



**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Basic Financial Statements and  
Supplementary Information  
June 30, 2014**

**Together with Independent Auditor's Report**

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

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## Independent Auditor's Report

To the Board of Trustees of  
Sanitary Improvement District No. 270  
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 Improvement District No. 270 of Sarpy County, Nebraska (the District) 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 the financial statements that are free from material misstatement whether due to fraud or error.

### Auditor's 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 includes 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 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 the District as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 10 to the basic financial statements, the District has implemented a Plan of Adjustment under Chapter 9 of the United States Bankruptcy Code. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America, require that the budgetary comparison information on pages 14-15 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 response 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.

The District's management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such 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 supplementary 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 District'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.

*SEEM JOHNSON, LLP*

Omaha, Nebraska,  
December 18, 2014.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Governmental Funds Balance Sheet / Statement of Net Position  
June 30, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 35,589	205,078	240,667	--	240,667
Receivables:					
Property taxes	42,505	47,818	90,323	--	90,323
Special assessments	--	19,968	19,968	--	19,968
Interest on special assessments	--	12,859	12,859	--	12,859
Capital assets, net of accumulated depreciation	--	--	--	5,438,824	5,438,824
Total assets	<u>\$ 78,094</u>	<u>285,723</u>	<u>363,817</u>	<u>5,438,824</u>	<u>5,802,641</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 18,468	--	18,468	--	18,468
Accrued interest payable	--	--	--	73,387	73,387
Long-term debt:					
Portion due after one year	--	--	--	9,317,237	9,317,237
Total liabilities	<u>18,468</u>	<u>--</u>	<u>18,468</u>	<u>9,390,624</u>	<u>9,409,092</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	--	32,827	32,827	(32,827)	--
<b>FUND BALANCES/NET POSITION</b>					
Restricted for debt service	--	252,896	252,896	(252,896)	--
Unassigned	59,626	--	59,626	(59,626)	--
Total fund balance	<u>59,626</u>	<u>252,896</u>	<u>312,522</u>	<u>(312,522)</u>	<u>--</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 78,094</u>	<u>285,723</u>	<u>363,817</u>		
Net investment in capital assets				(3,878,413)	(3,878,413)
Restricted for debt service				212,336	212,336
Unrestricted				59,626	59,626
Total net position				<u>\$ (3,606,451)</u>	<u>(3,606,451)</u>

See Notes to Basic Financial Statements

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Statement of Governmental Fund Revenues, Expenditures  
and Changes in Fund Balances / Statement of Activities  
For the Year Ended June 30, 2014**

