

BASIC FINANCIAL STATEMENTS
& SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 223
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 223
of Sarpy County, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Sanitary and Improvement District No. 223 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

INDEPENDENT AUDITORS' REPORT- continued

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 223 of Sarpy County, Nebraska as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require budgetary comparison on page 20 to be presented to supplement the basic financial statements. Such information, although not 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 223 of Sarpy County, Nebraska's basic financial statements. The supplementary information on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT- continued

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the Sanitary and Improvement District No. 223 of Sarpy County, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitary and Improvement District No. 223 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

Jones & Love, P.C.

Omaha, Nebraska
December 18, 2015

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

STATEMENT OF NET POSITION

June 30, 2015

ASSETS:	
Cash on deposit - County Treasurer	\$ 1,256,948
Taxes receivable (note F)	275,412
Special assessment receivable (note B)	12,758
Interest receivable on special assessments	490
Capital assets (note D):	
Infrastructure	8,033,813
Accumulated depreciation	<u>(2,766,014)</u>
Total assets	<u>6,813,407</u>
LIABILITIES:	
Accounts payable	62,839
Warrants payable	382
Accrued interest	49,711
Noncurrent liabilities (note E):	
Due within one year	280,000
Due in more than one year	<u>5,885,000</u>
Total liabilities	<u>6,277,932</u>
COMMITMENTS AND CONTINGENCIES (note G)	-
NET POSITION:	
Invested in capital assets, net of related debt	(897,201)
Restricted for debt service	1,258,662
Unrestricted	<u>174,014</u>
Total net position	<u>\$ 535,475</u>

See accompanying notes to basic financial statements.

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

GOVERNMENTAL ACTIVITIES:

EXPENSE - GENERAL GOVERNMENT

Professional and administrative expenses	\$ 80,218
Maintenance and engineering	118,081
Depreciation	230,521
Interest	<u>231,073</u>
	<u>659,893</u>

GENERAL REVENUES:

Property taxes	598,592
Interest on taxes	203
State motor vehicle tax allocation	1,319
Property tax credit allocation	16,496
Homestead exemption	4,311
Interest on special assessments	1,556
Interest on investments	<u>137</u>
	<u>622,614</u>

Change in net position	(37,279)
Net position - beginning of year	<u>572,754</u>
Net position at end of year	<u>\$ 535,475</u>

See accompanying notes to basic financial statements.

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit - County Treasurer	\$155,542	\$1,101,406	\$1,256,948
Taxes receivable (note F)	86,066	189,346	275,412
Interest receivable on special assessments (note B)	-	12,758	12,758
Accrued interest on special assessments	-	490	490
Due from other fund	-	17,665	17,665
	<u>\$241,608</u>	<u>\$1,321,665</u>	<u>\$1,563,273</u>
Total assets			

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ 49,547	\$ 13,292	\$ 62,839
Warrants payable	382	-	382
Due to other fund	17,665	-	17,665
	<u>67,594</u>	<u>13,292</u>	<u>80,886</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - special assessments and interest receivable thereon	-	13,248	13,248
	<u>-</u>	<u>13,248</u>	<u>13,248</u>
Total deferred inflows of resources			
COMMITMENTS AND CONTINGENCIES (note G)			
	-	-	-
Fund balance:			
Reserved for debt service	-	1,295,125	1,295,125
Unassigned	174,014	-	174,014
	<u>174,014</u>	<u>1,295,125</u>	<u>1,469,139</u>
Total fund balance			
	<u>\$241,608</u>	<u>\$1,321,665</u>	<u>\$1,563,273</u>
Total liabilities and fund balance			

See accompanying notes to basic financial statements.

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balance - total governmental funds \$ 1,469,139

Amounts reported for governmental activities in the
Statement of Net Position are different because:

- Capital assets used in governmental activities are not financial resources and therefore, not reported in the governmental:

Capital assets	\$ 8,033,813	
Accumulated depreciation	<u>-(2,766,014)</u>	5,267,799

- Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet. (49,711)

- Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.

