Sanitary and Improvement District No. 249 of Sarpy County, Nebraska

Basic Financial Statements and Independent Auditors' Report

June 30, 2013

Lutz

Sanitary and Improvement District No. 249 of Sarpy County, Nebraska

Index

	Page
Independent Auditors' Report	1-2
Basic Financial Statements	
Governmental Funds Balance Sheet/Statement of Net Position	3
Governmental Fund Revenues, Expenditures and Changes In Fund Balances/Statement of Activities	4
Notes to Basic Financial Statements	5-15

REQUIRED SUPPLEMENTARY INFORMATION

	Schedule	
Schedule of Revenue, Expenditures and Changes in Fund Balance-Budget and Actual (Budgetary Basis) – General Fund	1	16
Schedule of Revenue, Expenditures and Changes in Fund Balance-Budget and Actual (Budgetary Basis) – Debt Service Fund	2	17

SUPPLEMENTAL INFORMATION

Information Required by Section 31-740, Reissue Revised Statute of Nebraska, 1998	3	18
District Trustees and Related Bonds	4	19
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*		20-21

Lutz
mind what matters

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sanitary and Improvement District No. 249 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. 249 of Sarpy County, Nebraska, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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. 249 of Sarpy County, Nebraska, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 16 through 17 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Information Required by Section 31-740, Reissue Revised Statute of Nebraska, 1998 on page 18 and District Trustees and Related Bonds on page 19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information on pages 18 and 19 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of Sanitary and Improvement District No. 249 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, 2013

Sanitary and Improvement District No. 249 of Sarpy County, Nebraska

Governmental Funds Balance Sheet/Statement of Net Position

June 30, 2013

	General Fund	Debt Service Fund	Total	Reconciliation (Note 7)	Statement of Net Position
ASSETS					
Cash on Deposit					
County Treasurer	$ 2,719	$ 9,329	$ 12,048	$ -	$ 12,048
Investments	-	254,921	254,921	-	254,921
Receivables					
Property Taxes (Note 2)	23,403	84,366	107,769	-	107,769
Special Assessments (Note 3)	-	52,554	52,554	-	52,554
Accrued Interest Receivable					
Special Assessments (Note 3)	-	6,598	6,598	-	6,598
Investments	-	29	29	-	29
Capital Assets, Net of Accumulated Depreciation (Note 4)	-	-	-	3,285,238	3,285,238
TOTAL ASSETS	**$ 26,122**	**$ 407,797**	**$ 433,919**	**$ 3,285,238**	**$ 3,719,157**
LIABILITIES					
Accounts Payable	$ 8,969	$ -	$ 8,969	$ -	$ 8,969
Registered Warrants Payable (Note 5)	66,283	141,379	207,662	2,736,454	2,944,116
Accrued Interest on Registered Warrants (Note 5)	2,095	279,212	281,307	-	281,307
Bonds (Note 6)	-	26,378	26,378	-	26,378
Bonds Payable (Note 6)					
Due Within One Year	-	-	-	80,000	80,000
Due After One Year	-	-	-	1,945,000	1,945,000
Total Liabilities	77,347	446,969	524,316	4,761,454	5,285,770
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	-	-	-	107,769	107,769
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)					
FUND BALANCE (DEFICIT)/NET POSITION					
Unassigned, Reported in General Fund	(51,225)	-	(51,225)	51,225	
Restricted, Debt Service Fund	-	(39,172)	(39,172)	39,172	
Total Fund Balance (Deficit)	(51,225)	(39,172)	(90,397)	90,397	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	**$ 26,122**	**$ 407,797**	**$ 433,919**		
NET POSITION					
Invested in Capital Assets, Net of Related Debt				(1,617,595)	(1,617,595)
Unrestricted				(74,628)	(74,628)
Restricted for Debt Service				17,841	17,841
TOTAL NET POSITION				**$ (1,674,382)**	**$ (1,674,382)**

See Notes to Basic Financial Statements.

