

BASIC FINANCIAL STATEMENTS
& SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

Sanitary and Improvement District No. 158
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2015

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J. DOUGLAS GOODNIGHT
(1936 - 2006)

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2015, 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 21 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 22 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 23, 2015, 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.

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

Omaha, Nebraska
December 23, 2015

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2015

	Government Activities	Business-Type Activities	Total
ASSETS:			
Cash on deposit - County Treasurer	\$ 1,305,474	\$ 18,892	\$ 1,324,366
Taxes receivable (notes G and I)	458,809	-	458,809
Accounts receivable	-	4,412	4,412
Lots for sale (note C)	-	30,713	30,713
Intra-fund receivable	(969,884)	969,884	-
Capital assets (note E):			
Infrastructure	12,653,109	-	12,653,109
Accumulated depreciation	(5,989,572)	-	(5,989,572)
Total assets	<u>7,457,936</u>	<u>1,023,901</u>	<u>8,481,837</u>
LIABILITIES:			
Accounts payable	254,339	-	254,339
Warrants payable	429,056	-	429,056
Accrued interest	32,978	-	32,978
Non current liabilities (note F):			
Due within one year	310,000	-	310,000
Due in more than one year	7,060,000	-	7,060,000
Total liabilities	<u>8,086,373</u>	<u>-</u>	<u>8,086,373</u>
COMMITMENTS AND CONTINGENCIES			
(notes H and J)	-	-	-
NET POSITION:			
Net investment in capital assets	(706,463)	-	(706,463)
Restricted for debt service	591,906	-	591,906
Unrestricted	(513,880)	1,023,901	510,021
Total net position	<u>\$ (628,437)</u>	<u>\$1,023,901</u>	<u>\$ 395,464</u>

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, 2015

	<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	\$ 614,028	\$ -	\$ (614,028)	\$ -	\$ -
Debt service	9,791	-	(9,791)	-	-
Depreciation	381,356	-	(381,356)	-	-
Interest on long-term debt	<u>244,558</u>	<u>-</u>	<u>(244,558)</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$1,249,733</u>	<u>\$ -</u>	<u>(1,249,733)</u>	<u>-</u>	<u>-</u>
Business-type activities:					
Water system	\$ 10,940	\$ 5,016	\$ -	\$ -	\$ (5,924)
Lot sales	<u>11,518</u>	<u>101,000</u>	<u>-</u>	<u>-</u>	<u>89,482</u>
Total Business-type activities	<u>22,458</u>	<u>106,016</u>	<u>-</u>	<u>-</u>	<u>83,558</u>
	<u>\$1,272,191</u>	<u>\$106,016</u>	<u>-</u>	<u>-</u>	<u>83,558</u>
General revenues:					
Property taxes			1,035,964	-	-
Interest on taxes			588	-	-
State motor vehicle tax allocation			2,256	-	-
Homestead exemption			11,260	-	-
Property tax credit allocation			29,505	-	-
Miscellaneous			<u>10,637</u>	<u>-</u>	<u>-</u>
Total general revenues			<u>1,090,210</u>	<u>-</u>	<u>-</u>
Change in net position			(159,523)	83,558	-
Net position at beginning of year			<u>(468,914)</u>	<u>940,343</u>	<u>-</u>
Net position at end of year			<u>\$ (628,437)</u>	<u>\$1,023,901</u>	<u>-</u>

The accompanying notes are an integral part of these statements.

