

BASIC FINANCIAL STATEMENTS
& SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 291
SARPY COUNTY, NEBRASKA

FOR YEAR ENDED JUNE 30, 2016

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J. DOUGLAS GOODNIGHT
(1936 - 2006)

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sanitary and Improvement District No 291
of Sarpy County, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Sanitary and Improvement District No. 291 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2016, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 291 of Sarpy County, Nebraska as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require budgetary comparison on page 17 to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our 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 Sanitary and Improvement District No. 291 of Sarpy County, Nebraska's basic financial statements. The other supplementary information on page 18 and 19 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the Sanitary and Improvement District No. 291 of Sarpy County, Nebraska internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitary and Improvement District No. 291 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

Awerkamp, Goodnight, Schwaller & Nelson, P.C.

Omaha, Nebraska
November 29, 2016

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2016

| | |
|---|---------------------|
| ASSETS: | |
| Cash on deposit - County Treasurer | \$ 1,016,837 |
| Taxes receivable (notes B and I) | 49,940 |
| Special assessments (notes C and I) | 1,129,373 |
| Accrued interest on special assessments | 47,110 |
| Capital assets (note D): | |
| Infrastructure | 10,644,455 |
| Accumulated depreciation | <u>(499,310)</u> |
| Total assets | <u>12,388,405</u> |
| LIABILITIES: | |
| Accounts payable | 664,294 |
| Accrued interest on warrants | 256,026 |
| Accrued interest on bonds | 24,323 |
| Noncurrent liabilities (notes E and F): | |
| Due within one year | 106,373 |
| Due in more than one year | <u>10,230,419</u> |
| Total liabilities | <u>11,281,435</u> |
| COMMITMENTS AND CONTINGENCIES (notes G and H) | - |
| NET POSITION: | |
| Net investment in capital assets | 10,666 |
| Restricted for debt service | 1,271,773 |
| Unrestricted | <u>(175,469)</u> |
| Total net position | <u>\$ 1,106,970</u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For year ended June 30, 2016

| | |
|-------------------------------------|--------------------|
| EXPENSES - GENERAL GOVERNMENT | |
| General | \$ 75,766 |
| Debt service | 179,628 |
| Depreciation | 165,458 |
| Interest | <u>395,025</u> |
| Total expenses - general government | <u>815,877</u> |
| | |
| GENERAL REVENUES | |
| Property taxes | 122,881 |
| Interest on taxes | 66 |
| State motor vehicle tax allocation | 304 |
| Homestead exemption | 1,595 |
| Sewer connection fees | 120,960 |
| Special assessments and interest | <u>114,183</u> |
| Total general revenues | <u>359,989</u> |
| Change in net position | (455,888) |
| Net position at beginning of year | <u>1,562,858</u> |
| Net position at end of year | <u>\$1,106,970</u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

ASSETS

| | General Fund | Debt Service Fund | Total Governmental Funds |
|--|------------------|-------------------------|--------------------------------|
| ASSETS: | | | |
| Cash on deposit - County Treasurer | \$ 6,243 | \$1,010,594 | \$1,016,837 |
| Taxes receivable (notes B and I) | 49,940 | - | 49,940 |
| Special assessment receivable (notes C and I) | - | 1,129,373 | 1,129,373 |
| Accrued interest on special assessments | - | 7,636 | 7,636 |
| Total assets | <u>\$ 56,183</u> | <u>\$2,147,603</u> | <u>\$2,203,786</u> |

LIABILITIES AND FUND BALANCES

| | | | |
|--|------------------|--------------------|--------------------|
| LIABILITIES: | | | |
| Accounts payable | \$ 10,872 | \$ 653,422 | \$ 664,294 |
| Warrants payable (note E) | 202,313 | - | 202,313 |
| Accrued interest on registered warrants | 18,467 | 237,559 | 256,026 |
| Total liabilities | <u>231,652</u> | <u>890,981</u> | <u>1,122,633</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - special assessments | - | 1,129,373 | 1,129,373 |
| COMMITMENTS AND CONTINGENCIES | | | |
| (notes G and H) | - | - | - |
| Fund balance (deficit): | | | |
| Restricted for debt service | - | 127,249 | 127,249 |
| Unassigned | (175,469) | - | (175,469) |
| Total fund balance (deficit) | <u>(175,469)</u> | <u>127,249</u> | <u>(48,220)</u> |
| Total liabilities and fund balance | <u>\$ 56,183</u> | <u>\$2,147,603</u> | <u>\$2,203,786</u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2016

