



**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**ANNUAL FINANCIAL STATEMENTS AND  
ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2015**

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

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December 29, 2015

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
**Sanitary and Improvement District No. 246**  
**of Sarpy County, Nebraska**

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 246 of Sarpy County, Nebraska (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the governmental activities and each major fund of the District, as of June 30, 2015, and the respective changes in financial position—cash basis, for the year then ended in accordance with the basis of accounting as described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Opinion and Disclaimer of Opinion on Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information included on pages 14 – 20, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information required by 31-740, reissued revised statutes of Nebraska, 2015, on page 17, 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 required by 31-740, reissued revised statutes of Nebraska, 2015 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparison schedules, notes to supplementary information, board of trustees and related bonds, schedule of bonds outstanding, and schedule of capital assets, on pages 14 - 16 and 18 - 20, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the District'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 the District's internal control over financial reporting and compliance.

*HSMC Orizon LLC*

**HSMC ORIZON LLC**

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**STATEMENT OF NET POSITION - CASH BASIS**

**JUNE 30, 2015**

**ASSETS**

Governmental  
Activities

Cash with County Treasurer

\$ 844,900

TOTAL ASSETS

\$ 844,900

**NET POSITION**

Restricted:

Debt service

\$ 820,259

Unrestricted

24,641

TOTAL NET POSITION

\$ 844,900

See Notes to Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**STATEMENT OF ACTIVITIES - CASH BASIS**

**FOR THE YEAR ENDED JUNE 30, 2015**

	Net (Disbursements)		<u>Program Cash Receipts</u>
	Receipts and	Cash	Charges
	Changes in	Disbursements	for
	<u>Net Position</u>	<u>Disbursements</u>	<u>Services</u>
<b>GOVERNMENTAL ACTIVITIES:</b>			
General services	\$ (98,422)	\$ (322,648)	\$ 224,226
Principal and interest on indebtedness	<u>(3,307,087)</u>	<u>(3,307,087)</u>	
Net program (disbursements) receipts	<u>(3,405,509)</u>	<u>\$ (3,629,735)</u>	<u>\$ 224,226</u>
<b>GENERAL RECEIPTS:</b>			
Property taxes	310,827		
Intergovernmental	13,718		
Interest on taxes and assessments	163,294		
Issuance of debt, net	<u>2,884,620</u>		
Total general receipts	<u>3,372,459</u>		
Decrease in net position	(33,050)		
Net position - beginning of year	<u>877,950</u>		
Net position - end of year	<u>\$ 844,900</u>		

See Notes to Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**STATEMENT OF FUND BALANCES AND CHANGES IN FUND BALANCES -  
CASH BASIS - GOVERNMENTAL FUNDS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Construction and Debt Service Fund	Total Government Funds
<b>RECEIPTS:</b>			
Property taxes	\$ 114,515	\$ 196,312	\$ 310,827
State motor vehicle tax allocation	261	447	708
Interest on special assessments		163,294	163,294
Special assessments		224,226	224,226
Intergovernmental	4,793	8,217	13,010
Total receipts	119,569	592,496	712,065
<b>DISBURSEMENTS:</b>			
Audit and budget fees	8,000		8,000
Bond issue cost		192,250	192,250
Collection fees - County Treasurer	1,691	10,649	12,340
Electricity	13,623		13,623
Engineering fees	16,369		16,369
Fiscal fees	2,399	32,763	35,162
Insurance and bonds	3,117		3,117
Legal fees	9,490	17,107	26,597
Miscellaneous	5,260		5,260
Repairs and maintenance - grounds	1,430		1,430
Snow removal and mowing	8,500		8,500
Bond principal		2,955,000	2,955,000
Interest expense - bonds		143,691	143,691
Interest expense - warrants	2,422	205,974	208,396
Total disbursements	72,301	3,557,434	3,629,735
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>47,268</b>	<b>(2,964,938)</b>	<b>(2,917,670)</b>
<b>OTHER FINANCING SOURCES AND USES:</b>			
Proceeds from sale of refunding bonds		4,800,000	4,800,000
Warrants issued current year unpaid		155,366	155,366
Warrants issued prior years paid	(36,289)	(2,034,457)	(2,070,746)
Total other financing sources and uses	(36,289)	2,920,909	2,884,620
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>10,979</b>	<b>(44,029)</b>	<b>(33,050)</b>
<b>FUND BALANCE - beginning of year</b>	<b>13,662</b>	<b>864,288</b>	<b>877,950</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 24,641</b>	<b>\$ 820,259</b>	<b>\$ 844,900</b>

