

SARPY COUNTY AND CITIES WASTEWATER AGENCY

JUNE 30, 2020



SARPY COUNTY AND CITIES WASTEWATER AGENCY

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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, 2020, 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, 2020, 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 – 6 and 19 – 20, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 issued our report dated December 28, 2020 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
December 28, 2020

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, 2020.

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, 2020, the Agency's total liabilities and deferred inflows of resources exceeded its total assets and deferred outflows of resources by \$2,297,316.
- Total net position is comprised of the Unrestricted net deficit of \$2,297,316.
- The Agency's governmental fund reported a net increase in fund balance of \$106,257 for the year. The total ending fund balance for the governmental fund is \$250,238.
- The actual revenues for the year were \$3,189,925 less than the approved budget.
- The actual expenditures for the year were \$6,332,543 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, 2020.

Financial Analysis of the Agency as a Whole

The Agency's total net position (deficit) as of June 30, 2020 is (\$2,297,316). Table 1 provides a summary of the Agency's net position (deficit) as of June 30, 2020 compared to the net position (deficit) as of June 30, 2019. Table 2 provides the change in net position (revenues vs. expenses) for the year ended June 30, 2020 compared to June 30, 2019.

GOVERNMENTAL REVENUES

Revenues from governmental funds totaled \$10,075 for the year ended June 30, 2020 and \$3,413 for the year ended June 30, 2019. The increase in revenue was primarily due to an increase in interest earned by the Agency for an entire 12-month period.

GOVERNMENTAL EXPENSES

Expenditures of governmental funds totaled \$1,379,252 for the year ended June 30, 2020 and \$1,156,157 for the year ended June 30, 2019. The increase in total governmental expenses is primarily due to an increase in general government expenditures related to engineering fees, legal fees, advisor fees and consulting fees. The Agency was also able to pay back \$775,000 of the note payable to Sarpy County.

General Fund Budgetary Highlights

The General Fund had a favorable expenditure budget variance of \$6,332,543 for the year ended June 30, 2020. This is primarily due to no construction commencing in fiscal year 2020 and less engineering, legal and advisor fees being incurred. The General Fund also had a negative revenue budget variance of \$3,189,925. This is primarily due to not receiving sewer connection fees in fiscal year 2020.

Economic Environment and Next Year's Budgets

The Agency adopted a budget for the year ending June 30, 2021 of \$8,374,214 and \$7,655,000 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.

TABLE 1

**Summary of Net Position (Deficit)
As Of June 30**

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets			
Cash	\$ 396,031	\$ 251,292	\$ 144,739
Prepaid expenses	18,703	18,198	505
Total assets	<u>\$ 414,734</u>	<u>\$ 269,490</u>	<u>\$ 145,244</u>
Liabilities:			
Current liabilities	\$ 164,496	\$ 125,509	\$ 38,987
Note payable to Sarpy County	297,120	1,072,120	(775,000)
Note payable to State of Nebraska	2,250,434	-	2,250,434
Total liabilities	<u>\$ 2,712,050</u>	<u>\$ 1,197,629</u>	<u>\$ 1,514,421</u>
Net position (deficit)			
Unrestricted	<u>\$ (2,297,316)</u>	<u>\$ (928,139)</u>	<u>\$ (1,369,177)</u>
Total net position (deficit)	<u>\$ (2,297,316)</u>	<u>\$ (928,139)</u>	<u>\$ (1,369,177)</u>

TABLE 2

**Changes in Net Position
For the Years Ended June 30**

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
General revenues			
Interest and other revenue	<u>\$ 10,075</u>	<u>\$ 3,413</u>	<u>\$ 6,662</u>
Total revenues	<u>10,075</u>	<u>3,413</u>	<u>6,662</u>
Expenses			
General government	<u>1,379,252</u>	<u>1,156,160</u>	<u>223,092</u>
Total expenses	<u>1,379,252</u>	<u>1,156,160</u>	<u>223,092</u>
Change in net position	(1,369,177)	(1,152,747)	(216,430)
Net position (deficit), beginning of year	<u>(928,139)</u>	<u>224,608</u>	<u>(1,152,747)</u>
Net position (deficit), end of year	<u>\$ (2,297,316)</u>	<u>\$ (928,139)</u>	<u>\$ (1,369,177)</u>

