

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

Sanitary and Improvement District No. 158
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2013

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(1936 - 2006)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 158
Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Sanitary and Improvement District No. 158 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2013, 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 of 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.

INDEPENDENT AUDITORS' REPORT - Continued

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 financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 158 of Sarpy County, Nebraska as of June 30, 2013, and the respective changes in financial position 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 budgetary comparison on page 22 to be presented to supplement the basic financial statements. Such information, although not 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 158 of Sarpy County, Nebraska's basic financial statements. The supplementary information on page 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT - Continued

The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 18, 2013, on our consideration of the Sanitary and Improvement District No. 158 of Sarpy County, Nebraska internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitary and Improvement District No. 158 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

Awerkamp, Goodnight, Schwaller & Nelson, P.C.

Omaha, Nebraska
December 18, 2013

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2013

| | Primary Government | | Total |
|--|--------------------------|-----------------------------|----------------|
| | Government Activities | Business-Type Activities | |
| ASSETS: | | | |
| Cash on deposit - County Treasurer | \$ 1,331,599 | \$ 1,577 | \$ 1,333,176 |
| Taxes receivable (notes G and I) | 367,818 | - | 367,818 |
| Accounts receivable | - | 15,822 | 15,822 |
| Due from other government | 16,707 | - | 16,707 |
| Lots for sale (note C) | - | 92,138 | 92,138 |
| Intra-fund receivable | (470,606) | 470,606 | - |
| Bond issue costs, net of amortization | 458,353 | - | 458,353 |
| Capital assets (note E): | | | |
| Infrastructure | 11,825,568 | - | 11,825,568 |
| Accumulated depreciation | (5,234,777) | - | (5,234,777) |
| Total assets | 8,294,662 | 580,143 | 8,874,805 |
| LIABILITIES: | | | |
| Accounts payable | 74,252 | - | 74,252 |
| Warrants payable | 48,977 | - | 48,977 |
| Accrued interest | 33,212 | - | 33,212 |
| Non current liabilities (note F): | | | |
| Due within one year | 290,000 | - | 290,000 |
| Due in more than one year | 7,670,000 | - | 7,670,000 |
| Total liabilities | 8,116,441 | - | 8,116,441 |
| COMMITMENTS AND CONTINGENCIES | | | |
| (notes H and J) | - | - | - |
| NET POSITION: | | | |
| Invested in capital assets, net of related debt | (910,856) | - | (910,856) |
| Restricted for debt service | 1,227,799 | - | 1,227,799 |
| Unrestricted | (138,722) | 580,143 | 441,421 |
| Total net position | \$ 178,221 | \$580,143 | \$ 758,364 |

The accompanying notes are an integral part of these statements.

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

| | <u>Expenses</u> | <u>Program Revenues</u> | <u>Net (Expenses) Revenue and Changes in Net Position</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|------------------------------------|--------------------|-------------------------|---|--------------------------------|---------------------------------|
| Governmental activities | | | | | |
| General | \$ 525,112 | \$ - | \$ (525,112) | \$ - | \$ - |
| Debt service (note B) | 1,157,524 | - | (1,157,524) | - | - |
| Depreciation | 371,948 | - | (371,948) | - | - |
| Interest on long-term debt | <u>316,986</u> | <u>-</u> | <u>(316,986)</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>\$2,371,570</u> | <u>\$ -</u> | <u>(2,371,570)</u> | <u>-</u> | <u>-</u> |
| Business-type activities: | | | | | |
| Water system | \$ 17,819 | 16,072 | - | - | (1,747) |
| Lot sales | <u>124,017</u> | <u>497,949</u> | <u>-</u> | <u>-</u> | <u>373,932</u> |
| Total Business-type activities | <u>141,836</u> | <u>514,021</u> | <u>-</u> | <u>-</u> | <u>372,185</u> |
| | <u>\$2,513,406</u> | <u>\$514,021</u> | <u>(2,371,570)</u> | <u>-</u> | <u>372,185</u> |
| General revenues: | | | | | |
| Property taxes | | | 858,417 | - | - |
| Interest on taxes | | | 1,362 | - | - |
| State motor vehicle tax allocation | | | 1,643 | - | - |
| Interest on special assessments | | | 30,875 | - | - |
| Homestead exemption | | | 9,096 | - | - |
| Property tax credit allocation | | | 24,768 | - | - |
| Connection fees | | | 15,200 | - | - |
| Miscellaneous | | | <u>26,764</u> | <u>-</u> | <u>-</u> |
| Total general revenues | | | <u>968,125</u> | <u>-</u> | <u>-</u> |
| Change in net position | | | (1,403,445) | 372,185 | 372,185 |
| Net position at beginning of year | | | <u>1,581,666</u> | <u>207,958</u> | <u>207,958</u> |
| Net position at end of year | | | <u>\$ 178,221</u> | <u>\$580,143</u> | <u>\$580,143</u> |

