

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 251
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 251
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. 251 of Sarpy County, Nebraska (a political subdivision) 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 table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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 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.

INDEPENDENT AUDITORS' REPORT- continued

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 251 of Sarpy County, Nebraska as of June 30, 2013, 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 budgetary comparison on page 19 to be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 251 of Sarpy County, Nebraska's basic financial statements. The supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT- continued

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the Sanitary and Improvement District No. 251 of Sarpy County, Nebraska internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitary and Improvement District No. 251 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

Jones & Love, P.C.

Omaha, Nebraska
December 16, 2013

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2013

	<u>Primary Government</u> <u>Governmental Activities</u>
ASSETS:	
Cash on deposit - County Treasurer	\$ 596,641
Taxes receivable (notes G and I)	83,106
Special assessments receivable (notes C and I)	811,167
Accrued interest on special assessments	374,557
Capital assets (note E):	
Infrastructure	8,285,605
Accumulated depreciation	<u>(1,983,980)</u>
Total assets	<u>8,167,096</u>
LIABILITIES:	
Accounts payable	19,421
Accrued interest	1,192,615
Noncurrent liabilities (note F):	
Due within one year	-
Due in more than one year	<u>5,904,852</u>
Total liabilities	<u>7,116,888</u>
COMMITMENTS AND CONTINGENCIES (notes H and J)	-
NET POSITION:	
Invested in capital assets, net of related debt	396,773
Restricted for debt service	486,786
Unrestricted	<u>166,649</u>
Total net position	<u>\$ 1,050,208</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes In Net Position Governmental Activities</u>
Governmental activities			
General	\$117,940	\$ -	\$ (117,940)
Debt service	16,373	-	(16,373)
Depreciation	293,940	-	(293,940)
Interest on long-term debt	<u>281,304</u>	<u>-</u>	<u>(281,304)</u>
Total government	<u>\$709,557</u>	<u>\$ -</u>	<u>(709,557)</u>

General revenues:	
Property taxes	223,440
Interest on taxes	58
State motor vehicle tax allocation	405
Property tax credit allocation	5,749
Interest on special assessments	87,884
Connection fees	<u>82,758</u>
Total general revenues	<u>400,294</u>
Change in net position	(309,263)
Net position at beginning of year	<u>1,359,471</u>
Net position at end of year	<u>\$1,050,208</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit - County Treasurer	\$149,134	\$ 447,507	\$ 596,641
Taxes receivable (notes G and I)	36,936	46,170	83,106
Special assessments receivable (notes C and I)	-	811,167	811,167
Accrued interest on special assessments	-	374,557	374,557
Total assets	<u>\$186,070</u>	<u>\$1,679,401</u>	<u>\$1,865,471</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ 19,421	\$ -	\$ 19,421
Accrued interest on registered warrants	-	1,192,615	1,192,615
Deferred revenue	-	1,185,724	1,185,724
Total liabilities	19,421	2,378,339	2,397,760
COMMITMENTS AND CONTINGENCIES			
(notes H and J)	-	-	-
Fund balance (deficit):			
Reserved for debt service	-	(698,938)	(698,938)
Unassigned	166,649	-	166,649
Total fund balance (deficit)	166,649	(698,938)	(532,289)
Total liabilities and fund balance	<u>\$186,070</u>	<u>\$1,679,401</u>	<u>\$1,865,471</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2013