	General	Debt Service	Total	Adjustments (Note 1)	Statement of Activities
<b>REVENUES:</b>					
Personal property and real estate taxes	\$ 86,765	97,611	184,376	(23,771)	160,605
Special assessments	--	309,708	309,708	(309,708)	--
Interest on special assessments	--	178,585	178,585	(166,191)	12,394
Miscellaneous	1,545	1,626	3,171	--	3,171
Total revenues	<u>88,310</u>	<u>587,530</u>	<u>675,840</u>	<u>(499,670)</u>	<u>176,170</u>
<b>EXPENDITURES/EXPENSES:</b>					
Current:					
Collection fees	1,497	11,450	12,947	--	12,947
Depreciation	--	--	--	251,355	251,355
Electricity	19,784	--	19,784	--	19,784
Insurance	2,420	--	2,420	--	2,420
Miscellaneous	436	--	436	--	436
Professional fees	28,163	2,750	30,913	--	30,913
Repairs and maintenance	25,807	--	25,807	--	25,807
Street signs	1,797	--	1,797	--	1,797
Debt service:					
Retirement of warrants	125,480	--	125,480	(125,480)	--
Retirement of certificates of indebtedness	--	2,041,530	2,041,530	(2,041,530)	--
Interest on certificates of indebtedness	--	358,469	358,469	137,387	495,856
Total expenditures/expenses	<u>205,384</u>	<u>2,414,199</u>	<u>2,619,583</u>	<u>(1,778,268)</u>	<u>841,315</u>
<b>EXCESS OF EXPENDITURES/EXPENSES OVER REVENUES</b>	<u>(117,074)</u>	<u>(1,826,669)</u>	<u>(1,943,743)</u>	<u>1,278,598</u>	<u>(665,145)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of warrants	123,905	250	124,155	(124,155)	--
Issuance of certificates of indebtedness	--	11,358,517	11,358,517	(11,358,517)	--
Retirement of warrants from certificates of indebtedness	--	(10,615,426)	(10,615,426)	(10,615,426)	--
Interest on warrants from certificates of indebtedness	--	(743,091)	(743,091)	(743,091)	--
Total other financing sources, net	<u>123,905</u>	<u>250</u>	<u>124,155</u>	<u>(22,841,189)</u>	<u>--</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>6,831</u>	<u>(1,826,419)</u>	<u>(1,819,588)</u>	<u>1,819,588</u>	<u>--</u>
<b>CHANGE IN NET POSITION</b>				<u>(665,145)</u>	<u>(665,145)</u>
<b>FUND BALANCES/NET POSITION</b>					
Beginning of year	<u>52,795</u>	<u>2,079,315</u>	<u>2,132,110</u>	<u>--</u>	<u>(2,941,306)</u>
End of year	<u>\$ 59,626</u>	<u>252,896</u>	<u>312,522</u>	<u>--</u>	<u>(3,606,451)</u>

See Notes to Basic Financial Statements

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2014**

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**(1) Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies employed in the preparation of these financial statements. These policies are in accordance with accounting principles generally accepted in the United States of America.

**A. Reporting Entity**

Sanitary Improvement District No. 270 of Sarpy County, Nebraska (the District) was formed on April 13, 2005 to construct and maintain improvements in the Hyda Hills Subdivision. The Subdivision consists of 249 developed lots and 52.35 acres preliminarily platted into 176 undeveloped lots and is located in Sarpy County, Nebraska.

The Board of Trustees of the District has financial accountability and control over all the activities related to the District. The Board of Trustees is elected by the property owners of the District and has decision-making authority, the authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The Board also has primary financial accountability for fiscal matters of the District.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds for which the District is financially accountable. The District has also considered all other potential organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the District to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the District. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities, which report financial information for all activities of the District.

The government-wide Statement of Net Position recognizes all long-term assets and receivables as well as long-term debt obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reflects the expenses of the District's governmental activities, offset by general revenues to determine the change in net position for the year.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. The measurement focus is upon determination of changes in fund balance, rather than upon net income determination.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2014**

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The following comprise the District's governmental funds:

General Fund - The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Debt Service Fund - The Debt Service Fund is used to account for the funding and payment of interest and principal of general obligation debt of the District.

*D. Measurement Focus and Basis of Accounting*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt are reported as other financing sources.

*E. Cash and Cash Equivalents*

Cash and cash equivalents include investments in highly liquid debt instruments that are available to meet working capital requirements and other current obligations.

Cash of the individual funds of the District were held by the treasurer of Sarpy County, Nebraska (the County) in a pooled fund. Such pooled fund deposits were covered by federal depository insurance or with sufficient assets pledged to the County by the financial institution at June 30, 2014. Amounts collateralized were not readily available.

*F. Receivables*

Property taxes are recognized as a receivable at the time an enforceable legal claim is established. Revenue on special assessments and the related accrued interest is recognized as the amounts are collected in the governmental fund financial statements. Uncollected special assessments and accrued interest outstanding are recorded as receivable and unavailable revenue on the governmental fund Balance Sheet as of June 30, 2014. Revenue on special assessments is recognized when levied and interest on outstanding special assessments is recognized when earned in the government-wide financial statements. Property tax and special assessment receivables are written off when deemed uncollectible. Recoveries of property tax and special assessment receivables previously written off are recorded when received. Interest income on property taxes and special assessments is recognized when received in the governmental fund financial statements.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2014**

