

SARPY COUNTY AND CITIES WASTEWATER AGENCY

JUNE 30, 2019

SARPY COUNTY AND CITIES WASTEWATER AGENCY

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December 23, 2019

INDEPENDENT AUDITOR'S REPORT

Board of Agency Sarpy County and Cities Wastewater Agency, Nebraska

We have audited the accompanying financial statements of the governmental activities and the major fund of Sarpy County and Cities Wastewater Agency (the "Agency") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Agency, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison information on pages 3–5 and 16–17, respectively, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 23, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



BerganKDV, LLC
Omaha, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Sarpy County and Cities Wastewater Agency (the "Agency") annual financial report, the Agency's management provides narrative discussion and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2019.

The Agency's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes to the financial statements.

This discussion focuses on the Agency as the primary government and does not include any separate component units because there are no such entities meeting the requirements for inclusion in the financial statements as set forth by the Governmental Accounting Standards Board.

Financial Highlights

- As of June 30, 2019, the Agency's total liabilities and deferred inflows of resources exceeded its by total assets and deferred outflows of resources \$928,136.
- Total net position is comprised of the Unrestricted net deficit of \$928,136.
- The Agency's governmental fund reported a net increase in fund balance of \$169,373 for the year. The total ending fund balance for the governmental fund is a deficit of \$143,981.
- The actual revenues for the year were \$3,413 more than the approved budget.
- The actual expenditures for the year were \$247,879 less than the approved budget.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Agency's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Agency also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Agency's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Agency's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating. Evaluation of the overall economic health of the Agency would extend to other financial factors such as the condition of Agency infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Agency's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

Both government-wide financial statements distinguish governmental activities of the Agency that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include the general government. The Agency does not have any business-type activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Agency uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Agency's most significant funds rather than the Agency as a whole. The Agency currently only has one governmental fund type, the general fund.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Agency's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also includes required supplementary. A budgetary comparison schedule is included as required supplementary information for the general fund. This schedule shows that the Agency did comply with their overall adopted budget for the year ended June 30, 2019.

Financial Analysis of the Agency as a Whole

The Agency's net deficit at fiscal year-end is \$928,136. The following table provides a summary of the Agency's net position (deficit):

Summary of Net Position (Deficit)

	<u>2018</u>	<u>2017</u>
Cash	\$ 251,292	\$ 83,493
Prepaid expenses	18,198	11,441
Receivable from Sarpy County	<u> </u>	<u>250,000</u>
Total assets	<u>269,490</u>	<u>344,934</u>
Current liabilities	125,506	120,326
Note payable to Sarpy County	<u>1,072,120</u>	<u> </u>
Total liabilities	<u>1,197,626</u>	<u>120,326</u>
Net Position (Deficit):		
Unrestricted	<u>(928,136)</u>	<u>224,608</u>
Total net position (deficit)	<u>\$ (928,136)</u>	<u>\$ 224,608</u>

GOVERNMENTAL REVENUES

Revenues from governmental funds totaled \$3,413 in 2018-2019 and \$500,011 in 2017-2018. The decrease in revenue in 2018-2019 was primarily due to decrease in Sarpy County aid for the operation of the Agency. The advances from Sarpy County are now being recorded as a liability in 2018-2019.

GOVERNMENTAL EXPENSES

Expenditures of governmental funds totaled \$1,156,157 for 2018-2019 and \$275,403 for 2017-2018. The increase in total governmental expenses is primarily due to increase in general government expenditures related to engineering fees, legal fees, advisor fees and consulting fees. The Agency was created in 2017 and there was not a significant amount of work done during its initial year.

General Fund Budgetary Highlights

The General Fund had a favorable expenditure budget variance of \$247,879 for fiscal year 2018-2019. This is primarily due to less engineering, legal and advisor fees being incurred.

Economic Environment and Next Year's Budgets

The Agency adopted a budget for the 2019-2020 fiscal year of \$8,448,313. \$5,267,000 of the adopted budget is for planned capital expenditures for Sewer Development.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances, comply with finance-related laws and regulations, and demonstrate the Agency's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Treasurer at 122 East Third Street, Papillion, NE 68046.

