

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA  
Basic Financial Statements  
with  
Supplementary Information  
and  
Accompanying Independent  
Auditors' Report  
For the Year ended June 30, 2013**

**Sanitary and Improvements District No. 221  
of Sarpy County Nebraska**

**TABLE OF CONTENTS**

<u>FINANCIAL SECTION</u>	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
 <u>BASIC FINANCIAL STATEMENTS</u>	
<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS</u>	
Statement of Net Position.....	3
Statement of Activities.....	4
 <u>FUND FINANCIAL STATEMENTS</u>	
Balance Sheet – Governmental Funds.....	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Net Position.....	8
 NOTES TO FINANCIAL STATEMENTS.....	9-16
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
<u>BUDGETARY COMPARISON STATEMENT</u>	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	18
<u>BUDGETARY COMPARISON STATEMENT INFORMATION</u>	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to GAAP Reconciliation.....	19
 <u>OTHER SUPPLEMENTARY INFORMATION</u>	
<u>BALANCE SHEET INFORMATION</u>	
Schedule of Taxes Receivable.....	21
Information Required by Section 31-715 and 31-740.....	22
Board of Trustees and Related Bonds.....	23
 <u>OTHER REPORTS</u>	
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	24-25



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Sanitary and Improvement District No. 221  
of Sarpy County, Nebraska

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 221 of Sarpy County, Nebraska as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 221 of Sarpy County, Nebraska as of June 30, 2013, 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 Information – General Fund and the Budgetary Comparison Information – Debt Service Fund listed in the table of contents 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 appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 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 20, 2013, on our consideration of Sanitary and Improvement District No. 221 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 the compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitary and Improvement District No. 221 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

*Ritterbush & Piotrowski, LLP*

Ritterbush & Piotrowski, L.L.P.  
Omaha, Nebraska  
December 20, 2013

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Government-Wide Statement of Net Position**  
**June 30, 2013**

**Assets**

Cash on Deposit, County Treasurer (Note 1)	\$ 317,621
Taxes Receivable (Notes 1 and 7)	96,602
Special Assessments Receivable (Notes 1 & 3)	12,407
Interest Receivable, Special Assessments (Note 3)	7,592
Capital Assets, Net of Accumulated Depreciation (Notes 1 and 4)	1,469,444
Prepaid Expenses	<u>3,409</u>
 Total Assets	 <u>1,907,075</u>

**Liabilities**

Accounts Payable	17,447
Accrued Interest Payable	7,832
Warrants Payable: (Note 5)	
Due within one year	-
Due in more than one year	12,474
Long-Term Debt: (Note 6)	
Due within one year	105,000
Due in more than one year	<u>1,880,000</u>
 Total Liabilities	 <u>2,022,753</u>

**Net Position**

Net Investment in Capital Assets	(515,556)
Restricted for Debt Service	307,452
Unrestricted	<u>92,426</u>
 Total Net Position	 <u><u>\$ (115,678)</u></u>

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Government-Wide Statement of Activities**  
**For the year ended June 30, 2013**

**Expenses (Note 1)**

General Government		
Audit Fees	\$	6,580
Broker Fees		867
Collection Fees - County Treasurer		4,359
Depreciation (Note 4)		64,441
Engineering		5,215
Insurance and Trustee Bonding		3,536
Legal Fees		11,248
Repairs and Maintenance		15,991
Utilities		9,128
Total General Government Expenses		<u>121,365</u>
Interest Expense on Long-Term Debt		<u>63,249</u>
Total Expenses		<u>184,614</u>

**General Revenues (Note 1)**

Personal and Real Property Taxes Assessed (Note 7)		213,797
State Motor Vehicle Tax Allocation		404
Interest Income:		
Interest Income, Taxes Collected		567
Interest Income, Special Assessments		1,201
Interest Income, Investments		76
Total Revenues		<u>216,045</u>
Change in Net Position		31,431
Net Position - Beginning of the Year (Note 10)		<u>(147,109)</u>
Net Position - End of the Year	\$	<u>(115,678)</u>