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*G. Property Taxes*

The District has approved a tax levy as follows during the year ending June 30, 2014:

	<b>Dollars per \$100 of Valuation</b>
General Fund	\$ 0.4000
Valuation	<u>21,859,078</u>
Total tax levy	<u>\$ 87,436</u>
Debt Service Fund	\$ 0.4500
Valuation	<u>21,859,078</u>
Total tax levy	<u>\$ 98,366</u>
Levy Date	December 31
Due Date	December 31
Delinquent Dates	April 1 and August 1
Interest Rate	14%

*H. Capital Assets*

Capital assets, primarily infrastructure, are reported in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Depreciation is calculated using the straight-line method, with a half-year taken the first year and the last year, over the following estimated useful lives:

Paving and sewers	30 years
Gas, electric and water distribution systems	30 years

*I. Net Position / Fund Balance*

Fund Balance

Fund balance of the District's governmental funds are classified in the financial statements as follows:

- Nonspendable Fund Balance consists of amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be kept intact. The District had no nonspendable fund balance as of June 30, 2014.
- Restricted Fund Balance consists of amounts that are restricted for specific purposes. These restrictions are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed through constitutional provisions or enabling legislation.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2014**

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- Committed Fund Balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision making authority. These amounts cannot be used for any other purpose unless the government removes or changes the specific use by taking the same type of action it used to commit those amounts. The Board of Trustees is the District's highest level of authority. All actions concerning approving, eliminating, or modifying of committed fund balances will be accomplished through resolution. The District had no committed fund balance as of June 30, 2014.
- Assigned Fund Balance consists of amounts that are constrained by the government intended to be used for specific purposes, but are neither restricted nor committed. The authority for making an assignment is not required to be the government's highest decision making authority. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regards to committed fund balances. The Board of Trustees of the District will have the overall responsibilities for monitoring these balances. The District had no assigned fund balance as of June 30, 2014.
- Unassigned Fund Balance is the residual classification for the general fund. The general fund is the only fund to report a positive unassigned fund balance.

The District considers that all incurred and spent restricted, committed, and assigned amounts have been utilized first before unassigned amounts are made.

Net Position

Net position of the District is classified in the government-wide Statement of Net Position and is defined as follows:

- Net investment in capital assets 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.
- Restricted expendable are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, contributors or laws or regulations external to the District.
- Restricted nonexpendable equals the principal portion of permanent endowments. The District had no restricted nonexpendable net position as of June 30, 2014.
- Unrestricted is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

The District first applies restricted resources when an expense incurred for purposes for which both restricted and unrestricted resources are available.

*J. Estimates*

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board of Trustees to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2014**

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*K. Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position as of June 30, 2014*

Total fund balance - governmental funds	\$ 312,522
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.	5,438,824
Unavailable revenue on property taxes and special assessments in the governmental funds has been recorded as revenue in the government-wide financial statements.	19,968
Interest is accrued as revenue on unpaid special assessments in the government-wide statements whereas interest on special assessments is recorded as revenue in the governmental funds when collected.	12,859
Accrued interest expense that is not due or payable in the current period is not reported as a liability in the governmental funds.	(73,387)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(9,317,237)</u>
Total net position - governmental activities	<u>\$ (3,606,451)</u>

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2014**

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*L. Reconciliation of the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities for the Year Ended June 30, 2014*

Net change in fund balances - governmental funds \$ (1,819,588)

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

Governmental funds report capital outlays as expenditures.  
However, in the Statement of Activities, the costs of those  
assets are allocated over their estimated useful lives and  
reported as depreciation expense. This is the amount by  
which depreciation expense exceeded capital outlays in the  
current period. (251,355)

Accrued interest expense that does not require current financial  
resources. 605,704

Collections on special assessments and interest thereon have been  
reported as revenues in the governmental funds but are reported  
as decreases in receivables in the Statement of Net Position.  
This is the amount of collections on special assessments and  
the change in accrued interest thereon. (475,899)

