

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 251
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2014

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	4
STATEMENT OF ACTIVITIES	5
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET	6
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	9
NOTES TO FINANCIAL STATEMENTS	10
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL	19
SUPPLEMENTARY INFORMATION	
INFORMATION REQUIRED BY SECTION 31-740, REISSUE REVISED STATUTES OF NEBRASKA, 2008	20
SUMMARY OF TAXES RECEIVABLE	20
TRUSTEES AND RELATED BONDS	20
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	21 - 23



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2014, 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 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 from material misstatement.

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

INDEPENDENT AUDITORS' REPORT- continued

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. 251 of Sarpy County, Nebraska as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note K to the basic financial statements, in fiscal 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to that matter.

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 opinions on the basic financial statements are 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 18, 2014, on our consideration of the Sanitary and Improvement District No. 251 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 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 18, 2014

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2014

	Primary Government Governmental Activities
ASSETS:	
Cash on deposit - County Treasurer	\$ 467,274
Taxes receivable (note G)	115,037
Special assessments receivable (note C)	198,708
Interest receivable on special assessments	106,771
Capital assets (note E):	
Infrastructure	8,285,605
Accumulated depreciation	<u>(2,277,920)</u>
Total assets	<u>6,895,475</u>
LIABILITIES:	
Accounts payable	22,182
Accrued interest	1,454,893
Noncurrent liabilities (note F):	
Due within one year	-
Due in more than one year	<u>4,604,771</u>
Total liabilities	<u>6,081,846</u>
COMMITMENTS AND CONTINGENCIES (note H)	-
NET POSITION:	
Invested in capital assets, net of related debt	1,402,914
Restricted for debt service	(533,544)
Unrestricted	<u>(55,741)</u>
Total net position	<u>\$ 813,629</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2014

GOVERNMENTAL ACTIVITIES:

EXPENSES - GENERAL GOVERNMENT

Professional and administrative	\$ 88,217
Maintenance and engineering	124,072
Depreciation	293,940
Interest	<u>262,277</u>
	<u>768,506</u>

GENERAL REVENUES:

Property taxes	270,193
Interest on taxes	270
State motor vehicle tax allocation	1,004
Property tax credit allocation	6,454
Interest on special assessments	38,787
Connection fees	87,477
Miscellaneous (note B)	<u>127,742</u>
	<u>531,927</u>

Change in net position	(236,579)
Net position at beginning of year	<u>1,050,208</u>
Net position at end of year	<u>\$ 813,629</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, 2014

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit - County Treasurer	\$45,968	\$ 421,306	\$ 467,274
Taxes receivable (note G)	31,955	83,082	115,037
Special assessments receivable (note C)	-	198,708	198,708
Interest receivable on special assessments	-	106,771	106,771
Total assets	\$77,923	\$ 809,867	\$ 887,790

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$22,182	\$ -	\$ 22,182
Accrued interest on registered warrants	-	1,454,893	1,454,893
Total liabilities	22,182	1,454,893	1,477,075
COMMITMENTS AND CONTINGENCIES (note H)	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments and interest receivable thereon	-	305,479	305,479
Fund balance (deficit):			
Reserved for debt service	-	(950,505)	(950,505)
Unassigned	55,741	-	55,741
Total fund balance (deficit)	55,741	(950,505)	(894,764)
Total liabilities and fund balance	\$77,923	\$ 809,867	\$ 887,790

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, 2014

Total fund balance - total governmental funds \$ (894,764)

Amounts reported for governmental activities in the
Statement of Net Position are different because:

- Capital assets used in governmental activities
are not financial resources and, therefore,
not reported in the governmental funds:
Capital assets \$ 8,285,605
Accumulated depreciation (2,277,920) 6,007,685

- 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 (4,604,771) (4,604,771)

- Deferred inflows 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. 305,479

Net Position of Governmental Activities \$ 813,629

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, 2014

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes assessed (note G)	\$ 75,075	\$ 195,118	\$ 270,193
State motor vehicle tax allocation	354	650	1,004
Property tax credit allocation	1,793	4,661	6,454
Interest on taxes	111	159	270
Special assessments	-	612,458	612,458
Interest on special assessments	-	306,573	306,573
Connection fees	-	87,477	87,477
Miscellaneous (note B)	-	127,742	127,742
	<u>77,333</u>	<u>1,334,838</u>	<u>1,412,171</u>
Total revenues			
EXPENDITURES:			
Legal and accounting fees	23,859	-	23,859
Trustee bonds and insurance	4,723	-	4,723
Collection fees - County Treasurer	1,603	21,548	23,151
Maintenance and engineering	124,072	-	124,072
Electricity	26,442	-	26,442
Trustee fees	1,200	-	1,200
Fiscal agent fees	250	2,500	2,750
Financial services fee	6,000	-	6,000
Payroll tax expense	92	-	92
Debt Service:			
Interest charges	-	262,277	262,277
Payment of long-term debt	-	1,300,080	1,300,080
	<u>188,241</u>	<u>1,586,405</u>	<u>1,774,646</u>
Total expenditures			
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES	(110,908)	(251,567)	(362,475)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>166,649</u>	<u>(698,938)</u>	<u>(532,289)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 55,741</u>	<u>\$ (950,505)</u>	<u>\$ (894,764)</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds \$ (362,475)