The accompanying notes are an integral part of these statements.

| | |
|----|------------------------|
| | <u>Total</u> |
| \$ | (525,112) |
| | (1,157,524) |
| | (371,948) |
| | <u>(316,986)</u> |
| | <u>(2,371,570)</u> |
| | (1,747) |
| | <u>373,932</u> |
| | <u>372,185</u> |
| | <u>(1,999,385)</u> |
| | 858,417 |
| | 1,362 |
| | 1,643 |
| | 30,875 |
| | 9,096 |
| | 24,768 |
| | 15,200 |
| | <u>26,764</u> |
| | <u>968,125</u> |
| | (1,031,260) |
| | <u>1,789,624</u> |
| \$ | <u><u>758,364</u></u> |

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

ASSETS

| | General Fund | Debt Service Fund | Total Governmental Funds |
|------------------------------------|-----------------|-------------------------|--------------------------------|
| ASSETS: | | | |
| Cash on deposit - County Treasurer | \$ 151,249 | \$1,180,350 | \$1,331,599 |
| Taxes receivable (notes G and I) | 156,044 | 211,774 | 367,818 |
| Due from other government | 16,707 | - | 16,707 |
| Due from other fund | 177,280 | 204,000 | 381,280 |
| Total assets | \$ 501,280 | \$1,596,124 | \$2,097,404 |

LIABILITIES AND FUND BALANCES

| | | | |
|------------------------------------|------------|-------------|-------------|
| LIABILITIES: | | | |
| Accounts payable | \$ 74,252 | \$ - | \$ 74,252 |
| Warrants payable | 47,548 | 1,429 | 48,977 |
| Due to other fund | 518,202 | 333,684 | 851,886 |
| Total liabilities | 640,002 | 335,113 | 975,115 |
| COMMITMENTS AND CONTINGENCIES | | | |
| (notes H and J) | - | - | - |
| Fund balance (deficit): | | | |
| Reserved for debt service | - | 1,261,011 | 1,261,011 |
| Unassigned | (138,722) | - | (138,722) |
| Total fund balance (deficit) | (138,722) | 1,261,011 | 1,122,289 |
| Total liabilities and fund balance | \$ 501,280 | \$1,596,124 | \$2,097,404 |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2013

| | | |
|--|---------------------------|--------------------|
| Total fund balance - total governmental funds | | \$ 1,122,289 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| - Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. | | 6,590,791 |
| - Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet. | | (33,212) |
| - Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. | | |
| | Due within one year | \$ (290,000) |
| | Due in more than one year | <u>(7,670,000)</u> |
| | | (7,960,000) |
| - Bond issue costs are not current financial resources and therefore are not reported in the governmental funds balance sheet. | | <u>458,353</u> |
| Net Position of Governmental Activities | | <u>\$ 178,221</u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Year Ended June 30, 2013

