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

Basic Financial Statements and Independent Auditors' Report

June 30, 2015

Lutz

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

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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, 2015, 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. 249 of Sarpy County, Nebraska, as of June 30, 2015, 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 December 15, 2015, 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.

December 15, 2015

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

Governmental Funds Balance Sheet/Statement of Net Position

June 30, 2015

	General Fund	Debt Service Fund	Total	Reconciliation (Note 8)	Statement of Net Position
ASSETS					
Cash on Deposit					
County Treasurer	$ 2,809	$ 55,601	$ 58,410	$ -	$ 58,410
Investments	-	289,915	289,915	-	289,915
Receivables					
Property Taxes (Note 2)	30,184	109,794	139,978	-	139,978
Special Assessments (Note 3)	-	52,554	52,554	-	52,554
Accrued Interest Receivable					
Investments	-	26	26	-	26
Special Assessments (Note 3)	-	15,516	15,516	-	15,516
Capital Assets, Net of					
Accumulated Depreciation (Note 4)	-	-	-	3,053,842	3,053,842
TOTAL ASSETS	**$ 32,993**	**$ 523,406**	**$ 556,399**	**$ 3,053,842**	**$ 3,610,241**
LIABILITIES					
Accounts Payable	$ 18,476	$ 1,500	$ 19,976	$ -	$ 19,976
Registered Warrants					
Payable (Note 5)	177,562	-	177,562	-	177,562
Certificates of					
Indebtedness (Notes 6 and 10)	-	-	-	3,177,631	3,177,631
Accrued Interest on					
Registered Warrants (Note 5)	5,856	-	5,856	-	5,856
Certificates of Indebtedness (Note 6)	-	97,977	97,977	-	97,977
Bonds (Note 7)	-	24,578	24,578	-	24,578
Bonds Payable (Notes 7 and 10)					
Due Within One Year	-	-	-	95,000	95,000
Due After One Year	-	-	-	1,765,000	1,765,000
Total Liabilities	201,894	124,055	325,949	5,037,631	5,363,580
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	-	-	-	139,978	139,978
COMMITMENTS AND CONTINGENCIES (Note 9)					
FUND BALANCE (DEFICIT)/NET POSITION					
Unassigned, Reported in					
General Fund	(168,901)	-	(168,901)	168,901	
Restricted, Debt Service Fund	-	399,351	399,351	(399,351)	
Total Fund Balance (Deficit)	(168,901)	399,351	230,450	(230,450)	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	**$ 32,993**	**$ 523,406**	**$ 556,399**		
NET POSITION					
Invested in Capital Assets, Net of Related Debt				(1,983,789)	(1,983,789)
Unrestricted				(199,085)	(199,085)
Restricted for Debt Service				289,557	289,557
TOTAL NET POSITION				**$ (1,893,317)**	**$ (1,893,317)**

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, 2015

	General Fund	Debt Service Fund	Total	Reconciliation (Note 8)	Statement of Activities
REVENUES/RECEIPTS					
Property Taxes (Note 2)	$ 66,250	$ 248,439	$ 314,689	$ (12,639)	$ 302,050
Interest on					
Property Taxes (Note 2)	33	123	156	-	156
Investments	-	87	87	-	87
Special Assessments (Note 3)	-	4,564	4,564	-	4,564
State Motor Vehicle Tax Allocation	137	512	649	-	649
Collection in District	-	15,001	15,001	-	15,001
Total Revenue/Receipts	66,420	268,726	335,146	(12,639)	322,507
EXPENDITURES/EXPENSES					
Current:					
Collection Fees- County Treasurer	901	3,380	4,281	-	4,281
Clerk Fees	1,405	-	1,405	-	1,405
Depreciation (Note 4)	-	-	-	115,698	115,698
Engineering	5,381	-	5,381	-	5,381
Fiscal Agent Fees	6,927	-	6,927	-	6,927
Insurance	4,594	-	4,594	-	4,594
Interest on					
Registered Warrants (Note 5)	9,027	-	9,027	-	9,027
Certificates of Indebtedness (Notes 6 and 10)	-	63,553	63,553	-	63,553
Maintenance	65,472	-	65,472	-	65,472
Professional Fees	17,302	-	17,302	-	17,302
Utilities	14,157	-	14,157	-	14,157
Bond Maintenance Costs	-	1,500	1,500	-	1,500
Bonds Payable (Note 7)					
Principal	-	85,000	85,000	(85,000)	-
Interest	-	91,529	91,529	-	91,529
Total Expenditures/Expenses	125,166	244,962	370,128	30,698	400,826
Excess (Deficiency) of Revenues/Receipts Over Expenditures/Expenses	(58,746)	23,764	(34,982)	(43,337)	(78,319)
OTHER FINANCING SOURCES (USES)					
Warrants Retired (Note 5)	-	(1,500)	(1,500)	1,500	-
Change in Payables	-	1,500	1,500	(1,500)	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Excess (Deficiency) of Revenues and Transfers in Over (Under) Expenditures/ Expenses and Transfers Out	(58,746)	23,764	(34,982)	34,982	-
Change in Net Position				(78,319)	(78,319)
Fund Balance (Deficit)/Net Position, Beginning of Year	(110,155)	375,587	265,432	-	(1,814,998)
Fund Balance (Deficit)/Net Position, End of Year	**$ (168,901)**	**$ 399,351**	**$ 230,450**	**$ -**	**$ (1,893,317)**

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), 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.

