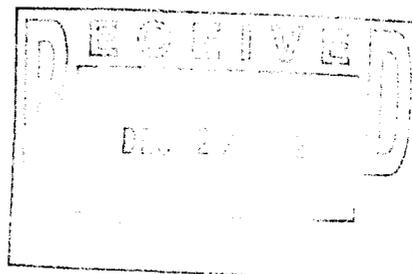
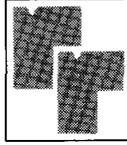


SANITARY AND IMPROVEMENT DISTRICT NO. 38  
OF SARPY COUNTY, NEBRASKA  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA  
WITH INDEPENDENT AUDITOR'S REPORTS THEREON  
FOR THE YEAR ENDED JUNE 30, 2012



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**Royal & Associates, PC**

12335 GOLD STREET  
OMAHA, NEBRASKA 68144-2760  
(402) 333-0393  
FAX (402) 333-0394

**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, 2012, 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, 2012, 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 November 1, 2012, 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 and Associates, PC

November 1, 2012

SANITARY AND IMPROVEMENT DISTRICT NO. 38  
 OF SARPY COUNTY NEBRASKA  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash on deposit	\$ 71,660	\$ -	\$ 71,660
Taxes receivable	24,262	-	24,262
Receivable from debt service fund	-	252	252
Land	5,000	3,583	8,583
Other capital assets, net of accumulated depreciation	149,523	146,164	295,687
	\$ 250,445	\$ 149,999	\$ 400,444
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 2,211	\$ 2,071	\$ 4,282
Warrants payable	27,157	-	27,157
Prepaid fees	-	5,521	5,521
Payable to other funds	252	-	252
	\$ 29,620	\$ 7,592	\$ 37,212
<u>NET ASSETS</u>			
Invested in capital assets	\$ 154,523	\$ 149,747	\$ 304,270
Restricted for debt service	27,115	-	27,115
Unassigned (deficit)	39,187	(7,340)	31,847
	\$ 220,825	\$ 142,407	\$ 363,232

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, 2012

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</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>	
<b>FUNCTIONS/PROGRAMS</b>							
Governmental activities:							
General government	\$ 54,932	\$ -	\$ -	\$ -	\$ (54,932)	\$ -	\$ (54,932)
TOTAL GOVERNMENT ACTIVITIES	<u>\$ 54,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (54,932)</u>	<u>\$ -</u>	<u>\$ (54,932)</u>
Business-type activities:							
Water service	\$ 32,793	\$ 21,590	\$ -	\$ -	\$ -	\$ (11,203)	\$ (11,203)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 32,793</u>	<u>\$ 21,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,203)</u>	<u>\$ (11,203)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 87,725</u>	<u>\$ 21,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (54,932)</u>	<u>\$ (11,203)</u>	<u>\$ (66,135)</u>
General revenue:							
Taxes					\$ 59,639	\$ -	\$ 59,639
Interest					42	-	42
Transfers					<u>(40,025)</u>	<u>40,025</u>	<u>-</u>
Total General Revenue and Transfers					<u>19,656</u>	<u>40,025</u>	<u>59,681</u>
Change in Net Assets (decrease)					(35,276)	28,822	(6,454)
Net Assets- beginning					<u>256,101</u>	<u>113,585</u>	<u>369,686</u>
Net Assets- ending					<u>\$ 220,825</u>	<u>\$ 142,407</u>	<u>\$ 363,232</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, 2012