| | General Fund | Debt Service Fund | Total Governmental Funds |
|--|----------------------------|----------------------------|--------------------------------|
| REVENUES: | | | |
| Taxes assessed (note G) | \$ 364,177 | \$ 494,240 | \$ 858,417 |
| State motor vehicle tax allocation | 697 | 946 | 1,643 |
| Interest on taxes | 578 | 784 | 1,362 |
| Homestead exemption | 3,859 | 5,237 | 9,096 |
| Property tax credit allocation | 10,508 | 14,260 | 24,768 |
| Special assessments | - | 79,000 | 79,000 |
| Interest on special assessments | - | 141,246 | 141,246 |
| Connection fees | - | 15,200 | 15,200 |
| Miscellaneous | 26,764 | 24,927 | 51,691 |
| | <u>406,583</u> | <u>775,840</u> | <u>1,182,423</u> |
| EXPENDITURES: | | | |
| Legal and accounting fees | 47,767 | - | 47,767 |
| Trustee bonds and insurance | 13,175 | - | 13,175 |
| Collection fees - County Treasurer | 7,352 | 14,880 | 22,232 |
| Maintenance and engineering | 61,558 | - | 61,558 |
| Electricity | 39,695 | - | 39,695 |
| Water system expense | 193,073 | - | 193,073 |
| Trash removal | 62,807 | - | 62,807 |
| Sewer expense | 97,319 | - | 97,319 |
| Publication | 766 | - | 766 |
| Election expense | 1,600 | - | 1,600 |
| Paying agent fees | - | 6,032 | 6,032 |
| Debt service: | | | |
| Interest charges | - | 398,506 | 398,506 |
| | <u>525,112</u> | <u>419,418</u> | <u>944,530</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (118,529) | 356,422 | 237,893 |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of long-term debt | - | 7,300,000 | 7,300,000 |
| Payment of long-term debt | - | (7,704,753) | (7,704,753) |
| Payment of bond issue costs | - | (416,948) | (416,948) |
| | <u>-</u> | <u>(416,948)</u> | <u>(416,948)</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES | (118,529) | (465,279) | (583,808) |
| FUND BALANCE, (DEFICIT), BEGINNING OF YEAR | <u>(20,193)</u> | <u>1,726,290</u> | <u>1,706,097</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u><u>\$ (138,722)</u></u> | <u><u>\$ 1,261,011</u></u> | <u><u>\$ 1,122,289</u></u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

| | |
|---|-----------------------|
| Net change in fund balance - total governmental funds | \$ (583,808) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| - The District lifted the remaining outstanding special assessments during September, 2012. Special assessments are recorded in the governmental funds when collected. However, the government-wide statement of activities record special assessments when levied. Therefore, the government-wide statements reflect the removal of the special assessments. | (759,244) |
| - Depreciation expense on capital assets 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, depreciation expense is not reported as an expenditure in the governmental funds. | (371,948) |
| - The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 419,407 |
| - 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 an expenditure in the governmental funds. | 81,519 |
| - Special assessments and related interest are recorded at modified accrual for governmental funds and full accrual for government-wide statements resulting in this difference. | <u>(189,371)</u> |
| Change in Net Position of Governmental Activities | <u>\$ (1,403,445)</u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2013

| | Enterprise Funds | | |
|-------------------------------|------------------------|---------------------|------------------|
| | Service Fee Fund | Lot Sale Fund | Total |
| ASSETS: | | | |
| Current assets: | | | |
| Cash | \$ 1,577 | \$ - | \$ 1,577 |
| Accounts receivable | 15,822 | - | 15,822 |
| Lots for sale (note C) | - | 92,138 | 92,138 |
| Total current assets | <u>17,399</u> | <u>92,138</u> | <u>109,537</u> |
| Non-current assets | | | |
| Due from other fund | 27,604 | 443,002 | 470,606 |
| | <u>27,604</u> | <u>443,002</u> | <u>470,606</u> |
| Total assets | <u>45,003</u> | <u>535,140</u> | <u>580,143</u> |
| LIABILITIES: | | | |
| Total current liabilities | | | |
| | \$ - | \$ - | \$ - |
| Non-current liabilities | | | |
| Due to other fund | - | - | - |
| Total non-current liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION: | | | |
| Unrestricted | 45,003 | 535,140 | 580,143 |
| Total net position | <u>\$45,003</u> | <u>\$535,140</u> | <u>\$580,143</u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND ASSETS

PROPRIETARY FUNDS

For the year ended June 30, 2013

| | Enterprise Funds | | |
|---------------------------------|------------------------|---------------------|------------------|
| | Service Fee Fund | Lot Sale Fund | Total |
| OPERATING REVENUES: | | | |
| Sewer and water use fees/sales | <u>\$16,072</u> | <u>\$497,949</u> | <u>\$514,021</u> |
| OPERATING COSTS AND EXPENSES: | | | |
| Cost of sales | - | 124,017 | 124,017 |
| Maintenance and repair | 15,655 | - | 15,655 |
| Electricity | <u>2,164</u> | <u>-</u> | <u>2,164</u> |
| | <u>17,819</u> | <u>124,017</u> | <u>141,836</u> |
| NET INCOME (LOSS) | (1,747) | 373,932 | 372,185 |
| Net position, beginning of year | <u>46,750</u> | <u>161,208</u> | <u>207,958</u> |
| Net position, end of year | <u>\$45,003</u> | <u>\$535,140</u> | <u>\$580,143</u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the year ended June 30, 2013

