

Sanitary and Improvement District
No. 23 of Sarpy County, Nebraska

Financial Statements
and Independent Auditors' Reports

June 30, 2015

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sanitary and Improvement District
No. 23 of Sarpy County, Nebraska:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sanitary and Improvement District No. 23 of Sarpy County, Nebraska (hereinafter the "District"), as of and for the year ended June 30, 2015, including the related notes to the financial statements, which collectively comprise the District'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 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 entity'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 financial position of the governmental activities and each major fund of the Sanitary and Improvement District No. 23 of Sarpy County, Nebraska, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information included in the supplementary schedules on pages 15-18 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information included in the supplementary schedules on pages 15-18 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information included in the supplementary schedules on pages 15-18 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Schedule 6 – Board of Trustees and Related Bonds on page 19 has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Accounting Standards* we have also issued our report dated December 15, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 District's internal control over financial reporting and compliance.

Lengemann & Associates, P.C.

LENGEMANN & ASSOCIATES, P.C.

Papillion, Nebraska

December 15, 2015

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Governmental Funds Balance Sheet and Statement of Financial Position

June 30, 2015

	Primary Government					Reconciling Items	Statement of Financial Position
	Governmental Activities / Governmental Funds		Business - Type Activities		Total		
	General Fund	Debt Service Fund	Proprietary Fund				
ASSETS							
Cash - County Treasurer	\$ 87,933	\$ 122,191	\$ 3,000	\$ 213,124	\$ -	\$ 213,124	
Taxes receivable	35,453	54,222	-	89,675	-	89,675	
Due to/from other fund	126,613	(125,849)	(764)	-	-	-	
Accounts receivable	-	-	12,081	12,081	-	12,081	
Capital assets, net of accum. depr.	-	-	357,863	357,863	334,755	692,618	
TOTAL ASSETS	\$ 249,999	\$ 50,564	\$ 372,180	\$ 672,743	\$ 334,755	\$ 1,007,498	
LIABILITIES							
Accounts payable	\$ 6,170	\$ -	\$ 19,072	\$ 25,242	\$ -	\$ 25,242	
Accrued interest	-	-	-	-	3,868	3,868	
Warrants outstanding							
Due within one year	-	-	150	150	-	150	
Due after one year	-	-	4,800	4,800	1,362	6,162	
Bonds outstanding							
Due within one year	-	-	-	-	80,000	80,000	
Due after one year	-	-	-	-	785,000	785,000	
TOTAL LIABILITIES	6,170	-	24,022	30,192	870,230	900,422	
FUND BALANCES/NET POSITION							
Fund Balances-							
Restricted	-	50,564	-	50,564	(50,564)	-	
Unassigned	243,829	-	-	243,829	(243,829)	-	
Total Fund Balances	243,829	50,564	-	294,393	(294,393)	-	
TOTAL LIAB. AND FUND BALANCE	\$ 249,999	\$ 50,564					
NET POSITION							
Net investment in capital assets			357,863	357,863	(530,245)	(172,382)	
Restricted for debt service			-	-	46,024	46,024	
Unrestricted			(9,705)	(9,705)	243,139	233,434	
Total Net Position			348,158	348,158	(241,082)	107,076	
TOTAL LIABILITIES AND NET POSITION			\$ 372,180	\$ 672,743	\$ 334,755	\$ 1,007,498	

