unicameral Legislature.

Contacting the Learning Community's Financial Management

This financial report is designed to provide the citizens, taxpayers, legislators, and member school districts with a general overview of the Learning Community's finances and to demonstrate the Learning Community's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Learning Community of Douglas and Sarpy Counties, 6949 South 110th Street, Omaha NE 68128-5721.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

Statement of Net Assets – Cash Basis
August 31, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 5,191,299
Cash held by County Treasurer	281,913
Short term investments	<u>2,530,330</u>
Total assets	<u>\$ 8,003,542</u>
LIABILITIES	
Cash due to County Treasurer	<u>\$ 2,288</u>
NET ASSETS	
Restricted for:	
Capital projects	2,340,162
Leases and leasehold improvements	580,167
Research and evaluation	186,322
Elementary learning centers	4,215,591
Unrestricted	<u>679,012</u>
Total net assets	<u>8,001,254</u>
Total liabilities and net assets	<u>\$ 8,003,542</u>

See accompanying notes to the financial statements

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

Statement of Activities – Cash Basis
For the Year Ended August 31, 2012

	Governmental Activities Total	Administration	Coordinating Council	Elementary Learning Centers	Diversity
DISBURSEMENTS					
Personal services	\$ 454,811	322,019	28,420	104,372	--
Contracted/purchased services	4,732,699	134,936	6,050	4,518,028	73,685
Supplies and materials	7,711	7,711	--	--	--
Occupancy	47,288	30,632	5,479	11,177	--
Other	84,246	57,037	22,233	4,976	--
Total disbursements	<u>5,326,755</u>	<u>552,335</u>	<u>62,182</u>	<u>4,638,553</u>	<u>73,685</u>
RECEIPTS					
Property and other taxes	4,773,784				
State appropriations	1,257,451				
Investment earnings	32,124				
Total operating receipts	<u>6,063,359</u>				
CHANGE IN NET ASSETS	736,604				
NET ASSETS, BEGINNING OF YEAR	<u>7,264,650</u>				
NET ASSETS, END OF YEAR	<u>\$ 8,001,254</u>				

See accompanying notes to the financial statements

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

Balance Sheet – Governmental Funds – Cash Basis
For the Year Ended August 31, 2012

	General Fund	Capital Projects Fund	Elementary Learning Centers Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 269,362	897,696	4,024,241	5,191,299
Cash held by County Treasurer	--	--	281,913	281,913
Short term investments	505,409	2,024,921	--	2,530,330
Total assets	<u>\$ 774,771</u>	<u>2,922,617</u>	<u>4,306,154</u>	<u>8,003,542</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Cash due to County Treasurer	\$ --	2,288	--	2,288
FUND BALANCES				
Restricted for capital projects	\$ --	2,340,162	--	2,340,162
Restricted for leases and leasehold improvements	--	580,167	--	580,167
Restricted for research and evaluation	95,759	--	90,563	186,322
Restricted for elementary learning centers use	--	--	4,215,591	4,215,591
Unassigned	679,012	--	--	679,012
Total fund balances	<u>774,771</u>	<u>2,920,329</u>	<u>4,306,154</u>	<u>8,001,254</u>
Total liabilities and fund balances	<u>\$ 774,771</u>	<u>2,922,617</u>	<u>4,306,154</u>	<u>8,003,542</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, 2012**

	General Fund	Capital Projects Fund	Elementary Learning Centers Fund	Total Governmental Funds
RECEIPTS				
Property and other taxes	\$ --	24,037	4,749,747	4,773,784
State appropriations	1,017,275	--	240,176	1,257,451
Investment earnings	9,748	18,501	3,875	32,124
Total receipts	<u>1,027,023</u>	<u>42,538</u>	<u>4,993,798</u>	<u>6,063,359</u>
DISBURSEMENTS				
Elementary learning centers	--	11,177	4,627,376	4,638,553
Diversity	73,685	--	--	73,685
Coordinating council	62,182	--	--	62,182
Administrative	552,335	--	--	552,335
Total disbursements	<u>688,202</u>	<u>11,177</u>	<u>4,627,376</u>	<u>5,326,755</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	338,821	31,361	366,422	736,604
OTHER FINANCING SOURCES (USES)				
Transfers	<u>(675,000)</u>	<u>--</u>	<u>675,000</u>	<u>--</u>
EXCESS OF RECEIPTS AND TRANSFERS IN OVER (UNDER) DISBURSEMENTS AND TRANSFERS OUT	(336,179)	31,361	1,041,422	736,604
FUND BALANCES, BEGINNING OF YEAR	<u>1,110,950</u>	<u>2,888,968</u>	<u>3,264,732</u>	<u>7,264,650</u>
FUND BALANCES, END OF YEAR	<u>\$ 774,771</u>	<u>2,920,329</u>	<u>4,306,154</u>	<u>8,001,254</u>

