SANITARY AND IMPROVEMENT DISTRICT NO. 204 OF SARPY COUNTY, NEBRASKA

FINANCIAL STATEMENTS

JUNE 30, 2015

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
JUNE 30, 2015

TABLE OF CONTENTS

Independent Auditors' Report 1

Basic Financial Statements:

Government-wide Financial Statements
Statement of Net Position 2
Statement of Activities 3

Fund Financial Statements
Combined Balance Sheet – Modified Accrual Basis – Governmental Funds 4
Reconciliation of the Balance Sheet – Modified Accrual Basis – Governmental Funds to the Statement of Net Position 5
Combined Statements of Revenues, Expenditures and Changes in Fund Balances – Modified Accrual Basis – Governmental Funds 6
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances – Modified Accrual Basis – Governmental Funds to the Statement of Net Activities 7

Notes to Financial Statements ..... 8 - 16

Required Supplementary Information:

Budgetary Comparison Schedule – General and Debt Service Funds ..... 18 - 19

Notes to Required Supplementary Information - Budgetary Comparison Schedules ..... 20 - 21

Other Supplementary Schedules:

Information required by Section 31-740, Revised Statutes of Nebraska 23

Trustees and related bonds 24

Other Independent Auditors' Report as Required by Governmental Auditing Standards:

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* 25

Schedule of Findings and Responses 26

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sanitary and Improvement District No. 204
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. 204 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Board of Trustees
Sanitary and Improvement District No. 204
of Sarpy County, Nebraska

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. 204 of Sarpy County, Nebraska as of June 30, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules and notes on pages 18 through 21 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.

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 appropriated operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other 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. The 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 other supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Trustees
Sanitary and Improvement District No. 204
of Sarpy County, Nebraska

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued a report dated October 5, 2015 on our consideration of the Sanitary and Improvement District No. 204 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 the 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. 204 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

Mossman Nelson Reinig PC
Certified Public Accountants

Omaha, Nebraska
October 5, 2015

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Cash on deposit, County Treasurer	$ 309,540
Taxes receivable	64,650
Capital assets, net of accumulated depreciation	932,643
Total assets	1,306,833

LIABILITIES

Accounts payable	9,511
Deferred revenue – taxes	222
Accrued interest payable – bond	1,356
Bond payable:	
Due within one year	90,000
Due in more than one year	1,095,000
Total liabilities	1,196,089

NET POSITION

Invested in capital assets, net of related debt	(253,713)
Restricted for debt services	170,454
Unrestricted	194,003
Total net position	$ 110,744

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Expenditures:		
Audit and budget	$	3,550
Legal fees		7,303
Insurance		2,120
Interest on bonds		33,559
Engineering fees		1,110
Street lighting		8,763
Bond agent fees		750
Repairs and maintenance		1,013
Depreciation		47,352
		105,520
Revenues:		
Real property taxes		139,577
Collection fee – County Treasurer		(1,930)
Other taxes		302
Interest income – taxes		5
Over/under property tax accrual		(83)
		137,871
Change in net position		32,351
Net position, beginning of year		78,393
Net position, end of year	$	110,744

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
COMBINED BALANCE SHEET – MODIFIED ACCRUAL BASIS – GOVERNMENTAL FUNDS
JUNE 30, 2015

ASSETS

	Governmental Funds		
	General Fund	Debt Service Fund	Total
Assets:			
Cash on deposit, County Treasurer	$ 186,137	$ 123,403	$ 309,540
Taxes receivable	16,684	47,966	64,650
Total assets	$ 202,821	$ 171,369	$ 374,190

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable	$ 8,761	$ 750	$ 9,511
Deferred revenue - taxes	57	165	222
Total liabilities	8,818	915	9,733
Fund equity:			
Fund balances:			
Restricted for debt services	-	170,454	170,454
Unassigned	194,003	-	194,003
Total fund equity	194,003	170,454	364,457
Total liabilities and fund equity	$ 202,821	$ 171,369	$ 374,190

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET – MODIFIED ACCRUAL BASIS –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Total fund balances – governmental funds		$ 364,457
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 fund financial statements:		
Capital assets	$ 1,636,925	
Accumulated depreciation	(704,282)	932,643
Other liabilities are not due and payable in the current period and, therefore, not reported in governmental funds:		
Accrued interest payable – bond	(1,356)	
Bonds payable	(1,185,000)	(1,186,356)
Net position of governmental activities		$ 110,744

