

SANITARY AND IMPROVEMENT DISTRICT
NO. 289 OF SARPY COUNTY, NEBRASKA

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2013

**SANITARY AND IMPROVEMENT DISTRICT
NO. 289 OF SARPY COUNTY, NEBRASKA**

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LENGEMANN & ASSOCIATES, P.C.

Certified Public Accountants

1410 Gold Coast Road, Suite 600

Papillion, Nebraska 68046

Phone: (402) 592-1236

Fax: (402) 592-1424

Email: thefirm@lengemanncpa.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees

Sanitary and Improvement District

No.289 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. 289 of Sarpy County, Nebraska, (The District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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. 289 of Sarpy County, Nebraska, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 14 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included in the supplementary schedules on pages 15-16 are presented for purposes of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied to the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other 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 other information included in the other schedules on pages 17-18 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Accounting Standards* we have also issued our report dated December 15, 2013 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lengemann & Associates, P.C.

LENGEMANN & ASSOCIATES, P.C.
Papillion, Nebraska
December 15, 2013

**SANITARY AND IMPROVEMENT DISTRICT
NO. 289 OF SARPY COUNTY, NEBRASKA**

**GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013**

	General	Debt Service	Total	Reconciling	Statement of
ASSETS	Fund	Fund	Total	Items	Financial Position
Cash - County Treasurer	\$ 30,934	\$ 23,335	\$ 54,269	\$ -	\$ 54,269
Investments	-	144,957	144,957	-	144,957
Taxes receivable	40,073	-	40,073	-	40,073
Investment interest receivable	-	3	3	-	3
Special assessment receivable	-	439,297	439,297	-	439,297
Special assessment interest receivable	-	-	-	3,538	3,538
Bond issue costs, net of accum. amort.	-	-	-	120,910	120,910
Capital assets, net of accum. depr.	-	-	-	989,302	989,302
TOTAL ASSETS	<u>\$ 71,007</u>	<u>\$ 607,592</u>	<u>\$ 678,599</u>	<u>\$ 1,113,750</u>	<u>\$ 1,792,349</u>
LIABILITIES					
Accounts payable	\$ 506	\$ 5,596	\$ 6,102	\$ -	\$ 6,102
Accrued interest	-	-	-	31,124	31,124
Deferred revenue - special assessments	-	439,297	439,297	(439,297)	-
Long-term payable	27,880	6,970	34,850	-	34,850
Warrants outstanding					
Due after one year	-	-	-	485,270	485,270
Bonds outstanding					
Due after one year	-	-	-	1,130,000	1,130,000
TOTAL LIABILITIES	<u>28,386</u>	<u>451,863</u>	<u>480,249</u>	<u>1,207,097</u>	<u>1,687,346</u>
FUND BALANCES/NET POSITION					
Fund Balances-					
Restricted	-	155,729	155,729	(155,729)	-
Unassigned	42,621	-	42,621	(42,621)	-
Total Fund Balances	<u>42,621</u>	<u>155,729</u>	<u>198,350</u>	<u>(198,350)</u>	<u>-</u>
Total Liab. and Fund Balance	<u>\$ 71,007</u>	<u>\$ 607,592</u>	<u>\$ 678,599</u>		
Net investment in capital assets				(625,968)	(625,968)
Restricted for debt service				688,350	688,350
Unrestricted				42,621	42,621
Total Net Position				<u>105,003</u>	<u>105,003</u>
TOTAL LIABILITIES AND NET POSITION				<u>\$ 1,113,750</u>	<u>\$ 1,792,349</u>

