

*Financial Statements*

SANITARY AND IMPROVEMENT  
DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA

JUNE 30, 2010



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Sanitary and Improvement District No. 34  
Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 34 of Sarpy County, Nebraska (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 34 of Sarpy County, Nebraska, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparison for the General and Debt Service Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2011 on our consideration of Sanitary and Improvement District No. 34 of Sarpy County, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 15 through 18 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Infinity CPA Group, LLC*

Omaha, Nebraska  
January 14, 2011

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS  
June 30, 2010**

<b>ASSETS</b>	General Fund	Debt Service Fund	Total
Cash on deposit, County Treasurer	\$ 37,618	\$ 108,033	\$ 145,651
Taxes receivable	20,565	25,338	45,903
Bond issue costs, net of accumulated amortization \$8,650	-	-	-
Capital assets:			
Depreciable infrastructure, net	-	-	-
Total assets	\$ 58,183	\$ 133,371	\$ 191,554
 <b>LIABILITIES</b>			
Accounts payable	\$ 2,373	\$ -	\$ 2,373
Warrants payable:			
Due after one year	1,948	-	1,948
Interest payable, bonds	-	-	-
Bonds payable:			
Due within one year	-	-	-
Due after one year	-	-	-
Deferred revenue	2,786	3,432	6,218
Total liabilities	7,107	3,432	10,539
 <b>FUND BALANCES/NET ASSETS</b>			
Fund balances:			
Reserved for debt service	-	129,939	129,939
Unreserved, reported in:			
General fund	51,076	-	51,076
Total fund balances	51,076	129,939	181,015
Total liabilities and fund balances	\$ 58,183	\$ 133,371	\$ 191,554
 Net assets:			
Invested in capital assets, net of related debt			
Restricted for debt service			
Unrestricted			

See Notes to Basic Financial Statements.

<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ -	\$ 145,651
-	45,903
74,295	74,295
<u>1,920,397</u>	<u>1,920,397</u>
<u>1,994,692</u>	<u>2,186,246</u>
-	2,373
-	1,948
16,219	16,219
23,133	23,133
721,867	721,867
-	6,218
<u>761,219</u>	<u>771,758</u>
(129,939)	-
<u>(51,076)</u>	-
<u>(181,015)</u>	-
1,233,473	1,233,473
129,939	129,939
51,076	51,076
<u>\$ 1,414,488</u>	<u>\$ 1,414,488</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2010

	General	Debt Service	Totals
<b>REVENUES</b>			
Personal and real property taxes	\$ 45,005	\$ 56,716	\$ 101,721
Interest on taxes	277	478	755
State motor vehicle tax allocation	154	222	376
Total revenues	45,436	57,416	102,852
<b>EXPENDITURES/EXPENSES</b>			
Current:			
Accounting fees	415	-	415
Amortization of bond issue costs	-	-	-
Audit fees	5,000	-	5,000
Collection fees	885	1,301	2,186
Depreciation	-	-	-
Engineering fees	1,204	-	1,204
Insurance	2,027	-	2,027
Interest on registered warrants	-	2,371	2,371
Legal fees	5,637	-	5,637
Miscellaneous	125	-	125
Repairs and maintenance	3,484	-	3,484
Utilities	8,914	-	8,914
Water operator fees and testing	4,482	-	4,482
Other capital outlay	-	82,945	82,945
Debt service:			
Bond interest	-	17,694	17,694
Total expenditures/expenses	32,173	104,311	136,484
Excess (deficit) of revenues over expenditures	13,263	(46,895)	(33,632)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	-	745,000	745,000
Retirement of warrants	-	(734,445)	(734,445)
	-	10,555	10,555
Excess (deficit) of revenues and other sources over expenditures and other uses	13,263	(36,340)	(23,077)
Change in net assets	-	-	-
Fund balances/net assets-beginning	37,813	166,279	204,092
Restate prior year balance	-	-	-
Fund balances/net assets-beginning, restated	37,813	166,279	204,092
Fund balances/net assets-ending	\$ 51,076	\$ 129,939	\$ 181,015