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – MODIFIED ACCRUAL BASIS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Funds		
	General	Debt Service	Total
Revenues:			
Real property taxes	$ 36,021	$ 103,556	$ 139,577
Collection fee – County Treasurer	(498)	(1,432)	(1,930)
Other taxes	78	224	302
Interest income – taxes	1	4	5
Over/under property tax accrual	(22)	(61)	(83)
	35,580	102,291	137,871
Expenditures:			
Audit and budget	3,550	-	3,550
Legal fees	7,303	-	7,303
Insurance	2,120	-	2,120
Interest on bond	-	33,609	33,609
Engineering fees	1,110	-	1,110
Street lighting	8,763	-	8,763
Bond agent fees	-	750	750
Repairs and maintenance	1,013	-	1,013
	23,859	34,359	58,218
Excess of revenue over expenditures	11,721	67,932	79,653
Other financing uses:			
Retirement of bond principal	-	(85,000)	(85,000)
Excess (deficiency) of revenues over (under) expenditures and other financing	11,721	(17,068)	(5,347)
Fund balance, beginning of year	182,282	187,522	369,804
Fund balance, end of year	$ 194,003	$ 170,454	$ 364,457

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES – MODIFIED ACCRUAL BASIS –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balances – Total governmental funds		$ (5,347)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
Depreciation expense		(47,352)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.		
Retirement of bond principal	85,000	
Decrease in interest payable	50	85,050
Change in net position of governmental activities		$ 32,351

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Sanitary and Improvement District No. 204 of Sarpy County, Nebraska (the District) is presented to assist in understanding the District's basic financial statements. The financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

General

The District is organized as a political subdivision and governed under the State of Nebraska. The District has a tax base made up of a commercial development, conducting its activity in Sarpy County, Nebraska.

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. 204. The Board of Trustees is elected by the property owners of the District and has decision-making authority, the authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The Board also has primary financial accountability for fiscal matters of the District. The District is engaged in a single governmental program and 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.

Basis of Presentation

The District complies with accounting principles generally accepted in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The basic financial statements of the District include the government-wide and the fund financial statements.

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the District as a whole in accordance with the accrual basis of accounting. They include all funds of the reporting entity. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Government resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds are reported by generic classification within the financial statements.

Governmental fund financial statements include the balance sheet – modified accrual basis and the statement of revenues, expenditures and changes in fund balances – modified accrual basis.

1. Summary of Significant Accounting Policies – Continued

Basis of Presentation – Continued

Accompanying schedules are presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. An emphasis is placed on major funds of the District. A fund is considered major if it is the primary operating fund of the District, meets specific criteria as set forth by GASB or is identified as a major fund by the District.

The following funds are considered major funds of the District:

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.

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

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On an accrual basis, revenues are recognized when earned. Expenditures are recorded when liabilities are incurred, regardless of the timing of related cash flows.

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 measureable and available. Measurable means that the amount of the transactions can be determined and available means collectable within the current period or soon enough thereafter 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 in the period the liability is incurred, except for the bond fund 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 other financing sources in governmental funds.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is to pay the expenditure from restricted fund balance and then from less restrictive classifications – committed, assigned and then unassigned fund balances.

Property tax revenues are recognized when susceptible to accrual. Revenues on special assessments and miscellaneous revenues are recognized as the amounts are collected. Investment earnings are recorded as earned since they are measureable and available.

1. Summary of Significant Accounting Policies - Continued

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 accounting principles generally accepted in the United States of America. 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. Budgetary comparisons presented for both the General Fund and Debt Service Fund in this report are on non-GAAP budgetary basis.

The District adheres to the following procedures in preparing and adopting the budget:

a. 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.

b. Prior to September 20, the Board of Trustees formally approves the budget document following a public hearing, with notice given five days in advance.

c. As of September 20, the budget document must be on file with the County Board and the Auditor of Public Accounts.

d. Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.

e. 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. Expenditures did not exceed appropriations for the fiscal year ended June 30, 2015.

f. A majority vote by the Board of Trustees may authorize transfer of budgeted amounts from the General Fund to the Debt Service Fund.

Basis of Accounting

The method of accounting followed by the governmental funds is the modified accrual basis. Modifications from the accrual basis are as follows:

1. Revenues are recorded as received in cash, except for revenue susceptible to accrual and material revenues that are not received at the normal time of receipt.

2. Expenditures are recorded on an accrual basis, except for disbursements for inventory type items, which are considered expenditures at the time of purchase or use.

1. Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents

An individual fund's pooled cash is available upon demand and is considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities that are owned by a specific fund and that are purchased with a maturity of 90 days or less are also considered to be "cash equivalents."

