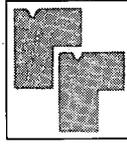




SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
WITH INDEPENDENT AUDITOR'S REPORTS THEREON
FOR THE YEAR ENDED JUNE 30, 2010

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Royal & Associates, PC

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sanitary and Improvement District No. 38
Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Sanitary and Improvement District No. 38 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 management, 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 respective financial position of the governmental activities, the business-type activities, and each major fund of Sanitary and Improvement District No. 38 of Sarpy County, Nebraska, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sanitary and Improvement District No. 38 of Sarpy County, Nebraska has not presented Management's Discussion and Analysis which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 considered in assessing the results of our audit.

The budgetary comparison information on pages 19-21 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 included in schedules on pages 23-24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This 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.

Royal & Associates
Royal and Associates, PC
October 1, 2010

SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY NEBRASKA
 STATEMENT OF NET ASSETS
 JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash on deposit	\$ 60,998	\$ -	\$ 60,998
Taxes receivable	22,653	-	22,653
Receivable from debt service fund	-	252	252
Land	5,000	3,583	8,583
Other capital assets, net of accumulated depreciation	<u>163,432</u>	<u>123,435</u>	<u>286,867</u>
TOTAL ASSETS	<u>\$ 252,083</u>	<u>\$ 127,270</u>	<u>\$ 379,353</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 3,374	\$ 2,095	\$ 5,469
Warrants payable	13,312	-	13,312
Payable to other funds	<u>252</u>	<u>-</u>	<u>252</u>
TOTAL LIABILITIES	<u>\$ 16,938</u>	<u>\$ 2,095</u>	<u>\$ 19,033</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 168,432	\$ 127,018	\$ 295,450
Restricted for debt service	46,490	-	46,490
Unrestricted (deficit)	<u>20,223</u>	<u>(1,843)</u>	<u>18,380</u>
TOTAL NET ASSETS	<u>\$ 235,145</u>	<u>\$ 125,175</u>	<u>\$ 360,320</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF
 THESE FINANCIAL STATEMENTS.

SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY, NEBRASKA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	\$ 58,771	\$ -	\$ -	\$ -	\$ (58,771)	\$ -	\$ (58,771)
TOTAL GOVERNMENT ACTIVITIES	\$ 58,771	\$ -	\$ -	\$ -	\$ (58,771)	\$ -	\$ (58,771)
Business-type activities:							
Water service	\$ 18,852	\$ 15,282	\$ -	\$ -	\$ -	\$ (3,570)	\$ (3,570)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 18,852	\$ 15,282	\$ -	\$ -	\$ -	\$ (3,570)	\$ (3,570)
TOTAL PRIMARY GOVERNMENT	<u>\$ 77,623</u>	<u>\$ 15,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (58,771)</u>	<u>\$ (3,570)</u>	<u>\$ (62,341)</u>
General revenue:							
Taxes					\$ 55,463	\$ -	\$ 55,463
Interest					100	-	100
Transfers					(9,685)	9,685	-
Total General Revenue and Transfers					<u>45,878</u>	<u>9,685</u>	<u>55,563</u>
Change in Net Assets (decrease)					(12,893)	6,115	(6,778)
Net Assets- beginning					<u>248,038</u>	<u>119,060</u>	<u>367,098</u>
Net Assets- ending					<u>\$ 235,145</u>	<u>\$ 125,175</u>	<u>\$ 360,320</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY, NEBRASKA
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2010

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash on deposit, County Treasurer	\$ 8,110	\$ 52,888	\$ 60,998
Taxes receivable	14,153	\$ 8,500	22,653
Receivable from debt services fund	<u>8,419</u>	<u>-</u>	<u>8,419</u>
 TOTAL ASSETS	 <u>\$ 30,682</u>	 <u>\$ 61,388</u>	 <u>\$ 92,070</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	\$ 3,374	\$ -	\$ 3,374
Warrants payable	7,085	6,227	13,312
Payable to other funds	<u>-</u>	<u>8,671</u>	<u>8,671</u>
 TOTAL LIABILITIES	 <u>\$ 10,459</u>	 <u>\$ 14,898</u>	 <u>\$ 25,357</u>
 Fund Balances			
Reserved for debt service	\$ -	\$ 46,490	\$ 46,490
Unreserved, reported in general fund	<u>20,223</u>	<u>-</u>	<u>20,223</u>
 TOTAL FUND BALANCES	 <u>20,223</u>	 <u>46,490</u>	 <u>66,713</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 30,682</u>	 <u>\$ 61,388</u>	 <u>\$ 92,070</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF
 THESE FINANCIAL STATEMENTS

