

**SANITARY AND IMPROVEMENT DISTRICT NO. 65
OF SARPY COUNTY, NEBRASKA
Basic Financial Statements
with
Supplementary Information
and
Accompanying Independent
Auditors' Report
For the Year ended June 30, 2013**

**Sanitary and Improvements District No. 65
of Sarpy County Nebraska**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 65
of Sarpy County, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of 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 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 other 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, 2013, on our consideration of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the 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. 65 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

Ritterbush & Piotrowski, LLP

Ritterbush & Piotrowski, L.L.P.
Omaha, Nebraska
December 18, 2013

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Government-Wide Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash (Note 1)	\$ 252,971	\$ 25,109	\$ 278,080
Taxes Receivable (Notes 1 and 6)	227,193	-	227,193
Prepaid Insurance	2,447	1,700	4,147
Prepaid Utilities	7,019	-	7,019
Capital Assets, Net of Accumulated Depreciation (Notes 1 and 3)	128,306	371,113	499,419
Total Assets	617,936	397,922	1,015,858
Liabilities			
Accounts Payable	36,000	1,428	37,428
Payroll Taxes Payable	-	3,586	3,586
Accrued Interest Payable	7,586	-	7,586
Warrants Payable: (Note 4)			-
Due within one year	7,534	-	7,534
Due in more than one year	961	-	961
Noncurrent Liabilities: (Note 5)			
Due within one year	140,000	-	140,000
Due in more than one year	620,000	-	620,000
Total Liabilities	812,081	5,014	817,095
Net Position			
Net Investment in Capital Assets	(631,694)	371,113	(260,581)
Restricted for Debt Service	237,256	-	237,256
Unrestricted	200,293	21,795	222,088
Total Net Position	\$ (194,145)	\$ 392,908	\$ 198,763

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Government-Wide Statement of Activities
For the year ended June 30, 2013

	Net (Expenses) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Expenses (Note 1)			
Governmental Activities			
General Government:			
Audit Fees	\$ 5,718	\$ -	\$ 5,718
Broker Fees	1,000	-	1,000
Collection Fees - County Treasurer	7,244	-	7,244
Depreciation (Note 3)	10,947	-	10,947
Engineering	9,239	-	9,239
Insurance and Trustee Bonding	7,982	-	7,982
Legal Fees	20,105	-	20,105
Repairs and Maintenance	45,769	-	45,769
Trustee Fees	840	-	840
Utilities	39,861	-	39,861
Total General Government Expenses	148,705	-	148,705
Interest Expense on Long-Term Debt	11,196	-	11,196
Total Governmental Activities Expenses	159,901	-	159,901
Business-Type Activities			
Advertising	-	3,718	3,718
Bank Charges	-	1,039	1,039
Deposit Refunds	-	5,740	5,740
Depreciation (Note 3)	-	13,089	13,089
Insurance	-	5,463	5,463
Interest Expense on Long-Term Debt	-	22,038	22,038
Miscellaneous Expense	-	299	299
Payroll Taxes	-	6,936	6,936
Professional Fees	-	10,035	10,035
Repairs and Maintenance	-	45,660	45,660
Salaries and Wages	-	64,317	64,317
Supplies	-	17,961	17,961
Telephone	-	2,691	2,691
Utilities	-	2,419	2,419
Total Business-type Activities Expenses	-	201,405	201,405
Total Government Expenses	159,901	201,405	361,306
General Revenues (Note 1)			
Taxes			
Property Taxes Assessed (Note 6)	378,115	-	378,115
State Motor Vehicle Tax Allocation	700	-	700
Homestead Exemption	11,165	-	11,165
Interest Income	1,014	5	1,019
Membership Dues and Fees	-	27,792	27,792
Miscellaneous Revenue	-	2,725	2,725
Pool Admissions	-	1,852	1,852
Pool Parties	-	420	420
Rental Income	-	11,439	11,439
Swim Lessons	-	3,805	3,805
Transfers (to) from (Note 7)	(110,138)	110,138	-
Total General Revenues and Transfers	280,856	158,176	439,032
Change in Net Position	120,955	(43,229)	77,726
Net Position - Beginning of the Year (Note 10)	(315,100)	436,137	121,037
Net Position - End of the Year	\$ (194,145)	\$ 392,908	\$ 198,763