See Notes to Basic Financial Statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 101,721
-	755
-	376
<u>-</u>	<u>102,852</u>
-	415
8,650	8,650
-	5,000
-	2,186
31,516	31,516
-	1,204
-	2,027
-	2,371
-	5,637
-	125
-	3,484
-	8,914
-	4,482
(82,945)	-
<u>16,219</u>	<u>33,913</u>
<u>(26,560)</u>	<u>109,924</u>
<u>33,632</u>	<u>-</u>
(745,000)	-
<u>734,445</u>	<u>-</u>
<u>(10,555)</u>	<u>-</u>
<u>23,077</u>	<u>-</u>
<u>\$ (7,072)</u>	<u>(7,072)</u>
	1,368,973
	52,587
	<u>1,421,560</u>
\$	<u><u>1,414,488</u></u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>			
Personal and real property taxes	\$ 44,370	\$ 45,501	\$ 1,131
Interest on taxes	-	277	277
State motor vehicle tax allocation	-	154	154
Total revenues	44,370	45,932	1,562
<b>EXPENDITURES</b>			
Current			
Accounting fees	150	125	25
Audit fees	5,000	5,000	-
Collection fees	-	885	(885)
Election costs	200	-	200
Engineering fees	1,000	254	746
Insurance	550	2,347	(1,797)
Legal fees	7,500	3,650	3,850
Miscellaneous	-	1,171	(1,171)
Repairs and maintenance	25,000	4,161	20,839
Utilities	13,000	9,283	3,717
Water operator fees and testing	7,000	5,855	1,145
Total expenditures	59,400	32,731	26,669
Excess (deficit) of revenues over expenditures	(15,030)	13,201	28,231
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of warrants	-	1,948	1,948
Retirement of warrants	(2,915)	(118)	2,797
	(2,915)	1,830	4,745
Excess (deficit) of revenues and other sources over expenditures and other uses	(17,945)	15,031	32,976
Fund balance, beginning	22,587	22,587	-
Fund balance, ending	\$ 4,642	\$ 37,618	\$ 32,976

See Notes to Basic Financial Statements.

Budget to GAAP Reconciliation	Actual amounts (GAAP Basis)
\$ (496)	\$ 45,005
-	277
-	154
<u>(496)</u>	<u>45,436</u>
290	415
-	5,000
-	885
-	-
950	1,204
(320)	2,027
1,987	5,637
(1,046)	125
(677)	3,484
(369)	8,914
(1,373)	4,482
<u>(558)</u>	<u>32,173</u>
62	13,263
(1,948)	-
118	-
<u>(1,830)</u>	<u>-</u>
\$ <u>(1,768)</u>	13,263
	<u>37,813</u>
	\$ <u>51,076</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE FOR THE DEBT SERVICE FUND  
For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>			
Personal and real property taxes	\$ 54,668	\$ 66,454	\$ 11,786
Interest on taxes	-	478	478
State motor vehicle tax allocation	-	222	222
Total revenues	<u>54,668</u>	<u>67,154</u>	<u>12,486</u>
<b>EXPENDITURES</b>			
Current			
Collection fees	-	1,301	(1,301)
Other capital outlay:			
Bond issue costs	70,000	82,945	(12,945)
Debt service: other			
Interest on registered warrants	48,000	2,371	45,629
Debt service:			
Bond interest	<u>17,694</u>	<u>17,694</u>	<u>-</u>
Total expenditures	<u>135,694</u>	<u>104,311</u>	<u>31,383</u>
Excess (deficit) of revenues over expenditures	<u>(81,026)</u>	<u>(37,157)</u>	<u>43,869</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond issue proceeds	745,000	745,000	-
Issuance of warrants	-	40,721	40,721
Retirement of warrants	<u>(776,000)</u>	<u>(775,166)</u>	<u>834</u>
	<u>(31,000)</u>	<u>10,555</u>	<u>41,555</u>
Excess (deficit) of revenues and other sources over expenditures and other uses	<u>(112,026)</u>	<u>(26,602)</u>	<u>85,424</u>
Fund balance, beginning	<u>134,635</u>	<u>134,635</u>	<u>-</u>
Fund balance, ending	<u>\$ 22,609</u>	<u>\$ 108,033</u>	<u>\$ 85,424</u>

See Notes to Basic Financial Statements.