	<u>Total</u>
\$	(614,028)
	(9,791)
	(381,356)
	<u>(244,558)</u>
	 <u>(1,249,733)</u>
	 (5,924)
	<u>89,482</u>
	 <u>83,558</u>
	 <u>(1,166,175)</u>
	 1,035,964
	588
	 2,256
	11,260
	29,505
	<u>10,637</u>
	 <u>1,090,210</u>
	 (75,965)
	<u>471,429</u>
\$	<u><u>395,464</u></u>

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit - County Treasurer	\$ 20,755	\$1,284,719	\$1,305,474
Taxes receivable (notes G and I)	178,426	280,383	458,809
Due from other fund	88,133	204,000	292,133
Total assets	\$ 287,314	\$1,769,102	\$2,056,416

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ 70,177	\$ 184,162	\$ 254,339
Warrants payable	201,296	227,760	429,056
Accrued interest on registered warrants	928	-	928
Due to other fund	528,793	733,225	1,262,018
Total liabilities	801,194	1,145,147	1,946,341
COMMITMENTS AND CONTINGENCIES			
(notes H and J)	-	-	-
Fund balance (deficit):			
Restricted for debt service	-	623,955	623,955
Unassigned	(513,880)	-	(513,880)
Total fund balance (deficit)	(513,880)	623,955	110,075
Total liabilities and fund balance	\$ 287,314	\$1,769,102	\$2,056,416

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, 2015

Total fund balance - total governmental funds		\$	110,075
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.			6,663,537
- 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.			(32,049)
- 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	\$	(310,000)
	Due in more than one year		<u>(7,060,000)</u>
			<u>(7,370,000)</u>
Net Position of Governmental Activities		\$	<u>(628,437)</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, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes assessed (note G)	\$ 402,778	\$ 633,186	\$1,035,964
State motor vehicle tax allocation	885	1,371	2,256
Interest on taxes	233	355	588
Homestead exemption	4,395	6,865	11,260
Property tax credit allocation	11,474	18,031	29,505
Miscellaneous	<u>10,637</u>	<u>-</u>	<u>10,637</u>
Total revenues	<u>430,402</u>	<u>659,808</u>	<u>1,090,210</u>
EXPENDITURES:			
Legal and accounting fees	32,085	-	32,085
Trustee bonds and insurance	17,119	-	17,119
Collection fees - County Treasurer	5,976	9,158	15,134
Maintenance and engineering	103,406	-	103,406
Electricity	56,831	-	56,831
Water system expense	134,931	-	134,931
Trash removal	66,903	-	66,903
Sewer expense	178,273	-	178,273
Publication	234	-	234
Financial service fee	1,725	-	1,725
Paying agent fees	11,682	633	12,315
Payment of improvements	-	743,817	743,817
Debt service:			
Interest charges	4,863	245,170	250,033
Payment of long-term debt	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Total expenditures	<u>614,028</u>	<u>1,298,778</u>	<u>1,912,806</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(183,626)</u>	<u>(638,970)</u>	<u>(822,596)</u>
FUND BALANCE, (DEFICIT), BEGINNING OF YEAR	(293,779)	1,226,450	932,671
Adjustment (note L)	<u>(36,475)</u>	<u>36,475</u>	<u>-</u>
	<u>(330,254)</u>	<u>1,262,925</u>	<u>932,671</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (513,880)</u>	<u>\$ 623,955</u>	<u>\$ 110,075</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, 2015

Net change in fund balance - total governmental funds	\$(822,596)
Amounts reported for governmental activities in the statement of activities are different because:	
- Governmental funds report capital outlay as expenditures. 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 assets recorded in the current period net of refunds.	743,817
- 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.	(381,356)
- 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. This amount is the net effect of these differences in the treatment of long-term debt.	300,000
- 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 an expenditure in the governmental funds.	<u>612</u>
Change in Net Position of Governmental Activities	<u>\$(159,523)</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, 2015

	Enterprise Funds		
	Service Fee Fund	Lot Sale Fund	Total
ASSETS:			
Current assets:			
Cash	\$18,892	\$ -	\$ 18,892
Accounts receivable	4,412	-	4,412
Lots for sale (note C)	-	30,713	30,713
Total current assets	<u>23,304</u>	<u>30,713</u>	<u>54,017</u>
Non-current assets			
Due from other fund	8,466	961,418	969,884
	<u>8,406</u>	<u>961,418</u>	<u>969,884</u>
Total assets	<u>31,770</u>	<u>992,131</u>	<u>1,023,901</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	31,770	992,131	1,023,901
Total net position	<u>\$31,770</u>	<u>\$992,131</u>	<u>\$1,023,901</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, 2015