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash on Deposit, County Treasurer (Note 1)	\$ 101,110	\$ 151,861	\$ 252,971
Taxes Receivable (Notes 1 and 6)	134,131	93,062	227,193
Interfund Receivable, Proprietary Fund (Note 7)	-	681,737	681,737
Prepaid Insurance	2,447	-	2,447
Prepaid Utilities	7,019	-	7,019
	<u>244,707</u>	<u>926,660</u>	<u>1,171,367</u>
Total Assets	<u>\$ 244,707</u>	<u>\$ 926,660</u>	<u>\$ 1,171,367</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 36,000	\$ -	\$ 36,000
Total Liabilities	<u>36,000</u>	<u>-</u>	<u>36,000</u>
Fund Balances			
Non-Spendable Fund Balance	9,466	-	9,466
Unrestricted Fund Balance			
Assigned Fund Balance	-	926,660	926,660
Unassigned Fund Balance	199,241	-	199,241
	<u>208,707</u>	<u>926,660</u>	<u>1,135,367</u>
Total Liabilities and Fund Equity	<u>\$ 244,707</u>	<u>\$ 926,660</u>	<u>\$ 1,171,367</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2013

Total Fund Balances of Governmental Funds	\$ 1,135,367
Amounts reported for governmental activities in the statement of activities are different because:	
Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. These interfund payables are posted on the fund financial statements.	\$ (681,737)
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This is the amount of capital assets, net of accumulated depreciation.	128,306
Interest payable on long-term debt does not require current financial resources. Therefore, this accrued interest is not reported on as a liability in governmental funds balance sheet. This is the amount of interest accrued on the bonds payable as of June 30, 2013.	(7,586)
Warrants issued but not paid are shown as a liability in the government-wide statements, whereas warrants issued and paid are shown as revenues and expenditures in the governmental funds. This is the amount of warrants payable as of June 30, 2013.	(8,495)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the the governmental funds:	
Bonds Payable	<u>(760,000)</u>
Total Net Position of Governmental Activities	<u>\$ (194,145)</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues (Note 1)			
Taxes			
Property Taxes (Note 6)	\$ 230,000	\$ 148,115	\$ 378,115
State Motor Vehicle Tax Allocation	425	275	700
Homestead Exemption	6,789	4,376	11,165
Interest Income			
Interest on Taxes Collected	616	398	1,014
Total Revenues	237,830	153,164	390,994
Expenditures (Note 1)			
Current			
General Government			
Audit Fees	5,718	-	5,718
Broker Fees	-	1,000	1,000
Collection Fees, County Treasurer	4,402	2,842	7,244
Engineering	9,239	-	9,239
Insurance and Trustee Bonding	7,982	-	7,982
Legal Fees	20,105	-	20,105
Repairs and Maintenance	45,769	-	45,769
Trustee Fees	840	-	840
Utilities	39,861	-	39,861
Total General Government	133,916	3,842	137,758
Debt Service			
Warrant Principal Payment	249,454	1,000	250,454
Bond Principal Payment	-	110,000	110,000
Bond Interest Payment	-	12,495	12,495
Total Expenditures	383,370	127,337	510,707
Other Financing Sources (Uses)			
Proceeds from the Issuance of Warrants	229,839	1,000	230,839
Net Transfers In (Out) (Note 7)	(88,100)	-	(88,100)
Excess Revenues Over Expenditures	(3,801)	26,827	23,026
Fund Balance - Beginning of Year	212,508	899,833	1,112,341
Fund Balance - End of Year	<u>\$ 208,707</u>	<u>\$ 926,660</u>	<u>\$ 1,135,367</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 23,026
Amounts reported for governmental activities in the statement of activities are different because:	
Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. This is the difference between interfund transfers on the government-wide financial statements and the fund financial statements.	(22,038)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. This is the amount of depreciation expense in the current year for total capital assets.	(10,947)
Proceeds from issuance of warrants and bonds are reported as an other financing source in the governmental funds. In the statement of net position, the proceeds increase long-term liabilities. This is the amount of proceeds in the current year.	
Warrant Proceeds	(230,839)
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.	
Warrant Principal Payments	250,454
Bond Principal Payments	110,000
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. This is the difference between governmental activities interest expense and interest expenditures reported in the government funds.	1,299
Change in Net Position of Governmental Activities	<u>\$ 120,955</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities:
	<u>Enterprise Funds</u>
	Community Clubhouse & Swimming Pool
	<hr/>
Assets	
Current Assets	
Cash in Bank (Note 1)	\$ 25,109
Prepaid Insurance	1,700
	<hr/>
	26,809
Other Assets	
Capital Assets (Note 3):	
Building	470,206
Furniture and Equipment	51,795
Accumulated Depreciation	(150,888)
Total Capital Assets, Net of Accumulated Depreciation	<hr/>
	371,113
	<hr/>
Total Assets	\$ 397,922
	<hr/> <hr/>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 1,428
Payroll Taxes Payable	3,586
Interfund Payables to Debt Service Fund (Note 7)	681,737
Total Current Liabilities	<hr/>
	686,751
	<hr/>
Net Position	
Net Investment in Capital Assets	371,113
Unrestricted	(659,942)
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Total Net Position	\$ (288,829)
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The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Reconciliation of the Proprietary Funds Statement of Net Position to the
Government-Wide Business-Type Activities Statement of Net Position
For the Year Ended June 30, 2013

