

SEIM JOHNSON

To the Board of Trustees of
Sanitary Improvement District No. 216
of Sarpy County, Nebraska:

In planning and performing our audit of the financial statements of Sanitary Improvement District No. 216, (the "District") as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in the District's internal control that we considered 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 following deficiency in the District's internal control to be a significant deficiency:

Financial Statement Reporting

Many Sanitary Improvement Districts rely on the auditor to assist with the preparation of the annual financial statements including notes to the financial statements. Auditing standards emphasize that the auditor cannot be part of the system of internal control over financial reporting.

Accurate preparation of the District's financial statements and notes to the District's financial statements in accordance with accounting principles generally accepted in the United States of America requires a high degree of technical expertise and substantial experience in preparing such statements and notes. In our judgment certain members of the District's accounting personnel possess the degree of technical expertise required to prepare the District's financial statements in accordance with such principles. However, at this time, management has made the decision to have external accountants prepare these statements. As a result, this could cause the District's financial statements to be misstated and not be detected by the District's personnel. We believe that this is not an uncommon situation for Districts such as yours, and may be a conscious decision based on cost benefit considerations. We recommend management mitigate this situation by having a heightened awareness of the transactions being reported.

This communication is intended solely for the information and use of the Board of Trustees, management and others within the District and is not intended to be and should not be used by anyone other than these specified parties. We appreciate serving Sanitary Improvement District No. 216, and would be happy to assist you in addressing and implementing the suggestion in this letter.

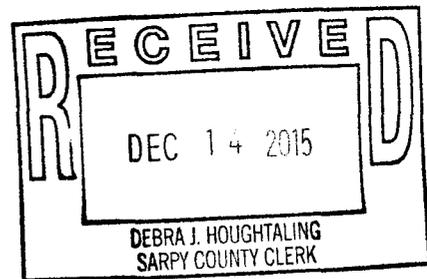
SEIM JOHNSON, LLP

Omaha, Nebraska,
December 11, 2015.

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Basic Financial Statements
and Supplementary Information
June 30, 2015**

Together with Independent Auditor's Report



**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

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Independent Auditor's Report

To the Board of Trustees of
Sanitary Improvement District No. 216
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 Improvement District No. 216 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 the financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the budgetary comparison information on pages 14 - 16 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 response 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 opinion on the basic financial statements is 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 the District's basic financial statements. The supplementary information on pages 17 - 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 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 supplementary 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 11, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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.

SEEM JOHNSON, LLP

Omaha, Nebraska,
December 11, 2015

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Governmental Funds Balance Sheet / Statement of Net Position
June 30, 2015**

| | <u>General</u> | <u>Debt Service</u> | <u>Total</u> | <u>Adjustments (Note 1)</u> | <u>Statement of Net Position</u> |
|--|-------------------|-------------------------|------------------|---------------------------------|--------------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 97,972 | 647,709 | 745,681 | -- | 745,681 |
| Personal property and real estate taxes receivable | 109,871 | 202,162 | 312,033 | -- | 312,033 |
| Capital assets, net of accumulated depreciation | -- | -- | -- | 4,608,669 | 4,608,669 |
| Total assets | <u>\$ 207,843</u> | <u>849,871</u> | <u>1,057,714</u> | <u>4,608,669</u> | <u>5,666,383</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 39,589 | -- | 39,589 | -- | 39,589 |
| Accrued interest payable | -- | -- | -- | 44,373 | 44,373 |
| Long-term debt: | | | | | |
| Portion due within one year | -- | -- | -- | 295,000 | 295,000 |
| Portion due after one year | -- | -- | -- | 4,894,932 | 4,894,932 |
| Total liabilities | <u>39,589</u> | <u>--</u> | <u>39,589</u> | <u>5,234,305</u> | <u>5,273,894</u> |
| FUND BALANCES/NET POSITION | | | | | |
| Fund balances: | | | | | |
| Restricted for debt service | -- | 849,871 | 849,871 | (849,871) | -- |
| Unassigned | 168,254 | -- | 168,254 | (168,254) | -- |
| Total fund balance | <u>168,254</u> | <u>849,871</u> | <u>1,018,125</u> | <u>(1,018,125)</u> | <u>--</u> |
| Total liabilities and fund balances | <u>\$ 207,843</u> | <u>849,871</u> | <u>1,057,714</u> | | |
| Net position: | | | | | |
| Net investment in capital assets | | | | (581,263) | (581,263) |
| Restricted for debt service | | | | 805,498 | 805,498 |
| Unrestricted | | | | 168,254 | 168,254 |
| Total net position | | | | <u>\$ 392,489</u> | <u>392,489</u> |

