

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

**SEPTEMBER 1, 2014 THROUGH AUGUST 31, 2015**

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**Issued on May 18, 2016**

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 28, 2016, with the Learning Community of Douglas and Sarpy Counties (Learning Community) to discuss the results of our examination. Those in attendance for the Learning Community were:

<b>NAME</b>	<b>TITLE</b>
David Moon	Finance Director
Keith Rohwer	Interim Chief Executive Officer
Blaine McCulloh	Learning Community Council Treasurer

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**COMMENT AND RECOMMENDATION**

**Financial Statement Issues**

A good internal control plan and sound accounting practices require financial information to be complete and accurate. This includes procedures to ensure the financial statements are correct.

The financial statements were not received timely. The Learning Community's financial statements were compiled by an accounting firm. The Auditor of Public Accounts (APA) then audited those financial statements. We initially asked for the financial statements on January 22, 2016. However, the financials were not received until almost two months later, on March 16, 2016.

Also, during our audit, we noted several errors in the compiled financial statements. Errors on the financial statements ranged from an understatement of \$306,889 to an overstatement of \$316,767. We also noted several errors in the footnotes to the financial statements ranging from an understatement of \$23,275,202 to an overstatement of \$40,330,921. Furthermore, the calculation of the Budgetary Comparison Schedules was incorrect, the wrong address of the Learning Community was listed, and there were inaccurate statements in the Management's Discussion and Analysis. The Learning Community made all of the APA's proposed adjustments.

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

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

*Learning Community Response: The Learning Community has established an updated process to provide for timely reporting going forward. Regarding the understatement of \$306,889 and the overstatement of \$316,767, the Learning Community, in conjunction with the APA's review, has adjusted the fund variance and account variance accordingly. Due to a reporting variance on the county treasurer's monthly report, the General Fund Common Levy Fund amounts were understated by \$23,275,202 and overstated by \$40,330,921. The Learning Community has established a process to confirm annually with the county treasurers the levy amounts collected and distributed to the respective school districts. The Learning Community corrected the reporting variances identified by the APA and has already established processes and controls to ensure future accuracy in reporting.*

**APA Response: The financial statements reported herein have been adjusted to include all of the APA's proposed adjustments.**



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

### **INDEPENDENT AUDITOR'S REPORT**

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

#### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities and each major fund of the Learning Community of Douglas and Sarpy Counties (Learning Community), as of and for the year ended August 31, 2015, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Learning Community's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the

Learning Community's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities and each major fund of the Learning Community as of August 31, 2015, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

### ***Basis of Accounting***

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

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole 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.

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 such information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2016, 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.



Kris Kucera, CPA, CFE  
Audit Manager

May 9, 2016

## 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 as of and for the fiscal years ended August 31, 2015 and 2014. Please read it in conjunction with the Learning Community's financial statements, which begin on page 8.

#### Financial Highlights

- General Fund receipts remained consistent for the years ended August 31, 2015 and 2014, with receipts of \$727,523 and \$727,835, respectively. General Fund disbursements decreased from \$828,725 in fiscal year 2014 to \$796,967 in fiscal year 2015. The Learning Community's General Fund balance decreased from \$595,622 at the end of fiscal year 2014 to \$526,178 at the end of fiscal year 2015.
- Elementary Learning Center Fund receipts increased for the year ended August 31, 2015, compared to the year ended August 31, 2014, with receipts of \$5,483,795 and \$5,274,370, respectively, due primarily to increases in property tax receipts due to increased property valuations for 2015. The increase in Elementary Learning Center Fund disbursements is due to the expanded programming with the establishment of the Learning Community Center of North Omaha in January 2015, as well as other expanded program offerings.

#### Using This Annual Report

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Learning Community's financial activities.
- The Government-Wide financial statements consist of a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis. These statements provide information about the activities of the Learning Community as a whole and present an overall view of the Learning Community's finances.
- The Fund financial statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the Learning Community's operations in more detail than the Government-wide financial statements by providing information about the most significant funds. The Fund financial statements of the Learning Community only include governmental activities. The Learning Community has no business type (proprietary) or fiduciary funds.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- The Budgetary 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 represents the financial position of the Learning Community. The Learning Community's net position at August 31, 2015 and 2014, amounted to \$6,560,351 and \$8,170,352, respectively. The decrease in the financial position resulted primarily from an increase of expenditures in the Elementary Learning Centers Fund.