Total Fund Balance of Proprietary Funds	\$ (288,829)
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Amounts reported for business-type activities in the statement of activities are different because:

Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. These interfund payables are posted on the fund financial statements.	<u>681,737</u>
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Total Net Position of Governmental-Wide Business-Type Activities	<u><u>\$ 392,908</u></u>
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The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities:
	<u>Enterprise Funds</u>
	Community Clubhouse & Swimming Pool
Operating Revenues (Note 1)	
Membership Dues and Fees	\$ 27,792
Pool Admissions	1,852
Pool Parties	420
Swim Lessons	3,805
Rental Income	11,439
Miscellaneous Revenue	2,725
Total Operating Revenues	<u>48,033</u>
Operating Expenses (Note 1)	
Advertising	3,718
Bank Charges	1,039
Deposit Refunds	5,740
Depreciation (Note 3)	13,089
Insurance	5,463
Miscellaneous Expense	299
Payroll Taxes	6,936
Professional Fees	10,035
Repairs and Maintenance	45,660
Salaries and Wages	64,317
Supplies	17,961
Telephone	2,691
Utilities	2,419
Total Operating Expenses	<u>179,367</u>
Income (Loss) from Operations	(131,334)
Non-Operating Revenues (Expenses)	
Interest Income on Cash Investments	5
Interest Expense on Bonds	(22,038)
Income (Loss) Before Contributions and Transfers	(153,367)
Other Financing Sources (Uses)	
Transfers In	88,100
Change in Net Position	(65,267)
Adjustment to reconcile to Government-Wide Statement of Net Position	<u>-</u>
Change in Net Position of Business-type Activities	(65,267)
Net Position - Beginning of the Year (Note 10)	<u>(223,562)</u>
Net Position - End of the Year	<u>\$ (288,829)</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Reconciliation of the Proprietary Funds Statement of Revenues, Expenditures,
and Changes in Business-Type Activities to the Government-Wide Changes in
Net Position for Business-Type Activities
For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Proprietary Funds	\$ (65,267)
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Amounts reported for governmental activities in the statement of activities are different because:

Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. This is the difference between interfund transfers on the government-wide financial statements and the fund financial statements.	<u>22,038</u>
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Change in Net Position of Business-Type Activities	<u><u>\$ (43,229)</u></u>
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The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities:
	<u>Enterprise Funds</u>
	Community Clubhouse & Swimming Pool
Cash Flows from Operating Activities	
Cash received from customers	\$ 48,034
Cash payments to suppliers for goods and services	(89,701)
Cash payments for customer refunds	(5,740)
Cash payments to employees for services	(64,317)
Cash payments for payroll taxes	(6,697)
Cash payments for interest	(22,038)
Net Cash Provided (Used) by Operating Activities	<u>(140,459)</u>
Cash Flows from Non-Capital Financing Activities	
Expenses paid for with funds from the general fund	88,100
Net Cash Provided by Non-Capital Financing Activities	<u>88,100</u>
Cash Flows from Capital and Related Financing Activities	
Increase in interfund payable related to capital asset	22,038
Purchases of capital assets	(4,674)
Net Cash Provided by Capital and Related Financing Activities	<u>17,364</u>
Cash Flows from Investing Activities	
Interest on cash investments	<u>5</u>
Net Decrease in Cash and Cash Investments	(34,990)
Cash and Cash Investments - Beginning of Year	60,099
Cash and Cash Investments - End of Year	<u>\$ 25,109</u>
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities	
Income (Loss) from Operations	\$ (131,334)
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:	
Depreciation	13,089
Interest expense on bonds	(22,038)
Change in assets and liabilities:	
(Increase) Decrease in Prepaid Insurance	(636)
Increase (Decrease) in Accounts Payable	221
Increase (Decrease) in Payroll Taxes Payable	239
Net Cash Provided (Used) by Operating Activities	<u>\$ (140,459)</u>

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Notes to Financial Statements
June 30, 2013

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska (the District) is presented to assist in understanding the District's basic financial statements. The basic financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the basic financial statements.