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash on Deposit, County Treasurer (Note 1)	\$ 91,187	\$ 226,434	\$ 317,621
Taxes Receivable (Notes 1 and 7)	27,751	68,851	96,602
Special Assessments Receivable (Notes 1 & 3)	-	12,407	12,407
Interest Receivable, Special Assessments (Note 3)	-	7,592	7,592
Prepaid Expenses	3,409	-	3,409
	<u>3,409</u>	<u>-</u>	<u>3,409</u>
Total Assets	<u>\$ 122,347</u>	<u>\$ 315,284</u>	<u>\$ 437,631</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 17,447	\$ -	\$ 17,447
Deferred Special Assessment Revenue (Note 3)	-	12,407	12,407
Deferred Interest Receivable - Special Assessments (Note 3)	-	7,592	7,592
	<u>-</u>	<u>7,592</u>	<u>7,592</u>
Total Liabilities	<u>17,447</u>	<u>19,999</u>	<u>37,446</u>
 <b>Fund Balances</b>			
Non-Spendable Fund Balance	3,409	-	3,409
Unrestricted Fund Balance:			
Assigned Fund Balance	-	295,285	295,285
Unassigned Fund Balance	101,491	-	101,491
	<u>104,900</u>	<u>295,285</u>	<u>400,185</u>
Total Liabilities and Fund Balances	<u>\$ 122,347</u>	<u>\$ 315,284</u>	<u>\$ 437,631</u>

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**For the year ended June 30, 2013**

Total Fund Balances of Governmental Funds	\$ 400,185
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This is the amount of capital assets, net of accumulated depreciation.	1,469,444
Deferred special assessments receivable and deferred interest receivable - special assessments were recognized at the time that the special assessment was levied on the government-wide statements. In the fund financials, these revenues will be realized at the time when they are available to be collected. This is the amount of deferred special assessments receivable and deferred interest receivable - special assessments.	19,999
Warrants issued but not paid are shown as a liability in the government-wide statements, whereas warrants issued and paid are shown as revenues and expenditures in the governmental funds. This is the amount of warrants payable as of June 30, 2013.	(12,474)
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the governmental funds:	
Bonds Payable	(1,985,000)
Interest payable on long-term debt does not require current financial resources. Therefore, this accrued interest is not reported on as a liability in the governmental funds balance sheet. This is the amount of interest accrued on bonds and warrants payable as of June 30, 2013.	<u>(7,832)</u>
Total Net Position of Governmental Activities	<u>\$ (115,678)</u>

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2013**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues (Note 1)</b>			
Taxes:			
Property Taxes (Note 7)	\$ 61,436	\$ 152,361	\$ 213,797
State Motor Vehicle Tax Allocation	106	298	404
Interest Income:			
Interest on Taxes Collected	136	431	567
Interest on Investments	-	76	76
Total Revenues	<u>61,678</u>	<u>153,166</u>	<u>214,844</u>
<b>Expenditures (Note 1)</b>			
Current:			
General Government			
Audit Fees	6,580	-	6,580
Broker Fees	867	-	867
Collection Fees, County Treasurer	1,137	3,222	4,359
Engineering	5,215	-	5,215
Insurance and Trustee Bonding	3,536	-	3,536
Legal Fees	11,248	-	11,248
Repairs and Maintenance	15,991	-	15,991
Utilities	9,128	-	9,128
Total General Government	<u>53,702</u>	<u>3,222</u>	<u>56,924</u>
Debt Service:			
Warrant Principal Payment	40,678	750	41,428
Bond Principal Payment	-	105,000	105,000
Bond Interest Payment	-	63,314	63,314
Total Expenditures	<u>94,380</u>	<u>172,286</u>	<u>266,666</u>
Excess Revenues Over (Under) Expenditures	<u>(32,702)</u>	<u>(19,120)</u>	<u>(51,822)</u>
Other Financing Sources:			
Proceeds from the Issuance of Warrants	53,152	750	53,902
Total Other Financing Sources	<u>53,152</u>	<u>750</u>	<u>53,902</u>
Net Change in Fund Balances	20,450	(18,370)	2,080
Fund Balance - Beginning of Year	<u>84,450</u>	<u>313,655</u>	<u>398,105</u>
Fund Balance - End of Year	<u>\$ 104,900</u>	<u>\$ 295,285</u>	<u>\$ 400,185</u>

