SANITARY AND IMPROVEMENT DISTRICT NO. 197 OF SARPY COUNTY, NEBRASKA

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION (WITH INDEPENDENT AUDITORS' REPORT THEREON)

YEAR ENDED JUNE 30, 2014

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

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JONES & LOWE PC
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 197
of 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. 197 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 auditors' 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.

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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. 197 of Sarpy County, Nebraska, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note I to the basic financial statements, in fiscal 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinions are not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 18 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, 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 opinions on the basic financial statements are 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. 197 of Sarpy County, Nebraska's basic financial statements. The supplementary information on pages 22 through 23, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 30, 2014, on our consideration of Sanitary and Improvement District No. 197 of Sarpy County, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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. 197 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

JONES & LOWE PC

Jones & Lowe P.C.

Omaha, Nebraska
December 30, 2014

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA
STATEMENT OF NET POSITION
June 30, 2014

ASSETS	
Cash on deposit - County Treasurer	$ 243,705
Taxes receivable	95,008
Investments	-
Capital assets, net of accumulated depreciation	1,180,575
Total Assets	$ 1,519,288
LIABILITIES	
Accounts payable	19,564
Accrued interest	6,672
Noncurrent liabilities	
Warrants payable	
Due in more than one year	61,723
Bonds payable	
Due within one year	80,000
Due in more than one year	1,570,000
Total Liabilities	$ 1,737,959
NET POSITION	
Net investment in capital assets	(473,084)
Restricted for debt service	300,656
Unrestricted	(46,243)
Total Net Position	$ (218,671)

See accompanying notes to basic financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

EXPENSES - GENERAL GOVERNMENT	
Audit fees	$ 5,995
Bond issue costs	95,287
Collection fees - county treasurer	3,891
Depreciation expense	71,431
Electricity	10,634
Engineering fees	520
Insurance	1,433
Interest expense	83,974
Legal fees	11,614
Paying agent fees	750
Repairs and maintenance	9,786
Total expenses	295,315
GENERAL REVENUES	
Property taxes	208,986
Interest	57
Miscellaneous	3,028
Total general revenues	212,071
Change in net position	(83,244)
NET POSITION - beginning of the year	(49,625)
Adjustment for Implementation of GASB 65	(85,802)
NET POSITION - beginning of the year, restated	(135,427)
NET POSITION - end of the year	$ (218,671)

See accompanying notes to basic financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA
BALANCE SHEET
Governmental Funds
June 30, 2014

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash on deposit - County Treasurer	$ 2,538	$ 241,167	$ 243,705
Taxes receivable	22,482	72,526	95,008
Investments	-	-	-
Total Assets	$ 25,020	$ 313,693	$ 338,713
LIABILITIES			
Accounts payable	$ 6,527	$ 13,037	$ 19,564
Total Liabilities	6,527	13,037	19,564
Fund Balances:			
Restricted for debt service	-	300,656	300,656
Unassigned	18,493	-	18,493
Total Fund Balances	18,493	300,656	319,149
Total Liabilities and Fund Balances	$ 25,020	$ 313,693	$ 338,713

See accompanying notes to basic financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Governmental Funds		$ 319,149
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds:		
Capital assets	$ 2,121,665	
Accumulated depreciation	(941,090)	1,180,575
Long-term liabilities are not due and payable in the current period and therefore not reported in the governmental funds:		
Warrants payable		(61,723)
Bond payable		(1,650,000)
Accrued interest		(6,672)
Net Position of Governmental Activities		$ (218,671)

See accompanying notes to basic financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2014

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property taxes	$ 49,440	$ 159,546	$ 208,986
Interest on taxes	13	44	57
Interest on investments	-	-	-
Miscellaneous	709	2,319	3,028
Total Revenues	50,162	161,909	212,071
EXPENDITURES			
Current:			
Audit fees	5,995	-	5,995
Collection fee - County Treasurer	910	2,981	3,891
Electricity	10,634	-	10,634
Engineering fees	520	-	520
Insurance	1,433	-	1,433
Legal fees	11,614	-	11,614
Paying agent fees	-	750	750
Repairs and maintenance	9,786	-	9,786
Debt service:			
Warrant principal payments	44,023	750	44,773
Warrant interest payments	4,209	-	4,209
Bond principal	-	70,000	70,000
Bond interest	-	89,961	89,961
Total Expenditures	89,124	164,442	253,566
Excess (deficiency) of Revenues over (under) Expenditures	(38,962)	(2,533)	(41,495)
OTHER FINANCING SOURCES			
Issuance of Bonds	-	1,650,000	1,650,000
Payments on bonds refunded	-	(1,605,000)	(1,605,000)
Bond issue costs	-	(95,287)	(95,287)
Issuance of warrants	40,452	750	41,202
Total other financing sources	40,452	(49,537)	(9,085)
Net change in fund balances	1,490	(52,070)	(50,580)
Fund balances - beginning of period	17,003	352,726	369,729
Fund balances - end of period	$ 18,493	$ 300,656	$ 319,149