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds. (23,771)

Proceeds from issuance of long-term debt is reported as an other  
financing source in the governmental funds. In the Statement  
of Net Position, the proceeds increase long-term liabilities. (11,482,672)

Repayment of principal on noncurrent liabilities is reported as an  
expenditure in the governmental funds. In the Statement of  
Net Position, the repayment reduces long-term liabilities.  
This is the amount of repayments in the current year. 12,782,436

Change in net position - governmental activities \$ (665,145)

*M. Subsequent Events*

The District considered events occurring through December 18, 2014 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2014**

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**(2) Deposits and Investments**

State statutes require that all bank balances be insured or collateralized by United States government securities held by the District's third-party agent or the pledging financial institution's trust department in the name of the District.

*Credit Risk* - The statutes of the State of Nebraska authorize the District to invest in certificates of deposit and time deposits of banks or capital stock financial institutions, obligations of the United States government and agencies thereof, and securities as provided in the authorized investment guidelines of the Nebraska Investment Council. The District does not have a policy for custodial credit risk beyond requirements set by the state statutes. All cash funds are held in the County's name, as such, the District is exposed to this risk at June 30, 2014.

*Interest Rate Risk* - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**(3) Capital Assets, Net**

The following is a summary of capital assets:

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Balance</u> <u>6/30/2014</u>
Paving and sewers	\$ 6,100,922	--	6,100,922
Gas, electric and water distribution system	<u>1,439,726</u>	--	<u>1,439,726</u>
	7,540,648	--	7,540,648
Less: Accumulated depreciation	<u>(1,850,469)</u>	<u>(251,355)</u>	<u>(2,101,824)</u>
	<u>\$ 5,690,179</u>	<u>(251,355)</u>	<u>5,438,824</u>

The District recorded depreciation expense \$251,355 for the year ended June 30, 2014.

At June 30, 2014, the District had no contractual commitments for construction projects.

**(4) Special Assessments**

The Board of Trustees has levied special assessments on the lots in the District. The assessments are summarized as follows:

Levy Date:	May 15, 2006	December 11, 2006
Amount Assessed:	\$784,099	\$1,640,186
Due Date:	July 4, 2006	January 30, 2007
Delinquent Date:	May 15, 2007	December 11, 2007
Regular Rate:	7.5%	7.5%
Delinquent Rate:	9.5%	9.5%

The special assessment is payable in ten annual principal installments, plus interest, beginning on the due date. Special assessments delinquent at June 30, 2014 were \$15,037.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2014**

**(5) Long-Term Debt**

Warrants Payable

The District issues warrants to pay for expenditures of the District. When warrants are presented for payment, the paying agent either pays them or registers them, at which time interest begins accruing if the warrant is registered. The interest rate on the registered warrants is 7% to 8%. These warrants are generally expected to be redeemed with tax and special assessment revenues or refinanced with a long-term bond issuance within their appropriate statutory maturity limits.

General Fund warrants are due and payable no later than three years from the date of issuance. Debt Service Fund warrants are due and payable no later than five years from the date of issuance, unless extended by court order.

Summary of warrant activities is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Balance outstanding, June 30, 2013	\$ 1,575	10,615,426	10,617,001
Issuance of warrants	123,905	250	124,155
Retirement of warrant principal	<u>(125,480)</u>	<u>(10,615,426)</u>	<u>(10,740,906)</u>
Balance outstanding, June 30, 2014	<u>\$ --</u>	<u>250</u>	<u>250</u>

Certificates of Indebtedness

As discussed in Note 10, in fiscal year 2014, the District issued \$11,358,517 of certificates of indebtedness in exchange for all outstanding debt service fund warrants and the related accrued interest. The certificates of indebtedness do not have an established payment plan or maturity date. Payments to the certificate holders will be made on a pro rata basis with amounts determined annually by the Board of Trustees and the District's paying agent with payments being applied entirely to principal until fully paid and then being applied to outstanding interest.

