Sanitary and Improvement District No. 243 of Sarpy County, Nebraska

Basic Financial Statements and Independent Auditors' Report

June 30, 2014

Lutz

Sanitary and Improvement District No. 243 of Sarpy County, Nebraska

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sanitary and Improvement District No. 243 of Sarpy County, Nebraska

Report on Financial Statements
We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 243 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 the District's basic financial statements as listed in the index.

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 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 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 243 of Sarpy County, Nebraska, as of June 30, 2014, 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 that the budgetary comparison information included in Schedules 1 and 2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a required 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
We were engaged to audit the financial statements taken as a whole. The accompanying other supplemental information included in Schedules 3 and 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in the audits of the financial statements. Accordingly, it is inappropriate to and we do not express an opinion on the other supplemental information referred to above.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2014, on our consideration of Sanitary and Improvement District No. 243 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lutz & Company, P.C.

November 15, 2014

Sanitary and Improvement District No. 243 of Sarpy County, Nebraska

Governmental Funds Balance Sheet/Statement of Net Position

June 30, 2014

	General Fund	Debt Service Fund	Total	Reconciliation (Note 7)	Statement of Net Position
ASSETS					
Cash on Deposit					
County Treasurer	$ 72,245	$ 37,906	$ 110,151	$ -	$ 110,151
Investments	49,991	989,823	1,039,814	-	1,039,814
Receivables					
Property Taxes (Note 2)	51,269	174,390	225,659	-	225,659
Special Assessments (Note 3)	-	1,080,555	1,080,555	-	1,080,555
Accrued Interest Receivable					
Investments	-	70	70	-	70
Special Assessments (Note 3)	-	217,911	217,911	-	217,911
Capital Assets, Net of					
Accumulated Depreciation (Note 4)	-	-	-	5,746,950	5,746,950
TOTAL ASSETS	**$ 173,505**	**$ 2,500,655**	**$ 2,674,160**	**$ 5,746,950**	**$ 8,421,110**
LIABILITIES					
Accounts Payable	$ 33,396	$ 700	$ 34,096	$ -	$ 34,096
Registered Warrants					
Payable (Note 5)	-	-	-	2,130,870	2,130,870
Unregistered Warrants					
Payable (Note 5)	390	-	390	-	390
Accrued Interest on					
Registered Warrants (Note 5)	-	97,845	97,845	-	97,845
Bonds (Note 6)	-	69,140	69,140	-	69,140
Bonds Payable (Note 6)					
Due Within One Year	-	-	-	130,000	130,000
Due After One Year	-	-	-	5,320,000	5,320,000
Total Liabilities	33,786	167,685	201,471	7,580,870	7,782,341
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	-	-	28,719	225,659	254,378
COMMITMENTS AND CONTINGENCIES (Note 8)					
FUND BALANCE (DEFICIT)/NET POSITION					
Unassigned, Reported in					
General Fund	139,719	-	139,719	(139,719)	-
Restricted, Debt Service Fund	-	2,332,970	2,332,970	(2,332,970)	-
Total Fund Balance (Deficit)	139,719	2,332,970	2,472,689	(2,472,689)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	**$ 173,505**	**$ 2,500,655**	**$ 2,674,160**		
NET POSITION					
Invested in Capital Assets, Net of Related Debt				(1,833,920)	(1,833,920)
Unrestricted				88,450	88,450
Restricted for Debt Service				2,158,580	2,158,580
TOTAL NET POSITION				**$ 413,110**	**$ 413,110**