**Governmental Activities**

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

	Fiscal year ended <u>August 31, 2015</u>	Fiscal year ended <u>August 31, 2014</u>	Change from Prior Year
Receipts:			
Tax receipts	\$ 4,939,063	\$ 4,782,255	\$ 156,808
State funding	1,265,237	1,212,578	52,659
Investment earnings	14,546	14,291	255
Total receipts	<u>6,218,846</u>	<u>6,009,124</u>	<u>209,722</u>
Disbursements:			
Elementary learning centers	7,031,880	4,704,988	2,326,892
Diversity	17,740	48,020	(30,280)
Coordinating Council	18,616	24,487	(5,871)
Administration	760,611	756,218	4,393
Total disbursements	<u>7,828,847</u>	<u>5,533,713</u>	<u>2,295,134</u>
Increase (decrease) in net position	<u>\$ (1,610,001)</u>	<u>\$ 475,411</u>	<u>\$ (2,085,412)</u>

The increase in governmental disbursements was due primarily to the increase in amounts expended for elementary learning center program activities and administration costs.

**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

(Concluded)

*General Fund* – The General Fund is funded by appropriations from the State of Nebraska. The General Fund fund balance amounted to \$526,178 at August 31, 2015, a decrease of \$69,444 from the fund balance at August 31, 2014. General Fund disbursements were less than total budgeted disbursements in the amount of \$155,025. Excess amounts are being carried over to the 2015-2016 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 2015. These funds are restricted by State statute for capital projects and lease and leasehold improvements. Expenditures totaling \$562,327 were made in 2015 for purposes of leases and leasehold improvements for elementary learning centers.

*Elementary Learning Centers Fund* – The Elementary Learning Centers Fund is funded through taxes and other receipts restricted for purposes of supporting elementary learning center program activities. The Elementary Learning Centers Fund fund balance amounted to \$5,134,336 as of August 31, 2015. Disbursements of \$6,469,553 were less than budgeted disbursements of \$8,291,567, 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, 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 2015/2016 increased by 4.51% from the prior year property valuation.
- The General Fund Common Levy Fund tax levy rate for 2016 is consistent with 2015 levy rate at \$0.95 per \$100 of assessed valuation.
- The Elementary Learning Center Fund tax levy approved for 2016 is \$0.015 per \$100 of assessed valuation.
- There was no tax levy approved for 2015 for the Special Building Fund Common Levy or the Capital Projects Fund.
- General Fund monies, which are received through State appropriations, are subject to modification by the Nebraska Unicameral Legislature.
- Several legislative bills have been introduced to the Nebraska Unicameral Legislature that could have significant impact on the operations of the Learning Community, specifically to the administration of the common levy.

#### **Contacting the Learning Community's Financial Management**

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

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**Statement of Net Position – Cash Basis**  
August 31, 2015

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,315,459
Cash held by County Treasurer	<u>261,238</u>
Total assets	<u>\$ 6,576,697</u>
<b>LIABILITIES</b>	
Cash due to County Treasurer	<u>\$ 16,346</u>
<b>NET POSITION</b>	
Restricted for:	
Leases and leasehold improvements	899,837
Research and evaluation	351,776
Elementary learning centers	4,868,161
Unrestricted	<u>440,577</u>
Total net position	<u>6,560,351</u>
Total liabilities and net position	<u>\$ 6,576,697</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, 2015

	<b>FUNCTION</b>				
	<b>Governmental Activities Total</b>	<b>Administration</b>	<b>Coordinating Council</b>	<b>Elementary Learning Centers</b>	<b>Diversity</b>
<b>DISBURSEMENTS</b>					
Personnel services	\$ 611,676	402,045	--	209,631	--
Contracted/purchased services	6,477,976	227,990	14,626	6,217,620	17,740
Supplies and materials	65,374	23,072	--	42,302	--
Occupancy	603,078	37,200	3,551	562,327	--
Other	70,743	70,304	439	--	--
Total disbursements	<u>7,828,847</u>	<u>760,611</u>	<u>18,616</u>	<u>7,031,880</u>	<u>17,740</u>
<b>RECEIPTS</b>					
Property and other taxes	4,939,063				
State appropriations	1,265,237				
Investment earnings	14,546				
Total receipts	<u>6,218,846</u>				
CHANGE IN NET POSITION	(1,610,001)				
NET POSITION, BEGINNING OF YEAR	<u>8,170,352</u>				
NET POSITION, END OF YEAR	<u>\$ 6,560,351</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, 2015