Reporting Entity

The District is a governmental subdivision authorized under the statutes of the State of Nebraska. A Board of Trustees is elected by the property owners of the District and has decision-making authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The board has governance responsibilities over all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The board also has primary financial accountability for fiscal matters of the District. The District is engaged in a single government program and is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In addition, there are no component units as defined by GASB 14, which are included in the District's reporting entity. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements.

Government Accounting Standards Board Statement No. 34

Effective June 30, 2004, the District adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Note Disclosures." These statements require the presentation of government-wide financial statements in addition to fund financial statements.

The primary impact of adopting the statements includes changing the presentation of fund equity to net position and long-term debt in the statements in place of separate account groups, and presenting "Management's Discussion and Analysis." Management has elected to omit "Management's Discussion and Analysis" from the basic financial statements.

Basis of Presentation

The basic financial statements of the District include the government-wide and the fund financial statements. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities, which report financial information for all non-fiduciary activities of the District. Individual funds are not displayed, and internal activity between or within funds is eliminated.

Note 1 – Summary of Significant Accounting Policies (Continued)

The government-wide statement of net position recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position for debt service; and unrestricted net position. Net position is restricted when constraints placed on it are either externally imposed or imposed by law through constitutional provisions or enabling legislatures. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

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.

Fund Financial Statements

The fund financial statements provide additional and detailed information about the District. The emphasis of the fund financial statements is on the determination of financial position and changes in financial position rather than upon net income. The following is a description of the District's two governmental funds:

General Fund – This fund is the operating fund of the District. It is used to account for all financing resources, except those accounted for in other funds.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The following is a brief description of the District's one proprietary fund.

Community Clubhouse and Swimming Pool Fund - This fund is used to account for operations of the District's community clubhouse and swimming pool, including the administration, operation, and maintenance.

Measurement Focus and 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 basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Note 1 – Summary of Significant Accounting Policies (Continued)

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On an accrual basis, revenues are recognized when earned. Expenditures are recorded when liabilities are incurred, regardless of the timing of related cash flows.

In the fund financial statements, both funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is when they become both measurable and available. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the period the liability is incurred, except for unaccrued interest on general long-term debt, which is recognized when due.

Use of Estimates – The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Revenue – (See subsequent note “Tax Levy” for property tax revenues.) State motor vehicle tax allocation, taxes collected in excess, interest on taxes, and miscellaneous revenues are recognized as the amounts are collected as the amounts earned cannot be measured. However, investment earnings are recorded as earned since they are measurable and available. All non-property tax revenue is considered available if able to collect within one year.

Special Assessments - Revenues on special assessments levied after June 15, 1987 are recognized as the amounts are collected on the fund financial statements and in the year when they were assessed on the government-wide statements. Uncollected special assessments outstanding are recorded as receivable on the government-wide statement of net position and balance sheet, and as receivable and deferred revenue on the fund financial statements. Special assessments levied before June 15, 1987 were recorded as income in the year assessed.

Long-Lived Assets – Long-lived assets and certain identifiable intangibles held and used by the entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This application has not materially affected the entity’s reported earnings, financial condition or cash flows.

Cash and Cash Investments – Cash and cash investments that are available upon demand and are considered to be “cash equivalents” when preparing these financial statements. Also, any marketable securities that are purchased with maturity of ninety days or less are considered to be “cash equivalents.”

Investments - Investments are stated at cost or amortized cost, which approximates market.

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation – Capital assets of the District are recorded at historical costs except for minor expenses for street and sidewalk improvements, recreational equipment, costs of constructing improvements for utilities, etc.

Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant assets capitalized are as follows:

Infrastructure Assets	20-25 Years
Land and Park Improvements	20 Years
Equipment	5-20 Years

Infrastructure assets include all water systems, drainage systems, easements, sewage disposal works system, waterways, electrical systems, and roads.

GASB 34 requires the District to report and depreciate new infrastructure assets effective July 1, 2003 and allows for an extended implementation period for retroactive reporting of infrastructure assets. The District has elected to report and depreciate all major general infrastructure assets retroactively.

Interest Expense - GASB 37 eliminated the requirement to capitalize construction-period interest for government activities. Effective July 1, 2003, all governmental activities interest not relating to long-term debt is expensed when incurred and the long-term debt relating interest is expensed when incurred for government-wide financial statements and expensed when paid for fund financial statements. However, all debt relating interest expense is capitalized during construction periods for all business-type activities for both the government-wide statements and proprietary fund statements.

Bond Issue Costs and Amortization – In the government-wide financial statements bond issue costs are expensed when incurred. Fund financial statements expense bond issue costs when paid. Net bond issue costs incurred prior to July 1, 2012 have been charged to net position to properly recognize them in the prior periods they were incurred.