See Notes to Basic Financial Statements

Sanitary and Improvement District No. 243 of Sarpy County, Nebraska

Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

Year Ended June 30, 2014

	General Fund	Debt Service Fund	Total	Reconciliation (Note 7)	Statement of Activities
REVENUES/RECEIPTS					
Property Taxes (Note 2)	$ 105,381	$ 368,834	$ 474,215	$ (29,169)	$ 445,046
Interest on					
Investments	12	432	444	-	444
Property Taxes (Note 2)	36	52	88	-	88
Special Assessments (Note 3)	-	47,368	47,368	-	47,368
Special Assessments	-	652,543	652,543	-	652,543
Sewer Connection Fees	-	11,400	11,400	-	11,400
State Motor Vehicle Tax Allocation	564	1,178	1,742	-	1,742
Total Revenue/Receipts	105,993	1,081,807	1,187,800	(29,169)	1,158,631
EXPENDITURES/EXPENSES					
Current:					
Collection Fees- County Treasurer	2,669	8,514	11,183	-	11,183
Bond Issue Costs	-	218,455	218,455	-	218,455
Bond Maintenance	-	2,600	2,600	-	2,600
Clerk Fees	1,211	-	1,211	-	1,211
Depreciation (Note 4)	-	-	-	160,149	160,149
Engineering	25,550	-	25,550	-	25,550
Fiscal Agent Fees	-	9,795	9,795	-	9,795
Insurance	5,205	-	5,205	-	5,205
Interest on					
Registered Warrants (Note 5)	-	170,354	170,354	-	170,354
Maintenance	43,838	-	43,838	-	43,838
Professional Fees	22,267	-	22,267	-	22,267
Utilities	24,296	-	24,296	-	24,296
Bonds Payable (Note 6)					
Principal	-	2,340,000	2,340,000	(2,340,000)	-
Interest	-	201,652	201,652	-	201,652
Net Capital Outlay (Note 4)	-	489,559	489,559	(489,559)	-
Total Expenditures/Expenses	125,036	3,440,929	3,565,965	(2,669,410)	896,555
Excess (Deficiency) of Revenues/Receipts Over Expenditures/Expenses	(19,043)	(2,359,122)	(2,378,165)	2,640,241	262,076
OTHER FINANCING SOURCES (USES)					
Warrants Issued (Note 5)	-	645,365	645,365	(645,365)	-
Warrants Retired (Note 5)	-	(2,412,999)	(2,412,999)	2,412,999	-
Bond Proceeds	-	4,500,000	4,500,000	(4,500,000)	-
Total Other Financing Sources (Uses)	-	2,732,366	2,732,366	(2,732,366)	-
Excess (Deficiency) of Revenues/Receipts and Transfers in Over (Under) Expenditures/ Expenses and Transfers Out	(19,043)	373,244	354,201	(354,201)	-
Change in Net Position				262,076	262,076
Fund Balance (Deficit)/Net Position, Beginning of Year	158,762	1,959,726	2,118,488	-	151,034
Fund Balance (Deficit)/Net Position, End of Year	**$ 139,719**	**$ 2,332,970**	**$ 2,472,689**	**$ -**	**$ 413,110**

See Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of Sanitary and Improvement District No. 243 of Sarpy County, Nebraska conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the District's significant policies.

Reporting Entity

Sanitary and Improvement District No. 243 of Sarpy County, Nebraska (the District), formed on September 10, 2003, is a governmental subdivision authorized under the statutes of the State of Nebraska. The District operates under an elected Board of Trustees which governs all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The accompanying basic financial statements present the District's primary government unit and no component units because the District does not have any component units.

Basic Financial Statements

The basic financial statements include the government-wide and fund financial statements and provide reports on the financial condition and results of operations for the District. The government-wide financial statements are based on the District as a whole, while the fund financial statements provide information about the District's individual funds.

The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. The accompanying Statement of Net Position presents all of the assets and deferred inflows over liabilities and deferred outflows. The Statement of Activities presents changes in net position from governmental activities. Governmental activities include programs supported primarily by taxes, special assessments and other intergovernmental revenues. The District has no fiduciary activities or business type activities that rely, to a significant extent, on fees and charges for support.

The District's governmental fund financial statements include the Governmental Funds Balance Sheet and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The District reports the two major governmental funds' financial condition and results of operations in separate columns.

Fund Accounting

The District used funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only used governmental funds.