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

Year Ended June 30, 2015

	Primary Government					
	Governmental Activities / Governmental Funds		Business - Type Activities	Total	Reconciling Items	Statement of Activities
	General	Debt Service	Proprietary			
	Fund	Fund	Fund			
REVENUES:						
Property taxes	\$ 75,727	\$ 115,818	\$ -	\$ 191,545	\$ -	\$ 191,545
Overestimate of taxes	(105)	(161)	-	(266)	-	(266)
Interest on taxes	216	331	-	547	-	547
Charges for services	-	-	181,848	181,848	-	181,848
Interest on investments	-	23	-	23	-	23
State motor vehicle tax allocation	164	250	-	414	-	414
Homestead	3,299	5,045	-	8,344	-	8,344
Miscellaneous income	-	672	-	672	(672)	-
Total revenues	<u>\$ 79,301</u>	<u>\$ 121,978</u>	<u>\$ 181,848</u>	<u>\$ 383,127</u>	<u>\$ (672)</u>	<u>\$ 382,455</u>
EXPENDITURES/EXPENSES:						
Current:						
Clerk fees	1,200	-	-	1,200	-	1,200
Collection fee - County Treasurer	1,079	1,651	-	2,730	-	2,730
Electricity	25,078	-	-	25,078	-	25,078
Engineering	8,585	-	-	8,585	-	8,585
Insurance	7,315	-	-	7,315	-	7,315
Publication fees	956	-	-	956	-	956
Administrative fees	1,069	-	-	1,069	-	1,069
Legal and accounting fees	20,650	-	-	20,650	-	20,650
Miscellaneous	42	265	-	307	-	307
Paying agent fees	1,208	-	-	1,208	-	1,208
Repairs and maintenance	20,335	-	-	20,335	-	20,335
Sales tax	-	-	7,948	7,948	-	7,948
Sewer maintenance and fees	-	-	87,230	87,230	-	87,230
Water production costs	-	-	61,136	61,136	-	61,136
Capital outlay:						
Improvements	19,520	-	-	19,520	(19,520)	-
Depreciation	-	-	23,812	23,812	28,009	51,821
Debt service:						
Principal	-	75,000	-	75,000	(75,000)	-
Interest	-	44,641	-	44,641	(347)	44,294
Total expenditures/expenses	<u>107,037</u>	<u>121,557</u>	<u>180,126</u>	<u>408,720</u>	<u>(66,858)</u>	<u>341,862</u>
Excess (deficiency) of revenues over expenditures/expenses	(27,736)	421	1,722	(25,593)	66,186	40,593
OTHER FINANCING SOURCES (USES):						
Issuance of warrants	290,734	-	-	290,734	(290,734)	-
Warrants retired	(282,945)	-	-	(282,945)	282,945	-
Warrants voided	(7,099)	-	-	(7,099)	7,099	-
Transfer to other funds	(1,526)	(6,510)	8,036	-	-	-
Total other financing sources (uses)	<u>(836)</u>	<u>(6,510)</u>	<u>8,036</u>	<u>690</u>	<u>(690)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources	(28,572)	(6,089)	-	(34,661)	34,661	-
Change in net position	-	-	9,758	9,758	30,835	40,593
Fund balances/net position:						
Beginning of the year	272,401	56,653	338,400	667,454	-	66,483
End of the year	<u>\$ 243,829</u>	<u>\$ 50,564</u>	<u>\$ 348,158</u>	<u>\$ 642,551</u>	<u>\$ -</u>	<u>\$ 107,076</u>

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2015

	Business-type Activities
	Water
Cash flows from operating activities	
Receipts from customers	\$ 182,968
Payments to suppliers	175,982
Net cash used by operating activities	<u>6,986</u>
Cash flows from noncapital financing activities	
Transfers to other funds	<u>(8,036)</u>
Net decrease in cash equivalents	(1,050)
Cash - beginning of the year	<u>4,050</u>
Cash - end of the year	<u><u>\$ 3,000</u></u>
Reconciliation of operating loss to net cash used by operating activities	
Change in net position	\$ 9,758
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	23,812
Transfers to other funds	8,036
Change in assets and liabilities:	
Increase in accounts receivable	1,121
Increase in accounts payable	(20,949)
Increase in warrants payable	(14,792)
Net cash used by operating activities	<u><u>\$ 6,986</u></u>

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental and Proprietary Funds to the Statement of Activities

June 30, 2015

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (34,661)