Total fund balance - total governmental funds		\$ (532,289)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
- Capital assets used in governmental activities are not current financial resources and there- fore are not reported in the governmental funds balance sheet.		6,301,625
- Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Due within one year	\$ -	
Due in more than one year	<u>(5,904,852)</u>	(5,904,852)
- Deferred income related to special assessments is required under modified accrual in the governmental funds balance sheet but not under full accrual accounting in the government-wide statement of net position.		<u>1,185,724</u>
Net Position of Governmental Activities		<u>\$ 1,050,208</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes assessed (note G)	\$ 99,324	\$ 124,116	\$ 223,440
State motor vehicle tax allocation	180	225	405
Property tax credit allocation	2,555	3,194	5,749
Interest on taxes	8	50	58
Special assessments	-	401,638	401,638
Interest on special assessments	-	171,509	171,509
Connection fees	-	82,758	82,758
	<u>102,067</u>	<u>783,490</u>	<u>885,557</u>
EXPENDITURES:			
Legal and accounting fees	19,860	-	19,860
Trustee bonds and insurance	4,418	-	4,418
Collection fees - County Treasurer	1,929	13,873	15,802
Maintenance and engineering	59,389	-	59,389
Electricity	28,862	-	28,862
Trustee fees	1,200	-	1,200
Fiscal agent fees	-	2,500	2,500
Financial services fee	2,183	-	2,183
Payroll tax expense	99	-	99
Debt Service:			
Interest charges	-	281,304	281,304
	<u>117,940</u>	<u>297,677</u>	<u>415,617</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,873)	485,813	469,940
OTHER FINANCING SOURCES (USES):			
Payment of long-term debt	-	(518,167)	(518,167)
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES	(15,873)	(32,354)	(48,227)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>182,522</u>	<u>(666,584)</u>	<u>(484,062)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$166,649</u>	<u>\$(698,938)</u>	<u>\$(532,289)</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 251 of Sarpy County, Nebraska is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the trustees of the District, who are responsible for their integrity and objectivity. These accounting policies conform in all material respects to accounting principles generally accepted in the United States of America, as promulgated by the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units, and have been consistently applied in the preparation of the financial statements.

History and business activity

The District is a governmental subdivision, created pursuant to Nebraska law, to act as a vehicle for the construction of roads, utilities and similar improvements. The Board of Trustees, consisting of five members, has the power to provide financing for such improvements and has authority to: issue warrants for construction work and services, contract with financial institutions for conversion of warrants to cash, and to levy both special assessments and general taxes against property in the District to pay off warrants and bonds issued by the District.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reporting entity

The accompanying financial statements present the District's primary governmental unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

For the fiscal year ended June 30, 2013, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. GASB Statement No. 63 establishes accounting and financial reporting standards for deferred outflows of resources or deferred inflows of resources and net position together with related disclosures. At June 30, 2013, the District did not have any deferred outflows of resources or deferred inflows of resources, as defined by GASB Statement No. 63. However, see Note K for a description of the District's net position, as required by GASB Statement No. 63.

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements - Continued

General Fund

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the District. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus/Basis of Accounting - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received.

Budget 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. 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:

- (a) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (b) Notice of place and time of public hearings must be published prior to the public hearings.
- (c) Public hearings are conducted to obtain taxpayer comment.
- (d) 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.
- (e) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- (f) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the year ended June 30, 2013.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

(g) The accompanying combined statements of revenues, expenditures, and changes in fund balances - Budget and Actual - General and Debt Service Fund presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2013 is presented as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$(24,941)	\$ 245,321
Adjustments:		
To adjust revenues for receivables	2,902	3,628
To adjust expenditures for payables and accruals	6,166	(283,803)
To adjust for variance in recognition of items for other financing sources (uses)	<u>-</u>	<u>2,500</u>
Deficiency of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$(15,873)</u>	<u>\$ (32,354)</u>

NOTE B - PLAN OF ADJUSTMENT

On July 13, 2009, the District filed a plan of reorganization under Chapter 9 of the United States Bankruptcy Code. The plan calls for several actions which include the transfer of all funds held by the Debt Service Fund to the designated disbursing agent except for \$350,000 be held by the General Fund. Registered warrants which were issued for interest during March, 2009 were paid other than the amounts due to the developer. Remaining funds were used to pay warrant holders on a pro-rata basis. The interest rate on remaining warrants was reduced to 4.5% and prior interest was eliminated.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE B - PLAN OF ADJUSTMENT - CONTIINUED

Warrants issued to the developer totaling \$691,812 were cancelled. Phase III lots, which had been partially developed, were detached from the District and the special assessments related to these lots were lifted. The net book value of the improvements affected is \$388,005. The special assessments lifted total \$365,863, including accrued interest. These provisions were recorded by the District in the June 30, 2009 financial statements. The plan of reorganization was accepted by the U.S. Bankruptcy Court on November 5, 2009.

NOTE C - SPECIAL ASSESSMENTS

Special assessments were levied in the amount of \$1,920,427 on April 20, 2006 against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments and bear interest at 7.5% per annum until delinquent and 9.5% per annum thereafter until paid.

Special assessments were levied in the amount of \$2,402,215 on September 4, 2007 against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments and bear interest at 7.5% per annum until delinquent and 9.5% per annum thereafter until paid.

