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SANITARY AND IMPROVEMENT DISTRICT NO. 208 OF SARPY COUNTY, NEBRASKA

FINANCIAL STATEMENTS

JUNE 30, 2014

(WITH INDEPENDENT AUDITOR'S REPORTS)

SANITARY AND IMPROVEMENT DISTRICT NO. 208
OF SARPY COUNTY, NEBRASKA

TABLE OF CONTENTS

JUNE 30, 2014

Independent Auditor's Report

Basic Financial Statements

Balance Sheet – Governmental Funds and Statement of Net Position

Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances and Statement of Activities

Notes to Financial Statements

Supplementary Schedules	Schedule
Schedule 1 - Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Governmental Funds	1
Schedule 2 - Information Required by Section 31-740, Revised Statutes of Nebraska	2

Additional Independent Auditor's Report As Required by *Government Auditing Standards*

Independent Auditor's 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*

Schedule of Findings and Responses

Frankel Zacharia LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sanitary and Improvement District No. 208
of Sarpy County, Nebraska:

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each fund of Sanitary and Improvement District No. 208 of Sarpy County, Nebraska (the District) 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedule 1 – Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Governmental Funds 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 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 the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Schedule 2 of Information Required by Section 31-740 of the Revised Statutes of Nebraska is presented for purposes of additional analysis and is not a required part of the financial statements. The information included in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the District's internal control over financial reporting and compliance.

Frankel Zacharia LLC

December 30, 2014

SANITARY AND IMPROVEMENT DISTRICT NO. 208
OF SARPY COUNTY, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS and STATEMENT OF NET POSITION

JUNE 30, 2014

	Balance Sheet - Governmental Funds			Reconciling Items (Note 2)	Statement of Net Position
	General	Debt Service	Total		
ASSETS					
Cash on deposit with County Treasurer	$ 50,519	293,911	344,430	--	344,430
Property taxes receivable	25,728	85,763	111,491	--	111,491
Capital assets, net of accumulated depreciation	--	--	--	2,560,484	2,560,484
TOTAL ASSETS	**$ 76,247**	**379,674**	**455,921**	**2,560,484**	**3,016,405**
LIABILITIES					
Accounts payable	5,932	250	6,182	--	6,182
Bonds payable					
Due within one year	--	--	--	145,000	145,000
Due after one year	--	--	--	1,835,000	1,835,000
Accrued interest on bonds	--	--	--	26,089	26,089
TOTAL LIABILITIES	**5,932**	**250**	**6,182**	**2,006,089**	**2,012,271**
FUND BALANCES					
Fund balance restricted for debt service	--	379,424	379,424	(379,424)	--
Fund balance - unassigned	70,315	--	70,315	(70,315)	--
TOTAL FUND BALANCES	**70,315**	**379,424**	**449,739**	**(449,739)**	--
TOTAL LIABILITIES AND FUND BALANCES	**$ 76,247**	**379,674**	**455,921**		
NET POSITION					
Net investment in capital assets				580,484	580,484
Restricted for debt service				353,335	353,335
Unrestricted				70,315	70,315
TOTAL NET POSITION				**$ 1,004,134**	**1,004,134**

See accompanying notes to financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 208
OF SARPY COUNTY, NEBRASKA

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

YEAR ENDED JUNE 30, 2014

	Governmental Fund Revenues, Expenditures and Changes in Fund Balances			Reconciling Items	Statement of
	General	Debt Service	Total	(Note 2)	Activities
Revenues					
Property taxes	$ 57,900	193,000	250,900	--	250,900
Collection fees - County Treasurer	(1,095)	(3,649)	(4,744)	--	(4,744)
State motor vehicle allocation	232	775	1,007	--	1,007
Other	14	46	60	--	60
Total revenues	**57,051**	**190,172**	**247,223**	**--**	**247,223**
Expenditures/expenses					
Outlay for capital assets	13,924	--	13,924	(13,924)	--
Accounting and audit fees	6,190	--	6,190	--	6,190
Legal fees	13,785	--	13,785	--	13,785
Trustee bonds and insurance	1,192	--	1,192	--	1,192
Engineering fees	5,448	--	5,448	--	5,448
Broker fees	--	1,250	1,250	--	1,250
Street lighting	14,794	--	14,794	--	14,794
Repairs and maintenance	13,857	--	13,857	--	13,857
Depreciation	--	--	--	67,857	67,857
Debt service-					
Bond principal	--	140,000	140,000	(140,000)	--
Bond interest	--	78,428	78,428	(1,009)	77,419
Total expenditures/expenses	**69,190**	**219,678**	**288,868**	**(87,076)**	**201,792**
NET CHANGE IN FUND BALANCES/NET POSITION	**(12,139)**	**(29,506)**	**(41,645)**	**87,076**	**45,431**
Fund balances/Net position at beginning of year	82,454	408,930	491,384	467,319	958,703
Fund balances/Net position at end of year	**$ 70,315**	**379,424**	**449,739**	**554,395**	**1,004,134**

See accompanying notes to financial statements.