Summary of certificate of indebtedness activities is as follows:

Balance outstanding, June 30, 2013	\$ --
Issuance of certificates of indebtedness	11,358,517
Retirement of certificates of indebtedness	<u>(2,041,530)</u>
Balance outstanding, June 30, 2014	<u>\$ 9,316,987</u>

**(6) Surety Bonds**

The District has acquired the following surety bonds which have been filed with the County Clerk in accordance with Nebraska Revised Statutes Section 31-734:

Chairperson	\$ 5,000
Clerk	20,000

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2014**

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**(7) Credit Risk**

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

**(8) 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. This 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.

**(9) Related Parties**

The Board of Trustees of the District is comprised of individuals that have a direct or indirect ownership interest in the property under development.

**(10) Plan of Adjustment**

During fiscal year 2013, the United States Bankruptcy Court, District of Nebraska, approved a Chapter 9 Plan of Adjustment (the Plan) proposed by the District's Board of Trustees and legal counsel. Under the terms of the Plan, the District transferred cash and investment funds from the Debt Service Fund to the General Fund and paid administrative costs associated with the bankruptcy filing and all outstanding General Fund warrants.

The Plan also required the District replace debt service fund warrants with certificates of indebtedness. In July 2013, the District issued \$11,358,517 of certificates of indebtedness in exchange for all outstanding debt service fund warrants and the related accrued interest. As funds allow and as governed by the Plan, principal and interest payments to the certificate holders will be made on a pro rata basis with amounts determined annually by the Board of Trustees and the District's paying agent with payments being applied entirely to principal until fully paid and then being applied to outstanding interest. The Plan allows, and in some circumstance requires, the District to issue post-petition bonds if it would be advantageous to the District and the certificate of indebtedness holders.

The Plan requires the District to levy no less than \$.85 per \$100 of assessed valuation and shall not be decreased without an order from the court or until the Plan is terminated. The Plan will terminate in August 2027 or the date upon which the District has made payment in full upon all certificates of indebtedness.

The District's ability to pay the certificates of indebtedness in the full amounts of principal and interest are contingent upon growth of the District's property valuation which will drive its ability to generate sufficient tax revenues.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Exhibit 1**

**Statement of Receipts and Disbursements – Budget and Actual  
General Fund – Budgetary Basis  
For the Year Ended June 30, 2014**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>RECEIPTS:</b>			
Personal property and real estate taxes	\$ 87,436	77,025	(10,411)
Miscellaneous	--	1,545	1,545
Total receipts	<u>87,436</u>	<u>78,570</u>	<u>(8,866)</u>
<b>DISBURSEMENTS:</b>			
Current:			
Collection fees	1,714	1,497	217
Electricity	28,000	21,552	6,448
Insurance	3,000	2,320	680
Miscellaneous	--	643	(643)
Professional fees	101,000	76,756	24,244
Publications	500	--	500
Repairs and maintenance	29,400	20,837	8,563
Street cleaning	600	--	600
Street signs	500	1,797	(1,297)
Debt service:			
Retirement of warrants	<u>163,000</u>	<u>125,480</u>	<u>37,520</u>
Total disbursements	<u>327,714</u>	<u>250,882</u>	<u>76,832</u>
<b>EXCESS OF DISBURSEMENTS OVER RECEIPTS</b>	<u>(240,278)</u>	<u>(172,312)</u>	<u>67,966</u>
<b>OTHER FINANCING SOURCES:</b>			
Issuance of warrants	<u>163,000</u>	<u>123,905</u>	<u>(39,095)</u>
Total other financing sources	<u>163,000</u>	<u>123,905</u>	<u>(39,095)</u>
<b>EXCESS OF DISBURSEMENTS OVER RECEIPTS AND OTHER FINANCING SOURCES</b>	<u>\$ (77,278)</u>	<u>(48,407)</u>	<u>28,871</u>
<b>ADJUSTMENTS:</b>			
To adjust receipts for accruals		9,740	
To adjust disbursements for accruals		<u>45,498</u>	
Total adjustments		<u>55,238</u>	
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>		<u>\$ 6,831</u>	

