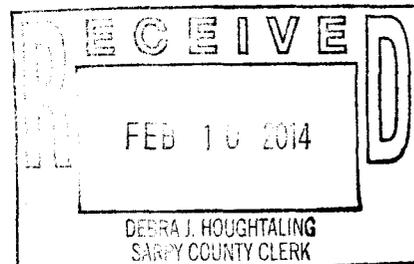


Financial Statements

SANITARY AND IMPROVEMENT
DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA

JUNE 30, 2013



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Sanitary and Improvement District No. 162
Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 162 of Sarpy County, Nebraska (the District), 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 162 of Sarpy County, 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 that the budgetary comparison information on pages 14-15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial

statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014, on our consideration of Sanitary and Improvement District No. 162 of Sarpy County 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. 162 of Sarpy County internal control over financial reporting and compliance.

Infinity CPA Group, LLC

Omaha, Nebraska
January 15, 2014

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
June 30, 2013**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Cash on deposit, County Treasurer	\$ 156,795	\$ 500,712	\$ 657,507
Taxes receivable	144,611	381,248	525,859
Special assessments receivable	-	8,463	8,463
Interest receivable on special assessments	-	7,805	7,805
Prepaid expenses	4,080	-	4,080
Capital assets:			
Depreciable infrastructure, net	-	-	-
Total assets	<u><u>\$ 305,486</u></u>	<u><u>\$ 898,228</u></u>	<u><u>\$ 1,203,714</u></u>
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable	\$ 11,077	\$ -	\$ 11,077
Warrants payable:			
Due after one year	60,045	-	60,045
Interest payable, bonds	-	-	-
Bonds payable:			
Due within one year	-	-	-
Due after one year	-	-	-
Deferred revenue	<u>26,140</u>	<u>85,183</u>	<u>111,323</u>
Total liabilities and deferred inflows	<u>97,262</u>	<u>85,183</u>	<u>182,445</u>
 FUND BALANCES/NET POSITION			
Fund balances:			
Assigned	-	813,045	813,045
Unassigned	<u>208,224</u>	<u>-</u>	<u>208,224</u>
Total fund balances	<u>208,224</u>	<u>813,045</u>	<u>1,021,269</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 305,486</u></u>	<u><u>\$ 898,228</u></u>	<u><u>\$ 1,203,714</u></u>

Net investment in capital assets
Restricted for debt service
Unrestricted
Total net position

See Notes to Financial Statements.

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 657,507
-	525,859
-	8,463
-	7,805
-	4,080
<u>7,260,293</u>	<u>7,260,293</u>
<u>7,260,293</u>	<u>8,464,007</u>
-	11,077
-	60,045
18,515	18,515
565,000	565,000
5,855,000	5,855,000
(7,805)	103,518
<u>6,430,710</u>	<u>6,613,155</u>
(813,045)	-
(208,224)	-
<u>(1,021,269)</u>	<u>-</u>
829,583	829,583
813,045	813,045
208,224	208,224
<u>\$ 1,850,852</u>	<u>\$ 1,850,852</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2013

	General	Debt Service	Totals
REVENUES			
Personal and real property taxes	\$ 292,339	\$ 770,711	\$ 1,063,050
Interest on taxes	606	1,598	2,204
Interest on special assessments	-	-	-
Miscellaneous	8,602	32,522	41,124
State motor vehicle tax allocation	553	1,459	2,012
Total revenues	302,100	806,290	1,108,390
EXPENDITURES/EXPENSES			
Current:			
Accounting fees	371	-	371
Audit fees	5,185	-	5,185
Collection fees	5,870	15,475	21,345
Depreciation	-	-	-
Engineering fees	29,704	-	29,704
Fiscal agent fees	-	1,250	1,250
Insurance	3,276	-	3,276
Legal fees	35,556	-	35,556
Miscellaneous	1,675	-	1,675
Publishing expense	968	-	968
Repairs and maintenance	93,056	-	93,056
Utilities	50,597	-	50,597
Debt service:			
Bond principal	-	540,000	540,000
Bond interest	-	193,773	193,773
Total expenditures/expenses	226,258	750,498	976,756
Excess of revenues over expenditures	75,842	55,792	131,634
OTHER FINANCING SOURCES (USES)			
Issuance of warrants	29,426	-	29,426
Retirement of warrants	(29,426)	(34,825)	(64,251)
	-	(34,825)	(34,825)
Excess of revenues and other sources over expenditures and other uses	75,842	20,967	96,809
Change in net position	-	-	-
Fund balances/net position-beginning	132,382	792,078	924,460
Fund balances/net position-ending	\$ 208,224	\$ 813,045	\$ 1,021,269