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash on deposit, County Treasurer	\$ 32,423	\$ 39,237	\$ 71,660
Taxes receivable	15,495	\$ 8,767	24,262
Receivable from debt services fund	8,419	-	8,419
 TOTAL ASSETS	 <u>\$ 56,337</u>	 <u>\$ 48,004</u>	 <u>\$ 104,341</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	\$ 2,211	\$ -	\$ 2,211
Warrants payable	14,939	12,218	27,157
Payable to other funds	-	8,671	8,671
 TOTAL LIABILITIES	 <u>\$ 17,150</u>	 <u>\$ 20,889</u>	 <u>\$ 38,039</u>
Fund Balances			
Restricted for other capital projects	\$ -	\$ 27,115	\$ 27,115
Unassigned	39,187	-	39,187
 TOTAL FUND BALANCES	 <u>39,187</u>	 <u>27,115</u>	 <u>66,302</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 56,337</u>	 <u>\$ 48,004</u>	 <u>\$ 104,341</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, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 66,302
<p>Amounts reported for governmental activities          in the statements of net assets are          different because:</p>		
<p>Capital Assets used in governmental activities          are not financial resources and are therefore not reported          in the fund financial statements:</p>		
Less accumulated depreciation	\$ 352,728 <u>(198,205)</u>	<u>154,523</u>
Net Assets of Governmental Activities		<u>\$ 220,825</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, 2012

	GENERAL FUND	DEBT SERVICE FUND	TOTAL
Revenues:			
Real estate taxes	\$ 37,981	\$ 21,489	\$ 59,470
Other taxes	108	61	169
Interest on taxes	27	15	42
 Total revenues	 <u>\$ 38,116</u>	 <u>\$ 21,565</u>	 <u>\$ 59,681</u>
Expenditures:			
Accounting and audit fees	\$ 5,150	\$ -	\$ 5,150
Legal fees	15,209	-	15,209
Collection fee-county treasurer	711	399	1,110
Electricity	9,794	-	9,794
Insurance	236	-	236
Election expense	79	-	79
Publication fees	72	-	72
Website fees	72	-	72
Repairs and maintenance	16,255	-	16,255
 Total expenditures	 <u>\$ 47,578</u>	 <u>\$ 399</u>	 <u>\$ 47,977</u>
Excess (deficiency) of revenues over expenditures	(9,462)	21,166	11,704
Other financing sources (uses):			
Transfer between funds	14,431	(54,456)	(40,025)
 Total other financing sources (uses)	 <u>14,431</u>	 <u>(54,456)</u>	 <u>(40,025)</u>
Net change in fund balances	4,969	(33,290)	(28,321)
Fund Balance-Beginning	34,218	60,405	94,623
Fund Balance-Ending	<u>\$ 39,187</u>	<u>\$ 27,115</u>	<u>\$ 66,302</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, 2012

Net change in fund balances - total  
governmental funds \$ (28,321)

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 (6,955)

Change in net assets of Governmental  
Activities. \$ (35,276)

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, 2012

	Business-Type Activity <u>Water Service</u>
OPERATING REVENUES:	
Water use fees	\$ 21,590 <u>                    </u>
OPERATING EXPENSES:	
Depreciation	6,004
Electricity	3,436
Insurance	245
Repairs and maintenance	14,282
Water service billing fees	381
Water operator expense	8,445
Total operating expenses	<u>32,793</u>
Net income (loss) before transfers	(11,203)
Transfers	40,025 <u>                    </u>
Change in net assets	28,822
Net assets - beginning	113,585 <u>                    </u>
Net assets - ending	<u>\$ 142,407</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, 2012

	Business-Type Activities <u>Water Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 23,189
Payments to suppliers	<u>(33,758)</u>
Net cash used in by operating activities	<u>(10,569)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	<u>40,025</u>
Net cash provided by noncapital financing activities	<u>40,025</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	<u>(29,456)</u>
Net cash used in capital and related financing activities	<u>(29,456)</u>
 Net increase in cash and cash equivalents	 -
 Balance - beginning of the year	 <u>-</u>
 Balance - end of the year	 <u>\$ -</u>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (11,203)
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation expense	6,004
Change in assets and liabilities:	
Receivables	1,523
Accounts and other payables	<u>(6,893)</u>
 Net cash used in operating activities	 <u>\$ (10,569)</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  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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 and proprietary fund 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 earned 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 unassigned 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, 2012

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 liability is incurred. Property taxes and interest income are recognized when susceptible to accrual. Revenues from miscellaneous sources are recognized when received. The District reports the following major funds:

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, 2012

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.