Budget to GAAP Reconciliation	Actual amounts (GAAP Basis)
\$ (9,738)	\$ 56,716
-	478
-	222
<u>(9,738)</u>	<u>57,416</u>
-	1,301
-	82,945
-	2,371
-	17,694
<u>-</u>	<u>104,311</u>
<u>(9,738)</u>	<u>(46,895)</u>
-	745,000
-	40,721
-	(775,166)
<u>-</u>	<u>10,555</u>
<u>\$ (9,738)</u>	(36,340)
	<u>166,279</u>
	<u>\$ 129,939</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**Note 1. Nature of Activity and Significant Accounting Policies**

Nature of activity:

The District is organized as a political subdivision and governed under the laws of the State of Nebraska. The District has a tax base made up of a residential development, conducting its activity in Sarpy County, Nebraska.

Significant accounting policies are as follows:

Reporting entity:

The Board of Trustees of the District has financial accountability and control over all the activities related to Sanitary and Improvement District No. 34. The Board of Trustees is elected every other year by the property owners of the District. The Board of Trustees appoints the Chairperson of the Board from existing Board members. The Chair responsibilities are to preside at all meetings of the Board; be the Chief officer of the District; and exercise supervision over the District.

The Board has decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters of the District. The District is not included in any other governmental "reporting entity" as defined by the GASB pronouncements. In addition, there are no component units as defined by the Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

Government-wide and fund financial statements:

Government-wide financial statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information on all of the non-fiduciary activities of the District.

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**Note 1. Significant Accounting Policies (continued)**

Government-wide financial statements (continued):

The statement of activities reports the expenses of a given function offset by program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements:

The fund financial statements provide information about the District's funds. Separate statements for each fund category – *governmental* – are presented. The emphasis of fund financial statements is on the determination of financial position and changes in financial position.

The District reports on the following major governmental funds:

General Fund – This fund is the operating fund of the District. It is used to account for all financing resources except those required to be accounted for in other funds. The primary revenue sources are personal property and real estate taxes. The primary expenditures are for street repairs and maintenance, professional fees, and utilities.

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

Measurement focus and basis of accounting:

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

In the fund financial statements, both funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recognized in the period the liability is incurred, except for interest that is not matured on general long-term debt, which is recognized when due.

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**Note 1. Significant Accounting Policies (continued)**

Measurement focus and basis of accounting (continued):

Property tax revenues are recognized when susceptible to accrual. Miscellaneous revenues are recognized as the amounts are collected. Uncollected taxes are recorded as a receivable and as deferred revenue on the balance sheets. Investment earnings are recorded as earned since they are measurable and available.

Budgets and budgetary accounting:

The District is required by Nebraska law to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using the cash basis of accounting, which differs significantly from generally accepted accounting principles. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed made when warrants are issued. Budgetary comparisons presented for both the General Fund and Debt Service Fund in this report are on non-GAAP budgetary basis.

1. On or before early September, the Board of Trustees proposes an operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to September 20, the Board of Trustees formally approves the budget document following a public hearing, with notice given five days in advance.
3. As of September 20, the budget document must be on file with the County Board and the Auditor of Public Accounts.
4. Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.
5. Expenditures and transfers cannot exceed appropriations at the fund level. When expenditures and transfers are required for functions that have not been budgeted, authorization to amend the budget and to incur the expenditures is permitted following a public hearing. No significant supplemental appropriations were made for the fiscal year ended June 30, 2010.
6. A majority vote by the Board of Trustees may authorize transfer of budgeted amounts from the General Fund to the Debt Service Fund.

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**Note 1. Significant Accounting Policies (continued)**

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments are not treated as expenditures until a liability for payment is incurred. Encumbrance accounting is not employed by the District, rather the expenditure will be budgeted for in the period which the contract will be performed.