Sanitary and Improvement District No. 249 of Sarpy County, Nebraska

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

Year Ended June 30, 2013

	General Fund	Debt Service Fund	Total	Reconciliation (Note 7)	Statement of Activities
REVENUES/RECEIPTS					
Property Taxes (Note 2)	$ 51,063	$ 191,493	$ 242,556	$ (9,463)	$ 233,093
Interest on					
Property Taxes (Note 2)	9	22	31	-	31
Investments	-	177	177	-	177
Special Assessments (Note 3)	-	4,144	4,144	-	4,144
State Motor Vehicle Tax Allocation	134	294	428	-	428
Total Revenue/Receipts	51,206	196,130	247,336	(9,463)	237,873
EXPENDITURES/EXPENSES					
Current:					
Collection Fees- County Treasurer	1,402	3,102	4,504	-	4,504
Bond Issue Costs	-	-	-	189,551	189,551
Bond Maintenance Costs	-	1,000	1,000	-	1,000
Clerk Fees	1,292	-	1,292	-	1,292
Depreciation (Note 4)	-	-	-	115,698	115,698
Engineering	9,433	-	9,433	-	9,433
Fiscal Agent Fees	3,281	100	3,381	-	3,381
Insurance	4,874	-	4,874	-	4,874
Interest on					
Registered Warrants (Note 5)	3,918	201,590	205,508	-	205,508
Maintenance	19,961	-	19,961	-	19,961
Professional Fees	6,355	-	6,355	-	6,355
Utilities	11,902	-	11,902	-	11,902
Bonds Payable (Note 6)					
Principal	-	70,000	70,000	(70,000)	-
Interest	-	98,196	98,196	-	98,196
Total Expenditures/Expenses	62,418	373,988	436,406	235,249	671,655
Excess (Deficiency) of Revenues/Receipts Over Expenditures/Expenses	(11,212)	(177,858)	(189,070)	(244,712)	(433,782)
OTHER FINANCING SOURCES (USES)					
Warrants Issued (Note 5)	-	2,100	2,100	(2,100)	-
Change in Payables	-	(96,942)	(96,942)	96,942	-
Total Other Financing Sources (Uses)	-	(94,842)	(94,842)	94,842	-
Excess (Deficiency) of Revenues and Transfers in Over (Under) Expenditures/ Expenses and Transfers Out	(11,212)	(272,700)	(283,912)	283,912	-
Change in Net Position				(433,782)	(433,782)
Fund Balance (Deficit)/Net Position, Beginning of Year	(40,013)	233,528	193,515	-	(1,240,600)
Fund Balance (Deficit)/Net Position, End of Year	**$ (51,225)**	**$ (39,172)**	**$ (90,397)**	**$ -**	**$ (1,674,382)**

See Notes to Basic Financial Statements.

1. Summary of Significant Accounting Policies

The accounting policies of Sanitary and Improvement District No. 249 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. 249 of Sarpy County, Nebraska (the District), was formed on December 17, 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.

The District has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*: *Omnibus* which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, Certain *Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides additional guidance on fund balance classifications and clarifies existing guidance on governmental fund type definitions. GASB No. 54 requires the District to identify amounts that are considered nonspendable and provides for additional classification of spendable amounts as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

On July 1, 2012, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which introduced and defined deferred outflows of resources as a consumption of net assets and deferred inflows of resources as an acquisition of net assets, by the government that are applicable to a future period. On July 1, 2012, the District also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* which establishes accounting and financial reporting standards that reclassify or recognize certain items that were previously reported as assets and liabilities as deferred outflows or inflows or current outflows or inflows of resources.

Basic Financial Statements

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental Activities. These statements are presented on an *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, 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. Under 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 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 basic financial statements provide reports on the financial condition and results of operations for the District. The District reports the two major governmental funds' financial condition and results of operations in separate columns.

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.

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. These funds are accounted for using the current financial resources measurement focus. Under this measurement focus, 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.

Basis of Accounting

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 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, 2013.

- **Restricted Fund Balance**

  Restricted fund balances consists 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, 2013.

- **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, 2013.

- **Unassigned Fund Balance**

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

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 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, 2013.)

Investments

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 1990, and allowable investments generally include U.S. government obligations, certificates of deposit, and time deposits. The District's investments during the year ended June 30, 2013, consisted of 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.

Investments are stated at fair value.

Special Assessments

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

Property Taxes

Property tax revenues are recognized 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.

Capital Assets

Capital assets are stated at cost in accordance with construction contracts and other costs applicable thereto. 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
Sanitary Sewer System	50
Street Improvements	20

Deferred Revenue

The District reports unearned deferred revenue in the Statement of Net Position. Deferred and unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within thirty-one days after year-end are considered to have been for prior year services.

Utilities Costs

These costs include the cost of systems for which the District does not obtain title such as electrical systems (OPPD), water distribution systems (MUD) and/or gas distribution systems (MUD). These costs are expensed as incurred.

Bond Issue Costs

The District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilitie*s. Accordingly, effective July 1, 2012, all bond issue costs are recognized as an expense in the period incurred. The unamortized portion of previously capitalized bond issue costs totaling $189,551 is included in bond issue cost expense for the year ended June 30, 2013.

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.

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, 2013. See Notes 5 and 9 for a description of a subsequent event.

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 2012-2013, the District levied taxes in the General Fund at the rate of $0.95 ($.20 in the general fund and $.75 in the debt service fund) per $100 based on a property valuation of $25,532,562.