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, 2012

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, 2012.

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.

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, 2012

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>Total</u>
		<u>General</u>	<u>Debt Service</u>	
2011-12	\$23,036,650	.1649545	.0933295	.2582840

5. CAPITAL ASSETS:

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

<u>Governmental Activities</u>	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
	<u>June 30, 2011</u>			<u>June 30, 2012</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	(191,250)	(6,955)	-	(198,205)
Net capital assets	\$ 161,478	\$ (6,955)	\$ -	\$ 154,523

SANITARY AND IMPROVEMENT DISTRICT NO. 38  
OF SARPY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

5. CAPITAL ASSETS (continued):

	Balance June 30, 2011	Addition	Retirement	Balance June 30, 2012
<u>Business-type Activities</u>				
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	(147,380)	(6,004)	-	(153,384)
	112,068	(6,004)	-	106,064
Improvements in process	21,036	22,647	-	43,683
	<u>21,036</u>	<u>22,647</u>	<u>-</u>	<u>43,683</u>
Net fund capital assets	<u>\$ 133,104</u>	<u>\$ 16,643</u>	<u>\$ -</u>	<u>\$ 149,747</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)	\$ 32,423	\$ 39,237
Adjustments to generally accepted accounting principles:		
Revenue and accruals	23,914	8,767
Expenditures and accruals	<u>(17,150)</u>	<u>(20,889)</u>
Fund balance, ending (GAAP basis)	<u>\$ 39,187</u>	<u>\$ 27,115</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 38  
OF SARPY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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**

SANITARY 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, 2012

	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE (UNFAVORABLE)
<b>RECEIPTS:</b>			
Taxes	\$ 37,000	\$ 37,582	\$ (582)
Other taxes	75	108	(33)
Interest on taxes	75	27	48
TOTAL RECEIPTS	\$ 37,150	\$ 37,717	\$ (567)
<b>DISBURSEMENTS:</b>			
Accounting and audit fees	\$ 5,600	\$ 5,150	\$ (450)
Legal fees	12,500	16,688	4,188
Collection fee-County Treasurer	750	711	(39)
Electricity	9,000	12,145	3,145
Insurance & trustee bonds	500	574	74
Election expense	-	79	79
Publication	75	73	(2)
Website fees	-	72	72
Repairs and maintenance	15,000	17,194	2,194
TOTAL DISBURSEMENTS	\$ 43,425	\$ 52,686	\$ 9,261
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ (6,275)	\$ (14,969)	\$ 8,694
<b>OTHER CASH SOURCES (USES):</b>			
Warrants redeemed	\$ (338)	\$ (338)	\$ -
Warrants issued	-	15,277	15,277
Transfers to other funds	9,400	14,431	(5,031)
TOTAL OTHER SOURCES	\$ 9,062	\$ 29,370	\$ 10,246
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER USES	\$ 2,787	\$ 14,401	\$ 18,940
CASH BALANCE - beginning of year		18,022	
CASH BALANCE - end of year		\$ 32,423	