See accompanying notes to basic financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	$ (50,580)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in government funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of current year activity related to capital assets.	
Depreciation expense	(71,431)
Proceeds from bonds issued are reported as an other financing source in the governmental funds but as an increase in noncurent liabilities in the statement of net assets.	
Proceeds from bonds issued	(1,650,000)
Repayment of noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net position, the repayment reduces noncurrent liabilities. This is the amount of repayments in the current year:	
Bond principal paid	70,000
Warrant principal paid	44,773
The payments on bonds refunded are reported as an other financing use in the governmental funds. In the statement of net assets, the payments reduce noncurrent liabilities. This is the amount of the payments on bonds refunded in the current year.	1,605,000
Long-term warrants issued are reported as an other financing source in the governmental funds but as an increase in noncurrent liabilities on the government-wide statements. This is the amount reported as issuance of long-term warrants in the governmental fund statements in the current year.	(41,202)
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These expenses consist of:	
Change in accrued interest	10,196
Change in Net Position of Governmental Activities	$ (83,244)

See accompanying notes to basic financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197 OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 197 of Sarpy County, Nebraska comply with the rules and regulations of the State of Nebraska, and conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

DEFINITION OF DISTRICT - The District is a governmental subdivision created 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 installing sewers, water, and public road systems within the District and contracting for water, fire protection, and lighting for roads. The District is located in western Sarpy County and is commonly known as Heartland Hills.

REPORTING ENTITY - The Board of Trustees has governance responsibilities over all activities related to public improvements within the jurisdiction of the District. The accompanying financial statements present the District's primary government 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 including budget adoption, taxing authority, funding, and appointment of the respective governing board.

Sarpy County Treasurer is the ex-officio treasurer of the District. All cash transactions and funds are required to be administered and recorded by the County Treasurer.

BASIS OF PRESENTATION – The basic financial statements of the District include the government-wide and the fund financial statements.

Government-Wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities, which report financial information for all nonfiduciary activities of the District. Individual funds are not displayed and internal activity between or within 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The following is a description of the District's two governmental funds:

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In the government-wide 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 when liabilities are incurred, regardless of the timing of related cash flows.

In the governmental fund financial statements, the 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 they become both measurable and available. Measurable means that 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. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred except for debt service expenditures and other long-term liabilities, which are recorded only when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as an other financing source in governmental funds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES – In addition to assets, the financial statements may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any deferred outflows of resources at June 30, 2014.

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District did not have any deferred inflows of resources at June 30, 2014.

INVESTMENTS – Investments are stated at cost, which approximates market, and any premiums or discounts on investments are amortized on the straight-line method from date of purchase to date of maturity.

CAPITAL ASSETS – Within the government-wide financial statements, capital assets, including primarily infrastructure, are recorded at historical cost. The District defines capital assets as assets with an individual cost of more than $500 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements.

The estimated useful lives are as follows:

Paving and Sewer Systems	25 - 40 years
Water and Power Systems	25 - 30 years
Park Improvements	20 years
Other Improvements	30 years

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. The District has purchased a commercial general liability insurance policy and bonds on its chairman and clerk to minimize the adverse effects of certain types of losses. There have been no significant reductions in insurance coverage and no significant claims or settlements for the current year or the three prior years. The District has retained the risk of loss for property damage to its public improvements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

NOTE B – 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. At June 30, 2014, the District held no investments.

All investment 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 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, 2014.

Custodial Credit Risk – Since investments are held in the District's name, the District is not exposed to this risk at June 30, 2014

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE C – CAPITAL ASSETS

At June 30, 2014, capital assets consist of the following:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Infrastructure:				
Paving and storm sewer	$ 1,072,994	$ -	$ -	$ 1,072,994
Sanitary sewer	322,891	-	-	322,891
Electrical distribution system	106,300	-	-	106,300
Water system	267,359	-	-	267,359
Other improvements	9,223	-	-	9,223
Park improvements	342,898	-	-	342,898
	2,121,665	-	-	2,121,665
Accumulated depreciation	(869,659)	(71,431)	-	(941,090)
	$ 1,252,006	$(71,431)	$ -	$ 1,180,575

Depreciation expense totaled $71,431 for the year ended June 30, 2014.