Transactions Between Funds – Legally authorized transfers are treated as interfund transfers and are included in the operations of both Governmental and Proprietary Funds.

Subsequent Events – The District has evaluated subsequent events through December 18, 2013, the date which the financial statements were available to be issued.

Concentration of Credit Risks

Taxes and Special Assessments Receivable - Receivables for real estate and property taxes and special assessments are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

Note 1 – Summary of Significant Accounting Policies (Continued)

Budget and Budgetary Accounting – The District is required by Nebraska law to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using the cash basis of accounting. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The Board of Trustees considers a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) Expenditures and transfers cannot exceed appropriations at the fund level. When expenditures and transfers are required for functions that have not been budgeted, authorization to amend the budget and to incur the expenditures is permitted following a public hearing. No significant supplemental appropriations were made for the fiscal year ended June 30, 2013.
- d) A majority vote by the Board of Trustees authorizes transfer of budgeted amounts from the General Fund to the Debt Service Fund.
- e) Prior to September 20, the budget is legally enacted by a resolution of the Board of Trustees. On or before September 20, the budget document is filed with the County Board and State Auditor of Public Accounts.
- f) Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.

Note 2 – Deposits and Investments

Listed below is a summary of the deposits and investments that comprise the Cash on Deposit, County Treasurer and Investments on the June 30, 2013, basic financial statements.

Deposits. At June 30, 2013, the carrying amounts of the District's deposits were \$101,110 in the General Fund, \$151,861 in the Debt Service Fund, and \$25,109 in the Enterprise Fund. The County Treasurer balances for all funds totaled \$252,971. The balance at Centennial Bank totaled \$25,109. For purposes of classifying categories of custodial risk, the bank and the County Treasurer balances of the District's deposits as of June 30, 2013 were entirely insured by the federal depository insurance corporation.

Investments. As of June 30, 2013, the District held no investments.

Note 3 – Capital Assets and Accumulated Depreciation

A summary of capital assets for the year ended June 30, 2013 is as follows:

<u>Governmental Activities</u>	Balance June 30, 2012	Additions	Sales or Disposals	Balance June 30, 2013
Depreciable Capital Assets:				
Infrastructure Assets	\$ 3,311,569	\$ -	\$ -	\$ 3,311,569
Land & Park Improvements	840,062	-	-	840,062
Buildings	46,406	-	-	46,406
Equipment	<u>53,363</u>	<u>-</u>	<u>-</u>	<u>53,363</u>
Subtotal	4,251,400	-	-	4,251,400
Less: Accumulated Depreciation	<u>(4,112,147)</u>	<u>(10,947)</u>	<u>-</u>	<u>(4,123,094)</u>
Total Net Capital Assets	<u>\$ 139,253</u>	<u>\$ (10,947)</u>	<u>\$ -</u>	<u>\$ 128,306</u>
<u>Business-type Activities:</u>	Balance June 30, 2012	Additions	Sales or Disposals	Balance June 30, 2013
Depreciable Capital Assets:				
Buildings	\$ 470,206	\$ -	\$ -	\$ 470,206
Equipment	<u>47,121</u>	<u>4,674</u>	<u>-</u>	<u>51,795</u>
Subtotal	517,327	4,674	-	522,001
Less: Accumulated Depreciation	<u>(137,799)</u>	<u>(13,089)</u>	<u>-</u>	<u>(150,888)</u>
Total Net Capital Assets	<u>\$ 379,528</u>	<u>\$ (8,415)</u>	<u>\$ -</u>	<u>\$ 371,113</u>

The District recorded total depreciation expense of \$24,036, of which \$10,947 was allocated directly for the governmental activities and \$13,089 was directly allocated to the business-type activities, for the year ended June 30, 2013.

Note 4 – Warrants Outstanding

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. The outstanding general and debt service fund warrants mature during the next five years as follows:

Year Ending June 30,	General Fund	Debt Service Fund	Total
2014	\$ 7,453	\$ 81	\$ 7,534
2015	835	-	835
2016	<u>126</u>	<u>-</u>	<u>126</u>
	<u>\$ 8,414</u>	<u>\$ 81</u>	<u>\$ 8,495</u>

Registered warrants bear interest at the rate of 7% per annum. Interest accrues on warrants from the date of registration until the date they are called for payment. None of the general fund or debt service fund warrants were registered as of June 30, 2013.