1. Summary of Significant Accounting and Reporting Policies

A. Sanitary and Improvement District No. 208 of Sarpy County, Nebraska (the District) is a governmental subdivision created in 1999 with the filing of the petition and Articles of Association with the Secretary of the State of Nebraska. The District was formed for the purpose of infrastructure construction and to arrange for basic services for a residential subdivision commonly known as "Sunrise Addition" located in the vicinity of 26th Street and Meisinger Road, Bellevue, Nebraska.

B. The reporting entity includes all funds under the control of the District's Board of Trustees. Accordingly, the criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. The Board of Trustees, consisting of four members, has governance responsibilities over all activities within the jurisdiction of the District. The accompanying financial statements present the primary government unit and do not include any component units because none exist.

C. The accounting policies of the District conform to accounting principles generally accepted in the U.S.A. (GAAP) applicable to governmental units.

The government-wide financial statements (Statement of Net Position and Statement of Activities), are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when obligations are incurred, regardless of the timing of related cash flows.

The governmental fund financial statements (Balance Sheet and Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances) use a current financial resources measurement focus and are reported using the modified accrual basis of accounting whereby revenues are recognized when susceptible to accrual, that is, when they become measurable and available. Available means collectible within the current year or soon enough thereafter (within sixty days) to be used to pay current obligations. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for debt service expenditures which are recorded only when due.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are reported in governmental funds. The measurement focus is upon determination of changes in current financial position, rather than results of operations. The following are the District's governmental fund types:

General Fund The General Fund is the main operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

Debt Service Fund The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Continued

1. Summary of Significant Accounting and Reporting Policies - Continued

D. Capital expenditures with estimated useful lives in excess of one year are recorded at cost and depreciated by the straight-line method over such lives ranging from fifteen to fifty years.

	As of June 30, 2013	Additions	As of June 30, 2014
Pipeline replacement	$ 126,020	--	126,020
Water	422,590	--	422,590
Park land	124,743	--	124,743
Underground power	232,151	--	232,151
Sanitary and storm sewer and paving	1,967,036	--	1,967,036
Sediment basin removal	48,552	--	48,552
Outfall sewer	395,901	--	395,901
Park improvements	64,299	13,924	78,223
Total	**$ 3,381,292**	**13,924**	**3,395,216**
Less: Accumulated depreciation	766,875	67,857	834,732
Capital assets, net of accumulated depreciation			**$ 2,560,484**

Park land is not depreciated.

E. Property taxes are levied and due December 31, based on the assessed value of property within the District the previous January. Property taxes are delinquent on April 1 (first half) and August 1 (second half). The Board of Trustees approved a tax levy of $0.52006 per $100 of assessed value of taxable property. The 2013-2014 taxes based on that levy are as follows:

	General Fund	Debt Service Fund
Valuation of taxable property	$ 48,244,562	48,244,562
Tax levy	.0012001	.0040005
2013-2014 taxes assessed	**$ 57,900**	**193,000**

There were no delinquent taxes as of June 30, 2014.

Continued

1. **Summary of Significant Accounting and Reporting Policies - Continued**

F. The District follows these procedures in establishing budgets:

i. The Board of Trustees considers a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

ii. Public hearings are conducted to obtain taxpayer comments.

iii. The budget is legally enacted by a resolution of the Board of Trustees. The District may revise legally adopted budgets as provided by statute. Such revisions are subject to procedures similar to those stated above.

iv. The supplementary schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the differences between the methods for the year ended June 30, 2014, is presented below:

Net change in fund balances-budgetary basis	**$ (41,386)**
Adjustments:	
Revenue from receivables	1,636
Expenditures for payables	(1,895)
Net change in fund balances - GAAP basis	**$ (41,645)**

G. Preparation of financial statements often necessitates the use of accounting estimates based on considerations of past and current events and assumptions about the future. Estimates and assumptions affect the amounts reported in the statements including related disclosures. Because of the inherent uncertainties in this process, it is likely that actual results will vary from estimates used.

