

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 235  
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2013

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	2
STATEMENT OF ACTIVITIES	3
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET	4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	7
NOTES TO FINANCIAL STATEMENTS	8
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL	18
SUPPLEMENTARY INFORMATION	
INFORMATION REQUIRED BY SECTION 31-740, REISSUED REVISED STATUTE OF NEBRASKA, 2008	19
TRUSTEES AND RELATED BONDS	20
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>	21

# Awerkamp, Goodnight, Schwaller & Nelson, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
17007 Marcy Street - Suite One  
Omaha, Nebraska 68118-3122

THOMAS J. SCHWALLER, CPA  
CONRAD NELSON, CPA  
JOHN R. PRIBRAMSKY, CPA  
DANIEL R. GILG, CPA, CFP

Telephone: (402) 334-9011  
(402) 334-9111  
FAX: (402) 334-9112

---

ALDEN B. AWERKAMP

---

J. DOUGLAS GOODNIGHT  
(1936 - 2006)

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sanitary and Improvement District No 235  
of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Sanitary and Improvement District No. 235 of Sarpy County, Nebraska (a political subdivision) 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 of 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 financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 235 of Sarpy County, Nebraska as of June 30, 2013, 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 18 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 opinion on the basic financial statements is not affected by this missing information.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 235 of Sarpy County, Nebraska's basic financial statements. The other supplementary information on page 19 and 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 November 18, 2013, on our consideration of the Sanitary and Improvement District No. 235 of Sarpy County, Nebraska 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. 235 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

*Awerkamp, Goodnight, Schwaller & Nelson, P.C.*

Omaha, Nebraska  
November 18, 2013

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2013

	Primary Government Governmental Activities
<b>ASSETS:</b>	
Cash on deposit - County Treasurer	\$ 755,474
Taxes receivable (notes B and J)	161,378
Special assessment receivable (notes C and J)	559,332
Accrued interest on special assessments	15,859
Bond issue costs, net of amortization	300,597
Capital assets (note E):	
Land	18,305
Infrastructure	5,334,470
Accumulated depreciation	<u>(1,258,090)</u>
Total assets	<u>5,887,325</u>
<b>LIABILITIES:</b>	
Accounts payable and accrued expenses	52,283
Warrants issued not registered	305
Accrued interest on warrants	52
Accrued interest on bonds	9,021
Noncurrent liabilities (notes F and G):	
Due within one year	150,000
Due in more than one year	<u>4,694,003</u>
Total liabilities	<u>4,905,664</u>
COMMITMENTS AND CONTINGENCIES (notes H and I)	-
<b>NET POSITION:</b>	
Invested in capital assets, net of related debt	(448,721)
Restricted for debt service	1,233,034
Unrestricted	<u>197,348</u>
Total net position	<u>\$ 981,661</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended June 30, 2013

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes In Net Position Governmental Activities</u>
Governmental activities			
General	\$ 82,452	\$ -	\$ (82,452)
Debt service	226,646	-	(226,646)
Depreciation	146,766	-	(146,766)
Interest on long-term debt	<u>215,525</u>	<u>-</u>	<u>(215,525)</u>
Total government	<u>\$671,389</u>	<u>\$ -</u>	<u>(671,389)</u>

General revenues:		
Property taxes		369,438
Interest on taxes		439
State motor vehicle tax allocation		687
Homestead exemption		5,854
Interest on investments		87
Sewer connection fees		40,320
Interest on special assessments		<u>692,255</u>
Total general revenues		<u>1,109,080</u>
Change in net position		437,691
Net position at beginning of year		<u>543,970</u>
Net position at end of year		<u>\$ 981,661</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit			
- County Treasurer	\$175,337	\$ 580,137	\$ 755,474
Taxes receivable (notes B and J)	43,008	118,370	161,378
Special assessment receivable (notes C and J)	-	559,332	559,332
Accrued interest on special assessments	-	1,586	1,586
Total assets	<u>\$218,345</u>	<u>\$1,259,425</u>	<u>\$1,477,770</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ 20,692	\$ 31,591	\$ 52,283
Warrants issued not registered	305	-	305
Accrued interest on registered warrants	-	52	52
Deferred revenue	-	559,332	559,332
Total liabilities	20,997	590,975	611,972
COMMITMENTS AND CONTINGENCIES			
(notes H and I)	-	-	-
Fund balance:			
Restricted for debt service	-	668,450	668,450
Unassigned	197,348	-	197,348
Total fund balance	197,348	668,450	865,798
Total liabilities and fund balance	<u>\$218,345</u>	<u>\$1,259,425</u>	<u>\$1,477,770</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