Governmental Funds

Governmental funds are those through which most general governmental functions of the District are financed. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. Only current assets and liabilities are included on the balance sheets, and the operating statements present sources and uses of available financial resources during a given period. The following major governmental funds are used by the District:

- **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, long-term debt principal, interest and related costs anticipated to be settled during the next fiscal year.

Measurement Focus and Basis of Accounting

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Net Position/Fund Balances

The net position of the District is classified as follows:

- **Invested in Capital Assets, Net of Related Debt**

  This category consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets as well as deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted**

  This category consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, contributors or laws and regulations external to the District. The District's restricted net position presents amounts restricted for the repayment of principal and interest on long-term debt and related costs.

- **Unrestricted**

  This category consists of remaining net assets that do not meet the definitions of net position invested in capital assets, net of related debt or restricted net position as described above.

The governmental funds report up to five categories of fund balances as described below:

- **Nonspendable Fund Balance**

  Nonspendable fund balances consist of amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The District had no nonspendable fund balance as of June 30, 2014.

- **Restricted Fund Balance**

  Restricted fund balances consist of amounts that are constrained by creditors, grantors, contributors or laws and regulations of other governments, or limitations that are imposed by law through constitutional provisions or enabling legislation.

- **Committed Fund Balance**

  Committed fund balances consist of amounts that are only to be used for specific purposes pursuant to constraints imposed by the highest level of decision making, which is the Board of Trustees. These amounts cannot be used for any other purpose unless the government removes the restrictions through resolution. The District had no committed fund balance as of June 30, 2014.

- **Assigned Fund Balance**

  Assigned fund balances consist of amounts that are constrained by the government intended to be used for a specific purpose but are neither restricted nor committed. The authority for making the assignment is not required to be the government's highest decision making authority and the nature of the actions necessary to remove or modify the assignment is not as prescriptive as it is with regards to committed fund balances. The District had no assigned fund balance as of June 30, 2014.

- **Unassigned Fund Balance**

  Unassigned fund balances consist of the residual classification for the general fund.

The District first applies restricted resources when an expense/expenditure is incurred for a purpose for which both restricted and unrestricted resources are available.

Budgets 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, respectively. 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:

(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) The Board of Trustees may authorize supplemental appropriations during the year. (No such appropriations were made during the fiscal year ended June 30, 2014.)

Investments

Excess funds may be invested by the District in accordance with the statutes of the State of Nebraska. Allowable investments generally include U.S. government obligations, certificates of deposit, and time deposits. The District does not have a formal investment policy but all investments have consisted of short-term U.S. Treasury bills.

All investment activities are conducted through the County Treasurer. Treasury bills are bought and held in safekeeping by the County Treasurer in the District's name. The District does not have a policy for custodial credit risk beyond compliance with state statutes.

Investments are stated at fair value.

Property Taxes

Property taxes receivables are recorded when a legal and enforceable claim is assessed against the property. Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided.

Special Assessments and Sewer Connection Fees

Revenue on special assessments and sewer connection fees is recognized when the specials and fees are assessed. Special assessments and sewer connection fees are considered fully collectible; therefore, no allowance for uncollectible assessments and fees is provided.

Capital Assets

Capital assets are stated at cost in accordance with construction contracts and other costs applicable thereto in the government-wide financial statements. Interest accrued on warrants issued for the construction of improvements is capitalized during the period of construction. Capital assets are classified as construction in progress until construction is complete or special assessments are levied. No depreciation expense is reported for capital assets classified as construction in progress. The costs of improvements disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Storm and Sanitary Sewer Systems	50
Street Improvements	20
Park Improvements	15
Civil Defense Siren	15

Costs of Utilities

These costs include the cost of systems for which the District does not obtain title such as electrical systems (OPPD). These costs are expensed as incurred.

Credit Risk

The District's credit risk relates to receivables for property taxes and special assessments which are due from property owners within the boundaries of the District and cash on deposit with the Sarpy County Treasurer. The District's investments are also exposed to various risks, such as interest rate, market and credit risk.

