

SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SARPY COUNTY, NEBRASKA

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2014

**SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SARPY COUNTY, NEBRASKA**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sanitary and Improvement District
No. 186 of Sarpy County, Nebraska:

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 186 of Sarpy County, Nebraska, (The District) as of and for the year ended June 30, 2014, including 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 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 and each major fund of Sanitary and Improvement District No. 186 of Sarpy County, Nebraska, as of June 30, 2014, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, as of July 1, 2013 the District adopted new accounting guidance to reflect the provisions of GASB *Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 13 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information included in the supplementary schedules on pages 14-16 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information included in the supplementary schedules on pages 14-16 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 supplemental information included in the supplementary schedules on pages 14-16 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Schedule 5 – Board of Trustees and Related Bonds on page 17 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Accounting Standards* we have also issued our report dated December 15, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 the District's internal control over financial reporting and compliance.

LENGEMANN & ASSOCIATES, P.C.

Lengemann & Associates, P.C.

Papillion, Nebraska
December 15, 2014

**SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SARPY COUNTY, NEBRASKA
GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014**

ASSETS	General Fund	Debt Service Fund	Total	Reconciling Items	Statement of Financial Position
Cash - County Treasurer	\$ 49,947	\$ 277,955	\$ 327,902	\$ -	\$ 327,902
Taxes receivable	36,223	85,231	121,454	-	121,454
Capital assets, net of accum. depr.	-	-	-	2,009,817	2,009,817
TOTAL ASSETS	\$ 86,170	\$ 363,186	\$ 449,356	\$ 2,009,817	\$ 2,459,173
LIABILITIES					
Accounts payable	\$ 18,704	\$ -	\$ 18,704	\$ -	\$ 18,704
Accrued interest	-	-	-	17,948	17,948
Warrants outstanding					
Due within one year	-	-	-	24	24
Bonds outstanding					
Due within one year	-	-	-	165,000	165,000
Due after one year	-	-	-	1,620,000	1,620,000
TOTAL LIABILITIES	18,704	-	18,704	1,802,972	1,821,676
FUND BALANCES/NET POSITION					
Fund Balances-					
Restricted	-	363,186	363,186	(363,186)	-
Unassigned	67,466	-	67,466	(67,466)	-
Total Fund Balances	67,466	363,186	430,652	(430,652)	-
Total Liab. and Fund Balance	\$ 86,170	\$ 363,186	\$ 449,356		
Net investment in capital assets				224,817	224,817
Restricted for debt service				345,238	345,238
Unrestricted				67,442	67,442
Total Net Position				637,497	637,497
TOTAL LIABILITIES AND NET POSITION				\$ 2,009,817	\$ 2,459,173

See accompanying notes to financial statements

**SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SARPY COUNTY, NEBRASKA
GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	GENERAL FUND	DEBT SERVICE FUND	TOTAL	RECONCILING ITEMS	STATEMENT OF ACTIVITIES
REVENUES					
Property taxes	\$ 78,973	\$ 185,819	\$ 264,792	\$ -	\$ 264,792
Overestimate of taxes	(512)	(1,204)	(1,716)	-	(1,716)
Interest on taxes	36	85	121	-	121
State motor vehicle tax allocation	318	748	1,066	-	1,066
Homestead	416	979	1,395	-	1,395
Total revenues	<u>79,231</u>	<u>186,427</u>	<u>265,658</u>	<u>-</u>	<u>265,658</u>
EXPENDITURES/EXPENSES:					
Current:					
Clerk fees	1,200	-	1,200	-	1,200
Collection fee - County Treasurer	1,531	3,602	5,133	-	5,133
Electricity	23,525	-	23,525	-	23,525
Engineering	4,789	-	4,789	-	4,789
Insurance	-	-	-	-	-
Legal and accounting fees	4,415	4,180	8,595	-	8,595
Miscellaneous	77	-	77	-	77
Paying agent fees	-	9,000	9,000	-	9,000
Repairs and maintenance	23,575	9,900	33,475	-	33,475
Capital outlay:					
Depreciation	-	-	-	129,275	129,275
Debt service:					
Principal	-	165,000	165,000	(165,000)	-
Interest	-	40,345	40,345	(997)	39,348
Total expenditures/expenses	<u>59,112</u>	<u>232,027</u>	<u>291,139</u>	<u>(36,722)</u>	<u>254,417</u>
Excess (deficiency) of revenues over expenditures/expenses	20,119	(45,600)	(25,481)	36,722	11,241
OTHER FINANCING SOURCES (USES):					
Issuance of warrants	71,728	39,530	111,258	(111,258)	-
Warrants retired	(72,703)	(39,530)	(112,233)	112,233	-
Total other financing sources (uses)	<u>(975)</u>	<u>-</u>	<u>(975)</u>	<u>975</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources	19,144	(45,600)	(26,456)	26,456	-
Change in net position	-	-	-	11,241	11,241
Fund balances/net position:					
Beginning of the year	48,322	408,786	457,108	-	626,256
End of the year	<u>\$ 67,466</u>	<u>\$ 363,186</u>	<u>\$ 430,652</u>	<u>\$ -</u>	<u>\$ 637,497</u>