	Enterprise Funds		
	Service Fee Fund	Lot Sale Fund	Total
OPERATING REVENUES:			
Sewer and water use fees/sales	\$ 5,016	\$101,000	\$ 106,016
OPERATING COSTS AND EXPENSES:			
Cost of sales	-	11,518	11,518
Water system expense	10,940	-	10,940
	10,940	11,518	22,458
NET INCOME (LOSS)	(5,924)	89,482	83,558
Net position, beginning of year	37,694	902,649	940,343
Net position, end of year	\$31,770	\$992,131	\$1,023,901

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, 2015

	Enterprise Funds		
	Service Fee Fund	Lot Sale Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 17,945	\$ 101,000	\$ 118,945
Cash payments to suppliers	<u>(10,940)</u>	<u>-</u>	<u>(10,940)</u>
Net cash provided by operating activities	<u>7,005</u>	<u>101,000</u>	<u>108,005</u>
Cash flows from financing activities:			
Change in interfund payables (net)	<u>(1,573)</u>	<u>(101,000)</u>	<u>(102,573)</u>
Cash flows used in financing activities	<u>(1,573)</u>	<u>(101,000)</u>	<u>(102,573)</u>
Cash flows from investing activities:			
Cash flows used by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash	5,432	-	5,432
Cash at beginning of year	<u>13,460</u>	<u>-</u>	<u>13,460</u>
Cash at end of year	<u>\$ 18,892</u>	<u>\$ -</u>	<u>\$ 18,892</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (5,924)	\$ 89,482	\$ 83,558
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Decrease in receivables	12,929	-	12,929
Decrease in inventory	<u>-</u>	<u>11,518</u>	<u>11,518</u>
Net cash provided by operating activities	<u>\$ 7,005</u>	<u>\$ 101,000</u>	<u>\$ 108,005</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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 in the United States of America as applicable to Governmental entities.

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 BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

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:

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.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements - Continued

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.

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.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus/Basis of Accounting - Continued

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, 2015.

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.

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.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

Budget and Budgetary Accounting - Continued

- (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, 2015.
- (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, 2015 is presented as follows:

	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)	\$ (16,804)	\$ (255,707)	\$ 5,432
Adjustments:			
To adjust revenues for receivables	11,063	29,339	(12,929)
To adjust expenditures for payables and accruals	26,839	(1,042,949)	(22,327)
To adjust for variance in recognition of items for other financing sources (uses)	(204,724)	630,347	113,382
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	\$(183,626)	\$ (638,970)	\$ 83,558

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between (a) assets and (b) liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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.

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.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

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 was recorded in the government-wide statement of activities under debt service expenses.

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, 2015, 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 FASB 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, 2015.

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, 2015.

The District held no investments at June 30, 2015.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE E - CAPITAL ASSETS

At June 30, 2015, capital assets consist of the following:

	July 1, 2014	Additions	June 30, 2015
Infrastructure:			
Paving, sanitary sewer and storm sewer	\$ 8,510,661	\$ -	\$ 8,510,661
Power and water systems	3,119,862	559,256	3,679,118
Park improvements	231,520	-	231,520
Construction in progress	47,249	184,561	231,810
	11,909,292	743,817	12,653,109
Accumulated depreciation	(5,608,216)	(381,356)	(5,989,572)
	\$ 6,301,076	\$ 362,461	\$ 6,663,537

Depreciation expense totaled \$381,356 for the year ended June 30, 2015. Park land not being depreciated totals \$85,142.