See Notes to Financial Statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 1,063,050
-	2,204
869	869
-	41,124
-	2,012
869	1,109,259
-	371
-	5,185
-	21,345
427,264	427,264
-	29,704
-	1,250
-	3,276
-	35,556
-	1,675
-	968
-	93,056
-	50,597
(540,000)	-
(1,040)	192,733
(113,776)	862,980
(131,634)	-
(29,426)	-
64,251	-
34,825	-
(96,809)	-
\$ 246,279	246,279
	1,604,573
	\$ 1,850,852

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 1. Nature of Activity and Significant Accounting Policies

Nature of activity:

The District is organized as a political subdivision and governed under the laws of the State of Nebraska. The District has a tax base made up of 590 residential lots and is located in Sarpy County, Nebraska.

Significant accounting policies are as follows:

Reporting entity:

The Board of Trustees of the District has financial accountability and control over all the activities related to Sanitary and Improvement District No. 162. The Board of Trustees is elected every other year by the property owners of the District. The Board of Trustees appoints the Chairperson of the Board from existing Board members. The Chair responsibilities are to preside at all meetings of the Board; be the Chief Officer of the District; and exercise supervision over the District.

The Board has decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters of the District. The District is not included in any other governmental "reporting entity" as defined by the GASB pronouncements. In addition, there are no component units as defined by the Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

Government-wide and fund financial statements:

Government-wide financial statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information on all of the non-fiduciary activities of the District.

The statement of net position recognizes all long-term assets and receivables, as well as long-term debt and obligations. The District's net position are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets are restricted when constraints are placed on them and are either externally imposed or are imposed by law through constitutional provisions or enabling legislature. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 1. Significant Accounting Policies (continued)

Government-wide financial statements (continued):

The statement of activities reports the expenses of a given function offset by program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements:

The fund financial statements provide information about the District's funds. Separate statements for each fund category – *governmental* – are presented. The emphasis of fund financial statements is on the determination of financial position and changes in financial position.

The District reports on the following major governmental funds:

General Fund – This fund is the operating fund of the District. It is used to account for all financing resources except those required to be accounted for in other funds. The primary revenue sources are personal property and real estate taxes. The primary expenditures are for street repairs and maintenance, professional fees, and utilities.

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

Measurement focus and basis of accounting:

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

In the fund financial statements, both funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recognized in the period the liability is incurred, except for interest that is not matured on general long-term debt, which is recognized when due.

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 1. Significant Accounting Policies (continued)

Measurement focus and basis of accounting (continued):

Property tax revenues are recognized when susceptible to accrual. Revenues on special assessments and miscellaneous revenues are recognized as the amounts are collected. Uncollected special assessments and taxes are recorded as a receivable and deferred revenue on the balance sheets. Investment earnings are recorded as earned since they are measurable and available.

Budgets and budgetary accounting:

The District is required by Nebraska law to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using the cash basis of accounting, 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 made when warrants are issued. Budgetary comparisons presented for both the General Fund and Debt Service Fund in this report are on non-GAAP budgetary basis.

1. On or before early September, the Board of Trustees proposes an operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to September 20, the Board of Trustees formally approves the budget document following a public hearing, with notice given five days in advance.
3. As of September 20, the budget document must be on file with the County Board and the Auditor of Public Accounts.
4. Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.
5. Expenditures and transfers cannot exceed appropriations at the fund level. When expenditures and transfers are required for functions that have not been budgeted, authorization to amend the budget and to incur the expenditures is permitted following a public hearing. No significant supplemental appropriations were made for the fiscal year ended June 30, 2013.
6. A majority vote by the Board of Trustees may authorize transfer of budgeted amounts from the General Fund to the Debt Service Fund.

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 1. Significant Accounting Policies (continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments are not treated as expenditures until a liability for payment is incurred. Encumbrance accounting is not employed by the District, rather the expenditure will be budgeted for in the period which the contract will be performed.