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SAREY COUNTY, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (26,456)

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

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position (129,275)

Current year long-term debt principal payments are reported as expenditures in the governmental funds, but shown as a reduction in long-term debt in the statement of net position 165,000

Net warrants issued/redeemed are reported as other financing sources/uses in the governmental funds, but as increases/decreases in long-term debt in the government-wide financial statements 975

In the statement of activities, interest expense is accrued on long-term debt, whereas in governmental funds, interest is reported when due 997

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 11,241

**SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SARPY COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The District is a governmental subdivision created April 10, 1997 with the filing of the Petition and Articles of Association with the Secretary of State, State of Nebraska. The District was formed for the purpose of infrastructure construction and to arrange for basic services.

The Board of Trustees, consisting of 5 members, has governance responsibilities over all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The accompanying financial statements present the District's entire reporting entity - there are no component units, in accordance with generally accepted accounting principles.

B. *Government-wide and Fund Financial Statements*

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements include the Statement of Financial Position and the Statement of Activities, which report financial information for all activities of the District. Individual funds are not displayed and internal activity between funds is eliminated. Governmental activities include programs supported primarily by taxes and other intergovernmental revenue. The District has no business type activities that 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 function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District presents combined government-wide and fund financial statements. Major individual governmental funds are reported as separate columns. The following is a description of the District's two major governmental funds:

General Fund

The general fund is the main operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District issues warrants to pay liabilities of the District instead of cash on hand, thus the District considers revenues to be available if they are collected within one year of the end of the current fiscal period because warrants are generally paid within a year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

D. Budgets and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds which the District controls. These budgeted appropriations lapse at fiscal year end June 30, 2014.

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

- (1) In August of each year, the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (2) Notice of place and time of public hearings must be published prior to the public hearings.
- (3) Public hearings are conducted to obtain taxpayer comment.
- (4) 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 on or before September 20.
- (5) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- (6) The Board of Trustees may authorize supplemental appropriations during the year. There were no supplemental appropriations during fiscal year ended June 30, 2014.

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, respectively. Payment is deemed to have been made when warrants are issued.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A reconciliation of the differences between the basis of accounting for 2014, is presented below:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses of financial resources- budgetary non-GAAP basis	\$ 5,367	\$ (61,181)
Adjustments:		
Receivables	(369)	(869)
Payables	<u>14,146</u>	<u>16,450</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses of financial resources- GAAP basis	<u>\$ 19,144</u>	<u>\$ (45,600)</u>

E. Restricted Assets

All assets in a debt service (bond or construction) fund are restricted and may be used only for the purpose of the fund, which is to pay off the debt of the District. Typical assets include cash, investments, and taxes receivable.

F. Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statutes 15-846 and 15-847 R.R.S., 1943 require banks either to give bond or to pledge government securities (types of which are specifically identified in the statutes) to the District Treasurer in the amount of the District's deposits. The statutes allow pledged securities to be reduced by the amount of the deposits insured by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2014, the District's cash deposits, in excess of the \$250,000 FDIC limits, are covered by collateral held by an agent for the District and thus no custodial credit risk exists.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Capital Assets

Capital assets, which consist primarily of infrastructure, are reported in the government-wide statement of financial position but are not reported in the fund financial statements. All capital assets are capitalized at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for significant capital assets are as follows:

Land	N/A years
Water & Gas Distr. System	50 years
Sanitary Sewer	50 years
Sewer & Paving	25 years
Electrical System	30 years
Capital Facilities	30 years

A summary of capital assets is as follows:

	<u>6/30/2013</u>	<u>Additions / Deletions</u>	<u>6/30/2014</u>
Land	\$ 140,627	\$ -	\$ 140,627
Water & Gas Distr. System	407,615	-	407,615
Sanitary Sewer	454,382	-	454,382
Sewer & Paving	2,322,332	-	2,322,332
Electrical System	221,236	-	221,236
Capital Facilities	353,018	-	353,018
	<u>3,899,210</u>	<u>-</u>	<u>3,899,210</u>
Accumulated Depreciation	(1,760,118)	(129,275)	(1,889,393)
Net Capital Assets	<u>\$ 2,139,092</u>	<u>\$ (129,275)</u>	<u>\$ 2,009,817</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Credit Risk

The District's credit risk relates to receivables for property taxes, sewer connection fees and special assessments which are due from property owners within the boundaries of the District and cash on deposit with the Sarpy County Treasurer.

I. Property Taxes

Property taxes, which constitute the principal source of tax revenue, are levied in September based on the assessed value of property and attach as an enforceable lien on the property as of December 31. Assessed values are an approximation of market value. Property taxes are delinquent on April 1 (first half) and August 1 (second half). The Sarpy County Treasurer bills and collects all property taxes for the District.

The District has levied taxes for 2013-2014 at a rate of \$.5700 per \$100 of actual value of taxable property. The 2013-2014 taxes based on this levy are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Valuation of taxable property	\$ 46,454,758	\$ 46,454,758
Tax levy	<u>0.1700</u>	<u>0.4000</u>
2013-2014 taxes assessed	<u>\$ 78,974</u>	<u>\$ 185,818</u>

There were no delinquent taxes, therefore no allowance for uncollectible taxes is provided.

K. Use of Restricted/Unrestricted Net Position and Fund Balances

The District's policy is to first apply unrestricted resources when a cost is incurred for purposes for which both restricted and unrestricted net position and fund balances are available.

L. Income Taxes

As a government subdivision, the District is not subject to federal or state income taxes.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. Change in Accounting Principle

In accordance with GASB Statement No. 65, which was adopted effective July 1, 2013, the District restated the ending net position at June 30, 2013 and bond fee expense for the year ended June 30, 2013, in connection with unamortized bond issue costs. According to GASB 65, debt issuance costs are recognized as expenses in the period incurred, rather than as deferred costs and subsequently amortized.

Description	Amount
Net Position as of June 30, 2013, as previously stated	\$ 745,086
Adjustment per GASB Statement No. 65 as noted above	(118,830)
Net Position as of June 30, 2013, as restated	<u>\$ 626,256</u>

N. Net Position

Net position presents the difference between assets and liabilities in the statement of financial position. Net investment in capital assets is reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by The District's legislation or external restrictions by creditors, grantors, laws, or regulations of other governments. All other resources that do not meet the previous two definitions are "unrestricted" net position.

2. LIABILITIES

Liabilities include registered warrants and general obligation bonds. Warrant activity for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Issued	Retired	Balance June 30, 2014
General Fund Warrants:				
7.0%	\$ 999	\$ 71,728	\$ 72,703	\$ 24
Debt Service Fund Warrants:				
7.0%	-	39,530	39,530	-
Total Warrants Payable	<u>\$ 999</u>	<u>\$ 111,258</u>	<u>\$ 112,233</u>	<u>\$ 24</u>

Registered warrants outstanding bear interest at 7% per annum. Interest is accrued on warrants from the date of registration with the Sarpy County Treasurer. General Fund warrants mature three years from the date of issuance and Bond Fund warrants mature five years from the date of issuance. Warrants will be redeemed with proceeds from tax revenues, special assessments and bond proceeds. The District is not currently registering its warrants, but is paying its warrants on a current basis as presented.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