| | Enterprise Funds | | |
|---|------------------------|---------------------|-------------------|
| | Service Fee Fund | Lot Sale Fund | Total |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 13,312 | \$ 497,949 | \$ 511,261 |
| Cash payments to suppliers | <u>(17,819)</u> | <u>-</u> | <u>(17,819)</u> |
| Net cash provided (used) by operating activities | <u>(4,507)</u> | <u>497,949</u> | <u>493,442</u> |
| Cash flows from financing activities: | | | |
| Change in interfund payables (net) | <u>(21,181)</u> | <u>(497,949)</u> | <u>(519,130)</u> |
| Cash flows provided by (used in) financing activities | <u>(21,118)</u> | <u>(497,949)</u> | <u>(519,130)</u> |
| Cash flows from investing activities: | | | |
| Cash flows used by investing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in cash | (25,688) | - | (25,688) |
| Cash at beginning of year | <u>27,265</u> | <u>-</u> | <u>27,265</u> |
| Cash at end of year | <u>\$ 1,577</u> | <u>\$ -</u> | <u>\$ 1,577</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (1,747) | \$ 373,932 | \$ 372,185 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Increase in receivables | (2,760) | - | (2,760) |
| Decrease in inventory | <u>-</u> | <u>124,017</u> | <u>124,017</u> |
| Net cash provided (used) by operating activities | <u>\$ (4,507)</u> | <u>\$ 497,949</u> | <u>\$ 493,442</u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 158 of Sarpy County, Nebraska is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the trustees of the District, who are responsible for their integrity and objectivity. These accounting policies conform in all material respects to generally accepted accounting principles, as promulgated by the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units, and have been consistently applied in the preparation of the financial statements.

History and business activity

The District is a governmental subdivision, created pursuant to Nebraska law, to act as a vehicle for the construction of roads, utilities and similar improvements. The Board of Trustees, consisting of five members, has the power to provide financing for such improvements and has authority to: issue warrants for construction work and services, contract with financial institutions for conversion of warrants to cash, and to levy both special assessments and general taxes against property in the District to pay off warrants and bonds issued by the District.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reporting entity

The accompanying financial statements present the District's primary governmental unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

For the fiscal year ended June 30, 2013, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. GASB Statement No. 63 establishes accounting and financial reporting standards for deferred outflows of resources or deferred inflows of resources and net position together with related disclosures. At June 30, 2013, the District did not have any deferred outflows of resources or deferred inflows of resources, as defined by GASB Statement No. 63. However, see below for a description of the District's net position, as required by GASB Statement No. 63.

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements - Continued

General Fund

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

For the classification of fund balance, the District considers unassigned amounts to have been spent when an expenditure is incurred for purposes for which unrestricted fund balance could be used.

Debt Service Fund

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the District. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Proprietary Fund Types

Proprietary funds are those which are used to account for activities conducted on a fee for service or sales basis in a manner similar to commercial enterprises. The District's proprietary funds include the Enterprise Funds which maintain and operate a water system providing service to commercial customers as well as the Lot Sale Fund which has acquired unsold residential lots in the District with the intent of selling the lots to the general public.

Measurement Focus/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 financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus/Basis of Accounting - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received.

Investments

Investments are carried at cost, which approximates market, and any premium or discount on investments are amortized on the straight-line method from date of purchase to date of maturity. These deposits were covered with sufficient assets pledged to the Sarpy County by the financial institutions at June 30, 2013.

Infrastructure

Infrastructure is carried at cost plus interest on warrants while construction is in progress. Depreciation is provided using the straight-line method over estimated lives of 20-40 years.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Bond Issue Costs

Bond issue costs are being amortized on the straight-line method over the life of the bond issue.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. 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:

- (a) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (b) Notice of place and time of public hearings must be published prior to the public hearings.
- (c) Public hearings are conducted to obtain taxpayer comment.
- (d) 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.
- (e) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- (f) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2013.
- (g) The accompanying combined statements of revenues, expenditures, and changes in fund balances - Budget and Actual - General, Debt Service Fund and Service Fee Fund presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2013 is presented as follows:

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

| | General Fund | Debt Service Fund | Service Fee Fund |
|--|--------------------|-------------------------|------------------------|
| Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis) | \$ 31,324 | \$(318,182) | \$ (25,688) |
| Adjustments: | | | |
| To adjust revenues for receivables | 13,891 | (3,821) | 57,675 |
| To adjust expenditures for payables and accruals | 4,643 | 15,725 | (141,836) |
| To adjust for variance in recognition of items for other financing sources (uses) | <u>(168,387)</u> | <u>(159,001)</u> | <u>482,034</u> |
| Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis) | <u>\$(118,529)</u> | <u>\$(465,279)</u> | <u>\$ 372,185</u> |

Net Position

Net Position in the government-wide financial statements is classified into three components:

Net Investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

Restricted net position - represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments imposed by law through state statute.