2. Adjustments from the Balance Sheet – Governmental Funds to the Statement of Net Position are differences in modified accrual accounting used in the Balance Sheet and full accrual accounting used in the Statement of Net Position. The adjustments are summarized as follows:

Total Governmental Fund Balance	$ 449,739
ADJUSTMENTS	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,560,484
Long-term obligations (bonds and related interest) do not require the use of current financial resources and therefore are not reported as fund liabilities.	(2,006,089)
Net Position of Governmental Activities	**$ 1,004,134**

Continued

2. Continued

Adjustments from the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are differences in modified accrual accounting used in the funds and full accrual accounting used in the Statement of Activities. The adjustments are summarized as follows:

Net Change in Governmental Fund Balances	$ (41,645)
ADJUSTMENTS Investment in capital assets is reported as expenditures in Governmental funds but not in the Statement of Activities. Instead, the costs are capitalized in the Statement of Net Position and allocated over estimated useful lives as depreciation expense in the Statement of Activities.	
This is the amount of depreciation expense for the current year.	(67,857)
This is the amount paid for capital assets in the current year.	13,924
Payment of long-term obligations is reported as expenditures in Governmental funds but reduces the liability in the Statement of Net Position. This is the amount paid in the current year.	140,000
Interest is reported in the governmental funds when paid or otherwise due, but is accrued in the government wide statements as the liability is incurred.	1,009
Change in Net Position of Governmental Activities	**$ 45,431**

3. General Obligation bonds payable at June 30, 2014 consist of:

2010 Series, 2.35% - 4.50%. Interest paid semiannually on August 15 and February 15.	$ 1,775,000
2006 Series, 4.20% - 4.80%. Interest paid semiannually on December 1 and June 1.	205,000
	$ 1,980,000

The bonds mature as follows:

Fiscal Year	Principal	Interest	Total
2015	$ 145,000	75,124	220,124
2016	145,000	71,293	216,293
2017	150,000	66,837	216,837
2018	160,000	61,586	221,586
2019	165,000	55,609	220,609
2020-2024	955,000	166,599	1,121,599
2025-2027	260,000	8,820	268,820
	$ 1,980,000	505,868	2,485,868

The change in bonds is summarized as follows:

Beginning Balance	Issued	Redeemed	Ending Balance
$ 2,120,000	--	140,000	1,980,000

4. 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, which risks are insured to limits considered adequate by the District. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage for the current or three prior years.

SUPPLEMENTARY SCHEDULES

SANITARY AND IMPROVEMENT DISTRICT NO. 208
OF SARPY COUNTY, NEBRASKA

SCHEDULE 1 - REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS (NOTE 1.F.iv) (UNAUDITED)

	YEAR ENDED JUNE 30, 2014 (Non-GAAP)		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 250,900	249,231	(1,669)
Collection fees - County Treasurer	(4,890)	(4,710)	180
Delinquent tax allowance	(1,510)	--	1,510
State motor vehicle allocation	450	1,007	557
Other	--	60	60
Total revenues	**244,950**	**245,588**	**638**
Expenditures			
Operating expenditures	101,000	68,546	32,454
Debt service - bond principal and interest	218,428	218,428	--
Debt service - reserve	220,000	--	220,000
Total expenditures	**539,428**	**286,974**	**252,454**
Excess (deficiency) of revenues over expenditures	**(294,478)**	**(41,386)**	**253,092**
Fund balances at beginning of year	385,816	385,816	--
Fund balances at end of year	**$ 91,338**	**344,430**	**253,092**

SANITARY AND IMPROVEMENT DISTRICT NO. 208
OF SARPY COUNTY, NEBRASKA

SCHEDULE 2 (UNAUDITED)

YEAR ENDED JUNE 30, 2014

Information Required by Section 31-740,
Revised Statutes of Nebraska

Gross income from all sources	$ 251,967
Amount spent for access to the facilities and use of the services of the library system of one or more neighboring cities or villages	None
Amount spent for sewage disposal	None
Amount expended on water system and mains	None
Gross amount of sewage processed	Not applicable
Cost per thousand gallons of processing sewage	Not applicable
Amount expended for	
a. Maintenance and repairs	$ 13,857
b. New equipment	$ 13,924
c. New construction	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	$ 250,900

Frankel Zacharia LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S 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. 208
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 fund of Sanitary and Improvement District No. 208 of Sarpy County, Nebraska (the District) 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, 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 the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be 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. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

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Compliance and Other Matters

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 and contracts, 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*.

District's Response to Findings

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

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Frankel Zacharia LLC

December 30, 2014

SANITARY AND IMPROVEMENT DISTRICT NO. 208
OF SARPY COUNTY, NEBRASKA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

SIGNIFICANT DEFICIENCY

Financial Reporting

Criteria: Internal controls should be in operation that provide reasonable assurance of the District's ability to report financial data reliably in accordance with generally accepted accounting principles (GAAP).

Condition: The District utilizes an outside audit firm to prepare its financial statements, including footnotes.

Cause: The District does not have the expertise to prepare financial statements, including footnotes, in accordance with GAAP.

Effect: The District cannot, on its own, comply with regulatory requirements to prepare annual financial statements.

Response: The Board of Trustees has determined that it is not cost-beneficial to create a system of internal control that would allow the District to prepare its own financial statements. Accordingly, the District engaged the audit firm to assist in the preparation of the statements.