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Statement of Net Position**  
**For the year ended June 30, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ 2,080

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

Amortization and depreciation expense on intangible and capital assets are reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, amortization and depreciation expenses are not reported as an expenditure in governmental funds. This is reported as an expenditure in governmental funds. This is the combined amount of amortization and depreciation expenses in the current year for total intangible and capital assets. (64,441)

Interest on special assessments is recorded when it is collected in the fund financial statements. In the government-wide financial statements, the interest is recognized when it is accrued. This is the difference in the two figures. 1,201

Repayment of principal on noncurrent liabilities is 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.

Warrant Principal Payments	41,428
Bond Principal Payments	105,000

Proceeds from issuance of warrants and bonds are reported as an other financing source in the governmental funds. In the statement of net position, the proceeds increase long-term liabilities. This is the amount of proceeds in the current year.

Warrant Proceeds	(53,902)
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Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses consist of:

Change in Accrued Interest on Bonds	65
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Change in Net Position of Governmental Activities \$ 31,431

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Notes to Financial Statements**  
**June 30, 2013**

**Note 1 – Summary of Significant Accounting Policies**

This summary of significant accounting policies of Sanitary and Improvement District No. 221 of Sarpy County, Nebraska (the District) is presented to assist in understanding the District's basic financial statements. The basic 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 basic financial statements.

***Reporting Entity***

The District is a governmental subdivision authorized under the statutes of the State of Nebraska. A Board of Trustees is elected by the property owners of the District and has decision-making authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The board has governance responsibilities over all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The board also has primary financial accountability for fiscal matters of the District. The District is engaged in a single government program and is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In addition, there are no component units as defined by GASB 14, which are included in the District's reporting entity.

***Government Accounting Standards Board Statement No. 34***

Effective June 30, 2004, the District adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Note Disclosures." These statements require the presentation of government-wide financial statements in addition to fund financial statements.

The primary impact of adopting the statements includes changing the presentation of fund equity to net position and long-term debt in the statements in place of separate account groups, and presenting "Management's Discussion and Analysis." Management has elected to omit "Management's Discussion and Analysis" from the basic financial statements.

***Basis of Presentation***

The basic financial statements of the District include the government-wide and the fund financial statements.

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net position and the statement of activities, which report financial information for all non-fiduciary activities of the District. Individual funds are not displayed, and internal activity between or within funds is eliminated.

The government-wide Statement of Net Position recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position for debt service; and unrestricted net position. Net position is restricted when constraints placed on it are either externally imposed or imposed by law through constitutional provisions or

## Note 1 – Summary of Significant Accounting Policies (Continued)

enabling legislatures. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

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.

### **Fund Financial Statements**

The fund financial statements provide additional and detailed information about the District. The emphasis of the fund financial statements is on the determination of financial position and changes in financial position rather than upon net income. The following is a description of the District's two governmental funds:

General Fund – This fund is the operating fund of the District. It is used to account for all financing resources, except those 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 modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is when they become both measurable and available. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the period the liability is incurred, except for unaccrued interest on general long-term debt, which is recognized when due.

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 reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

**Note 1 – Summary of Significant Accounting Policies (Continued)**

Revenue – See subsequent note, “Tax Levy”, for property tax revenues. State motor vehicle tax allocation, taxes collected in excess, interest on taxes, and miscellaneous revenues are recognized as the amounts are collected as the amounts earned cannot be measured. However, investment earnings are recorded as earned since they are measurable and available.

