Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Basic Financial Statements and Independent Auditors' Report

June 30, 2015

Lutz

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Index

	Page
Independent Auditors' Report	1-2
Basic Financial Statements	
Governmental Funds Balance Sheet/Statement of Net Position	3
Governmental Fund Revenues, Expenditures and Changes In Fund Balances/Statement of Activities	4
Notes to Basic Financial Statements	5-13

REQUIRED SUPPLEMENTARY INFORMATION

	Schedule	
Schedule of Revenue, Expenditures and Changes in Fund Balance-Budget and Actual (Budgetary Basis) – General Fund	1	14
Schedule of Revenue, Expenditures and Changes in Fund Balance-Budget and Actual (Budgetary Basis) – Debt Service Fund	2	15

SUPPLEMENTAL INFORMATION

Information Required by Nebraska Revised Statutes Section 31-740	3	16
District Trustees and Related Bonds	4	17
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*		18-20

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INDEPENDENT AUDITORS' REPORT

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. 258 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. 258 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. 258 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. 258 of Sarpy County, Nebraska

Governmental Funds Balance Sheet/Statement of Net Position

June 30, 2015

	General Fund	Debt Service Fund	Total	Reconciliation (Note 7)	Statement of Net Position
ASSETS					
Cash on Deposit					
County Treasurer	$ 67,350	$ 535,728	$ 603,078	$ -	$ 603,078
Receivables					
Property Taxes (Note 2)	43,971	94,593	138,564	-	138,564
Special Assessments (Note 3)	-	143,592	143,592	-	143,592
Accrued Interest Receivable					
Special Assessments (Note 3)	-	105,137	105,137	-	105,137
Capital Assets, Net of					
Accumulated Depreciation (Note 4)	-	-	-	2,761,925	2,761,925
TOTAL ASSETS	**$ 111,321**	**$ 879,050**	**$ 990,371**	**$ 2,761,925**	**$ 3,752,296**
LIABILITIES					
Accounts Payable	$ 62,228	$ -	$ 62,228	$ -	$ 62,228
Unregistered Warrants					
Payable (Note 5)	25,033	-	25,033	-	25,033
Class A Bonds Payable (Notes 6 and 9)					
Due After One Year	-	-	-	4,342,084	4,342,084
Total Liabilities	87,261	-	87,261	4,342,084	4,429,345
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	-	-	-	138,564	138,564
COMMITMENTS AND CONTINGENCIES (Note 8)					
FUND BALANCE (DEFICIT)/NET POSITION					
Unassigned, Reported in					
General Fund	24,060	-	24,060	(24,060)	-
Restricted, Debt Service Fund	-	879,050	879,050	(879,050)	-
Total Fund Balance (Deficit)	24,060	879,050	903,110	(903,110)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	**$ 111,321**	**$ 879,050**	**$ 990,371**		
NET POSITION					
Invested in Capital Assets, Net of Related Debt				(1,580,159)	(1,580,159)
Unrestricted				(19,911)	(19,911)
Restricted for Debt Service				784,457	784,457
TOTAL NET POSITION				**$ (815,613)**	**$ (815,613)**

See Notes to Basic Financial Statements.

