Financial Statements

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

JUNE 30, 2012

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SARPY COUNTY CLERK

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

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
June 30, 2012

	General Fund	Debt Service Fund	Total
ASSETS			
Cash on deposit, County Treasurer	$ 49,648	$ 97,702	$ 147,350
Taxes receivable	18,568	23,691	42,259
Bond issue costs, net of accumulated amortization $25,132	-	-	-
Capital assets:			
Depreciable infrastructure, net	-	-	-
Total assets	$ 68,216	$ 121,393	$ 189,609
LIABILITIES			
Interest payable, bonds	-	-	-
Bonds payable:			
Due within one year	-	-	-
Due after one year	-	-	-
Deferred revenue	3,161	4,033	7,194
Total liabilities	3,161	4,033	7,194
FUND BALANCES/NET ASSETS			
Fund balances:			
Reserved for debt service	-	117,360	117,360
Unreserved, reported in:			
General fund	65,055	-	65,055
Total fund balances	65,055	117,360	182,415
Total liabilities and fund balances	$ 68,216	$ 121,393	$ 189,609
Net assets:			
Invested in capital assets, net of related debt			
Restricted for debt service			
Unrestricted			

See Notes to Basic Financial Statements.

Adjustments	Statement of Net Assets
$ -	$ 147,350
-	42,259
57,813	57,813
1,857,366	1,857,366
1,915,179	2,104,788
15,188	15,188
25,382	25,382
672,254	672,254
-	7,194
712,824	720,018
(117,360)	-
(65,055)	-
(182,415)	-
1,202,355	1,202,355
117,360	117,360
65,055	65,055
$ 1,384,770	$ 1,384,770

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, 2012

	General	Debt Service	Totals
REVENUES			
Personal and real property taxes	$ 39,505	$ 50,359	$ 89,864
Interest on taxes	51	62	113
State motor vehicle tax allocation	121	152	273
Total revenues	39,677	50,573	90,250
EXPENDITURES/EXPENSES			
Current:			
Accounting fees	250	-	250
Amortization of bond issue costs	-	-	-
Audit fees	4,985	971	5,956
Collection fees	781	-	781
Depreciation	-	-	-
Fiscal agent fees	624	-	624
Insurance	3,605	-	3,605
Legal fees	3,676	-	3,676
Miscellaneous	115	-	115
Repairs and maintenance	562	-	562
Utilities	7,747	-	7,747
Water operator fees and testing	4,251	-	4,251
Debt service:			
Bond principal	-	24,231	24,231
Bond interest	-	33,713	33,713
Total expenditures/expenses	26,596	58,915	85,511
Excess (deficit) of revenues over expenditures	13,081	(8,342)	4,739
Change in net assets	-	-	-
Fund balances/net assets-beginning	51,974	125,702	177,676
Fund balances/net assets-ending	$ 65,055	$ 117,360	$ 182,415

See Notes to Basic Financial Statements.

Adjustments	Statement of Activities
$ -	$ 89,864
-	113
-	273
-	90,250
-	250
8,100	8,100
-	5,956
-	781
31,516	31,516
-	624
-	3,605
-	3,676
-	115
-	562
-	7,747
-	4,251
(24,231)	-
(527)	33,186
14,858	100,369
(4,739)	-
$ (10,119)	(10,119)
	1,394,889
	$ 1,384,770

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

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts Original and Final	Actual amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
REVENUES			
Personal and real property taxes	$ 41,261	$ 40,264	$ (997)
Interest on taxes	-	51	51
State motor vehicle tax allocation	150	121	(29)
Total revenues	41,411	40,436	(975)
EXPENDITURES			
Current			
Accounting fees	250	250	-
Audit fees	4,985	4,985	-
Collection fees	-	781	(781)
Election fees	200	-	200
Engineering fees	1,000	-	1,000
Fiscal agent fees	-	624	(624)
Insurance	2,500	3,605	(1,105)
Legal fees	5,000	4,176	824
Miscellaneous	200	115	85
Repairs and maintenance	25,000	562	24,438
Utilities	7,500	8,306	(806)
Water operator fees and testing	7,000	6,236	764
Total expenditures	53,635	29,640	23,995
Excess (deficit) of revenues over expenditures	(12,224)	10,796	23,020
OTHER FINANCING USES			
Retirement of warrants	(1,192)	(1,192)	-
Excess (deficit) of revenues over expenditures and other uses	(13,416)	9,604	23,020
Fund balance, beginning	40,044	40,044	-
Fund balance, ending	$ 26,628	$ 49,648	$ 23,020

See Notes to Basic Financial Statements.

Budget to GAAP Reconciliation	Actual amounts (GAAP Basis)
$ (759)	$ 39,505
-	51
-	121
(759)	39,677
-	250
-	4,985
-	781
-	-
-	-
-	624
-	3,605
(500)	3,676
-	115
-	562
(559)	7,747
(1,985)	4,251
(3,044)	26,596
2,285	13,081
1,192	-
$ 3,477	13,081
	51,974
	$ 65,055

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

BUDGETARY COMPARISON SCHEDULE FOR THE DEBT SERVICE FUND
For the Year Ended June 30, 2012

	Budgeted Amounts Original and Final	Actual amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
REVENUES			
Personal and real property taxes	$ 52,644	$ 50,100	$ (2,544)
Interest on taxes	-	62	62
State motor vehicle tax allocation	200	152	(48)
Total revenues	52,844	50,314	(2,530)
EXPENDITURES			
Current			
Collection fees	-	971	(971)
Fiscal agent fees	500	-	500
Debt service:			
Bond principal	24,231	24,231	-
Bond interest	33,713	33,713	-
Total expenditures	58,444	58,915	(471)
Deficit of revenues over expenditures	(5,600)	(8,601)	(3,001)
Fund balance, beginning	106,303	106,303	5,438
Fund balance, ending	$ 100,703	$ 97,702	$ 2,437

See Notes to Basic Financial Statements.