Note 5 – Long-Term Debt

Long-term debt comprised of the following:

Bonds Payable

On March 15, 1977, the District issued \$1,500,000 in general obligation bonds. The proceeds from the sale of these bonds were used to retire outstanding warrants and to pay interest that had accrued on these warrants. The District reserves the option of calling and paying any or call all of these bonds at par plus accrued interest to the date set for redemption. The bonds mature according to the following schedule and bear interest, which is payable semi-annually at the rates indicated:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
March 15, 1993	7.10%	\$ 10,000
March 15, 1994	7.15%	<u>15,000</u>
		<u>\$ 25,000</u>

On November 15, 2002, the District issued \$1,165,000 in general obligation bonds. The proceeds from the sale of these bonds were used to retire outstanding bonds issued on September 15, 1994. The bonds are callable on November 15, 2007 and at any time thereafter. The bonds mature according to the following schedule and bear interest, which is payable semi-annually at the rates indicated:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
September 15, 2013	4.20%	\$ 115,000
September 15, 2014	4.35%	<u>125,000</u>
		<u>\$ 240,000</u>

On October 1, 2004, the District issued \$500,000 in general obligation bonds on behalf of the enterprise fund. The proceeds from the sale of these bonds were used to retire outstanding warrants previously issued by the District's Bond Fund for public improvements. The bonds are callable on October 15, 2009 and at any time thereafter. The bonds mature according to the following schedule and bear interest, which is payable semi-annually at the rates indicated:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
October 15, 2015	4.35%	\$ 160,000
October 15, 2016	4.45%	165,000
October 15, 2017	4.55%	<u>170,000</u>
		<u>\$ 495,000</u>

Note 5 – Long-Term Debt (Continued)

Transactions for long-term debt for the year ended June 30, 2013 are summarized as follows:

Type of Debt	Balance June 30, 2012	Proceeds	Payments	Balance June 30, 2013
Bond Issue, 1977	\$ 25,000	\$ -	\$ -	\$ 25,000
Bond Issue, 2002	350,000	-	110,000	240,000
Bond Issue, 2004	495,000	-	-	495,000
Total	<u>\$ 870,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 760,000</u>

Aggregate maturities during the next five years and in five year increments thereafter are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 140,000	\$ 29,890	\$ 169,890
2015	125,000	24,756	149,756
2016	160,000	18,557	178,557
2017	165,000	11,406	176,406
2018	170,000	3,868	173,868
Totals	<u>\$ 760,000</u>	<u>\$ 88,477</u>	<u>\$ 848,477</u>

Note 6 – Tax Levy

Property taxes are levied in August and become due December 31. The first half payment is due March 31 and becomes delinquent April 1 of the following year and the second half payment is due July 31 and becomes delinquent August 1 of the following year. The County Treasurer bills and collects all property taxes for the District. If the taxes remain delinquent after February of the following year, the County places a lien on the property.

Property tax revenues are recognized when they are assessed. Delinquent taxes are considered fully collectable and, therefore, no allowance for uncollectible taxes is provided.

The District has levied real and personal property taxes as follows:

Fiscal Year	District Valuation of Property	District Tax Levy per \$100 Debt		
		General	Service	Total
2012-2013	<u>\$ 64,397,753</u>	<u>0.357155</u>	<u>0.230000</u>	<u>0.587155</u>

Note 7 – Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2013 consisted of the following individual fund receivables and payables:

<u>Due To</u>	<u>Due from</u>	<u>Amount</u>
Debt Service Fund	Proprietary (Enterprise) Fund	<u>\$ 681,737</u>

The \$681,737 interfund balance to the debt service fund was from the bonds issued for the proprietary fund resulting from costs related to the construction of the community clubhouse. The total interfund balance consists of \$500,000 in bonds payable, \$4,591 in accrued bond interest, \$177,065 in bond interest paid, and \$81 for warrants outstanding related to the bond issuance. The expenditures are not scheduled to be collected from the proprietary fund in the subsequent year.

Interfund transfers are primarily used to move funds from:

- § The general fund to finance the various costs of operations and construction on behalf of the proprietary fund.

During the year-end June 30, 2013, the District transferred \$88,100 from the general fund to the proprietary fund to subsidize the costs of operations to manage the clubhouse and swimming pools. There were no transfers from the general fund to the debt service fund in the current year. In previous years, the general fund transferred \$116,958 to the debt service fund for fixed assets paid for by the general fund.

Note 8 – Deficit Net Position

On the Government-Wide Statement of Net Position, the total Governmental Activities have a deficit net position of (\$194,145) at June 30, 2013. This deficit will be financed through future revenues of the general and debt service funds.

On the Proprietary Funds Statement of Net Position, the Community Clubhouse and Swimming Pool Fund (Enterprise Fund) has a deficit net position of (\$288,829) at June 30, 2013. This deficit will be financed through future revenues of the fund in addition to transfers from the general fund.

