SANITARY AND IMPROVEMENT DISTRICT NO. 38

OF SARPY COUNTY, NEBRASKA

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

WITH INDEPENDENT AUDITOR'S REPORTS THEREON

FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sanitary and Improvement District No. 38
Sarpy County, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Sanitary and Improvement District No. 38 of Sarpy County, Nebraska (the District), as of and for the year ended June 30, 2015, and 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.

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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Sanitary and Improvement District No. 38 of Sarpy County, Nebraska, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules and notes on pages 20-22 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 the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board. Our opinion on the basic financial statements is not affected by this missing information.

Other 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 additional supplementary information included in schedules on pages 24 and 25, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

This supplementary information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, 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 supplementary information on pages 24 and 25 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 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, grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Royal & Associates

Royal and Associates, PC
Omaha, NE

November 1, 2015

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY NEBRASKA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash on deposit	$ 134,638	$ -	$ 134,638
Taxes receivable	31,473	-	31,473
Receivable from debt service fund	-	252	252
Land	5,000	3,583	8,583
Other capital assets, net of accumulated depreciation	128,660	381,874	510,534
TOTAL ASSETS	$ 299,771	$ 385,709	$ 685,480
LIABILITIES			
Accounts payable and accrued liabilities	$ 2,930	$ 312	$ 3,242
Accrued interest payable	6,996	-	6,996
Warrants payable			
Due within 1 year	28,603	-	28,603
Due in more than 1 year	234,075	-	234,075
Payable to other funds	252	-	252
TOTAL LIABILITIES	$ 272,856	$ 312	$ 273,168
DEFERRED INFLOWS OF RESOURCES			
Prepaid water fees	$ -	$ 8,251	$ 8,251
TOTAL DEFERRED INFLOWS OF RESOURCES	$ -	$ 8,251	$ 8,251
NET POSITION			
Net investment in capital assets	$ 133,660	$ 385,457	$ 519,117
Restricted for debt service	(216,580)	-	(216,580)
Unassigned (deficit)	109,835	(8,311)	101,524
TOTAL NET POSITION	$ 26,915	$ 377,146	$ 404,061

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	$ 91,816	$ -	$ -	$ -	$ (91,816)	$ -	$ (91,816)
TOTAL GOVERNMENT ACTIVITIES	$ 91,816	$ -	$ -	$ -	$ (91,816)	$ -	$ (91,816)
Business-type activities:							
Water service	$ 28,821	$ 20,881	$ -	$ -	$ -	$ (7,940)	$ (7,940)
TOTAL BUSINESS-TYPE ACTIVITIES	$ 28,821	$ 20,881	$ -	$ -	$ -	$ (7,940)	$ (7,940)
TOTAL PRIMARY GOVERNMENT	$ 120,637	$ 20,881	$ -	$ -	$ (91,816)	$ (7,940)	$ (99,756)
General revenue:							
Taxes					$ 78,180	$ -	$ 78,180
Interest					38	-	38
Transfers					(215,967)	215,967	-
Total General Revenue and Transfers					(137,749)	215,967	78,218
Change in Net Position					(229,565)	208,027	(21,538)
Net Position- beginning					256,480	169,119	425,599
Net Position- ending					$ 26,915	$ 377,146	$ 404,061

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	GENERAL FUND	DEBT SERVICE FUND	TOTAL
ASSETS			
Cash on deposit, County Treasurer	$ 113,279	$ 21,359	$ 134,638
Taxes receivable	19,670	$ 11,803	31,473
Receivable from debt services fund	8,419	-	8,419
TOTAL ASSETS	$ 141,368	$ 33,162	$ 174,530
LIABILITIES AND FUND BALANCES			
Accounts payable	$ 2,930	$ -	$ 2,930
Warrants payable	28,603	234,075	262,678
Interest payable on warrants	-	6,996	6,996
Payable to other funds	-	8,671	8,671
TOTAL LIABILITIES	$ 31,533	$ 249,742	$ 281,275
Fund Balances			
Restricted for other capital projects	$ -	$ (216,580)	$ (216,580)
Unassigned	109,835	-	109,835
TOTAL FUND BALANCES	109,835	(216,580)	(106,745)
TOTAL LIABILITIES AND FUND BALANCES	$ 141,368	$ 33,162	$ 174,530