Depreciation:

Capital assets of the District, which primarily include infrastructure assets, are recorded at historical cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant capital assets are as follows:

Paving and sewer systems	30 – 50 years
Underground power and water systems	20 – 30 years

**Note 2. Concentration of Credit Risk**

At June 30, 2010, the balance in cash of \$145,651 is equal to the carrying amount of the District's deposits. The deposits of the District are classified as Category 3, deposits that are uncollateralized or uninsured. This includes any deposit balance that is collateralized with securities held by the County but not in the district's name.

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**Note 3. Reconciliation of Government-Wide and Fund Financial Statements**

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment consists of several elements as follows:

Total fund balance – governmental funds	\$	181,015
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements	\$ 2,209,762	
Less accumulated depreciation	<u>(289,365)</u>	
		1,920,397
Other long-term assets are not current financial resources and therefore not reported in the fund financial statements:		
Bond issue costs	\$ 82,945	
Less accumulated amortization	<u>(8,650)</u>	
		74,295
Long-term liabilities are not due and payable in the current period and therefore not reported in governmental funds statements:		
Bonds payable		(745,000)
Interest payable – bonds		<u>(16,219)</u>
Net assets of governmental activities	\$	<u>1,414,488</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**Note 3. Reconciliation of Government-Wide and Fund Financial Statements (continued)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment as follows:

Net change in fund balances – governmental funds	\$	(23,077)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements		(31,516)
Proceeds from issuance of bonds is recorded as other financing sources on the funds statements, but do not affect the statement of net assets in the government-wide statements		(745,000)
Capital outlay is recorded as an expenditure in the fund statement but not in the statement of activities		82,945
Disbursements from retirement of warrants is recorded as other financing sources on the fund statements but do not affect the statement of net assets in the government-wide statements		734,445
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:		
Amortization on bond issue costs		(8,650)
Increase in interest payable, bonds		(16,219)
		(24,869)
Change in net assets of governmental activities	\$	(7,072)

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**Note 4. Personal and Real Property Taxes**

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. Nebraska State law allows taxpayers the opportunity to pay real estate taxes in two equal installments after December 31. Installment one is due March 31 and delinquent April 1. Installment two is due July 31 and delinquent August 1. If after February of the following year the taxes remain delinquent, the County places the property up for tax sale. Tax collections are remitted to the District from the County on a regular basis.

Property tax revenues are recognized when they become available, which includes those property tax receivables expected to be collected within sixty days after year-end. The portion of the taxes not expected to be collected within sixty days after year-end is recorded as deferred revenue. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

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

Fiscal Year	District Valuation of Property	District Tax Levy Per \$100 Valuation		
		General	Debt Service	Total
2009-2010	\$15,070,459	.300303	.370000	.670303

**Note 5. Capital Assets**

A summary of capital assets for the year ended June 30, 2010 is as follows:

	Balance at 6/30/09	Additions	Balance at 6/30/10
Governmental activities			
Land	\$ 1,190,510	\$ -	\$ 1,190,510
Infrastructure:			
Paving and storm sewers; water system; street grading	184,427	-	184,427
Well-house improvements	725,674	-	725,674
Road construction	96,616	-	96,616
Water main extension	12,535	-	12,535
Totals at historical cost	2,209,762	-	2,209,762
Less accumulated depreciation for infrastructure	(257,849)	(31,516)	(289,365)
Capital assets, net	\$ 1,951,913	\$ (31,516)	\$ 1,920,397

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**Note 5. Capital Assets** (continued)

The district recorded depreciation expense of \$31,516 for the year ended June 30, 2010.

**Note 6. Warrants Payable**

General Fund warrants are due and payable not later than three years from date of issuance.

Aggregate maturities during the next three years are as follows:

<u>Year Ending June 30</u>	<u>General Fund</u>
2011	\$ -
2012	-
2013	<u>1,948</u>
Totals	<u>\$ 1,948</u>

**Note 7. Long-Term Debt**

Long-Term Debt consists of Debt Service Fund warrants payable.