Sarpy County And Cities Wastewater Agency
Statement Of Net Position (Deficit)
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash	\$ 396,031
Prepaid expenses	18,703
Total assets	<u>\$ 414,734</u>
Liabilities	
Accounts payable	\$ 164,496
Note payable to Sarpy County	297,120
Note payable to the State of Nebraska	2,250,434
Total liabilities	<u>2,712,050</u>
Net position (deficit)	
Unrestricted	<u>(2,297,316)</u>
Total net position (deficit)	<u>(2,297,316)</u>
Total liabilities and net position (deficit)	<u>\$ 414,734</u>

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

Sarpy County And Cities Wastewater Agency
Statement Of Activities
June 30, 2020

	Expenses	Program Revenues		Change in Net Position (Deficit)
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 1,379,252	\$ -	\$ -	\$ (1,379,252)
Total governmental activities	\$ 1,379,252	\$ -	\$ -	(1,379,252)
General revenues				
Interest income				10,075
Total general revenues				10,075
Change in net position (deficit)				(1,369,177)
Net position (deficit) - beginning of year				(928,139)
Net position (deficit) - end of year				\$ (2,297,316)

**Sarpy County And Cities Wastewater Agency
Balance Sheet - Governmental Fund
June 30, 2020**

Assets		
Cash		\$ 396,031
Prepaid expenses		18,703
Total assets		<u>\$ 414,734</u>
Liabilities		
Accounts payable		\$ 164,496
Total liabilities		<u>164,496</u>
Fund balance		
Unassigned		<u>250,238</u>
Total fund balance		<u>250,238</u>
Total liabilities and fund balance		<u>\$ 414,734</u>
Reconciliation		
Total fund balance - governmental fund		\$ 250,238
Amounts reported for governmental activities in the statement of net deficit are different because		
Notes payable are not current financial liabilities therefore, are not reported in the governmental funds.		<u>(2,547,554)</u>
Total net position (deficit) - governmental activities		<u>\$ (2,297,316)</u>

**Sarpy County And Cities Wastewater Agency
Statement Of Revenues, Expenditures, And
Changes In Fund Balance - Governmental Fund
For The Year Ended June 30, 2020**

Revenues	
Interest income	\$ 10,075
Total revenues	<u>10,075</u>
Expenditures	
General government	1,379,252
Debt service	
Principal	<u>775,000</u>
Total expenditures	<u>2,154,252</u>
Deficiency of revenues over expenditures	<u>(2,144,177)</u>
Other financing sources:	
Loan proceeds from State of Nebraska	<u>2,250,434</u>
Total other financing sources	<u>2,250,434</u>
Excess of revenues and other financing sources over expenditures	106,257
Fund balance - beginning of year	<u>143,981</u>
Fund balance - end of year	<u>\$ 250,238</u>
Reconciliation	
Change in fund balance - governmental fund	\$ 106,257
Amounts reported for governmental activities in the statement of activities are different because	
Loans are reported as expenditures when paid and as revenue when received in the governmental funds. However, there is no impact in the statement of activities when loans are made or repaid. This amount represents the change in the long-term debt.	<u>(1,475,434)</u>
Change in net position (deficit) of governmental activities	<u>\$ (1,369,177)</u>

Sarpy County and Cities Wastewater Agency Notes to the Financial Statement

NOTE 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.

NOTE 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, 2020.

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**

NOTE 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.

**Sarpy County and Cities Wastewater Agency
Notes to the Financial Statement**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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.

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:

**Sarpy County and Cities Wastewater Agency
Notes to the Financial Statement**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements – Fund Balance (Continued)

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.