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

June 30, 2013

Total fund balance - total governmental funds		\$ 865,798
Amounts reported for governmental activities in the Statement of Net Position are different because:		
- Capital assets used in the governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		4,094,685
- Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(9,021)
- Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. Includes Internal Service Funds' non-current liabilities:		
Due within one year	\$ (150,000)	
Due in more than one year	<u>(4,694,003)</u>	(4,844,003)
- Bond issue costs are not current financial resources and therefore are not reported in the governmental funds balance sheet.		300,597
- Accrued interest on special assessments is recognized only on current and deferred installments whereas interest is due on the remaining balance under the accrual basis.		14,273
- Deferred income 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.		<u>559,332</u>
Net Position of Governmental Activities		<u>\$ 981,661</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

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

Year Ended June 30, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Taxes assessed (note B)	\$ 97,403	\$ 272,035	\$ 369,438
Interest on taxes	117	322	439
State motor vehicle tax allocation	183	504	687
Homestead exemption	1,561	4,293	5,854
Interest on investments	-	87	87
Sewer connection fee	-	40,320	40,320
Special assessments and interest	-	358,216	358,216
	<u>99,264</u>	<u>675,777</u>	<u>775,041</u>
<b>EXPENDITURES:</b>			
Legal and accounting	25,072	-	25,072
Collection fees			
- County Treasurer	1,932	12,849	14,781
Electric service	2,749	-	2,749
Engineering fees	17,056	-	17,056
Interest on registered warrants	-	50,568	50,568
Maintenance and repairs	22,288	-	22,288
Financial advisor fees	9,000	-	9,000
Registered agent fees	-	4,384	4,384
Trustee bond and insurance	4,355	-	4,355
Debt service:			
Interest charges	-	171,195	171,195
	<u>82,452</u>	<u>238,996</u>	<u>321,448</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>16,812</b>	<b>436,781</b>	<b>453,593</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of long-term debt	-	4,671,775	4,671,775
Payment of long-term debt	-	(3,881,926)	(3,881,926)
Payment of bond issue costs	-	(239,841)	(239,841)
Construction cost	-	(621,749)	(621,749)
	<u>16,812</u>	<u>365,040</u>	<u>381,852</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>16,812</b>	<b>365,040</b>	<b>381,852</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b><u>180,536</u></b>	<b><u>303,410</u></b>	<b><u>483,946</u></b>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$197,348</u></b>	<b><u>\$ 668,450</u></b>	<b><u>\$ 865,798</u></b>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

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

Year ended June 30, 2013

Net change in fund balance - total governmental funds \$ 381,852

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

- Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This amount of capital assets is recorded in the current period. 621,749
- Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. (146,766)
- The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (550,008)
- Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in the governmental funds. 6,238
- Amortization of bond issue costs is recorded in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, amortization bond issue costs is not reported as an expenditure in the governmental funds. (209,412)
- Special assessments and related interest are recorded as modified accrual for the governmental funds and full accrual for the government-wide statements resulting in this difference. 334,038

Change in Net Position of Governmental Activities \$ 437,691

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 235 of Sarpy County, Nebraska is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the trustees of the District, who are responsible for their integrity and objectivity. These accounting policies conform in all material respects to generally accepted accounting principles, as promulgated by the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units, and have been consistently applied in the preparation of the financial statements.

History and business activity

The District is a governmental subdivision, created pursuant to Nebraska law, to act as a vehicle for the construction of roads, utilities and similar improvements. The Board of Trustees, consisting of five members, has the power to provide financing for such improvements and has authority to: issue warrants for construction work and services, contract with financial institutions for conversion of warrants to cash, and to levy both special assessments and general taxes against property in the District to pay off warrants and bonds issued by the District.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reporting entity

The accompanying financial statements present the District's primary governmental 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.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

For the fiscal year ended June 30, 2013, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position. GASB Statement No. 63 establishes accounting and financial reporting standards for deferred outflows of resources or deferred inflows of resources and net position together with related disclosures. At June 30, 2013, the District did not have any deferred outflows of resources or deferred inflows of resources, as defined by GASB Statement No. 63. However, see Note L for a description of the District's net position, as required by GASB Statement No. 63.

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program 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 program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements - Continued

General Fund

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. The fund balance of the General Fund is unassigned and is expended first for all expenditures except for debt service payments and capital expenditure from the Debt Service Fund.