Statutes authorize the District to invest in certificates of deposit, passbooks and other available bank investments, provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Investments

The investments are certificates of deposit that are stated at cost, which approximates market.

Taxes Receivable

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

Capital Assets

Government-wide Statements:

In the government-wide statements, capital assets are accounted for as assets in the statement of net position. The capital assets are stated at cost in accordance with construction contracts and other costs applicable thereto. Interest accrued on warrants issued for the construction of improvements is capitalized during the period of construction.

Depreciation of capital assets is recorded as an allocated expense in the government-wide statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives (7 to 50 years) using the straight-line method of depreciation. Other costs incurred for repairs and maintenance are expensed as incurred.

Fund Financial Statements:

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for a s capital outlay expenditures of the governmental fund upon acquisition.

1. Summary of Significant Accounting Policies - Continued

Net Position/Fund Equity

The government-wide fund financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and outstanding balance of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net position – This category represents net position of the District not restricted for any project or other purpose.

Fund equity – In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

- Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws, or are imposed by law through constitutional provisions or enabling legislation.

- Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the District through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same action it employed to commit those amounts.

- Assigned – Amounts the District intends to use for specific purposes.

- Unassigned – All amounts not included in other classifications.

Use of Estimates

The preparation of basic 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Deposits and Investments

Deposits

The District's deposits are insured or collateralized with securities held by an agent of the District in the District's name. All deposits are maintained by the Sarpy County Treasurer and are considered to be held by the District. As of June 30, 2015, The District's total deposits were $309,540.

Investments
The District is allowed to invest funds as permitted by Nebraska Statute 77-2341 and generally include U.S. government obligations, certificates of deposit, and time deposits. During the year ended June 30, 2015 the District held no investments.

Deposit risks include:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the District will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposits, credit risk is the risk that a bank or other counterparty defaults on its own principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

3. Capital Assets

The capital assets are carried at their original cost. A summary is presented below:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Costs:				
Paving, storm sewer and sanitary sewer	$ 937,602	$ -	$ -	$ 937,602
Gas, electric and water distribution	281,124	-	-	281,124
Capitalized interest and other indirect costs	418,199	-	-	418,199
	1,636,925	-	-	1,636,925

3. Capital Assets - Continued

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Accumulated depreciation:				
Paving, storm sewer and sanitary sewer	342,167	24,347	-	366,514
Gas, electric and water distribution	164,026	11,647	-	175,673
Capitalized interest and other indirect costs	150,737	11,358	-	162,095
	656,930	47,352	-	704,282
Capital assets, net of accumulated depreciation	$ 979,995	$ 47,352	$ -	$ 932,643

The District recorded depreciation expense of $47,352 for the year ended June 30, 2015.

4. Registered Warrants Payable

Warrants are issued for payment of liabilities. These warrants bear an interest rate of 7% to 8% per annum from the date registered with the County Treasurer. 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.

A detail of the registered warrants outstanding is as follows:

	June 30, 2014	Issued	Retired	June 30, 2015
General Fund	$ 5,053	$ 20,944	$ 25,997	$ -
Debt Service Fund	750	-	750	-
	$ 5,803	$ 20,944	$ 26,747	$ -

Interest expense on registered warrants for the year ended June 30, 2015 amounted to $0 and $0 for the general fund and debt service fund, respectively.

5. Bonds Payable

Bonds payable totaling $1,425,000 issued on April 17, 2012, with a balance of $1,185,000 at June 30, 2015 are due serially beginning December 15, 2015 through December 15, 2025. The maturities range from $90,000 in 2015 to $135,000 in 2025. Interest is payable semi-annually on this issue at 1.70% to 3.50%.

5. Bonds Payable - Continued

A summary of changes in outstanding bonds payable is as follows:

	Balance June 30, 2014	New Issues	Retirements	Balance June 30, 2015
April 17, 2012 issue	$ 1,270,000	$ -	$ 85,000	$ 1,185,000

The following is a disclosure of total debt service to maturity:

Year ending June 30,	Principal	Interest	Total
2016	$ 90,000	$ 32,227	$ 122,227
2017	90,000	30,630	120,630
2018	95,000	28,824	123,824
2019	100,000	26,675	126,675
2020	100,000	24,175	124,175
2021-2025	575,000	72,112	647,112
2026	135,000	2,363	137,363
	$ 1,185,000	$ 217,006	$ 1,402,006

6. Bond Issue Costs

Costs incurred by the District relating to issuing or refunding bonds payable are expensed in the year of the bond issue.