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

**Sarpy County and Cities Wastewater Agency
Notes to the Financial Statement**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 currently does not have any items that qualify for reporting in this category.

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.

NOTE 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.

**Sarpy County and Cities Wastewater Agency
Notes to the Financial Statement**

NOTE 3 – BUDGET AND BUDGETARY ACCOUNTING (CONTINUED)

Budgetary Information (Continued)

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.

NOTE 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, 2020, \$179,331 of the Agency's deposits were in excess of the FDIC coverage but were collateralized by the pledging bank.

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.

NOTE 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.

NOTE 6 – NOTES PAYABLE

On June 26, 2019, the Agency entered into a loan contract, with the principal sum not to exceed \$5,000,000, with the Nebraska Department of Environmental Quality (NDEQ). The loan bears no interest. The Agency receives advances on the loan as invoices are submitted to and approved by the NDEQ. The repayment of the loan will begin within one year from the date of project completion, but no later than three years from the date of the Loan, whichever occurs first. The Agency is to repay the loan in full no later than ten years after commencement of repayment, and to pay all principal, interest, administrative fees, and penalty fees when due. At June 30, 2020, the project has not been completed and the Agency had received \$2,250,434 in loan advances from the NDEQ. Accordingly, the amortization of the repayment of this debt has not yet been determined.

**Sarpy County and Cities Wastewater Agency
Notes to the Financial Statement**

NOTE 6 – NOTES PAYABLE (CONTINUED)

Notes payable from Sarpy County is for the payment of operating expenses incurred by the Agency. During the year ended June 30, 2020 the Agency repaid \$775,000 of the note and at June 30, 2020, the balance of the note was \$297,120. 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 Agency's Board. The loan bears no interest.

NOTE 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, 2020, 2019 and 2018.

NOTE 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. During the year the Agency repaid \$775,000 of loan principal.

NOTE 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.

NOTE 10 – SUBSEQUENT EVENTS

In January 2021, the Agency received the first half of the sewer connection fee of \$5,514,297.37 from Sarpy County for the Gemini Lots and will receive the other half at the time of the building permit application and will be calculated upon the acreage of the lot within the building permit.

**Sarpy County and Cities Wastewater Agency
Notes to the Financial Statement**

NOTE 10 – SUBSEQUENT EVENTS (CONTINUED)

In April 2021, the Agency received a sewer connection fee of \$2,441,117.00 from the City of Papillion, which received the funds from Omaha Public Power District (OPPD), because of a new final plat approved for the Turtle Creek Natural Gas Generation Plant. This connection fee was required by Agency regulations regarding development in the Agency's jurisdiction.

The Agency Members have agreed to make contributions of PILOT fees received from OPPD and derived from the Agency service area that are in excess of a defined base line amount. As of April 2021, no PILOT fees have been contributed by any Agency Members. These fees will be considered reimbursable when either the member PILOT contributions reach \$30,000,000 or the Agency Board determines it has sufficient funds to make such reimbursements. There will be no interest accrued unless a member's PILOT contributions are in excess of the contribution threshold at which time a 1.5 % per annum will be assessed until reimbursed.

Final design for Phase 1A of the Unified South Sarpy Wastewater System ("Wastewater System") is expected to be completed in 2021. Easement and ROW acquisition will occur in 2021. Construction bids and contracts will be awarded in late 2021 or early 2022. Construction of Phase 1A the Wastewater System will occur in 2022 – 2023, with the Wastewater System becoming operational in late 2023 or early 2024.