Depreciation:

Capital assets of the District, which primarily include infrastructure assets, are recorded at historical cost. Depreciation is provided over the estimated useful lives of the related assets using the modified half-year depreciation method (straight-line depreciation with a half-year taken the first and last year) for financial statement purposes. The estimated useful lives for significant capital assets are as follows:

Paving and sewer systems	30 years
Underground power and water systems	30 years
Park and land improvements	30 years

Amortization:

Bond issue costs are recognized as an expense in the period incurred.

Note 2. Concentration of Credit Risk

At June 30, 2013, the balance in cash of \$657,507 is equal to the carrying amount of the District's deposits. The deposits of the District are classified as Category 3, deposits that are uncollateralized or uninsured. This includes any deposit balance that is collateralized with securities held by the County but not in the district's name.

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 3. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment consists of several elements as follows:

Total fund balance – governmental funds		\$	1,021,269
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements		\$	13,512,017
Less accumulated depreciation			<u>(6,251,724)</u>
			7,260,293
Liabilities for earned but deferred revenues in fund statements			7,805
Liabilities are not due and payable in the current period and therefore not reported in governmental funds statements:			
Bond payable			(6,420,000)
Interest payable – bonds			<u>(18,515)</u>
Net position of governmental activities		\$	<u>1,850,852</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 3. Reconciliation of Government-Wide and Fund Financial Statements (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of position.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment as follows:

Net change in fund balances – governmental funds	\$	96,809
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:		
Current year collections of special assessments, and related interest, recorded as revenue in the fund statements this year but in the government-wide statements in the year they were assessed		869
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements		(427,264)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements		540,000
Proceeds from issuance of warrants is recorded as other financing sources on the funds statements, but do not affect the statement of net position in the government-wide statements		(29,426)
Retirement of warrants is recorded as other financing sources on the funds statements, but do not affect the statement of net position in the government-wide statements		64,251
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:		
Decrease in interest payable - bonds		1,040
Change in net position of governmental activities	\$	246,279

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 4. Special Assessments Receivable

The Board of Trustees has levied special assessments on the lots in the District. The assessments are summarized as follows:

Levy Date:	11/4/98	10/28/99	7/26/00	12/12/02
Amount Assessed:	\$921,748	\$552,863	\$1,443,001	\$1,130,476
Due Date:	12/24/98	12/18/99	09/13/00	01/31/03
Delinquent Date:	11/04/99	10/28/00	07/26/01	12/12/03
Regular Rate:	10%	7%	8%	8%
Delinquent Rate:	12%	9%	10%	10%

These assessments were due in ten equal annual installments, plus interest. There was \$8,463 of delinquent special assessments from the 1998 and 1999 levy dates at June 30, 2013. The balance of unpaid interest at June 30, 2013 was \$7,805.

Note 5. Personal and Real Property Taxes

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. Nebraska State law allows taxpayers the opportunity to pay real estate taxes in two equal installments after December 31. Installment one is due March 31 and delinquent April 1. Installment two is due July 31 and delinquent August 1. If after February of the following year the taxes remain delinquent, the County places the property up for tax sale. Tax collections are remitted to the District from the County on a regular basis.

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 5. Personal and Real Property Taxes (continued)

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

Fiscal Year	District Valuation of Property	District Tax Levy Per \$100 Valuation		
		General	Debt Service	Total
2012-2013	\$135,530,902	.220000	.580000	.800000

Note 6. Capital Assets

A summary of capital assets for the year ended June 30, 2013 is as follows:

Governmental activities	Balance at 6/30/12	Additions	Balance at 6/30/13
Infrastructure:			
Paving and sewers	\$ 9,949,684	\$ -	\$ 9,949,684
Gas, electric and water distribution system	2,742,700	-	2,742,700
Park improvements	125,553	-	125,553
Land	694,080	-	694,080
Totals at historical cost	13,512,017	-	13,512,017
Less accumulated depreciation for infrastructure	(5,824,460)	(427,264)	(6,251,724)
Capital assets, net	<u>\$ 7,687,557</u>	<u>\$ (427,264)</u>	<u>\$ 7,260,293</u>

The district recorded depreciation expense of \$427,264 for the year ended June 30, 2013.

Note 7. Warrants Payable

General Fund warrants are due and payable not later than three years from date of issuance.