TOTAL NET POSITION - PROPRIETARY FUNDS 9,758

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, but they are shown as increases in capital assets in the government-wide financial statements 19,520

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position (28,009)

Current year long-term debt principal payments are reported as expenditures in the governmental funds, but shown as a reduction in long-term debt in the statement of net position 75,000

Net warrants issued/redeemed are reported as other financing sources/uses in the governmental funds, but as increases/decreases in long-term debt in the government-wide financial statements (690)

In the statement of activities, interest expense is accrued on long-term debt, whereas in governmental funds, interest is reported when due 347

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds (672)

CHANGE IN NET POSITION OF THE PRIMARY GOVERNMENT \$ 40,593

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

A. Reporting Entity

The District is a governmental subdivision created June 1, 1962 with the filing of the Petition and Articles of Association with the Secretary of State, State of Nebraska. The District was formed for the purpose of infrastructure construction and to arrange for basic utility services.

The Board of Trustees, consisting of 5 members, has governance responsibilities over all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The accompanying financial statements present the District's entire reporting entity - there are no component units, in accordance with generally accepted accounting principles.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements include the Statement of Financial Position and the Statement of Activities, which report financial information for all activities of the District. Individual funds are not displayed and internal activity between funds is eliminated. Governmental activities include programs supported primarily by taxes and other intergovernmental revenue. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases and decreases in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund and all other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as non-operating expenses.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District presents combined government-wide and fund financial statements. Major individual governmental funds are reported as separate columns. The following is a description of the District's two major governmental funds:

General Fund

The general fund is the main operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest.

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Notes to Financial Statements

1. Summary of Significant Accounting Policies - Continued

Proprietary Fund

The Proprietary fund is used to account for and report operating revenue and expenses for the supply of water to residents within the district.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District issues warrants to pay liabilities of the District instead of cash on hand, thus the District considers revenues to be available if they are collected within one year of the end of the current fiscal period because warrants are generally paid within a year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

D. Budgets and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds which the District controls. These budgeted appropriations lapse at fiscal year end June 30, 2015.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) In August of each year, the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (2) Notice of place and time of public hearings must be published prior to the public hearings.
- (3) Public hearings are conducted to obtain taxpayer comment.
- (4) After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts on or before September 20.
- (5) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- (6) The Board of Trustees may authorize supplemental appropriations during the year. There were no supplemental appropriations during fiscal year ended June 30, 2015.

The budget is adopted using a cash basis of accounting, which differs significantly from generally accepted accounting principles. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid, respectively. Payment is deemed to have been made when warrants are issued.

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Notes to Financial Statements

1. Summary of Significant Accounting Policies - Continued

A reconciliation of the differences between the basis of accounting for 2015, is presented below:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses of financial resources- budgetary non-GAAP basis	\$ (33,705)	\$ (29,706)
Adjustments:		
Receivables	1,800	2,516
Payables	<u>3,333</u>	<u>21,101</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses of financial resources- GAAP basis	<u>\$ (28,572)</u>	<u>\$ (6,089)</u>

D. Budgets and Budgetary Accounting - Continued

	<u>Proprietary Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses of financial resources- budgetary non-GAAP basis	\$ (1,050)
Adjustments:	
Receivables	(1,121)
Prepays	(23,812)
Payables	<u>35,741</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses of financial resources- GAAP basis	<u>\$ 9,758</u>

E. Restricted Assets

All assets in a debt service (bond or construction) fund are restricted and may be used only for the purpose of the fund, which is to pay off the debt of the District. Typical assets include cash, investments, and taxes receivable.

F. Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statutes 15-846 and 15-847 R.R.S., 1943 require banks either to give bond or to pledge government securities (types of which are specifically identified in the statutes) to the District Treasurer in the amount of the District's deposits. The statutes allow pledged securities to be reduced by the amount of the deposits insured by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2015, the District's cash deposits, in excess of the \$250,000 FDIC limits, are covered by collateral held by an agent for the District and thus no custodial credit risk exists.