Unrestricted net position - all other assets that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balances - Governmental Funds - Continued

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Trustees may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

NOTE B - SPECIAL ASSESSMENTS RECEIVABLE

Special assessments were levied from 1994 through 2006 against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten equal annual installments. The special assessments bear interest at rates ranging from 7.5% to 10% until delinquent and then at rates ranging from 9.5% to 12% until paid (see note C).

During September, 2012, the District lifted the remaining special assessments totaling \$329,199. This also lifted the related accrued interest of \$430,045 for a total of \$759,244. Approval for this action included the District's fiscal agent and bond counsel. The revenue related to these special assessments and interest had been recorded in the government-wide financial statements when levied and accrued. The removal of these amounts has been recorded in the government-wide statement of activities under debt service expenses.

The governmental funds financial statements do not record special assessments or related interest until collected. Accordingly, this transaction has no effect on the statement of revenues and expenditures.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE C - ACQUISITION OF RESIDENTIAL LOTS

On April 15, 2009, the District purchased 73 unsold residential lots from the developer of the subdivision. The primary purpose of this transaction was to preserve and collect the special assessments levied against the lots (see note B). As the lots are sold, the special assessments and accrued interest will be paid and the residual will be returned to the District.

While the lots are held by the District, they will not be subject to real estate taxes and further accrued interest on the special assessments will cease. (See noted B)

NOTE D - INVESTMENTS

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 2003, and generally include U.S. government obligations, certificates of deposit, and time deposits. During the period ended June 30, 2013, the District invested in U.S. Treasury Bills.

All investments activities are conducted through the District's fiscal agent, the County Treasurer. Treasury bills are bought and held in safekeeping through the County Treasurer in the District's name. These securities are classified as Level 1 in the fair value hierarchy as indicated in ASC 820-10.

Investment risks that the District may be subject to consist of:

Interest Rate Risk - Since the District's investments are short-term, this risk is minimized at June 30, 2013.

Custodial Credit Risk - Investments are held by a bank in the District's name and therefore, the District was not exposed to this risk at June 30, 2013.

The District held no investments at June 30, 2013.

NOTE E - CAPITAL ASSETS

At June 30, 2013, capital assets consist of the following:

| | <u>July 1, 2012</u> | <u>Additions</u> | <u>June 30, 2013</u> |
|---|-------------------------|--------------------|--------------------------|
| Infrastructure: | | | |
| Paving, sanitary sewer and storm sewer | \$ 8,424,274 | \$ 86,387 | \$ 8,510,661 |
| Power and water systems | 3,102,862 | - | 3,102,862 |
| Park improvements | 212,045 | - | 212,045 |
| Construction in progress | <u>86,387</u> | <u>(86,387)</u> | <u>-</u> |
| | 11,825,568 | - | 11,825,568 |
| Accumulated depreciation | <u>(4,862,829)</u> | <u>(371,948)</u> | <u>(5,234,777)</u> |
| | <u>\$ 6,962,739</u> | <u>\$(371,948)</u> | <u>\$ 6,590,791</u> |

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE E - CAPITAL ASSETS - CONTINUED

Depreciation expense totaled \$371,948 for the year ended June 30, 2013. Park land not being depreciated totals \$85,142.

NOTE F - GENERAL OBLIGATION BONDS PAYABLE

Bonds totaling \$3,750,000 were issued November 15, 2004 and are due serially beginning November 15, 2005. Interest is payable semi-annually on November 1 and May 1 at a rates ranging from 2.25% to 5.10%.

Bonds totaling \$4,450,000 were issued July 15, 2007 and are due serially beginning July 15, 2008. Interest is payable semi-annually on January 15, and July 15 at rates ranging from 4.0% to 5.10%.