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ (106,745)
Amounts reported for governmental activities in the statements of net position are different because:		
Capital Assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements:	$ 352,728	
Less accumulated depreciation	(219,068)	133,660
Net Position of Governmental Activities		$ 26,915

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL FUND	DEBT SERVICE FUND	TOTAL
Revenues:			
Real estate taxes	$ 48,772	$ 29,218	$ 77,990
Other taxes	147	43	190
Interest on taxes	35	3	38
Total revenues	$ 48,954	$ 29,264	$ 78,218
Expenditures:			
Accounting and audit fees	$ 5,750	$ -	$ 5,750
Legal fees	15,189	-	15,189
Collection fee-county treasurer	1,223	180	1,403
Electricity	9,680	-	9,680
Insurance	663	-	663
Interest on warrants	-	10,299	10,299
Publication fees	145	-	145
Repairs and maintenance	13,538	-	13,538
Warrant placement fees	-	11,147	11,147
Waste collection	16,806	-	16,806
Website fees	242	-	242
Total expenditures	$ 63,236	$ 21,626	$ 84,862
Excess (deficiency) of revenues over expenditures	(14,282)	7,638	(6,644)
Other financing sources (uses):			
Transfer between funds	3,658	(219,625)	(215,967)
Total other financing sources (uses)	3,658	(219,625)	(215,967)
Net change in fund balances	(10,624)	(211,987)	(222,611)
Fund Balance-Beginning	120,459	(4,593)	115,866
Fund Balance-Ending	$ 109,835	$ (216,580)	$ (106,745)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	$ (222,611)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the period incurred. However in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense for the current year totaled	(6,954)
Change in net position of Governmental Activities.	$ (229,565)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF
THESE FINANCIAL STATEMENTS

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activity Water Service
OPERATING REVENUES:	
Water use fees	$ 20,881
OPERATING EXPENSES:	
Depreciation	12,762
Electricity	2,427
Repairs and maintenance	2,484
Water service billing fees	421
Water operator expense	10,727
Total operating expenses	28,821
Net income (loss) before transfers	(7,940)
Transfers from debt service fund	219,625
Transfers to general fund	(3,658)
	215,967
Change in net position	208,027
Net position - beginning	169,119
Net position - ending	$ 377,146

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Water Sevice
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 21,792
Payments to suppliers	18,134
Net cash provided by operating activities	3,658
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net transfers from other funds	215,967
Net cash provided by noncapital financing activities	215,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(219,625)
Net cash used in capital and related financing activities	(219,625)
Net increase in cash and cash equivalents	-
Balance - beginning of the year	-
Balance - end of the year	$ -
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (7,940)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	12,762
Change in assets and liabilities:	
Receivables	933
Accounts and other payables	(2,097)
Net cash provided by operating activities	$ 3,658

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of Sanitary and Improvement District No. 38 of Sarpy County, Nebraska, have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. A summary of significant accounting policies follows:

A. THE REPORTING ENTITY:

Sanitary and Improvement District No. 38 of Sarpy County, Nebraska is organized as a governmental subdivision authorized under the statutes of the State of Nebraska. The board of Trustees, consisting of five members, is elected by the property owners of the District. They have governance responsibilities over all activities related to streets, storm sewers, street lighting and other public improvements within the District. The District is engaged in a single governmental program and has no component units as defined by Governmental Accounting Standards Board Statement 14.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

The basic financial statements of the District include the government-wide and fund financial statements.

In the government-wide financial statements and proprietary fund statements, activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On the accrual basis, revenues are recognized when earned and expenses are recognized when the liabilities are incurred. The government-wide Statement of Net Position recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts –net investment in capital assets, restricted net position; and unassigned net position. Net position is restricted when constraints placed on them are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. The government-wide Statement of Activities reflects the expenses of the District's governmental activities, reduced by general revenues to determine the change in net position for the year.