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Notes to Financial Statements

1. Summary of Significant Accounting Policies - Continued

G. Capital Assets

Capital assets, which consist primarily of infrastructure, are reported in the government-wide statement of financial position but are not reported in the fund financial statements. All capital assets are capitalized at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for significant capital assets are as follows:

Capital Improvements	25-50	years
Water Supply System	50	years
Sewer Outfall Line	40	years
Water Tower	10-50	years
Water Equipment	10	years

A summary of capital assets is as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>June 30, 2015</u>
Capital Improvements	\$ 1,719,662	\$ 19,520	\$ 1,739,182
Water Supply System	625,091	-	625,091
Sewer Outfall Line	236,928	-	236,928
Water Tower	72,259	-	72,259
Water Equipment	36,547	-	36,547
	<u>2,690,487</u>	<u>19,520</u>	<u>2,710,007</u>
Accumulated Depreciation	<u>(1,965,568)</u>	<u>(51,821)</u>	<u>(2,017,389)</u>
Net Capital Assets	<u>\$ 724,919</u>	<u>\$ (32,301)</u>	<u>\$ 692,618</u>

H. Credit Risk

The District's credit risk relates to receivables for property taxes, sewer connection fees and special assessments which are due from property owners within the boundaries of the District and cash on deposit with the Sarpy County Treasurer.

I. Property Taxes

Property taxes, which constitute the District's principal source of tax revenue, are levied in September based on the assessed value of property and attach as an enforceable lien on the property as of December 31. Assessed values are an approximation of market value. Property taxes are delinquent on April 1 (first half) and August 1 (second half). The Sarpy County Treasurer bills and collects all property taxes for the District.

The District has levied taxes for 2014-2015 at a rate of \$.9500 per \$100 of actual value of taxable property. The 2014-2015 taxes based on this levy are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Valuation of taxable property	\$ 44,545,219	\$ 44,545,219
Tax levy	0.1700	0.2600
2014-2015 taxes assessed	<u>\$ 75,727</u>	<u>\$ 115,818</u>

There were no delinquent taxes, therefore no allowance for uncollectible taxes is provided.

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Notes to Financial Statements

1. Summary of Significant Accounting Policies - Continued

J. Special Assessments

Revenue on special assessments is recognized in the Statement of Activities when the specials are assessed. Special assessments are considered fully collectible; therefore, no allowance for uncollectible assessments is provided.

K. Use of Restricted/Unrestricted Net Position and Fund Balances

The District's policy is to first apply unrestricted resources when a cost is incurred for purposes for which both restricted and unrestricted resources are available.

L. Income Taxes

As a government subdivision, the District is not subject to federal or state income taxes.

M. Net Position

Net position presents the difference between assets and liabilities and deferred inflows of resources in the statement of financial position. Net investment in capital assets is reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the District's constitutional provisions or external restrictions by creditors, grantors, laws, or regulations of other governments. All other resources that do not meet the previous definition is "unrestricted" net position.

N. Sales Tax

The District collects sales tax from customers and remits the appropriate amount to the State of Nebraska. The District's accounting policy is to report sales tax using the gross method. Sales tax is included in revenues and expenses.

2. Liabilities

Liabilities include registered warrants and general obligation bonds. Warrant activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Issued	Retired	Balance June 30, 2015
General Fund Warrants:				
7.0%	\$ -	\$ 290,734	\$ 290,044	\$ 690
Debt Service Fund Warrants:				
7.0%	672	-	-	672
Proprietary Fund Warrants:				
7.0%	5,100	900	1,050	4,950
Total Warrants Payable	<u>\$ 5,772</u>	<u>\$ 291,634</u>	<u>\$ 291,094</u>	<u>\$ 6,312</u>

