# Sanitary and Improvement District No. 255 of Sarpy County, Nebraska

**Basic Financial Statements and Independent Auditors' Report**

**June 30, 2015**

Lutz

# Sanitary and Improvement District No. 255 of Sarpy County, Nebraska

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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees
Sanitary and Improvement District No. 255 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. 255 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. 255 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. 255 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. 255 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 | $ 4,395 | $ 9,157 | $ 13,552 | $ - | $ 13,552 |
| Investments | - | 504,859 | 504,859 | - | 504,859 |
| Receivables | | | | | |
| Property Taxes (Note 2) | 30,724 | 61,206 | 91,930 | - | 91,930 |
| Sewer Connection Fees (Note 3) | - | 94,080 | 94,080 | - | 94,080 |
| Special Assessments (Note 4) | - | 265,127 | 265,127 | - | 265,127 |
| Accrued Interest Receivable | | | | | |
| Investments | - | 42 | 42 | - | 42 |
| Special Assessments (Note 4) | - | 62,597 | 62,597 | - | 62,597 |
| Capital Assets, Net of | | | | | |
| Accumulated Depreciation (Note 5) | - | - | - | 2,533,214 | 2,533,214 |
| **TOTAL ASSETS** | **$ 35,119** | **$ 997,068** | **$ 1,032,187** | **$ 2,533,214** | **$ 3,565,401** |
| **LIABILITIES** | | | | | |
| Accounts Payable | $ 72,089 | $ 10,654 | $ 82,743 | $ - | $ 82,743 |
| Registered Warrants | | | | | |
| Payable (Note 6) | 100,354 | - | 100,354 | - | 100,354 |
| Accrued Interest on | | | | | |
| Registered Warrants (Note 6) | 4,282 | - | 4,282 | - | 4,282 |
| Bonds (Note 7) | - | 38,513 | 38,513 | - | 38,513 |
| Bonds Payable (Note 7) | | | | | |
| Due Within One Year | - | - | - | 70,000 | 70,000 |
| Due After One Year | - | - | - | 3,760,000 | 3,760,000 |
| Total Liabilities | 176,725 | 49,167 | 225,892 | 3,830,000 | 4,055,892 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Deferred Revenue | - | - | - | 91,930 | 91,930 |
| **FUND BALANCE (DEFICIT)/NET POSITION** | | | | | |
| Unassigned, Reported in | | | | | |
| General Fund | (141,606) | - | (141,606) | 141,606 | - |
| Restricted, Debt Service Fund | - | 947,901 | 947,901 | (947,901) | - |
| Total Fund Balance (Deficit) | (141,606) | 947,901 | 806,295 | (806,295) | - |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE** | **$ 35,119** | **$ 997,068** | **$ 1,032,187** | | |
| **NET POSITION** | | | | | |
| Invested in Capital Assets, Net of Related Debt | | | | (1,296,786) | (1,296,786) |
| Unrestricted | | | | (172,330) | (172,330) |
| Restricted for Debt Service | | | | 886,695 | 886,695 |
| **TOTAL NET POSITION** | | | | **$ (582,421)** | **$ (582,421)** |