NOTE D - INVESTMENTS

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 2003, and generally include U.S. government obligations, certificate of deposit and time deposits. During the year ended June 30, 2013, the District invested in U.S. treasury bills.

All investments activities are conducted through the District's fiscal agent, the County Treasurer. Treasury bills and Federal National Mortgage Association notes are bought and held in safekeeping through the County Treasurer in the County's name. These securities are classified as Level 1 in the fair value Hierarchy as indicated in ASC 820-10.

The District had no investments at June 30, 2013.

Investment risks that the District may be subject to consist of:

Interest Rate Risk - Since the District's investments are short-term, this risk is minimized at June 30, 2013.

Custodial Credit Risk - Since investments are held in the County's name, the District is exposed to this risk at June 30, 2013.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE E - CAPITAL ASSETS

At June 30, 2013, capital assets consist of the following:

	July 1, 2012	Additions	June 30, 2013
Infrastructure:			
Paving, sanitary and and storm sewer	\$6,438,372	\$ -	\$ 6,438,372
Water system	1,285,178	-	1,285,178
Power system	501,635	-	501,635
Park and improvements	60,420	-	60,420
	8,285,605	-	8,285,605
Accumulated depreciation	(1,690,040)	(293,940)	(1,983,980)
	\$6,595,565	\$(293,940)	\$ 6,301,625

Depreciation expense totaled \$293,940 for the year ended June 30, 2013.

NOTE F - REGISTERED WARRANTS

At June 30, 2013, the District has registered warrants outstanding for operating expenses and construction costs. The warrants bear interest at 4.5%. No interest on warrants for construction costs has been capitalized for the year ended June 30, 2013.

Aggregate maturities of registered warrants are subject to the provisions of the Plan of Adjustment (see note B). Under the Plan, the disbursing agent will conduct an annual review of the financial status of the District to determine if additional pro-rata payments are appropriate. All warrants have been reported on the Government-Wide Statement of Net position as due in more than one year.

NOTE G - TAX LEVY

The District levied taxes for 2012-2013 at the rate of \$.90 per \$100 on an estimated 100% property valuation of \$25,504,385.

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. The first half payment becomes delinquent April 1 of the following year and the second half payment becomes delinquent August 1 of the following year. The Sarpy County Treasurer bills and collects all property taxes for the District.

NOTE H - COMMITMENTS

The District has entered into an agreement with Omaha Public Power District (OPPD) under which OPPD is to furnish street lighting to the District. The cost to the District for this service for fiscal 2014 is estimated to be approximately \$35,000.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE I - CREDIT RISK

Receivables for property taxes and special assessments are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

NOTE J - RISK MANAGEMENT

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE K - NET POSITION AND FUND BALANCES

Net Position in the government-wide financial statements is classified into three components:

Net Investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

Restricted net position - represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments imposed by law through state statute.

Unrestricted net position - all other assets that do not meet the definition of "restricted" or "net investment in capital assets".

Fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE K - FUND BALANCES - GOVERNMENTAL FUNDS - CONTINUED

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Trustees may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

NOTE L - SUBSEQUENT EVENT

Management evaluated transactions and events occurring subsequent to June 30, 2013 and through December 16, 2013 (the date the financial statements were available to be issued) to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements.

NOTE M - PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, was issued in April 2012 and will be effective for the financial statements of the District for the year ending June 30, 2014. This statement provides further guidance on the accounting and reporting of deferred outflows of resources, deferred inflows of resources and certain items previously reported as assets and liabilities.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD & A)

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

Year Ended June 30, 2013

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes collected	\$102,018	\$ 96,422	\$ (5,596)
State motor vehicle tax allocation	200	180	(20)
Property tax credit allocation	-	2,555	2,555
Interest on taxes	-	8	8
Special assessments and interest	-	-	-
Connection fees	-	-	-
	<u>102,218</u>	<u>99,165</u>	<u>(3,053)</u>
Total revenues			
EXPENDITURES:			
Legal and accounting fees	20,500	20,681	(181)
Trustee fees	1,500	1,399	101
Fiscal agent fees	-	250	(250)
Maintenance and engineering	45,000	59,614	(14,614)
Electricity	28,000	33,632	(5,632)
Trustee bonds and insurance	4,500	4,418	82
Financial service fee	-	2,183	(2,183)
Collection fees - County Treasurer	2,000	1,929	71
Payroll tax expense	-	-	-
	<u>101,500</u>	<u>124,106</u>	<u>(22,606)</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	718	(24,941)	(25,659)
OTHER FINANCING SOURCES (USES):			
Payment of registered warrants	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>\$ 718</u>	(24,941)	<u>\$(25,659)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>174,075</u>	
FUND BALANCE, END OF YEAR		<u>\$149,134</u>	