Special Assessments - Revenues on special assessments levied after June 15, 1987 are recognized as the amounts are collected on the fund financial statements and in the year when they were assessed on the government-wide statements. Uncollected special assessments outstanding are recorded as receivable on the government-wide statement of net position and balance sheet and as receivable and deferred revenue on the fund financial statements. Special assessment levied before June 15, 1987 were recorded as income in the year assessed.

Long-Lived Assets – Long-lived assets and certain identifiable intangibles held and used by the entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This application has not materially affected the entity’s reported earnings, financial condition or cash flows.

Capital Assets and Depreciation – Capital assets of the District are recorded at historical costs except for minor expenses for street and sidewalk improvements, recreational equipment, costs of constructing improvements for utilities, etc.

Depreciation is expensed over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant assets capitalized are as follows:

Electrical & Water Distribution Systems	30-40 Years
Sanitary & Storm Sewer	40 Years
Paving	30 Years

GASB 34 requires the District to report and depreciate new infrastructure assets effective July 1, 2003 and allows for an extended implementation period for retroactive reporting of infrastructure assets. The District has elected to report and depreciate all major general infrastructure assets retroactively.

Interest Expense - GASB 37 eliminated the requirement to capitalize construction-period interest for government activities. Effective July 1, 2003, all interest not related to long-term debt is expensed when incurred. Long-term debt related interest is expensed when incurred for government-wide financial statements and expensed when paid for fund financial statements.

## Note 1 – Summary of Significant Accounting Policies (Continued)

Investments - Investments are stated at cost or amortized cost, which approximates market.

Bond Issue Costs and Amortization – In the government-wide financial statements bond issue costs are expensed when incurred. Fund financial statements expense bond issue costs when paid. Net bond issue costs incurred prior to July 1, 2012 have been charged to net position to properly recognize them in the prior periods they were incurred.

Contributions in Aid of Construction – This is an equity account, which includes the proceeds of Federal and State Grants, contributions from other governmental units, and contributions from any other source.

Subsequent Events – The District has evaluated subsequent events through December 20, 2013, the date which the financial statements were available to be issued.

### **Concentration of Credit Risks**

Taxes and Special Assessments Receivable - Receivables for real estate and property taxes and special assessments are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

Budget 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. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The Board of Trustees considers a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) 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. No significant supplemental appropriations were made for the fiscal year ended June 30, 2013.
- d) A majority vote by the Board of Trustees authorizes transfer of budgeted amounts from the General Fund to the Debt Service Fund.
- e) Prior to September 20, the budget is legally enacted by a resolution of the Board of Trustees. On or before September 20, the budget document is filed with the County Board and State Auditor of Public Accounts.
- f) Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.

**Note 2 – Deposits and Investments**

Nebraska statutes provide that the District may, by and with the consent of the Board of Trustees of the District, invest the funds of the District in certificates of deposit or treasury bills.

Listed below is a summary of the deposits and investments that comprise the Cash on Deposit, County Treasurer and Investments on the June 30, 2013, basic financial statements.

**Deposits.** At June 30, 2013, the carrying amounts of the District's deposits were \$91,187 in the General Fund and \$226,434 in the Debt Service Fund. The County Treasurer balances for all funds totaled \$317,621. For purposes of classifying categories of custodial risk, the County Treasurer balances of the District's deposits as of June 30, 2013 were entirely insured by the federal depository insurance corporation.

**Investments.** As of June 30, 2013 the District held no investments.

**Note 3 – Special Assessments Receivable and Deferred Revenue**

A summary of special assessment activity for the year ended June 30, 2013 is as follows:

<u>Levy Date</u>	<u>Uncollected Assessment June 30, 2012</u>	<u>Collected</u>	<u>Assessed</u>	<u>Uncollected Assessment June 30, 2013</u>	<u>Accrued Interest</u>
8/07/2003	\$ 12,407	\$ -	\$ -	\$ 12,407	\$ 7,592
	<u>\$ 12,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,407</u>	<u>\$ 7,592</u>

A special assessment was levied on August 7, 2003 against certain properties within the District in connection with the construction of improvements. The special assessment collections are due in ten equal annual installments through August 7, 2013. Interest is charged at 8% annum until delinquent, and 10% annum thereafter until paid.