3. Special Assessments Receivable

Special assessments in the amount of $1,737,879 were levied against certain properties within the District in connection with the construction of improvements. The assessments are due in ten annual installments and bear interest at 7% per annum until delinquent and 9% per annum thereafter until paid.

4. Capital Assets

Capital assets at June 30, 2013, consist of the following:

	Costs at June 30, 2012	Additions	Deletions	Costs at June 30, 2013
Sanitary Sewer System	$ 2,705,639	$ -	$ -	$ 2,705,639
Street Improvements	1,231,706	-	-	1,231,706
Easements	168,000	-	-	168,000
	$ 4,105,345	$ -	$ -	4,105,345
Less Accumulated Depreciation				820,107
Capital Assets, Net of Accumulated Depreciation				$ 3,285,238

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.

The following is a summary of warrant transactions during the year ended June 30, 2013:

	General Fund	Debt Service Fund
Balance, June 30, 2012	$ 62,997	$ 2,875,733
Warrants Issued	68,904	2,100
Warrants Retired	(65,618)	-
Balance, June 30, 2013	$ 66,283	$ 2,877,833

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
2014	$ -		$ 2,253,288	7%
2015	-		246,448	7%
2016	66,283	6%	186,868	7%
2017	-		189,129	7%
2018	-		2,100	7%
	$ 66,283		$ 2,877,833	

At June 30, 2013, the District had delinquent warrants totaling $806,271 in the debt service fund. There were no unregistered warrants at June 30, 2013.

The District plans to exchange outstanding debt service fund warrant principal and accrued interest for a certificate of indebtedness on December 15, 2013 as outlined in the Plan of Adjustment approved by the United States Bankruptcy Court for the District of Nebraska. See Note 9 for a description of the Chapter 9 bankruptcy proceedings.

6. Long-Term Debt

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

General obligation bonds totaling $1,200,000 issued October 1, 2005, with a balance of $935,000 at June 30, 2013, are due serially beginning October 1, 2006 through October 1, 2025. Interest is payable semi-annually on this issue at 4.25% to 5.0% per annum.

General obligation bonds totaling $1,150,000 issued September 15, 2008, with a balance of $1,090,000 at June 30, 2013, are due serially beginning September 15, 2010 through September 15, 2028. Interest is payable semi-annually on this issue at 3.85% to 5.30% per annum.

The following is a summary of bonds payable transactions of the District for the year ending June 30, 2013:

Bonds Outstanding, June 30, 2012	$ 2,095,000
Bonds Retired	(70,000)
Bonds Outstanding, June 30, 2013	$ 2,025,000

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

Year Ending June 30:	Principal	Interest	Total
2014	$ 80,000	$ 95,897	$ 175,897
2015	85,000	92,471	177,471
2016	95,000	88,620	183,620
2017	105,000	84,211	189,211
2018	110,000	79,362	189,362
2019-2023	700,000	306,388	1,006,388
2024-2028	735,000	113,261	848,261
2029	115,000	3,048	118,048
	$ 2,025,000	$ 863,258	$ 2,888,258

7. Reconciliation of Net Position and Changes in Net Position

Net Position	
Total fund balance per balance sheet	$ (90,397)
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.	3,285,238
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.	(4,761,454)
Property tax revenue not yet earned at year end is reported as deferred revenue.	(107,769)
Net position of governmental activities	$ (1,674,382)

Changes in Net Position	
Net change in fund balance	$ (189,070)
Current year property tax levy not yet earned at year end.	(9,463)
Certain expenditures do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	(305,249)
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.	70,000
Change in net position of governmental activities	$ (433,782)

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, sewer connection fees and annual property tax levies. Special assessments and sewer connection fees 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 2010, the District received permission from the local court to extend the maturity date of certain debt service fund warrants payable. See Note 5 for warrant maturities as of June 30, 2013 and Note 9 for a description of the Chapter 9 bankruptcy proceedings.

9. Subsequent Events

Chapter 9 Bankruptcy

The District has had difficulties paying warrant principal and interest as warrants mature due to the lack of property valuation and special assessment collection. A plan of adjustment under Chapter 9 of the United States Bankruptcy Code was filed in July 2012 and approved and confirmed by an order of the United States Bankruptcy Court of the District of Nebraska in October 2013. The Plan outlines the exchange of outstanding debt service fund warrant principal and accrued interest for a registered certificate of indebtedness effective on December 15, 2013. The District's Plan of Adjustment is available at the Sarpy County courthouse.