Two series of bonds were issued April 15, 2009. Series 2009A bonds total \$725,000 and were issued to retire outstanding registered warrants of the District. Series 2009B bonds total \$225,000 and were issued to purchase unsold residential lots within the District (see note C). Both are due serially beginning April 15, 2010. Interest is payable semi-annually on April 15 and October 15. Rates range from 2.20% to 5.65% for series A bonds and are 6% for series B bonds. The series B bonds were retired during the year ended June 30, 2012.

Bonds totaling \$7,300,000 were issued November 15, 2012 to refund the 2004 and 2007 bond issue as well as redeem outstanding debt service fund registered warrants. The bonds are due serially beginning November 15, 2013. Interest is payable semi-annually on May 15 and November 15 at rates ranging from 1.20% to 3.80%.

A summary of changes in bonds payable is as follows:

| | |
|------------------------|---------------------|
| Balance July 1, 2012 | \$ 7,500,000 |
| Bond issued | 7,300,000 |
| Bond payments | <u>(6,840,000)</u> |
| Balance, June 30, 2013 | <u>\$ 7,960,000</u> |

Aggregate maturities of bonds payable and interest is as follows for the years ending June 30:

| <u>April 15, 2009</u> (Series A) | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|------------------|-----------------|------------------|
| 2014 | \$ 20,000 | \$ 34,133 | \$ 54,133 |
| 2015 | 20,000 | 33,433 | 53,433 |
| 2016 | 25,000 | 32,682 | 57,682 |
| 2017 | 25,000 | 31,683 | 56,683 |
| 2018 | 25,000 | 30,632 | 55,632 |
| 2019 - 2023 | 160,000 | 132,950 | 292,950 |
| 2024 - 2028 | 285,000 | 83,197 | 368,197 |
| 2029 - 2030 | <u>100,000</u> | <u>5,650</u> | <u>105,650</u> |
| | <u>660,000</u> | <u>384,360</u> | <u>1,044,360</u> |

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE F - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

November 15, 2012 issue

| | | | |
|-------------|--------------------|--------------------|---------------------|
| 2014 | 270,000 | 207,190 | 477,190 |
| 2015 | 280,000 | 203,750 | 483,750 |
| 2016 | 285,000 | 199,935 | 484,935 |
| 2017 | 290,000 | 195,765 | 485,765 |
| 2018 | 295,000 | 191,156 | 486,156 |
| 2019 - 2023 | 1,615,000 | 859,803 | 2,474,803 |
| 2024 - 2028 | 1,870,000 | 613,929 | 2,483,929 |
| 2029 | <u>2,395,000</u> | <u>245,385</u> | <u>2,640,385</u> |
| | <u>7,300,000</u> | <u>2,716,913</u> | <u>10,016,913</u> |
| | <u>\$7,960,000</u> | <u>\$3,101,273</u> | <u>\$11,061,273</u> |

Bonds maturing on or after November 15, 2010, July 15, 2013 and April 15, 2015, respectively, are subject to redemption in whole or in part, at any time after November 15, 2009, July 15, 2012 and April 15, 2014, respectively, at par and accrued interest, to the date of redemption with no redemption premium.

NOTE G - TAX LEVY

The District levied taxes for 2012-2013 at the rate of \$.66 per \$100 on an estimated 100% property valuation of \$135,171,750.

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 payment becomes delinquent August 1 of the following year. The Sarpy County Treasurer bills and collects all property taxes for the District.

NOTE H - COMMITMENTS

The District has entered into an agreement with Omaha Public Power District (OPPD) under which OPPD is to furnish street lighting to the District. The cost to the District for this service for fiscal 2014 is estimated to be approximately \$55,000.

NOTE I - CREDIT RISK

Receivables for property taxes are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE J - 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 K - SUBSEQUENT EVENTS

Management evaluate transactions and events occurring subsequent to June 30, 2013 and through December 18, 2013 (the date the financial statements were available to be issued) to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements.