See Notes to Basic Financial Statements

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Statement of Governmental Fund Revenues, Expenditures
and Changes in Fund Balances / Statement of Activities
For the Year Ended June 30, 2015**

| | General | Debt Service | Total | Adjustments (Note 1) | Statement of Activities |
|--|-------------------|--------------------|--------------------|-------------------------|----------------------------|
| REVENUES: | | | | | |
| Personal property and real estate taxes | \$ 243,134 | 447,253 | 690,387 | -- | 690,387 |
| Special assessments | -- | 13,955 | 13,955 | (13,955) | -- |
| Interest on special assessments | -- | 13,282 | 13,282 | (12,643) | 639 |
| Miscellaneous | 5,965 | 70,911 | 76,876 | -- | 76,876 |
| Total revenues | <u>249,099</u> | <u>545,401</u> | <u>794,500</u> | <u>(26,598)</u> | <u>767,902</u> |
| EXPENDITURES/EXPENSES: | | | | | |
| Current: | | | | | |
| Bond issue costs | -- | 121,500 | 121,500 | -- | 121,500 |
| Collection fees | 3,520 | 7,364 | 10,884 | -- | 10,884 |
| Depreciation | -- | -- | -- | 257,741 | 257,741 |
| Electricity | 30,169 | -- | 30,169 | -- | 30,169 |
| Fiscal agent fees | -- | 2,500 | 2,500 | -- | 2,500 |
| Insurance | 2,362 | -- | 2,362 | -- | 2,362 |
| Mowing | 29,750 | -- | 29,750 | -- | 29,750 |
| Professional fees | 57,217 | 21,870 | 79,087 | -- | 79,087 |
| Repairs and maintenance | 194,676 | -- | 194,676 | -- | 194,676 |
| Street cleaning | 600 | -- | 600 | -- | 600 |
| Street signs | 187 | -- | 187 | -- | 187 |
| Debt service: | | | | | |
| Retirement of bond principal | -- | 2,495,000 | 2,495,000 | (2,495,000) | -- |
| Retirement of warrants | 283,836 | 22,370 | 306,206 | (306,206) | -- |
| Interest on bonds | -- | 164,130 | 164,130 | (248) | 163,882 |
| Total expenditures/expenses | <u>602,317</u> | <u>2,834,734</u> | <u>3,437,051</u> | <u>(2,543,713)</u> | <u>893,338</u> |
| EXCESS OF EXPENDITURES/EXPENSES OVER REVENUES | <u>(353,218)</u> | <u>(2,289,333)</u> | <u>(2,642,551)</u> | <u>2,517,115</u> | <u>(125,436)</u> |
| OTHER FINANCING SOURCES: | | | | | |
| Issuance of warrants | 291,453 | 24,370 | 315,823 | (315,823) | -- |
| Issuance of bonds | -- | 2,430,000 | 2,430,000 | (2,430,000) | -- |
| Total other financing sources | <u>291,453</u> | <u>2,454,370</u> | <u>2,745,823</u> | <u>(2,745,823)</u> | <u>--</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES | <u>(61,765)</u> | <u>165,037</u> | <u>103,272</u> | <u>(103,272)</u> | |
| CHANGE IN NET POSITION | | | | <u>(125,436)</u> | <u>(125,436)</u> |
| FUND BALANCE/NET POSITION: | | | | | |
| Beginning of year | <u>230,019</u> | <u>684,834</u> | <u>914,853</u> | | <u>517,925</u> |
| End of year | <u>\$ 168,254</u> | <u>849,871</u> | <u>1,018,125</u> | <u>--</u> | <u>392,489</u> |

See Notes to Basic Financial Statements

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Notes to Basic Financial Statements
June 30, 2015**

(1) Summary of Significant Accounting Policies

The following is a summary of significant accounting policies employed in the preparation of these financial statements. These policies are in accordance with accounting principles generally accepted in the United States of America.