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, 2015.

- **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, 2015.

- **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, 2015.

- **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, 2015.)

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.

GASB Statement No. 72 on Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

U.S. government obligations are liquid and have quoted market prices. Fair value of U.S. government obligations is based on live trading data. U.S. government obligations are categorized in Level 1 of the fair value hierarchy.

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

Revenue on special assessments is recognized when the specials are assessed. Special assessments are considered fully collectible; therefore, no allowance for uncollectible assessments 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
Sanitary Sewer Systems	50
Street Improvements	20

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 on Net Assets 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 December 15, 2015, see Note 10 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 2014-2015, the District levied taxes 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 $33,125,144.

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, 2015, consist of the following:

	Costs at June 30, 2014	Additions	Deletions	Costs at June 30, 2015
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				1,051,503
Capital Assets, Net of Accumulated Depreciation				$ 3,053,842

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, 2015:

	General Fund	Debt Service Fund
Balance, June 30, 2014	$ 128,739	$ 1,500
Warrants Issued	172,465	-
Warrants Retired	(123,642)	(1,500)
Balance, June 30, 2015	$ 177,562	$ -

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
2016	$ -		$ -	
2017	5,097	6%	-	
2018	172,465	6%	-	
2019	-		-	
2020	-		-	
	$ 177,562		$ -	

6. Certificates of Indebtedness

On December 15, 2013, outstanding debt service fund warrant principal and accrued interest through August 6, 2013, was exchanged for certificates of indebtedness 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.

The certificates, totaling $3,177,631, are registered with Sarpy County and accrue interest at 2.00%. Each year through 2027 the District will make payments equal to the amount of funds available for distribution as determined by the District's fiscal agent. Payments will first be applied to outstanding principal then to accrued interest. Any unpaid principal and interest on the certificates at December 31, 2027 will be discharged. No payments were made on the certificates of indebtedness for the year ended June 30, 2015. The certificates are subordinated by the District's general obligation bonds (see Note 7).

7. 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 $835,000 at June 30, 2015, are due serially beginning October 1, 2006 through October 1, 2025. Interest is payable semi-annually on this issue at 4.45% to 5.0% per annum.

General obligation bonds totaling $1,150,000 issued September 15, 2008, with a balance of $1,025,000 at June 30, 2015, are due serially beginning September 15, 2010 through September 15, 2028. Interest is payable semi-annually on this issue at 4.20% to 5.30% per annum.

The following is a summary of the bonds payable transactions of the District for the year ending June 30, 2015:

Bonds Outstanding, June 30, 2014	$ 1,945,000
Bonds Retired	(85,000)
Bonds Outstanding, June 30, 2015	$ 1,860,000

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

Year Ending June 30:	Principal	Interest	Total
2016	$ 95,000	$ 88,620	$ 183,620
2017	105,000	84,211	189,211
2018	110,000	79,362	189,362
2019	120,000	74,082	194,082
2020	130,000	68,250	198,250
2021-2025	800,000	233,679	1,033,679
2026-2039	500,000	46,686	546,686
	$ 1,860,000	$ 674,890	$ 2,534,890

8. Reconciliation of Net Position and Changes in Net Position

Net Position	
Total fund balance per balance sheet	$ 230,450
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.	3,053,842
Some liabilities, including certificates of indebtedness and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,037,631)
Property tax revenue not yet earned at year end is reported as deferred revenue.	(139,978)
Net position of governmental activities	$ (1,893,317)

Changes in Net Position	
Net change in fund balance	$ (34,982)
Current year property tax levy not yet earned at year end.	(12,639)
Certain expenses do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	(115,698)
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.	85,000
Change in net position of governmental activities	$ (78,319)

9. 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. 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.

Chapter 9 Bankruptcy

Slower than anticipated building activity has resulted in continued financial challenges for the District due to the lack of property valuation. A plan of adjustment under Chapter 9 of the United States Bankruptcy Code was approved and confirmed by an order of the United States Bankruptcy Court of the District of Nebraska on October 31, 2013. The Plan outlined the exchange of outstanding debt service fund warrant principal and accrued interest for registered certificates of indebtedness effective on December 15, 2013 (see Note 6). The District's Plan of Adjustment is available at the Sarpy County courthouse.

The District's plan of adjustment also allows for the reimbursement of certain costs related to the removal of silt basins located on lots within the District. Payment of approximately $115,000 will be made to the property owner, in the event the District's financial condition has improved to support such payment, as determined by the District's fiscal agent.