See Notes to Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**STATEMENT OF FUND BALANCES AND CHANGES IN FUND BALANCES -  
CASH BASIS - GOVERNMENTAL FUNDS - CONTINUED**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Construction and Debt Service Fund	Total Government Funds
FUND BALANCE - CASH BASIS:			
Cash with County Treasurer	\$ 24,641	\$ 820,259	\$ 844,900
TOTAL FUND BALANCE - CASH BASIS - JUNE 30, 2015	\$ 24,641	\$ 820,259	\$ 844,900
FUND BALANCE - CASH BASIS:			
Restricted for:			
Debt service		\$ 820,259	\$ 820,259
Unassigned	\$ 24,641		24,641
TOTAL FUND BALANCE - CASH BASIS - JUNE 30, 2015	\$ 24,641	\$ 820,259	\$ 844,900

See Notes to Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Sanitary and Improvement District No. 246 of Sarpy County, Nebraska (the "District") is a governmental subdivision authorized in 2003 under the statutes of the State of Nebraska. It was formed for the purposes of installation and maintenance of street and utility systems and contracting for lighting for public roads.

Reporting Entity

The District's financial statements are presented as the primary government and include all departments and activities for which the District is financially accountable. The District has determined that there are no potential component units that meet the criteria for inclusion in the financial statements.

Basis of Presentation

Government-wide Financial Statements: Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information about the reporting government as a whole. They include all funds of the reporting entity. The statements present the District's financial statements as governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. The types of transaction reported as program revenue are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, receipts and disbursements. The District only has governmental funds. The District currently has no fiduciary or proprietary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District, meets specific mathematical criteria set forth by GASB or is identified as a major fund by the District's management. All of the District's funds meet the criteria of a major fund.

The governmental funds of the reporting entity are described below:

General Fund – This fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financing resources except those required to be accounted for in other funds.

Construction and Debt Service Fund – This fund is used to account for infrastructure related capital asset acquisition and development and the accumulation of resources for the payment of general long-term obligations, interest and related costs.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded, regardless of the measurement focus applied.

**Measurement Focus**

In both the government-wide financial statements and the fund financial statements, the governmental activities are presented using a cash basis measurement focus. Their reported net position/fund balance is considered a measure of "available cash and investments." The operating statements focus on cash received and cash disbursed.

**Basis of Accounting**

In the government-wide and the fund financial statements, the District prepares its financial statements using the cash basis of accounting. Accordingly, revenues are recognized when cash is received by the District and expenditures are recognized when cash is disbursed. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

This basis of accounting is applied to all transactions, including the disbursements for capital assets, receipt of proceeds from issuance of debt and the retirement of debt.

Long-term Debt

Long-term debt arising from cash transactions for governmental funds is not reported as a liability in the government-wide or fund financial statements. The debt proceeds are, instead, reported as other financing receipts and payment of principal and interest reported as cash disbursements.

Equity Classification

***Government-wide Financial Statements***

Equity is classified as net position and displayed in two components:

- a. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups, such as creditors, grantors, contributors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net position – All other net position that do not meet the definition of "restricted."

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Equity Classification, continued

***Government-wide Financial Statements, continued***

It is the District's policy to use restricted net position, first, prior to the use of unrestricted net position, when a disbursement is made for purposes in which both restricted and unrestricted net position are available.