A. Reporting Entity

Sanitary Improvement District No. 216 of Sarpy County, Nebraska (the District) was formed on December 1, 2000 to construct and maintain improvements in Millard Park South. The Subdivision consists of 507 lots and is located in Sarpy County, Nebraska.

The Board of Trustees of the District has financial accountability and control over all the activities related to the District. 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.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds for which the District is financially accountable. The District has also considered all other potential organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the District to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the District. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities, which report financial information for all activities of the District.

The government-wide Statement of Net Position presents the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The District's net position is reported in three categories – net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reflects the expenses of the District's governmental activities, offset by general revenues to determine the change in net position for the year.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The following comprise the District's governmental funds:

General Fund - The General Fund is the general operating fund of the District. All general tax revenue and other revenue that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Debt Service Fund - The Debt Service Fund is used to account for the funding and payment of interest and principal of general obligation debt of the District.

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Notes to Basic Financial Statements
June 30, 2015**

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Personal property and real estate taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt are reported as other financing sources.

D. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments that are available to meet working capital requirements and other current obligations.

Cash of the individual funds of the District were held by the treasurer of Sarpy County, Nebraska (the County), the fiscal agent, in a pooled fund. Such pooled fund deposits were covered by federal depository insurance or with sufficient assets pledged to the County by the financial institution at June 30, 2015. Amounts collateralized were not readily available.

E. Receivables

Personal property and real estate taxes are recognized as a receivable at the time an enforceable legal claim is established. Revenue on special assessments and the related accrued interest is recognized as the amounts are collected in the governmental fund financial statements. Uncollected special assessments and accrued interest outstanding are recorded as receivable and unavailable revenue on the Governmental Funds Balance Sheet as of June 30, 2015. Revenue on special assessments is recognized when levied and interest on outstanding special assessments is recognized when earned in the government-wide financial statements. Personal property and real estate tax and special assessment receivables are written off when deemed uncollectible. Recoveries of personal property and real estate tax and special assessment receivables previously written off are recorded when received. Interest income on personal property and real estate taxes and special assessments is recognized when received in the governmental fund financial statements.

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Notes to Basic Financial Statements
June 30, 2015**

F. *Personal Property and Real Estate Taxes*

The District has approved tax levies as follows during the year ended June 30, 2015:

| | <u>Dollars per \$100 of Valuation</u> |
|-------------------|---|
| General Fund | \$ 0.2500 |
| Valuation | <u>99,437,444</u> |
| Total tax levy | <u>\$ 248,593</u> |
| Debt Service Fund | \$ 0.4600 |
| Valuation | <u>99,437,444</u> |
| Total tax levy | <u>\$ 457,412</u> |
| Levy Date | December 31 |
| Due Date | December 31 |
| Delinquent Dates | April 1 and August 1 |
| Interest Rate | 14% |

G. *Capital Assets*

Capital assets, primarily infrastructure, are reported in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Depreciation is calculated using the straight-line depreciation method with a half-year taken the first year and the last year over the following estimated useful lives:

| | |
|--|----------|
| Paving and sewers | 30 Years |
| Gas, electric and water distribution systems | 30 Years |

H. *Net Position/Fund Balance*

Fund Balance

Fund balance of the District's governmental funds are classified in the governmental fund financial statements as follows:

- Nonspendable Fund Balance consists of amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be kept intact. The District had no nonspendable fund balance as of June 30, 2015.
- Restricted Fund Balance consists of amounts that are restricted for specific purposes. These restrictions are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed through constitutional provisions or enabling legislation.

