

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

SEPTEMBER 1, 2012 THROUGH AUGUST 31, 2013

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the Auditor of Public Accounts.**

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Issued on April 8, 2014

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 March 21, 2014, 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 AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the Learning Community's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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, 2013, and its revenue collected and expenses paid during the year then ended, in accordance with the cash basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Learning Community's basic financial statements. The Management's Discussion and Analysis and Budgetary Comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2014, on our consideration of the Learning Community's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Learning Community's internal control over financial reporting and compliance.

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 opinion is not modified with respect to this matter.

April 4, 2014



Kris Kucera, CPA, CFE
Audit Manager

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

The 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, 2013 and 2012. Please read it in conjunction with the Learning Community's financial statements, which begin on page 8.

Financial Highlights

- General Fund receipts decreased from \$1,027,023 in fiscal year 2012 to \$939,689 in fiscal year 2013, and General Fund disbursements increased from \$688,202 in fiscal year 2012 to \$1,017,948 in fiscal year 2013. The Learning Community's General Fund balance decreased from \$774,771 at the end of fiscal year 2012 to \$696,512 at the end of fiscal year 2013.
- The decrease in General Fund receipts is due to fewer research and evaluation restricted funds allocated to the General Fund. The increase in General Fund disbursements is due to the inclusion of administrative costs of the elementary learning centers in the General Fund budget in 2013 and increased legal fees incurred for lease negotiations for elementary learning centers. Additional costs were also incurred for community relations.

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 statements by providing information about the most significant funds. The fund financial statements of the Learning Community only include governmental activities. The Learning Community has no business type (proprietary) or fiduciary funds.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- The Budgetary 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 Position

The Learning Community's net position reported in the Statement of Net Position – Cash Basis represent the financial position of the Learning Community. The Learning Community's net position at August 31, 2013 and 2012 amounted to \$7,694,941 and \$8,001,254, respectively. The decrease in the financial position resulted from the use of \$377,706 of Capital Projects Funds for elementary learning center leases and leasehold improvements.

Governmental Activities

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

	Fiscal year ended <u>August 31, 2013</u>	Fiscal year ended <u>August 31, 2012</u>	Change from <u>Prior Year</u>
Receipts:			
Tax receipts	\$ 4,779,447	\$ 4,773,784	\$ 5,663
State funding	1,302,597	1,257,451	45,146
Investing earnings	<u>16,242</u>	<u>32,124</u>	<u>(15,882)</u>
Total Receipts	<u>6,098,286</u>	<u>6,063,359</u>	<u>34,927</u>
Disbursements:			
Elementary learning centers	5,386,651	4,638,553	748,098
Diversity	80,865	73,685	7,180
Coordinating Council	67,155	62,182	4,973
Administration	<u>869,928</u>	<u>552,335</u>	<u>317,593</u>
Total Disbursements	<u>6,404,599</u>	<u>5,326,755</u>	<u>1,077,844</u>
Increase (decrease) in Net Assets	<u>\$ (306,313)</u>	<u>\$ 736,604</u>	<u>\$ (1,042,917)</u>

The increase in governmental disbursements was primarily due to the increase of elementary learning center program activities, leases and leasehold improvements.