Due within one year	\$ (280,000)	
Due in more than one year	<u>(5,885,000)</u>	(6,165,000)

- Deferred inflows related to special assessments is required under modified accrual in the governmental funds balance sheet but not under full accrual accounting in the government-wide statement of net position. 13,248

Net Position of Governmental Activities \$ 535,475

See accompanying notes to basic financial statements.

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes assessed (note F)	\$187,042	\$ 411,550	\$ 598,592
State motor vehicle tax allocation	419	900	1,319
Property tax credit allocation	5,155	11,341	16,496
Interest on taxes	66	137	203
Homestead exemption	1,350	2,961	4,311
Interest on investments	-	137	137
Special assessments	-	4,253	4,253
Interest on special assessments	-	1,665	1,665
Refund on capital assets	-	53,763	53,763
	<u>194,032</u>	<u>486,707</u>	<u>680,739</u>
EXPENDITURES:			
Legal and accounting fees	25,322	-	25,322
Trustee bonds and insurance	5,594	-	5,594
Collection fees - County Treasurer	2,957	6,325	9,282
Maintenance and engineering	118,081	-	118,081
Electricity	28,188	-	28,188
Fiscal agent fees	-	1,750	1,750
Water expense	1,081	-	1,081
Financial services fee	-	9,000	9,000
Purchase of capital assets	-	14,279	14,279
Debt service:			
Interest charges	-	232,340	232,340
Payment of long-term debt	-	270,000	270,000
	<u>181,223</u>	<u>533,694</u>	<u>714,917</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,809	(46,987)	(34,178)
OTHER FINANCING SOURCES (USES):			
FUND BALANCE, BEGINNING OF YEAR	<u>161,205</u>	<u>1,342,112</u>	<u>1,503,317</u>
FUND BALANCE, END OF YEAR	<u>\$174,014</u>	<u>\$1,295,125</u>	<u>\$1,469,139</u>

See accompanying notes to basic financial statements.

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds	\$ (34,178)
Amounts reported for governmental activities in the statement of activities are different because:	
- Governmental funds report capital outlays, net of refunds, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays, net of refunds, in the current year.	(270,005)
- Repayment of principal on noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net position, the repayment reduces noncurrent liabilities. This is the amount of repayments in the current year. Bond principal payments	270,000
- Collections on special assessments and interest thereon have been reported as revenues in the governmental funds but are reported as decreases in receivables on the statement of net position. This is the amount of collections on special assessments and the change in accrued interest thereon.	(4,363)
- 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	<u>1,267</u>
Change in Net Position of Governmental Activities	<u>\$ (37,279)</u>

See accompanying notes to basic financial statements.

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 223 of Sarpy County, Nebraska comply with the rules and regulations of the State of Nebraska, and conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

Definition of District

The District is a governmental subdivision created with the filing of the Petition and Articles of Association with the Secretary of State, State of Nebraska. The District was formed for the purpose of installing sewers, water, and public road systems within the District and contracting for water, fire protection, and lighting for roads. The District is located in Sarpy County and is commonly known as Sugar Creek.

Reporting Entity

The Board of Trustees has governance responsibilities over all activities related to public improvements within the jurisdiction of the District. The accompanying financial statements present the District's primary government unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District including budget adoption, taxing authority, funding, and appointment of the respective governing board.

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

Basis of Presentation

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

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities, which report financial information for all non-fiduciary activities of the District. Individual funds are not displayed and internal activity between or within funds is eliminated. Governmental activities include programs supported primarily by taxes and other intergovernmental revenue. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

Government-Wide Financial Statements - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

General Fund

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

Debt Service Fund

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

Measurement Focus and Basis of Accounting

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

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

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued

In the governmental fund financial statements, the funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred except for debt service expenditures and other long-term liabilities, which are recorded only when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as an other financing source in governmental funds.

Deferred Outflows and Inflows of Resources

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any deferred outflows of resources at June 30, 2015.

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District's receivables for special assessments and interest receivable thereon are measurable, but are not available to finance current period operations and, therefore, are reported as deferred inflows of resources in the governmental fund statements and will be recognized as an inflow of resources (revenue) when they become available.