NOTE L - PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, was issued in April 2012 and will be effective for the financial statements of the District for the year ending June 30, 2014. This statement provides further guidance on the accounting and reporting of deferred outflows of resources, deferred inflows of resources and certain items previously reported as assets and liabilities. More specifically, the adoption of this statement by the District in fiscal 2014 will result in (1) the write off of bond issue costs of \$458,353 at June 30, 2013 on the government-wide statement of net position with a corresponding decrease in net position.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD & A)

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

For The Year Ended June 30, 2013

| | GENERAL FUND (NON GAAP) | | |
|---|---------------------------------|-------------------|--|
| | Original And Final Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | |
| Taxes collected | \$ 378,481 | \$ 366,993 | \$ (11,488) |
| State motor vehicle tax allocation | 1,000 | 697 | (303) |
| Interest on taxes | - | 578 | 578 |
| Interest on investments | - | - | - |
| Special assessments and interest | - | - | - |
| Property tax credit allocation | - | 10,508 | 10,508 |
| Homestead exemption | - | 3,859 | 3,859 |
| Water use fees | - | - | - |
| Connection fee | - | - | - |
| Miscellaneous | <u>25,000</u> | <u>10,057</u> | <u>(14,943)</u> |
| Total revenues | <u>404,481</u> | <u>392,692</u> | <u>(11,789)</u> |
| EXPENDITURES: | | | |
| Legal and accounting fees | 47,500 | 47,767 | (267) |
| Sewer expense | 60,000 | 80,068 | (20,068) |
| Interest on bonds | - | - | - |
| Interest on registered warrants | - | - | - |
| Publication and election expense | 1,000 | 2,366 | (1,366) |
| Paying agent fees | - | - | - |
| Water system expense | 95,000 | 210,621 | (115,621) |
| Trash removal | 60,000 | 62,807 | (2,807) |
| Maintenance and engineering | 162,000 | 61,758 | 100,242 |
| Electricity | 45,000 | 43,841 | 1,159 |
| Trustee bonds and insurance | 12,000 | 13,175 | (1,175) |
| Collection fees - County Treasurer | <u>7,421</u> | <u>7,352</u> | <u>69</u> |
| Total expenditures | <u>489,921</u> | <u>529,755</u> | <u>(39,834)</u> |
| Excess (deficiency) of revenues over expenditures) | (85,440) | (137,063) | (51,623) |
| OTHER FINANCING SOURCES (USES): | | | |
| Proceeds from warrants issued | 125,000 | 41,436 | (83,564) |
| Payment of warrants | (112,225) | (106,541) | 5,684 |
| Payment of bond issue costs | - | - | - |
| Proceeds from bond issue | - | - | - |
| Payment of improvements and lots | - | - | - |
| Payment of bond principal | - | - | - |
| Transfers | <u>-</u> | <u>233,492</u> | <u>233,492</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES | <u>\$ (72,665)</u> | 31,324 | <u>\$ 103,989</u> |
| FUND BALANCE, BEGINNING OF YEAR | | <u>119,925</u> | |
| FUND BALANCE, END OF YEAR | | <u>\$ 151,249</u> | |

| DEBT SERVICE FUND (NON GAAP) | | | PROPRIETARY FUND (NON GAAP) | | |
|---------------------------------|---------------------|--|---------------------------------|-----------------|--|
| Original And Final Budget | Actual | Variance Favorable (Unfavorable) | Original And Final Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 513,653 | \$ 498,061 | \$ (15,592) | \$ - | \$ - | \$ - |
| 1,400 | 946 | (454) | - | - | - |
| - | 784 | 784 | - | - | - |
| 500 | - | (500) | - | - | - |
| 150,000 | 220,246 | 70,246 | - | - | - |
| - | 14,260 | 14,260 | - | - | - |
| - | 5,237 | 5,237 | - | - | - |
| 2,000 | 15,200 | 13,200 | 35,000 | 13,312 | (21,688) |
| - | 24,927 | 24,927 | - | 443,034 | 443,034 |
| <u>667,553</u> | <u>779,661</u> | <u>112,108</u> | <u>35,000</u> | <u>456,346</u> | <u>421,346</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 344,000 | 373,362 | (29,362) | - | - | - |
| 91,000 | 45,201 | 45,799 | - | - | - |
| - | - | - | - | - | - |
| 5,000 | 1,700 | 3,300 | - | - | - |
| - | - | - | 35,000 | - | 35,000 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 10,072 | 14,880 | (4,808) | - | - | - |
| <u>450,072</u> | <u>435,143</u> | <u>14,929</u> | <u>35,000</u> | <u>-</u> | <u>35,000</u> |
| 217,481 | 344,518 | 127,037 | - | 456,346 | 456,346 |
| 550,000 | 1,429 | (548,571) | - | - | - |
| (865,000) | (955,722) | (90,722) | - | - | - |
| (30,000) | (54,849) | (24,849) | - | - | - |
| 7,000,000 | 6,937,900 | (62,100) | - | - | - |
| (550,000) | - | 550,000 | - | - | - |
| (6,840,000) | (6,840,000) | - | - | - | - |
| - | 248,542 | 248,542 | - | (482,034) | (482,034) |
| <u>\$ (517,519)</u> | (318,182) | <u>\$ 199,337</u> | <u>\$ -</u> | (25,688) | <u>\$ (25,688)</u> |
| | <u>1,498,532</u> | | | <u>27,265</u> | |
| | <u>\$ 1,180,350</u> | | | <u>\$ 1,577</u> | |