See accompanying notes to financial statements

**SANITARY AND IMPROVEMENT DISTRICT
NO. 289 OF SARPY COUNTY, NEBRASKA
GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	GENERAL FUND	DEBT SERVICE FUND	TOTAL	RECONCILING ITEMS	STATEMENT OF ACTIVITIES
REVENUES					
Property taxes	\$ 82,348	\$ -	\$ 82,348	\$ -	\$ 82,348
Overestimate of taxes	(15)	-	(15)	-	(15)
Interest on taxes	125	-	125	-	125
Special assessments	-	54,912	54,912	(54,912)	-
Interest on special assessments	-	34,595	34,595	(821)	33,774
Interest on investments	-	82	82	-	82
Total revenues	<u>82,458</u>	<u>89,589</u>	<u>172,047</u>	<u>(55,733)</u>	<u>116,314</u>
EXPENDITURES/EXPENSES:					
Current:					
Collection fee - County Treasurer	1,293	1,790	3,083	-	3,083
Electricity	3,487	-	3,487	-	3,487
Interest on warrants	1,640	65,615	67,255	(15,118)	52,137
Legal and accounting fees	10,325	-	10,325	-	10,325
Paying agent fees	764	3,257	4,021	-	4,021
Depreciation	-	-	-	35,670	35,670
Debt service:					
Interest	-	30,560	30,560	2,771	33,331
Bond issue costs	-	43,876	43,876	(39,202)	4,674
Total expenditures/expenses	<u>17,507</u>	<u>145,098</u>	<u>162,605</u>	<u>(15,879)</u>	<u>146,726</u>
Excess (deficiency) of revenues over expenditures/expenses	64,951	(55,509)	9,442	(39,854)	(30,412)
OTHER FINANCING SOURCES (USES):					
Issuance of warrants	16,043	57,013	73,056	(73,056)	-
Warrants retired	(34,692)	(337,466)	(372,158)	372,158	-
Bond issue	-	380,000	380,000	(380,000)	-
Total other financing sources (uses)	<u>(18,649)</u>	<u>99,547</u>	<u>80,898</u>	<u>(80,898)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources	46,302	44,038	90,340	(90,340)	-
Change in net position	-	-	-	(30,412)	(30,412)
Fund balances/net position:					
Beginning of the year	(3,681)	111,691	108,010	-	135,415
End of the year	<u>\$ 42,621</u>	<u>\$ 155,729</u>	<u>\$ 198,350</u>	<u>\$ -</u>	<u>\$ 105,003</u>

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT
NO. 289 OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 90,340

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

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets (35,670)

Special assessment revenue is deferred in the fund financial statements until it is considered available to finance current expenditures, but such revenues are recognized when assessed in the statement of activities (54,912)

In the statement of activities, interest is accrued on special assessments, whereas in the governmental funds, interest is reported as revenue when received (821)

Net warrants issued/redeemed are reported as other financing sources/uses in the governmental funds, but as increase/decrease in long-term debt in the government-wide financial statements 299,102

New bond issues are reported as other financing sources in the governmental funds, but as increase in long-term debt in the government-wide financial statements (380,000)

In the governmental funds, new bond issue costs are recorded as expenditures, whereas in the statement of activities, bond issue costs are amortized over the life of the debt 43,876

In the statement of activities, interest is accrued on long-term debt, whereas in governmental funds, interest is reported when paid 12,347

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds (4,674)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (30,412)

**SANITARY AND IMPROVEMENT DISTRICT
NO. 289 OF SARPY COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District is a governmental subdivision created June 6, 2008 with the filing of the Petition and Articles of Association with the Secretary of State, State of Nebraska. The District was formed for the purpose of infrastructure construction and to arrange for basic services.

The Board of Trustees, consisting of 5 members, has governance responsibilities over all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The accompanying financial statements present the District's entire reporting entity - there are no component units, in accordance with generally accepted accounting principles.

B. Government-wide and Fund Financial Statements

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

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

The District presents a combined statement of financial position and governmental fund balance sheet. Major individual governmental funds are reported as separate columns in the fund financial statements. The following is a description of the District's two major governmental funds:

General Fund

The general fund is the main operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest.

C. 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 they occur and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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 one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

D. Budgets and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds which the District controls. These budgeted appropriations lapse at fiscal year end June 30, 2013.

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

- (1) In August 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 on or before September 20.
- (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. There were no supplemental appropriations during fiscal year ended June 30, 2013.

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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A reconciliation of the differences between the basis of accounting for 2013, is presented below:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Excess of revenues and other sources over expenditures and other uses of financial resources- budgetary non-GAAP basis	\$ 29,383	\$ 49,635
Adjustments:		
Receivables	15,450	(3)
Payables	<u>1,469</u>	<u>(5,594)</u>
Excess of revenues and other sources over expenditures and other uses of financial resources- GAAP basis	<u>\$ 46,302</u>	<u>\$ 44,038</u>

E. Reconciling Items

Amounts in the adjustments column reconcile the fund financial statements to the government-wide financial statements. The significant reconciling items are:

- (1) Costs of the capital assets purchased for use in governmental activities are recognized as expenditures in the governmental funds, but in the statement of financial position are capitalized, net of accumulated depreciation.
- (2) Special assessments levied but not collected are included in the fund financial statements as deferred revenue, but in the government-wide financial statements they are included as revenue when assessed and interest thereon is reported as revenue as accrued.
- (3) Long-term debt (bonds and warrants) and related accrued interest is not reported as a liability in the governmental funds, but in the statement of financial position both current and long-term amounts owed are reported.
- (4) Bond issue costs are reported as an expenditure in the governmental fund financial statements, but in the statement of financial position, they are capitalized and amortized over the life of the bonds.
- (5) The effects of the above changes are included to reconcile the reported governmental fund balances to the GAAP required three types of net position.