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 66,713
Amounts reported for governmental activities in the statements of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements:	\$ 352,728
Less accumulated depreciation	<u>(184,296)</u> <u>168,432</u>
Net Assets of Governmental Activities	<u>\$ 235,145</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF
THESE FINANCIAL STATEMENTS.

SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY, NEBRASKA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
Revenues:			
Real estate taxes	\$ 34,549	\$ 20,721	\$ 55,270
Other taxes	121	72	193
Interest on taxes	63	37	100
	<u>34,733</u>	<u>20,830</u>	<u>55,563</u>
Total revenues			
Expenditures:			
Current:			
Accounting and audit fees	\$ 7,053	\$ -	\$ 7,053
Legal fees	17,493	-	17,493
Collection fee-county treasurer	646	385	1,031
Electricity	9,479	-	9,479
Insurance	319	-	319
Repairs and maintenance	16,441	-	16,441
	<u>51,431</u>	<u>385</u>	<u>51,816</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(16,698)	20,445	3,747
Other financing sources (uses):			
Transfer between funds	(644)	(9,041)	(9,685)
	<u>(644)</u>	<u>(9,041)</u>	<u>(9,685)</u>
Total other financing sources (uses)			
Net change in fund balances	(17,342)	11,404	(5,938)
Fund Balance-Beginning	<u>37,565</u>	<u>35,086</u>	<u>72,651</u>
Fund Balance-Ending	<u>\$ 20,223</u>	<u>\$ 46,490</u>	<u>\$ 66,713</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF
 THESE FINANCIAL STATEMENTS

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds - from page 7	\$ (5,938)
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Amounts reported for governmental
activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures in the period incurred. However in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense for the current year totaled	<u>(6,955)</u>
--	----------------

Change in net assets of Governmental Activities.	<u>\$ (12,893)</u>
---	--------------------

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE
FINANCIAL STATEMENTS

SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY, NEBRASKA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activity</u> <u>Water Service</u>
OPERATING REVENUES:	
Water use fees	\$ 15,282
OPERATING EXPENSES:	
Depreciation	6,003
Electricity	3,240
Water service fees	1,258
Water operator expense	8,351
Total operating expenses	<u>18,852</u>
Net income (loss) before transfers	(3,570)
Transfers	<u>9,685</u>
Change in net assets	6,115
Net assets - beginning	<u>119,060</u>
Net assets - ending	<u><u>\$ 125,175</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF
 THESE FINANCIAL STATEMENTS

SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY, NEBRASKA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities
	Water Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 15,557
Payments to suppliers	(16,200)
Net cash used by operating activities	(643)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	9,684
Net cash from noncapital financing activities	9,684
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(9,041)
Net cash used by capital and related financing activities	(9,041)
Net increase in cash and cash equivalents	-
Balance - beginning of the year	-
Balance - end of the year	\$ -
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (3,569)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation expense	6,003
Change in assets and liabilities:	
Receivables	203
Accounts and other payables	(3,280)
Net cash provided by operating activities	\$ (643)

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE
 FINANCIAL STATEMENTS

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of Sanitary and Improvement District No. 38 of Sarpy County, Nebraska, have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. A summary of significant accounting policies follows:

A. THE REPORTING ENTITY:

Sanitary and Improvement District No. 38 of Sarpy County, Nebraska is organized as a governmental subdivision authorized under the statutes of the State of Nebraska. The board of Trustees, consisting of five members, is elected by the property owners of the District. They have governance responsibilities over all activities related to streets, storm sewers, street lighting and other public improvements within the District. The District is engaged in a single governmental program and has no component units as defined by Governmental Accounting Standards Board Statement 14.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

The basic financial statements of the District include the government-wide and fund financial statements.