Debt Service Fund

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the District. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Measurement Focus/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 financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means 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. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus/Basis of Accounting - Continued

The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received.

Investments

Investments are carried at cost, which approximates market, and any premium or discount on investments are amortized on the straight-line method from date of purchase to date of maturity. These deposits were covered with sufficient assets pledged to the Sarpy County by the financial institutions at June 30, 2013.

Infrastructure

Infrastructure is carried at cost plus interest on warrants while construction is in progress. Depreciation is provided using the straight-line method over estimated lives ranging from 7 to 40 years.

Bond Issue Costs

Bond issue costs are being amortized on the straight-line method over the life of the bond issue.

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.

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, 2013.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

(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, 2013 is presented as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$24,779	\$347,769
Adjustments:		
To adjust revenues for receivables	(1,723)	(19,160)
To adjust expenditures for payables and accruals	(6,244)	23,122
To adjust for difference in recognizing of items for other financing sources (uses)	<u>-</u>	<u>13,309</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$16,812</u>	<u>\$365,040</u>

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balances - Governmental Funds

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.

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 B - PROPERTY TAXES

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.

Property tax revenues are recognized when they become available, which includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

The District levied taxes for 2012-2013 at the rate of \$0.8999 per \$100 on property valuation of \$41,586,133.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE C - SPECIAL ASSESSMENTS

On July 14, 2006, special assessments in the amount of \$384,882 were levied 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.

On February 13, 2013, special assessments in the amount of \$663,614 were levied 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 D - INVESTMENTS

Custodial Credit Risk

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 1990, and generally include U.S. government obligations, certificates of deposit and time deposits. During the year ended June 30, 2013, the District invested in U.S. treasury bills.

All investment activities are conducted through the District's fiscal agent, the County Treasurer. Treasury bills are bought and held in safekeeping by the County Treasurer in the district's name.

Interest Rate Risk

The District invests in U.S. Treasury bills with maturity of less than one year to limit its exposure to fair-value losses arising from rising interest rates. These securities are classified as Level 1 in the fair value of hierarchy as indicated in ASC 820-10.

The District had no investments at June 30, 2013.

NOTE E - CAPITAL ASSETS

A summary of changes in improvements is as follows:

	Balance <u>July 1, 2012</u>	Additions	Balance <u>June 30, 2013</u>
Concrete pavement, storm sewer and sanitary sewer	\$ 2,131,501	\$ 779,205	\$ 2,910,706
Sanitary sewer, connection fee	601,763	129,299	731,062
Water section	628,759	212,413	841,172
Electrical distribution	278,181	66,269	344,450
Park land	18,305	-	18,305
Silt basin	135,137	-	135,137
Extension street improvements	235,431	-	235,431
Park improvements	136,512	-	136,512
Construction in progress	<u>565,437</u>	<u>(565,437)</u>	<u>-</u>
	4,731,026	621,749	5,352,775
Accumulated depreciation	<u>(1,111,324)</u>	<u>(146,766)</u>	<u>(1,258,090)</u>
	<u>\$ 3,619,702</u>	<u>\$ 474,983</u>	<u>\$ 4,094,685</u>

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE E - CAPITAL ASSETS - CONTINUED

Depreciation expense totaled \$146,766 for the year ended June 30, 2013.

NOTE F - REGISTERED WARRANTS

At June 30, 2013, the District has registered warrants outstanding for the payment of construction costs. Debt service fund warrants bear interest at 7.0% and are due five years from issue. Interest of \$19,783 was capitalized as part of the construction costs for the year ended June 30, 2013.

Aggregate maturities of registered warrants are as follows:

	<u>Debt Service Fund</u>
2018	<u>\$4,003</u>

NOTE G - GENERAL OBLIGATION BONDS PAYABLE

On June 1, 2008, the District issued \$2,750,000 of general obligation bonds to repay \$3,413,107 of registered warrants plus accrued interest. The bonds mature serially through July 1, 2031, in increments from \$45,000 to \$340,000. Interest is payable semiannually on June 1 and December 1. The bonds bear interest at 3.30% to 5.70% per annum. Bonds maturing June 1, 2014, and thereafter are subject to redemption in whole or part, at any time after June 1, 2013, at par plus accrued interest, to the date set for redemption, with no redemption premium. The bond issue was refunded with the 2013 bond issue below.

