

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

YEAR ENDED JUNE 30, 2014

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 240
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. 240 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT- continued

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. 240 of Sarpy County, Nebraska, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note H to the basic financial statements, in fiscal 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 17 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis, that accounting principles generally accepted in the United States of America requires 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. 240 of Sarpy County, Nebraska's basic financial statements. The supplementary information on pages 21 and 22, are presented for purposes of additional analysis and are 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 4, 2014, on our consideration of Sanitary and Improvement District No. 240 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. 240 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

HANCOCK & DANA PC



Omaha, Nebraska
December 4, 2014

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Statement of Net Position
June 30, 2014**

ASSETS

Cash on deposit - County Treasurer	\$ 1,601,306
Taxes receivable	59,792
Special assessments receivable	890,068
Interest receivable on special assessments	612,157
Capital assets, net of accumulated depreciation	3,122,812
Total Assets	\$ <u>6,286,135</u>

LIABILITIES

Accounts payable	15,695
Accrued interest	546,998
Noncurrent liabilities, warrants payable	
Due in more than one year	8,602,628
Total Liabilities	\$ <u>9,165,321</u>

NET POSITION

Net investment in capital assets	(5,365,882)
Restricted for debt service	2,589,127
Unrestricted	(102,431)
Total Net Position	\$ <u>(2,879,186)</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Statement of Activities
For the year ended June 30, 2014**

GOVERNMENTAL ACTIVITIES:

EXPENSES - GENERAL GOVERNMENT

Professional and administrative expenses	\$	52,495
Maintenance and street lighting		76,351
Depreciation		157,848
Interest		596,891
		883,585

GENERAL REVENUES

Property taxes, net of uncollectible taxes		130,161
Interest		88,635
Miscellaneous		489
		219,285

Change in net position		(664,300)
Net position - beginning of year		(2,214,886)
Net position - end of year	\$	(2,879,186)

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Balance Sheet
Governmental Funds
June 30, 2014**

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash on deposit - County Treasurer	\$ 3,036	\$ 1,598,270	\$ 1,601,306
Taxes receivable	28,137	31,655	59,792
Special assessments receivable	-	890,068	890,068
Interest receivable on special assessments	-	612,157	612,157
Total Assets	\$ <u>31,173</u>	\$ <u>3,132,150</u>	\$ <u>3,163,323</u>
LIABILITIES			
Accounts payable	\$ 15,695	\$ -	\$ 15,695
Total Liabilities	<u>15,695</u>	<u>-</u>	<u>15,695</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - special assessments and interest receivable thereon	-	1,502,225	1,502,225
Total Deferred Inflows of Resources	<u>-</u>	<u>1,502,225</u>	<u>1,502,225</u>
FUND BALANCES			
Restricted for debt service	-	1,629,925	1,629,925
Unassigned	15,478	-	15,478
Total Fund Balances	<u>15,478</u>	<u>1,629,925</u>	<u>1,645,403</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>31,173</u>	\$ <u>3,132,150</u>	\$ <u>3,163,323</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2014**

Total Fund Balances - Governmental Funds **\$ 1,645,403**

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 funds.

Capital assets	\$ 4,639,467	
Accumulated depreciation	<u>(1,516,655)</u>	3,122,812

Deferred inflows of resources on special assessments and interest receivable thereon in the governmental funds has been recorded as revenue in the government-wide statements.

1,502,225

Long-term liabilities are not due and payable in the current period and, therefore, not reported in the governmental funds:

Warrants payable	(8,602,628)	
Accrued interest	<u>(546,998)</u>	<u>(9,149,626)</u>

Net Position of Governmental Activities **\$ (2,879,186)**

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2014**

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Taxes assessed	\$ 61,271	\$ 68,931	\$ 130,202
Special assessments	-	245,587	245,587
Interest on special assessments	-	156,811	156,811
Interest on taxes	24	27	51
State motor vehicle tax allocation	230	259	489
Total Revenues	61,525	471,615	533,140
EXPENDITURES			
Current:			
Collection fees - County Treasurer	1,087	9,272	10,359
Engineering fees	13,774	-	13,774
Insurance	1,264	-	1,264
Paying agent fees	-	250	250
Professional fees	40,621	-	40,621
Repairs and maintenance	47,455	-	47,455
Street lighting	15,123	-	15,123
Uncollectible taxes	19	22	41
Capital outlay - improvements, net of refunds	-	(47,724)	(47,724)
Debt service:			
Warrant principal payments	54,957	-	54,957
Warrant interest payments	3,172	555,319	558,491
Total Expenditures	177,472	517,139	694,611
Excess of revenues under expenditures	(115,947)	(45,524)	(161,471)
OTHER FINANCING SOURCES			
Warrants issued	115,042	555,569	670,611
Total Other Financing Sources	115,042	555,569	670,611
Net change in fund balances	(905)	510,045	509,140
Fund balances - beginning of year	16,383	1,119,880	1,136,263
Fund balances - end of year	\$ 15,478	\$ 1,629,925	\$ 1,645,403