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, 2012

	<u>BUDGET</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>VARIANCE (UNFAVORABLE)</u>
<b>RECEIPTS:</b>			
Taxes	\$ 21,500	\$ 21,087	\$ 413
Other taxes	50	61	(11)
Interest on taxes	50	15	35
<b>TOTAL RECEIPTS</b>	<u>\$ 21,600</u>	<u>\$ 21,163</u>	<u>\$ 437</u>
<b>DISBURSEMENTS:</b>			
Collection fee-County Treasurer	\$ 450	\$ 399	\$ (51)
Paying agent fee	250	-	(250)
<b>TOTAL DISBURSEMENTS</b>	<u>\$ 700</u>	<u>\$ 399</u>	<u>\$ (301)</u>
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	<u>\$ 20,900</u>	<u>\$ 20,764</u>	<u>\$ 136</u>
<b>OTHER CASH SOURCES (USES):</b>			
Warrants redeemed	\$ -	\$ -	\$ -
Warrants issued	-	12,218	(12,218)
Transfers to other funds	-	(54,456)	54,456
<b>TOTAL OTHER SOURCES (USES)</b>	<u>\$ -</u>	<u>\$ (42,238)</u>	<u>\$ 42,238</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER USES</b>	<u>\$ 20,900</u>	<u>\$ (21,474)</u>	<u>\$ 42,374</u>
<b>CASH BALANCE - beginning of year</b>		<u>60,711</u>	
<b>CASH BALANCE - end of year</b>		<u>\$ 39,237</u>	

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, 2012

	BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE (UNFAVORABLE)
<b>RECEIPTS:</b>			
Water service fees	\$ 22,000	\$ 23,189	\$ (1,189)
TOTAL RECEIPTS	\$ 22,000	\$ 23,189	\$ (1,189)
<b>DISBURSEMENTS:</b>			
Electricity	\$ 3,250	\$ 4,345	\$ 1,095
Insurance	250	245	(5)
Repairs and maintenance	2,500	15,695	13,195
Water service billing fee	600	745	145
Water operator expense	6,000	12,728	6,728
Improvements	-	29,456	29,456
TOTAL DISBURSEMENTS	\$ 12,600	\$ 63,214	\$ 50,614
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ 9,400	\$ (40,025)	\$ 49,425
<b>OTHER CASH</b>			
<b>SOURCES (USES):</b>			
Transfers (to) from other funds	\$ (9,400)	\$ 40,025	\$ (49,425)
TOTAL OTHER SOURCES (USES)	\$ (9,400)	\$ 40,025	\$ (49,425)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER USES	\$ -	\$ -	\$ -
CASH BALANCE - beginning of year		-	
CASH BALANCE - end of year		\$ -	

**OTHER SUPPLEMENTARY INFORMATION**

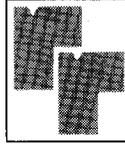
SANITARY AND IMPROVEMENT DISTRICT NO. 38  
 OF SARPY COUNTY, NEBRASKA  
 INFORMATION REQUIRED BY SECTION 31-715 AND 31-740  
 REVISED STATUTES OF NEBRASKA, 1943, REISSUED 1993  
 JUNE 30, 2012

Gross income from all sources	\$ 81,271
Gross income from all sources from previous year	\$ 81,528
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	\$ 30,537
b. New equipment	None
c. New construction work	\$ 29,456
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	\$ 58,500
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, 2012

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	-
Janice M. Bohling	Trustee	-



**Royal & Associates, PC**

12335 GOLD STREET  
OMAHA, NEBRASKA 68144-2760  
(402) 333-0393  
FAX (402) 333-0394

**INDEPENDENT AUDITORS 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 the business-type activities, and each major fund of Sanitary and Improvement District No. 38, Sarpy County, Nebraska, 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 November 1, 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:

Management of the District is responsible for establishing and maintaining effective 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 first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. 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. 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 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.

### **Compliance and Other Matters:**

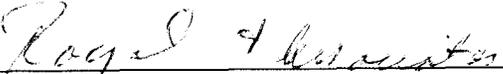
As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 38 of Sarpy County, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with 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 an instance of noncompliance which is required to the report under Government Accounting Standards as follows.

The District exceeded budgeted general fund expenditures by \$8,694 due to legal expenditures and repairs, without amending the budget.

The District exceeded budgeted bond fund expenditures by \$49,425 because of transfers to the general and water funds, and the payment for improvements, without amending the budget.

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  
November 1, 2012