Use of Estimates

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

Subsequent Events

Subsequent events are events or transactions that occur after the Governmental Funds Balance Sheet/Statement of Net Position date but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through November 15, 2014, noting no items requiring disclosure.

2. Property Taxes

Property taxes are levied in September and attached 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.

For 2013-2014, the District levied taxes at the rate of $.90 ($.20 in the general fund and $.70 in the debt service fund) per $100 based on a property valuation of $52,690,626.

3. Special Assessments Receivable

Special assessments in the cumulative amount of $4,757,747 were levied against certain properties in the District in connection with the construction of improvements. The assessments are due in ten annual installments and bear interest at 7.0% to 7.5% per annum until delinquent and 9.0% to 9.5% per annum thereafter until paid.

4. Capital Assets

Capital assets at June 30, 2014, consist of the following:

	Costs at June 30, 2013	Additions	Deletions	Costs at June 30, 2014
Storm Sewer Systems	$ 3,428,601	$ 205,245	$ -	$ 3,633,846
Sanitary Sewer Systems	2,239,026	213,633	-	2,452,659
Street Improvements	445,728	70,681	-	516,409
Park Improvements	162,377	-	-	162,377
Civil Defense Siren	26,600	-	-	26,600
Easements	169,700	-	-	169,700
	$ 6,472,032	$ 489,559	$ -	6,961,591
Less Accumulated Depreciation				1,214,641
Capital Assets, Net of Accumulated Depreciation				$ 5,746,950

5. Warrants Payable

Warrants registered with Sarpy County accrue interest from the date of registration to the date they are called for payment.

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.

In June 2012, the District extended approximately $3,640,800 in debt service fund warrants in order to allow time for development and valuation within the District to increase to levels that support the issuance of additional bonds. The warrants were extended for an additional three years from their original maturities.

The following is a summary of warrant transactions during the year ended June 30, 2014:

	General Fund	Debt Service Fund
Balance, June 30, 2013	$ 205	$ 3,898,504
Warrants Issued	96,825	645,365
Warrants Retired	(96,640)	(2,412,999)
Balance, June 30, 2014	$ 390	$ 2,130,870

Aggregate maturities of warrants outstanding during the next five years are as follows:

	--------General Fund---------		-----Debt Service Fund-----	
Year Ending June 30:	Amount of Warrants	Interest Rate	Amount of Warrants	Interest Rate
2015	$ -		$ -	
2016	-		-	
2017	390	6%	1,030	7%
2018	-		450,791	7%
2019	-		1,383,184	7%
2020	-		295,865	7%
	$ 390		$ 2,130,870	

There were $390 of unregistered warrants in the general fund at June 30, 2014.

6. Long-Term Debt

The District's long-term debt consists of bonds which are reflected in the debt service fund.

General obligation bonds totaling $1,700,000 issued May 15, 2006, with no balance at June 30, 2014, were due serially beginning May 15, 2007 through May 15, 2026. Interest was payable semi-annually on this issue at 4.55% to 5.10% per annum. These bonds were paid in full during the year ended June 30, 2014.

General obligation bonds totaling $1,000,000 issued on July 1, 2008, with no balance at June 30, 2014, were due serially beginning July 1, 2011 through July 1, 2028. Interest was payable semi-annually on this issue at 4.10% to 5.30% per annum. These bonds were paid in full during the year ended June 30, 2014.

General obligation bonds totaling $1,000,000 issued on May 15, 2009, with a balance of $950,000 at June 30, 2014, are due serially beginning May 15, 2012 through May 15, 2029. Interest is payable semi-annually on this issue at 3.65% to 5.60% per annum.

General obligation refunding bonds totaling $2,300,000 issued on July 15, 2013, with a balance of $2,300,000 at June 30, 2014, are due serially beginning July 15, 2014 through July 15, 2028. Interest is payable semi-annually on this issue at 1.50% to 3.85% per annum. These bonds were issued to redeem and retire the general obligation bonds issued on May 15, 2006 and July 1, 2008.