| | | | |
|--|---------------------------|---------------------|------------------|
| Total fund balance - total governmental funds | | \$ | (48,220) |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | | |
| - Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. | | | 10,145,145 |
| - Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet. | | | (24,323) |
| - Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. | | | |
| | Due within one year | \$ | (75,000) |
| | Due in more than one year | <u>(10,059,479)</u> | (10,134,479) |
| - Accrued interest on special assessments. | | | 39,474 |
| - Deferred inflows of resources related to special assessment is required under modified accrual in the governmental funds balance sheet but not under full accrual accounting in the government- wide statement of net position. | | | <u>1,129,373</u> |
| Net Position of Governmental Activities | | \$ | <u>1,106,970</u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For year ended June 30, 2016

| | General Fund | Debt Service Fund | Total Governmental Funds |
|---|---------------------------|--------------------------|--------------------------------|
| REVENUES: | | | |
| Taxes assessed (note B) | \$ 122,881 | \$ - | \$ 122,881 |
| Interest on taxes | 66 | - | 66 |
| State motor vehicle tax allocation | 304 | - | 304 |
| Homestead exemption | 1,595 | - | 1,595 |
| Sewer connection fee | - | 120,960 | 120,960 |
| Special assessments and interest | - | 846,364 | 846,364 |
| | <u>124,846</u> | <u>967,324</u> | <u>1,092,170</u> |
| EXPENDITURES: | | | |
| Legal and accounting | 16,541 | - | 16,541 |
| Collection fees county treasurer | 842 | 12,695 | 13,537 |
| Electric services | 8,379 | - | 8,379 |
| Engineering fees | 19,804 | - | 19,804 |
| Maintenance and repairs | 11,995 | - | 11,995 |
| Registered agent fees | 8,279 | 17,273 | 25,552 |
| Financial advisor fees | 6,000 | (1,090) | 4,910 |
| Trustee bond and insurance | 3,926 | - | 3,926 |
| Capital outlays - improvements | - | 4,425,411 | 4,425,411 |
| Debt service: | | | |
| Warrant interest payments | 15,260 | 323,550 | 338,810 |
| Warrant principal payments | - | 2,894,804 | 2,894,804 |
| Bond issue costs | - | 150,750 | 150,750 |
| Bond interest | - | 31,891 | 31,891 |
| | <u>91,026</u> | <u>7,855,284</u> | <u>7,946,310</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 33,820 | (6,887,960) | (6,854,140) |
| OTHER FINANCING SOURCES (USES): | | | |
| Issuance of long-term debt | - | 6,350,406 | 6,350,406 |
| | <u>-</u> | <u>6,350,406</u> | <u>6,350,406</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES) | 33,820 | (537,554) | (503,734) |
| FUND BALANCE (DEFICIT), BEGINNING OF YEAR | (209,289) | 664,803 | 455,514 |
| | <u>(209,289)</u> | <u>664,803</u> | <u>455,514</u> |
| FUND BALANCE (DEFICIT), END OF YEAR | <u>\$(175,469)</u> | <u>\$ 127,249</u> | <u>\$(48,220)</u> |

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 291 of Sarpy County, Nebraska comply with the rules and regulations of the State of Nebraska, and conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

History and Business Activity

The District is a governmental subdivision, created pursuant to Nebraska law, to act as a vehicle for the construction of roads, utilities and similar improvements. The Board of Trustees, consisting of five members, has the power to provide financing for such improvements and has authority to: issue warrants for construction work and services, contract with financial institutions for conversion of warrants to cash, and to levy both special assessments and general taxes against property in the District to pay off warrants and bonds issued by the District.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reporting Entity

The accompanying financial statements present the District's primary governmental unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

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

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

General Fund

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. The fund balance of the General Fund is unassigned and is expended first for all expenditures except debt service payments and capital expenditures from the Debt Service Fund.

Debt Service Fund

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the District. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, bond interest expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received.

Deferred Outflows and Inflows of Resources

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any deferred outflows of resources at June 30, 2016.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows and Inflows of Resources - Continued

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

Infrastructure

Infrastructure is carried at cost plus interest on warrants while construction is in progress. Depreciation will be provided using the straight-line method over estimated lives ranging from 25 to 40 years.

Budget and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed to have been made when warrants are issued.