DEBT SERVICE FUND
(NON GAAP)

Original And Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 127,522	\$ 120,488	\$ (7,034)
300	225	(75)
-	3,194	3,194
-	50	50
200,000	573,147	373,147
<u>20,000</u>	<u>82,758</u>	<u>62,758</u>
<u>347,822</u>	<u>779,862</u>	<u>432,040</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
6,500	13,874	(7,374)
<u>-</u>	<u>-</u>	<u>-</u>
<u>6,500</u>	<u>13,874</u>	<u>(7,374)</u>
341,322	765,988	424,666
<u>(300,000)</u>	<u>(520,667)</u>	<u>(220,667)</u>
<u>\$ 41,322</u>	245,321	<u>\$ 203,999</u>
	<u>202,186</u>	
	<u>\$ 447,507</u>	

SUPPLEMENTARY INFORMATION

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

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

Year Ended June 30, 2013

Gross revenues from all sources	<u>\$885,557</u>
Gross revenues from all sources from previous year	<u>\$491,902</u>
Amount spent for sewage disposal	<u>None</u>
Amount expended on water mains	<u>None</u>
Gross amount of sewage processed	<u>None</u>
Cost per thousand gallons of processing sewage	<u>None</u>
Amount expended for:	
Maintenance and repairs	<u>\$ 44,000</u>
New equipment	<u>None</u>
New construction work (incl. water mains)	<u>None</u>
Property purchased	<u>None</u>
Number of employees	<u>One</u>
Salaries and fees paid employees	<u>\$ 1,200</u>
Total amount of taxes levied upon the property within the District	<u>\$223,440</u>

SUMMARY OF TAXES RECEIVABLE

<u>Receivable at June 30, 2012</u>	<u>Tax Levied</u>	<u>Collected</u>	<u>Receivable at June 30, 2013</u>
<u>\$76,576</u>	<u>\$223,440</u>	<u>\$216,910</u>	<u>\$83,106</u>

TRUSTEE AND RELATED BONDS

<u>Trustees</u>		<u>Bonds</u>	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Chad LaMontagne	Chairman	Universal Surety	\$5,000
Jana Faller	Clerk	Universal Surety	\$20,000
Barbara Shaw	Trustee	-	None



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

To the Board of Trustees
Sanitary and Improvement District No. 251
of Sarpy County, Nebraska

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 251 of Sarpy County, Nebraska as of and for the year ended June 30, 2013, which collectively comprise Sanitary and Improvement District No. 251 of Sarpy County's basic financial statements and have issued our report thereon dated December 16, 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. 251 of Sarpy County'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. 251 of Sarpy County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 251 of Sarpy County'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.

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 discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

Preparation of Financial Statements

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

Sanitary and Improvement District No. 251 of Sarpy County's response to this finding is that the aforementioned circumstances is not unusual in a governmental entity of their size and that the costs of correcting this deficiency would exceed the benefits to be derived therefrom. The District's management has also informed us that they are willing to accept the degree of risk associated with this condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 251 of Sarpy County'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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

Finding #1

- General fund expenditures exceeded budget by \$22,606, without amending the budget.

Response

Overall expenditures exceeded those expected when the budget was prepared.

Finding #2

- Debt service fund expenditures exceeded budget by \$7,374, without amending the budget.

Response

- Increased collection of special assessments and interest resulted in increased county collection fees.

Finding #3

- Payment of debt service fund registered warrants exceeded budget by \$220,667, without amending the budget.

Response

- Due to the level of special assessment collections, more funds were available for payment of registered warrants in conjunction with the Plan of Adjustment.

Sanitary and Improvement District No. 251 of Sarpy County's responses to the findings identified in our audit are described above. We did not audit Sanitary and Improvement District No. 251 of Sarpy County's responses and accordingly, we express no opinion on them.

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

Jones & Love, P.C.

Omaha, Nebraska
December 16, 2013