Amounts reported for governmental activities in the
statement of activities are different because:

- Governmental funds report capital outlays,
net of refunds, as expenditures. However,
in the statement of activities, the cost
of those assets is allocated over their
estimated useful lives and reported as
depreciation expense. This is the amount
by which depreciation exceeded capital
outlays, net of refunds, in the current
year. (293,940)

- Repayment of principal on noncurrent liabilities
is reported as an expenditure in the governmental
funds. In the statement of net position, the
repayment reduces noncurrent liabilities. This
is the amount of repayments in the current year.
 Bond principal payments 1,300,080

- Collections on special assessments and interest
thereon have been reported as revenues in the
governmental funds but are reported as decreases
in receivables on the statement of net position.
This is the amount of collections on special
assessments and the change in accrued interest
thereon. (880,244)

Change in Net Position of Governmental Activities \$ (236,579)

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, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 251 of Sarpy County, Nebraska comply with the rules and regulations of the State of Nebraska, and conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

Definition of District

The District is a governmental subdivision created with the filing of the Petition and Articles of Association with the Secretary of State, State of Nebraska. The District was formed for the purpose of installing sewers, water, and public road systems within the District and contracting for water, fire protection, and lighting for roads. The District is located in Sarpy County and is commonly known as Standing Stone.

Reporting Entity

The Board of Trustees has governance responsibilities over all activities related to public improvements within the jurisdiction of the District. The accompanying financial statements present the District's primary government 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 including budget adoption, taxing authority, funding, and appointment of the respective governing board.

The Sarpy County Treasurer is the ex-officio treasurer of the District. All cash transactions and funds are required to be administered and recorded by the County Treasurer.

Basis of Presentation

The basic financial statements of the District include the government-wide and the fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities, which report financial information for all non-fiduciary activities of the District. Individual funds are not displayed and internal activity between or within funds is eliminated. Governmental activities include programs supported primarily by taxes and other intergovernmental revenue. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

Government-Wide Financial Statements - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function 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 function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The following is a description of the District's two governmental funds:

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, general long-term principal, interest and related costs.

Measurement Focus and 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 on the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide statements the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued

In the governmental fund financial statements, the funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Measurable means that 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. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred except for debt service expenditures and other long-term liabilities, which are recorded only when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as an other financing source in governmental funds.

Deferred Outflows and Inflows of Resources

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any deferred outflows of resources at June 30, 2014.

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District's receivables for special assessments and interest receivable thereon are measurable, but are not available to finance current period operations and, therefore, are reported as deferred inflows of resources in the governmental fund statements and will be recognized as an inflow of resources (revenue) when they become available.

Investments

Investments are stated at amortized cost, which approximates market. Premiums or discounts on investments are amortized on the straight-line method from date of purchase to date of maturity.

Capital Assets

Within the government-wide financial statements, capital assets, including primarily infrastructure, are recorded at historical cost. The District defines capital assets as assets with an individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - continued

The estimated useful lives are as follows:

Sanitary sewer	25 years
Paving and storm sewer	40 years
Water system	25 years
Power system	25 years
Park improvements	20 years

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; and natural disasters. The District has purchased a commercial general liability insurance policy and bonds on its chairman and clerk to minimize the adverse effects of certain types of losses. There have been no significant reductions in insurance coverage and no significant claims or settlements for the current year or the three prior years. The District has retained the risk of loss for property damage to its public improvements.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

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.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

- (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, 2014.
- (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, 2014 is presented as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Deficiency of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$(103,166)	\$ (26,201)
Adjustments:		
To adjust revenues for receivables	(4,981)	36,911
To adjust expenditures for payables and accruals	(2,761)	(262,277)
To adjust for variance in recognition of items for other financing sources (uses)	-	-
Deficiency of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$(110,908)</u>	<u>\$(251,567)</u>

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

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.

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.

During December, 2013, the District received a payment of \$127,742 as reimbursement for water and sewer connection fees. The District had previously paid these fees prior to the plan of reorganization. These fees were written off in conjunction with the bankruptcy proceedings. Accordingly, the current receipt is recorded as revenue.

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, 2014, the District invested in U.S. treasury bills.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE D - INVESTMENTS - CONTINUED

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, 2014.

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, 2014.