Registered warrants outstanding bear interest at 7% per annum. Interest is accrued on warrants from the date of registration with the Sarpy County Treasurer. General Fund and Proprietary Fund warrants mature three years from the date of issuance and Debt Service Fund warrants mature five years from the date of issuance. Warrants will be redeemed with proceeds from tax revenues and bond proceeds. The District is currently registering warrants. Maturities of those warrants are as follows:

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Notes to Financial Statements

2. Liabilities - (Continued)

	General Fund	Debt Service Fund	Use Fund	Total
June 30, 2016	\$ -	\$ -	\$ 150	\$ 150
June 30, 2017	60	-	150	210
June 30, 2018	630	-	-	630
June 30, 2020	-	-	3,900	3,900
June 30, 2021	-	672	750	1,422
Total	<u>\$ 690</u>	<u>\$ 672</u>	<u>\$ 4,950</u>	<u>\$ 6,312</u>

Bond activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Issued (Retired)	Balance June 30, 2015
General Obligation Bonds: 1.50-5.20%: 2003	\$ 820,000	\$ (65,000)	\$ 755,000
General Obligation Bonds: 3.85-4.80%: 2007	120,000	(10,000)	110,000
Total Bonds Payable	<u>\$ 940,000</u>	<u>\$ (75,000)</u>	<u>\$ 865,000</u>

General Obligation 2003 Series Bonds payable bear interest at 1.50% to 5.20%. Interest is payable semi-annually on June 15 and December 15. General Obligation 2007 Series Bonds payable bear interest at 3.85% to 4.80%. Interest is payable semi-annually on January 15 and July 15.

Aggregate maturities are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 80,000	\$ 42,763	\$ 122,763
2017	85,000	39,105	124,105
2018	85,000	35,138	120,138
2019	90,000	31,090	121,090
2020	95,000	26,718	121,718
2021-2025	430,000	57,485	487,485
Total	<u>\$ 865,000</u>	<u>\$ 232,299</u>	<u>\$ 1,097,299</u>

3. Risk Management

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Notes to Financial Statements

4. Internal Balances

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as operating transfers reported as other financing sources and uses in the governmental funds, and operating transfers by the recipient fund and operating transfers out by the disbursing fund. On the governmental funds Balance Sheet, receivables and payables resulting from interfund loans are classified as due to/from other funds and are eliminated on the Statement of Net Position. Receivables and payables between governmental funds and proprietary funds are classified as internal balances on the Statement of Net Position on the government-wide financial statements

Internal balances at June 30, 2015 consisted of the following:

<u>Due (to)/from</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Proprietary Fund</u>
General Fund	\$ -	\$ (126,613)	\$ -
Debt Service Fund	126,613	-	(764)
Proprietary Fund	-	764	-
Total	<u>\$ 126,613</u>	<u>\$ (125,849)</u>	<u>\$ (764)</u>

Required Supplementary Information

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis) - General Fund**

Supplemental Information

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis) - Debt Service Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis) - Proprietary Fund**

Bonds Payable

**Information Required by Section 31-740,
Nebraska Revised Statutes**

Other Information

Board of Trustees and Related Bonds

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Budgetary Basis) - General Fund