Aggregate maturities during the next three years are as follows:

Year Ending June 30	General Fund
2014	\$ -
2015	-
2015	60,045
Totals	<u>\$ 60,045</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 8. General Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

Debt Service fund	Balance <u>6/30/12</u>	Proceeds	(Retired)	Balance <u>6/30/13</u>	Due within <u>one year</u>
2009 Bond Issue	\$ 2,085,000	-	\$ (200,000)	\$ 1,885,000	\$ 205,000
2012 Bond Issue	4,875,000	-	(340,000)	4,535,000	360,000
	<u>\$ 6,960,000</u>	<u>-</u>	<u>\$ (540,000)</u>	<u>\$ 6,420,000</u>	<u>\$ 565,000</u>

The District issued general obligation bonds totaling \$2,650,000 on July 1, 2001, with a balance of \$1,885,000 at June 30, 2013. The remaining bonds are due serially beginning May 15, 2014 through May 15, 2021. The remaining annual maturities range from \$205,000 in 2014 to \$270,000 in 2021. Interest is payable semi-annually on this issue at 3.20% to 4.80% per annum.

The District issued general obligation bonds totaling \$4,875,000 on June 1, 2013, with a balance of \$4,535,000 at June 30, 2013. The remaining bonds are due serially beginning June 1, 2014 through June 1, 2024. The remaining annual maturities range from \$360,000 in 2014 to \$475,000 in 2024. Interest is payable semi-annually on this issue at 1.35% to 3.25% per annum.

The following is a summary of the District's future annual debt service requirements:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 565,000	\$ 184,092	\$ 749,092
2015	585,000	172,672	757,672
2016	595,000	159,705	754,705
2017	615,000	145,300	760,300
2018	630,000	129,130	759,130
2019-2023	2,955,000	343,255	3,298,255
2024	475,000	15,438	490,438
Totals	<u>\$ 6,420,000</u>	<u>\$ 1,149,592</u>	<u>\$ 7,569,592</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 9. Financial Statement Presentation – Budget Basis

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

	General	Debt Service
Fund balance, ending (budget basis)	\$ 156,795	\$ 500,712
<u>Adjustments to generally accepted accounting principles</u>		
Revenue accruals	122,551	312,333
Expenditure accruals	(71,122)	-
Fund balance, ending (GAAP basis)	\$ 208,224	\$ 813,045

Note 10. Risk Management

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

Note 11. Subsequent Events

The District has evaluated all subsequent events through January 15, 2014, the date the financial statements were available to be issued.

Note 12. Change in Accounting Principle

The District adopted Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* at July 1, 2012. The adoption of this Statement did not have a material effect on the District's financial statements.

The District adopted Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* at July 1, 2012. The adoption of this Statement did have a material effect on the District's financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

Note 13. Prior Period Adjustment

The District adopted Government Accounting Standards Board Statement No. 65 at July 1, 2012. This Statement states that "costs related to the issuance of debt will no longer be recorded as a deferred charge and amortized over the life of the debt; they should instead be recognized as an expense in the period incurred." The prior period adjustment decreased the net position by \$278,913.

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>	<u>Actual amounts</u>	<u>Variance with</u>
	<u>Original and Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>Favorable</u>
			<u>(Unfavorable)</u>
REVENUES			
Personal and real property taxes	\$ 292,322	\$ 300,942	\$ 8,620
Interest on taxes	-	606	606
Miscellaneous	-	8,602	8,602
State motor vehicle tax allocation	800	553	(247)
Total revenues	293,122	310,703	17,581
EXPENDITURES			
Current			
Accounting fees	1,500	371	1,129
Audit fees	5,185	5,185	-
Collection fees	-	5,870	(5,870)
Engineering fees	50,000	24,743	25,257
Insurance	4,000	3,276	724
Legal fees	30,000	36,095	(6,095)
Miscellaneous	200	1,685	(1,485)
Publishing	2,000	968	1,032
Repairs and maintenance	166,100	93,057	73,043
Utilities	50,000	51,000	(1,000)
Total expenditures	308,985	222,250	86,735
Excess (deficit) of revenues over expenditures	(15,863)	88,453	104,316
OTHER FINANCING SOURCES (USES)			
Issuance of warrants	10,000	60,046	50,046
Retirement of warrants	(29,500)	(29,426)	74
	(19,500)	30,620	50,120
Excess (deficit) of revenues and other sources over expenditures and other uses	(35,363)	119,073	154,436
Fund balance, beginning	37,722	37,722	-
Fund balance, ending	\$ 2,359	\$ 156,795	\$ 154,436

See Notes to Financial Statements.