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 \$696,512 at August 31, 2013, a decrease of \$78,259 from the fund balance at August 31, 2012, primarily due to increased General Fund disbursements for elementary learning center administration costs, legal costs, and community relations. General Fund disbursements were less than total budgeted disbursements in the amount of \$122,866. Excess amounts are being carried over to the 2013-2014 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 received in prior tax years. There were no taxes levied for the Capital Projects Fund for 2013. These funds are restricted by State statute for capital projects and lease and leasehold improvements. In 2013, \$377,706 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 \$4,447,927 as of August 31, 2013. Disbursements of \$5,008,945 were less than budgeted disbursements of \$7,045,667, as programs for elementary learning centers continue to be more established. 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 2013/2014 increased by .86% from the prior year property valuation.
- The General Fund Common Levy Fund tax levy rate for 2014 is consistent with the 2013 levy rate at \$0.95 per \$100 of assessed valuation.
- The Elementary Learning Center Fund tax levy approved for 2014 is consistent with the 2013 levy rate at \$0.01 per \$100 of assessed valuation.
- There was no tax levy approved for 2014 for the Special Building Fund Common Levy or the Capital Projects Fund.
- Under LB 585 (2013), for tax years beginning in 2014, the authorized levy rates of the Learning Community were amended as follows:
 - Capital Projects Levy was decreased to between \$0.00 and \$0.005 per \$100 of assessed valuation.
 - Elementary Learning Center Levy was increased to between \$0.00 and \$0.015 per \$100 of assessed valuation.
- General Fund monies, which are received through state appropriations, are subject to modification by the Nebraska Unicameral Legislature.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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, 6818 Grover Street, Suite 304, Omaha NE, 68106.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

Statement of Net Position – Cash Basis
August 31, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,945,272
Cash held by County Treasurer	223,327
Short term investments	<u>2,540,743</u>
Total assets	<u>\$ 7,709,342</u>
LIABILITIES	
Cash due to County Treasurer	\$ <u>14,401</u>
NET POSITION	
Restricted for:	
Leases and leasehold improvements	2,550,502
Research and evaluation	227,965
Elementary learning centers	4,336,815
Unrestricted	<u>579,659</u>
Total net position	<u>7,694,941</u>
Total liabilities and net position	<u>\$ 7,709,342</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, 2013

	Governmental Activities Total	FUNCTION			
		Administration	Coordinating Council	Elementary Learning Centers	Diversity
DISBURSEMENTS					
Personnel services	\$ 461,662	454,557	7,105	--	--
Contracted/purchased services	5,434,717	306,396	38,511	5,008,945	80,865
Supplies and materials	6,681	6,681	--	--	--
Occupancy	434,354	45,943	10,705	377,706	--
Other	67,185	56,351	10,834	--	--
Total disbursements	<u>6,404,599</u>	<u>869,928</u>	<u>67,155</u>	<u>5,386,651</u>	<u>80,865</u>
RECEIPTS					
Property and other taxes	4,779,447				
State appropriations	1,302,597				
Investment earnings	16,242				
Total receipts	<u>6,098,286</u>				
CHANGE IN NET POSITION	(306,313)				
NET POSITION, BEGINNING OF YEAR	<u>8,001,254</u>				
NET POSITION, END OF YEAR	<u>\$ 7,694,941</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, 2013

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Elementary Learning Centers Fund	
ASSETS				
Cash and Cash Equivalents	\$ 188,817	531,855	4,224,600	\$ 4,945,272
Cash held by County Treasurer	-	-	223,327	223,327
Short term investments	507,695	2,033,048	-	2,540,743
Total assets	<u>\$ 696,512</u>	<u>2,564,903</u>	<u>4,447,927</u>	<u>7,709,342</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Cash due to County Treasurer	\$ -	14,401	-	14,401
Total liabilities	<u>-</u>	<u>14,401</u>	<u>-</u>	<u>14,401</u>
FUND BALANCES				
Restricted for leases and leasehold improvements	-	2,550,502	-	2,550,502
Restricted for research and evaluation	116,853	-	111,112	227,965
Restricted for elementary learning centers use	-	-	4,336,815	4,336,815
Unassigned	579,659	-	-	579,659
Total fund balances	<u>696,512</u>	<u>2,550,502</u>	<u>4,447,927</u>	<u>7,694,941</u>
Total liabilities and fund balances	<u>\$ 696,512</u>	<u>2,564,903</u>	<u>4,447,927</u>	<u>7,709,342</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, 2013