NOTE F - GENERAL OBLIGATION BONDS PAYABLE

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, 2014. 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, 2014	\$ 7,670,000
Bond issued	-
Bond payments	(300,000)
Balance, June 30, 2015	\$ 7,370,000

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE F - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

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>
2016	\$ 25,000	\$ 32,682	\$ 57,682
2017	25,000	31,683	56,683
2018	25,000	30,632	55,632
2019	30,000	29,533	59,533
2020	30,000	28,137	58,137
2021 - 2025	180,000	116,668	296,668
2026 - 2030	<u>305,000</u>	<u>47,460</u>	<u>352,460</u>
	<u>620,000</u>	<u>316,795</u>	<u>936,795</u>
 <u>November 15, 2012 issue</u>			
2016	285,000	199,935	484,935
2017	290,000	195,765	485,765
2018	295,000	191,156	486,156
2019	305,000	185,901	490,901
2020	310,000	179,903	489,903
2021 - 2025	1,715,000	775,569	2,490,569
2026 - 2030	1,950,000	484,454	2,434,454
2031 - 2033	<u>1,600,000</u>	<u>93,290</u>	<u>1,693,290</u>
	<u>6,750,000</u>	<u>2,305,973</u>	<u>9,055,973</u>
	<u>\$7,370,000</u>	<u>\$2,622,768</u>	<u>\$9,992,768</u>

Bonds maturing on or after November 15, 2010, July 15, 2014 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, 2015, respectively, at par and accrued interest, to the date of redemption with no redemption premium.

NOTE G - TAX LEVY

The District levied taxes for 2014-2015 at the rate of \$.72 per \$100 on an estimated 100% property valuation of \$149,215,644.

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 2016 is estimated to be approximately \$55,000.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE H - COMMITMENTS - CONTINUED

At June 30, 2015, the District was obligated under a contract for paving reconstruction of approximately \$200,000.

NOTE I - CREDIT RISK

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

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, 2015 and through December 23, 2015 (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 except:

Bond totaling \$600,000 were issued October 15, 2015 to refund the 2009 series A bonds. The bonds are due serially beginning October 15, 2016. Interest is payable semi-annually on April 15 and October 15 at rates ranging from 1.15% to 3.85%.

NOTE L - ADJUSTMENT

During the year ended June 30, 2014, certain depreciable assets were purchased through the general fund and recorded as a transfer to the debt service fund through the inter-fund accounts. During the year ended June 30, 2015, it was determined repayment by the debt service fund would represent a violation of state statute. Accordingly, the inter-fund accounts have been eliminated.

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, 2015

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes collected	\$ 417,804	\$ 391,715	\$ (26,089)
State motor vehicle tax allocation	1,200	885	(315)
Interest on taxes	-	233	233
Property tax credit allocation	-	11,474	11,474
Homestead exemption	-	4,395	4,395
Water use fees	-	-	-
Miscellaneous	10,000	10,637	637
Total revenues	<u>429,004</u>	<u>419,339</u>	<u>(9,665)</u>
EXPENDITURES:			
Legal and accounting fees	33,000	31,600	1,400
Sewer expense	95,000	175,492	(80,492)
Interest on bonds	-	-	-
Interest on registered warrants	-	3,935	(3,935)
Publication and election expense	1,000	1,029	(29)
Paying agent fees	1,500	11,682	(10,182)
Water system expense	250,000	169,285	80,715
Trash removal	65,000	66,903	(1,903)
Maintenance and engineering	65,000	102,196	(37,196)
Electricity	45,000	55,650	(10,650)
Trustee bonds and insurance	15,000	17,119	(2,119)
Collection fees - County Treasurer	8,192	5,976	2,216
Total expenditures	<u>578,692</u>	<u>640,867</u>	<u>(62,175)</u>
Excess (deficiency) of revenues over expenditures)	(149,688)	(221,528)	(71,840)
OTHER FINANCING SOURCES (USES):			
Proceeds from warrants issued	60,000	364,147	304,147
Payment of warrants	(52,209)	(224,197)	(171,988)
Payment of bond issue costs	-	-	-
Proceeds from bond issue	-	-	-
Payment of improvements and lots	-	-	-
Payment of bond principal	-	-	-
Transfers	115,000	64,774	(50,226)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>\$ (26,897)</u>	(16,804)	<u>\$ 10,093</u>
FUND BALANCE, BEGINNING OF YEAR		<u>37,559</u>	
FUND BALANCE, END OF YEAR		<u>\$ 20,755</u>	