In the government-wide financial statements, activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On the accrual basis, revenues are recognized when transactions occur and expenses are recognized when the liabilities are incurred. The government-wide 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 placed on them are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

The government-wide Statement of Activities reflects the expenses of the District's governmental activities, reduced by general revenues to determine the change in net assets for the year.

In the fund financial statements activities are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District uses a 60-day availability test for all revenues. Expenditures are recognized in the period in which the liabilities are incurred, except for accrued interest on bonds, which is recognized when due. Property taxes and interest income are recognized when susceptible to accrual. Revenues from special assessments, sewer connection fees and miscellaneous sources are recognized when received.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition use, and balances of the District's expendable financial resources and the related liabilities are reported in governmental funds. The measurement focus is upon determination of changes in current financial position, rather than results of operations. The following are the District's governmental fund types:

General Fund. The general fund is the main operating fund of the District. It accounts for all activities of the District except those required to be accounted for in another fund.

Debt Service Fund. This fund is used to accumulate money to be used for the payment of bonds, interest and related costs.

Proprietary Fund Types

Proprietary funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Proprietary funds apply accrual accounting principles appropriate for business enterprises.

Special Use Fund. The revenues, costs and expenses of providing water service is reported in the Water Service Fund, the only business-type or proprietary fund employed by the District. The Water Service Fund is included in the "Business-type Activities" in the accompanying statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. CAPITAL ASSETS:

Land has been recorded at estimated fair value at the date it was received by donation. Other capital assets of the District are recorded at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives of the capital assets are as follows:

Paving and street improvements	50 years
Utility Distribution Systems and Street Lights	30 years
Landscaping	15 years

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 require the District to depreciate infrastructure assets. The District has elected to report and depreciate all assets retroactively, to the date placed in service. Land, valued at \$5000, has been omitted in prior years. Therefore, the beginning fixed assets has been adjusted to include the value of the land.

D. USE OF ESTIMATES:

The preparation of the basic financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

2. BUDGET PROCESS AND BUDGETARY REPORTING:

The District is required to adopt an annual operating budget for all the funds over which the District exercises control. 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 are recorded when received and expenditures are recorded when paid. Payment is deemed to have been made when warrants are issued.

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

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

2. BUDGET PROCESS AND BUDGETARY REPORTING (continued):

On or before September 15 of each year, the District publishes a proposed operating budget for all funds for the next fiscal year ending June 30.

Public hearings are conducted to obtain taxpayer comment.

After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts in accordance with the Nebraska Budget Act no later than September 20.

The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.

The Board of Trustees may authorize supplemental appropriations during the year. No additional appropriations were made during the fiscal year ended June 30, 2010.

3. DEPOSITS:

Custodial credit risk is the risk that in event of a bank failure, a government's deposits may not be returned to it. Cash in the individual funds of the district were held by the Sarpy County Treasurer in a pooled fund. These deposits are covered with assets pledged to Sarpy County by financial institutions at June 30, 2010. Amounts of collateral are not readily available.

4. TAXES RECEIVABLE:

All receivables of the District are due from property owners within the boundaries of the District which is located in Sarpy County, Nebraska. These receivables are enforceable liens upon the property.

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. The first half payment becomes delinquent April 1 of the following year and the second half becomes delinquent August 1 of the following year. The Sarpy County Treasurer bills and collects all property taxes for the District.

SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY, NEBRASKA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

4. TAXES RECEIVABLE (continued):

Property tax revenues are recognized in governmental funds when they become available, which includes those property tax receivables expected to be collected within 60 days after year-end. The portion of the taxes not expected to be collected within 60 days after the year end is recorded as deferred revenue, if material. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided. Interest on delinquent taxes is recorded when received.

The District's property tax levy is as follows:

<u>Fiscal year</u>	<u>Taxable Valuation</u>	Levy per \$100 of Value		
		<u>General</u>	<u>Debt Service</u>	<u>Total</u>
2009-10	\$22,879,289	.1499172	.0900378	.2399550

5. CAPITAL ASSETS:

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

<u>Governmental Activities</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Street improvements	43,633	-	-	43,633
Street improvements (1984) reconstruction and resurfacing	304,095	-	-	304,095
	352,728	-	-	352,728
Less accumulated depreciation	(177,341)	(6,955)	-	(184,296)
Net capital assets	<u>\$ 175,387</u>	<u>\$ (6,955)</u>	<u>\$ -</u>	<u>\$ 168,432</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY, NEBRASKA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