**Note 4 – Capital Assets and Accumulated Depreciation**

A summary of capital assets for the year ended June 30, 2013 is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Sales or Disposals</u>	<u>Balance June 30, 2013</u>
Depreciable Capital Assets:				
Electrical & Water				
Distribution Systems	\$ 395,051	\$ -	\$ -	\$ 395,051
Sanitary & Storm Sewer	711,480	-	-	711,480
Paving	<u>1,074,584</u>	<u>-</u>	<u>-</u>	<u>1,074,584</u>
Subtotal	2,181,115	-	-	2,181,115
Less: Accumulated Depreciation	<u>(647,230)</u>	<u>(64,441)</u>	<u>-</u>	<u>(711,671)</u>
Net Capital Assets	<u>\$ 1,533,885</u>	<u>\$ (64,441)</u>	<u>\$ -</u>	<u>\$ 1,469,444</u>

The District recorded depreciation expense of \$64,441 for the year ended June 30, 2013.

**Note 5 – Warrants Outstanding**

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. The outstanding general and debt service fund warrants mature during the next five years as follows:

Year Ending <u>June 30,</u>	General <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	12,474	-	12,474
2017	-	-	-
2018	-	-	-
	<u>\$ 12,474</u>	<u>\$ -</u>	<u>\$ 12,474</u>

Registered warrants bear interest at the rate of 7% per annum. Interest accrues on warrants from the date of registration until the date they are called for payment. There are no general fund or debt service fund warrants registered as of June 30, 2013.

**Note 6 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds Payable

On November 15, 2011, the District issued \$2,090,000 in general obligation bonds. The bonds are callable on November 15, 2016, and at any time thereafter. The bonds mature according to the following schedule and bear interest, which is payable semi-annually at the rates indicated:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
November 15, 2013	1.40%	\$ 105,000
November 15, 2014	1.50%	105,000
November 15, 2015	1.65%	105,000
November 15, 2016	2.00%	105,000
November 15, 2017	2.30%	110,000
November 15, 2018-2022	2.60%-3.45%	595,000
November 15, 2023-2027	3.65%-4.30%	700,000
November 15, 2028	4.40%	160,000
		<u>\$ 1,985,000</u>

**Note 6 – Long-Term Debt (Continued)**

Transactions for long-term debt for the year ended June 30, 2013 are summarized as follows:

<u>Type of Debt</u>	<u>Balance June 30, 2012</u>	<u>Issuance</u>	<u>Payments</u>	<u>Balance June 30, 2013</u>
Bond Issue, 2011	\$ 2,090,000	\$ -	\$ 105,000	\$ 1,985,000
	<u>\$ 2,090,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 1,985,000</u>

Aggregate maturities during the next five years, and thereafter, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 105,000	\$ 61,923	\$ 166,923
2015	105,000	60,400	165,400
2016	105,000	58,746	163,746
2017	105,000	56,830	161,830
2018	110,000	54,515	164,515
2019-2023	595,000	224,017	819,017
2024-2028	700,000	109,455	809,455
2029	<u>160,000</u>	<u>3,520</u>	<u>163,520</u>
	<u>\$ 1,985,000</u>	<u>\$ 629,406</u>	<u>\$ 2,614,406</u>

**Note 7 – Tax Levy**

Property taxes are levied in August and become due 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 are assessed. Delinquent taxes are considered fully collectable and, therefore, no allowance for uncollectible taxes is provided.

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

<u>Fiscal Year</u>	<u>District Valuation of Property</u>	<u>District Tax Levy per \$100</u>		
		<u>General</u>	<u>Service</u>	<u>Total</u>
2012-2013	<u>\$24,574,432</u>	<u>0.250000</u>	<u>0.619998</u>	<u>0.869998</u>

**Note 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; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 9 – Deficit Net Position**

The total governmental activities have a deficit net position of (\$115,678) at June 30, 2013. This deficit will be financed through future revenues of the general and debt service funds.