In the fund financial statements, activities are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District uses a 60-day availability test for all revenues. Expenditures are recognized in the period in which the liability is incurred. Property taxes and interest income are recognized when susceptible to accrual. Revenues from miscellaneous sources are recognized when received. The District reports the following major funds:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition use, and balances of the District's expendable financial resources and the related liabilities are reported in governmental funds. The measurement focus is upon determination of changes in current financial position, rather than results of operations. The following are the District's governmental fund types:

General Fund. The general fund is the main operating fund of the District. It accounts for all activities of the District except those required to be accounted for in another fund.

Debt Service Fund. This fund is used to accumulate money to be used for the payment of bonds, interest and related costs.

Proprietary Fund Types

Proprietary funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Proprietary funds apply accrual accounting principles appropriate for business enterprises.

Special Use Fund. The revenues, costs and expenses of providing water service is reported in the Water Service Fund, the only business-type or proprietary fund employed by the District. The Water Service Fund is included in the "Business-type Activities" in the accompanying statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. CAPITAL ASSETS:

Land has been recorded at estimated fair value at the date it was received by donation. Other capital assets of the District are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives of the capital assets are as follows:

Paving and street improvements	50 years
Utility Distribution Systems and Street Lights	30 years
Landscaping	15 years

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 require the District to depreciate infrastructure assets.

D. USE OF ESTIMATES:

The preparation of the basic financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

2. BUDGET PROCESS AND BUDGETARY REPORTING:

The District is required to adopt an annual operating budget for all the funds over which the District exercises control. The budget is adopted using the cash basis of accounting which differs significantly from generally accepted accounting principles. Under the cash basis of accounting, revenues are recorded when received and expenditures are recorded when paid. Payment is deemed to have been made when warrants are issued.

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

2. BUDGET PROCESS AND BUDGETARY REPORTING (continued):

On or before September 15 of each year, the District publishes a proposed operating budget for all funds for the next fiscal year ending June 30.

Public hearings are conducted to obtain taxpayer comment.

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 in accordance with the Nebraska Budget Act no later than September 20.

The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.

The Board of Trustees may authorize supplemental appropriations during the year. No additional appropriations were made during the fiscal year ended June 30, 2015.

3. DEPOSITS:

Custodial credit risk is the risk that in event of a bank failure, a government's deposits may not be returned to it. Cash in the individual funds of the district were held by the Sarpy County Treasurer.

4. TAXES RECEIVABLE:

All receivables of the District are due from property owners within the boundaries of the District which is located in Sarpy County, Nebraska. These receivables are enforceable liens upon the property.

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. The first half payment becomes delinquent April 1 of the following year and the second half becomes delinquent August 1 of the following year. The Sarpy County Treasurer bills and collects all property taxes for the District.

4. TAXES RECEIVABLE (continued):

Property tax revenues are recognized in governmental funds when they become available, which includes those property tax receivables expected to be collected within 60 days after year-end. The portion of the taxes not expected to be collected within 60 days after the year end is recorded as deferred revenue, if material. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided. Interest on delinquent taxes is recorded when received.

The District's property tax levy is as follows:

		Levy per $100 of Value		
Fiscal year	Taxable Valuation	General	Debt Service	Total
2014-15	$24,418,703	.200000	.12000	.32000

5. CAPITAL ASSETS:

A summary of changes in capital assets for the year ended June 30, 2015 is as follows:

Governmental Activities	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Land	$ 5,000	$ -	$ -	$ 5,000
Street improvements	43,633	-	-	43,633
Street improvements (1984) reconstruction and resurfacing	304,095	-	-	304,095
	352,728	-	-	352,728
Less accumulated depreciation	(212,114)	(6,954)	-	(219,068)
Net capital assets	$ 140,614	$ (6,954)	$ -	$ 133,660