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Notes to Basic Financial Statements
June 30, 2015**

- Committed Fund Balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision making authority. These amounts cannot be used for any other purpose unless the government removes or changes the specific use by taking the same type of action it used to commit those amounts. The Board of Trustees is the District's highest level of authority. All actions concerning approving, eliminating, or modifying of committed fund balances will be accomplished through resolution. The District had no committed fund balance as of June 30, 2015.
- Assigned Fund Balance consists of amounts that are constrained by the government intended to be used for specific purposes, but are neither restricted nor committed. The authority for making an assignment is not required to be the government's highest decision making authority. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regards to committed fund balances. The Board of Trustees of the District will have the overall responsibilities for monitoring these balances. The District had no assigned fund balance as of June 30, 2015.
- Unassigned Fund Balance is the residual classification for the general fund. The general fund is the only fund to report a positive unassigned fund balance.

The District considers that all incurred and spent restricted, committed, and assigned amounts have been utilized first before unassigned amounts are utilized.

Net Position

Net position of the District is classified in the government-wide Statement of Net Position and is defined as follows:

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase, construction, or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.
- Unrestricted is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

The District first applies restricted resources when an expense incurred for purposes for which both restricted and unrestricted resources are available.

I. Estimates

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board of Trustees to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Notes to Basic Financial Statements
June 30, 2015**

J. Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position as of June 30, 2015

| | |
|---|--------------------|
| Total fund balances - governmental funds | \$ 1,018,125 |
| 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, are not reported in the funds. | 4,608,669 |
| Accrued interest expense is not due or payable in the current period and, accordingly, is not reported in the governmental funds. | (44,373) |
| Long-term debt is not due and payable in the current period and therefore, is not reported in the funds. | <u>(5,189,932)</u> |
| Total net position - governmental activities | <u>\$ 392,489</u> |

K. Reconciliation of the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities for the Year Ended June 30, 2015

| | |
|--|---------------------|
| Net change in fund balances - governmental funds | \$ 103,272 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. | (257,741) |
| Accrued interest expense that does not require current financial resources. | 248 |
| Collections on special assessments and interest thereon have been reported as revenues in the governmental funds but are reported as decreases in receivables in the Statement of Net Position. This is the amount of collections on special assessments and the change in accrued interest thereon. | (26,598) |
| Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the Statement of Net Position, the proceeds increase long-term liabilities. | (2,745,823) |
| Repayment of principal on noncurrent liabilities reported as an expenditure in the governmental funds. In the Statement of Net Position, the repayment reduces long-term liabilities. This is the amount of repayments in the current year. | <u>2,801,206</u> |
| Change in net position - governmental activities | <u>\$ (125,436)</u> |

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Notes to Basic Financial Statements
June 30, 2015**

L. *Subsequent events*

The District considered events occurring through December 11, 2015 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(2) Deposits and Investments

State statutes require that all bank balances be insured or collateralized by United States government securities held by the District's third-party agent or the pledging financial institution's trust department in the name of the District.

Credit Risk - The statutes of the State of Nebraska authorize the District to invest in certificates of deposit and time deposits of banks or capital stock financial institutions, obligations of the United States government and agencies thereof, and securities as provided in the authorized investment guidelines of the Nebraska Investment Council. The District does not have a policy for custodial credit risk beyond requirements set by the state statutes. All cash funds are held in the County's name, as such, the District is exposed to this risk at June 30, 2015.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(3) Capital Assets, Net

The following is a summary of capital assets:

| | <u>Balance 6/30/2014</u> | <u>Additions</u> | <u>Balance 6/30/2015</u> |
|--|------------------------------|------------------|------------------------------|
| Land | \$ 26,172 | -- | 26,172 |
| Paving and sewers | 5,707,661 | -- | 5,707,661 |
| Gas, electric and water distribution systems | <u>2,024,498</u> | <u>--</u> | <u>2,024,498</u> |
| | 7,758,331 | -- | 7,758,331 |
| Less: Accumulated depreciation | <u>(2,891,921)</u> | <u>(257,741)</u> | <u>(3,149,662)</u> |
| | <u>\$ 4,866,410</u> | <u>(257,741)</u> | <u>4,608,669</u> |

The District recognized depreciation expense of \$257,741 for the year ended June 30, 2015.

As of June 30, 2015, the District had no contractual commitments for construction projects.