F. Restricted Assets

All assets in a debt service (bond or construction) fund are restricted and may be used only for the purpose of the fund, which is to pay off the debt of the District. Typical assets include cash, investments, and taxes receivable.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statutes 15-846 and 15-847 R.R.S., 1943 require banks either to give bond or to pledge government securities (types of which are specifically identified in the statutes) to the District Treasurer in the amount of the District's deposits. The statutes allow pledged securities to be reduced by the amount of the deposits insured by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2013, the District's cash deposits, in excess of the \$250,000 FDIC limits, are covered by collateral held by an agent for the District and thus no custodial credit risk exists.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for the District's investments at June 30, 2013 are subject to custodial credit risk, as they are held in an account by an agent who is not the counterparty to the security transactions. All investment maturities are less than one year.

At June 30, 2013 Sanitary and Improvement District No. 289 had the following investments, maturities and credit ratings:

<u>Type</u>	<u>Carrying Value</u>	<u>Par Value</u>	<u>Credit Rating Moody / S&P</u>
Debt Service Fund:			
US Treasury Bills	<u>\$ 144,957</u>	<u>\$ 145,000</u>	N/A

Summary of Deposit and Investment Balances

Following is a reconciliation of the District's deposits and investment balances as of June 30, 2013:

	<u>Totals</u>
Deposits	\$ 54,269
Investments and interest receivable	144,960
Total	<u>\$ 199,229</u>
Government-wide Statement of Net Assets	
Cash	\$ 30,934
Restricted Assets:	
Cash	23,335
Investments and interest receivable	144,960
Total	<u>\$ 199,229</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Capital Assets

Capital assets, which consist primarily of infrastructure, are reported in the government-wide statement of financial position but are not reported in the fund financial statements. All capital assets are capitalized at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for significant capital assets are as follows:

Water & Gas Distr. System	50	years
Sanitary Sewer	50	years
Sewer & Paving	25	years
Electrical System	30	years
Fairview Road Improvements	30	years
Easements	25	years

A summary of capital assets is as follows:

	<u>6/30/2012</u>	<u>Additions</u>	<u>6/30/2013</u>
Water & Gas Distr. System	\$ 203,565	\$ -	\$ 203,565
Sanitary Sewer	155,486	-	155,486
Sewer & Paving	500,195	-	500,195
Electrical System	39,714	-	39,714
Fairview Road Improvements	214,709	-	214,709
Easements	10,010	-	10,010
	<u>1,123,679</u>	<u>-</u>	<u>1,123,679</u>
Accumulated Depreciation	<u>(98,707)</u>	<u>(35,670)</u>	<u>(134,377)</u>
Net Capital assets	<u>\$ 1,024,972</u>	<u>\$ (35,670)</u>	<u>\$ 989,302</u>

There were no capital asset reductions during the year.

I. Credit Risk

The District's credit risk relates to receivables for property taxes, sewer connection fees and special assessments which are due from property owners within the boundaries of the District and cash on deposit with the Sarpy County Treasurer.

J. Bond Issue Costs

Bond issue costs are amortized over the term of the bonds using the straight line method in the government-wide statements. Bond issue costs are expensed as incurred in the governmental fund statements. Also see Note 1 (P).

K. Property Taxes

Property taxes, which constitute the principal source of tax revenue, are levied in September based on the assessed value of property and attach as an enforceable lien on the property as of December 31. Assessed values are an approximation of market value. Property taxes are delinquent on April 1 (first half) and August 1 (second half). The Sarpy County Treasurer bills and collects all property taxes for the District.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District has levied taxes for 2012-2013 at a rate of \$.9000 per \$100 of actual value of taxable property. The 2012-2013 taxes based on this levy are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Valuation of taxable property	\$ 9,149,758	\$ 9,149,758
Tax levy	<u>0.9000</u>	<u>-</u>
2012-2013 taxes assessed	<u>\$ 82,348</u>	<u>\$ -</u>

There were no delinquent taxes, therefore no allowance for uncollectible taxes is provided.