Budget to GAAP <u>Reconciliation</u>	Actual amounts <u>(GAAP Basis)</u>
\$ (8,603)	\$ 292,339
-	606
-	8,602
-	553
<u>(8,603)</u>	<u>302,100</u>
-	371
-	5,185
-	5,870
4,961	29,704
-	3,276
(539)	35,556
(10)	1,675
-	968
(1)	93,056
<u>(403)</u>	<u>50,597</u>
<u>4,008</u>	<u>226,258</u>
<u>(12,611)</u>	<u>75,842</u>
(60,046)	-
29,426	-
<u>(30,620)</u>	<u>-</u>
<u>\$ (43,231)</u>	75,842
	<u>132,382</u>
	<u>\$ 208,224</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE FOR THE DEBT SERVICE FUND
For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		Variance with Final Budget Favorable (Unfavorable)
	<u>Original and Final</u>	<u>Actual amounts (Budgetary Basis)</u>	
REVENUES			
Personal and real property taxes	\$ 770,666	\$ 793,391	\$ 22,725
Interest on taxes	-	1,598	1,598
Miscellaneous	-	32,522	32,522
State motor vehicle tax allocation	2,000	1,459	(541)
Total revenues	<u>772,666</u>	<u>828,970</u>	<u>56,304</u>
EXPENDITURES			
Current			
Collection fees	-	15,475	(15,475)
Fiscal agent fees	750	1,250	(500)
Debt service:			
Bond principal	540,000	540,000	-
Bond interest	193,773	193,772	1
Total expenditures	<u>734,523</u>	<u>750,497</u>	<u>(15,974)</u>
Deficit of revenues over expenditures	<u>38,143</u>	<u>78,473</u>	<u>40,330</u>
OTHER FINANCING USES			
Payment on warrants	<u>(34,325)</u>	<u>(34,825)</u>	<u>(500)</u>
Deficit of revenues over expenditures and other uses	3,818	43,648	39,830
Fund balance, beginning	<u>457,064</u>	<u>457,064</u>	<u>(7,395)</u>
Fund balance, ending	<u>\$ 460,882</u>	<u>\$ 500,712</u>	<u>\$ 32,435</u>

See Notes to Financial Statements.

<u>Budget to GAAP Reconciliation</u>	<u>Actual amounts (GAAP Basis)</u>
\$ (22,680)	\$ 770,711
-	1,598
-	32,522
-	1,459
<u>(22,680)</u>	<u>806,290</u>
-	15,475
-	1,250
-	540,000
1	193,773
<u>1</u>	<u>750,498</u>
<u>(22,681)</u>	<u>55,792</u>
<u>-</u>	<u>(34,825)</u>
\$ <u>(22,681)</u>	20,967
	<u>792,078</u>
	\$ <u><u>813,045</u></u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**TAXES RECEIVABLE
June 30, 2013**

	<u>Fiscal Year</u>	<u>Receivable at June 30 2012</u>	<u>Taxes Assessed</u>	<u>Taxes Collected</u>	<u>Receivable at June 30 2013</u>
General Fund:					
Personal and real property taxes					
2010-2011	\$	6,370	\$ -	\$ -	\$ 6,370
2011-2012		141,015	-	132,900	8,115
2012-2013		-	298,168	168,042	130,126
		<u>\$ 147,385</u>	<u>\$ 298,168</u>	<u>\$ 300,942</u>	<u>\$ 144,611</u>
Debt Service Fund:					
Personal and real property taxes					
2010-2011	\$	16,793	\$ -	\$ -	\$ 16,793
2011-2012		371,767	-	350,372	21,395
2012-2013		-	786,079	443,019	343,060
		<u>\$ 388,560</u>	<u>\$ 786,079</u>	<u>\$ 793,391</u>	<u>\$ 381,248</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**SPECIAL ASSESSMENTS RECEIVABLE
June 30, 2013**