On November 1, 2011, the district issued \$1,000,000 of general obligation refunding bonds to redeem the 2006 general obligation bonds above in the amount of \$1,655,000. The 2011 bonds bear interest at 1.25% to 4.20% per annum payable semi-annually on March 15<sup>th</sup> and May 15<sup>th</sup>. The bonds mature serially through 2026. Bonds maturing on or after November 15, 2017 are subject to redemption in whole or in part, at any time on or after November 15, 2015 at par plus accrued interest of the date set for redemption with no redemption premium.

On June 15, 2013, the District issued \$3,900,000 of general obligation refunding bonds to refund the 2008 bond issued and to repay \$1,266,925 of registered warrants plus accrued interest. The bonds mature serially through June 15, 2033. Interest is payable semiannually on June 15 and December 15. The bonds bear interest at 1.20% to 4.00% per annum. Bonds maturing June 15, 2019, and thereafter are subject to redemption in whole or part, at any time after June 15, 2018, at par plus accrued interest, to the date set for redemption, with no redemption premium.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE G - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

A summary of changes in bonds payable is as follows:

Bonds payable July 1, 2012	\$ 3,555,000
Bonds issued	3,900,000
Bonds refunded	(2,500,000)
Bonds paid	<u>(115,000)</u>
 Balance June 30, 2013	 <u>\$ 4,840,000</u>

Aggregates maturities of bond principal and interest as follows:

	Principal	Interest	Total
2014	\$ 150,000	\$ 158,203	\$ 308,203
2015	170,000	156,213	326,213
2016	155,000	153,781	308,781
2017	155,000	151,170	306,170
2018	175,000	148,145	323,145
2019 - 2023	880,000	674,834	1,554,834
2024 - 2028	1,335,000	512,460	1,847,460
2029 - 2033	<u>1,820,000</u>	<u>221,040</u>	<u>2,041,040</u>
	<u>\$4,840,000</u>	<u>\$2,175,846</u>	<u>\$7,015,846</u>

NOTE H - 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 I - 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 2014 is estimated to be approximately \$5,000.

NOTE J - 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.

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE K - SUBSEQUENT EVENTS

Management evaluated transactions and events occurring subsequent to June 30, 2013 and through November 18, 2013 (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.

NOTE L - PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

GASB Statement No 65, Items Previously Reported as Assets and Liabilities, was issued in April 2012 and will be effective for the financial statements of the District for the year ending June 30, 2014. This statement provides further guidance on the accounting and reporting of deferred outflows of resources, deferred inflows of resources and certain items previously reported as assets and liabilities. More specifically, the adoption of this statement by the District in fiscal 2014 will result in (1) the write off of bond issue costs of \$300,597 at June 30, 2013 on the government-wide statement of net position with a corresponding decrease in net position.

SUPPLEMENTARY INFORMATION

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

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

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

For the year ended June 30, 2013

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
	-----	-----	-----
REVENUES:			
Taxes collected	\$ 95,142	\$ 99,126	\$ 3,984
Interest on taxes	300	117	(183)
State motor vehicle tax allocation	200	183	(17)
Homestead exemptions	-	1,561	1,561
Interest on investments	-	-	-
Sewer connection fee	-	-	-
Special assessments and interest	-	-	-
	-----	-----	-----
Total revenues	95,642	100,987	5,345
EXPENDITURES:			
Accounting and auditing	7,000	7,140	(140)
Collection fees - County Treasurer	1,866	1,932	(66)
Electric service	30,000	2,749	27,251
Engineering fees	25,000	15,369	9,631
Legal fees	15,000	15,433	(433)
Maintenance and repairs	75,000	24,465	50,535
Financial advisor fees	-	9,000	(9,000)
Registered agent fees	2,000	-	2,000
Trustee bonds and insurance	5,000	120	4,880
Debt Service:			
Interest charges	-	-	-
	-----	-----	-----
Total expenditures	160,866	76,208	84,658
Excess (deficiency) of revenues over expenditures	(65,224)	24,779	90,003
OTHER FINANCING SOURCES (USES):			
Proceeds from registered warrants issued	159,000	74,276	(84,724)
Payment of registered warrants	(159,000)	(74,276)	84,724
Proceeds of bond issue	-	-	-
Transfer to debt service fund	(50,000)	-	50,000
Payment of long-term debt	-	-	-
Payment of construction costs	-	-	-
Payment of bond issue costs	-	-	-
	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>\$(115,224)</u>	24,779	<u>\$140,003</u>
FUND BALANCE, BEGINNING OF YEAR		<u>150,558</u>	
FUND BALANCE, END OF YEAR		<u>\$175,337</u>	

DEBT SERVICE FUND  
(NON GAAP)

