

**SANITARY AND IMPROVEMENT DISTRICT NO. 65
OF SARPY COUNTY, NEBRASKA
Basic Financial Statements
with
Supplementary Information
and
Accompanying Independent
Auditors' Report
For the Year ended June 30, 2014**

**Sanitary and Improvements District No. 65
of Sarpy County Nebraska**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 65
of Sarpy County, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska as of and for the year ended June 30, 2014, 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.

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Information – General Fund and the Budgetary Comparison Information – Debt Service Fund listed in the table of contents 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.

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 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 opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 other supplementary information 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 December 15, 2014, on our consideration of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska'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 the 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 Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

Ritterbush & Piotrowski, LLP

Ritterbush & Piotrowski, L.L.P.
Omaha, Nebraska
December 15, 2014

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Government-Wide Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash (Note 1)	\$ 199,251	\$ 34,864	\$ 234,115
Taxes Receivable (Notes 1 and 6)	176,693	-	176,693
Prepaid Utilities	8,898	-	8,898
Capital Assets, Net of Accumulated Depreciation (Notes 1 and 3)	121,924	372,312	494,236
Total Assets	506,766	407,176	913,942
Liabilities			
Accounts Payable	34,634	316	34,950
Payroll Taxes Payable	-	3,435	3,435
Accrued Interest Payable	6,177	-	6,177
Warrants Payable: (Note 4)			-
Due within one year	8,368	-	8,368
Due in more than one year	13,910	-	13,910
Noncurrent Liabilities: (Note 5)			
Due within one year	150,000	-	150,000
Due in more than one year	495,000	-	495,000
Total Liabilities	708,089	3,751	711,840
Net Position			
Net Investment in Capital Assets	(523,076)	372,312	(150,764)
Restricted for Debt Service	211,592	-	211,592
Unrestricted	110,161	31,113	141,274
Total Net Position	\$ (201,323)	\$ 403,425	\$ 202,102

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Government-Wide Statement of Activities
For the year ended June 30, 2014

	Net (Expenses) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Expenses (Note 1)			
Governmental Activities			
General Government:			
Audit Fees	\$ 5,915	\$ -	\$ 5,915
Broker Fees	1,000	-	1,000
Collection Fees - County Treasurer	7,112	-	7,112
Depreciation (Note 3)	10,031	-	10,031
Engineering	15,774	-	15,774
Insurance and Trustee Bonding	7,589	-	7,589
Legal Fees	21,311	-	21,311
Repairs and Maintenance	57,640	-	57,640
Trustee Fees	690	-	690
Uncollectible Taxes	17,556	-	17,556
Utilities	36,405	-	36,405
Total General Government Expenses	181,023	-	181,023
Interest Expense on Long-Term Debt	6,444	-	6,444
Total Governmental Activities Expenses	187,467	-	187,467
Business-Type Activities			
Advertising	-	3,549	3,549
Bank Charges	-	1,033	1,033
Deposit Refunds	-	1,095	1,095
Depreciation (Note 3)	-	15,401	15,401
Insurance	-	2,768	2,768
Interest Expense on Long-Term Debt	-	22,038	22,038
Miscellaneous Expense	-	763	763
Payroll Taxes	-	8,358	8,358
Professional Fees	-	11,027	11,027
Repairs and Maintenance	-	38,021	38,021
Salaries and Wages	-	79,365	79,365
Supplies	-	8,737	8,737
Telephone	-	3,837	3,837
Utilities	-	2,893	2,893
Total Business-type Activities Expenses	-	198,885	198,885
Total Government Expenses	187,467	198,885	386,352
General Revenues (Note 1)			
Taxes			
Property Taxes Assessed (Note 6)	384,427	-	384,427
State Motor Vehicle Tax Allocation	1,512	-	1,512
Interest Income	644	8	652
Membership Dues and Fees	-	26,176	26,176
Miscellaneous Revenue	-	2,749	2,749
Pool Admissions	-	4,720	4,720
Pool Parties	-	1,110	1,110
Rental Income	-	7,415	7,415
Swim Lessons	-	2,880	2,880
Transfers (to) from (Note 7)	(164,344)	164,344	-
Total General Revenues and Transfers	222,239	209,402	431,641
Change in Net Position	34,772	10,517	45,289
Net Position - Beginning of the Year (Note 10)	(236,095)	392,908	156,813
Net Position - End of the Year	\$ (201,323)	\$ 403,425	\$ 202,102