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Elementary Learning Centers Fund</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 526,178	916,183	4,873,098	6,315,459
Cash held by County Treasurer	--	--	261,238	261,238
Total assets	<u>\$ 526,178</u>	<u>916,183</u>	<u>5,134,336</u>	<u>6,576,697</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Cash due to County Treasurer	\$ --	16,346	--	16,346
Total liabilities	<u>--</u>	<u>16,346</u>	<u>--</u>	<u>16,346</u>
<b>FUND BALANCES</b>				
Restricted for leases and leasehold improvements	--	899,837	--	899,837
Restricted for research and evaluation	85,601	--	266,175	351,776
Restricted for elementary learning centers use	--	--	4,868,161	4,868,161
Unassigned	<u>440,577</u>	<u>--</u>	<u>--</u>	<u>440,577</u>
Total fund balances	<u>526,178</u>	<u>899,837</u>	<u>5,134,336</u>	<u>6,560,351</u>
Total liabilities and fund balances	<u>\$ 526,178</u>	<u>916,183</u>	<u>5,134,336</u>	<u>6,576,697</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, 2015

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Elementary Learning Centers Fund</b>	
<b>RECEIPTS</b>				
Property and other taxes	\$ --	(387)	4,939,450	4,939,063
State appropriations	725,000	--	540,237	1,265,237
Investment earnings	2,523	7,915	4,108	14,546
Total receipts	<u>727,523</u>	<u>7,528</u>	<u>5,483,795</u>	<u>6,218,846</u>
<b>DISBURSEMENTS</b>				
Elementary learning centers	--	562,327	6,469,553	7,031,880
Diversity	17,740	--	--	17,740
Coordinating Council	18,616	--	--	18,616
Administration	760,611	--	--	760,611
Total disbursements	<u>796,967</u>	<u>562,327</u>	<u>6,469,553</u>	<u>7,828,847</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(69,444)	(554,799)	(985,758)	(1,610,001)
FUND BALANCES, BEGINNING OF YEAR	<u>595,622</u>	<u>1,454,636</u>	<u>6,120,094</u>	<u>8,170,352</u>
FUND BALANCES, END OF YEAR	<u>\$ 526,178</u>	<u>899,837</u>	<u>5,134,336</u>	<u>6,560,351</u>

*See accompanying notes to the financial statements.*

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Learning Community is a tax-exempt political subdivision in the state of Nebraska organized under Neb. Rev. Stat. § 79-2102 (Reissue 2014). The geographic area served by the Learning Community consists of the metropolitan area surrounding Omaha, Nebraska, generally located within Douglas, Sarpy, and Washington Counties, and includes the geographic territory of the 11 school districts headquartered in Douglas and Sarpy Counties. The Learning Community is governed by 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 (Reissue 2014) and § 79-1073.01 (Reissue 2014), 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 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.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

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

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 use 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 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 increases in the budget must be approved by the Learning Community 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 (Reissue 2014), 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. 2014), 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 (Reissue 2014).
- 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 that the Learning Community Coordinating Council certifies for each member school district in accordance with Neb. Rev. Stat. § 79-1073.01 (Reissue 2014).
- Capital Projects Levy (between \$0.00 and \$0.005, as noted in Neb. Rev. Stat. § 77-3442, per \$100 of assessed valuation). Capital Projects Levy tax receipts are to be used by the Learning Community for capital projects related to elementary learning centers or new focus schools or programs.
- Elementary Learning Center Levy (between \$0.00 and \$0.015, as noted in Neb. Rev. Stat. § 77-3442, per \$100 of assessed valuation). Elementary Learning Center Levy tax receipts are to be used 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 statute, 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, 2015, per \$100 of assessed valuation, was as follows:

	<u>Levy Rate</u>	<u>Amount</u>
General Fund Common Levy	\$ 0.95	\$ 470,415,969
Special Building Fund Common Levy	0.00	--
Capital Projects Levy	0.00	--
Elementary Learning Center Levy	0.01	4,951,747

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

Total receipts by county treasurers and distributions to the member school districts under the common levies for the year ended August 31, 2015, are as follows:

	<b>General Fund Common Levy</b>	<b>Special Building Fund Common Levy</b>
Cash held by county treasurers, August 31, 2014	\$ 5,145,641	\$ (4,791)
Total collections, net of 1% county treasurer commission	484,873,008	339
Less distributions to member school districts	<u>(482,261,730)</u>	<u>(4,340)</u>
Cash held by county treasurers, August 31, 2015	<u>\$ 7,756,919</u>	<u>\$ (112)</u>

**F. Cash and Cash Equivalents**

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

**G. Net Position**

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

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

**H. Fund Balances**

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

*Nonspendable* – This component of fund balance consists of amounts that are not in a spendable form or required to be maintained intact. At August 31, 2015, 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, 2015, the Learning Community had restricted fund balances of \$6,119,774.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

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

*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, 2015, 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, 2015, the Learning Community had no assigned fund balances.

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

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

**I. Use of Estimates**

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

**J. Subsequent Events**

The Learning Community considered events occurring through May 9, 2016 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**

Neb. Rev. Stat. § 77-2341 (Reissue 2009) provides that the Learning Community Coordinating Council may invest in the following:

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

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. **Deposits** (Concluded)

*Deposits*

As of August 31, 2015, the carrying amount of the Learning Community's deposits was \$6,315,459, and the bank balance was \$6,325,245. The deposits were fully collateralized at August 31, 2015.

*Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the Learning Community's deposits may not be returned. The Learning Community does not have a formal deposit policy for custodial credit risk beyond requirements set forth by State statute. At August 31, 2015, the Learning Community has no deposits exposed to custodial credit risk.

3. **Funds Held by County Treasurer**

Funds in the amount of \$194,502, \$65,308, and \$1,428 were held by the Douglas, Sarpy, and Washington County Treasurers, respectively, for the Elementary Learning Centers fund of the Learning Community, as of August 31, 2015. These amounts are remitted to the Learning Community subsequent to year end.

4. **Operating Lease Commitments**

The Learning Community leases office space under various operating lease agreements that have non-cancelable lease terms in excess of one year. Rental expenditures relating to these leases for the year ending August 31, 2015, amounted to \$535,098.

The following is a schedule by year of future minimum lease payments under operating leases, as of August 31, 2015, that have initial or remaining lease terms in excess of one year:

<b><u>Year Ended August 31,</u></b>	<b><u>Amount</u></b>
2016	\$ 619,304
2017	621,437
2018	623,613
2019	625,832
2020	660,583
2021-2025	2,761,189

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**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 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 the following:

	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	\$ 3,000,000
School Leader Risk Protector	\$ 3,000,000

**6. Subsequent Events**

The recent passage of Legislative Bill 1067 (2016), which was signed into law by the Governor on April 20, 2016, will bring about the following changes for the Learning Community commencing with the 2016/2017 fiscal year:

- Beginning January 5, 2017, the Learning Community Coordinating Council (Council) will consist only of the twelve elected council members, two per subcouncil, until their terms expire. The six council members appointed by the school districts' board(s) will no longer serve on the Council.
- Beginning September 1, 2017, the General Fund Common Levy (between \$0.00 and \$0.95 within the \$1.05 levy limit per \$100 of assessed valuation) tax receipts for member school districts will be discontinued. Additionally, levy authority for the Special Building Fund Common Levy for member school districts (between \$0.00 and \$0.02 per \$100 of assessed valuation) will be discontinued.
- Effective for the 2017-2018 school year, all learning community school districts will return to the option enrollment program established pursuant to Neb. Rev. Stat. § 79-234 (Reissue 2014). A student enrolled in a learning community school district school for any part of school year 2016-2017 (unless having graduated or been expelled) as an open enrollment student pursuant to Neb. Rev. Stat. § 79-2110 (Supp. 2015) will continue as an open enrollment student until departure from said school building. Effective for the 2017-2018 school year, therefore, the Learning Community will no longer be involved in the administration of an open enrollment program.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**NOTES TO FINANCIAL STATEMENTS**