Note 9 – 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 10 – Restatement of Financial Statements

Effective July 1, 2012, the District has adopted Government Accounting Standards Board (GASB) Statement No. 65, which states that bond issue costs should be expensed in the period they are incurred. Net bond issue costs of \$19,037 have been charged to net position to properly recognize them in the prior periods they were incurred. This change decreased the Proprietary Fund's Net Position – Beginning of the Year from \$455,174 to \$436,137 on the Government-Wide Statement of Activities, and from (\$204,525) to (\$223,562) on the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position, to correct the balances at July 1, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General and Debt Service Funds
For the year ended June 30, 2013

	General Fund			Debt Service Fund		
	Budgetary Basis (Non GAAP)			Budgetary Basis (Non GAAP)		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Property Taxes Collected	\$ 225,577	\$ 226,279	\$ 702	\$ 145,266	\$ 146,119	\$ 853
State Motor Vehicle Tax	650	425	(225)	400	275	(125)
Homestead Exemption	-	6,789	6,789	-	4,376	4,376
Interest on Taxes	600	616	16	450	398	(52)
Total Revenues	226,827	234,109	7,282	146,116	151,168	5,052
Expenditures						
Current Operating Expenses						
Audit Fee	7,000	5,718	1,282	-	-	-
Broker Fees	3,000	-	3,000	1,000	1,000	-
Clerk and Trustee Fees	1,500	840	660	-	-	-
Collection Fee, Co. Treasurer	4,423	4,402	21	2,848	2,842	6
Engineering	12,000	16,106	(4,106)	-	-	-
Insurance and Trustee Bonding	20,000	14,996	5,004	-	-	-
Legal Fees	17,000	22,609	(5,609)	-	-	-
Miscellaneous	500	-	500	-	-	-
Repairs and Maintenance	70,000	43,403	26,597	-	-	-
Utilities	37,000	32,976	4,024	-	-	-
Total Operating Expenses	172,423	141,050	31,373	3,848	3,842	6
Debt Service						
Retirement of Bond Principal	-	-	-	110,000	110,000	-
Interest on Bonds	-	-	-	34,533	34,533	-
Total Expenditures	172,423	141,050	31,373	148,381	148,375	6
Excess/(Deficiency) of Revenues Over Expenditures	54,404	93,059	38,655	(2,265)	2,793	5,058
Other Financing Sources (Uses)						
Issuance of Warrants	168,000	229,839	61,839	1,000	1,000	-
Retirement of Warrants	(195,528)	(249,454)	(53,926)	(1,081)	(1,000)	81
Operating Transfers Out	(80,000)	(73,840)	6,160	-	-	-
Sinking Fund	-	-	-	(80,000)	-	80,000
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>\$ (53,124)</u>	<u>(396)</u>	<u>\$ 52,728</u>	<u>\$ (82,346)</u>	<u>2,793</u>	<u>\$ 85,139</u>
Fund Balance, Beginning of Year		<u>101,506</u>			<u>149,068</u>	
Fund Balance, End of Year		<u>\$ 101,110</u>			<u>\$ 151,861</u>	

The accompanying notes are an integral part of these financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget to GAAP Reconciliation
For the Year Ended June 30, 2013

Sources/Inflows of Resources	General <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
Actual Amounts (Budgetary Basis) "Total Revenues" Available for Appropriation from the Budgetary Comparison Schedule	\$ 234,109	\$ 151,168	\$ 385,277
Differences - Budget to GAAP			
Property tax revenue is recognized when assessed or when excess collections are recorded rather than when collected.	3,721	1,996	5,717
Transfers to business-type activities is recorded with the general revenues.	(110,138)	-	(110,138)
Total Revenues as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 127,692</u>	<u>\$ 153,164</u>	<u>\$ 280,856</u>
Uses/Outflows of Resources			
Actual Amounts (Budgetary Basis) of Total Expenditures from the Budgetary Comparison Schedule	\$ 141,050	\$ 148,375	\$ 289,425
Differences - Budget to GAAP			
Depreciation expense is recorded for capitalized assets.	492	10,455	10,947
Interest on bonds is accrued rather than expensed when paid.	-	(1,299)	(1,299)
Amount of interest paid by the bond fund that was for debt that was related to the payment of enterprise fund warrants	-	(22,038)	(22,038)
Retirement of bond principal reduces long-term debt and is not considered an expenditure.	-	(110,000)	(110,000)
Prepaid insurance adjustment is accrued rather than expensed when paid.	(916)	-	(916)
Prepaid utilities adjustment is accrued rather than expensed when paid.	426	-	426
Expenses were incurred by clubhouse and swimming pool. These amounts are paid on behalf of the enterprise fund (transferred out).	(14,260)	-	(14,260)
Expenses are accrued during the year through accounts payable and other payables rather than expensed when paid.	7,616	-	7,616
Total Expenditures as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 134,408</u>	<u>\$ 25,493</u>	<u>\$ 159,901</u>
Other Financing Sources/Uses			
Issuance of Warrants (Budgetary Basis)	\$ 229,839	\$ 1,000	\$ 230,839
Retirement of Warrants (Budgetary Basis)	(249,454)	(1,000)	(250,454)
Operating Transfers Out (Budgetary Basis)	(73,840)	-	(73,840)
Differences - Budget to GAAP			
Warrants issued and not yet retired are recorded as a payable rather than recognized as an other financing source.	19,615	-	19,615
Cash transfers to business-type activities are recorded with the general revenues.	73,840	-	73,840
Total Other Financing Sources/Uses (GAAP)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Schedule of Taxes Receivable
June 30, 2013