SUPPLEMENTARY INFORMATION

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

INFORMATION REQUIRED BY SECTION 31-740,
REVISED STATUTES OF NEBRASKA, 2008

Year ended June 30, 2013

| | |
|---|--------------------|
| Gross revenues from all sources | <u>\$1,696,444</u> |
| Gross revenues from all sources from previous year | <u>\$1,453,951</u> |
| Amount spent for sewage disposal | <u>\$ 97,319</u> |
| Amount expended on water mains | <u>None</u> |
| Gross amount of sewage processed | <u>None</u> |
| Cost per thousand gallons of processing sewage | <u>None</u> |
| Amount expended for: | |
| Maintenance and repairs | <u>\$ 187,693</u> |
| New equipment | <u>None</u> |
| New construction work (incl. water mains) | <u>None</u> |
| Property purchased | <u>None</u> |
| Number of employees | <u>None</u> |
| Salaries and fees paid employees | <u>None</u> |
| Total amount of taxes levied upon the property within the District | <u>\$ 858,417</u> |

SUMMARY OF TAXES RECEIVABLE

| | Receivable at June 30, 2012 | 2012-13 tax | Collected 2012-13 | Receivable at June 30, 2013 |
|--------------------------------------|-----------------------------------|------------------|----------------------|-----------------------------------|
| Real estate and personal property | <u>\$374,455</u> | <u>\$858,417</u> | <u>\$865,054</u> | <u>\$367,818</u> |

TRUSTEE AND RELATED BONDS

| Trustees | | Bonds | |
|-----------------|----------|---------|--------|
| Name | Office | Insurer | Amount |
| Allen Marsh | Chairman | - | None |
| Patrick Lichter | Clerk | - | None |
| Larry Hammer | Trustee | - | None |
| Dale Marples | Trustee | - | None |
| Paul Stoupa | Trustee | - | None |

Awerkamp, Goodnight, Schwaller & Nelson, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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ALDEN B. AWERKAMP

J. DOUGLAS GOODNIGHT
(1936 - 2006)

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*

To the Board of Directors
Sanitary and Improvement District No. 158
of Sarpy County, Nebraska

We have audited the financial statements of Sanitary and Improvement District No. 158 of Sarpy County, Nebraska as of and for the year ended June 30, 2013, and have issued our report thereon dated December 18, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 158's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 158's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 158's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified the following deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

The district does not have the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Management is aware of this significant deficiency and believes it is economically not feasible to obtain the ability to prepare financial statements.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sanitary and Improvement District No. 158's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sanitary and Improvement District No. 158's financial statements that is more than consequential will not be prevented or detected by the Sanitary and Improvement District No. 158's internal control. We consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sanitary and Improvement District No. 158's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 158'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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding #1

- General fund expenditures exceeded budget by \$39,834, without amending the budget.

Response

- Various expense categories exceeded the amounts anticipated when the budget was prepared caused primary by increased water fund expenses and sewer expense.

Finding #2

- Payment of debt issue costs exceeded budget by \$24,849, without amending the budget.

Response

- The budget did not anticipate the new system of bond issue costs established during the fiscal year.

Finding #3

- Payment of debt service fund warrants exceeded budget by \$90,722, without amending the budget.

Response

- The District elected to retire all debt service fund registered warrants with available funds.

Finding #4

- The District has insurance coverage for trustees but not the specific bond coverage for the chairman and clerk as required by statute.

Response

- The District's insurance agent is aware of this situation and will verify the District is in compliance.

Sanitary and Improvement District No. 158's responses to the findings identified in our audit are described above. We did not audit Sanitary and Improvement District No. 158's responses and accordingly, we express no opinion on them.

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.

Averkamp, Goodnight, Schwaller & Nelson, P.C.

Omaha, Nebraska
December 18, 2013