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash on Deposit, County Treasurer (Note 1)	\$ 49,484	\$ 149,767	\$ 199,251
Taxes Receivable (Notes 1 and 6)	108,610	68,083	176,693
Interfund Receivable, Proprietary Fund (Note 7)	-	703,774	703,774
Prepaid Utilities	8,898	-	8,898
	<u>166,992</u>	<u>921,624</u>	<u>1,088,616</u>
Total Assets	<u>\$ 166,992</u>	<u>\$ 921,624</u>	<u>\$ 1,088,616</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 34,634	\$ -	\$ 34,634
Total Liabilities	<u>34,634</u>	<u>-</u>	<u>34,634</u>
Fund Balances			
Non-Spendable Fund Balance	8,898	-	8,898
Unrestricted Fund Balance			
Assigned Fund Balance	-	921,624	921,624
Unassigned Fund Balance	123,460	-	123,460
	<u>132,358</u>	<u>921,624</u>	<u>1,053,982</u>
Total Liabilities and Fund Equity	<u>\$ 166,992</u>	<u>\$ 921,624</u>	<u>\$ 1,088,616</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2014

Total Fund Balances of Governmental Funds	\$ 1,053,982
Amounts reported for governmental activities in the statement of activities are different because:	
Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. These interfund payables are posted on the fund financial statements.	(703,774)
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This is the amount of capital assets, net of accumulated depreciation.	121,924
Interest payable on long-term debt does not require current financial resources. Therefore, this accrued interest is not reported on as a liability in governmental funds balance sheet. This is the amount of interest accrued on the bonds payable as of June 30, 2014.	(6,177)
Warrants issued but not paid are shown as a liability in the government-wide statements, whereas warrants issued and paid are shown as revenues and expenditures in the governmental funds. This is the amount of warrants payable as of June 30, 2014.	(22,278)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the the governmental funds:	
Bonds Payable	<u>(645,000)</u>
Total Net Position of Governmental Activities	<u>\$ (201,323)</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues (Note 1)			
Taxes			
Property Taxes (Note 6)	\$ 236,312	\$ 148,115	\$ 384,427
State Motor Vehicle Tax Allocation	925	587	1,512
Interest Income			
Interest on Taxes Collected	392	252	644
Total Revenues	237,629	148,954	386,583
Expenditures (Note 1)			
Current			
General Government			
Audit Fees	5,915	-	5,915
Broker Fees	-	1,000	1,000
Collection Fees, County Treasurer	4,351	2,762	7,113
Engineering	15,774	-	15,774
Insurance and Trustee Bonding	7,589	-	7,589
Legal Fees	21,311	-	21,311
Repairs and Maintenance	57,640	-	57,640
Trustee Fees	690	-	690
Uncollectible taxes	10,551	7,005	17,556
Utilities	36,405	-	36,405
Total General Government	160,226	10,767	170,993
Capital Outlay	3,650	-	3,650
Debt Service			
Warrant Principal Payment	280,655	1,000	281,655
Bond Principal Payment	-	115,000	115,000
Bond Interest Payment	-	7,853	7,853
Total Expenditures	444,531	134,620	579,151
Other Financing Sources (Uses)			
Proceeds from the Issuance of Warrants	294,439	1,000	295,439
Net Transfers In (Out) (Note 7)	(142,306)	-	(142,306)
Excess Revenues Over Expenditures	(54,769)	15,334	(39,435)
Fund Balance - Beginning of Year	187,127	906,290	1,093,417
Fund Balance - End of Year	<u>\$ 132,358</u>	<u>\$ 921,624</u>	<u>\$ 1,053,982</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (39,435)

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

Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. This is the difference between interfund transfers on the government-wide financial statements and the fund financial statements. (22,038)

Capital outlays are reported as expenditures in the governmental funds. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded in the current period. 3,650

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. This is the amount of depreciation expense in the current year for total capital assets. (10,031)

Proceeds from issuance of warrants and bonds are reported as an other financing source in the governmental funds. In the statement of net position, the proceeds increase long-term liabilities. This is the amount of proceeds in the current year.
Warrant Proceeds (295,439)

Repayment of principal on noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net position, the repayment reduces long-term liabilities. This is the amount of repayments in the current year.
Warrant Principal Payments 281,655
Bond Principal Payments 115,000

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. This is the difference between governmental activities interest expense and interest expenditures reported in the government funds. 1,410

Change in Net Position of Governmental Activities \$ 34,772

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities:
	<u>Enterprise Funds</u>
	Community Clubhouse & Swimming Pool
	<hr/>
Assets	
Current Assets	
Cash in Bank (Note 1)	\$ 34,864
	<hr/> 34,864
Other Assets	
Capital Assets (Note 3):	
Building	470,206
Furniture and Equipment	68,396
Accumulated Depreciation	(166,290)
Total Capital Assets, Net of Accumulated Depreciation	<hr/> 372,312
 Total Assets	 \$ 407,176
	<hr/> <hr/>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 316
Payroll Taxes Payable	3,435
Interfund Payables to Debt Service Fund (Note 7)	703,774
Total Current Liabilities	<hr/> 707,525
Net Position	
Net Investment in Capital Assets	372,312
Unrestricted	(672,661)
	<hr/> (300,349)
 Total Net Position	 \$ (300,349)
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Reconciliation of the Proprietary Funds Statement of Net Position to the
Government-Wide Business-Type Activities Statement of Net Position
For the Year Ended June 30, 2014

Total Fund Balance of Proprietary Funds	\$ (300,349)
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Amounts reported for business-type activities in the statement of activities are different because:

Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. These interfund payables are posted on the fund financial statements.