A summary of changes in general long-term debt is as follows:

Debt Service Fund	Balance 6/30/09	Proceeds	(Retired)	Amount Outstanding 6/30/10	Due within one year
Warrants payable	\$ 734,445	\$ -	\$ (734,445)	\$ -	\$ -
2009 Bond Issue	-	<u>745,000</u>	-	<u>745,000</u>	<u>23,133</u>
	<u>\$ 734,445</u>	<u>\$ 745,000</u>	<u>\$ (734,445)</u>	<u>\$ 745,000</u>	<u>\$ 23,133</u>

The District issued general obligation bonds totaling \$745,000 on July 15, 2009 for the purpose of retiring registered warrants, with a balance of \$745,000 at June 30, 2010. The remaining bonds are due serially on July 15, 2010 through July 15, 2029. The remaining annual maturities range from \$23,133 in 2010 to \$55,866 in 2029. Interest is payable semi-annually on this issue at 4.75% per annum.

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**Note 7. Long-Term Debt (continued)**

The following is a summary of the District's future annual debt service requirements:

Year Ending June 30	Principal	Interest	Total
2011	\$ 23,133	\$ 34,838	\$ 57,971
2012	24,231	33,713	57,944
2013	25,382	32,535	57,917
2014	26,588	31,300	57,888
2015	27,851	30,008	57,859
2016-2020	160,401	128,390	288,791
2021-2025	202,292	85,505	287,797
2026-2030	255,122	31,419	286,541
Totals	<u>\$ 745,000</u>	<u>\$ 407,708</u>	<u>\$ 1,152,708</u>

**Note 8. Financial Statement Presentation – Budget Basis**

The budget of the District is prepared on the cash basis. The necessary adjustments to reconcile from budgetary basis to GAAP basis follows:

	General	Debt Service
Fund balance, ending (budget basis)	\$ 37,618	\$ 108,033
<u>Adjustments to generally accepted accounting principles</u>		
Revenue accruals	17,779	21,906
Expenditure accruals	<u>(4,321)</u>	<u>-</u>
Fund balance, ending (GAAP basis)	<u>\$ 51,076</u>	<u>\$ 129,939</u>

**Note 9. Correction of an Error**

An error was discovered in the June 30, 2009 basic financial statements, whereby interest on registered warrants was incorrectly calculated due to the wrong dates being used. The ending accrued interest at June 30, 2009 should have been \$-0-. Correction of the error resulted in an increase to the beginning net assets of \$52,587. In addition, the prior year's change in net assets was understated by \$52,587.

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**Note 10. Subsequent Events**

The District has evaluated all subsequent events through January 14, 2011, the date the financial statements were available to be issued.

**Note 11. Risk Management**

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

**Note 12. Related Party**

The District has engaged the Chairman, as an independent contractor, to operate the District's community water system and well. The Chairman was paid \$5,855 (\$400 per month plus reimbursement of out-of-pocket expenses) in the year ended June 30, 2010.

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**TAXES RECEIVABLE  
June 30, 2010**

	<u>Fiscal Year</u>	<u>Receivable at June 30 2009</u>	<u>Taxes Assessed</u>	<u>Taxes Collected</u>	<u>Taxes Adjusted*</u>	<u>Receivable at June 30 2010</u>
<b>General Fund:</b>						
Personal and real property taxes						
	2008-2009	\$ 20,977	\$ -	\$ 20,809	\$ (168)	\$ -
	2009-2010	-	45,257	24,692	-	20,565
		<u>\$ 20,977</u>	<u>\$ 45,257</u>	<u>\$ 45,501</u>	<u>\$ (168)</u>	<u>\$ 20,565</u>
 <b>Debt Service Fund:</b>						
Personal and real property taxes						
	2008-2009	\$ 36,321	\$ -	\$ 36,031	\$ (290)	\$ -
	2009-2010	-	55,761	30,423	-	25,338
		<u>\$ 36,321</u>	<u>\$ 55,761</u>	<u>\$ 66,454</u>	<u>\$ (290)</u>	<u>\$ 25,338</u>

\*Taxes adjusted consist of subsequent adjustments in taxes assessed because of changes in certified valuations of personal and real property.