Budget to GAAP Reconciliation	Actual amounts (GAAP Basis)
$ 259	$ 50,359
-	62
-	152
259	50,573
-	971
-	-
-	24,231
-	33,713
-	58,915
$ 259	(8,342)
	125,702
	$ 117,360

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.

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.

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, 2012.

6. A majority vote by the Board of Trustees may authorize transfer of budgeted amounts from the General Fund to the Debt Service Fund.

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

Amortization:

Bond issue costs are amortized over the terms of the bonds, using the interest method of amortization. Amortization expense for the year ended June 30, 2012 was $8,100.

Note 2. Concentration of Credit Risk

At June 30, 2012, the balance in cash of $147,350 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.

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		$ 182,415
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	(352,396)	
		1,857,366
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	(25,132)	
		57,813
Long-term liabilities are not due and payable in the current period and therefore not reported in governmental funds statements:		
Bonds payable		(697,636)
Interest payable – bonds		(15,188)
Net assets of governmental activities		$ 1,384,770

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	$	4,739
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)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements		24,231
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		(8,100)
Decrease in interest payable, bonds		527
Change in net assets of governmental activities	$	(10,119)

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
2011-2012	$14,512,361	.290001	.370000	.660001

Note 5. Capital Assets

A summary of capital assets for the year ended June 30, 2012 is as follows:

Governmental activities	Balance at 6/30/11	Additions	Balance at 6/30/12
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	(320,880)	(31,516)	(352,396)
Capital assets, net	$ 1,888,882	$ (31,516)	$ 1,857,366

Note 5. Capital Assets (continued)

The district recorded depreciation expense of $31,516 for the year ended June 30, 2012.

Note 6. 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 6/30/11	(Retired)	Amount Outstanding 6/30/12	Due within one year
2009 Bond Issue	$ 721,867	$ (24,231)	$ 697,636	$ 25,382

The District issued general obligation bonds totaling $745,000 on July 15, 2009 for the purpose of retiring registered warrants, with a balance of $697,636 at June 30, 2012. The remaining bonds are due serially on July 15, 2012 through July 15, 2029. The remaining annual maturities range from $25,382 in 2012 to $55,866 in 2029. Interest is payable semi-annually on this issue at 4.75% per annum.

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

Year Ending June 30	Principal	Interest	Total
2013	$ 25,382	$ 32,535	$ 57,917
2014	26,588	31,300	57,888
2015	27,851	30,008	57,859
2016	29,174	28,653	57,827
2017	30,560	27,235	57,795
2018-2022	176,001	112,419	288,420
2023-2027	221,966	65,363	287,329
2028-2030	160,114	11,644	171,758
Totals	$ 697,636	$ 339,157	$ 1,036,793

Note 7. 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)	$ 49,648	$ 97,702
Adjustments to generally accepted accounting principles		
Revenue accruals	15,407	19,658
Fund balance, ending (GAAP basis)	$ 65,055	$ 117,360

Note 8. Unfavorable Budget Differences

The Debt Service Fund had excess of expenditures over appropriations for the year ended June 30, 2012.

Note 9. Risk Management

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 10. Subsequent Events

The District has evaluated all subsequent events through December 21, 2012, the date the financial statements were available to be issued.

Note 11. Related Party Transactions

The District has engaged the Chairman, as an independent contractor, to operate the District's community water system and well. The Chairman was paid $5,701 ($400 per month plus reimbursement of out-of-pocket expenses) in the year ended June 30, 2012.

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

TAXES RECEIVABLE
June 30, 2012

Fiscal Year	Receivable at June 30 2011	Taxes Assessed	Taxes Collected	Taxes Adjusted*	Receivable at June 30 2012
General Fund:					
Personal and real property taxes					
2010-2011	$ 17,036	$ -	$ 16,746	$ (290)	$ -
2011-2012	-	42,086	23,518	-	18,568
	$ 17,036	$ 42,086	$ 40,264	$ (290)	$ 18,568
Debt Service Fund:					
Personal and real property taxes					
2010-2011	$ 20,443	$ -	$ 20,095	$ (348)	$ -
2011-2012	-	53,696	30,005	-	23,691
	$ 20,443	$ 53,696	$ 50,100	$ (348)	$ 23,691

*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, 2012

Bond Numbers	Interest Rates	Maturity Dates	Amount
Issue date: July 15, 2009			
Option call date: Bond numbers 23-160 on or after July 15, 2014			
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
			$ 697,636

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, 2012

Gross income from all sources	$ 90,250
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	$ 562
New equipment	-
New construction work	-
Real estate purchased	-
Number of employees	-
Salaries and fees paid employees	-
Total amount of taxes levied	$ 95,782

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, 2012

Trustees		Bonds	
Name	Office	Insurer	Amount
Rodney Oberle	Chairman	Universal Surety Company	$ 5,000
Steven Bergman	Clerk	Universal Surety Company	$ 20,000
Larry Cushing	Trustee		
Mark Nelson	Trustee		
Derek Aude	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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2012. 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

The board of the District is responsible for establishing and maintaining effective 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: We have an extremely small board 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: 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 December 21, 2012.

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
December 21, 2012