7. Tax Levy

Property taxes are levied in August and become due on December 31. The first half payment is due March 31 and becomes delinquent April 1 of the following year, and the second half payment is due July 31 and becomes delinquent August 1 of the following year. The County Treasurer bills and collects all property taxes for the District. If the taxes remain delinquent after February of the following year, the County places a lien on the property.

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

7. Tax Levy - Continued

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

		District Tax Levy per $100		
Fiscal Year	District Valuation of Property	General	Debt Service	Total
2014-2015	$ 23,489,880	.153258	.440615	.593873

8. Insurance

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. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage for the current year.

9. Other

Management has evaluated subsequent events through October 5, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

GENERAL FUND

	Original/ Final Budget	Actual	Variance With Budget Favorable (Unfavorable)
Receipts:			
Operating:			
Taxes collected	$ 35,280	$ 32,929	$ (2,351)
Other taxes	140	78	(62)
Interest income – taxes	10	1	(9)
Total receipts	35,430	33,008	(2,422)
Disbursements:			
Operating:			
Audit and budget	4,000	3,550	450
Insurance	4,000	2,120	1,880
Street lighting	10,000	5,879	4,121
Repairs and maintenance	4,500	1,013	3,487
Legal fees	8,000	7,272	728
Engineering	700	1,111	(411)
Total disbursements	31,200	20,945	10,255
Excess of receipts over disbursements from operations	4,230	12,063	7,833
Other sources (uses):			
Warrants issued	-	20,945	20,945
Warrants retired	(5,053)	(25,998)	(20,945)
Transfers	(162,000)	-	162,000
Excess (deficiency) of receipts over (under) disbursements	$ (162,823)	$ 7,010	$ 169,833

See the accompanying notes to the required supplementary information.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

DEBT SERVICE FUND

	Original/ Final Budget	Actual	Variance With Budget Favorable (Unfavorable)
Receipts:			
Operating:			
Taxes collected	$ 101,430	$ 94,661	$ (6,769)
Other taxes	350	224	(126)
Interest income – taxes	20	4	(16)
Miscellaneous income	10	-	(10)
Total receipts	101,810	94,889	(6,921)
Disbursements:			
Operating:			
Paying agent fees	750	-	750
Interest on bonds	33,609	33,609	-
Total disbursements	34,359	33,609	750
Excess of receipts over disbursements from operations	67,451	61,280	(6,171)
Other sources (uses):			
Warrants issued	-	-	-
Warrants retired	(250)	(750)	(500)
Bond principal payments	(265,000)	(85,000)	180,000
Transfer	162,000	-	(162,000)
Excess (deficiency) of receipts over (under) disbursements	$ (35,799)	$ (24,470)	$ 11,329

See the accompanying notes to the required supplementary information.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2015

1. Budgets and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds over which the District controls. Budgets are adopted by the District for the general and bond funds. The budget is adopted using a cash basis of accounting, which differs significantly from accounting principles generally accepted in the United States of America. Under the cash basis of accounting revenues and expenditures are recorded when cash is received or paid. Accordingly, adjustments are necessary to convert the revenues and expenditures as reported on the modified accrual (GAAP) basis of accounting to a cash basis for comparison with budgetary data in the accompanying statement of budgeted and actual cash receipts and disbursements. Fund balance on the budgetary basis consists of cash on deposit with the County Treasurer.

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 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, 2015.
7. The budget may be amended during the year by publishing notice of a budget hearing, approval of the amended budget by the Board of Trustees, and notification being sent to the county treasurer and the auditor of public accounts.
8. All appropriations for the budget year lapse at the end of the budget period.

Nebraska budgetary procedures require the preparation of budgets on a cash basis, rather than on the modified accrual basis of accounting used in the preparation of the accompanying financial statements. Accordingly, required budget comparisons for both the General Fund and the Debt Service Fund are presented on a non-GAAP budgetary basis in the accompanying financial statements of the District. The adjustments necessary to reconcile the differences between the two methods of accounting are summarized as follows:

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2015

1. Budgets and Budgetary Accounting - Continued

	Fund		
	General	Debt Service	Total
Excess of receipts over disbursements on a budgetary basis	$ 12,063	$ 61,280	$ 73,343
Change in property tax revenue from recognition on a cash basis	2,572	7,402	9,974
Change in total expenditures from recognition on a cash basis	(2,914)	(750)	(3,664)
Excess of revenues over expenditures on a modified accrual (GAAP) basis	$ 11,721	$ 67,932	$ 79,653