***Fund Financial Statements***

Governmental fund equity is reported as fund balance within each respective fund. For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- a. Non-spendable – This fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. At June 30, 2015, the District had no non-spendable fund balance.
- b. Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Board of Trustees to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.
- c. Committed – This fund balance classification includes amounts that can only be used for the specific purposes imposed by formal action (resolution) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. At June 30, 2015, the District had no committed fund balance.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Equity Classification, Continued

***Fund Financial Statements, Continued***

- d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Board of Trustees. At June 30, 2015, the District had no assigned fund balance.
- e. Unassigned – This fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Interfund transfers, the flow of assets from one fund to another where repayment is not expected are reported as cash receipts and disbursements.

**2. BUDGET PROCESS AND PROPERTY TAXES**

The District is required by state law to adopt an annual operating budget. The Board has adopted separate budgets for the General Fund and Debt Service Fund. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

State Statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditures and/or tax levy limitations.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**2. BUDGET PROCESS AND PROPERTY TAXES, CONTINUED**

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

- a. The Board of Trustees considers a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at a public meeting to obtain taxpayer comments.
- c. Prior to September 20, the budget is legally enacted by a resolution of the Board of Trustees.
- d. An encumbrance system is not used by the District and all appropriations lapse at the end of the fiscal year.
- e. The budget is adopted on a per-fund basis and all adjustments or supplemental appropriations must be approved by the Board of Trustees. No such adjustments or supplemental appropriations were made to the 2014-2015 budget.

The property tax requirement resulting from the budget process is utilized to establish the tax levy in accordance with State statutes, which tax levy attaches as an enforceable lien on property within the District as of December 31. Taxes are due as of that date. One-half of the real estate taxes become delinquent after the following April 1, with the second one-half becoming delinquent after August 1. The District levied taxes for 2014-2015 at the rate of \$.950000 per \$100 on an estimated property valuation of \$35,984,046.

**3. DEPOSITS AND INVESTMENTS**

According to State statutes, Sanitary and Improvement Districts are required to maintain their cash with the County Treasurer. At June 30, 2015, the County Treasurer has represented to the District that the District's cash maintained by the County Treasurer is insured or collateralized in the County Treasurer's name.

The District may, by State statute, invest in U.S. Government obligations, certificates of deposit and other time deposits. As of June 30, 2015, the District did not have any investments.

Deposit risks include:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the District will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposits, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

The District has not adopted specific policies for the above risks, but certain risks are reduced through compliance with the provisions of state statutes.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**4. SPECIAL ASSESSMENTS**

Special assessments for infrastructure and capital improvements were levied on July 14, 2005, in the amount of \$1,487,221, and are due in 10 annual installments. Interest is at 7.0% per annum until delinquent and 9.0% per annum when delinquent. As of June 30, 2015, the balance still due was \$350,961. Special assessment collections during the year were \$224,226.

**5. LONG-TERM DEBT**

The following general obligation bond issue is outstanding at June 30, 2015:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2014</u>	<u>Issuance and (Payments)</u>	<u>Balance June 30, 2015</u>
August 15, 2009	3.50% to 5.90%	\$ 2,955,000	(\$ 2,955,000)	
January 15, 2015	1.35% to 4.10%		\$ 4,800,000	\$ 4,800,000

Aggregate principal and interest payments applicable to the District's bond issue subsequent to June 30, 2015 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 180,000	\$ 158,840	\$ 338,840
2017	180,000	156,410	336,410
2018	190,000	153,440	343,440
2019	190,000	149,830	339,830
2020	195,000	145,650	340,650
2021-2023	1,060,000	644,825	1,704,825
2024-2025	1,260,000	455,025	1,715,025
2026	<u>1,545,000</u>	<u>192,135</u>	<u>1,737,135</u>
<b>TOTAL</b>	<b><u>\$ 4,800,000</u></b>	<b><u>\$ 2,056,155</u></b>	<b><u>\$ 6,856,155</u></b>

**6. OUTSTANDING WARRANTS**

The District has issued warrants for payment of general expenditures at a rate of 7%. As of June 30, 2015, the District had no unpaid warrants in the general fund. General fund warrants are due three years from the date of issuance.