Sanitary and Improvement District No. 258 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 7)	Statement of Activities
REVENUES/RECEIPTS					
Property Taxes (Note 2)	$ 95,209	$ 206,288	$ 301,497	$ (30,396)	$ 271,101
Interest on					
Property Taxes (Note 2)	232	502	734	-	734
Special Assessments (Note 3)	-	32,191	32,191	-	32,191
Sewer Connection Fees	-	56,000	56,000	-	56,000
State Motor Vehicle Tax Allocation	191	415	606	-	606
Total Revenue/Receipts	95,632	295,396	391,028	(30,396)	360,632
EXPENDITURES/EXPENSES					
Current:					
Collection Fees- County Treasurer	1,200	15,991	17,191	-	17,191
Bond Maintenance	-	2,500	2,500	-	2,500
Depreciation (Note 4)	-	-	-	153,837	153,837
Engineering	12,831	-	12,831	-	12,831
Fiscal Agent Fees	-	6,000	6,000	-	6,000
Insurance	340	-	340	-	340
Maintenance	38,577	-	38,577	-	38,577
Professional Fees	25,012	-	25,012	-	25,012
Utilities	25,995	-	25,995	-	25,995
Class A Bonds Payable (Note 6)					
Principal	-	777,499	777,499	(777,499)	-
Total Expenditures/Expenses	103,955	801,990	905,945	(623,662)	282,283
Excess (Deficiency) of Revenues/Receipts Over Expenditures/Expenses	(8,323)	(506,594)	(514,917)	593,266	78,349
OTHER FINANCING SOURCES (USES)					
Warrants Issued (Note 5)	-	6,250	6,250	(6,250)	-
Warrants Retired (Note 5)		(6,250)	(6,250)	6,250	
Total Other Financing Sources (Uses)	-	-	-	-	-
Excess (Deficiency) of Revenues/Receipts and Transfers in Over (Under) Expenditures/ Expenses and Transfers Out	(8,323)	(506,594)	(514,917)	514,917	-
Change in Net Position				78,349	78,349
Fund Balance (Deficit)/Net Position, Beginning of Year	32,383	1,385,644	1,418,027	-	(893,962)
Fund Balance (Deficit)/Net Position, End of Year	**$ 24,060**	**$ 879,050**	**$ 903,110**	**$ -**	**$ (815,613)**

See Notes to Basic Financial Statements.

1. Summary of Significant Accounting Policies

The accounting policies of Sanitary and Improvement District No. 258 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. 258 of Sarpy County, Nebraska (the District), was formed on December 15, 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.

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.

The District had no investments at June 30, 2015.

Property Taxes

Property taxes receivables are recorded when a legal and enforceable claim is assessed against the property. Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided.

Special Assessments

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

Capital Assets

Capital assets are stated at cost in accordance with construction contracts and other costs applicable thereto in the government-wide financial statements. Interest accrued on warrants issued for the construction of improvements is capitalized during the period of construction. Capital assets are classified as construction in progress until construction is complete or special assessments are levied. No depreciation expense is reported for capital assets classified as construction in progress. The costs of improvements disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Storm and Sanitary Sewer Systems	50
Street Improvements	20
Park Improvements	15

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 of Net Position date but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through December 15, 2015, see Note 9 for a description of a subsequent event.

2. Property Taxes

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

For 2014-2015, the District levied property taxes at the rate of $.95 ($.30 for the general fund and $.65 for the debt service fund) per $100 based on a property valuation of $31,736,646.

3. Special Assessments Receivable

Special assessments in the amount cumulative of $2,262,286 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.

4. Capital Assets

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

	Costs at June 30, 2014	Additions	Deletions	Costs at June 30, 2015
Storm and Sanitary Sewer Systems	$ 1,955,393	$ -	$ -	$ 1,955,393
Street Improvements	1,576,313	-	-	1,576,313
Park Improvements	538,701	-	-	538,701
Easements	48,800	-	-	48,800
	$ 4,119,207	$ -	$ -	4,119,207
Less Accumulated Depreciation				1,357,282
Capital Assets, Net of Accumulated Depreciation				$ 2,761,925

5. Warrants Payable

Warrants registered with Sarpy County accrue interest from the date of registration to the date they are called for payment.

General fund warrants are due 3 years from the date of issuance. Debt service fund warrants are due 5 years from the date of issuance.

The following is a summary of warrant transactions during the year ended June 30, 2015:

	General Fund	Debt Service Fund
Balance, June 30, 2014	$ -	$ -
Warrants Issued	94,446	6,250
Warrants Retired	(69,413)	(6,250)
Balance, June 30, 2015	$ 25,033	$ -

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	25,033	7%	-	
2019	-		-	
2020	-		-	
	$ 25,033		$ -	

There were $25,033 of unregistered warrants in the general fund at June 30, 2015.

6. Class A Bonds Payable

In September 2011 outstanding debt service fund warrants totaling $6,984,727 were exchanged for non-interest bearing Class A bonds issued to individual warrant holders as part of the District's Chapter 9 Bankruptcy Plan of Adjustment (See Note 8).

The District makes annual payments on the Class A bonds in amounts determined by the District's disbursement agent, through December 31, 2021, at which time any unpaid principal will be discharged.

The District's Class A bonds are reflected in the debt service fund.