<u>703,774</u>

Total Net Position of Governmental-Wide Business-Type Activities	<u><u>\$ 403,425</u></u>
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The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities:
	<u>Enterprise Funds</u>
	Community Clubhouse & Swimming Pool
Operating Revenues (Note 1)	
Membership Dues and Fees	\$ 26,176
Pool Admissions	4,720
Pool Parties	1,110
Swim Lessons	2,880
Rental Income	7,415
Miscellaneous Revenue	2,749
Total Operating Revenues	<u>45,050</u>
Operating Expenses (Note 1)	
Advertising	3,549
Bank Charges	1,033
Deposit Refunds	1,095
Depreciation (Note 3)	15,401
Insurance	2,767
Miscellaneous Expense	763
Payroll Taxes	8,358
Professional Fees	11,027
Repairs and Maintenance	38,021
Salaries and Wages	79,365
Supplies	8,737
Telephone	3,837
Utilities	2,893
Total Operating Expenses	<u>176,846</u>
Income (Loss) from Operations	(131,796)
Non-Operating Revenues (Expenses)	
Interest Income on Cash Investments	8
Interest Expense on Bonds	<u>(22,038)</u>
Income (Loss) Before Contributions and Transfers	(153,826)
Other Financing Sources (Uses)	
Transfers In	<u>142,306</u>
Change in Net Position of Business-type Activities	(11,520)
Net Position - Beginning of the Year (Note 10)	<u>(288,829)</u>
Net Position - End of the Year	<u>\$ (300,349)</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Reconciliation of the Proprietary Funds Statement of Revenues, Expenditures,
and Changes in Business-Type Activities to the Government-Wide Changes in
Net Position for Business-Type Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Proprietary Funds	\$ (11,520)
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Amounts reported for governmental activities in the statement of activities are different because:

<p>Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. This is the difference between interfund transfers on the government-wide financial statements and the fund financial statements.</p>	<u>22,037</u>
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Change in Net Position of Business-Type Activities	<u><u>\$ 10,517</u></u>
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The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities:
	<u>Enterprise Funds</u>
	Community Clubhouse & Swimming Pool
Cash Flows from Operating Activities	
Cash received from customers	\$ 45,050
Cash payments to suppliers for goods and services	(72,038)
Cash payments for customer refunds	(1,095)
Cash payments to employees for services	(79,365)
Cash payments for payroll taxes	(8,511)
Cash payments for interest	(22,038)
Net Cash Provided (Used) by Operating Activities	<u>(137,997)</u>
Cash Flows from Non-Capital Financing Activities	
Expenses paid for with funds from the general fund	142,306
Net Cash Provided by Non-Capital Financing Activities	<u>142,306</u>
Cash Flows from Capital and Related Financing Activities	
Increase in interfund payable related to capital asset	22,038
Purchases of capital assets	(16,600)
Net Cash Provided by Capital and Related Financing Activities	<u>5,438</u>
Cash Flows from Investing Activities	
Interest on cash investments	<u>8</u>
Net Increase in Cash and Cash Investments	9,755
Cash and Cash Investments - Beginning of Year	25,109
Cash and Cash Investments - End of Year	<u>\$ 34,864</u>
Reconciliation of Income (Loss) from Operations	
to Net Cash Provided (Used) by Operating Activities	
Income (Loss) from Operations	\$ (131,796)
Adjustments to Reconcile Income (Loss) from Operations	
to Net Cash Provided (Used) by Operating Activities:	
Depreciation	15,401
Interest expense on bonds	(22,038)
Change in assets and liabilities:	
(Increase) Decrease in Prepaid Insurance	1,700
Increase (Decrease) in Accounts Payable	(1,112)
Increase (Decrease) in Payroll Taxes Payable	(152)
Net Cash Provided (Used) by Operating Activities	<u>\$ (137,997)</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Notes to Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska (the District) is presented to assist in understanding the District's basic financial statements. The basic financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the basic financial statements.