(Concluded)

**6. Subsequent Events** (Concluded)

- The Learning Community will no longer be involved in the submission of any member school districts' plan for reorganization.
- Learning Community member school districts will participate in the community achievement plan for the Learning Community. Based upon a formula, community achievement plan aid will be paid to each school district that participates in a community achievement plan. The Council will submit a community achievement plan to the State Board of Education for approval. The plan will be developed, implemented, and evaluated with the Learning Community and member school districts. Also participating in that process will be the Student Achievement Coordinator appointed by the Nebraska Department of Education (NDE) and the Educational Services Units (ESU 3 & 19).
- As administered by the NDE, transition aid will be payable for school fiscal years 2017-2018 and 2018-2019.
- The Council will be required to select two members to meet at least twice annually with the Superintendent Advisory Committee.
- The Council will no longer be required to approve or disapprove the poverty plans and limited English proficiency plans for the member school districts.

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**Other Information –  
Budgetary Comparison Schedule – General Fund**  
For the Year Ended August 31, 2015

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	
RECEIPTS				
State appropriations	\$ 725,000	725,000	725,000	--
Investment earnings	3,500	3,500	2,523	(977)
Total receipts	<u>728,500</u>	<u>728,500</u>	<u>727,523</u>	<u>(977)</u>
DISBURSEMENTS				
Diversity	103,532	103,532	17,740	85,792
Coordinating Council Administration	53,000	53,000	18,616	34,384
	795,460	795,460	760,611	34,849
Total disbursements	<u>951,992</u>	<u>951,992</u>	<u>796,967</u>	<u>155,025</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(223,492)	(223,492)	(69,444)	154,048
FUND BALANCE, BEGINNING OF YEAR	<u>599,357</u>	<u>599,357</u>	<u>595,622</u>	<u>(3,735)</u>
FUND BALANCE, END OF YEAR	<u>\$ 375,865</u>	<u>375,865</u>	<u>526,178</u>	<u>150,313</u>

*See accompanying Notes to Other Information.*

LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

**Other Information –  
Budgetary Comparison Schedule – Elementary Learning Centers Fund  
For the Year Ended August 31, 2015**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	
RECEIPTS				
Property taxes	\$ 4,902,230	4,902,230	4,939,450	37,220
State appropriations	540,237	540,237	540,237	--
Investment earnings	5,000	5,000	4,108	(892)
Total receipts	<u>5,447,467</u>	<u>5,447,467</u>	<u>5,483,795</u>	<u>36,328</u>
DISBURSEMENTS				
Elementary learning centers	<u>8,291,567</u>	<u>8,291,567</u>	<u>6,469,553</u>	<u>1,822,014</u>
Total disbursements	<u>8,291,567</u>	<u>8,291,567</u>	<u>6,469,553</u>	<u>1,822,014</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(2,844,100)	(2,844,100)	(985,758)	1,858,342
FUND BALANCE, BEGINNING OF YEAR	<u>6,132,606</u>	<u>6,132,606</u>	<u>6,120,094</u>	<u>(12,512)</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,288,506</u>	<u>3,288,506</u>	<u>5,134,336</u>	<u>1,845,830</u>

*See accompanying Notes to Other Information.*

# LEARNING COMMUNITY OF DOUGLAS AND SARPY COUNTIES

## **NOTES TO OTHER INFORMATION**

For the Year Ended August 31, 2015

### **BUDGETARY COMPARISON SCHEDULE**

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

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

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, 2015, 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 May 9, 2016. 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*.

***Additional Items***

We noted a certain additional item that we reported to management of the Learning Community, as identified in the Comment Section of this report as Comment Number 1 (Financial Statement Issues).

***The Learning Community's Response to Findings***

The Learning Community's response to the finding identified in our audit is described in the Comment. The Learning Community's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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.



Kris Kucera, CPA, CFE  
Audit Manager

May 9, 2016