L. Special Assessments

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

M. Deferred Revenue

The District reports deferred revenue in the governmental fund balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

N. Use of Restricted/Unrestricted Net Position and Fund Balances

The District's policy is to first apply unrestricted resources when a cost is incurred for purposes for which both restricted and unrestricted net position and fund balances are available.

O. Income Taxes

As a government subdivision, the District is not subject to federal or state income taxes.

P. Accounting Pronouncements

The *Government Accounting Standards Board* issued Statement No. 63 which is effective July 1, 2012. The effect on the District was minor, primarily reclassifying net assets as net position.

The *Government Accounting Standards Board* also issued Statement No. 65 which will be effective July 1, 2013. The District has elected not to adopt this statement earlier than the required date. This will have a much more noticeable effect on the District in future years due to the fact that the District issues long term bonds. Statement No. 65 will require that the fees associated with the issuance of bonds will be expensed in the year incurred, as opposed to the current method of amortizing the costs over the life of the bonds. Also, the Bond issuance costs currently capitalized will be removed from the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. Net Position

Net position presents the differences between assets and liabilities in the statements of financial position. Net investment in capital assets is reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by The District's legislation or external restrictions by creditors, grantors, laws, or regulations of other governments. All other resources that do not meet the previous two definitions are "unrestricted" net position.

2. SPECIAL ASSESSMENTS

Special assessments are due from property owners within the boundaries of the District. Special assessments in the amount of \$65+233 were levied May 18, 2011 in connection with the construction of improvements. Special assessments become delinquent in ten annual installments and bear interest at 7.50% per annum until delinquent and 9.50%, thereafter, until paid. There are special assessments due of \$54,912 within one year. There were no delinquent installments at June 30, 2013.

3. LIABILITIES

Liabilities include registered warrants and general obligation bonds. Warrant activity for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Issued	Retired	Balance June 30, 2013
General Fund Warrants:				
7.0%	\$ 18,649	\$ 16,043	\$ 34,692	\$ -
Debt Service Fund Warrants:				
7.0%	765,723	57,013	337,466	485,270
Total Warrants Payable	<u>\$ 784,372</u>	<u>\$ 73,056</u>	<u>\$ 372,158</u>	<u>\$ 485,270</u>

Registered warrants outstanding bear interest at 7% per annum. Interest is accrued on warrants from the date of registration with the Sarpy County Treasurer. General Fund warrants mature three years from the date of issuance and Bond Fund warrants mature five years from the date of issuance. Warrants will be redeemed with proceeds from tax revenues, special assessments and bond proceeds. Outstanding warrants mature as follows:

	General Fund	Debt Service Fund	Total
June 30, 2015	-	222,422	222,422
June 30, 2016	-	100,622	100,622
June 30, 2017	-	105,213	105,213
June 30, 2018	-	57,013	57,013
Total	<u>\$ -</u>	<u>\$ 485,270</u>	<u>\$ 485,270</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

3. LIABILITIES - CONTINUED

Bond activity for the year ended June 30, 2013 is as follows:

	<u>Balance June 30, 2012</u>	<u>Issued (Retired)</u>	<u>Balance June 30, 2013</u>
General Obligation Bonds: 1.70-5.00%: 2011	\$ 750,000	\$ -	\$ 750,000
General Obligation Bonds: 2.00-4.00%: 2013	-	380,000	380,000
Total Bonds Payable	<u>\$ 750,000</u>	<u>\$ 380,000</u>	<u>\$ 1,130,000</u>

General Obligation 2011 Series Bonds payable bear interest at 1.70% to 5.00%. Interest is payable semi-annually on May 15 and November 15. General Obligation 2013 Series Bonds payable bear interest at 2.00% to 4.00%. Interest is payable semi-annually on April 15 and October 15. Aggregate maturities are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 43,863	\$ 43,863
2015	20,000	43,693	63,693
2016	20,000	43,333	63,333
2017	35,000	42,868	77,868
2018	35,000	42,080	77,080
2019-2023	235,000	191,777	426,777
2024-2028	325,000	139,429	464,429
2029-2032	460,000	56,105	516,105
Total	<u>\$ 1,130,000</u>	<u>\$ 603,148</u>	<u>\$ 1,733,148</u>