Reporting Entity

The District is a governmental subdivision authorized under the statutes of the State of Nebraska. A Board of Trustees is elected by the property owners of the District and has decision-making authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The board has governance responsibilities over all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The board also has primary financial accountability for fiscal matters of the District. The District is engaged in a single government program and is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In addition, there are no component units as defined by GASB 14, which are included in the District's reporting entity. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements.

Government Accounting Standards Board Statement No. 34

Effective June 30, 2004, the District adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Note Disclosures." These statements require the presentation of government-wide financial statements in addition to fund financial statements.

The primary impact of adopting the statements includes changing the presentation of fund equity to net position and long-term debt in the statements in place of separate account groups, and presenting "Management's Discussion and Analysis." Management has elected to omit "Management's Discussion and Analysis" from the basic financial statements.

Basis of Presentation

The basic financial statements of the District include the government-wide and the fund financial statements. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities, which report financial information for all non-fiduciary activities of the District. Individual funds are not displayed, and internal activity between or within funds is eliminated.

Note 1 – Summary of Significant Accounting Policies (Continued)

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 for debt service; and unrestricted net position. Net position is restricted when constraints placed on it are either externally imposed or imposed by law through constitutional provisions or enabling legislatures. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

The government-wide statement of activities reflects the expenses of the District's governmental activities, offset by general revenues to determine the change in net position for the year.

Fund Financial Statements

The fund financial statements provide additional and detailed information about the District. The emphasis of the fund financial statements is on the determination of financial position and changes in financial position rather than upon net income. The following is a description of the District's two governmental funds:

General Fund – This fund is the operating fund of the District. It is used to account for all financing resources, except those accounted for in other funds.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The following is a brief description of the District's one proprietary fund.

Community Clubhouse and Swimming Pool Fund - This fund is used to account for operations of the District's community clubhouse and swimming pool, including the administration, operation, and maintenance.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Note 1 – Summary of Significant Accounting Policies (Continued)

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On an accrual basis, revenues are recognized when earned. Expenditures are recorded when liabilities are incurred, regardless of the timing of related cash flows.

In the fund financial statements, both funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is when they become both measurable and available. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the period the liability is incurred, except for unaccrued interest on general long-term debt, which is recognized when due.

Use of Estimates – The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Revenue – (See subsequent note “Tax Levy” for property tax revenues.) State motor vehicle tax allocation, taxes collected in excess, interest on taxes, and miscellaneous revenues are recognized as the amounts are collected as the amounts earned cannot be measured. However, investment earnings are recorded as earned since they are measurable and available. All non-property tax revenue is considered available if able to collect within one year.

Special Assessments - Revenues on special assessments levied after June 15, 1987 are recognized as the amounts are collected on the fund financial statements and in the year when they were assessed on the government-wide statements. Uncollected special assessments outstanding are recorded as receivable on the government-wide statement of net position and balance sheet, and as receivable and deferred revenue on the fund financial statements. Special assessments levied before June 15, 1987 were recorded as income in the year assessed.

Long-Lived Assets – Long-lived assets and certain identifiable intangibles held and used by the entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This application has not materially affected the entity’s reported earnings, financial condition or cash flows.

Cash and Cash Investments – Cash and cash investments that are available upon demand and are considered to be “cash equivalents” when preparing these financial statements. Also, any marketable securities that are purchased with maturity of ninety days or less are considered to be “cash equivalents.”

Investments - Investments are stated at cost or amortized cost, which approximates market.

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation – Capital assets of the District are recorded at historical costs except for minor expenses for street and sidewalk improvements, recreational equipment, costs of constructing improvements for utilities, etc.

Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant assets capitalized are as follows:

Infrastructure Assets	20-25 Years
Land and Park Improvements	20 Years
Equipment	5-20 Years

Infrastructure assets include all water systems, drainage systems, easements, sewage disposal works system, waterways, electrical systems, and roads.

GASB 34 requires the District to report and depreciate new infrastructure assets effective July 1, 2003 and allows for an extended implementation period for retroactive reporting of infrastructure assets. The District has elected to report and depreciate all major general infrastructure assets retroactively.

Interest Expense - GASB 37 eliminated the requirement to capitalize construction-period interest for government activities. Effective July 1, 2003, all governmental activities interest not relating to long-term debt is expensed when incurred and the long-term debt relating interest is expensed when incurred for government-wide financial statements and expensed when paid for fund financial statements. However, all debt relating interest expense is capitalized during construction periods for all business-type activities for both the government-wide statements and proprietary fund statements.

Bond Issue Costs and Amortization – In the government-wide financial statements bond issue costs are expensed when incurred. Fund financial statements expense bond issue costs when paid. Net bond issue costs incurred prior to July 1, 2012 have been charged to net position to properly recognize them in the prior periods they were incurred.

Transactions Between Funds – Legally authorized transfers are treated as interfund transfers and are included in the operations of both Governmental and Proprietary Funds.