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

Class A Bonds Outstanding, June 30, 2014	$ 5,119,583
Class A Bonds Retired	(777,499)
Class A Bonds Outstanding, June 30, 2015	$ 4,342,084

7. Reconciliation of Net Position and Changes in Net Position

Net Position	
Total fund balance per balance sheet	$ 903,110
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 are not reported in the funds.	2,761,925
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,342,084)
Property tax revenue not yet earned at year end is reported as deferred revenue.	(138,564)
Net position of governmental activities	$ (815,613)

Changes in Net Position	
Net change in fund balance	$ (514,917)
Current year property tax levy not yet earned at year end.	(30,396)
Certain expenditures do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	(153,837)
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position.	777,499
Change in net position of governmental activities	$ 78,349

8. Commitments and Contingencies

The District has entered into various contracts and agreements related to general maintenance and other operating expenses of the District. These contracts and agreements will be completed in the future. Expenditures are initially funded by the issuance of warrants. Maturities of warrants payable are primarily funded by the issuance of bonds payable and cash flow generated from special assessments and annual property tax levies. The generation of property taxes is dependent upon the growth of the valuation base as lots are developed. In addition, the District's ability to issue general obligation bonds is dependent upon an acceptable level of valuation of the District. The District's ability to fund its obligations is contingent upon the increase in valuation, success of future lot sales and the development within the District.

Chapter 9 Bankruptcy

The District has had difficulties paying warrant principal and interest as warrants mature due to the lack of property valuation and special assessment collection. In September 2011, the District commenced proceedings to propose a Plan of Adjustment in the United States Bankruptcy Court under Chapter 9 of the United States Bankruptcy Code. The Plan of Adjustment allowed for a transfer of funds from the debt service fund to the general fund in an amount sufficient to retire all outstanding general fund warrants and accrued interest plus a $50,000 emergency reserve for the operation of the District. The Plan also outlined the exchange of outstanding debt service fund warrants totaling $6,984,727, for non-interest bearing Class A bonds to individual warrant holders. A Class B certificate of indebtedness will also be issued to bondholders contemporaneously with the payment in full of the bonds in an amount representing accrued interest on the bonds at 7%. The Plan of Adjustment was approved and confirmed by an Order of the United States Bankruptcy Court of the District of Nebraska in September 2011. The District's Plan of Adjustment is available at the Sarpy County courthouse.

Reimbursement Agreement

The District has entered into an agreement with the District's developer for the reimbursement of certain costs related to the removal of a silt basin located on certain lots within the District. Payment in the amount of $63,000 will be made through the issuance of general fund warrants in the event the District's financial condition has improved to support the issuance of such warrants, as determined by the District's fiscal agent. No reimbursement had been made as of June 30, 2015.

9. Subsequent Events

On August 15, 2015, the District issued general obligation refunding bonds totaling $4,200,000. The bonds are due in various installments beginning August 15, 2016, through August 15, 2035. Interest is payable semiannually on this issue at 1.50% to 4.50% per annum. These bonds were issued to redeem the Class A bonds issued on April 1, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

SUPPLEMENTAL INFORMATION

Information Required by Nebraska Revised Statutes Section 31-740

District Trustees and Related Bonds

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Sanitary and Improvement District No. 258 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	$ 95,209	$ (9,598)	$ 85,611	$ 92,354	$ (6,743)
Interest on Property Taxes	232	-	232	200	32
State Motor Vehicle Tax Allocation	191	-	191	350	(159)
Total Revenues/Receipts	95,632	(9,598)	86,034	92,904	(6,870)
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	1,200	-	1,200	-	(1,200)
Engineering	12,831	220	13,051	3,000	(10,051)
Insurance	340	-	340	1,000	660
Maintenance	38,577	(2,712)	35,865	20,000	(15,865)
Professional Fees	25,012	(2,641)	22,371	10,500	(11,871)
Utilities	25,995	(3,175)	22,820	40,000	17,180
Total Expenditures/Disbursements	103,955	(8,308)	95,647	74,500	(21,147)
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(8,323)	(1,290)	(9,613)	18,404	(28,017)
OTHER FINANCING SOURCES (USES)					
Warrants Issued	-	94,446	94,446	74,500	19,946
Warrants Retired	-	(69,413)	(69,413)	(74,500)	5,087
Total Other Financing Sources (Uses)	-	25,033	25,033	-	25,033
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES	(8,323)	23,743	15,420	**$ 18,404**	**$ (2,984)**
Fund Balance (Deficit), Beginning of Year	32,383	19,547	51,930		
Fund Balance (Deficit), End of Year	**$ 24,060**	**$ 43,290**	**$ 67,350**		

See Independent Auditors' Report.