*See Note to Required Supplementary Information*

Statement of Receipts and Disbursements – Budget and Actual  
Debt Service Fund – Budgetary Basis  
For the Year Ended June 30, 2014

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
<b>RECEIPTS:</b>			
Personal property and real estate taxes	\$ 98,366	86,654	(11,712)
Special assessments	--	309,708	309,708
Interest on special assessments	--	178,585	178,585
Miscellaneous	--	1,626	1,626
Total receipts	<u>98,366</u>	<u>576,573</u>	<u>478,207</u>
<b>DISBURSEMENTS:</b>			
Current:			
Collection fees	1,929	11,450	(9,521)
Professional fees	--	2,750	(2,750)
Debt service:			
Retirement of certificates of indebtedness	2,000,000	2,041,530	(41,530)
Interest on certificates of indebtedness	--	358,469	(358,469)
Total disbursements	<u>2,001,929</u>	<u>2,414,199</u>	<u>(412,270)</u>
<b>EXCESS OF DISBURSEMENTS OVER RECEIPTS</b>	<u>(1,903,563)</u>	<u>(1,837,626)</u>	<u>65,937</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of warrants	--	250	250
Issuance of certificates of indebtedness	--	11,358,517	11,358,517
Retirement of warrants from certificates of indebtedness	--	(10,615,426)	10,615,426
Interest on warrants from certificates of indebtedness	--	(743,091)	743,091
Total other financing sources, net	<u>--</u>	<u>250</u>	<u>22,717,284</u>
<b>EXCESS OF DISBURSEMENTS AND OTHER FINANCING USES OVER RECEIPTS AND OTHER FINANCING SOURCES</b>	<u>\$ (1,903,563)</u>	<u>(1,837,376)</u>	<u>22,783,221</u>
<b>ADJUSTMENTS:</b>			
To adjust receipts for accruals		<u>10,957</u>	
<b>EXCESS OF EXPENDITURES AND OTHER FINANCING USES OVER REVENUES AND OTHER FINANCING SOURCES</b>		<u>\$ (1,826,419)</u>	

See Note to Required Supplementary Information

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Note to Required Supplementary Information  
June 30, 2014**

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**(1) Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

Formal budgetary integration is employed as a management control device during the year for the General and Debt Service Funds. These budgets are adopted on the cash basis of accounting. Revenues are recognized when cash is received and expenses are recognized when cash is disbursed.

The District approves total budget appropriations. Supplemental funds may be appropriated for emergency purposes after a public hearing and approval by the District. The level of budgetary responsibility is by total appropriations.

Unused appropriations for all of the above annual budgeted funds lapse at the end of the District's fiscal year.

The budget amounts shown in the basic financial statements are the final authorized amounts. No additional appropriations were made during the year ended June 30, 2014.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Exhibit 3**

**Information Required by Section 31-740  
Revised Statutes of Nebraska 1943, Reissued 2008  
For the Year Ended June 30, 2014**

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Gross revenue from all sources	\$	675,840
Amount spent for access to facilities and use of service of library system of neighboring cities and villages		None
Amount expended on water mains		None
Amount spent for sewage disposal		None
Gross amount of sewage processed		None
Cost per thousand gallons of processing sewage		None
Amount expended for maintenance and repairs	\$	25,807
Amount expended for new equipment		None
Amount expended for new construction work, net		None
Amount expended for property purchased		None
Number of employees		None
Salaries and fees paid to employees		None
Total amount of taxes levied upon the property within the District	\$	185,802
Total amount of special assessments levied upon the property within the District		None

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Exhibit 4**

**Board of Trustees  
June 30, 2014**

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<u>Name</u>	<u>Office</u>
W.L. Morrison, Jr.	Chairperson
Kristy J. Gregath	Clerk
Sharon Buckley	Trustee
Stephen Hicky	Trustee
Judith C. Morrison	Trustee

**Independent Auditor's 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**

**Independent Auditor's Report**

To the Board of Trustees of  
Sanitary Improvement District No. 270  
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 governmental activities and each major fund, and the budgetary comparisons for the general and debt service funds of Sanitary Improvement District No. 270 of Sarpy County, Nebraska (the District), 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, and have issued our report thereon, dated December 18, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*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 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given those limitations, during our audit we not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency (2014-001).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2014-002.