Subsequent Events – The District has evaluated subsequent events through December 15, 2014, the date which the financial statements were available to be issued.

Concentration of Credit Risks

Taxes and Special Assessments Receivable - Receivables for real estate and property taxes and special assessments are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

Note 1 – Summary of Significant Accounting Policies (Continued)

Budget and Budgetary Accounting – The District is required by Nebraska law to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using the cash basis of accounting. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The Board of Trustees considers a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) Expenditures and transfers cannot exceed appropriations at the fund level. When expenditures and transfers are required for functions that have not been budgeted, authorization to amend the budget and to incur the expenditures is permitted following a public hearing. No significant supplemental appropriations were made for the fiscal year ended June 30, 2014.
- d) A majority vote by the Board of Trustees authorizes transfer of budgeted amounts from the General Fund to the Debt Service Fund.
- e) Prior to September 20, the budget is legally enacted by a resolution of the Board of Trustees. On or before September 20, the budget document is filed with the County Board and State Auditor of Public Accounts.
- f) Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.

Note 2 – Deposits and Investments

Listed below is a summary of the deposits and investments that comprise the Cash on Deposit, County Treasurer and Investments on the June 30, 2014, basic financial statements.

Deposits. At June 30, 2014, the carrying amounts of the District's deposits were \$49,484 in the General Fund, \$149,767 in the Debt Service Fund, and \$34,864 in the Enterprise Fund. The County Treasurer balances for all funds totaled \$234,115. The balance at Core Bank totaled \$34,864. For purposes of classifying categories of custodial risk, the bank and the County Treasurer balances of the District's deposits as of June 30, 2014 were entirely insured by the federal depository insurance corporation.

Investments. As of June 30, 2014, the District held no investments.

Note 3 – Capital Assets and Accumulated Depreciation

A summary of capital assets for the year ended June 30, 2014 is as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Sales or Disposals</u>	<u>Balance June 30, 2014</u>
Depreciable Capital Assets:				
Infrastructure Assets	\$ 3,311,569	\$ -	\$ -	\$ 3,311,569
Land & Park Improvements	840,062	3,649	-	843,711
Buildings	46,406	-	-	46,406
Equipment	<u>53,363</u>	<u>-</u>	<u>-</u>	<u>53,363</u>
Subtotal	4,251,400	3,649	-	4,255,049
Less: Accumulated Depreciation	<u>(4,123,094)</u>	<u>(10,031)</u>	<u>-</u>	<u>(4,133,125)</u>
Total Net Capital Assets	<u>\$ 128,306</u>	<u>\$ (6,382)</u>	<u>\$ -</u>	<u>\$ 121,924</u>
<u>Business-type Activities:</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Sales or Disposals</u>	<u>Balance June 30, 2014</u>
Depreciable Capital Assets:				
Buildings	\$ 470,206	\$ -	\$ -	\$ 470,206
Equipment	<u>51,795</u>	<u>16,601</u>	<u>-</u>	<u>68,396</u>
Subtotal	522,001	16,601	-	538,602
Less: Accumulated Depreciation	<u>(150,888)</u>	<u>(15,402)</u>	<u>-</u>	<u>(166,290)</u>
Total Net Capital Assets	<u>\$ 371,113</u>	<u>\$ (1,199)</u>	<u>\$ -</u>	<u>\$ 372,312</u>

The District recorded total depreciation expense of \$25,433, of which \$10,031 was allocated directly for the governmental activities and \$15,402 was directly allocated to the business-type activities, for the year ended June 30, 2014.

Note 4 – Warrants Outstanding

General fund warrants are due and payable no later than three years from the date of issuance. Debt service fund warrants are due and payable no later than five years from the date of issuance. The outstanding general and debt service fund warrants mature during the next five years as follows:

<u>Year Ending June 30,</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
2015	\$ 8,287	\$ 81	\$ 8,368
2016	30	-	30
2017	<u>13,880</u>	<u>-</u>	<u>13,880</u>
	<u>\$ 22,197</u>	<u>\$ 81</u>	<u>\$ 22,278</u>

Registered warrants bear interest at the rate of 7% per annum. Interest accrues on warrants from the date of registration until the date they are called for payment. None of the general fund or debt service fund warrants were registered as of June 30, 2014.