Long-term construction fund warrants are due five years from the date of issuance. Registered warrants bear interest at 7% per year. As of June 30, 2015, all warrants were registered.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**

**6. OUTSTANDING WARRANTS, CONTINUED**

The summary of warrant activity is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Warrants outstanding, June 30, 2014	\$ 46,277	\$ 3,535,906	\$3,582,183
Warrants cancelled	(9,988)		(9,988)
Warrants issued		155,366	155,366
Warrants paid	<u>(36,289)</u>	<u>(2,034,457)</u>	<u>(2,070,746)</u>
Warrants outstanding, June 30, 2015	<u>\$ _____</u>	<u>\$ 1,656,815</u>	<u>\$1,656,815</u>

A schedule of maturity dates, principal and interest due on construction fund warrants is presented below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 464,556	\$ 129,805	\$ 594,361
2017	568,344	75,176	643,520
2018	225,974	54,253	280,227
2019	242,575	24,416	266,991
2020	<u>155,366</u>	<u>8,476</u>	<u>163,842</u>
TOTAL	<u>\$ 1,656,815</u>	<u>\$ 292,126</u>	<u>\$ 1,948,941</u>

**7. COMMITMENTS AND CONCENTRATIONS**

As of June 30, 2015, the District had one major taxpayer that owns approximately 47% of the District's taxable value.

**8. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors or omissions, injuries or natural disasters. These risks are transferred to independent issuance carriers and no self-insurance program is maintained by the District. District management believes adequate coverage exists for potential exposures as of June 30, 2015. There have been no claims that have exceeded this coverage for any of the past three years.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>RECEIPTS:</b>			
Property taxes	\$ 125,944	\$ 114,515	\$ (11,429)
State motor vehicle tax allocation	500	261	(239)
Intergovernmental	<u>5,000</u>	<u>4,793</u>	<u>(207)</u>
Total receipts	<u>131,444</u>	<u>119,569</u>	<u>(11,875)</u>
<b>DISBURSEMENTS:</b>			
Audit and budget fees	8,000	8,000	
Collection fees - County Treasurer	2,469	1,691	778
Electricity	17,000	13,623	3,377
Engineering fees	30,400	16,369	14,031
Fiscal fees		2,399	(2,399)
Insurance and bonds	2,000	3,117	(1,117)
Legal fees	10,000	9,490	510
Miscellaneous	2,000	5,260	(3,260)
Publication, postage, and copying	500		500
Repairs and maintenance - grounds	4,500	1,430	3,070
Repairs and maintenance - streets	43,000		43,000
Snow removal and mowing	15,600	8,500	7,100
Warrant interest expense	<u>9,128</u>	<u>2,422</u>	<u>6,706</u>
Total disbursements	<u>144,597</u>	<u>72,301</u>	<u>72,296</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(13,153)</u>	<u>47,268</u>	<u>60,421</u>
<b>OTHER FINANCING SOURCES AND USES:</b>			
Warrants issued current year unpaid	55,000		(55,000)
Warrants issued prior years paid	<u>(44,277)</u>	<u>(36,289)</u>	<u>7,988</u>
Total other financing sources and uses	<u>10,723</u>	<u>(36,289)</u>	<u>(47,012)</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>	<u>\$ (2,430)</u>	10,979	<u>\$ 13,409</u>
<b>FUND BALANCE - beginning of year</b>		<u>13,662</u>	
<b>FUND BALANCE - end of year</b>		<u>\$ 24,641</u>	