Custodial Credit Risk - Since investments are held in the County's name, the District is exposed to this risk at June 30, 2014.

NOTE E - CAPITAL ASSETS

At June 30, 2014, capital assets consist of the following:

	July 1, 2013	Additions	June 30, 2014
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	(1,983,980)	(293,940)	(2,277,920)
	<u>\$6,301,625</u>	<u>\$(293,940)</u>	<u>\$ 6,007,685</u>

Depreciation expense totaled \$293,940 for the year ended June 30, 2014.

NOTE F - REGISTERED WARRANTS

At June 30, 2014, 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, 2014.

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.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE G - TAX LEVY

The District levied taxes for 2013-2014 at the rate of \$.90 per \$100 on an estimated 100% property valuation of \$30,724,580.

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 2015 is estimated to be approximately \$30,000.

NOTE I - 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.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE I - NET POSITION AND FUND BALANCES - CONTINUED

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.

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 J - SUBSEQUENT EVENT

Management evaluated transactions and events occurring subsequent to June 30, 2014 and through December 18, 2014 (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 K - IMPLEMENTATION OF GASB 65

In fiscal 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this statement resulted in the reclassification of deferred revenue on special assessments and interest receivable thereon on the governmental funds balance sheet from a liability to deferred inflows of resources, with no change in the fund balances as previously reported.

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, 2014

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes collected	\$ 76,811	\$ 80,056	\$ 3,245
State motor vehicle tax allocation	150	354	204
Property tax credit allocation	-	1,793	1,793
Interest on taxes	-	111	111
Special assessments and interest	-	-	-
Connection fees	-	-	-
Miscellaneous	-	-	-
	<u>76,961</u>	<u>82,314</u>	<u>5,353</u>
EXPENDITURES:			
Legal and accounting fees	21,000	31,538	(10,538)
Trustee fees	1,500	1,200	300
Fiscal agent fees	500	250	250
Maintenance and engineering	85,000	111,176	(26,176)
Electricity	33,000	28,898	4,102
Trustee bonds and insurance	4,500	4,723	(223)
Financial service fee	5,000	6,000	(1,000)
Collection fees - County Treasurer	1,506	1,603	(97)
Payroll tax expense	-	92	(92)
	<u>152,006</u>	<u>185,480</u>	<u>(33,474)</u>
Excess (deficiency) of revenues over expenditures	(75,045)	(103,166)	(28,121)
OTHER FINANCING SOURCES (USES):			
Payment of registered warrants	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>\$(75,045)</u>	<u>(103,166)</u>	<u>\$(28,121)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>149,134</u>	
FUND BALANCE, END OF YEAR		<u>\$ 45,968</u>	

DEBT SERVICE FUND
(NON GAAP)

Original And Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 199,710	\$ 158,206	\$ (41,504)
250	650	400
-	4,661	4,661
-	159	159
160,000	919,032	759,032
-	87,477	87,477
<u>125,000</u>	<u>127,742</u>	<u>2,742</u>
<u>484,960</u>	<u>1,297,927</u>	<u>812,967</u>
-	-	-
-	-	-
-	2,500	(2,500)
-	-	-
-	-	-
-	-	-
7,116	21,548	(14,432)
<u>-</u>	<u>-</u>	<u>-</u>
<u>7,116</u>	<u>24,048</u>	<u>(16,932)</u>
477,844	1,273,879	796,035
<u>(450,000)</u>	<u>(1,300,080)</u>	<u>(850,080)</u>
<u>\$ 27,844</u>	(26,201)	<u>\$ (54,045)</u>
	<u>447,507</u>	
	<u>\$ 421,306</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, 2014

Gross revenues from all sources	<u>\$1,412,171</u>
Gross revenues from all sources from previous year	<u>\$ 885,557</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>\$ 84,952</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>\$ 270,193</u>

SUMMARY OF TAXES RECEIVABLE

<u>Receivable at June 30, 2013</u>	<u>Tax Levied</u>	<u>Collected</u>	<u>Receivable at June 30, 2014</u>
<u>\$83,106</u>	<u>\$270,193</u>	<u>\$238,262</u>	<u>\$115,037</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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 251 of Sarpy County, Nebraska as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Sanitary and Improvement District No. 251 of Sarpy County's basic financial statements and have issued our report thereon dated December 18, 2014.

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 \$33,474, without amending the budget.

Response

Maintenance and engineering expenditures exceeded the amount included in the original budget. Additionally, the District paid two years of legal fees during the year while only one year's fees were budgeted.

Finding #2

- Debt service fund expenditures exceeded budget by \$16,932, 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 \$850,080, 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.

Finding #4

- The District has only three trustees rather than the five required by law.

Response

- The District had two elected trustees resign. Efforts are underway to recruit additional trustees.

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 18, 2014