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the year ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds **\$ 509,140**

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 capitalized and 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. (205,572)

Proceeds from issuance of warrants are reported as an other financing source in the governmental funds, but as an increase in noncurrent liabilities in the government-wide financial statements. This is the amount of proceeds in the current year. (670,611)

Repayment of principal on noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net position, the repayment reduces long-term liabilities. This is the amount of warrant principal payments in the current year. 54,957

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 (38,399)

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. (313,815)

Change in Net Position of Governmental Activities **\$ (664,300)**

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 240 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 Pebblebrooke.

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 nonfiduciary activities of the District. Individual funds are not displayed and internal activity between or within funds are 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.

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 function. 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.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 measurements made, regardless of the measurement focus applied.

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

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, 2014.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 statements.

The estimated useful lives are as follows:

Sanitary and Storm Sewer Systems	25-30 years
Underground Power and Water Systems	25 years
Paving	40 years
Miscellaneous Infrastructure	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 and 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.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

SUBSEQUENT EVENTS – The District has evaluated subsequent events through December 4, 2014, the date which the financial statements were available to be issued.

NOTE B – INVESTMENTS

The District is allowed to invest funds as permitted by Nebraska Statutes and allowable investments generally include U.S. government obligations, certificates of deposit and time deposits. The District does not have a formal investment policy in place.

All investment activities are conducted through the County Treasurer and investments are held in the County's name.

During the year ended June 30, 2014, the District held no investments and, accordingly, was not subject to interest rate risk or custodial credit risk as of that date.

NOTE C – SPECIAL ASSESSMENTS

SPECIAL ASSESSMENT LEVY OF MARCH 9, 2005 – Special assessments in the amount of \$1,206,775 were levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments through March, 2015 and bear interest as specified in the levy (7% per annum until delinquent and 9% per annum thereafter until paid.) The balance due on this levy at June 30, 2014 was \$433,074.

SPECIAL ASSESSMENT LEVY OF MAY 17, 2006 – Special assessments in the amount of \$767,404 were levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments through May, 2016 and bear interest as specified in the levy (7.5% per annum until delinquent and 9.5% per annum thereafter until paid.) The balance due on this levy at June 30, 2014 was \$456,994.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Balance June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Governmental Activities:				
Depreciable Capital Assets:				
Sanitary and Storm Sewer Systems	\$ 2,197,307	\$ -	\$ -	\$ 2,197,307
Underground Power and Water Systems	1,187,826	-	-	1,187,826
Paving	467,562	-	-	467,562
Miscellaneous Infrastructure (Principally Legal and Financing Fees)	<u>607,945</u>	<u>-</u>	<u>-</u>	<u>607,945</u>
	<u>4,460,640</u>	<u>-</u>	<u>-</u>	<u>4,460,640</u>
Accumulated Depreciation:				
Sanitary and Storm Sewer Systems	644,033	74,328	-	718,361
Underground Power and Water Systems	409,204	47,513	-	456,717
Paving	104,989	11,689	-	116,678
Miscellaneous Infrastructure	<u>200,581</u>	<u>24,318</u>	<u>-</u>	<u>224,899</u>
	<u>1,358,807</u>	<u>157,848</u>	<u>-</u>	<u>1,516,655</u>
Net Depreciable Capital Assets	<u>3,101,833</u>	<u>(157,848)</u>	<u>-</u>	<u>2,943,985</u>
Non-depreciable Capital Assets:				
Interceptor Sewer Fees	195,718	-	47,724	147,994
Easements	<u>30,833</u>	<u>-</u>	<u>-</u>	<u>30,833</u>
	<u>226,551</u>	<u>-</u>	<u>47,724</u>	<u>178,827</u>
Capital Assets, net	<u>\$ 3,328,384</u>	<u>\$ (157,848)</u>	<u>\$ 47,724</u>	<u>\$ 3,122,812</u>

NOTE E – NONCURRENT LIABILITIES – WARRANTS PAYABLE

General fund warrants are due 3 years from the date of issuance. Debt service fund warrants are due 5 years from the date of issuance. On July 14, 2014, the maturity dates of debt service fund warrants totaling \$6,929,101 were extended to June 27, 2016 by an order of the Sarpy County District Court. The warrants covered by this order continue to accrue interest at the rate shown on the face of each individual warrant.