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**BONDS PAYABLE  
June 30, 2010**

<u>Bond Numbers</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
Issue date: July 15, 2009			
Option call date: Bond numbers 23-160 on or after July 15, 2014			
1-5	4.75%	July 15, 2010	\$ 23,133
6-10	4.75%	July 15, 2011	24,231
11-16	4.75%	July 15, 2012	25,382
17-22	4.75%	July 15, 2013	26,588
23-28	4.75%	July 15, 2014	27,851
29-34	4.75%	July 15, 2015	29,174
35-41	4.75%	July 15, 2016	30,560
42-48	4.75%	July 15, 2017	32,011
49-55	4.75%	July 15, 2018	33,532
56-63	4.75%	July 15, 2019	35,124
64-71	4.75%	July 15, 2020	36,793
72-79	4.75%	July 15, 2021	38,541
80-88	4.75%	July 15, 2022	40,371
89-97	4.75%	July 15, 2023	42,289
98-106	4.75%	July 15, 2024	44,298
107-116	4.75%	July 15, 2025	46,402
117-126	4.75%	July 15, 2026	48,606
127-137	4.75%	July 15, 2027	50,915
138-148	4.75%	July 15, 2028	53,333
149-160	4.75%	July 15, 2029	55,866
			<u>\$ 745,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

INFORMATION REQUIRED BY SECTION 31-715 AND 31-740  
REVISED STATUTES OF NEBRASKA  
For the Year Ended June 30, 2010

Gross income from all sources	\$ 102,852
Amount spent for sewage disposal	Not Applicable
Amount expended on water mains	-
Gross amount of sewage processed	-
Cost per thousand gallons of processing sewage	-
Amount expended for:	
Repairs and maintenance	\$ 3,484
New equipment	-
New construction work	-
Real estate purchased	-
Number of employees	-
Salaries and fees paid employees	-
Total amount of taxes levied	\$ 101,018

Note: Sewage disposal services are furnished by the City of Omaha, Nebraska.

**SANITARY AND IMPROVEMENT DISTRICT NO. 34  
OF SARPY COUNTY, NEBRASKA**

**DISTRICT OFFICIALS AND RELATED BONDS  
For the Year Ended June 30, 2010**

<u>Trustees</u>		<u>Bonds</u>	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Rodney Oberle	Chairman	Universal Surety Company	\$ 5,000
Steven Bergman	Clerk	Universal Surety Company	\$ 20,000
Larry Cushing	Trustee		
Mark Nelson	Trustee		
Clifton Rockwell	Trustee		

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees  
Sanitary and Improvement District No. 34  
of Sarpy County, Nebraska

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 34 of Sarpy County, Nebraska, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, or detect and correct such 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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. 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 deficiencies described below to be significant deficiencies in internal control over financial reporting:

The District lacks a trustee or management with the qualifications and training to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

*Management response:* This deficiency is inherent in the law in sanitary and improvement districts. We have an extremely small board (5 trustees by law) and limited resources for the District. Our audited financial statements and footnotes are outsourced to our auditors because of the cost/benefit standpoint and our auditors have direct knowledge that aids in preparing the financial statements. Our trial balance, prepared by an outside bookkeeper, is used for basis in the preparation of the audited financial statements.

Management has the ability to override internal controls due to a lack of segregation of duties within the district.

*Management response:* This deficiency is inherent in the law in sanitary and improvement districts. We approve all warrants issued and the fiscal agent reviews the expenses and receipts periodically. Our attorney is present at all the District's meetings and oversees expenditures.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above.

We noted certain matters that we reported to management of the District in a separate letter dated January 14, 2011.

The District's response to the findings identified in our audit is described above. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, the State of Nebraska Auditor of Public Accounts, the County Clerk, and the property owners of the District, and is not intended to be and should not be used by anyone other than these specified parties.

Infinity CPA Group, LLC

Omaha, Nebraska  
January 14, 2011