<u>Assessment Date</u>	<u>Total Assessment</u>	<u>Receivable at June 30, 2012</u>	<u>Assessments Collected</u>	<u>Receivable at June 30, 2013</u>	<u>Delinquent Balance June 30, 2013</u>
October 28, 1999	\$ 552,863	\$ 4,532	\$ -	\$ 4,532	\$ 4,532
July 26, 2000	\$ 1,443,001	3,931	-	3,931	3,931
		<u>\$ 8,463</u>	<u>\$ -</u>	<u>\$ 8,463</u>	<u>\$ 8,463</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**BONDS PAYABLE
June 30, 2013**

<u>Bond Numbers</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
Issue date: May 15, 2009			
Option call date: Bond numbers 195-237 on or after May 15, 2014.			
154-194	3.20%	May 15, 2014	\$ 205,000
195-237	3.45%	May 15, 2015	215,000
238-281	3.65%	May 15, 2016	220,000
282-327	3.85%	May 15, 2017	230,000
328-374	4.10%	May 15, 2018	235,000
375-424	4.35%	May 15, 2019	250,000
425-476	4.55%	May 15, 2020	260,000
477-530	4.80%	May 15, 2021	270,000
			<u>1,885,000</u>

Issue date: June 1, 2012
Option call date: Bond numbers 290-366 on or after June 1, 2017.

69-140	1.35%	June 1, 2014	360,000
141-214	1.50%	June 1, 2015	370,000
215-289	1.70%	June 1, 2016	375,000
290-366	1.90%	June 1, 2017	385,000
367-445	2.10%	June 1, 2018	395,000
446-526	2.35%	June 1, 2019	405,000
527-610	2.55%	June 1, 2020	420,000
611-697	2.80%	June 1, 2021	435,000
698-787	2.95%	June 1, 2022	450,000
788-880	3.10%	June 1, 2023	465,000
881-975	3.25%	June 1, 2024	475,000
			<u>4,535,000</u>

\$ 6,420,000

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

INFORMATION REQUIRED BY SECTION 31-715 AND 31-740
REVISED STATUTES OF NEBRASKA
For the Year Ended June 30, 2013

Gross income from all sources	\$ 1,108,390
Amount spent for sewage disposal	Not Applicable
Amount expended on water mains	-
Gross amount of sewage processed	-
Cost per thousand gallons of processing sewage	-
Amount expended for:	
Repairs and maintenance	\$ 93,056
New equipment	-
New construction work	-
Real estate purchased	-
Number of employees	Not Applicable
Salaries and fees paid employees	-
Total amount of property taxes levied	\$ 1,084,247
Total amount of special assessment taxes levied	-

Note: Sewage disposal services are furnished by the City of Omaha, Nebraska.

**SANITARY AND IMPROVEMENT DISTRICT NO. 162
OF SARPY COUNTY, NEBRASKA**

**DISTRICT OFFICIALS AND RELATED BONDS
For the Year Ended June 30, 2013**

<u>Trustees</u>			<u>Bond</u>
<u>Name</u>	<u>Office</u>		<u>Amount</u>
Richard L. Hansen	Chairman	Old Republic Surety Company	\$ 5,000
Nancy Wackerhagen	Clerk	Old Republic Surety Company	\$ 20,000
James Nichols	Trustee		
John Ritchey	Trustee		
Wes Lyons	Trustee		

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 Trustees
Sanitary and Improvement District No. 162
of Sarpy County, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 162 of Sarpy County, Nebraska, (the District) 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 and have issued our report thereon dated January 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described below, that we consider to be significant deficiencies.

Comment: The District lacks a trustee or management with the qualifications and training to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. This deficiency is shared by most, if not all, other small governmental bodies whose records we audit.

Management response: We have an extremely small board and limited resources for the District. Our audited financial statements and footnotes are outsourced to our auditors because of the cost/benefit standpoint and our auditors have direct knowledge that aids in preparing the financial statements. Our trial balance, prepared by an outside bookkeeper,

Trustees realizes the importance of the financial statements and has heightened their awareness of all transactions being reported.

Comment: Management has the ability to override internal controls due to a lack of segregation of duties within the district. The trustees have no access to District funds which are handled by the Sarpy County Treasurer.

Management response: We approve all warrants issued and the fiscal agent reviews the expenses and receipts periodically. Our attorney is present at all the District's meetings and oversees expenditures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above.

The District's response to the findings identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Infinity CPA Group, LLC

Omaha, Nebraska
January 15, 2014