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Elementary Learning Centers Fund	
RECEIPTS				
Property and other taxes	\$ --	(1,145)	4,780,592	4,779,447
State appropriations	936,516	--	366,081	1,302,597
Investment earnings	3,173	9,024	4,045	16,242
Total receipts	<u>939,689</u>	<u>7,879</u>	<u>5,150,718</u>	<u>6,098,286</u>
DISBURSEMENTS				
Elementary learning centers	--	377,706	5,008,945	5,386,651
Diversity	80,865	--	--	80,865
Coordinating council	67,155	--	--	67,155
Administrative	869,928	--	--	869,928
Total disbursements	<u>1,017,948</u>	<u>377,706</u>	<u>5,008,945</u>	<u>6,404,599</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(78,259)	(369,827)	141,773	(306,313)
FUND BALANCES, BEGINNING OF YEAR	<u>774,771</u>	<u>2,920,329</u>	<u>4,306,154</u>	<u>8,001,254</u>
FUND BALANCES, END OF YEAR	<u>\$ 696,512</u>	<u>2,550,502</u>	<u>4,447,927</u>	<u>7,694,941</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 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 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 Position – Cash Basis and the Statement of Activities – Cash Basis, which present information about the Learning Community as a whole. The statements present the Learning Community's financial statements as governmental activities. The Learning Community has no business type or fiduciary activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Fund Financial Statements. Fund financial statements report information about the Learning Community's funds. The Learning Community consists of 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 rather than deposited in a Learning Community depository account and distributed by the Learning Community. The activities of the General Fund Common Levy and the

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Special Building Fund Common Levy funds are not included in the financial statements of the Learning Community because no activity is recorded to 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 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 position and fund balances are considered a measurement of "available cash and investments." The activities reported focus on cash received and cash disbursed.

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

D. Budget Process

The Learning Community is required by State law to adopt annual operating budgets at the fund level for its 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

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 (Supp. 2013), 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 (Supp. 2013), 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.
- 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, 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.
- 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. Under LB 585 (2013), for tax years beginning in 2014, the Capital Projects Levy was amended to between \$0.00 and 0.005 per \$100 of assessed valuation.
- Elementary Learning Center Levy (between \$0.00 and \$0.01 per \$100 of assessed valuation) for elementary learning center operations, pilot projects, and employees. Under LB 585 (2013), for tax years beginning in 2014, the Elementary Learning Center Levy was amended to between \$0.00 and \$0.015 per \$100 of assessed valuation.

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 half is delinquent after August 1. The combined tax levy of the Learning Community for the year ended August 31, 2013, 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	\$ 456,296,965
Special Building Fund Common Levy	0.00	--
Capital Projects Levy	0.00	--
Elementary Learning Center Levy	0.01	4,803,126

Total receipts by county treasurers and distributions to the member school districts under the common levies for the year ended August 31, 2013, are as follows:

	<u>General Fund Common Levy</u>	<u>Special Building Fund Common Levy</u>
Cash held by county treasurers, August 31, 2012	\$ 5,317,208	\$ (2,852)
Total Collections, net of 1% county treasurer commission	468,552,679	(1,169)
Less distributions to member school districts	<u>(467,271,657)</u>	<u>(368)</u>
Cash held by county treasurers, August 31, 2013	<u>\$ 6,598,230</u>	<u>\$ (4,389)</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 Statement of Net Position. Investment income consists of interest on cash and certificates of deposit and is included in the excess of receipts over (under) disbursements.

H. 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*.

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, 2013, 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, 2013, the Learning Community had restricted fund balances of \$7,115,282.

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 District taking the same formal action that imposed the constraint originally. At August 31, 2013, 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, 2013, 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. Change in Accounting Principle

During 2013, the Learning Community adopted the provisions of GASB Statement No. 63. GASB Statement No. 63 required additional changes, such as now referring to “Net Assets” as “Net Position” on the Statement of Net Position.

L. Subsequent Events

The Learning Community considered events occurring through April 4, 2014 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. § 77-2341 (Reissue 2009) provides that the Learning Community Coordinating Council may invest “in certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act and as provided in the authorized investment guidelines of the Nebraska Investment Council in effect on the date of the investment is made.”

Deposits

As of August 31, 2013, the carrying amount of the Learning Community’s deposits was \$4,945,272, and the bank balance was \$5,468,873. At times during the year, the deposits were not entirely insured by the FDIC or collateralized with securities held by a local financial institution’s trust department. The deposits were fully collateralized at August 31, 2013.