General obligation bonds totaling $2,200,000 issued on September 15, 2013, with a balance of $2,200,000 at June 30, 2014, are due serially beginning September 15, 2017 through September 15, 2033. Interest is payable semi-annually on this issue at 2.00% to 5.00% per annum.

The following is a summary of bonds payable transactions of the District for the year ended June 30, 2014:

Bonds Outstanding, June 30, 2013	$ 3,290,000
Bonds Issued	4,500,000
Bonds Retired	(2,340,000)
Bonds Outstanding, June 30, 2014	$ 5,450,000

Aggregate maturities of long-term debt and interest due on long-term debt are as follows:

Year Ending June 30:	Principal	Interest	Total
2015	$ 130,000	$ 226,315	$ 356,315
2016	140,000	223,839	363,839
2017	170,000	220,645	390,645
2018	155,000	217,038	372,038
2019	160,000	213,005	373,005
2020-2024	920,000	984,198	1,904,198
2025-2029	1,600,000	778,287	2,378,287
2030-2034	2,175,000	489,375	2,664,375
	$ 5,450,000	$ 3,352,702	$ 8,802,702

7. Reconciliation of Net Position and Changes in Net Position

Net Position	
Total fund balance per balance sheet	$ 2,472,689
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets in governmental activities are not financial resources and therefore are not reported in the funds.	5,746,950
Some liabilities, including warrants payable and bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(7,580,870)
Property tax revenue not yet earned at year end is reported as deferred revenue.	(225,659)
Net assets of governmental activities	$ 413,110

Changes in Net Position	
Net change in fund balance	$ (2,378,165)
Current year property tax levy not yet earned at year end.	(29,169)
Certain expenditures do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	(160,149)
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.	2,340,000
Governmental funds report capital outlay as expenditures. However, the cost of these assets is allocated over their estimated useful lives.	489,559
Change in net position of governmental activities	$ 262,076

8. Commitments and Contingencies

The District has entered into various contracts and agreements related to the construction of streets, utility systems and other public improvements as well as general maintenance and other operating expenses related to the District. These contracts and agreements will be completed in the future. All expenditures are initially funded by the issuance of warrants. Warrants mature as follows; General Fund warrants mature within 3 years of issuance and Debt Service Fund warrants mature in 5 years. Maturities of warrants payable are primarily funded by the issuance of bonds payable and cash flow generated from special assessments and annual property tax levies. Special assessments are levied on a per lot basis. The generation of property taxes is dependent upon the growth of the valuation base as lots are developed. In addition, the District's ability to issue bonds is dependent upon an acceptable level of valuation for the District. The District's ability to fund its obligations in the future is contingent upon the success of future lot sales and the development within the District.

Warrant Maturity Date Extensions

The District has had difficulties paying warrant principal and interest as warrants mature due to lack of property valuation and special assessment collection. In June 2012, the District received permission from the local court to extend the maturity date of certain debt service fund warrants for an additional three years from their original maturities (See Note 5).

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Revenue, Expenditures and Changes in Fund Balance-
Budget and Actual (Budgetary Basis) – General Fund**

**Schedule of Revenue, Expenditures and Changes in Fund Balance-
Budget and Actual (Budgetary Basis) – Debt Service Fund**

SUPPLEMENTAL INFORMATION

Information Required by Section 31-740 Nebraska Revised Statutes

District Trustees and Related Bonds

**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***

Sanitary and Improvement District No. 243 of Sarpy County, Nebraska

Schedule of Revenue, Expenditures and Changes in Fund Balance –
Budget and Actual (Budgetary Basis) – General Fund **Schedule 1**