Investments

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

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

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

The estimated useful lives are as follows:

Sanitary sewer	25 years
Paving and storm sewer	40 years
Water system	25 years
Power system	25 years
Park improvements	20 years
Neighborhood center	25 years

Risk Management

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased a commercial general liability insurance policy and bonds on its chairman and clerk to minimize the adverse effects of certain types of losses. There have been no significant reductions in insurance coverage and no significant claims or settlements for the current year or the three prior years. The District has retained the risk of loss for property damage to its public improvements.

Credit Risk

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

Use of Estimates

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

Budget and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed to have been made when warrants are issued.

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

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

- (a) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (b) Notice of place and time of public hearings must be published prior to the public hearings.
- (c) Public hearings are conducted to obtain taxpayer comment.
- (d) After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts in accordance with the Nebraska Budget Act.
- (e) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- (f) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2015.
- (g) The accompanying combined statements of revenues, expenditures, and changes in fund balances - Budget and Actual - General and Debt Service Fund presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2015 is presented as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 41,500	\$ (35,151)
Adjustments:		
To adjust revenues for receivables	(6,094)	55,219
To adjust expenditures for payables and accruals	(22,597)	(286,029)
To adjust for variance in recognition of items for other financing sources (uses)	<u>-</u>	<u>218,974</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ 12,809</u>	<u>\$ (46,987)</u>

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - SPECIAL ASSESSMENTS

Special assessments were levied in the amount of \$3,086,474 on August 18, 2003 against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments and bear interest at 8% per annum until delinquent and 10% per annum thereafter until paid.

Special assessments were levied in the amount of \$505,564 on December 12, 2007 against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments and bear interest at 7.5% per annum until delinquent and 9.5% per annum thereafter until paid.

NOTE C - INVESTMENTS

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 2003, and generally include U.S. government obligations, certificates of deposit and time deposits. During the year ended June 30, 2015, the District invested in U.S. treasury bills and Federal National Mortgage Association notes.

All investments activities are conducted through the District's fiscal agent, the County Treasurer. Treasury bills are bought and held in safekeeping through the County Treasurer in the District's name. These securities are classified as Level 1 in the fair value hierarchy as indicated in ASC 820-10.

The District held no investments at June 30, 2015.

Investment risks that the District may be subject to consist of:

Interest Rate Risk - Since the District's investments are short-term, this risk is minimized at June 30, 2015.

Custodial Credit Risk - Investments are held by the bank in the District's name and therefore, the District was not exposed to this risk at June 30, 2015.

SANITARY AND IMPROVEMENT DISTRICT NO. 223
OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE D - CAPITAL ASSETS

At June 30, 2015, capital assets consist of the following:

	July 1, 2014	Additions	June 30, 2015
Infrastructure:			
Paving, sanitary and storm sewer	\$ 5,622,974	\$ -	\$ 5,622,974
Water system	786,593	(53,763)	732,830
Power system	408,069	-	408,069
Park land and improvements	471,056	-	471,056
Neighborhood center	784,605	-	784,605
Construction in progress	-	14,279	14,279
	8,073,297	(39,484)	8,033,813
Accumulated depreciation	(2,535,493)	(230,521)	(2,766,014)
	\$ 5,537,804	\$(270,005)	\$ 5,267,799

Depreciation expense totaled \$230,521 for the year ended June 30, 2015. Park land totaling \$188,850 is not being depreciated.

NOTE E - GENERAL OBLIGATION BONDS PAYABLE

Bonds totaling \$3,400,000 were issued September 15, 2011 to retire the 2003 and 2005 bond issues. The bonds are due serially beginning September 15, 2012. Interest is payable semi-annually on March 15 and September 15 at rates ranging from 1.20% to 4.50%.

Bonds totaling \$2,040,000 were issued May 15, 2013 to retire the 2007 bond issue. The bonds are due serially beginning May 15, 2014. Interest is payable semi-annually on November 15 and May 15 at rates ranging from 1.15% to 3.65%.

Bonds totaling \$1,500,000 were issued October 15, 2013 to retire the 2008 bond issue. The bonds are due serially beginning October 15, 2018. Interest is payable semi-annually on April 15 and October 15 at rates ranging from 2.45% to 5.25%.