4. RISK MANAGEMENT

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

5. SUBSEQUENT EVENT

Management has evaluated all events subsequent through December 15, 2013, the date the financial statements were available to be issued for their possible effect on the financial statements. There are no events to recognize or disclose that management feels are necessary to keep the financial statements from being misleading.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis) - General Fund

SUPPLEMENTAL INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Budgetary Basis) - Debt Service Fund

Bonds Payable

OTHER INFORMATION

Information Required by Section 31-740,
Reissue Revised Statute of Nebraska, 1998

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. 289 OF SARPY COUNTY, NEBRASKA**

**SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

SCHEDULE 1

	Budgeted Amounts		Actual on Budgetary Basis	Variance- Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 82,348	\$ 82,348	\$ 66,883	\$ (15,465)
Interest on taxes	-	-	125	125
State motor vehicle tax allocation	125	125	-	(125)
Total revenues	<u>82,473</u>	<u>82,473</u>	<u>67,008</u>	<u>(15,465)</u>
EXPENDITURES				
Current:				
Collection fee - County Treasurer	1,615	1,615	1,293	322
Electricity	4,500	4,500	3,732	768
Engineering	5,000	5,000	-	5,000
Insurance	1,500	1,500	-	1,500
Interest on warrants	1,300	1,300	1,640	(340)
Legal and accounting fees	16,000	16,000	11,547	4,453
Miscellaneous	1,500	1,500	-	1,500
Paying agent fees	2,500	2,500	764	1,736
Repairs and maintenance	20,000	20,000	-	20,000
Total expenditures	<u>53,915</u>	<u>53,915</u>	<u>18,976</u>	<u>34,939</u>
Excess of revenues over expenditures	<u>28,559</u>	<u>28,559</u>	<u>48,032</u>	<u>19,473</u>
OTHER FINANCING SOURCES (USES)				
Warrants issued	-	-	16,043	16,043
Warrants redeemed	(18,649)	(18,649)	(34,692)	(16,043)
Net other financing sources (uses)	<u>(18,649)</u>	<u>(18,649)</u>	<u>(18,649)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	9,910	9,910	29,383	<u>\$ 19,473</u>
Fund balances - beginning of year	<u>1,551</u>	<u>1,551</u>	<u>1,551</u>	
Fund balances - end of year	<u>\$ 11,461</u>	<u>\$ 11,461</u>	<u>\$ 30,934</u>	

**SANITARY AND IMPROVEMENT DISTRICT
NO. 289 OF SARPY COUNTY, NEBRASKA**

**SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS) - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

SCHEDULE 2

	Budgeted Amounts		Actual on Budgetary Basis	Variance- Favorable (Unfavorable)
	Original	Final		
REVENUES				
Special assessments	\$ 50,000	\$ 50,000	\$ 54,912	\$ 4,912
Interest on special assessments	30,000	30,000	34,595	4,595
Interest on investments	10	10	83	73
Total revenues	<u>80,010</u>	<u>80,010</u>	<u>89,590</u>	<u>9,580</u>
EXPENDITURES				
Current:				
Collection fee - County Treasurer	1,600	1,600	1,790	(190)
Engineering	4,000	4,000	-	4,000
Interest on warrants	54,000	54,000	65,615	(11,615)
Miscellaneous	2,500	2,500	-	2,500
Paying agent fees	5,000	5,000	2,715	2,285
Repairs and maintenance	500	500	-	500
Debt service:				
Interest	30,560	30,560	30,560	-
Bond issue fees	-	-	38,822	(38,822)
Future bond requirements	20,000	20,000	-	20,000
Capital outlay:				
Improvements	50,000	50,000	-	50,000
Total expenditures	<u>168,160</u>	<u>168,160</u>	<u>139,502</u>	<u>28,658</u>
Excess (deficiency) of revenues over expenditures	(88,150)	(88,150)	(49,912)	38,238
OTHER FINANCING SOURCES (USES)				
New bond issue	-	-	380,000	380,000
Issuance of warrants	-	-	57,013	57,013
Warrants redeemed	(25,000)	(25,000)	(337,466)	(312,466)
Net other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>99,547</u>	<u>124,547</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(113,150)	(113,150)	49,635	<u>\$ 162,785</u>
Fund balances - beginning of year	<u>118,657</u>	<u>118,657</u>	<u>118,657</u>	
Fund balances - end of year	<u>\$ 5,507</u>	<u>\$ 5,507</u>	<u>\$ 168,292</u>	