**Note 10 – Restatement of Financial Statements**

Effective July 1, 2012, the District has adopted Government Accounting Standards Board (GASB) Statement No. 65, which states that bond issue costs should be expensed in the period they are incurred. Net bond issue costs of \$363,073 have been charged to net position to properly recognize them in the prior periods they were incurred. This change decreased the Net Position – Beginning of the Year from \$215,964 to (\$147,109), to correct the balance at July 1, 2012.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General and Debt Service Funds**  
**For the year ended June 30, 2013**

	General Fund			Debt Service Fund		
	Budgetary Basis (Non GAAP)			Budgetary Basis (Non GAAP)		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Property Taxes Collected	\$ 54,907	\$ 58,673	\$ 3,766	\$ 148,008	\$ 165,616	\$ 17,608
State Motor Vehicle Tax Allocation	150	106	(44)	500	298	(202)
Interest on Investments	-	-	-	200	100	(100)
Interest on Taxes	-	136	136	-	431	431
Total Revenues	<u>55,057</u>	<u>58,915</u>	<u>3,858</u>	<u>148,708</u>	<u>166,445</u>	<u>17,737</u>
<b>Expenditures</b>						
<u>Operating Expenses:</u>						
Audit Fee	5,500	5,515	(15)	-	-	-
Broker Fees	1,000	750	250	-	750	(750)
Collection Fee, County Treasurer	1,077	1,137	(60)	2,902	3,222	(320)
Engineering	5,000	3,808	1,192	-	-	-
Insurance and Trustee Bonding	3,500	6,945	(3,445)	-	-	-
Legal Fees	10,500	11,351	(851)	-	-	-
Repairs and Maintenance	75,000	14,121	60,879	-	-	-
Utilities	8,000	10,662	(2,662)	-	-	-
Total Operating Expenses	<u>109,577</u>	<u>54,289</u>	<u>55,288</u>	<u>2,902</u>	<u>3,972</u>	<u>(1,070)</u>
<u>Debt Service:</u>						
Retirement of Bond Principal	-	-	-	105,000	105,000	-
Interest on Bonds	-	-	-	63,314	63,314	-
Total Expenditures	<u>109,577</u>	<u>54,289</u>	<u>55,288</u>	<u>171,216</u>	<u>172,286</u>	<u>(1,070)</u>
Excess/(Deficiency) of Revenues Over Expenditures	(54,520)	4,626	59,146	(22,508)	(5,841)	16,667
<b>Other Financing Sources (Uses)</b>						
Issuance of Warrants	108,500	53,152	(55,348)	-	750	750
Retirement of Warrants	(108,500)	(40,678)	67,822	-	(750)	(750)
Sinking Fund	-	-	-	(200,000)	-	200,000
Excess (Deficiency) of Revenues and Expenditures and Other Uses	<u>\$ (54,520)</u>	<u>17,100</u>	<u>\$ 71,620</u>	<u>\$ (222,508)</u>	<u>(5,841)</u>	<u>\$ 216,667</u>
Fund Balance, Beginning of Year		<u>74,087</u>			<u>232,275</u>	
Fund Balance, End of Year		<u>\$ 91,187</u>			<u>\$ 226,434</u>	

The accompanying notes are an integral part of these financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget to GAAP Reconciliation**  
**For the year ended June 30, 2013**