Year Ended June 30, 2014

	Actual on GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Original and Final Budget	Variance- Favorable (Unfavorable)
REVENUES/RECEIPTS					
Property Taxes	$ 105,381	$ 31,163	$ 136,544	$ 102,220	$ 34,324
Interest on					
Property Taxes	36	-	36	50	(14)
Investments	12	-	12	-	12
State Motor Vehicle Tax Allocation	564	-	564	-	564
Total Revenues/Receipts	105,993	31,163	137,156	102,270	34,886
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	2,669	-	2,669	-	(2,669)
Clerk Fees	1,211	(134)	1,077	1,200	123
Engineering	25,550	(1,665)	23,885	20,000	(3,885)
Insurance	5,205	-	5,205	5,000	(205)
Maintenance	43,838	(23,743)	20,095	38,000	17,905
Professional Fees	22,267	-	22,267	18,000	(4,267)
Utilities	24,296	-	24,296	32,000	7,704
Total Expenditures/Disbursements	125,036	(25,542)	99,494	114,200	14,706
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(19,043)	56,705	37,662	(11,930)	49,592
OTHER FINANCING SOURCES (USES)					
Warrants Issued	-	96,825	96,825	-	96,825
Warrants Retired	-	(96,640)	(96,640)	-	(96,640)
Transfer to the Debt Service Fund	-	-	-	(15,000)	15,000
Total Other Financing Sources (Uses)	-	185	185	(15,000)	15,185
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES	(19,043)	56,890	37,847	**$ (26,930)**	**$ 64,777**
Fund Balance (Deficit), Beginning of Year	158,762	(74,373)	84,389		
Fund Balance (Deficit), End of Year	**$ 139,719**	**$ (17,483)**	**$ 122,236**		

See Independent Auditors' Report.

Sanitary and Improvement District No. 243 of Sarpy County, Nebraska

Schedule of Revenue, Expenditures and Changes in Fund Balance –
Budget and Actual (Budgetary Basis) – Debt Service Fund **Schedule 2**

Year Ended June 30, 2014

	Actual on GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Original and Final Budget	Variance- Favorable (Unfavorable)
REVENUES/RECEIPTS					
Property Taxes	$ 368,834	$ (71,919)	$ 296,915	$ 357,769	$ (60,854)
Interest on					
Investments	432	181	613	500	113
Property Taxes	52	-	52	-	52
Special Assessments	47,368	(4,288)	43,080	25,000	18,080
Special Assessments	652,543	(556,235)	96,308	250,000	(153,692)
Sewer Connection Fees	11,400	-	11,400	7,500	3,900
State Motor Vehicle Tax Allocation	1,178	-	1,178	-	1,178
Total Revenues/Receipts	1,081,807	(632,261)	449,546	640,769	(191,223)
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	8,514	-	8,514	5,500	(3,014)
Bond Issue Costs	218,455	(179,000)	39,455	15,000	(24,455)
Bond Maintenance	2,600	-	2,600	1,000	(1,600)
Engineering	-	50,411	50,411	15,000	(35,411)
Fiscal Agent Fees	9,795	9,002	18,797	21,200	2,403
Interest on Registered Warrants	170,354	98,757	269,111	273,000	3,889
Professional Fees	-	16,459	16,459	20,000	3,541
Bonds Payable					
Principal	2,340,000	-	2,340,000	2,320,000	(20,000)
Interest	201,652	(25,161)	176,491	121,866	(54,625)
Net Capital Outlay	489,559	(75,874)	413,685	100,000	(313,685)
Total Expenditures/Disbursements	3,440,929	(105,406)	3,335,523	2,892,566	(442,957)
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(2,359,122)	(526,855)	(2,885,977)	(2,251,797)	(634,180)
OTHER FINANCING SOURCES (USES)					
Warrants Issued	645,365	-	645,365	445,200	200,165
Warrants Retired	(2,412,999)	-	(2,412,999)	-	(2,412,999)
Bond Proceeds	4,500,000	(173,841)	4,326,159	2,215,300	2,110,859
Transfer from the General Fund	-	-	-	15,000	(15,000)
Total Other Financing Sources (Uses)	2,732,366	(173,841)	2,558,525	2,675,500	(116,975)
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES	373,244	(700,696)	(327,452)	**$ 423,703**	**$ (751,155)**
Fund Balance (Deficit), Beginning of Year	1,959,726	(604,545)	1,355,181		
Fund Balance (Deficit), End of Year	**$ 2,332,970**	**$ (1,305,241)**	**$ 1,027,729**		

See Independent Auditors' Report.