**SANITARY AND IMPROVEMENT DISTRICT
NO. 289 OF SARPY COUNTY, NEBRASKA**

**BONDS PAYABLE
JUNE 30, 2013**

SCHEDULE 3

2011 SERIES

Issue Date: November 15, 2011
Option Call Date: November 15, 2016

<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>Amount</u>
November 15, 2014	1.70%	\$ 20,000
November 15, 2015	1.90%	20,000
November 15, 2016	2.20%	25,000
November 15, 2017	2.50%	25,000
November 15, 2018	2.90%	30,000
November 15, 2019	3.20%	30,000
November 15, 2020	3.50%	35,000
November 15, 2021	3.70%	35,000
November 15, 2022	3.95%	40,000
November 15, 2023	4.10%	40,000
November 15, 2024	4.30%	45,000
November 15, 2025	4.40%	45,000
November 15, 2026	4.50%	50,000
November 15, 2027	4.60%	50,000
November 15, 2028	4.70%	60,000
November 15, 2029	4.80%	60,000
November 15, 2030	4.90%	70,000
November 15, 2031	5.00%	70,000
TOTAL 2011 SERIES		<u>\$ 750,000</u>

2013 SERIES

Issue Date: April 15, 2013
Option Call Date: April 15, 2018

<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>Amount</u>
April 15, 2017	2.00%	\$ 10,000
April 15, 2018	2.15%	10,000
April 15, 2019	2.30%	10,000
April 15, 2020	2.50%	10,000
April 15, 2021	2.70%	15,000
April 15, 2022	2.90%	15,000
April 15, 2023	3.10%	15,000
April 15, 2024	3.30%	15,000
April 15, 2025	3.40%	20,000
April 15, 2026	3.50%	20,000
April 15, 2027	3.55%	20,000
April 15, 2028	3.65%	20,000
April 15, 2029	3.70%	25,000
April 15, 2030	3.75%	25,000
April 15, 2031	3.80%	25,000
April 15, 2032	3.90%	25,000
April 15, 2033	4.00%	100,000
TOTAL 2013 SERIES		<u>\$ 380,000</u>

**SANITARY AND IMPROVEMENT DISTRICT
NO. 289 OF SARPY COUNTY, NEBRASKA**

**INFORMATION REQUIRED BY SECTION 31-740
REISSUE REVISED STATUTES OF NEBRASKA
FOR THE YEAR ENDED JUNE 30, 2013**

SCHEDULE 4

Gross income from all sources	\$ 116,314
Amount spent for sewage disposal	NONE
Amount expended for water mains	NONE
Gross amount of sewage processed	NONE
Cost per thousand gallons of processing sewage	NONE
Amount expended for:	
a. Maintenance and repair	(2)
b. New equipment	NONE
c. New construction	NONE
d. Property purchased	NONE
Number of employees (Clerk)	NONE
Salaries and fees paid employees	NONE
Total amount of taxes levied upon the property within the District	82,348

**SANITARY AND IMPROVEMENT DISTRICT
NO. 289 OF SARPY COUNTY, NEBRASKA**

**SCHEDULE 5
BOARD OF TRUSTEES
JUNE 30, 2013**

SCHEDULE 5

<u>Name</u>	<u>Office</u>
Jerry R. Speedy - See Note	Chairman
Patricia K. Reid - See Note	Clerk
Steve Koss	Trustee
Craig C. Torstenson	Trustee
Thomas C. Wheatley	Trustee

Note - Surety bond for the District clerk was on file with the Sarpy County Clerk as of June 30, 2013 in accordance with the Revised Statutes of Nebraska.

LENGEMANN & ASSOCIATES, P.C.

Certified Public Accountants

1410 Gold Coast Road, Suite 600

Papillion, Nebraska 68046

Phone: (402) 592-1236

Fax: (402) 592-1424

Email: thefirm@lengemanncpa.com

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. 289
of Sarpy County, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 289 of Sarpy County, Nebraska (The District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2013.

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 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results 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 report is not suitable for any other purpose.

Lengemann & Associates, P.C.

LENGEMANN & ASSOCIATES, P.C.
Papillion, Nebraska
December 15, 2013