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,
Reissue Revised Statute of Nebraska, 1998**

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. 249 of Sarpy County, Nebraska

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

For the Year Ended June 30, 2013

	Actual on GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
REVENUES/RECEIPTS					
Property Taxes	$ 51,063	$ 20,770	$ 71,833	$ 49,533	$ 22,300
Interest on Property Taxes	9	-	9	250	(241)
State Motor Vehicle Tax Allocation	134	-	134	-	134
Total Revenues/Receipts	51,206	20,770	71,976	49,783	22,193
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	1,402	-	1,402	-	(1,402)
Clerk Fees	1,292	646	1,938	1,200	(738)
Engineering	9,433	2,643	12,076	14,000	1,924
Fiscal Agent Fees	3,281	-	3,281	4,500	1,219
Insurance	4,874	-	4,874	5,500	626
Interest on Registered Warrants	3,918	896	4,814	4,500	(314)
Maintenance	19,961	(2,833)	17,128	36,000	18,872
Professional Fees	6,355	11,144	17,499	15,500	(1,999)
Utilities	11,902	207	12,109	12,000	(109)
Total Expenditures/Disbursements	62,418	12,703	75,121	93,200	18,079
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(11,212)	8,067	(3,145)	(43,417)	40,272
OTHER FINANCING SOURCES (USES)					
Warrants Issued	-	68,904	68,904	89,000	(20,096)
Warrants Retired	-	(65,618)	(65,618)	(6,000)	(59,618)
Total Other Financing Sources (Uses)	-	3,286	3,286	83,000	(79,714)
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES	(11,212)	11,353	141	**$ 39,583**	**$ (39,442)**
Fund Balance (Deficit), Beginning of Year	(40,013)	42,591	2,578		
Fund Balance (Deficit), End of Year	**$ (51,225)**	**$ 53,944**	**$ 2,719**		

See Independent Auditors' Report.

Sanitary and Improvement District No. 249 of Sarpy County, Nebraska

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

For the Year Ended June 30, 2013

	Actual on GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
REVENUES/RECEIPTS					
Property Taxes	$ 191,493	$ (30,229)	$ 161,264	$ 90,154	$ 71,110
Interest on					
Property Taxes	22	-	22	-	22
Investments	177	15	192	-	192
Special Assessments	4,144	(4,144)	-	10,000	(10,000)
Special Assessments	-	-	-	50,000	(50,000)
State Motor Vehicle Tax Allocation	294	-	294	-	294
Total Revenues/Receipts	196,130	(34,358)	161,772	150,154	11,618
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	3,102	-	3,102	-	(3,102)
Bond Maintenance Costs	1,000	1,000	2,000	-	(2,000)
Fiscal Agent Fees	100	-	100	-	(100)
Interest on Registered Warrants	201,590	(201,590)	-	200,000	200,000
Bonds Payable					
Principal Payments	70,000	-	70,000	70,000	-
Interest	98,196	720	98,916	98,913	(3)
Total Expenditures/Disbursements	373,988	(199,870)	174,118	368,913	194,795
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(177,858)	165,512	(12,346)	(218,759)	206,413
OTHER FINANCING SOURCES (USES)					
Warrants Issued	2,100	-	2,100	200,000	(197,900)
Change in Payables	(96,942)	96,942	-	-	-
Total Other Financing Sources (Uses)	(94,842)	96,942	2,100	200,000	(197,900)
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES	(272,700)	262,454	(10,246)	**$ (18,759)**	**$ 8,513**
Fund Balance (Deficit), Beginning of Year	233,528	40,968	274,496		
Fund Balance (Deficit), End of Year	**$ (39,172)**	**$ 303,422**	**$ 264,250**		

See Independent Auditors' Report.

Sanitary and Improvement District No. 249 of Sarpy County, Nebraska

Information Required by Section 31-740
Reissue Revised Statute of Nebraska, 1998 **Schedule 3**

June 30, 2013

Total Receipts From All Sources	$	233,748
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	$	19,961
New Equipment		None
New Construction Work		None
Property Purchased		None
Number of Employees		None
Total Amount of Taxes Levied Upon the Property Within the District	$	242,556

See Independent Auditors' Report.

Sanitary and Improvement District No. 249 of Sarpy County, Nebraska

District Trustees and Related Bonds **Schedule 4**

June 30, 2013

Trustees		Bonds	
Name	**Office**	**Insurer**	**Amount**
Timothy Young	Chairman	Western Surety Company	$ 5,000
Mark Boyer	Clerk	Western Surety Company	$ 20,000
Nick Boyer	Trustee		
Rich Grzywa	Trustee		

See Independent Auditors' Report.

Lutz
mind what matters

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. 249 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. 249 of Sarpy County, Nebraska, as of and for the year ended June 30, 2013, which collectively comprise Sanitary and Improvement District No. 249 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated November 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 249 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. 249 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. 249 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 249 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Findings and Responses

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 District's management does not have the ability to prepare its 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 cannot 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
Management 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.

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, 2013

Lutz