SARPY COUNTY AND CITIES WASTEWATER AGENCY

**STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2019**

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 251,292
Prepaid expenses	18,198
Total assets	<u>269,490</u>
LIABILITIES:	
Accounts payable	125,509
Notes payable to Sarpy County	<u>1,072,120</u>
Total liabilities	<u>1,197,629</u>
NET POSITION (DEFICIT):	
Unrestricted	<u>(928,139)</u>
Total net deficit	<u>\$ (928,139)</u>

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

SARPY COUNTY AND CITIES WASTEWATER AGENCY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Expenses</u>	<u>Program Revenues</u>	
		Charges for Services	Operating Grants and Contributions
			<u>Change in Net Position</u>
Governmental activities:			
General government	\$ 1,156,160	\$ _____	\$ (1,156,160)
Total governmental activities	<u>\$ 1,156,160</u>	<u>\$ _____</u>	<u>(1,156,160)</u>
General revenues:			
Interest income			<u>3,413</u>
Total general revenues			<u>3,413</u>
Change in net position (deficit)			(1,152,747)
Net position - beginning of year			<u>224,608</u>
Net deficit - end of year			<u>\$ (928,139)</u>

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

SARPY COUNTY AND CITIES WASTEWATER AGENCY

**BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2019**

ASSETS:	
Cash	\$ 251,292
Prepaid expenses	18,198
Total assets	<u>\$ 269,490</u>
LIABILITIES:	
Accounts payable	<u>\$ 125,509</u>
Total liabilities	<u>125,509</u>
FUND BALANCE:	
Unassigned	<u>143,981</u>
Total fund balance	<u>143,981</u>
Total liabilities and fund balance	<u>\$ 269,490</u>
RECONCILIATION:	
Total fund balance - governmental fund	\$ 143,981
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,072,120)</u>
Total net deficit - governmental activities	<u>\$ (928,139)</u>

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

SARPY COUNTY AND CITIES WASTEWATER AGENCY

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES:	
Donation - Sarpy County	\$ 250,000
Interest income	3,413
Total revenues	<u>253,413</u>
EXPENDITURES:	
General government:	
General and administrative	2,426
Legal fees	313,541
Engineering fees	353,801
Insurance fees	15,081
Consulting fees	16,240
Advisor fees	<u>455,071</u>
Capital outlay	
Total expenditures	<u>1,156,160</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(902,747)
OTHER FINANCING SOURCES:	
Loan proceeds from Sarpy County	<u>1,072,120</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	169,373
FUND BALANCE - beginning of year	<u>(25,392)</u>
FUND BALANCE - end of year	<u>\$ 143,981</u>
RECONCILIATION:	
Change in fund balance - governmental fund	\$ 169,373
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(250,000)
The governmental funds report proceeds from notes payable as an other financing source.	<u>(1,072,120)</u>
Change in net position of governmental activities	<u>\$ (1,152,747)</u>

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

SARPY COUNTY AND CITIES WASTEWATER AGENCY

NOTES TO THE FINANCIAL STATEMENT

1. ORGANIZATION

On September 19, 2017, Sarpy County and the Cities of Papillion, Bellevue, Springfield, La Vista and Gretna entered into an agreement, (hereinafter the “Agency Formation Agreement”) and formed the interlocal agency called the Sarpy County and Cities Wastewater Agency (the “Agency”). The Agency is a separate body corporate and politic pursuant to the Interlocal Cooperation Act. The Agency was formed to work with the Members, consultants, and other outside individuals and agencies as are necessary to plan, develop, and approve a master plan for the design of the Unified South Sarpy Wastewater System.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of Sarpy County and Cities Wastewater Agency (the “Agency”) are discussed in the subsequent section of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Agency’s financial activities for the fiscal year ended June 30, 2019.

Sarpy County and Cities Wastewater Agency operates under a Board-Executive Director form of government and provides general government services for the Agency.

Financial Reporting Entity

These financial statements present the financial statements of the Agency as the primary government. In determining its reporting entity, the Agency has considered all potential component units for which it is financially accountable, including other organizations which are fiscally dependent on the Agency, or the significance of their relationship with the Agency are such that exclusion would make the financial statements misleading or incomplete. The Governmental Accounting Standards Board (“GASB”) has set forth criteria to be considered in determining financial accountability, which was used in making this evaluation. The Agency has no potential component units to include in its reporting entity.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses.

SARPY COUNTY AND CITIES WASTEWATER AGENCY
NOTES TO THE FINANCIAL STATEMENT, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (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, within 60 days, to be used to pay liabilities of the current period and that it is legally available for such purposes. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenues that are determined to be susceptible to accrual include earned interest and charges for services. Major revenues not susceptible to accrual because they are either not available early enough to pay liabilities from the current period or are not measurable until received include state aid and other income. Revenues considered unavailable are recorded as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

Basis of Presentation

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Agency as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by state aid and Agency general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Agency does not have any business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Agency.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Agency currently has no proprietary or fiduciary funds. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the Agency, meets specific mathematical criteria set forth by GASB or is identified as a major fund by the Agency's management.