2. LIABILITIES - CONTINUED

	General Fund	Debt Service Fund	Total
June 30, 2015	\$ 24	\$ -	\$ 24
Total	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 24</u>

Bond activity for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Issued (Retired)	Balance June 30, 2014
General Obligation Bonds:			
1.20-3.05%: 2012	\$1,950,000	\$ (165,000)	\$ 1,785,000
Total Bonds Payable	<u>\$1,950,000</u>	<u>\$ (165,000)</u>	<u>\$ 1,785,000</u>

General Obligation 2012 Series Bonds payable bear interest at 1.20% to 3.05%. Interest is payable semi-annually on July 15 and January 15.

Year Ending June 30	Principal	Interest	Total
2015	\$ 165,000	\$ 38,241	\$ 203,241
2016	165,000	35,890	200,890
2017	170,000	33,293	203,293
2018	170,000	30,402	200,402
2019	175,000	27,123	202,123
2020-2024	940,000	23,348	963,348
Total	<u>\$ 1,785,000</u>	<u>\$ 188,297</u>	<u>\$ 1,973,297</u>

3. 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. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budget Basis) - General Fund

SUPPLEMENTAL INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budget Basis) - Debt Service Fund

Bonds Payable

Information Required by Section 31-740,
Reissue Revised Statute of Nebraska, 1998

OTHER INFORMATION

District Trustees and Related Bonds

**SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SARPY COUNTY, NEBRASKA**

**SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

SCHEDULE 1

	Budgeted Amounts		Actual on Budgetary Basis	Variance- Favorable (Unfavorable)
	Original	Final		
REVENUES RECEIVED				
Property taxes	\$ 78,974	\$ 78,974	\$ 78,831	\$ (143)
Interest on taxes	25	25	36	11
State motor vehicle tax allocation	100	100	318	218
Miscellaneous	(100)	(100)	-	(100)
Homestead	400	400	416	16
Total revenues received	<u>79,399</u>	<u>79,399</u>	<u>79,601</u>	<u>2</u>
EXPENDITURES PAID				
Current:				
Clerk fees	1,200	1,200	1,000	200
Collection fee - County Treasurer	1,548	1,548	1,531	17
Electricity	27,000	27,000	19,621	7,379
Engineering	6,500	6,500	3,750	2,750
Insurance	7,000	7,000	6,382	618
Legal and accounting fees	23,500	23,500	11,175	12,325
Miscellaneous	-	-	76	(76)
Paying agent fees	-	-	1,250	(1,250)
Repairs and maintenance	50,000	50,000	28,474	21,526
Total expenditures paid	<u>116,748</u>	<u>116,748</u>	<u>73,259</u>	<u>43,489</u>
Excess (deficiency) of revenues received over expenditures paid	<u>(37,349)</u>	<u>(37,349)</u>	<u>6,342</u>	<u>43,691</u>
OTHER FINANCING SOURCES (USES)				
Warrants issued	-	-	71,728	71,728
Warrants redeemed	(999)	(999)	(72,703)	(71,704)
Net other financing sources (uses)	<u>(999)</u>	<u>(999)</u>	<u>(975)</u>	<u>24</u>
Excess (deficiency) of revenues received and other financing sources over expenditures paid and other financing uses	<u>(38,348)</u>	<u>(38,348)</u>	<u>5,367</u>	<u>\$ 43,715</u>
Fund balances - beginning of year	<u>44,580</u>	<u>44,580</u>	<u>44,580</u>	
Fund balances - end of year	<u>\$ 6,232</u>	<u>\$ 6,231</u>	<u>\$ 49,947</u>	

**SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SAREY COUNTY, NEBRASKA**

**SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS) - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

SCHEDULE 2

	Budgeted Amounts		Actual on	Variance-
	Original	Final	Budgetary Basis	Favorable (Unfavorable)
REVENUES RECEIVED				
Property taxes	\$ 185,818	\$ 185,818	\$ 185,484	\$ (334)
Interest on taxes	51	51	85	34
Interest on investments	75	75	-	(75)
State motor vehicle tax allocation	250	250	748	498
Homestead	1,000	1,000	979	(21)
Total revenues received	<u>187,194</u>	<u>187,194</u>	<u>187,296</u>	<u>102</u>
EXPENDITURES PAID				
Current:				
Collection fee - County Treasurer	3,643	3,643	3,602	41
Legal fees	-	-	3,150	(3,150)
Miscellaneous	-	-	7,530	(7,530)
Paying agent fees	-	-	11,900	(11,900)
Repairs and maintenance	-	-	16,950	(16,950)
Debt service:				
Principal	440,000	440,000	165,000	275,000
Interest	40,345	40,345	40,345	-
Capital outlay:				
Improvements	25,000	25,000	-	25,000
Total expenditures paid	<u>508,988</u>	<u>508,988</u>	<u>248,477</u>	<u>260,511</u>
Excess (deficiency) of revenues received over expenditures paid	(321,794)	(321,794)	(61,181)	260,613
OTHER FINANCING SOURCES (USES)				
Issuance of warrants	-	-	39,530	39,530
Warrants redeemed	-	-	(39,530)	(39,530)
Net other financing sources	-	-	-	-
Excess (deficiency) of revenues received and other financing sources over expenditures paid and other financing uses	(321,794)	(321,794)	(61,181)	<u>\$ 260,613</u>
Fund balances - beginning of year	<u>339,136</u>	<u>339,136</u>	<u>339,136</u>	
Fund balances - end of year	<u>\$ 17,342</u>	<u>\$ 17,342</u>	<u>\$ 277,955</u>	

**SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SARPY COUNTY, NEBRASKA**

**BONDS PAYABLE
JUNE 30, 2014**

SCHEDULE 3

2012 Series

Issue Date: July 15, 2011
Option Call Date: July 15, 2016

<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>Amount</u>
August 15, 2015	1.35%	\$ 165,000
August 15, 2016	1.50%	165,000
August 15, 2017	1.60%	170,000
August 15, 2018	1.80%	170,000
August 15, 2019	2.00%	175,000
August 15, 2020	2.25%	180,000
August 15, 2021	2.50%	185,000
August 15, 2022	2.75%	185,000
August 15, 2023	2.90%	190,000
August 15, 2024	3.05%	200,000
TOTAL 2012 Series		<u>\$ 1,785,000</u>

**SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SARPY COUNTY, NEBRASKA**

**INFORMATION REQUIRED BY SECTION 31-740
REISSUE REVISED STATUTES OF NEBRASKA
FOR THE YEAR ENDED JUNE 30, 2014**

SCHEDULE 4

Gross income from all sources	\$ 265,658
Amount spent for sewage disposal	NONE
Amount expended for water mains	NONE
Gross amount of sewage processed	NONE
Cost per thousand gallons of processing sewage	NONE
Amount expended for:	
a. Maintenance and repair	33,475
b. New equipment	NONE
c. New construction	NONE
d. Property purchased	NONE
Number of employees (Clerk)	1
Salaries and fees paid employees	1,200
Total amount of taxes levied upon the property within the District	264,792

SANITARY AND IMPROVEMENT DISTRICT
NO. 186 OF SARPY COUNTY, NEBRASKA

BOARD OF TRUSTEES AND RELATED BONDS
JUNE 30, 2014

SCHEDULE 5

Name

Office

Andrew Geeser - See Note

Chairman

Katherine Geeser - See Note

Clerk

Philip Trackett

Trustee

Casey Haflett

Trustee

Bob Lewis

Trustee

Note - Surety bond for the District clerk was on file with the Sarpy County Clerk as of June 30, 2014 in accordance with the Revised Statutes of Nebraska.

LENGEMANN & ASSOCIATES, P.C.

Certified Public Accountants

1410 Gold Coast Road, Suite 600

Papillion, Nebraska 68046

Phone: (402) 592-1236

Fax: (402) 592-1424

Email: thefirm@lengemanncpa.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Sanitary and Improvement District No. 186
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 and each major fund of Sanitary and Improvement District No. 186 of Sarpy County, Nebraska (The District), as of and for the year ended June 30, 2014, including the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on 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 or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Lengemann & Associates, P.C.

LENGEMANN & ASSOCIATES, P.C.

Papillion, Nebraska

December 15, 2014