DEBT SERVICE FUND (NON GAAP)			PROPRIETARY FUND (NON GAAP)		
Original And Final Budget	Actual	Variance Positive (Negative)	Original And Final Budget	Actual	Variance Positive (Negative)
\$ 656,549	\$ 603,847	\$ (52,702)	\$ -	\$ -	\$ -
1,800	1,371	(429)	-	-	-
-	355	355	-	-	-
-	18,031	18,031	-	-	-
-	6,865	6,865	-	-	-
-	-	-	15,000	17,945	2,945
-	-	-	100,000	101,000	1,000
<u>658,349</u>	<u>630,469</u>	<u>(27,880)</u>	<u>115,000</u>	<u>118,945</u>	<u>3,945</u>
-	-	-	-	-	-
-	-	-	-	-	-
237,183	237,183	-	-	-	-
77,000	7,988	69,012	-	-	-
-	-	-	-	-	-
-	1,500	(1,500)	-	-	-
-	-	-	-	131	(131)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,873</u>	<u>9,158</u>	<u>3,715</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>327,056</u>	<u>255,829</u>	<u>71,227</u>	<u>-</u>	<u>131</u>	<u>(131)</u>
331,293	374,640	43,347	115,000	118,814	3,814
2,200,000	630,116	(1,569,884)	-	-	-
(2,200,000)	(402,168)	1,797,832	-	-	-
(50,000)	-	50,000	-	-	-
2,280,000	-	(2,280,000)	-	-	-
(2,400,000)	(606,903)	1,793,097	-	-	-
(300,000)	(300,000)	-	-	-	-
-	48,608	48,608	(115,000)	(113,382)	1,618
<u>\$ (138,707)</u>	<u>(255,707)</u>	<u>\$ (117,000)</u>	<u>\$ -</u>	<u>5,432</u>	<u>\$ 5,432</u>
	<u>1,540,426</u>			<u>13,460</u>	
	<u>\$ 1,284,719</u>			<u>\$ 18,892</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, 2015

Gross revenues from all sources	<u>\$1,196,226</u>
Gross revenues from all sources from previous year	<u>\$1,477,142</u>
Amount spent for sewage disposal	<u>\$ 178,273</u>
Amount expended on water mains	<u>\$ 421,190</u>
Gross amount of sewage processed	<u>N/A</u>
Cost per thousand gallons of processing sewage	<u>N/A</u>
Amount expended for:	
Maintenance and repairs	<u>\$ 182,061</u>
New equipment	<u>None</u>
New construction work (incl. water mains)	<u>\$ 743,817</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>\$1,035,964</u>

SUMMARY OF TAXES RECEIVABLE

	Receivable at June 30, 2014	2014-15 tax	Collected 2014-15	Receivable at June 30, 2015
Real estate and personal property	<u>\$418,407</u>	<u>\$1,035,964</u>	<u>\$995,562</u>	<u>\$458,809</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.

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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, 2015, and have issued our report thereon dated December 23, 2015. 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 \$62,175, without amending the budget.

Response

- Several categories exceeded the budgeted amount including sewer expense which was caused by increased rates and improved billing practices by the City of Omaha. Also, maintenance and engineering increased due to maintenance projects not anticipated when the budget was prepared.

Finding #2

- Payment of general fund warrants exceeded budget by \$171,988, without amending the budget.

Response

- Warrants were required to be registered sooner than the budget anticipated resulting in payments that were higher than budgeted.

Finding #3

- Service fee fund expenditures exceeded budget by \$131, without amending the budget.

Response

- All expenditures for the service fee fund were budgeted through the general fund.

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 23, 2015