Year Ended June 30, 2015

Schedule 1

	Budgeted Amounts		Actual on Budgetary Basis	Variance- Favorable (Unfavorable)
	Original	Final		
REVENUES RECEIVED				
Property taxes	\$ 75,727	\$ 75,727	\$ 77,102	\$ 1,375
Interest on taxes	-	-	216	216
State motor vehicle tax allocation	350	350	164	(186)
Total revenues received	76,077	76,077	77,482	1,405
EXPENDITURES PAID				
Current:				
Clerk fees	1,200	1,200	1,200	-
Collection fee - County Treasurer	1,519	1,519	1,079	440
Electricity	30,000	30,000	24,183	5,817
Engineering	10,000	10,000	10,041	(41)
Insurance	9,500	9,500	7,315	2,185
Legal and accounting fees	31,090	31,090	22,403	8,687
Administration costs	21,515	21,515	2,203	19,312
Publication costs	-	-	623	(623)
Repairs and maintenance	55,000	55,000	11,184	43,816
Miscellaneous expense	-	-	1,038	(1,038)
Capital outlay:				
Improvements	25,000	25,000	19,520	5,480
Total expenditures paid	184,824	184,824	100,789	84,035
Excess (deficiency) of revenues received over expenditures paid	(108,747)	(108,747)	(23,307)	85,440
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	-	-	(1,526)	(1,526)
Warrants issued	-	-	290,734	290,734
Warrants redeemed	-	-	(299,606)	(299,606)
Net other financing sources (uses)	-	-	(10,398)	(10,398)
Excess (deficiency) of revenues received and other financing sources over expenditures paid and other financing uses	(108,747)	(108,747)	(33,705)	\$ 75,042
Fund balances - beginning of year	121,638	121,638	121,638	
Fund balances - end of year	\$ 12,891	\$ 12,891	\$ 87,933	

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Budgetary Basis) - Debt Service Fund

Year Ended June 30, 2015

Schedule 2

	Budgeted Amounts		Actual on Budgetary Basis	Variance- Favorable (Unfavorable)
	Original	Final		
REVENUES RECEIVED				
Property taxes	\$ 115,818	\$ 115,818	\$ 117,921	\$ 2,103
Interest on taxes	-	-	331	331
Interest on investments	-	-	23	23
State motor vehicle tax allocation	350	350	250	(100)
Total revenues received	116,168	116,168	118,525	2,357
EXPENDITURES PAID				
Current:				
Collection fee - County Treasurer	2,241	2,241	1,651	590
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	45,000	45,000	65,050	(20,050)
Total expenditures paid	122,241	122,241	141,701	(19,460)
Excess (deficiency) of revenues received over expenditures paid	(6,073)	(6,073)	(23,176)	21,817
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	-	-	(6,530)	-
Net other financing sources (uses)	-	-	(6,530)	-
Excess (deficiency) of revenues received and other financing sources over expenditures paid and other financing uses	(6,073)	(6,073)	(29,706)	\$ 21,817
Fund balances - beginning of year	151,897	151,897	151,897	
Fund balances - end of year	\$ 145,824	\$ 145,824	\$ 122,191	

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Budgetary Basis) - Proprietary Fund

Year Ended June 30, 2015

Schedule 3

	Budgeted Amounts		Actual on Budgetary Basis	Variance- Favorable (Unfavorable)
	Original	Final		
REVENUES RECEIVED				
Charges for services	\$ 350,000	\$ 350,000	\$ 182,968	\$ (167,032)
Total revenues received	350,000	350,000	182,968	(167,032)
EXPENDITURES PAID				
Current:				
Sewer maintenance and fees	100,000	100,000	101,934	(1,934)
Water production costs	65,000	65,000	80,415	(15,415)
Water deposits	-	-	900	(900)
Sales tax	10,000	10,000	8,655	1,345
Capital outlay:				
Improvements	175,000	175,000	-	175,000
Total expenditures paid	350,000	350,000	191,904	158,096
Excess (deficiency) of revenues received over expenditures paid	-	-	(8,936)	(8,936)
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	-	-	8,036	8,036
Warrants issued	-	-	900	900
Warrants redeemed	-	-	(1,050)	(1,050)
Net other financing sources (uses)	-	-	7,886	7,886
Excess (deficiency) of revenues received and other financing sources over expenditures paid and other financing uses	-	-	(1,050)	\$ (1,050)
Fund balances - beginning of year	4,050	4,050	4,050	
Fund balances - end of year	\$ 4,050	\$ 4,050	\$ 3,000	