Investments

Investments, consisting of certificates of deposit, amounted to \$2,540,743 at August 31, 2013.

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, 2013, the Learning Community has no 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, 2013, is 12 months, with varying maturity dates.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Funds Held by County Treasurer**

Funds in the amount of \$159,592, \$48,082, and \$1,252 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, 2013. 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, which have non-cancelable lease terms in excess of one year. Rental expenditures relating to these leases for the year ending August 31, 2013, amounted to \$26,585.

The following is a schedule by year of future minimum lease payments under operating leases as of August 31, 2013, that have initial or remaining lease terms in excess of one year:

<u>Year Ending August 31,</u>	<u>Amount</u>
2014	\$ 121,641
2015	124,068
2016	106,656
2017	108,780
2018	110,964

The Learning Community has entered into a lease for a new learning center. The lease agreement includes an estimated possession date of September 1, 2014, with a term of 120 months and three weeks. The lease is for property that has not yet been built and is based on estimated amounts of base rent and additional rent with options to terminate due to timing of possession or high costs. The estimated lease payments for the next 11 years are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2014	\$ -
2015	522,800
2016	522,800
2017	522,800
2018	522,800
2019-2023	2,774,000
2024	562,800

5. **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

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. Contingencies (Concluded)

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 the Learning Community's inception in January 2009. Significant coverage includes:

		Maximum Coverage
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, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
RECEIPTS				
State appropriations	\$ 936,516	936,516	936,516	--
Investment earnings	1,500	1,500	3,173	1,673
Total receipts	938,016	938,016	939,689	1,673
DISBURSEMENTS				
Diversity	178,000	178,000	80,865	(97,135)
Coordinating council	84,141	84,141	67,155	(16,986)
Administrative	878,673	878,673	869,928	(8,745)
Total disbursements	1,140,814	1,140,814	1,017,948	(122,866)
OTHER FINANCING USES				
Transfers to Elementary Learning Center Fund	(75,000)	(75,000)	--	75,000
NET CHANGE IN FUND BALANCE	(277,798)	(277,798)	(78,259)	199,539
FUND BALANCE, BEGINNING OF YEAR	774,660	774,660	774,771	111
FUND BALANCE, END OF YEAR	\$ 496,862	496,862	696,512	199,650

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

Other Information -
Budgetary Comparison Schedule – Elementary Learning Centers Fund
 For the Year Ended August 31, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
RECEIPTS				
Property taxes	\$ 4,755,095	4,755,095	4,780,592	25,497
State appropriations	366,081	366,081	366,081	--
Investment earnings	7,500	7,500	4,045	(3,455)
Total receipts	<u>5,128,676</u>	<u>5,128,676</u>	<u>5,150,718</u>	<u>22,042</u>
DISBURSEMENTS				
Elementary learning centers	7,045,667	7,045,667	5,008,945	(2,036,722)
Total disbursements	<u>7,045,667</u>	<u>7,045,667</u>	<u>5,008,945</u>	<u>(2,036,722)</u>
OTHER FINANCING SOURCES				
Transfers from General Fund	<u>75,000</u>	<u>75,000</u>	<u>--</u>	<u>(75,000)</u>
NET CHANGE IN FUND BALANCE	(1,841,991)	(1,841,991)	141,773	1,983,764
FUND BALANCE, BEGINNING OF YEAR	<u>4,263,432</u>	<u>4,263,432</u>	<u>4,306,154</u>	<u>42,722</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,421,441</u>	<u>2,421,441</u>	<u>4,447,927</u>	<u>2,026,486</u>

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO OTHER INFORMATION

For the Year Ended August 31, 2013

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.



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LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Learning Community of Douglas and Sarpy Counties (Learning Community) as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the Learning Community's basic financial statements, and have issued our report thereon dated April 4, 2014. The report notes the financial statements were prepared on the cash basis of accounting.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

April 4, 2014



Kris Kucera, CPA, CFE
Audit Manager