10. Subsequent Events

On October 15, 2015, the District issued general obligation bonds totaling $1,500,000. The bonds are due in various installments beginning October 15, 2018, through October 15, 2035. Interest is payable semiannually on this issue at 2.05% to 4.20% per annum. These bonds were issued to partially redeem the Certificates of Indebtedness issued on August 6, 2013, as well as to pay various outstanding construction warrants.

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 Nebraska Revised Statutes Section 31-740

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, 2015

	Actual on GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Original and Final Budget	Variance- Favorable (Unfavorable)
REVENUES/RECEIPTS					
Property Taxes	$ 66,250	$ (2,661)	$ 63,589	$ 64,263	$ (674)
Interest on Property Taxes	33	-	33	50	(17)
State Motor Vehicle Tax Allocation	137	-	137	200	(63)
Total Revenues/Receipts	66,420	(2,661)	63,759	64,513	(754)
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	901	-	901	-	(901)
Clerk Fees	1,405	102	1,507	1,200	(307)
Engineering	5,381	10,712	16,093	15,000	(1,093)
Fiscal Agent Fees	6,927	-	6,927	7,100	173
Insurance	4,594	-	4,594	5,000	406
Interest on Registered Warrants	9,027	(1,134)	7,893	7,000	(893)
Maintenance	65,472	49,242	114,714	90,000	(24,714)
Professional Fees	17,302	-	17,302	16,500	(802)
Utilities	14,157	(2,828)	11,329	15,000	3,671
Total Expenditures/Disbursements	125,166	56,094	181,260	156,800	(24,460)
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(58,746)	(58,755)	(117,501)	(92,287)	(25,214)
OTHER FINANCING SOURCES (USES)					
Warrants Issued	-	172,465	172,465	149,800	22,665
Warrants Retired	-	(123,642)	(123,642)	(100,000)	(23,642)
Transfer from Bond Fund	-	70,000	70,000	50,000	20,000
Total Other Financing Sources (Uses)	-	118,823	118,823	99,800	19,023
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES	(58,746)	60,068	1,322	**$ 7,513**	**$ (6,191)**
Fund Balance (Deficit), Beginning of Year	(110,155)	111,642	1,487		
Fund Balance (Deficit), End of Year	**$ (168,901)**	**$ 171,710**	**$ 2,809**		

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, 2015

	Actual on GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Original and Final Budget	Variance- Favorable (Unfavorable)
REVENUES/RECEIPTS					
Property Taxes	$ 248,439	$ (9,978)	$ 238,461	$ 240,986	$ (2,525)
Interest on					
Property Taxes	123	-	123	200	(77)
Investments	87	(5)	82	-	82
Special Assessments	4,564	(4,564)	-	1,000	(1,000)
Special Assessments	-	-	-	10,000	(10,000)
State Motor Vehicle Tax Allocation	512	-	512	800	(288)
Collection in District	15,001	19,999	35,000	-	35,000
Total Revenues/Receipts	268,726	5,452	274,178	252,986	21,192
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	3,380	-	3,380	-	(3,380)
Professional Fees	-	-	-	5,000	5,000
Bond Maintenance Costs	1,500	(1,500)	-	2,000	2,000
Interest on					
Certificates of Indebtedness	63,553	(63,553)	-	-	-
Bonds Payable					
Principal Payments	85,000	-	85,000	85,000	-
Interest	91,529	942	92,471	92,471	-
Total Expenditures/Disbursements	244,962	(64,111)	180,851	184,471	3,620
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	23,764	69,563	93,327	68,515	24,812
OTHER FINANCING SOURCES (USES)					
Warrants Issued	-	-	-	7,000	(7,000)
Warrants Retired	(1,500)	-	(1,500)	-	(1,500)
Change in Payables	1,500	(1,500)	-	-	-
COI Payment	-	-	-	(100,000)	100,000
Transfer to General Fund	-	-	(70,000)	(50,000)	(20,000)
Total Other Financing Sources (Uses)	-	(1,500)	(71,500)	(143,000)	71,500
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES	23,764	(1,937)	21,827	**$ (74,485)**	**$ 96,312**
Fund Balance (Deficit), Beginning of Year	375,587	(51,898)	323,689		
Fund Balance (Deficit), End of Year	**$ 399,351**	**$ (53,835)**	**$ 345,516**		

See Independent Auditors' Report.

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

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

June 30, 2015

Total Receipts From All Sources	$	337,937
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	$	65,472
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	$	314,689

See Independent Auditors' Report.

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

District Trustees and Related Bonds **Schedule 4**

June 30, 2015

Trustees		Bonds	
Name	**Office**	**Insurer**	**Amount**
Timothy Young	Chairman	Universal Surety Co.	$ 5,000
Mark Boyer	Clerk	Universal Surety Co.	$ 20,000
Rich Grzywa	Trustee		
Todd England	Trustee		
Michael Buchanan	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*

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, 2015, which collectively comprise Sanitary and Improvement District No. 249 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated December 15, 2015. 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.*

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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 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.

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.

December 15, 2015

Lutz