5. CAPITAL ASSETS (continued):

Business-type Activities	Balance June 30, 2014	Addition	Retirement	Balance June 30, 2015
Waterline (reconstruction)	$ 144,154	$ -	$ -	$ 144,154
Wall and pressure system	39,481	-	-	39,481
Water distribution system	63,665	-	-	63,665
Water system improvements	-	304,161	-	304,161
Well site land	3,583	-	-	3,583
Pump house improvements	8,565	-	-	8,565
	259,448	304,161	-	563,609
Less accumulated depreciation	(165,390)	(12,762)	-	(178,152)
	94,058	291,399	-	385,457
Improvements in process	123,530	(123,530)	-	-
Net fund capital assets	$ 217,588	$ 167,869	$ -	$ 385,457

6. RECONCILIATION OF FUND BALANCES TO BUDGETARY BASIS PRESENTATION:

The budget of the District is prepared on the cash basis. Necessary adjustments to reconcile from budgetary basis to GAAP basis are as follows:

	General Fund	Debt Service Fund
Fund balance, ending (budgetary basis)	$ 113,279	$ 21,359
Adjustments to generally accepted accounting principles:		
Revenue and accruals	28,089	11,803
Expenditures and accruals	(31,533)	(249,742)
Fund balance, ending (GAAP basis)	$ 109,835	$ (216,580)

7. INTERFUND BALANCES AND TRANSFERS:

Interfund balances at June 30, 2015 consisted of the following;

Due to general fund from:	
Debt services fund	$ 8,419
Due to Water Service fund from:	
Debt service fund	$ 252

These balances resulted from the time lag between the dates that interfund reimbursable expenditures occur and payments between funds are made.

Interfund transfers for the year ended June 30, 2015 consisted of the following:

Transfers to general fund from:	
Water Service fund	$23,051
Transfers to Water Service fund from:	
General fund	19,393
Debt service fund	219,625
Net transfers to Water Service fund	$215,967

Transfers are used to move Water Service revenues and expenditures from the governmental funds in which they were received and disbursed.

8. 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; and natural disasters. Significant losses are covered by commercial insurance for all programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

REQUIRED SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
STATEMENT OF RECEIPTS , DISBURSEMENTS AND CASH BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)-(NON-GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE (UNFAVORABLE)
RECEIPTS:			
Taxes	$ 48,837	$ 75,855	$ 27,018
Other taxes	200	147	(53)
Interest on taxes	25	35	10
TOTAL RECEIPTS	$ 49,062	$ 76,037	$ 26,975
DISBURSEMENTS:			
Accounting and audit fees	$ 5,750	$ 5,750	-
Legal fees	15,000	14,208	792
Collection fee-County Treasurer	1,000	1,223	(223)
Electricity	9,500	10,434	(934)
Insurance & trustee bonds	1,000	663	337
Publication fees	150	132	18
Waste collection	14,000	16,806	(2,806)
Website fees	250	242	8
Repairs and maintenance	10,000	13,538	(3,538)
TOTAL DISBURSEMENTS	$ 56,650	$ 62,996	$ (6,346)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	$ (7,588)	$ 13,041	$ 20,629
OTHER CASH SOURCES (USES):			
Warrants redeemed	$ (230)	$ (230)	$ -
Warrants issued	-	28,603	28,603
Transfers (to)/from other funds	(55,000)	3,658	58,658
TOTAL OTHER SOURCES	$ (55,230)	$ 32,031	$ 87,261
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER USES	$ (62,818)	$ 45,072	$ 107,890
CASH BALANCE - beginning of year		68,207	
CASH BALANCE - end of year		$ 113,279	

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - (NON GAAP)
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE (UNFAVORABLE)
RECEIPTS:			
Taxes	$ 29,303	$ 17,500	$ (11,803)
Other taxes	50	43	(7)
Interest on taxes	15	3	(12)
TOTAL RECEIPTS	$ 29,368	$ 17,546	$ (11,822)
DISBURSEMENTS:			
Collection fee-County Treasurer	$ 600	$ 180	$ 420
Interest on warrants	3,000	3,303	(303)
Warrant placement fees	-	11,147	(11,147)
Bond issue costs	20,000	-	20,000
TOTAL DISBURSEMENTS	$ 23,600	$ 14,630	8,970
EXCESS OF RECEIPTS OVER DISBURSEMENTS	$ 5,768	$ 2,916	$ (2,852)
OTHER CASH SOURCES (USES):			
Warrants redeemed	$ -	$ -	$ -
Warrants issued	-	234,075	234,075
Bonds issued	200,000	-	(200,000)
Transfers (to)/from other funds	(180,000)	(219,625)	(39,625)
TOTAL OTHER SOURCES (USES)	$ 20,000	$ 14,450	$ (5,550)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER USES	$ 25,768	$ 17,366	$ (8,402)
CASH BALANCE - beginning of year		3,993	
CASH BALANCE - end of year		$ 21,359	