(4) Special Assessments

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

| | | | | |
|------------------|----------------|-------------------|-------------------|-------------------|
| Levy Date: | June 20, 2002 | October 23, 2003 | November 20, 2003 | September 8, 2005 |
| Amount Assessed: | \$1,100,525 | \$1,437,371 | \$448,406 | \$950,813 |
| Due Date: | August 9, 2002 | December 12, 2003 | January 9, 2004 | October 28, 2005 |
| Delinquent Date: | June 20, 2003 | October 23, 2004 | November 20, 2004 | September 8, 2006 |
| Regular Rate: | 8% | 7.5% | 7.5% | 7.5% |
| Delinquent Rate: | 10% | 9.5% | 9.5% | 9.5% |

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Notes to Basic Financial Statements
June 30, 2015**

(5) Long-Term Debt

General Obligation Bonds

Transactions for general obligation bonds for the year ended June 30, 2015 are summarized as follows:

| | <u>Balance 6/30/2014</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance 6/30/2015</u> | <u>Due Within One Year</u> |
|----------------------|------------------------------|------------------|------------------|------------------------------|--------------------------------|
| Bond issue, 2008 (A) | \$ 2,320,000 | -- | 2,320,000 | -- | -- |
| Bond issue, 2009 (B) | 820,000 | -- | 45,000 | 775,000 | 45,000 |
| Bond issue, 2013 (C) | 2,105,000 | -- | 130,000 | 1,975,000 | 140,000 |
| Bond issue, 2014 (D) | -- | 2,430,000 | -- | 2,430,000 | 110,000 |
| | <u>\$ 5,245,000</u> | <u>2,430,000</u> | <u>2,495,000</u> | <u>5,180,000</u> | <u>295,000</u> |

- (A) 4.15% - 5.45% Series 2008, general obligation bonds due annually each May 15 through 2028, interest due semiannually on May 15 and November 15, called in whole August 15, 2014, at par value plus accrued interest.
- (B) 3.30% - 5.10% Series 2009, general obligation bonds due annually each October 15 through 2029, interest due semiannually on April 15 and October 15, callable in whole or in part, anytime on or after October 15, 2015 at par value plus accrued interest to the date set for redemption. As of June 30, 2015, the average effective interest rate was 5.16% and the average stated rate was 4.67%.
- (C) 1.50% - 3.00% Series 2013, general obligation refunding bonds due annually each January 15 through 2026, interest due semiannually on January 15 and July 15, callable in whole or in part, anytime on or after January 15, 2018 at par value plus accrued interest to the date set for redemption. As of June 30, 2015, the average effective interest rate was 3.15% and the average stated rate was 2.53%.
- (D) 1.15% - 3.85% Series 2014, general obligation refunding bonds due annually each October 15 through 2028, interest due semiannually on October 15 and April 15, callable in whole or in part, anytime on or after April 15, 2019 at par value plus accrued interest to the date set for redemption. As of June 30, 2015, the average effective interest rate was 4.02% and the average stated rate was 3.48%.

Aggregate maturities for general obligation bonds are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|------------------|------------------|
| 2016 | \$ 295,000 | 155,713 | 450,713 |
| 2017 | 305,000 | 150,635 | 455,635 |
| 2018 | 310,000 | 144,849 | 454,849 |
| 2019 | 315,000 | 138,284 | 453,284 |
| 2020 | 330,000 | 130,906 | 460,906 |
| 2021 - 2025 | 1,865,000 | 505,478 | 2,370,478 |
| 2026 - 2030 | 1,760,000 | 166,859 | 1,926,859 |
| | <u>\$ 5,180,000</u> | <u>1,392,724</u> | <u>6,572,724</u> |

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Notes to Basic Financial Statements
June 30, 2015**

Warrants Payable

The District issues warrants to pay for expenditures of the District. When warrants are presented for payment, the paying agent either pays them or registers them, at which time interest begins accruing if the warrant is registered. The interest rate on the registered warrants is 7% to 8%. These warrants are generally expected to be redeemed with tax and special assessment revenues or refinanced with a long-term bond issuance within their appropriate statutory maturity limits.

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.