# Sanitary and Improvement District No. 255 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) | $ 79,635 | $ 159,270 | $ 238,905 | $ (3,160) | $ 235,745 |
| Interest on | | | | | |
| Property Taxes (Note 2) | 30 | 47 | 77 | - | 77 |
| Investments | - | 149 | 149 | - | 149 |
| Special Assessments (Note 4) | - | 26,979 | 26,979 | - | 26,979 |
| State Motor Vehicle Tax Allocation | 177 | 324 | 501 | - | 501 |
| Total Revenue/Receipts | 79,842 | 186,769 | 266,611 | (3,160) | 263,451 |
| **EXPENDITURES/EXPENSES** | | | | | |
| Current: | | | | | |
| Collection Fees- County Treasurer | 1,276 | 5,025 | 6,301 | - | 6,301 |
| Bond Maintenance Costs | - | 1,825 | 1,825 | - | 1,825 |
| Clerk Fees | 1,200 | - | 1,200 | - | 1,200 |
| Depreciation (Note 5) | - | - | - | 83,980 | 83,980 |
| Engineering | 26,807 | - | 26,807 | - | 26,807 |
| Fiscal Agent Fees | 5,943 | 4,416 | 10,359 | - | 10,359 |
| Insurance | 1,102 | - | 1,102 | - | 1,102 |
| Interest on Registered | | | | | |
| Warrants (Note 6) | 6,619 | 64,200 | 70,819 | - | 70,819 |
| Maintenance | 57,752 | - | 57,752 | - | 57,752 |
| Bond Issue Costs | - | 237,419 | 237,419 | - | 237,419 |
| Professional Fees | 27,006 | - | 27,006 | - | 27,006 |
| Utilities | 23,612 | - | 23,612 | - | 23,612 |
| Bonds Payable (Note 7) | | | | | |
| Principal | - | 1,215,000 | 1,215,000 | (1,215,000) | - |
| Interest | - | 100,020 | 100,020 | - | 100,020 |
| Total Expenditures/Expenses | 151,317 | 1,627,905 | 1,779,222 | (1,131,020) | 648,202 |
| Excess (Deficiency) of Revenues/Receipts Over Expenditures/Expenses | (71,475) | (1,441,136) | (1,512,611) | 1,127,860 | (384,751) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Warrants Issued (Note 6) | - | 92,746 | 92,746 | (92,746) | - |
| Warrants Retired (Note 6) | | (2,363,347) | (2,363,347) | 2,363,347 | - |
| Bonds Issued | - | 3,830,000 | 3,830,000 | (3,830,000) | - |
| Total Other Financing Sources (Uses) | - | 1,559,399 | 1,559,399 | (1,559,399) | - |
| Excess (Deficiency) of Revenues/Receipts and Transfers in Over (Under) Expenditures/ Expenses and Transfers Out | (71,475) | 118,263 | 46,788 | (46,788) | - |
| Change in Net Position | | | | (384,751) | (384,751) |
| Fund Balance (Deficit)/Net Position, Beginning of Year | (70,131) | 829,638 | 759,507 | - | (197,670) |
| **Fund Balance (Deficit)/Net Position, End of Year** | **$(141,606)** | **$ 947,901** | **$ 806,295** | **$ -** | **$ (582,421)** |

## 1. Summary of Significant Accounting Policies

The accounting policies of Sanitary and Improvement District No. 255 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. 255 of Sarpy County, Nebraska (the District), formed on March 26, 2004, 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 and Sewer Connection Fees***

Revenue on special assessments and sewer connection fees is recognized when the specials and fees are assessed. Special assessments and sewer connection fees are considered fully collectible; therefore, no allowance for uncollectible assessments or fees are 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 |
|---|---|
| Storm and Sanitary Sewer Systems | 50 |
| Street Improvements | 20 |

***Credit Risk***

The District's credit risk relates to receivables for property taxes, special assessments and sewer connection fees 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, noting no items requiring disclosure.

## 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 $0.90 ($.30 in the general fund and $.60 in the debt service fund) per $100 based on a property valuation of $26,544,977.

## 3. Sewer Connection Fees Receivable

Sewer connection fees in the cumulative amount of $119,280 were levied against certain properties within the District in connection with the construction of the District's sewers. The sewer connection fees are due on each lot prior to connection of the lot to the District's sewers.

## 4. Special Assessments Receivable

Special assessments in the amount cumulative of $1,863,768 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 7.5% per annum until delinquent and 9.5% per annum thereafter until paid.

## 5. Capital Assets

Capital assets at June 30, 2015, consist of the following:

| | Costs at June 30, 2014 | Additions | Deletions | Costs at June 30, 2015 |
|---|---|---|---|---|
| Storm Sewer System | $ 1,290,009 | $ - | $ - | $ 1,290,009 |
| Sanitary Sewer System | 1,286,663 | - | - | 1,286,663 |
| Street Improvements | 648,923 | - | - | 648,923 |
| | $ 3,225,595 | $ - | $ - | 3,225,595 |
| Less Accumulated Depreciation | | | | 692,381 |
| Capital Assets, Net of Accumulated Depreciation | | | | $ 2,533,214 |

## 6. 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 | $ 54,883 | $ 2,270,601 |
| Warrants Issued | 124,805 | 92,746 |
| Warrants Retired | (79,334) | (2,363,347) |
| Balance, June 30, 2015 | $ 100,354 | $ - |

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 | - | | - | |
| 2018 | 100,354 | 6%-7% | - | |
| 2019 | - | | - | |
| 2020 | - | | - | |
| | $ 100,354 | | $ - | |

## 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 $1,500,000 issued June 1, 2007, with a balance of $0 at June 30, 2015, were due serially beginning June 1, 2008 through June 1, 2027. Interest was payable semi-annually on this issue at 4.55% to 5.05% per annum. These bonds were paid in full during the year ended 2015.

General obligation refunding bonds totaling $2,850,000 issued September 1, 2014, with a balance of $2,850,000 at June 30, 2015, are due serially beginning September 1, 2015 through September 1, 2034. Interest is payable semi-annually on this issue at 1.30% to 4.40%. These bonds were issued to retire the general obligation bonds issued June 1, 2007 and various construction warrants.