Note 5 – Long-Term Debt

Long-term debt comprised of the following:

Bonds Payable

On March 15, 1977, the District issued \$1,500,000 in general obligation bonds. The proceeds from the sale of these bonds were used to retire outstanding warrants and to pay interest that had accrued on these warrants. The District reserves the option of calling and paying any or call all of these bonds at par plus accrued interest to the date set for redemption. The bonds mature according to the following schedule and bear interest, which is payable semi-annually at the rates indicated:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
March 15, 1993	7.10%	\$ 10,000
March 15, 1994	7.15%	<u>15,000</u>
		<u>\$ 25,000</u>

On November 15, 2002, the District issued \$1,165,000 in general obligation bonds. The proceeds from the sale of these bonds were used to retire outstanding bonds issued on September 15, 1994. The bonds are callable on November 15, 2007 and at any time thereafter. The bonds mature according to the following schedule and bear interest, which is payable semi-annually at the rates indicated:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
September 15, 2014	4.35%	<u>\$ 125,000</u>

On October 1, 2004, the District issued \$500,000 in general obligation bonds on behalf of the enterprise fund. The proceeds from the sale of these bonds were used to retire outstanding warrants previously issued by the District's Bond Fund for public improvements. The bonds are callable on October 15, 2009 and at any time thereafter. The bonds mature according to the following schedule and bear interest, which is payable semi-annually at the rates indicated:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
October 15, 2015	4.35%	\$ 160,000
October 15, 2016	4.45%	165,000
October 15, 2017	4.55%	<u>170,000</u>
		<u>\$ 495,000</u>

Note 5 – Long-Term Debt (Continued)

Transactions for long-term debt for the year ended June 30, 2014 are summarized as follows:

<u>Type of Debt</u>	<u>Balance June 30, 2013</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2014</u>
Bond Issue, 1977	\$ 25,000	\$ -	\$ -	\$ 25,000
Bond Issue, 2002	240,000	-	115,000	125,000
Bond Issue, 2004	<u>495,000</u>	-	-	<u>495,000</u>
Total	<u>\$ 760,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 645,000</u>

Aggregate maturities during the next five years and in five year increments thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 150,000	\$ 24,756	\$ 174,756
2016	160,000	18,557	178,557
2017	165,000	11,406	176,406
2018	<u>170,000</u>	<u>3,868</u>	<u>173,868</u>
Totals	<u>\$ 645,000</u>	<u>\$ 58,587</u>	<u>\$ 703,587</u>

Note 6 – Tax Levy

Property taxes are levied in August and become due December 31. The first half payment is due March 31 and becomes delinquent April 1 of the following year and the second half payment is due July 31 and becomes delinquent August 1 of the following year. The County Treasurer bills and collects all property taxes for the District. If the taxes remain delinquent after February of the following year, the County places a lien on the property.

Property tax revenues are recognized when they are assessed. Delinquent taxes are considered fully collectable and, therefore, no allowance for uncollectible taxes is provided.

The District has levied real and personal property taxes as follows:

<u>Fiscal Year</u>	<u>District Valuation of Property</u>	<u>District Tax Levy per \$100 Debt</u>		
		<u>General</u>	<u>Service</u>	<u>Total</u>
2013-2014	<u>\$ 63,120,235</u>	<u>0.374384</u>	<u>0.234655</u>	<u>0.609039</u>

Note 7 – Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2014 consisted of the following individual fund receivables and payables:

<u>Due To</u>	<u>Due from</u>	<u>Amount</u>
Debt Service Fund	Proprietary (Enterprise) Fund	<u>\$ 703,774</u>

The \$703,774 interfund balance to the debt service fund was from the bonds issued for the proprietary fund resulting from costs related to the construction of the community clubhouse. The total interfund balance consists of \$500,000 in bonds payable, \$4,591 in accrued bond interest, \$199,102 in bond interest paid, and \$81 for warrants outstanding related to the bond issuance. The expenditures are not scheduled to be collected from the proprietary fund in the subsequent year.

Interfund transfers are primarily used to move funds from:

- § The general fund to finance the various costs of operations and construction on behalf of the proprietary fund.

During the year-end June 30, 2014, the District transferred \$142,306 from the general fund to the proprietary fund to subsidize the costs of operations to manage the clubhouse and swimming pools. There were no transfers from the general fund to the debt service fund in the current year. In previous years, the general fund transferred \$116,958 to the debt service fund for fixed assets paid for by the general fund.

Note 8 – Deficit Net Position

On the Government-Wide Statement of Net Position, the total Governmental Activities have a deficit net position of (\$201,323) at June 30, 2014. This deficit will be financed through future revenues of the general and debt service funds.

On the Proprietary Funds Statement of Net Position, the Community Clubhouse and Swimming Pool Fund (Enterprise Fund) has a deficit net position of (\$300,349) at June 30, 2014. This deficit will be financed through future revenues of the fund in addition to transfers from the general fund.

Note 9 – 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 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.