A summary of changes in bonds payable is as follows:

Balance July 1, 2014	\$6,435,000
Bond issue	-
Bond payments	(270,000)
Balance, June 30, 2015	\$6,165,000

SANITARY AND IMPROVEMENT DISTRICT NO. 223
OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE E - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

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

<u>September 15, 2011 issue</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 260,000	\$ 85,257	\$ 345,257
2017	255,000	79,918	334,918
2018	260,000	73,670	333,670
2019	265,000	66,381	331,381
2020	270,000	58,018	328,018
2021 - 2025	1,190,000	142,481	1,332,481
2026	140,000	3,150	143,150
	<u>2,640,000</u>	<u>508,875</u>	<u>3,148,875</u>
 <u>May 15, 2013 issue</u>			
2016	20,000	66,347	86,347
2017	20,000	66,058	86,058
2018	25,000	65,727	90,727
2019	25,000	65,253	90,253
2020	45,000	64,715	109,715
2021 - 2025	640,000	297,028	937,028
2026 - 2030	1,250,000	132,010	1,382,010
	<u>2,025,000</u>	<u>757,138</u>	<u>2,782,138</u>
 <u>October 15, 2013 issue</u>			
2016	-	75,990	75,990
2017	-	75,990	75,990
2018	-	75,990	75,990
2019	5,000	75,929	80,929
2020	-	75,868	75,868
2021 - 2025	-	379,337	379,337
2026 - 2030	420,000	347,430	767,430
2031 - 2033	1,075,000	99,314	1,174,314
	<u>1,500,000</u>	<u>1,205,848</u>	<u>2,705,848</u>
	<u>\$6,165,000</u>	<u>\$2,471,861</u>	<u>\$8,636,861</u>

Bonds maturing on or after September 15, 2017, May 15, 2019, and October 15, 2019, respectively, are subject to redemption in whole or in part, at any time on or after September 15, 2016, May 15, 2018 and October 15, 2018, respectively, at par and accrued interest, to the date set for redemption, with no redemption premium.

SANITARY AND IMPROVEMENT DISTRICT NO. 223
OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE F - TAX LEVY

The District levied taxes for 2014-2015 at the rate of \$.80 per \$100 on an estimated 100% property valuation of \$77,019,468.

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. The first half payment becomes delinquent April 1 of the following year and the second half payment becomes delinquent August 1 of the following year. The Sarpy County Treasurer bills and collects all property taxes for the District.

NOTE G - COMMITMENTS

The District has entered into an agreement with Omaha Public Power District (OPPD) under which OPPD is to furnish street lighting to the District. The cost to the District for this service for fiscal 2016 is estimated to be approximately \$30,000.

At June 30, 2015, the District is obligated under a construction contract for parks improvements of approximately \$265,000.

NOTE H - NET POSITION AND FUND BALANCES

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

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

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

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

Fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

SANITARY AND IMPROVEMENT DISTRICT NO. 223
OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE H - NET POSITION AND FUND BALANCES - CONTINUED

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Trustees may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

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

NOTE I - SUBSEQUENT EVENTS

Management evaluates transactions and events occurring subsequent to June 30, 2015 and through December 18, 2015 (the date the financial statements were available to be issued) to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD & A)

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

Sanitary and Improvement District No. 223
Sarpy County, Nebraska

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

For The Year Ended June 30, 2015

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes collected	\$192,548	\$193,136	\$ 588
State motor vehicle tax allocation	500	419	(81)
Property tax credit allocation	-	5,155	5,155
Interest on taxes	-	66	66
Homestead exemption	-	1,350	1,350
Interest on investments	-	-	-
Special assessments and interest	-	-	-
Connection fees	-	-	-
	<u>193,048</u>	<u>200,126</u>	<u>7,078</u>
EXPENDITURES:			
Interest on bonds	-	-	-
Interest on registered warrants	-	-	-
Legal and accounting fees	30,000	24,715	5,285
Fiscal agent fees	500	-	500
Maintenance and engineering	105,000	109,182	(4,182)
Electricity	30,000	21,152	8,848
Trustee bonds and insurance	5,500	120	5,380
Financial services fee	-	-	-
Water expense	3,000	500	2,500
Collection fees - County Treasurer	3,775	2,957	818
	<u>177,775</u>	<u>158,626</u>	<u>19,149</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	15,273	41,500	26,227
OTHER FINANCING SOURCES (USES):			
Transfer in	-	-	-
Transfer out	(50,000)	-	50,000
Refund on improvements	-	-	-
Payment of warrants	-	-	-
Payment of bond principal	-	-	-
Payment of improvements	-	-	-
Proceeds of warrants issued	-	-	-
	<u>-(50,000)</u>	<u>-</u>	<u>50,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>\$(34,727)</u>	41,500	<u>\$76,227</u>
FUND BALANCE, BEGINNING OF YEAR		<u>114,042</u>	
FUND BALANCE, END OF YEAR		<u>\$155,542</u>	