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

- (a) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (b) Notice of place and time of public hearings must be published prior to the public hearings.
- (c) Public hearings are conducted to obtain taxpayer comment.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

- (d) After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts in accordance with the Nebraska Budget Act.
- (e) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- (f) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the year ended June 30, 2016.
- (g) The accompanying combined statements of revenues, expenditures, and changes in fund balances - Budget and Actual - General and Debt Service Fund presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2016 is presented as follows:

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|--|-------------------------|----------------------------------|
| Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis) | \$ 2,252 | \$ (251,981) |
| Adjustments: | | |
| To adjust revenue for receivables | 26,684 | 52 |
| To adjust expenditures for payables and accruals | 80,497 | (285,625) |
| To adjust for variance in recognition of items for other financing sources (uses) | <u>(75,613)</u> | <u>-</u> |
| Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis) | <u>\$ 33,820</u> | <u>\$ (537,554)</u> |

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between (a) assets and (b) liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Trustees may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE B - PROPERTY TAXES

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

Property tax revenues are recognized when they become available, which includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided. All property taxes were collected as of June 30, 2016.

The District levied taxes for 2015-2016 at the rate of \$.899999 per \$100 on property valuation of \$13,637,685.

NOTE C - SPECIAL ASSESSMENTS

On April 8, 2016 special assessments in the amount of \$\$3,099,516, was levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments and bear interest at 7.5% per annum until delinquent and 9.5% per annum thereafter until paid. No interest is accrued during a 50 day grace period from the date of assessment.

NOTE D - CAPITAL ASSETS

At June 30, 2016, capital assets consist of the following:

| | July 1, 2015 | Additions | June 30, 2016 |
|---|--------------------|--------------------|---------------------|
| Sanitary, storm and inceptor sewers and paving | \$3,969,942 | \$3,165,821 | \$ 7,135,763 |
| Water distribution system | 1,259,827 | 1,246,998 | 2,506,825 |
| Electrical distribution system | 247,340 | 418,524 | 665,864 |
| Exterior street improvements | 336,003 | - | 336,003 |
| Construction in progress | <u>405,932</u> | <u>(405,932)</u> | <u>-</u> |
| | 6,219,044 | 4,425,411 | 10,644,455 |
| Accumulated depreciation | <u>(333,852)</u> | <u>(165,458)</u> | <u>(499,310)</u> |
| | <u>\$5,885,192</u> | <u>\$4,259,954</u> | <u>\$10,145,145</u> |

Depreciation expense for the year ended June 30, 2016 was \$165,458.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE E - REGISTERED WARRANTS

At June 30, 2016, the District has registered warrants outstanding for operating expenses and construction costs. The warrants bear interest at 7.0%. General fund warrants are due three years after issuance and debt service fund warrants are due five years after issuance. During the year ended June 30, 2016, interest on debt service fund warrants of \$196,324 was capitalized.

Aggregate maturities of registered warrants are as follows:

| | General Fund | Debt Service Fund | Total |
|------|------------------|----------------------|--------------------|
| 2017 | \$ 31,373 | \$ - | \$ 31,373 |
| 2018 | 95,327 | 401,848 | 497,175 |
| 2019 | 75,613 | 2,797,680 | 2,873,293 |
| 2020 | - | 584,545 | 584,545 |
| 2021 | - | 4,450,406 | 4,450,406 |
| | <u>\$202,313</u> | <u>\$8,234,479</u> | <u>\$8,436,792</u> |

NOTE F - GENERAL OBLIGATION BONDS PAYABLE

On August 15, 2015, the District issued \$1,900,000 of general obligation bonds to redeem construction warrants and accrued interest in the amount of \$2,486,460. The bonds mature through 2035 with interest rates ranging from 1.75% to 4.40%. Bonds maturing on August 15, 2019, 2023, and 2027 are subject to mandatory sinking redemption from funds deposited in the debt service fund for redemption. Bonds maturing on or after August 15, 2021 are subject to redemption on or after August 15, 2020 at par plus accrued interest to the date set for redemption, with no redemption premium.