See accompanying notes to the financial statements

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2012

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. 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 the Learning Community Coordinating Council, 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 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 five funds, the General Fund Common Levy Fund, the Special Building Fund Common Levy Fund, the General Fund, the Capital Projects Fund, and the Elementary Learning Centers Fund. Pursuant to Neb. Rev. Stat. § 79-1073 (Cum. Supp. 2012) and § 79-1073.01 (Cum. Supp. 2012), General Fund Common Levy tax receipts and Special Building Fund Common Levy tax receipts are distributed directly by county treasurers to member school districts

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

rather than deposited in the Learning Community depository account and distributed by the Learning Community. Because the Learning Community's financial statements are presented on a cash basis, the activities of the General Fund Common Levy and Special Building Fund Common Levy funds 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 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 revenues 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 revenue 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 of 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 five 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 and Common Levies

Under Neb. Rev. Stat. § 79-2104 (Cum. Supp. 2012), the Learning Community Coordinating Council has the authority to levy the following property taxes:

- General Fund Common Levy (between \$0.00 and \$0.95 within the \$1.05 levy limit as noted in Neb. Rev. Stat. § 77-3442 (Cum. Supp. 2012) per \$100 of assessed valuation). General Fund Common Levy tax receipts are distributed by county treasurers directly to member school districts based upon the amount which the Learning Community Coordinating Council certifies for each member school district in accordance with Neb. Rev. Stat. § 79-1073 (Cum. Supp. 2012).
- Special Building Fund Common Levy (between \$0.00 and \$0.02 within the \$1.05 levy limit as noted in Neb. Rev. Stat. § 77-3442 (Cum. Supp. 2012) per \$100 of assessed valuation). Special Building Fund Common Levy tax receipts are distributed by county treasurers directly to member school districts based upon the amount which the Learning Community Coordinating Council certifies for each member school district in accordance with Neb. Rev. Stat. § 79-1073.01 (Cum. Supp. 2012).
- Capital Projects Levy (between \$0.00 and \$0.02 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 \$0.01 per \$100 of assessed valuation) for elementary learning center operations, pilot projects, and employees.

The property tax requirement resulting from the budgeting process is utilized to establish the tax levy in accordance with State statutes, which attaches as an enforceable lien on the property within the Learning Community as of December 31. Taxes are due as of that date. One-half of the real estate taxes become delinquent after the following April 1 and the second one-half is delinquent after August 1. The combined tax levy of the Learning Community for the year ended August 31, 2012, per \$100 of assessed valuation was as follows:

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

	<u>Levy Rate</u>	<u>Amount</u>
General Fund Common Levy	\$ 0.95	\$ 451,688,664
Special Building Fund Common Levy	0.00	-
Capital Projects Levy	0.00	-
Elementary Learning Center Levy	0.01	4,754,618

Total receipts by County Treasurers and distributions to the member school districts under the common levies for the year ended August 31, 2012, are as follows:

	<u>General Fund Common Levy</u>	<u>Special Building Fund Common Levy</u>
Cash held by County Treasurers, August 31, 2011	\$ 8,095,989	\$ (1,029)
Total Collections, net of 1%		
County Treasurer commission	464,548,181	(2,793)
Less distributions to member school districts	<u>(467,326,962)</u>	<u>(970)</u>
Cash held by County Treasurers, August 31, 2012	<u>\$ 5,317,208</u>	<u>\$ (2,852)</u>

F. Cash and Cash Equivalents

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

G. Investments

Investments, which consist of certificates of deposit, are measured at cost, which approximates fair value in the balance sheet. Investment income is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

H. Net Assets

Net assets of the Learning Community are classified in two components:

- *Restricted 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 *restricted*.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

I. 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, 2012, 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, 2012, the Learning Community had restricted fund balances of \$7,322,242.

Committed – This component of fund balance consist of amounts that can be used only for the specific purposes determined by a formal action by the Learning Community Coordinating Council. Commitments may be changed or lifted only by the Learning Community Coordinating Council taking the same formal action that imposed the constraint originally. At August 31, 2012, 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, 2012, 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.