Sanitary and Improvement District No. 243 of Sarpy County, Nebraska

Information Required by Section 31-740 Nebraska Revised Statutes **Schedule 3**

June 30, 2014

Total Receipts From All Sources	$	4,912,861
Amount Spent for Sewage Disposal		None
Amount Expended on Water System		None
Gross Amount of Sewage Processed		None
Cost Per Thousand Gallons of Processing Sewage		None
Amount Expended For		
Maintenance and Repair	$	43,838
New Equipment		None
New Construction Work	$	489,559
Property Purchased		None
Number of Employees		None
Total Amount of Taxes Levied Upon the Property Within the District	$	474,215

See Independent Auditors' Report.

Sanitary and Improvement District No. 243 of Sarpy County, Nebraska

District Trustees and Related Bonds **Schedule 4**

June 30, 2014

Trustees		Bonds	
Name	**Office**	**Insurer**	**Amount**
Timothy Young	Chairman	Western Surety Company	$ 5,000
Mark Boyer	Clerk	Western Surety Company	$ 20,000
Rolly Yost	Trustee		
Chris Canada	Trustee		
Michael Schaeffer	Trustee		

See Independent Auditors' Report.

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

Board of Trustees
Sanitary and Improvement District No. 243 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. 243 of Sarpy County, Nebraska, as of and for the year ended June 30, 2014, which collectively comprise Sanitary and Improvement District No. 243 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated November 15, 2014. 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. 243 of Sarpy County, Nebraska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 243 of Sarpy County, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 243 of Sarpy County, Nebraska's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, as summarized below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 243 of Sarpy County, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, summarized below.

Significant Deficiency Identified:

Criteria
Internal controls should be in place that provide reasonable assurance of the District's ability to report financial information reliably in accordance with accounting principles generally accepted in the United States of America.

Condition
The Board of Trustees has engaged the outside audit firm to prepare the financial statements and related footnotes in conformity with accounting principles generally accepted in the United States of America.

Cause
The District has a limited number of administrative personnel available to prepare the financial statements and related footnotes in accordance with accounting principles generally accepted in the United States of America.

Effect
The District does not on its own comply with regulatory requirements to prepare annual financial statements in accordance with accounting principles generally accepted in the United States of America.

Recommendation
We recommend the District have a heightened awareness of the required oversight and monitoring of the transactions being reported.

Response
This is not an uncommon situation for a governmental entity of the District's size. The Board of Trustees has determined it would not be cost-beneficial to establish a system of internal controls that would allow the District to prepare its own financial statements. Accordingly, the District engaged the audit firm to assist in the preparation of the statements in accordance with accounting principles generally accepted in the United States of America. The Board of Trustees will oversee and monitor the transactions being reported and will accept responsibility for the financial statements prepared by the audit firm.

Instances of Noncompliance Identified:

Criteria
Internal controls should be in place that monitor the District's activities for consistency with budgeted amounts.

Condition
The District exceeded budgeted expenditures/expenses by approximately $2,922,900.

Cause
Due to unanticipated events that occurred subsequent to the adoption of the budget, the District exceeded the budgeted amount of expenditures/expenses.

Effect
The District did not amend the budget to account for the exceeded expenditures/expenses.

Recommendation
We recommend the Board of Trustees monitor the District's activities for consistency with budgeted amounts.

Response
The District's activities were not consistent with budgeted amounts due to an unbudgeted bond issuance which resulted in the retirement of approximately $2,413,000 debt service fund warrants. The Board of Trustees will monitor the District's activities in order to effectively budget in the future.

We did not audit and, accordingly, we express no opinion on the District's responses to the findings identified above.

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

Lutz & Company, P.C.

November 15, 2014

Lutz