NOTE D – WARRANTS PAYABLE

General Fund warrants are due and payable no later than three years from the date of issuance. Debt Service Fund warrants are due and payable no later than five years from the date of issuance. Warrants are payable in order in which they are registered. Once registered, they accrue and bear interest at 7.00% per annum. Interest is payable annually and accrues through the date called

The summary of warrant activity is as follows:

	General Fund	Debt Service Fund	Total
Balance Outstanding, June 30, 2013	$ 65,294	$ 0	$ 65,294
Warrants Issued	40,452	750	41,202
Warrant Principal Payments	(44,023)	(750)	(44,773)
Balance Outstanding, June 30, 2014	$ 61,723	$ 0	$ 61,723

NOTE E – GENERAL OBLIGATION BONDS PAYABLE

Bonds were issued November 1, 2008 and were due serially through November 1, 2028. Interest was payable semi-annually on May 15 and November 15 at rates ranging from 3.7% to 5.55%. These bonds were retired in June, 2014.

Bonds totaling $1,650,000 were issued June 1, 2014 to retire the 2008 bond issue. The bonds are due serially through November 1, 2028. Interest is payable semi-annually on June 15 and December 15 at rates ranging from .80% to 3.85%.

The following is a summary of bonds payable transactions of the District:

Balance Outstanding, June 30, 2013	$ 1,675,000
Bond Issue	1,650,000
Bond Principal Payments	(1,675,000)
Balance Outstanding, June 30, 2014	$ 1,650,000

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

	PRINCIPAL	INTEREST	TOTAL
June 30, 2015	$ 80,000	$ 45,732	$ 125,732
June 30, 2016	85,000	44,924	129,924
June 30, 2017	85,000	43,840	128,840
June 30, 2018	90,000	42,458	132,458
June 30, 2019	95,000	40,696	135,696
June 30, 2020-2024	540,000	163,451	703,451
June 30, 2025-2029	675,000	64,468	739,468
Total	$ 1,650,000	$ 445,569	$ 2,095,569

NOTE F – PROPERTY TAXES

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.

The District has levied taxes for the year ended June 30, 2014 as follows:

GENERAL FUND	DEBT SERVICE FUND	ASSESSED VALUATION	TAXES LEVIED
(Cents per $100 Valuation)			
18.59	60.0	$26,590,984	$ 208,986

NOTE G – NET POSITION AND FUND BALANCES

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

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

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

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

Fund balances 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

NOTE G – NET POSITION AND FUND BALANCES - Continued

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

NOTE H – SUBSEQUENT EVENTS

Management evaluates transactions and events occurring subsequent to June 30, 2014 and through December 30, 2014 (the date the financial statements were available to be issued) to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements.

NOTE I – IMPLEMENTATION OF GASB 65

In fiscal 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. The adoption of this statement by the District resulted in (1) the write-off of bond issue costs of $85,802 at June 30, 2013 on the government-wide statement of net position with a corresponding decrease in net position and (2) the reclassification of deferred revenue on special assessments and interest receivable thereon on the governmental funds balance sheet from a liability to deferred inflows of resources, with no change in the fund balances as previously reported.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - General Fund
For the year ended June 30, 2014

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Personal and real property taxes	$ 49,440	$ 48,040	$ (1,400)
Interest on taxes	-	13	13
Miscellaneous	100	212	112
Total Revenues	49,540	48,265	(1,275)
EXPENDITURES			
Current:			
Legal fees	7,500	10,661	(3,161)
Audit fees	6,000	5,995	5
Electricity	11,000	11,522	(522)
Engineering fees	1,000	520	480
Insurance	800	1,453	(653)
Collection fees	969	910	59
Repairs and maintenance	15,000	10,300	4,700
Debt Service:			
Warrant principal payments	51,000	44,023	6,977
Warrant interest payments	4,000	4,209	(209)
Total Expenditures	97,269	89,593	7,676
Excess(deficiency) of Revenues over (under) Expenditures	(47,729)	(41,328)	6,401
OTHER FINANCING SOURCES			
Issuance of warrants	46,300	40,452	(5,848)
Total other financing sources	46,300	40,452	(5,848)
Net changes in fund balances	(1,429)	(876)	$ 553
Fund Balance - Beginning	3,414	3,414	
Fund Balance - Ending	$ 1,985	$ 2,538	

See accompanying notes to schedules of revenues, expenditures and changes in fund balances - budget and actual.

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - Debt Service Fund
For the year ended June 30, 2014

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Personal and real property taxes	$ 159,546	$ 157,337	$ (2,209)
Interest on taxes	-	44	44
Interest on investments	-	-	-
Miscellaneous	300	631	331
Total Revenues	159,846	158,012	(1,834)
EXPENDITURES			
Current:			
Paying agent fees	500	750	(250)
Collection fees	3,128	2,981	147
Bond issue costs	-	82,500	(82,500)
Debt Service:			
Warrant principal payments	500	750	(250)
Bond principal	70,000	1,675,000	(1,605,000)
Bond interest	82,958	89,961	(7,003)
Total Expenditures	157,086	1,851,942	(1,694,856)
Excess(deficiency) of Revenues over (under) Expenditures	2,760	(1,693,930)	(1,696,690)
OTHER FINANCING SOURCES			
Issuance of bonds	-	1,650,000	1,650,000
Issuance of warrants	500	750	250
Total other financing sources	500	1,650,750	1,650,250
Net changes in fund balances	3,260	(43,180)	$ (46,440)
Fund Balance - Beginning	284,346	284,346	
Fund Balance - Ending	$ 287,606	$ 241,166	

See accompanying notes to schedules of revenues, expenditures and changes in fund balances - budget and actual.