### **District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*SEEM JOHNSON, LLP*

Omaha, Nebraska,  
December 18, 2014.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Schedule of Findings and Responses  
June 30, 2014**

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**FINANCIAL STATEMENT FINDINGS**

2014-001

*Significant Deficiency:*

**Criteria:** Management is responsible for the preparation and fair presentation of the District's financial statements.

**Condition:** Management relies on external accountants to prepare the District's basic financial statements and notes to financial statements.

**Cause:** Due to the limited number of management and administrative personnel, management has elected to have external accountants prepare the financial statements and notes to financial statements.

**Effect:** Condition could result in the District's financial statements to be misstated and not detected by the District's personnel.

**Recommendation:** We recommend the District have a heightened awareness of the transactions being reported.

**Views of Responsible  
Officials and Planned  
Corrective Action:**

Management is aware of this significant deficiency and believes it is not financially prudent for the District to employ personnel for the purpose of preparing the financial statements. Management will continue to have a heightened awareness of the District's transactions when reviewing the financial statements prepared by external accountants.

**Conclusion:** Response accepted.

2014-002

*Noncompliance:*

**Criteria:** Section 13-511 of the Revised Statutes of Nebraska 1943, reissued 2008, requires the District to adopt a supplemental budget statement in the event that additional expenses in excess of the amount budgeted are incurred which could not reasonably have been anticipated at the time the original budget was adopted.

**Condition:** The District exceeded budgeted expenditures/disbursements by approximately \$335,000 without amending the budget.

**Cause:** The District collected a significant amount of special assessments leading to collection fees in excess of amounts budgeted.

**Effect:** The District was not in compliance with the above referenced Nebraska state statutes.

**Recommendation:** We recommend the District evaluate its budgeting process and compare the adopted budget to actual expenditures/disbursements throughout the year and adopt a supplemental budget if necessary.

**Views of Responsible  
Officials and Planned  
Corrective Action:**

Management is aware of this instance of noncompliance and will evaluate its budgeting process and will more closely monitor the budget throughout the year. In future years the Board of Trustees will review the financial activities of the District and will adopt a supplemental budget if it is deemed necessary. In this case, the unanticipated collection of special assessments occurred very late in the fiscal year making the adoption of a supplemental budget before year-end virtually impossible.

**Conclusion:** Response accepted.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Independent Auditor's Comments on Resolution of Prior Audit Findings  
June 30, 2014**

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13-1

*Significant Deficiency:*

Condition: Management relies on external accountants to prepare the District's financial statements and notes to financial statements.

Auditee Response: Management is aware of this deficiency in internal control over financial reporting and believes it is not financially prudent for the District to employ personnel for the purpose of preparing the financial statements. Management will continue to have a heightened awareness of the District's transactions when reviewing the financial statements prepared by external accountants.

Status: Finding not cleared. See finding 2014-001.

13-2

*Noncompliance:*

Condition: The District exceeded budgeted expenditures/disbursements in the debt service fund by approximately \$42,000 without amending the budget.

Auditee Response: Management is aware of this instance of noncompliance and will evaluate its budgeting process and will more closely monitor the budget throughout the year. In future years the Board of Trustees will review the financial activities of the District and will adopt a supplemental budget if it is deemed necessary. In this case, the unanticipated collection of special assessments occurred very late in the fiscal year making the adoption of a supplemental budget before year-end virtually impossible.

Status: Finding not cleared. See finding 2014-002.