See Note to Supplementary Information.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS - CONSTRUCTION AND  
DEBT SERVICE FUND**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>RECEIPTS:</b>			
Property taxes	\$ 215,904	\$ 196,312	\$ (19,592)
State motor vehicle tax allocation	250	447	197
Special assessments and interest	222,259	387,520	165,261
Intergovernmental	8,000	8,217	217
Total receipts	<u>446,413</u>	<u>592,496</u>	<u>146,083</u>
<b>DISBURSEMENTS:</b>			
Bond issue costs		192,250	(192,250)
Capital outlays	250,000		250,000
Collection fees - County Treasurer	8,678	10,649	(1,971)
Fiscal fees		32,763	(32,763)
Legal fees	12,000	17,107	(5,107)
Bond principal	75,000	2,955,000	(2,880,000)
Interest expense - bonds	156,635	143,691	12,944
Interest expense - warrants	297,704	205,974	91,730
Total disbursements	<u>800,017</u>	<u>3,557,434</u>	<u>(2,757,417)</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(353,604)</u>	<u>(2,964,938)</u>	<u>(2,611,334)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>			
Proceeds from sale of refunding bonds		4,800,000	4,800,000
Warrants issued current year unpaid	250,000	155,366	(94,634)
Warrants issued prior years paid		(2,034,457)	(2,034,457)
Total other financing sources and uses	<u>250,000</u>	<u>2,920,909</u>	<u>2,670,909</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>	<u>\$ (103,604)</u>	<u>(44,029)</u>	<u>\$ 59,575</u>
<b>FUND BALANCE - beginning of year</b>		<u>864,288</u>	
<b>FUND BALANCE - end of year</b>		<u>\$ 820,259</u>	

See Note to Supplementary Information.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**NOTE TO SUPPLEMENTARY INFORMATION -  
BUDGETARY COMPARISON SCHEDULES**

**FOR THE YEAR ENDED JUNE 30, 2015**

**1. BUDGETARY ACCOUNTING**

The District prepares its budget for the Governmental Funds on the cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the basic financial statements. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

The term "Budgetary Fund Balance" used in these supplementary schedules is synonymous with the terms "Fund Balance – Cash Basis" used in the basic financial statements.

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The District expenditures for the debt service fund exceeded budgetary appropriations by \$4,791,874.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**INFORMATION REQUIRED BY SECTION 31-740,  
REISSUED REVISED STATUTES OF NEBRASKA, 2015**

**FOR THE YEAR ENDED JUNE 30, 2015**

Gross revenue from all sources in previous year	\$ 712,065
Amount spent for access to facilities and use of the services of the library system of one or more neighboring cities or villages	None
Amount spent for solid waste collection services	None
Amount spent for sewage disposal	None
Amount expended for water mains	None
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for maintenance and repairs	\$ 1,430
Amount expended for new equipment	None
Amount expended for new construction work	None
Amount expended for property	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon the property within the District	\$ 341,848

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**BOARD OF TRUSTEES AND RELATED BONDS**

**JUNE 30, 2015**

TRUSTEES

Jon Zellars, Chairman  
James Stover, Clerk  
Josh Stover, Trustee  
Jolene Roberts, Trustee  
Mark Roth, Trustee

BONDS

Western Surety Co.     \$ 5,000  
Western Surety Co.     \$20,000

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**SCHEDULE OF BONDS OUTSTANDING**

**JUNE 30, 2015**

Fiscal Year Ending June 30,	Principal	Rate	Interest			Fiscal Total
			January 15	July 15	Total	
2016	\$ 180,000	1.35%	\$ 79,420	\$ 79,420	\$ 158,840	\$ 338,840
2017	180,000	1.65%	78,205.00	78,205.00	156,410	336,410
2018	190,000	1.90%	76,720.00	76,720.00	153,440	343,440
2019	190,000	2.20%	74,915.00	74,915.00	149,830	339,830
2020	195,000	2.45%	72,825.00	72,825.00	145,650	340,650
2021	200,000	2.70%	70,436.25	70,436.25	140,873	340,873
2022	205,000	2.90%	67,736.25	67,736.25	135,473	340,473
2023	215,000	3.05%	64,763.75	64,763.75	129,528	344,528
2024	215,000	3.25%	61,485.00	61,485.00	122,970	337,970
2025	225,000	3.35%	57,991.25	57,991.25	115,983	340,983
2026	235,000	3.50%	54,222.50	54,222.50	108,445	343,445
2027	240,000	3.60%	50,110.00	50,110.00	100,220	340,220
2028	250,000	3.70%	45,790.00	45,790.00	91,580	341,580
2029	260,000	3.80%	41,165.00	41,165.00	82,330	342,330
2030	275,000	3.85%	36,225.00	36,225.00	72,450	347,450
2031	285,000	3.90%	30,931.25	30,931.25	61,863	346,863
2032	295,000	3.95%	25,373.75	25,373.75	50,748	345,748
2033	310,000	4.00%	19,547.50	19,547.50	39,095	349,095
2034	320,000	4.05%	13,347.50	13,347.50	26,695	346,695
2035	<u>335,000</u>	4.10%	<u>6,868</u>	<u>6,868</u>	<u>13,735</u>	<u>348,735</u>
<b>TOTAL</b>	<b><u>\$ 4,800,000</u></b>		<b><u>\$ 1,028,078</u></b>	<b><u>\$ 1,028,078</u></b>	<b><u>\$ 2,056,155</u></b>	<b><u>\$ 6,856,155</u></b>