Transactions for warrants payable for the year ended June 30, 2015 are summarized as follows:

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|--|-------------------------|------------------------------|------------------|
| Balance outstanding, June 30, 2014 | \$ 315 | -- | 315 |
| Warrants issued | 291,453 | 24,370 | 315,823 |
| Warrant principal payments/cancellations | <u>(283,836)</u> | <u>(22,370)</u> | <u>(306,206)</u> |
| Balance outstanding, June 30, 2015 | <u>\$ 7,932</u> | <u>2,000</u> | <u>9,932</u> |

Outstanding General Fund warrants of \$7,932 will be due in 2018. Outstanding Bond Fund warrants of \$2,000 will be due in 2020.

(6) Surety Bonds

The District has acquired the following surety bonds which have been filed with the County Clerk in accordance with Nebraska Revised Statutes Section 31-734:

| | |
|-------------|----------|
| Chairperson | \$ 5,000 |
| Clerk | 20,000 |

(7) Credit Risk

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

(8) 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.

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Notes to Basic Financial Statements
June 30, 2015**

(9) Related Parties

The Board of Trustees of the District is comprised of individuals that have a direct or indirect ownership interest in the property within the District.

(10) Subsequent Event

In September 2015 the District's Board of Trustees approved redemption of the Series 2009 general obligation bonds with an outstanding balance of \$775,000 and also approved the issuance of Series 2015 refunding bonds with an original principal balance of \$770,000 maturing from October 2016 through October 2029.

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

Exhibit 1

**Statement of Receipts and Disbursements – Budget and Actual
General Fund – Budgetary Basis
For the Year Ended June 30, 2015**

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--|--------------------|---|
| RECEIPTS: | | | |
| Personal property and real estate taxes | \$ 248,593 | 241,812 | (6,781) |
| Miscellaneous receipts | 1,000 | 5,965 | 4,965 |
| Total receipts | <u>249,593</u> | <u>247,777</u> | <u>(1,816)</u> |
| DISBURSEMENTS: | | | |
| Current: | | | |
| Collection fees | 4,874 | 3,520 | 1,354 |
| Electricity | 38,500 | 30,169 | 8,331 |
| Insurance | 2,400 | 2,362 | 38 |
| Mowing | 47,000 | 30,316 | 16,684 |
| Professional fees | 57,200 | 57,686 | (486) |
| Publication fees | 315 | -- | 315 |
| Repairs and maintenance | 150,000 | 170,135 | (20,135) |
| Street cleaning | 700 | 600 | 100 |
| Street signs | 4,280 | 187 | 4,093 |
| Debt service: | | | |
| Retirement of warrants | <u>300,709</u> | <u>283,836</u> | <u>16,873</u> |
| Total disbursements | <u>605,978</u> | <u>578,811</u> | <u>27,167</u> |
| EXCESS OF DISBURSEMENTS OVER RECEIPTS | (356,385) | (331,034) | 25,351 |
| OTHER FINANCING SOURCES: | | | |
| Issuance of warrants | <u>300,395</u> | <u>291,453</u> | <u>(8,942)</u> |
| EXCESS OF DISBURSEMENTS OVER RECEIPTS AND OTHER FINANCING SOURCES | <u>\$ (55,990)</u> | <u>(39,581)</u> | <u>16,409</u> |
| ADJUSTMENTS: | | | |
| To adjust receipts for accruals | | 1,322 | |
| To adjust disbursements for accruals | | <u>(23,506)</u> | |
| Total adjustments | | <u>(22,184)</u> | |
| EXCESS OF EXPENDITURES OVER REVENUE AND OTHER FINANCING SOURCES | | <u>\$ (61,765)</u> | |