5. CAPITAL ASSETS (continued):

<u>Business-type Activities</u>	Balance June 30, 2009	Addition	Retirement	Balance June 30, 2010
Waterline (reconstruction)	\$ 144,154	\$ -	\$ -	\$ 144,154
Wall and pressure system	39,481	-	-	39,481
Water distribution system	63,665	-	-	63,665
Well site land	3,583	-	-	3,583
Pump house improvements	8,565	-	-	8,565
	<u>259,448</u>	<u>-</u>	<u>-</u>	<u>259,448</u>
Less accumulated depreciation	(135,374)	(6,003)	-	(141,377)
	<u>124,074</u>	<u>(6,003)</u>	<u>-</u>	<u>118,071</u>
Improvements in process	-	8,947	-	8,947
	<u>-</u>	<u>8,947</u>	<u>-</u>	<u>8,947</u>
Net fund capital assets	<u>\$ 124,074</u>	<u>\$ 2,944</u>	<u>\$ -</u>	<u>\$ 127,018</u>

6. RECONCILIATION OF FUND BALANCES TO BUDGETARY BASIS PRESENTATION:

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

	General Fund	Debt Service Fund
Fund balance, ending (budgetary basis)	\$ 8,110	\$ 52,888
Adjustments to generally accepted accounting principles:		
Revenue and accruals	22,572	8,500
Expenditures and accruals	(10,459)	(14,898)
Fund balance, ending (GAAP basis)	<u>\$ 20,223</u>	<u>\$ 46,490</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

7. 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 the three prior years.

REQUIRED SUPPLEMENTARY INFORMATION

SANTARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY, NEBRASKA
 STATEMENT OF RECEIPTS , DISBURSEMENTS AND CASH BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)-(NON-GAAP)
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	ACTUAL ON BUDGETARY BASIS	BUDGET	VARIANCE (UNFAVORABLE)
RECEIPTS:			
Taxes	\$ 34,179	\$ 34,300	\$ (121)
Other taxes	121	100	21
Interest on taxes	63	-	63
TOTAL RECEIPTS	\$ 34,363	\$ 34,400	\$ (37)
DISBURSEMENTS:			
Accounting and audit fees	\$ 7,053	\$ 7,500	\$ 447
Legal fees	18,235	12,000	(6,235)
Collection fee-County Treasurer	646	670	24
Electricity	10,115	10,000	(115)
Insurance & trustee bonds	319	1,000	681
Repairs and maintenance	15,493	4,500	(10,993)
TOTAL DISBURSEMENTS	\$ 51,861	\$ 35,670	\$ (16,191)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ (17,498)	\$ (1,270)	\$ (16,228)
OTHER CASH SOURCES (USES):			
Warrants redeemed	\$ (13,391)	\$ (13,053)	\$ (338)
Warrants issued	7,085	-	7,085
Transfers to/from other funds	147	-	147
TOTAL OTHER SOURCES (USES):	\$ (6,159)	\$ (13,053)	\$ 6,894
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER USES	\$ (23,657)	\$ (14,323)	\$ (9,334)
CASH BALANCE - beginning of year	31,767		
CASH BALANCE - end of year	\$ 8,110		

SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY, NEBRASKA
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS) - (NON GAAP)
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	ACTUAL ON BUDGETARY BASIS	BUDGET	VARIANCE (UNFAVORABLE)
RECEIPTS:			
Taxes	\$ 20,363	\$ 20,600	\$ (237)
Other taxes	72	50	22
Interest on taxes	37	-	37
TOTAL RECEIPTS	\$ 20,472	\$ 20,650	\$ (178)
DISBURSEMENTS:			
Collection fee-County Treasurer	\$ 385	\$ 402	\$ 17
Repairs and maintenance	-	5,000	5,000
TOTAL DISBURSEMENTS	\$ 385	\$ 5,402	\$ 5,017
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ 20,087	\$ 15,248	\$ 4,839
OTHER CASH SOURCES (USES):			
Warrants redeemed	\$ (3,416)	\$ (3,146)	\$ (270)
Warrants issued	6,228	-	6,228
Transfers to/from other funds	(9,041)	-	(9,041)
TOTAL OTHER SOURCES (USES)	\$ (6,229)	\$ (3,146)	\$ (3,083)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER USES	\$ 13,858	\$ 12,102	\$ 1,756
CASH BALANCE - beginning of year	39,030		
CASH BALANCE - end of year	\$ 52,888		

SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY, NEBRASKA
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS) - (NON GAAP)
 WATER FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	ACTUAL ON BUDGETARY BASIS	BUDGET	VARIANCE (UNFAVORABLE)
RECEIPTS:			
Water service fees	\$ 15,557	\$ 17,000	\$ (1,443)
TOTAL RECEIPTS	<u>\$ 15,557</u>	<u>\$ 17,000</u>	<u>\$ (1,443)</u>
DISBURSEMENTS:			
Electricity	\$ 3,445	\$ 3,500	\$ 55
Repairs and maintenance	-	4,500	4,500
Water service billing fee	1,258	1,000	(258)
Water operator expense	11,497	8,000	(3,497)
Improvements	9,041	-	(9,041)
TOTAL DISBURSEMENTS	<u>\$ 25,241</u>	<u>\$ 17,000</u>	<u>\$ (8,241)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ (9,684)	\$ -	\$ (9,684)
OTHER CASH SOURCES (USES):			
Transfers to/from other funds	\$ 9,684	\$ -	\$ 9,684
TOTAL OTHER SOURCES (USES)	<u>\$ 9,684</u>	<u>\$ -</u>	<u>\$ 9,684</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER USES	\$ -	<u>\$ -</u>	<u>\$ -</u>
CASH BALANCE - beginning of year	<u>-</u>		
CASH BALANCE - end of year	<u>\$ -</u>		

OTHER SUPPLEMENTARY INFORMATION

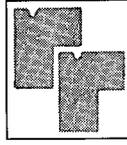
SANITARY AND IMPROVEMENT DISTRICT NO. 38
 OF SARPY COUNTY, NEBRASKA
 INFORMATION REQUIRED BY SECTION 31-715 AND 31-740
 REVISED STATUTES OF NEBRASKA, 1943, REISSUED 1993
 JUNE 30, 2010

Gross income from all sources	\$ 71,910
Gross income from all sources from previous year	\$ 71,592
Amount spent for capital improvements for sewage disposal	None
Amount expended for capital improvements for water mains	None
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for:	
a. Maintenance and repairs	\$ 16,441
b. New equipment	None
c. New construction work	\$ 9,041
d. Property purchased	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon the property within the District	\$ 54,900
Total amount of special assessments levied upon the property within the District	None

SANITARY AND IMPROVEMENT DISTRICT NO. 38
OF SARPY COUNTY, NEBRASKA
TRUSTEES AND RELATED BONDS
JUNE 30, 2010

TRUSTEES

<u>NAME</u>	<u>OFFICE</u>	<u>BOND AMOUNT</u>
James E. Williams	Chairman	\$ 5,000
Luke E. Galardi	Clerk	\$ 20,000
J. Abels	Trustee	-
James L. Stadjuhar	Trustee	-
Daniel L. Wilder	Trustee	-



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

Board of Trustees
Sanitary and Improvement District No. 38
Sarpy County, Nebraska.

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 38, Sarpy County, Nebraska, 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 October 1, 2010. 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 Sanitary and Improvement District No. 38 of Sarpy County, Nebraska'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.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Financial Statement Preparation

Comment: The Auditing Standards Board issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Statement on Auditing Standards No. 112 emphasizes that the auditor can't be part of your system of internal control over financial reporting. In our judgment, the District's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct material misstatements, if present.

Recommendation: In our judgment, management and those charged with governance need to understand the importance of this communication. However, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Audit Adjustments

Comment: In conjunction with the audit of the financial statements, we had to propose material adjustments for the financial statements to be in conformity with accounting principles generally accepted in the United States of America.

Recommendation: We recommend that procedures be established to ensure that the financial statements are in conformity with accounting principles generally accepted in the United States of America.

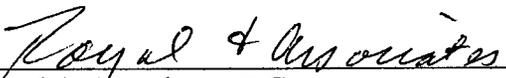
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 38 of Sarpy County, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

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



Royal & Associates, P.C.

Omaha, Nebraska
October 1, 2010