Warrants registered with the County bear interest at 7% per annum. Interest accrues on the warrants from the date of registration to the date they are called for payment.

The summary of warrant activity is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Balance Outstanding, June 30, 2013	\$ 53,847	\$ 7,933,127	\$ 7,986,974
Warrants Issued	115,042	555,569	670,611
Warrant Principal Payments	<u>(54,957)</u>	<u>-</u>	<u>(54,957)</u>
Balance Outstanding, June 30, 2014	<u>\$ 113,932</u>	<u>\$ 8,488,696</u>	<u>\$ 8,602,628</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE E – NONCURRENT LIABILITIES – WARRANTS PAYABLE – Continued

Outstanding warrants mature as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Fiscal year ending June 30, 2016	\$ -	\$ 7,414,138	\$ 7,414,138
2017	113,932	-	113,932
2018	-	518,989	518,989
2019	-	555,569	555,569
	<u>\$ 113,932</u>	<u>\$ 8,488,696</u>	<u>\$ 8,602,628</u>

Substantially all warrants outstanding at June 30, 2014 had been registered with the County.

NOTE F – 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.

The District has levied taxes for the year ended June 30, 2014 as follows:

<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>ASSESSED VALUATION</u>	<u>TAXES LEVIED</u>
(Cents per \$100 Valuation)			
40.00	45.00	\$ 15,317,877	\$ 130,202

NOTE G – 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 improvement 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”.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE G – NET POSITION AND FUND BALANCES – Continued

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 H – IMPLEMENTATION OF GASB 65

In fiscal 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this statement by the District resulted in the reclassification of deferred revenue on special assessments and interest receivable thereon on the governmental funds balance sheet from a liability to deferred inflows of resources, with no change in the fund balances as previously reported.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Required Supplementary Information - Unaudited
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the year ended June 30, 2014**

	Budget - Original/ Final	(Budgetary Basis) Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes assessed	\$ 61,271	\$ 54,377	\$ (6,894)
Interest on taxes	-	24	24
State motor vehicle tax allocation	100	230	130
Property tax credit	-	1,474	1,474
Homestead exemption	-	76	76
Miscellaneous	-	1,506	1,506
Total Revenues	61,371	57,687	(3,684)
EXPENDITURES			
Current:			
Collection fees - County Treasurer	1,201	1,088	113
Engineering fees	15,000	11,548	3,452
Insurance	1,000	1,264	(264)
Professional fees	30,000	41,432	(11,432)
Repairs and maintenance	28,000	45,376	(17,376)
Street lighting	15,000	15,423	(423)
	90,201	116,131	(25,930)
Debt service:			
Warrant principal payments	53,847	54,957	(1,110)
Warrant interest payments	2,000	3,172	(1,172)
	55,847	58,129	(2,282)
Total Expenditures	146,048	174,260	(28,212)
Excess of revenues under expenditures	(84,677)	(116,573)	(31,896)
OTHER FINANCING SOURCES			
Warrants issued	89,000	115,042	26,042
	89,000	115,042	26,042
Net change in fund balances	4,323	(1,531)	(5,854)
Fund balances - beginning of year	4,567	4,567	-
Fund balances - end of year	\$ 8,890	\$ 3,036	\$ (5,854)

See accompanying notes to schedules of revenues, expenditures and changes in fund balances - budget and actual.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Required Supplementary Information - Unaudited
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Debt Service Fund
For the year ended June 30, 2014**