Note 10 – Restatement of Financial Statements

The District recorded homestead exemption credits as revenues in prior years. As a result, taxes receivable were never relieved these amounts. During the year ended June 30, 2014, the District charged net position and reduced taxes receivable to properly recognize these credits in the prior periods that they were received. To correct the balances at June 30, 2013, this change decreased the Net Position – Beginning of the Year for Governmental Activities from \$(194,145) to \$(236,095) on the Government-Wide Statement of Activities; and, from \$208,707 to \$187,127 for the General Fund and from \$926,660 to \$906,290 for the Debt Service fund on the Statement of Revenues, Expenses, and Changes in Fund Balances.

REQUIRED SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General and Debt Service Funds
For the year ended June 30, 2014

	General Fund			Debt Service Fund		
	Budgetary Basis (Non GAAP)			Budgetary Basis (Non GAAP)		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Property Taxes Collected	\$ 227,223	\$ 229,701	\$ 2,478	\$ 142,418	\$ 145,718	\$ 3,300
State Motor Vehicle Tax	425	925	500	275	588	313
Interest on Taxes	600	392	(208)	450	252	(198)
Total Revenues	228,248	231,018	2,770	143,143	146,558	3,415
Expenditures						
Current Operating Expenses						
Audit Fee	7,000	5,915	1,085	-	-	-
Broker Fees	3,000	-	3,000	1,000	1,000	-
Clerk and Trustee Fees	1,500	690	810	-	-	-
Collection Fee, Co. Treasurer	-	4,351	(4,351)	-	2,762	(2,762)
Engineering	12,000	15,611	(3,611)	-	-	-
Insurance and Trustee Bonding	20,000	4,830	15,170	-	-	-
Legal Fees	17,000	19,390	(2,390)	-	-	-
Miscellaneous	500	-	500	-	-	-
Repairs and Maintenance	65,000	50,312	14,688	-	-	-
Utilities	37,000	38,589	(1,589)	-	-	-
Total Operating Expenses	163,000	139,688	23,312	1,000	3,762	(2,762)
Capital Outlay	-	3,650	(3,650)	-	-	-
Debt Service						
Retirement of Bond Principal	-	-	-	115,000	115,000	-
Interest on Bonds	-	-	-	29,890	29,890	-
Total Expenditures	163,000	143,338	19,662	145,890	148,652	(2,762)
Excess/(Deficiency) of Revenues Over Expenditures	65,248	87,680	22,432	(2,747)	(2,094)	653
Other Financing Sources (Uses)						
Issuance of Warrants	163,000	294,440	131,440	1,000	1,000	-
Retirement of Warrants	(170,914)	(280,655)	(109,741)	(1,081)	(1,000)	81
Operating Transfers Out	(80,000)	(153,091)	(73,091)	-	-	-
Sinking Fund	-	-	-	(80,000)	-	80,000
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>\$ (22,666)</u>	<u>(51,626)</u>	<u>\$ (28,960)</u>	<u>\$ (82,828)</u>	<u>(2,094)</u>	<u>\$ 80,734</u>
Fund Balance, Beginning of Year		101,110			151,861	
Fund Balance, End of Year		<u>\$ 49,484</u>			<u>\$ 149,767</u>	

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget to GAAP Reconciliation
For the Year Ended June 30, 2014

	General Fund	Debt Service Fund	Total
Sources/Inflows of Resources			
Actual Amounts (Budgetary Basis) "Total Revenues" Available for Appropriation from the Budgetary Comparison Schedule	\$ 231,018	\$ 146,558	\$ 377,576
Differences - Budget to GAAP			
Property tax revenue is recognized when assessed or when excess collections are recorded rather than when collected.	359	(1,541)	(1,182)
Transfers to business-type activities is recorded with the general revenues.	(164,344)	-	(164,344)
Total Revenues as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 67,033</u>	<u>\$ 145,017</u>	<u>\$ 212,050</u>
Uses/Outflows of Resources			
Actual Amounts (Budgetary Basis) of Total Expenditures from the Budgetary Comparison Schedule	\$ 143,338	\$ 148,652	\$ 291,990
Differences - Budget to GAAP			
Capital outlay is capitalized rather than expensed	(3,650)	-	(3,650)
Depreciation expense is recorded for capitalized assets.	629	9,402	10,031
Interest on bonds is accrued rather than expensed when paid.	-	(1,409)	(1,409)
Amount of interest paid by the bond fund that was for debt that was related to the payment of enterprise fund warrants	-	(22,038)	(22,038)
Retirement of bond principal reduces long-term debt and is not considered an expenditure.	-	(115,000)	(115,000)
Writeoff of special assessments receivable is an accrual adjustment that is not considered an expenditure for budget purposes.	10,551	7,005	17,556
Prepaid insurance adjustment is accrued rather than expensed when paid.	2,447	-	2,447
Prepaid utilities adjustment is accrued rather than expensed when paid.	(1,879)	-	(1,879)
Expenses were incurred by clubhouse and swimming pool. These amounts are paid on behalf of the enterprise fund (transferred out).	10,785	-	10,785
Expenses are accrued during the year through accounts payable and other payables rather than expensed when paid.	(1,366)	-	(1,366)
Total Expenditures as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 160,855</u>	<u>\$ 26,612</u>	<u>\$ 187,467</u>
Other Financing Sources/Uses			
Issuance of Warrants (Budgetary Basis)	\$ 294,440	\$ 1,000	\$ 295,440
Retirement of Warrants (Budgetary Basis)	(280,655)	(1,000)	(281,655)
Operating Transfers Out (Budgetary Basis)	(153,091)	-	(153,091)
Differences - Budget to GAAP			
Warrants issued and not yet retired are recorded as a payable rather than recognized as an other financing source.	(13,785)	-	(13,785)
Cash transfers to business-type activities are recorded with the general revenues.	153,091	-	153,091
Total Other Financing Sources/Uses (GAAP)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Schedule of Taxes Receivable
June 30, 2014