SARPY COUNTY AND CITIES WASTEWATER AGENCY
NOTES TO THE FINANCIAL STATEMENT, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Types and Major Funds

The Agency currently only has one governmental fund, the General Fund. The General Fund is the general operating fund of the Agency.

Flow Assumption

Government-wide Statements – Net Position

Net position is required to be classified into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted – This component of net position consists of restrictions placed on the use of net position through external constraints imposed by creditors (such as debt covenants), contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements – Fund Balance

For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the Agency is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable – Amounts that cannot be spent either because they are not in a 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 the Agency Charter, Agency Code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Agency Board through an ordinance or resolution.

Assigned – Amounts that are designated by the Mayor for a specific purpose, but are not spendable until a budget ordinance is passed by the Agency Board.

Unassigned – All amounts not included in other spendable classifications.

SARPY COUNTY AND CITIES WASTEWATER AGENCY
NOTES TO THE FINANCIAL STATEMENT, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Sometimes the Agency will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report for each category of fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Agency's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Capital Assets and Depreciation

Although the Agency currently has no capital assets, the Agency's property, plant, equipment and infrastructure with useful lives of more than one year will be stated at historical cost or estimated historical cost and comprehensively reported in the government-wide financial statements. The Agency will maintain infrastructure asset records consistent with all other capital assets. Donated assets will be stated at fair value on the date donated. The Agency will capitalize assets with a cost of \$2,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives will not be capitalized. Capital assets will be depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss will be recorded in operations.

Estimated useful lives, in years, for depreciable assets will be as follows:

Improvements and infrastructure	7 – 50 years
Equipment and furniture	4 – 20 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The Agency currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The Agency had one item that qualified for reporting in this category: Unavailable revenue received after the availability period. This is reported as deferred inflows on the governmental funds balance sheet and will be recognized as revenue next year.

SARPY COUNTY AND CITIES WASTEWATER AGENCY
NOTES TO THE FINANCIAL STATEMENT, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates

The preparation of the 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 amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

3. BUDGET AND BUDGETARY ACCOUNTING

Budgetary Information

An appropriated budget is adopted each fiscal year for the General Fund on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

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

1. The Agency Treasurer submits to the Board of Trustees a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The administrators for the six cities and contractors provide information on what they anticipate for annual expenditures.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance and filed with the appropriate governmental entities and agencies.

The Agency adopts the budget on a per-fund basis and budgetary control is exercised at the fund level. Budget adjustments within a fund can be made with Board's approval.

Amendments to the adopted budget were made this year and resulted from the need for additional funds to pay additional anticipated Agency expenses for the 2018-2019 fiscal year. The amendments increased the anticipated expenses and amount to be received from Sarpy County on the reimbursable loan.

4. DEPOSITS

Statutes authorize the Agency to invest in time deposits at banks selected as depositories of Agency funds, direct debt securities of the United States Government, and certain government agency bonds.

Cash is stated at cost, which approximates fair value. The Agency's cash deposits, including demand deposits and certificates of deposits, are insured by the Federal Deposit Insurance Corporation ("FDIC"). At June 30, 2019, \$79,713 of the Agency's deposits were not covered by the FDIC or collateralized.

SARPY COUNTY AND CITIES WASTEWATER AGENCY

NOTES TO THE FINANCIAL STATEMENT, CONTINUED

4. DEPOSITS, CONTINUED

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. In addition to custodial credit risk, deposits also have credit risk and interest rate risk. The Agency has not adopted a specific policy to address these risks, but requires compliance with the provisions of state statutes regarding investment practices.

5. PROPERTY TAXES

The Agency has no property tax receipts as the Agency does not have authority to levy taxes at this time since it has not approved a budget which levied taxes. However, the agency does have statute authority to levy taxes.

6. NOTES PAYABLE

Notes payable consists of a reimbursable loan from Sarpy County for the payment of operating expenses incurred by the Agency. At June 30, 2019 the balance of the note was \$1,072,120. The loan is payable when the Agency receives unrestricted funds or generates unrestricted revenue exceeding \$750,000 and the County submits a written request for reimbursement of the Contribution Funds to the Chair of the Contribution Funds to the Chair of the Agency's Board. The loan bears no interest.

7. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The Agency manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors and omissions	Purchased commercial insurance	Deductible
b. General Liability	Purchased commercial insurance	Deductible

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Agency. The Agency did not pay any settlement amounts, which exceeded its insurance coverage for the years ended June 30, 2019, 2018 and 2017.

8. RELATED PARTY TRANSACTIONS

The Agency received a reimbursable loan from Sarpy County, a member of the Agency, for payment of certain operating and capital expenses incurred by the Agency.