	Budget - Original/ Final	(Budgetary Basis) Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes assessed	\$ 68,931	\$ 61,174	\$ (7,757)
Interest on taxes	-	27	27
Special assessments	75,000	245,587	170,587
Interest on special assessments	50,000	156,811	106,811
State motor vehicle tax allocation	100	259	159
Property tax credit	-	1,659	1,659
Homestead exemption allocation	-	85	85
Total Revenues	<u>194,031</u>	<u>465,602</u>	<u>271,571</u>
EXPENDITURES			
Current:			
Collection fees - County Treasurer	11,352	9,272	2,080
Paying agent fees	-	250	(250)
	<u>11,352</u>	<u>9,522</u>	<u>1,830</u>
Capital outlay:			
Improvements, net of refunds	-	(49,069)	49,069
Debt service:			
Warrant interest payments	560,000	555,319	4,681
	<u>560,000</u>	<u>555,319</u>	<u>4,681</u>
Total Expenditures	<u>571,352</u>	<u>515,772</u>	<u>55,580</u>
Excess of revenues under expenditures	<u>(377,321)</u>	<u>(50,170)</u>	<u>327,151</u>
OTHER FINANCING SOURCES			
Warrants issued	560,000	555,569	(4,431)
	<u>560,000</u>	<u>555,569</u>	<u>(4,431)</u>
Net change in fund balances	182,679	505,399	322,720
Fund balances - beginning of year	1,092,871	1,092,871	-
Fund balances - end of year	<u>\$ 1,275,550</u>	<u>\$ 1,598,270</u>	<u>\$ 322,720</u>

See accompanying notes to schedules of revenues, expenditures and changes in fund balances - budget and actual.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2014

BUDGETS AND BUDGETARY ACCOUNTING

The District is required to adopt an annual operating budget for all the funds over which the District controls. Budgets are adopted by the District for the general and debt service funds. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles (GAAP). 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. Accordingly, adjustments are necessary to convert the revenues and expenditures as reported on the governmental fund statements to the budgetary basis for comparison with budgetary data in the accompanying schedules of revenues, expenditures and changes in fund balances - budget and actual. Fund balance on the budgetary basis consists of cash on deposit with the County Treasurer and the original purchase cost of investments. Encumbrance accounting is not used by the District.

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

- 1) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- 2) Notice of place and time of public hearings must be published prior to the public hearings.
- 3) Public hearings are conducted to obtain taxpayer comment.
- 4) 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.
- 5) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- 6) Appropriations lapse at year-end, however, the Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2014.

In fiscal 2014, the District incurred general fund expenditures of approximately \$28,200 in excess of those budgeted for this fund. However, total expenditures for the general and debt service funds did not exceed the total budgeted for these funds.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2014

RECONCILIATION OF BUDGET BASIS TO GAAP

A reconciliation for the year ended June 30, 2014, which discloses the nature and amount of adjustments necessary to convert the budgetary basis to a GAAP basis, is presented below:

	General Fund	Debt Service Fund
Net change in fund balances:		
Balance on a budgetary basis	\$ (1,531)	\$ 505,399
Adjustments:		
Revenue for receivables	3,819	5,991
Expenditures for payables	<u>(3,193)</u>	<u>(1,345)</u>
Balance on a GAAP basis	<u>\$ (905)</u>	<u>\$ 510,045</u>

SUPPLEMENTARY INFORMATION

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

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

JUNE 30, 2014

Gross income from all sources	\$ 219,285
Amount spent for access to facilities and use of services of library system of neighboring cities and villages	None
Amount spent for sewage disposal	None
Amount expended on water mains	None
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for:	
a. Maintenance and repair	\$ 47,455
b. New equipment	None
c. New construction work, net of refunds of \$47,724	\$ (47,724)
d. Property purchased	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon property within the District	\$ 130,202

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

TRUSTEES AND RELATED BONDS

JUNE 30, 2014

<u>TRUSTEES</u>		<u>BONDS</u>	
<u>NAME</u>	<u>OFFICE</u>	<u>INSURER</u>	<u>AMOUNT</u>
Mike Palmisano	Chairman	Western Surety Company	\$ 5,000
Michael Freestone	Clerk	Western Surety Company	\$ 20,000
Michael F. Rogers	Trustee	None	
Timothy A. Reick	Trustee	None	
Bob Mitchell	Trustee	None	

HANCOCK & DANA PC

ACCOUNTANTS & CONSULTANTS

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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. 240
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. 240 of Sarpy County, Nebraska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated December 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**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 - *Continued***

Preparation of Financial Statements

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

Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's response to this finding is that the aforementioned circumstance 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

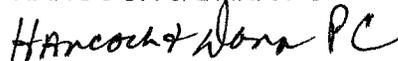
As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's Response to Finding

Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's response to the finding is described previously. Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

HANCOCK & DANA PC


Omaha, Nebraska
December 4, 2014