OTHER SUPPLEMENTARY SCHEDULES

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
INFORMATION REQUIRED BY SECTION 31-740
REVISED STATUTES OF NEBRASKA
JUNE 30, 2015
SUPPLEMENTARY SCHEDULE

Gross income from all sources	$	137,871
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:		
Maintenance and repair	$	1,013
New equipment		-
New construction work		-
Property purchased		-
Start-up costs		-
Number of employees		-
Salaries and fees paid employees		-
Total amount of taxes levied upon property within the district	$	139,577

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
TRUSTEES AND RELATED BONDS
JUNE 30, 2015
SUPPLEMENTARY SCHEDULE

Board of Trustees			
Name	Office	Insurer	Amount
Troy Blenderman	Chairman	Cornerstone Insurance Group	$ 5,000
Stan Baatz	Clerk	Cornerstone Insurance Group	20,000
Roger Lindsey	Trustee		-
David Miller	Trustee		-

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Michael L Massman CPA
George E Nelson CPA

James A Reinig CPA
Keli D Palfini CPA

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. 204
of Sarpy County, Nebraska

We have audited, 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, the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 204 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 5, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we have identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies.

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.*

During the year ended June 30, 2015, the actual expenditures in the general and debt service funds did not exceed the amount budgeted.

Sanitary and Improvement District No. 204 of Sarpy County, Nebraska Response to Findings

Sanitary and Improvement District No. 204 of Sarpy County, Nebraska's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Sanitary and Improvement District No. 204 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.

Certified Public Accountants

Omaha, Nebraska
October 5, 2015

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015

Finding 2015-1 Audit Adjustments

Comment: In conjunction with the audit of the financial statements, it was necessary to propose material adjustments for the financial statement to be in conformity with accounting principles generally accepted in the United States of America, specifically the conversion to the accrual method.

Recommendation: We recommend that the Board read, review, discuss and approve the auditing journal entries to make the accrual financial statements be in conformity with accounting principles generally accepted in the United States of America.

Board response: The Board will review the proposed adjustments at one of the Board meetings.

Finding 2015-2 Financial Statement Preparation

Comment: The Auditing Standards Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Statement of Auditing Standard No. 115 emphasizes that the auditor cannot be part of the system of internal control over financial reporting. In our judgment, the Board's trustee charged with governance, in the course of his assigned duties, lacks the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles (GAAP) and to correct any misstatements if present.

Recommendation: In our judgment, those charged with governance need to understand the importance of this communication. However, due to the lack of resources available to the Board to correct this material weakness in financial reporting, we recommend the Board mitigate this weakness by having a heightened awareness of all transactions being reported.

Board response: The Board of Trustees realizes the importance of the financial statements and heightened its awareness of all transactions being reported.

MASSMAN NELSON REINIG PC
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Michael L Massman CPA
George E Nelson CPA

James A Reinig CPA
Keli D Palfini CPA

October 5, 2015

To the Board of Trustees
Sanitary and Improvement District No. 204
of Sarpy County, Nebraska

Dear Chairman:

Internal Control Matters

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 204 of Sarpy County, Nebraska (the District), for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 21, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the collectability of property tax receivable is based on historical collection experience. We evaluated the key factors and assumptions used to develop the collectability of property tax receivable in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the depreciation of capital assets is based on the estimated useful life of the capital asset. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed eight audit adjustments, which increased the net position by $32,351. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Cash at the County Treasurer in the general and debt service funds decreased $17,459, decreasing net position.
2. Warrants outstanding in the general and debt service funds decreased $5,803, resulting in an increase to net position.
3. Taxes receivable in the general and debt service funds were increased by $9,896, increasing net position.
4. Accumulated depreciation was increased $47,352, decreasing net position.
5. Accounts payable increased $2,238, decreasing net position.
6. Bond principal in the amount of $85,000 was repaid and an adjustment to reduce accrued interest payable by $50 resulted in an increase to net position of $85,050.
7. Deferred revenue on taxes decreased $77, increasing net position.
8. Prepaid expense decreased by $1,426, decreasing net position.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of

an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

As part of obtaining reasonable assurance about whether the District'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 no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

During the year ended June 30, 2015, the actual expenditures in the general and debt service funds did not exceed the amounts budgeted.

Restriction on Use

This information is intended solely for the use of the Board of Trustees of Sanitary and Improvement District No. 204 of Sarpy County, Nebraska and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

George E Nelson

Massman Nelson Reinig PC
Certified Public Accountants
By: George E. Nelson