General obligation bonds totaling $980,000 issued April 1, 2015, with a balance of $980,000 at June 30, 2015, are due in the amount of $50,000 on April 1, 2018 and a balloon payment of $930,000 on April 1, 2035. Interest is payable semi-annually on this issue at 2.00% to 4.15%. These bonds were issued to retire various construction warrants outstanding.

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

| | |
|---|---|
| Bonds Outstanding, June 30, 2014 | $ 1,215,000 |
| Bonds Issued | $ 3,830,000 |
| Bonds Retired | (1,215,000) |
| Bonds Outstanding, June 30, 2015 | $ 3,830,000 |

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

| Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 70,000 | $ 121,618 | $ 191,618 |
| 2017 | 75,000 | 120,619 | 195,619 |
| 2018 | 130,000 | 119,375 | 249,375 |
| 2019 | 95,000 | 116,654 | 211,654 |
| 2020 | 100,000 | 114,408 | 214,408 |
| 2021-2025 | 575,000 | 524,066 | 1,099,066 |
| 2026-2030 | 780,000 | 405,960 | 1,185,960 |
| 2031-2035 | 2,005,000 | 213,860 | 2,218,860 |
| | $ 3,830,000 | $ 1,736,560 | $ 5,566,560 |

## 8. Reconciliation of Net Position and Changes in Net Position

| | |
|---|---|
| **Net Position** | |
| Total fund balance per balance sheet | $ 806,295 |
| 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. | 2,533,214 |
| Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. | (3,830,000) |
| Property tax revenue not yet earned at year end is reported as deferred revenue. | (91,930) |
| Net position of governmental activities | $ (582,421) |
| **Changes in Net Position** | |
| Net change in fund balance | $ (1,512,611) |
| Current year property tax levy earned at year end. | (3,160) |
| Certain expenses do not require the use of current financial resources and therefore are not reported as expenditures in the funds. | (83,980) |
| Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. | 1,215,000 |
| Change in net position of governmental activities | $ (384,751) |

## REQUIRED SUPPLEMENTARY INFORMATION

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

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

## SUPPLEMENTAL INFORMATION

**Information Required by Section 31-740,
Nebraska Revised Statutes**

**District Trustees and Related Bonds**

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**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. 255 of Sarpy County, Nebraska

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

**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 | $ 79,635 | $ 4,841 | $ 84,476 | $ 77,246 | $ 7,230 |
| Interest on Property Taxes | 30 | - | 30 | 100 | (70) |
| State Motor Vehicle Tax Allocation | 177 | - | 177 | 400 | (223) |
| Total Revenues/Receipts | 79,842 | 4,841 | 84,683 | 77,746 | 6,937 |
| **EXPENDITURES/DISBURSEMENTS** | | | | | |
| Collection Fees- County Treasurer | 1,276 | - | 1,276 | 1,200 | (76) |
| Clerk Fees | 1,200 | - | 1,200 | - | (1,200) |
| Engineering | 26,807 | (1,943) | 24,864 | 10,000 | (14,864) |
| Fiscal Agent Fees | 5,943 | - | 5,943 | 4,000 | (1,943) |
| Insurance | 1,102 | - | 1,102 | 1,000 | (102) |
| Interest on Registered Warrants | 6,619 | (2,409) | 4,210 | 3,500 | (710) |
| Maintenance | 57,752 | (15,801) | 41,951 | 15,000 | (26,951) |
| Professional Fees | 27,006 | (3,126) | 23,880 | 22,000 | (1,880) |
| Utilities | 23,612 | 1,473 | 25,085 | 20,000 | (5,085) |
| Total Expenditures/Disbursements | 151,317 | (21,806) | 129,511 | 76,700 | (52,811) |
| Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements | (71,475) | 26,647 | (44,828) | 1,046 | (45,874) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Warrants Issued | - | 124,805 | 124,805 | 73,200 | 51,605 |
| Warrants Retired | - | (79,334) | (79,334) | (75,000) | (4,334) |
| Total Other Financing Sources (Uses) | - | 45,471 | 45,471 | (1,800) | 47,271 |
| **EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES** | (71,475) | 72,118 | 643 | **$ (754)** | **$ 1,397** |
| Fund Balance (Deficit), Beginning of Year | (70,131) | 73,883 | 3,752 | | |
| **Fund Balance (Deficit), End of Year** | **$ (141,606)** | **$ 146,001** | **$ 4,395** | | |

See Independent Auditors' Report.