Tax Levy

During 2013, the District's Board of Trustees approved a tax levy of 0.609039 per \$100 of actual value of taxable property. The June 30, 2014 taxes receivable based on this levy and the delinquent taxes receivable are as follows:

	General Fund	Debt Service Fund
Valuation of Taxable Property	\$ 63,120,235	\$ 63,120,235
Tax Levy	<u>0.374384</u>	<u>0.234655</u>
Taxes Receivable – 2013-2014	236,312	148,115
Less: 2013-2014 Taxes Collected	<u>128,210</u>	<u>80,359</u>
Balance Taxes Receivable 2013-2014	108,102	67,756
Add Delinquent Taxes Levied in previous years:		
Tax Levied in 2009	130	84
Tax Levied in 2010	109	71
Tax Levied in 2011	132	85
Tax Levied in 2012	<u>137</u>	<u>87</u>
Total Taxes Receivable	<u>\$ 108,610</u>	<u>\$ 68,083</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Information Required by Section 31-740
Revised Statutes of Nebraska, 1998
For the year ended June 30, 2014

Gross Revenue from all Sources	\$ 431,641
Gross Revenue from all Sources in Previous Year	\$ 439,032
Amount Spent for Access to the Facilities and Use of the Services of the Library System	None
Amount Spent for Sewage Disposal	None
Amount Expended on Water Mains	None
Gross Amount of Sewage Processed	Not Applicable
Cost per Thousand Gallons of Processing Sewage	Not Applicable
Amount Expended for Repairs and Maintenance	\$ 95,661
Amount Expended for New Equipment	\$ 20,250
Amount Expended for New Construction Work	None
Amount Expended for Real Estate Acquisitions and Property	None
Number of Employees at June 30, 2014	16
Salaries and Fees Paid Employees	\$ 79,365
Total Amount of Taxes Levied Upon the Property Within the District	\$ 384,427

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Board of Trustees and Related Bonds
June 30, 2014

<u>Trustees</u>		<u>Bonds</u>	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Tina Larson	Chairperson	Universal Surety Co.	\$ 5,000
Dixie Lee Martin	Clerk	Universal Surety Co.	\$ 20,000
Rick Staudenmaier	Trustee		
John Kortus	Trustee		
Cindy Frieling	Trustee		



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**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. 65
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, business-type activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska, as of and for the year ended June 30, 2014, and 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, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanitary and Improvement District No. 65 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 Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. The reportable condition is described as item 14-1.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 65 of Sarpy County, Nebraska'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*.

Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's Response to Findings

Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statement 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 communication is not suitable for any other purpose.

Ritterbush & Piotrowski, LLP

Ritterbush & Piotrowski, LLP
Omaha, Nebraska
December 15, 2014

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Financial Statement Findings

14-1: Segregation of Duties

Condition

The pool manager is capable of handling all phases of a receipt or disbursement transaction from beginning to end for the enterprise fund.

Criteria

A properly designed system of internal control calls for the segregation of recordkeeping responsibilities from those with control over assets.

Cause

In a smaller organization with limited numbers of personnel, adequate segregation of duties is not always possible.

Effect

While the lack of segregation of duties is not ideal, this situation is mitigated by the fact that a member of the Board of Trustees reviews all invoices before or shortly after payment. Further, an independent bookkeeper balances the month end bank statements as well.

Recommendation

We recommend that management and Board of Trustees continue to monitor the situation. We recognize that due to a limited number of personnel, an adequate segregation of duties is not always possible.

Views of Responsible Officials and Planned Corrective Action

We concur with the auditor's findings; however, we do not believe the cost of hiring additional personnel outweighs the benefits of additional segregation of duties.