9. INTERLOCAL AGREEMENTS

The Agency is party to an interlocal agreement between Sarpy County and City of Papillion, City of La Vista, City of Bellevue, City of Ralston and City of Springfield to create Unified South Sarpy Wastewater System.

SARPY COUNTY AND CITIES WASTEWATER AGENCY

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(BUDGET BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Donation - Sarpy County	\$ 250,000	\$ 250,000	\$ 250,000	\$
Interest income			3,413	3,413
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>253,413</u>	<u>3,413</u>
EXPENDITURES:				
General government				
Operating	<u>698,810</u>	<u>1,405,613</u>	<u>1,157,734</u>	<u>247,879</u>
Total expenditures	<u>698,810</u>	<u>1,405,613</u>	<u>1,157,734</u>	<u>247,879</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(448,810)</u>	<u>(1,155,613)</u>	<u>(904,321)</u>	<u>251,292</u>
OTHER FINANCING SOURCES:				
Reimbursable loan proceeds from Sarpy County	<u>365,317</u>	<u>1,072,120</u>	<u>1,072,120</u>	
Total other financing sources	<u>365,317</u>	<u>1,072,120</u>	<u>1,072,120</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ (83,493)</u>	<u>\$ (83,493)</u>	<u>\$ 167,799</u>	<u>\$ 251,292</u>
RECONCILIATION:				
Revenues:				
Actual amounts (budgetary basis) "Total revenues" from the budgetary comparison schedule				\$ 253,413
Adjustments:				
None - There are no differences for the year ended June 30, 2019				<u> </u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - governmental fund				<u>\$ 253,413</u>
Expenditures:				
Actual amounts (budgetary basis) "Total expenditures" from the budgetary comparison schedule				\$ 1,157,734
Adjustments:				
The Agency reports expenses when they are paid on the budgetary basis and in the period they relate to in the modified accrual basis less any bad debt expense for the current year.				<u>(1,574)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental fund				<u>\$ 1,156,160</u>
Other Financing Sources:				
Actual amounts (budgetary basis) from the budgetary comparison schedule				\$ 1,072,120
Adjustments:				
None - There are no differences for the year ended June 30, 2019				<u> </u>
Total other financing sources as reported on the statement of revenues, expenditures, and changes in fund balance - governmental fund				<u>\$ 1,072,120</u>

SARPY COUNTY AND CITIES WASTEWATER AGENCY

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2019**

1. BUDGETARY ACCOUNTING

The Agency prepares its budget on the cash basis of accounting. Accordingly, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

December 23, 2019

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*

Board of Agency
Sarpy County and Cities Wastewater Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities and the major fund of the Sarpy County and Cities Wastewater Agency (the "Agency"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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. We consider the following deficiency in internal control, described as item 2019-001 in the accompanying schedule of findings and responses, to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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*.

Response to Finding

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Agency'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 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.



BerganKDV, LLC

Omaha, Nebraska

SARPY COUNTY AND CITIES WASTEWATER AGENCY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

2019-001 Segregation of Duties – Material Weakness

Criteria

Internal controls should be in place to ensure proper segregation of duties.

Condition

The Agency has a lack of segregation of duties over bookkeeping, billing, and accounting functions. The same individual routinely reconciles the bank statements, makes journal entries, and manages the general ledger functions.

Potential Effect

Inadequate segregation of duties could lead to the misappropriation of assets or improper reporting.

Recommendation

We recommend that the Agency evaluate their current internal controls to find ways to separate duties or implement some mitigating monitoring controls.

Agency's Response

The Agency will evaluate the controls and develop policies and procedures such as reviews of bank statements and bank reconciliations by another individual to improve segregation of duties issues. The Agency will, within the constraints of existing time and cost considerations, continue to review the situation and make improvements.

SARPY COUNTY AND CITIES WASTEWATER AGENCY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

2019-002 Establish Internal Control Over Financial Statement Preparation and Review – Significant Deficiency

Criteria

As described in the our engagement letter, management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of financial statements, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America.

Condition

The Agency does not have a system of internal control that would provide management with reasonable assistance that the Agency financial statements and related disclosures are complete and presented in accordance with the accounting principles generally accepted in the United States of America. As such, management requests us to prepare a draft of the financial statements, including the related note disclosures.

Potential Effect

The potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Agency's internal control.

During the audit, the auditor proposed adjusting entries for the proper financial statement presentation.

Recommendation

We recommend that the Agency review and approve the proposed auditor adjusting entries and the adequacy of financial statement disclosures prepared by the auditors.

Agency's Response

The Agency relies on the auditor to propose adjustments necessary to prepare the financial statements, including the related note disclosures. The Agency reviews such financial statements and approved all adjustments.