A summary of changes in bonds payable is as follows:

| | |
|-----------------------|--------------------|
| Balance July 1, 2015 | \$ - |
| Bond issued | <u>1,900,000</u> |
| Balance June 30, 2016 | <u>\$1,900,000</u> |

Aggregate maturity of bond principal and interest are as follows:

| | Principal | Interest | Total |
|-------------|--------------------|------------------|--------------------|
| 2017 | \$ 75,000 | \$ 64,206 | \$ 139,206 |
| 2018 | 75,000 | 62,894 | 137,894 |
| 2019 | 75,000 | 61,581 | 136,581 |
| 2020 | 75,000 | 60,269 | 135,269 |
| 2021 | 80,000 | 58,493 | 138,493 |
| 2022 - 2026 | 420,000 | 256,955 | 676,955 |
| 2027 - 2031 | 500,000 | 177,391 | 677,391 |
| 2032 - 2036 | <u>600,000</u> | <u>66,935</u> | <u>666,935</u> |
| | <u>\$1,900,000</u> | <u>\$808,724</u> | <u>\$2,708,724</u> |

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE G - COMMITMENTS

The District has entered into an agreement with Omaha Public Power District (OPPD) under which OPPD is to furnish street lighting to the District. The cost to the District for this service for fiscal 2017 is estimated to be approximately \$15,000. In addition, the District has begun construction contracts for improvements of approximately \$1,750,000.

NOTE H - 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 for all programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE I - CREDIT RISK

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

NOTE J - SUBSEQUENT EVENTS

Management evaluated transactions and events occurring subsequent to June 30, 2016 and through November 29, 2016 to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements except for the following:

On July 15, 2016, the District issued \$1,500,000 of general obligation bonds to redeem construction warrants and accrued interest in the amount of \$1,692,724. The bonds mature through 2036 with interest rates ranging from 1.75% to 3.55%. Bonds maturing on July 15, 2020, 2024, 2028, 2032, and 2035 are subject to mandatory sinking redemption from funds deposited in the debt service fund for redemption. Bonds maturing on or after July 15, 2022 are subject to redemption on or after July 15, 2021 at par plus accrued interest to the date set for redemption, with no redemption premium.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD & A)

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

For year ended June 30, 2016

| | GENERAL FUND (NON GAAP) | | |
|---|---------------------------------|-----------|------------------------------------|
| | Original And Final Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| Taxes collected | \$ 116,950 | \$ 96,197 | \$(20,753) |
| Interest on taxes | - | 66 | 66 |
| State motor vehicle tax allocation | 100 | 304 | 204 |
| Homestead exemption | - | 1,595 | 1,595 |
| Sewer connection fee | - | - | - |
| Special assessments and interest | - | - | - |
| Total revenues | 117,050 | 98,162 | (18,888) |
| EXPENDITURES: | | | |
| Accounting and auditing | 7,800 | 7,832 | (32) |
| Collection fees county treasurer | 1,158 | 842 | 316 |
| Electric service | 10,000 | 8,361 | 1,639 |
| Engineering fees | 25,000 | 20,770 | 4,230 |
| Legal fees | 12,000 | 6,083 | 5,917 |
| Maintenance and repairs | 50,000 | 14,172 | 35,828 |
| Register agent fees | 5,000 | 8,469 | (3,469) |
| Financial advisor fees | - | 6,000 | (6,000) |
| Trustee bonds and insurance | 5,000 | 3,926 | 1,074 |
| Capital outlays - improvements | - | - | - |
| Debt service: | | | |
| Warrant interest payments | 15,000 | 16,466 | (1,466) |
| Warrant principal payment | 100,000 | 78,602 | 21,398 |
| Bond issue costs | - | - | - |
| Bond interest | - | - | - |
| Total expenditures | 230,958 | 171,523 | 59,435 |
| Excess (deficiency) of revenues over expenditures | (113,908) | (73,361) | 40,547 |
| OTHER FINANCING SOURCES (USES): | | | |
| Proceeds form bonds issued | - | - | - |
| Proceeds from warrants issued | 114,800 | 75,613 | (39,187) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES | \$ 892 | 2,252 | \$ 1,360 |
| FUND BALANCE, BEGINNING OF YEAR | | 3,991 | |
| FUND BALANCE, END OF YEAR | | \$ 6,243 | |