J. Use of Estimates

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

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

K. Subsequent Events

The Learning Community considered events occurring through June 12, 2013, 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) provide that, with the approval of the Learning Community Coordinating Council, 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.

Deposits

As of August 31, 2012, the carrying amount of the Learning Community's deposits was \$5,191,299 and the bank balance was \$5,648,232. The deposits were not entirely insured by the FDIC or collateralized with securities held by a local financial institution's trust department during the year.

Investments

Investments, consisting of certificates of deposit amounted to \$2,530,330 at August 31, 2012.

Credit Risk – Custodial credit risk is the risk that in event of a bank failure, the Learning Community's deposits may not be returned. The Learning Community does not have a formal deposit policy for custodial credit risk beyond requirements set forth by the State statutes. At August 31, 2012, the Learning Community had deposits exposed to custodial credit risk.

Interest Rate Risk – The Learning Community has a formal investment policy that staggers the maturity dates of certificates of deposit as a means of meeting short and long-term cash obligations and managing its exposure to fair value losses arising from changes in interest rates. The average duration of the certificates of deposit as of August 31, 2012, is 12 months, with varying maturity dates.

3. **Funds Held by County Treasurer**

Funds in the amount of \$234,261, \$44,151, and \$1,213 were held by the Douglas, Sarpy, and Washington County Treasurers, respectively, for the Capital Projects and Elementary Learning Centers funds of the Learning Community as of August 31, 2012. These amounts are remitted to the Learning Community subsequent to year end.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

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, 2012, amounted to \$21,399.

Future minimum rentals on such leases as of August 31, 2012, amount to \$11,104 payable in the fiscal year ending August 31, 2013.

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 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	\$ 1,000,000
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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE, BEGINNING OF YEAR	\$ 1,111,502	1,111,502	1,110,950	(552)
RECEIPTS				
State appropriations	1,017,275	1,017,275	1,017,275	--
Investment earnings	9,000	9,000	9,748	748
Total receipts	1,026,275	1,026,275	1,027,023	748
DISBURSEMENTS				
Diversity	175,000	175,000	73,685	101,315
Coordinating council	112,780	112,780	62,182	50,598
Administrative	700,498	700,498	552,335	148,163
Total disbursements	988,278	988,278	688,202	300,076
OTHER FINANCING USES				
Transfers to Elementary Learning Center Fund	(675,000)	(675,000)	(675,000)	--
NET CHANGE IN FUND BALANCE	(637,003)	(637,003)	(336,179)	300,824
FUND BALANCE, END OF YEAR	\$ 474,499	474,499	774,771	300,272

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**Other Information -
Budgetary Comparison Schedule – Elementary Learning Centers Fund
For the Year Ended August 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
FUND BALANCE, BEGINNING OF YEAR	\$ 3,451,380	3,451,380	3,264,732	(186,648)
RECEIPTS				
Property taxes	4,707,072	4,707,072	4,749,747	42,675
State appropriations	240,176	240,176	240,176	--
Investment earnings	12,000	12,000	3,875	(8,125)
Total receipts	<u>4,959,248</u>	<u>4,959,248</u>	<u>4,993,798</u>	<u>34,550</u>
DISBURSEMENTS				
Elementary learning centers	<u>6,777,985</u>	<u>6,777,985</u>	<u>4,627,376</u>	<u>2,150,609</u>
Total disbursements	<u>6,777,985</u>	<u>6,777,985</u>	<u>4,627,376</u>	<u>2,150,609</u>
OTHER FINANCING SOURCES				
Transfers from General Fund	675,000	675,000	675,000	--
NET CHANGE IN FUND BALANCE	<u>(1,143,737)</u>	<u>(1,143,737)</u>	<u>1,041,422</u>	<u>2,185,159</u>
FUND BALANCE, END OF YEAR	\$ <u><u>2,307,643</u></u>	<u><u>2,307,643</u></u>	<u><u>4,306,154</u></u>	<u><u>1,998,511</u></u>

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO OTHER INFORMATION

For the Year Ended August 31, 2012

BUDGETARY COMPARISON SCHEDULES

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 five 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.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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**

Learning Community 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 (Learning Community) as of and for the year ended August 31, 2012, and have issued our report thereon dated June 12, 2013. 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

Management of the Learning Community is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Learning Community's 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Learning Community's 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 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.

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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Learning Community's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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's Coordinating Council, others within the entity, the State Legislature, and the appropriate Federal and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

SIGNED ORIGINAL ON FILE

June 12, 2013

Don Dunlap, CPA
Assistant Deputy Auditor