DEBT SERVICE FUND
(NON GAAP)

Original And Final Budget	Actual	Variance Positive (Negative)
\$ 423,607	\$ 409,938	\$ (13,669)
1,300	900	(400)
-	11,341	11,341
-	137	137
-	2,961	2,961
100	293	193
17,000	5,918	(11,082)
5,000	-	(5,000)
<u>447,007</u>	<u>431,488</u>	<u>(15,519)</u>
232,341	232,340	1
3,500	-	3,500
-	-	-
2,000	-	2,000
-	-	-
-	-	-
-	-	-
9,000	9,000	-
-	-	-
<u>8,656</u>	<u>6,325</u>	<u>2,331</u>
<u>255,497</u>	<u>247,665</u>	<u>7,832</u>
191,510	183,823	(7,687)
50,000	-	(50,000)
-	-	-
-	53,763	53,763
(100,000)	-	100,000
(270,000)	(270,000)	-
(250,000)	(2,737)	247,263
<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
<u>\$(128,490)</u>	(35,151)	<u>\$ 93,339</u>
	<u>1,136,557</u>	
	<u>\$ 1,101,406</u>	

SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 223
OF SARPY COUNTY, NEBRASKA

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

Year Ended June 30, 2015

Gross income from all sources	\$ 680,739
Gross income from all sources from previous year	\$1,079,516
Amount expended for sewage disposal	\$ None
Amount expended for water mains	\$ None
Gross amount of sewage processed	\$ None
Cost per thousand gallons of processing sewage	\$ None
Amount expended for:	
a. Maintenance and repair	\$ 89,469
b. New equipment	\$ None
c. New construction work	\$ 2,737
d. Property purchased	\$ None
Number of employees	None
Salaries and fees paid employees	\$ None
Total amount of taxes levied upon the property within the District	\$ 598,592

SUMMARY OF TAXES RECEIVABLE

Receivable at June 30, 2014	Tax Levied	Collected	Receivable at June 30, 2015
<u>\$279,894</u>	<u>\$598,592</u>	<u>\$603,074</u>	<u>\$275,412</u>

TRUSTEE AND RELATED BONDS

Trustees		Bonds	
Name	Office	Insurer	Amount
Darrel Swenson	Chairman	Universal Surety	\$5,000
Tyler Block	Clerk	Universal Surety	\$20,000
Brandon Luetkenhaus	Trustee	-	None
Steven Kloucek	Trustee	-	None



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Sanitary and Improvement District No. 223
of Sarpy County, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 223 of Sarpy County, Nebraska as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Sanitary and Improvement District No. 223 of Sarpy County's basic financial statements and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 223 of Sarpy County's internal control over financial reporting as a basis for designing our auditing procedures 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. 223 of Sarpy County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 223 of Sarpy County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

Preparation of Financial Statements

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

Sanitary and Improvement District No. 223 of Sarpy County's response to this finding is that the aforementioned circumstances is not unusual in a governmental entity of their size and that the costs of correcting this deficiency would exceed the benefits to be derived therefrom. The District's management has also informed us that they are willing to accept the degree of risk associated with this condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 223 of Sarpy County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

Finding #1

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

Response

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

Sanitary and Improvement District No. 223 of Sarpy County's response to the finding identified in our audit is described above. We did not audit Sanitary and Improvement District No. 223 of Sarpy County's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees and the Nebraska Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Jones & Love, P.C.

Omaha, Nebraska
December 18, 2015