See Note to Required Supplementary Information

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

Exhibit 2

**Statement of Receipts and Disbursements – Budget and Actual
Debt Service Fund – Budgetary Basis
For the Year Ended June 30, 2015**

| | Original & Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------------------|--------------------|--|
| RECEIPTS: | | | |
| Personal and real estate taxes | \$ 457,412 | 462,190 | 4,778 |
| Special assessments | -- | 13,955 | 13,955 |
| Interest on special assessments | -- | 13,282 | 13,282 |
| Miscellaneous receipts | 1,500 | 70,911 | 69,411 |
| Total receipts | <u>458,912</u> | <u>560,338</u> | <u>101,426</u> |
| DISBURSEMENTS: | | | |
| <i>Current:</i> | | | |
| Bond issue costs | 121,500 | 121,500 | -- |
| Collection fees | 8,969 | 7,364 | 1,605 |
| Fiscal agent fees | 1,000 | 2,500 | (1,500) |
| Professional fees | 23,000 | 21,870 | 1,130 |
| <i>Debt service:</i> | | | |
| Retirement of bond principal | 2,495,000 | 2,495,000 | -- |
| Retirement of warrants | 24,000 | 22,370 | 1,630 |
| Interest on bonds | 151,551 | 164,130 | (12,579) |
| Total disbursements | <u>2,825,020</u> | <u>2,834,734</u> | <u>(9,714)</u> |
| EXCESS OF DISBURSEMENTS OVER RECEIPTS | <u>(2,366,108)</u> | <u>(2,274,396)</u> | <u>91,712</u> |
| OTHER FINANCING SOURCES: | | | |
| Issuance of warrants | 24,000 | 24,370 | 370 |
| Issuance of bonds | 2,430,000 | 2,430,000 | -- |
| Total other financing sources | <u>2,454,000</u> | <u>2,454,370</u> | <u>370</u> |
| EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS | <u>\$ 87,892</u> | <u>179,974</u> | <u>92,082</u> |
| ADJUSTMENTS: | | | |
| To adjust receipts for accruals | | <u>(14,937)</u> | |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES | | <u>\$ 165,037</u> | |

See Note to Required Supplementary Information

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Note to Required Supplementary Information
June 30, 2015**

(1) Budgets and Budgetary Accounting

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

Formal budgetary integration is employed as a management control device during the year for the General and Debt Service Funds. These budgets are adopted on the cash basis of accounting. Revenues are recognized when cash is received and expenses are recognized when cash is disbursed.

The District approves total budget appropriations. Supplemental funds may be appropriated for emergency purposes after a public hearing and approval by the District. The level of budgetary responsibility is by total appropriations.

Unused appropriations for all of the above annual budgeted funds lapse at the end of the District's fiscal year.

The budget amounts shown in the basic financial statements are the final authorized amounts. No additional appropriations were made during the year ended June 30, 2015.

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

Exhibit 3

**Information Required by Section 31-740,
Revised Statutes of Nebraska 1943, Reissued 2008
For the Year Ended June 30, 2015**

| | |
|---|------------|
| Gross revenue from all sources | \$ 794,500 |
| Amount spent for access to facilities and use of service of library system of neighboring cities and villages | None |
| Amount expended for capital improvements for water mains, net of utility refunds | None |
| Amount spent for sewage disposal | None |
| Gross amount of sewage processed | None |
| Cost per thousand gallons of processing sewage | None |
| Amount expended for maintenance and repairs | \$ 194,676 |
| Amount expended for new equipment | None |
| Amount expended for new construction work, net | None |
| Amount expended for property purchased | None |
| Number of employees | None |
| Salaries and fees paid to employees | None |
| Total amount of taxes levied upon the property within the District | \$ 706,005 |
| Total amount of special assessments levied upon property within the District | None |

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

Exhibit 4

**Board of Trustees
June 30, 2015**

| <u>Name</u> | <u>Office</u> |
|-------------------|---------------|
| Daniel E. Norman | Chairperson |
| Kacie Hinze | Clerk |
| Jon M. Wollenburg | Trustee |
| Scott Marino | Trustee |