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - (NON GAAP)
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE (UNFAVORABLE)
RECEIPTS:			
Water service fees	$ 22,000	$ 21,793	$ (207)
TOTAL RECEIPTS	$ 22,000	$ 21,793	$ (207)
DISBURSEMENTS:			
Electricity	$ 4,225	$ 2,690	$ 1,535
Insurance	-	158	(158)
Repairs and maintenance	2,000	3,769	(1,769)
Water service billing fee	775	780	(5)
Water operator expense	10,000	10,738	(738)
Improvements	240,000	219,625	20,375
TOTAL DISBURSEMENTS	$ 257,000	$ 237,760	$ 19,240
EXCESS OF RECEIPTS OVER DISBURSEMENTS	$ (235,000)	$ (215,967)	$ 19,033
OTHER CASH SOURCES (USES):			
Transfers (to) from other funds	$ 235,000	$ 215,967	$ (19,033)
TOTAL OTHER SOURCES (USES)	$ 235,000	$ 215,967	$ (19,033)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER USES	$ -	$ -	$ -
CASH BALANCE - beginning of year		-	
CASH BALANCE - end of year		$ -	

OTHER SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
INFORMATION REQUIRED BY SECTION 31-715 AND 31-740
REVISED STATUES OF NEBRASKA, 1943, REISSUED 1993
JUNE 30, 2015

Gross income from all sources	$ 99,099
Gross income from all sources from previous year	$131,235
Amount spent for capital improvements for sewage disposal	None
Amount expended for capital improvements for water mains	$219,625
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for:	
a. Maintenance and repairs	$ 16,022
b. New equipment	None
c. New construction work	None
d. Property purchased	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon the property within the District	$ 78,140
Total amount of special assessments levied upon the property within the District	None

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
TRUSTEES AND RELATED BONDS
JUNE 30, 2015

TRUSTEES

NAME	OFFICE	BOND AMOUNT
James E. Williams	Chairman	$ 5,000
Luke E. Galardi	Clerk	$ 20,000
J. Abels	Trustee	-
James L Stadjuhar	Trustee	-
Edward F. Williams	Trustee	-

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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. 38
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, the business-type activities, and each major fund of Sanitary and Improvement District No. 151 Sarpy County, Nebraska, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanitary and Improvement District No. 38 of Sarpy County, Nebraska'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 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 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. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

Financial Statement Preparation

Comment: The Auditing Standards Board issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Statement on Auditing Standards No. 112 emphasizes that the auditor can't be part of your system of internal control over financial reporting. In our judgment, the District's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct material misstatements, if present. As auditors, we were requested to draft the financial statements, accompanying notes and supplementary schedules.

Recommendation: In our judgment, management and those charged with governance need to understand the importance of this communication. However, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Management Response: Management response to this finding is that the aforementioned circumstance is not unusual in a small governmental entity and that the costs of correcting this deficiency would exceed the benefit to be derived therefrom.

Audit Adjustments

Comment: In conjunction with the audit of the financial statements, we had to propose material adjustments for the financial statements to be in conformity with accounting principles generally accepted in the United States of America.

Recommendation: We recommend that procedures be established to ensure that the financial statements are in conformity with accounting principles generally accepted in the United States of America.

Management Response: Management has reviewed the entries and approved them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 38 of Sarpy County, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Royal & Associates

Royal & Associates, P.C.

Omaha, Nebraska
November 1, 2015