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - Unaudited
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

BUDGETS 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. Accordingly, adjustments are necessary to convert the revenues and expenditures as reported on the governmental fund statements to the budgetary basis for comparison with budgetary data in the accompanying schedules of revenues, expenditures and changes in fund balances - budget and actual. Fund balance on the budgetary basis consists of cash on deposit with the County Treasurer and the original purchase cost of investments. Encumbrance accounting is not used by the District.

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

1) In September 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 in accordance with the Nebraska Budget Act.
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. No such appropriations were made during the fiscal year ended June 30, 2014.

In fiscal 2014, the District's general fund actual expenditures were less than the budgeted expenditures by $7,676. The general fund budget was not amended to include these changes.

In fiscal 2014, the District's bond fund actual expenditures were more than the budgeted expenditures by $1,694,856. The bond fund budget was not amended to include these changes.

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

REQUIRED SUPPLEMENTARY INFORMATION - Unaudited
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

RECONCILIATION OF BUDGET BASIS TO GAAP

A reconciliation for the year ended June 30, 2014, which discloses the nature and amount of adjustments necessary to convert the budgetary basis to a GAAP basis, is presented below:

	General Fund	Debt Service Fund
Net change in fund balances:		
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	$ (876)	$ (43,180)
Adjustments:		
Revenue for receivables	1,897	3,897
Expenditures for payables & accruals	469	(12,787)
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	$ 1,490	$ (52,070)

SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

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

JUNE 30, 2014

Gross revenues from all sources	$ 212,071
Gross revenues from all sources from previous year	$ 206,395
Amount spent for sewage disposal	None
Amount expended on water mains	None
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for:	
a. Maintenance and repair	$ 9,786
b. New equipment	None
c. New construction work, net of refunds	None
d. Property purchased	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon property within the District	$ 208,986

SUMMARY OF TAXES RECEIVABLE

Receivable at July 1, 2013	Tax Levied	Collected	Receivable at June 30, 2014
$89,217	$208,986	$203,195	$95,008

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

TRUSTEES AND RELATED BONDS

JUNE 30, 2014

TRUSTEES		BONDS	
NAME	OFFICE	INSURER	AMOUNT
Harry Strack	Chairman	Western Surety Co.	$ 5,000
Cathy Sis	Clerk	Western Surety Co.	$ 20,000
Michael Sis	Trustee	None	
Sharon Ruskamp	Trustee	None	

JONES & LOWE PC
Certified Public Accountants and Consultants

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 Trustees
Sanitary and Improvement District No. 197
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. 197 of Sarpy County, Nebraska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Sanitary and Improvement District No. 197 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated December 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanitary and Improvement District No. 197 of Sarpy County, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 197 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 197 of Sarpy County, Nebraska'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 might be material weaknesses or significant deficiencies and, therefore, material weaknesses 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. As described below, we did identify a certain deficiency in internal control that we consider to be a significant deficiency.

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Preparation of Financial Statements: The District does not have an internal control system designed to provide for the preparation of the financial statements and notes being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Sanitary and Improvement District No. 197 of Sarpy County Nebraska's response to this finding is that the aforementioned circumstance is not unusual in a governmental entity of their size and that the costs of correcting this deficiency would exceed the benefits to be derived there from. The District's management has also informed us that they are willing to accept the degree of risk associated with this condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 197 of Sarpy County, Nebraska's financial statements are free of 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 the following instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Finding #1

- Debt service fund expenditures exceeded budget by $1,694,856, without amending the budget.

Response

- New bonds were issued on June 1, 2014 retiring the 2008 issue. The payment of the prior bonds as well as payment of new bond issue costs created this variance.

Finding #2

- The District has only four trustees rather than the five required by law.

Response

- The District had one elected trustee resign. Efforts are underway to recruit an additional trustee.

Sanitary and Improvement District No. 197 of Sarpy County, Nebraska's Response to Findings

Sanitary and Improvement District No. 197 of Sarpy County Nebraska's response to the findings identified in our audit is described previously. Sanitary and Improvement District No. 197 of Sarpy County, Nebraska'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.

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.

Jones & Lowe P.C.

Omaha, Nebraska
December 30, 2014