Sanitary Improvement District No. 216
of Sarpy County Nebraska

Exhibit 5

Schedule of Debt Service Requirements
June 30, 2015

| Year Ending June 30, | General Obligation Bonds | | | | | | Combined Requirements | |
|-------------------------|--------------------------|----------|-------------|----------|-------------|----------|-----------------------|-----------|
| | Series 2009 | | Series 2013 | | Series 2014 | | Principal | Interest |
| | Principal | Interest | Principal | Interest | Principal | Interest | | |
| 2016 | \$ 45,000 | 34,290 | 140,000 | 46,583 | 110,000 | 74,840 | 295,000 | 155,713 |
| 2017 | 45,000 | 32,749 | 145,000 | 44,483 | 115,000 | 73,403 | 305,000 | 150,635 |
| 2018 | 45,000 | 31,095 | 150,000 | 42,163 | 115,000 | 71,591 | 310,000 | 144,849 |
| 2019 | 45,000 | 29,340 | 155,000 | 39,538 | 115,000 | 69,406 | 315,000 | 138,284 |
| 2020 | 45,000 | 27,495 | 165,000 | 36,593 | 120,000 | 66,818 | 330,000 | 130,906 |
| 2021 | 50,000 | 25,475 | 175,000 | 33,128 | 125,000 | 63,751 | 350,000 | 122,354 |
| 2022 | 50,000 | 23,300 | 185,000 | 29,102 | 130,000 | 60,210 | 365,000 | 112,612 |
| 2023 | 50,000 | 21,075 | 195,000 | 24,478 | 125,000 | 56,388 | 370,000 | 101,941 |
| 2024 | 50,000 | 18,800 | 210,000 | 19,310 | 125,000 | 52,387 | 385,000 | 90,497 |
| 2025 | 50,000 | 16,475 | 220,000 | 13,430 | 125,000 | 48,169 | 395,000 | 78,074 |
| 2026 | 50,000 | 14,025 | 235,000 | 7,050 | 135,000 | 43,616 | 420,000 | 64,691 |
| 2027 | 55,000 | 11,348 | -- | -- | 140,000 | 38,665 | 195,000 | 50,013 |
| 2028 | 60,000 | 8,415 | -- | -- | 465,000 | 27,391 | 525,000 | 35,806 |
| 2029 | 65,000 | 5,228 | -- | -- | 485,000 | 9,337 | 550,000 | 14,565 |
| 2030 | 70,000 | 1,784 | -- | -- | -- | -- | 70,000 | 1,784 |
| Totals | \$ 775,000 | 300,894 | 1,975,000 | 335,858 | 2,430,000 | 755,972 | 5,180,000 | 1,392,724 |

**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**

Independent Auditor's Report

To the Board of Trustees of
Sanitary Improvement District No. 216
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 Improvement District No. 216 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 December 11, 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.

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 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 over financial reporting 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency (2015-001).

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, 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*.

District's Response to Findings

The District's response to the finding 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 result 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.

SEEM JOHNSON, LLP

Omaha, Nebraska,
December 11, 2015.

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Schedule of Findings and Responses
June 30, 2015**

FINANCIAL STATEMENTS FINDINGS

2015-001

Significant Deficiency:

| | |
|---|---|
| Criteria: | Management is responsible for the preparation and fair presentation of the District's financial statements. |
| Condition: | Management relies on external accountants to prepare the District's basic financial statements and notes to financial statements. |
| Cause: | Due to the limited number of management and administrative personnel, management has elected to have external accountants prepare the financial statements and notes to financial statements. |
| Effect: | Condition could result in the District's financial statements to be misstated and not detected by the District's personnel. |
| Recommendation: | We recommend the District have a heightened awareness of the transactions being reported. |
| Views of Responsible Officials and Planned Corrective Action: | Management is aware of this deficiency in internal control over financial reporting and believes it is not financially prudent for the District to employ personnel for the purpose of preparing the financial statements. Management will continue to have a heightened awareness of the District's transactions when reviewing the financial statements prepared by external accountants. |
| Conclusion: | Response accepted. |

**Sanitary Improvement District No. 216
of Sarpy County Nebraska**

**Independent Auditor's Comments on Resolution of Prior Audit Findings
June 30, 2015**

2014-001

Significant Deficiency:

| | |
|-------------------|---|
| Condition: | Management relies on external accountants to prepare the District's financial statements and notes to financial statements. |
| Auditee Response: | Management is aware of this deficiency in internal control over financial reporting and believes it is not financially prudent for the District to employ personnel for the purpose of preparing the financial statements. Management will continue to have a heightened awareness of the District's transactions when reviewing the financial statements prepared by external accountants. |
| Status: | Finding not cleared. See finding 2015-001. |