	General Fund	Debt Service Fund	Total
<b>Sources/Inflows of Resources</b>			
Actual Amounts (Budgetary Basis) "Total Revenues" Available for Appropriation from the Budgetary Comparison Schedule	\$ 58,915	\$ 166,445	\$ 225,360
<b>Differences - Budget to GAAP:</b>			
Real estate and property tax revenue is recognized when assessed, or when excess collections are recorded, rather than when collected	2,763	(13,255)	(10,492)
Interest income is accrued during the year rather than recognized when collected	-	1,177	1,177
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 61,678</u>	<u>\$ 154,367</u>	<u>\$ 216,045</u>
<b>Uses/Outflows of Resources</b>			
Actual Amounts (Budgetary Basis) of Total Expenditures from the Budgetary Comparison Schedule	\$ 54,289	\$ 172,286	\$ 226,575
<b>Differences - Budget to GAAP:</b>			
Depreciation on capital assets is recorded using estimated lives.	-	64,441	64,441
Retirement of bond principal reduces long-term debt and is not considered an expenditure	-	(105,000)	(105,000)
Interest on bonds is accrued rather than expensed when paid.	-	(65)	(65)
Prepaid expenses adjustment is accrued rather than expensed when paid.	(3,409)	-	-
Expenditures are accrued during the year through accounts payable rather than expensed when paid.	2,822	(750)	2,072
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 53,702</u>	<u>\$ 130,912</u>	<u>\$ 184,614</u>
<b>Other Financing Sources/Uses</b>			
Issuance of Warrants (Budgetary Basis)	\$ 53,152	\$ 750	\$ 53,902
Retirement of Warrants (Budgetary Basis)	(40,678)	(750)	(41,428)
<b>Differences - Budget to GAAP:</b>			
Warrants issued and not yet retired are recorded as payables rather than recognized as an other financing source	(12,474)	-	(12,474)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources/Uses (GAAP)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**OTHER SUPPLEMENTARY INFORMATION**

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Schedule of Taxes Receivable**  
**June 30, 2013**

**Tax Levy**

During 2012, the District's Board of Trustees approved a tax levy of 0.869998 per \$100 of actual value of taxable property. The June 30, 2013 taxes receivable based on this levy and the delinquent taxes receivable are as follows:

	General <u>Fund</u>	Debt Service <u>Fund</u>
Valuation of Taxable Property	\$ 24,574,432	\$ 24,574,432
Tax Levy	<u>0.250000</u>	<u>0.619998</u>
Taxes Receivable – 2012-2013	61,436	152,361
Less: 2012-2013 Taxes Collected	<u>33,719</u>	<u>83,623</u>
Balance Taxes Receivable 2012-2013	27,717	68,738
Add: Delinquent Taxes	<u>34</u>	<u>113</u>
Total Taxes Receivable	<u>\$ 27,751</u>	<u>\$ 68,851</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Information Required by Section 31-740**  
**Revised Statutes of Nebraska, 1998**  
**For the year ended June 30, 2013**

Gross Revenue from all Sources	\$ 216,045
Gross Revenue from all Sources in Previous Year	\$ 226,611
Amount Spent for Access to the Facilities and Use of the Services Of the Library System	None
Amount Spent for Sewage Disposal	None
Amount Expended on Water Mains	None
Gross Amount of Sewage Processed	Not Applicable
Cost per Thousand Gallons of Processing Sewage	Not Applicable
Amount Expended for Repairs and Maintenance	\$ 15,991
Amount Expended for New Equipment	None
Amount Expended for New Construction Work	None
Amount Expended for Real Estate Acquisitions	None
Number of Employees at June 30, 2013	None
Salaries and Fees Paid Employees	None
Total Amount of Taxes Levied Upon the Property Within the District	\$ 213,797

**SANITARY AND IMPROVEMENT DISTRICT NO. 221 OF SARPY COUNTY, NEBRASKA**  
**Board of Trustees and Related Bonds**  
**June 30, 2013**

<u>Trustees</u>		<u>Bonds</u>	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Bob Kanger	Chairperson	Universal Surety Co.	\$ 5,000
Shawn Williams	Clerk	Universal Surety Co.	\$ 20,000
John Montanez	Trustee		
Jon Goldenstein	Trustee		



**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. 221  
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, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 221 of Sarpy County, Nebraska, as of and for the year ended June 30, 2013, 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 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sanitary and Improvement District No. 221 of Sarpy County, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 221 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 221 of Sarpy County, Nebraska's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 221 of Sarpy County, Nebraska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Ritterbush & Piotrowski, LLP*

Ritterbush & Piotrowski, LLP  
Omaha, Nebraska  
December 20, 2013