Sarpy County And Cities Wastewater Agency
Statement Of Revenues And Expenditures - Budget And Actual
(Budget Basis) - General Fund
For The Year Ended June 30, 2020

	Initial and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Reimbursable Contribution - Sarpy County	\$ 200,000	\$ -	\$ (200,000)
Sewer Connection Fees	3,000,000	-	(3,000,000)
Interest income	-	10,075	10,075
Total revenues	3,200,000	10,075	(3,189,925)
Expenditures			
General government	7,176,193	1,340,770	5,835,423
Debt principal	1,272,120	775,000	497,120
Total expenditures	8,448,313	2,115,770	6,332,543
Deficiency of revenues over expenditures	(5,248,313)	(2,105,695)	3,142,618
Other financing sources			
Loan proceeds from State of Nebraska	5,000,000	2,250,434	(2,749,566)
Total other financing sources	5,000,000	2,250,434	(2,749,566)
Excess (deficiency) of revenues and other financing sources over expenditures	\$ (248,313)	\$ 144,739	\$ 393,052
 Reconciliation			
Expenditures			
Actual amounts (budgetary basis) "Total expenditures" from the budgetary comparison schedule			\$ 2,115,770
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.			38,482
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental fund			\$ 2,154,252

**Sarpy County and Cities Wastewater Agency
Note to Required Supplementary Information –
Budgetary Comparison Schedules
For The Year Ended June 30, 2020**

NOTE 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.

**Sarpy County And Cities Wastewater Agency
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2020**

<u>Federal Grantor/Pass Through Entity/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed through Nebraska Department of Environmental Quality:</i>			
CLEAN WATER STATE REVOLVING FUNDS CLUSTER			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C318009	<u>\$ 1,308,038</u>
TOTAL			<u><u>\$ 1,308,038</u></u>

Sarpy County and Cities Wastewater Agency
Note to Schedule of Expenditure of Federal Awards
For The Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Supplementary Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal financial assistance programs of Sarpy County & Cities Wastewater Agency (the Agency). The Agency’s reporting entity is defined in Note 2 to the Agency’s financial statements. Federal financial assistance received directly from federal agencies, as well as passed through other governmental agencies, is included on the Schedule.

The accompanying schedule presents total expenditures for each federal award program in accordance with U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Federal program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA) whenever possible.

Basis of Accounting

The Schedule is prepared on the accrual basis of accounting.

De Minimis Indirect Cost Rate

The Agency has elected not to charge the 10% de minimis indirect cost rate to its federal award program.

Pass-through Funds

In the current year, funds totaling \$1,308,038 provided by the U.S. Environmental Protection Agency passed through the Nebraska Department of Environmental Quality Clear Water State Revolving Loan fund in the form of a loan to the Agency. The Agency had a loan payable outstanding as of June 30, 2020 related to the capitalization grants for the clean water state revolving fund (CFDA #66.458) in the amount of \$2,250,434. The loan payable balance is not subject to continuing OMB Uniform Guidance compliance requirements.

**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, 2020, 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 28, 2020.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

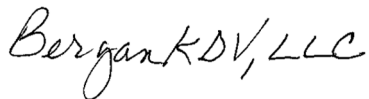
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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.



Omaha, Nebraska
December 28, 2020

Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The *Uniform Guidance*

Board of Agency
Sarpy County and Cities Wastewater Agency

Report on Compliance for Each Major Federal Program

We have audited Sarpy County and Cities Wastewater Agency's (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Agency's major federal programs for the year ended June 30, 2020. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.


Report on Internal Control over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Omaha, Nebraska
December 28, 2020

**Sarpy County and Cities Wastewater Agency
Summary Schedule of Prior Audit Findings**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs

Name of Federal Program or Cluster:	Clean Water State Revolving Funds Cluster
CFDA No.:	66.458 – Capitalization Grants for Clean Water State Revolving Funds
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no questioned costs.

**Sarpy County and Cities Wastewater Agency
Summary Schedule of Prior Audit Findings**

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

2019-001 Segregation of Duties – Material Weakness

This finding was resolved during the year ended June 30, 2020 as the Agency hired an outside accounting firm to assist with the accounting functions of the Agency.

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

This finding was resolved during the year ended June 30, 2020 as the Agency hired an outside accounting firm to assist with the accounting functions of the Agency.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs in the prior year audit.