DEBT SERVICE FUND
(NON GAAP)

| Original And Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------|---------------------|------------------------------------|
| \$ - | \$ - | \$ - |
| - | - | - |
| - | - | - |
| - | - | - |
| 75,000 | 120,960 | 45,960 |
| <u>500,000</u> | <u>846,312</u> | <u>346,312</u> |
| <u>575,000</u> | <u>967,272</u> | <u>392,272</u> |
| - | - | - |
| 10,000 | 12,695 | (2,695) |
| - | - | - |
| - | - | - |
| 3,000 | - | 3,000 |
| 15,000 | 17,632 | (2,632) |
| - | 4,910 | (4,910) |
| - | - | - |
| 3,500,000 | 3,981,238 | (481,238) |
| 200,000 | 475,739 | (275,739) |
| 2,800,000 | 2,894,804 | (94,804) |
| 135,000 | 150,750 | (15,750) |
| <u>32,432</u> | <u>31,891</u> | <u>541</u> |
| <u>6,695,432</u> | <u>7,569,659</u> | <u>(874,227)</u> |
| (6,120,432) | (6,602,387) | (481,955) |
| 1,900,000 | 1,900,000 | - |
| <u>4,200,000</u> | <u>4,450,406</u> | <u>250,406</u> |
| <u>\$ (20,432)</u> | (251,981) | <u>\$ (231,549)</u> |
| | <u>1,262,575</u> | |
| | <u>\$ 1,010,594</u> | |

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

INFORMATION REQUIRED BY SECTION 31-740,
REISSUED REVISED STATUTE OF NEBRASKA, 2016

For year ended June 30, 2016

| | |
|---|--------------------|
| Gross revenues from all sources | <u>\$1,092,170</u> |
| Gross revenues from all sources from previous year | <u>\$ 621,826</u> |
| Amount spent for sewage disposal | <u>\$ -</u> |
| Amount expended on water mains | <u>\$1,246,998</u> |
| Amount spent for solid waste collection services | <u>\$ -</u> |
| Gross amount of sewage processed | <u>\$ -</u> |
| Cost per thousand gallons of processing sewage | <u>\$ -</u> |
| Amount expended for: | |
| Maintenance and repairs | <u>\$ 11,995</u> |
| New equipment | <u>\$ -</u> |
| New construction work (incl. water mains) | <u>\$3,981,238</u> |
| Property purchased | <u>\$ -</u> |
| Number of employees | <u>-</u> |
| Salaries and fees paid employees | <u>\$ -</u> |
| Total amount of taxes levied upon the property within the District | <u>\$ 122,739</u> |

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

TRUSTEE AND RELATED BONDS

June 30, 2016

| <u>Trustees</u> | | <u>Bonds</u> | |
|-----------------|---------------|--------------------------|---------------|
| <u>Name</u> | <u>Office</u> | <u>Insurer</u> | <u>Amount</u> |
| Loren Johnson | Chairman | Universal Surety Company | \$ 5,000 |
| Jim Emmons | Clerk | Universal Surety Company | \$20,000 |
| Ryan Larsen | Trustee | | |
| Chad Larsen | Trustee | | |
| Paula Johnson | Trustee | | |

Awerkamp, Goodnight, Schwaller & Nelson, P.C.

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J. DOUGLAS GOODNIGHT
(1936 - 2006)

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

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 of each major fund of Sanitary and Improvement District #291 of Sarpy County, Nebraska, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated November 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sanitary and Improvement District #291 of Sarpy County, Nebraska'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 Sanitary and Improvement District #291 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District #291 of Sarpy County, Nebraska'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 integral control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we identified the following deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

The district does not have the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Sanitary and Improvement District #291 of Sarpy County, Nebraska's, response to the findings that it is economically not feasible to obtain the ability to prepare financial statements. Management has also been informed us that they will accept the risk assessment with this deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sanitary and Improvement District #291 of Sarpy County, Nebraska'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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, which is described in the attached schedule of findings and responses.

Response to Findings

Sanitary and Improvement District #291 of Sarpy County, Nebraska's response to the findings identified in our audit is as previously described above and in the attached schedule. Sanitary and Improvement District #291 of Sarpy County, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 of 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.

Averkamp, Goodnight, Schwaller & Nelson, P.C.

Sanitary and Improvement District No. 291
Sarpy County, Nebraska

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2016

Instance of Non-compliance:

Criteria

The District should have internal controls in place to monitor the District's expenditures to be consistent with the adopted budget.

Condition

The District exceeded budget expenditures by \$814,792, without amending the budget.

Cause

The District incurred more construction costs and paid more construction warrants and accrued interest than anticipated, when the budget was prepared.

Effect

The District was not in compliance with the Nebraska Budget Act, when it exceeded budgeted expenditures.

Response

The District did not anticipate certain expenditures when the budget was prepared. The District will attempt to monitor the District's expenditures to avoid exceeding budget expenditures in the future.