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

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

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	$ 206,288	$ (20,797)	$ 185,491	$ 200,100	$ (14,609)
Interest on					
Property Taxes	502	-	502	-	502
Special Assessments	32,191	271,712	303,903	100,000	203,903
Special Assessments	-	443,829	443,829	200,000	243,829
Sewer Connection Fees	56,000	-	56,000	25,000	31,000
State Motor Vehicle Tax Allocation	415	-	415	800	(385)
Total Revenues/Receipts	295,396	694,744	990,140	525,900	464,240
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	15,991	-	15,991	6,000	(9,991)
Bond Maintenance	2,500	(2,250)	250	-	(250)
Fiscal Agent Fees	6,000	-	6,000	7,000	1,000
Class A Bonds Payable					
Principal	777,499	2,501	780,000	550,000	(230,000)
Total Expenditures/Disbursements	801,990	251	802,241	563,000	(239,241)
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(506,594)	694,493	187,899	(37,100)	224,999
OTHER FINANCING SOURCES (USES)					
Warrants Issued	6,250	-	6,250	7,000	(750)
Warrants Retired	(6,250)	-	(6,250)	(7,000)	750
Total Other Financing Sources (Uses)	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES	(506,594)	694,493	187,899	**$ (37,100)**	**$ 224,999**
Fund Balance (Deficit), Beginning of Year	1,385,644	(1,037,815)	347,829		
Fund Balance (Deficit), End of Year	**$ 879,050**	**$ (343,322)**	**$ 535,728**		

See Independent Auditors' Report.

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

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

June 30, 2015

Total Receipts From All Sources	$	1,076,174
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	$	38,577
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	$	301,497

See Independent Auditors' Report.

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

District Trustees and Related Bonds **Schedule 4**

June 30, 2015

Trustees		Bonds	
Name	**Office**	**Insurer**	**Amount**
Paul McCune	Chairman	Western Surety Company	$ 5,000
Michelle Zimmerman	Clerk	Western Surety Company	$ 20,000
Susan McCune	Trustee		
Stacey Holt	Trustee		
George McFarling	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. 258 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. 258 of Sarpy County, Nebraska, as of and for the year ended June 30, 2015, which collectively comprise Sanitary and Improvement District No. 258 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. 258 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. 258 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. 258 of Sarpy County, Nebraska's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, as summarized below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 258 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.

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Findings and Responses

Significant Deficiency Identified:

Criteria
Internal controls should be in place that provide reasonable assurance of the District's ability to report financial information reliably in accordance with accounting principles generally accepted in the United States of America.

Condition
The Board of Trustees has engaged the outside audit firm to prepare the financial statements and related footnotes in conformity with accounting principles generally accepted in the United States of America.

Cause
The District has a limited number of administrative personnel available to prepare the financial statements and related footnotes in accordance with accounting principles generally accepted in the United States of America.

Effect
The District does not on its own comply with regulatory requirements to prepare annual financial statements in accordance with accounting principles generally accepted in the United States of America.

Recommendation
We recommend the District have a heightened awareness of the required oversight and monitoring of the transactions being reported.

Response
This is not an uncommon situation for a governmental entity of the District's size. The Board of Trustees has determined it would not be cost-beneficial to establish a system of internal controls that would allow the District to prepare its own financial statements. Accordingly, the District engaged the audit firm to assist in the preparation of the statements in accordance with accounting principles generally accepted in the United States of America. The Board of Trustees will oversee and monitor the transactions being reported and will accept responsibility for the financial statements prepared by the audit firm.

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 disbursements by approximately $235,400.

Cause
The District exceeded the budgeted amount of disbursements due to unanticipated events that occurred subsequent to the adoption of the budget.

Effect
The District did not amend the budget to account for the exceeded disbursements.

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 a greater than anticipated Class A bonds principal payment resulting from special assessment principal and interest collections in excess of expected amounts. 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