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Bonds Payable

June 30, 2015

Schedule 4

2007 Series

Issue Date: June 15, 2007

Option Call Date: June 15, 2013

<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>Amount</u>
June 15, 2016	4.35%	\$ 10,000
June 15, 2017	4.40%	10,000
June 15, 2018	4.45%	10,000
June 15, 2019	4.50%	10,000
June 15, 2020	4.55%	10,000
June 15, 2021	4.60%	10,000
June 15, 2022	4.65%	10,000
June 15, 2023	4.70%	10,000
June 15, 2024	4.75%	10,000
June 15, 2025	4.80%	20,000
TOTAL 2007 Series		\$ 110,000

2003 Series

Issue Date: December 15, 2003

Option Call Date: December 15, 2009

<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>Amount</u>
December 15, 2015	4.60%	\$ 70,000
December 15, 2016	4.70%	75,000
December 15, 2017	4.80%	75,000
December 15, 2018	4.90%	80,000
December 15, 2019	5.20%	85,000
December 15, 2020	5.20%	85,000
December 15, 2021	5.20%	90,000
December 15, 2022	5.20%	95,000
December 15, 2023	5.20%	100,000
TOTAL 2003 Series		\$ 755,000

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

**Information Required by Section 31-740
Nebraska Revised Statutes**

June 30, 2015

Schedule 5

Gross income from all sources	\$	382,455
Amount spent for sewage disposal		101,934
Amount expended for water mains		NONE
Gross amount of sewage processed		NONE
Cost per thousand gallons of processing sewage		NONE
Amount expended for:		
a. Maintenance and repair	\$	20,335
b. New equipment		NONE
c. New construction	\$	19,520
d. Property purchased		NONE
Number of employees (Clerk)		5
Salaries and fees paid employees	\$	1,727
Total amount of taxes levied upon the property within the District	\$	191,545

Sanitary and Improvement District No. 23 of Sarpy County, Nebraska

Board of Trustees and Related Bonds

June 30, 2015

Schedule 6

Name

Office

Jeannine Glessmann - See Note

Chairwoman

Michael Quinn - See Note

Clerk

Brett Campbell

Trustee

Robert Burbee

Trustee

Shirley Merritt

Trustee

Note - Surety bond for the District chairwoman and clerk were on file with the Sarpy County Clerk as of June 30, 2015 in accordance with the Revised Statutes of Nebraska.

LENGEMANN & ASSOCIATES, P.C.

Certified Public Accountants
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Papillion, Nebraska 68046
Phone: (402) 592-1236
Fax: (402) 592-1424
Email: thefirm@lengemanncpa.com

INDEPENDENT AUDITORS' 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

Board of Trustees
Sanitary and Improvement District
No. 23 of Sarpy County, Nebraska:

We have audited, in accordance with the 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 Sanitary and Improvement District No. 23 of Sarpy County, Nebraska (hereinafter the "District"), as of and for the year ended June 30, 2015, including the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (see summary of findings).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 an instance of noncompliance required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-01.

District's Response to Findings

District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District'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 entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Lengemann & Associates, P.C.

LENGEMANN & ASSOCIATES, P.C.

Papillion, Nebraska

December 15, 2015

Schedule of Findings and Responses

Instance of Noncompliance & Material Weakness

2015 – 01

Criteria (Compliance & Material Weakness)

Internal Controls should be in place to monitor the District's activities for consistency with budgeted amounts to ensure that budget expenditures will not be exceeded and compliance with the Nebraska Budget Act.

Condition (Compliance & Material Weakness)

The District exceeded the budgeted expenditures/expenses by \$ 19,460.

Cause (Compliance & Material Weakness)

Due to an interest payment being made in July of 2014 instead of June 2014, the District exceeded the budgeted amount of expenditures.

Effect (Compliance & Material Weakness)

There are \$ 19,460 of unbudgeted expenditures.

Recommendation

We recommend the Board of Trustees monitor the District's activities and amend the budget if there are expenditures incurred that were in excess of what was budgeted.

Response from the Board of Directors

The Board of Trustees agrees to more effectively monitor expenditures to ensure that budgeted amounts are not exceeded in the future.