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF SARPY COUNTY, NEBRASKA**

**SCHEDULE OF CAPITAL ASSETS**

**JUNE 30, 2015**

	<u>Balance June 30, 2014</u>	<u>Increase</u>	<u>Balance June 30, 2015</u>
Improvements\Infrastructure	<u>\$ 4,353,656</u>	<u>\$</u>	<u>\$ 4,353,656</u>

HSMC ORIZON LLC  
CPAs, BUSINESS & TECHNOLOGY CONSULTANTS  
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December 29, 2015

**INDEPENDENT AUDITOR'S 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. 246  
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. 246, Sarpy County, Nebraska, (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2015. Our report disclosed that, as described in Note 1 to the financial statements, the district prepares its financial statements on the cash basis of accounting, which is a comprehensive bases of accounting other than generally accepted accounting principles in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which is described in the accompanying schedule of findings and responses.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HSMC Orizon LLC*

**HSMC ORIZON LLC**

**SANITARY AND IMPROVEMENT DISTRICT NO. 246  
OF DOUGLAS COUNTY, NEBRASKA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED JUNE 30, 2015**

**FINANCIAL STATEMENT FINDINGS**

**2015-1 SIGNIFICANT DEFICIENCY**

Financial Statement Preparation

*Criteria:* Management is responsible for the preparation and fair presentation of the District's financial statements. Many small organizations rely on their auditor to prepare their annual financial statements and related notes. However, current auditing standards emphasize that the auditor cannot be part of an organization's system of internal control over financial reporting; the auditor should audit financial statements prepared by the District or its personnel.

*Condition:* The District does not have personnel available to prepare its own financial statements in accordance with the generally accepted principles reporting model. Therefore, the District's management relies on its auditor to prepare the District's financial statements and notes to financial statements.

*Effect:* The condition could result in the District's financial statements being misstated and not detected within a timely period by the District's management.

*Recommendation:* We recommend that the District have a heightened awareness of all transactions being reported.

*Response:* The Board of Trustees understand that the condition stated above is one shared by all Sanitary and Improvement Districts with which its auditors are familiar. The Trustees have made all management decisions and have performed all management functions.

**COMPLIANCE AND OTHER MATTERS**

**2015-2 Excess Budget Expenditures**

*Condition:* The District issued bonds during the year and used the proceeds to pay off outstanding bonds and warrants. The transaction resulting from this bond issue was not budgeted for. As a result, actual expenditures exceeded budgeted expenditures for the year. The District did not amend its budget for these excess expenditures.

*Recommendation:* We recommend that procedures be established to ensure that when it appears that actual expenditures for the year will exceed those budgeted for, that the Board will adopt an amended budget.

*Response:* The Board of Trustees recognizes that this instance of noncompliance resulted from a transaction that was not anticipated when the original budget was adopted. The Board approved this transaction to take advantage of favorable interest rate conditions at the time for the benefit of the District and its residents. The Board is now aware of the need to adopt an amended budget when an unplanned expenditure, like this one, needs to be made but will result in total expenditures for the year in excess of those included in the original budget.