Original And Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 261,644	\$ 272,602	\$ 10,958
300	322	22
700	503	(197)
-	4,293	4,293
-	99	99
-	40,320	40,320
-	376,798	376,798
<u>262,644</u>	<u>694,937</u>	<u>432,293</u>
-	-	-
8,130	5,313	2,817
-	-	-
-	-	-
-	73,040	(73,040)
-	-	-
-	-	-
-	-	-
3,000	5,034	(2,034)
-	-	-
<u>151,454</u>	<u>178,731</u>	<u>(27,277)</u>
<u>162,584</u>	<u>262,118</u>	<u>(99,534)</u>
100,060	432,819	332,759
1,306,000	771,776	(534,224)
-	(1,266,925)	(1,266,925)
-	3,822,000	3,822,000
50,000	-	(50,000)
(115,000)	(2,615,000)	(2,500,000)
(1,300,000)	(666,551)	633,449
-	(130,350)	(130,350)
<u>\$ 41,060</u>	347,769	<u>\$ 306,709</u>
	<u>232,368</u>	
	<u>\$ 580,137</u>	

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

INFORMATION REQUIRED BY SECTION 31-740  
REISSUED REVISED STATUTE OF NEBRASKA, 2008

For the year ended June 30, 2013

Gross income from all sources	<u>\$775,041</u>
Gross income from all sources from previous year	<u>\$380,922</u>
Amount expended for sewage disposal	<u>\$ -</u>
Amount expended for water mains	<u>\$ 26,772</u>
Gross amount of sewage processed	<u>\$ -</u>
Cost per thousand gallons of processing sewage	<u>\$ -</u>
Amount expended for:	
a. Maintenance and repairs	<u>\$ 22,288</u>
b. New equipment	<u>\$ -</u>
c. New construction work (including water main)	<u>\$621,749</u>
d. Property purchased	<u>\$ -</u>
Number of employees	<u>-</u>
Salaries and fees paid employees	<u>\$ -</u>
Total amount of taxes levied upon the property within the District	<u>\$374,240</u>

Sanitary and Improvement District No. 235  
Sarpy County, Nebraska

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>
Loren Johnson	Chairman	Universal Surety Company	\$ 5,000
Jim Emmons	Clerk	Universal Surety Company	\$20,000
Phyllis Peterson	Trustee		
Mark Kinsey	Trustee		
Joseph Daffer	Trustee		

# Awerkamp, Goodnight, Schwaller & Nelson, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
17007 Marcy Street - Suite One  
Omaha, Nebraska 68118-3122

THOMAS J. SCHWALLER, CPA  
CONRAD NELSON, CPA  
JOHN R. PRIBRAMSKY, CPA  
DANIEL R. GILG, CPA, CFP

Telephone: (402) 334-9011  
(402) 334-9111  
FAX: (402) 334-9112

---

ALDEN B. AWERKAMP

---

J. DOUGLAS GOODNIGHT  
(1936 - 2006)

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 Directors  
Sanitary and Improvement District No. 235  
of Sarpy County, Nebraska

We have audited the financial statements of Sanitary and Improvement District No. 235 of Sarpy County, Nebraska as of and for the year ended June 30, 2013, and have issued our report thereon dated November 18, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 235's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 235's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 235's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified the following deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

The district does not have the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Management is aware of this significant deficiency and believes it is economically not feasible to obtain the ability to prepare financial statements.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sanitary and Improvement District No. 235's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sanitary and Improvement District No. 235's financial statements that is more than consequential will not be prevented or detected by the Sanitary and Improvement District No. 235's internal control. We consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sanitary and Improvement District No. 235's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 235's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

#### Finding #1

- The District issued \$3,900,000 in general obligation and refunding bonds, redeemed \$2,500,000 in general obligation bonds, paid \$27,277 in bond interest, repaid \$1,266,925 of construction fund warrants, and paid \$130,350 in bond issuance costs in excess of the budget, without amending the budget.

#### Response

- The District did not anticipate a bond issuance when the budget was prepared.

#### Finding #2

- The District paid \$73,040 of interest in construction fund warrants, without amending the budget.

#### Response

- This was an oversight when the budget was prepared.

Sanitary and Improvement District No. 235's responses to the findings identified in our audit are described above. We did not audit Sanitary and Improvement District No. 235's responses and accordingly, we express no opinion on them.

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.

*Averkamp, Goodnight, Schwaller & Nelson, P.C.*

Omaha, Nebraska  
November 18, 2013