# Sanitary and Improvement District No. 255 of Sarpy County, Nebraska

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

**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 | $ 159,270 | $ (8,002) | $ 151,268 | $ 154,492 | $ (3,224) |
| Interest on | | | | | |
| Property Taxes | 47 | - | 47 | - | 47 |
| Investments | 149 | (41) | 108 | 100 | 8 |
| Special Assessments | 26,979 | 1,524 | 28,503 | 60,000 | (31,497) |
| Sewer Connection Fees | - | - | - | 2,000 | (2,000) |
| Special Assessments | - | 118,126 | 118,126 | 200,000 | (81,874) |
| State Motor Vehicle Tax Allocation | 324 | - | 324 | 500 | (176) |
| Total Revenues/Receipts | 186,769 | 111,607 | 298,376 | 417,092 | (118,716) |
| **EXPENDITURES/DISBURSEMENTS** | | | | | |
| Collection Fees- County Treasurer | 5,025 | - | 5,025 | 5,200 | 175 |
| Bond Maintenance | 1,825 | (949) | 876 | 700 | (176) |
| Fiscal Agent Fees | 4,416 | - | 4,416 | - | (4,416) |
| Interest on Registered Warrants | 64,200 | 60,964 | 125,164 | 150,000 | 24,836 |
| Professional Fees | - | - | - | - | - |
| Bond Issue Costs | 237,419 | (210,022) | 27,397 | 285,000 | 257,603 |
| Bonds Payable | | | | | |
| Principal | 1,215,000 | - | 1,215,000 | 60,000 | (1,155,000) |
| Interest | 100,020 | (33,823) | 66,197 | 59,184 | (7,013) |
| Total Expenditures/Disbursements | 1,627,905 | (183,830) | 1,444,075 | 560,084 | (883,991) |
| Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements | (1,441,136) | 295,437 | (1,145,699) | (142,992) | (1,002,707) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Warrants Issued | 92,746 | - | 92,746 | 75,700 | 17,046 |
| Warrants Retired | (2,363,347) | - | (2,363,347) | (1,400,000) | (963,347) |
| Bonds Issued | 3,830,000 | (201,015) | 3,628,985 | 1,685,000 | 1,943,985 |
| Total Other Financing Sources (Uses | 1,559,399 | (201,015) | 1,358,384 | 360,700 | 997,684 |
| **EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES** | 118,263 | 94,422 | 212,685 | **$ 217,708** | **$ (5,023)** |
| Fund Balance (Deficit), Beginning of Yea | 829,638 | (528,307) | 301,331 | | |
| **Fund Balance (Deficit), End of Year** | **$ 947,901** | **$ (433,885)** | **$ 514,016** | | |

See Independent Auditors' Report.

# Sanitary and Improvement District No. 255 of Sarpy County, Nebraska

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

**June 30, 2015**

| | | |
|---|---|---|
| Total Receipts From All Sources | $ | 383,059 |
| 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 | $ | 57,752 |
| 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 | $ | 238,905 |

See Independent Auditors' Report.

# Sanitary and Improvement District No. 255 of Sarpy County, Nebraska

**District Trustees and Related Bonds** **Schedule 4**

**June 30, 2015**

| Trustees | | Bonds | |
|---|---|---|---|
| **Name** | **Office** | **Insurer** | **Amount** |
| Herbert Freeman | Chairman | Western Surety Company | $ 5,000 |
| Marcy Knobbe | Clerk | Western Surety Company | $ 20,000 |
| Michael Riedmann | Trustee | | |
| Weysan Dun | Trustee | | |
| Tom Jerabek | 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***

Board of Trustees
Sanitary and Improvement District No. 255 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. 255 of Sarpy County, Nebraska, as of and for the year ended June 30, 2015, which collectively comprise Sanitary and Improvement District No. 255 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. 255 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. 255 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. 255 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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 255 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 certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* summarized below.

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.

*Instances of Noncompliance Identified:*

*Criteria*
Internal controls should be in place that monitor the District's activities for consistency with budgeted amounts.

*Condition*
The District exceeded budgeted expenditures/expenses by approximately $1,904,500.

*Cause*
Due to unanticipated events that occurred subsequent to the adoption of the budget, the District exceeded the budgeted amount of expenditures/expenses.

*Effect*
The District did not amend the budget to account for the exceeded expenditures/expenses.

*Recommendation*
We recommend the Board of Trustees monitor the District's activities for consistency with budgeted amounts.

*Response*
The District's activities were not consistent with budgeted amounts due to an unbudgeted bond issue. The Board of Trustees will monitor the District's activities in order to effectively budget in the future.

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