Tax Levy

During 2012, the District's Board of Trustees approved a tax levy of 0.587155 per \$100 of actual value of taxable property. The June 30, 2013 taxes receivable based on this levy and the delinquent taxes receivable are as follows:

	General Fund	Debt Service Fund
Valuation of Taxable Property	\$ 64,397,753	\$ 64,397,753
Tax Levy	<u>0.357155</u>	<u>0.230000</u>
Taxes Receivable – 2012-2013	230,000	148,115
Less: 2012-2013 Taxes Collected	<u>122,558</u>	<u>78,925</u>
Balance Taxes Receivable 2012-2013	107,442	69,190
Add Delinquent Taxes Levied in previous years:		
Tax Levied in 2001	5	5
Tax Levied in 2002	315	220
Tax Levied in 2004	23	17
Tax Levied in 2005	564	395
Tax Levied in 2006	4,546	3,078
Tax Levied in 2007	4,965	3,219
Tax Levied in 2008	696	6,878
Tax Levied in 2009	5,105	3,291
Tax Levied in 2010	4,478	2,887
Tax Levied in 2011	<u>5,992</u>	<u>3,882</u>
Total Taxes Receivable	<u>\$ 134,131</u>	<u>\$ 93,062</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Information Required by Section 31-740
Revised Statutes of Nebraska, 1998
For the year ended June 30, 2013

Gross Revenue from all Sources	\$ 439,032
Gross Revenue from all Sources in Previous Year	\$ 446,919
Amount Spent for Access to the Facilities and Use of the Services of the Library System	None
Amount Spent for Sewage Disposal	None
Amount Expended on Water Mains	None
Gross Amount of Sewage Processed	Not Applicable
Cost per Thousand Gallons of Processing Sewage	Not Applicable
Amount Expended for Repairs and Maintenance	\$ 91,429
Amount Expended for New Equipment	\$ 4,674
Amount Expended for New Construction Work	None
Amount Expended for Real Estate Acquisitions and Property	None
Number of Employees at June 30, 2013	18
Salaries and Fees Paid Employees	\$ 64,317
Total Amount of Taxes Levied Upon the Property Within the District	\$ 378,115

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Board of Trustees and Related Bonds
June 30, 2013

<u>Trustees</u>		<u>Bonds</u>	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Tina Larson	Chairperson	Universal Surety Co.	\$ 5,000
Dixie Lee Martin	Clerk	Universal Surety Co.	\$ 20,000
Rick Staudenmaier	Trustee		
John Kortus	Trustee		
Cindy Frieling	Trustee		



**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. 65
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, business-type activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska, 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 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanitary and Improvement District No. 65 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 Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. The reportable condition is described as item 13-1.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 65 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's Response to Findings

Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statement 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 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.

Ritterbush & Piotrowski, LLP

Ritterbush & Piotrowski, LLP
Omaha, Nebraska
December 18, 2013

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Financial Statement Findings

13-1: Segregation of Duties

Criteria or Specific Requirement

The pool manager is capable of handling all phases of a receipt or disbursement transaction from beginning to end for the enterprise fund.

Recommendation

We recommend that management and Board of Trustees review the situation. We recognize that due to a limited number of personnel, an adequate segregation of duties is not possible. A member of the Board of Trustees reviews all invoices before or shortly after payment. An independent bookkeeper balances the month end bank statements as well.

Management's Response

We concur with the auditor's findings; however, we do not believe the cost of hiring additional personnel outweighs the benefits of additional segregation of duties.