

**SANITARY AND IMPROVEMENT DISTRICT NO. 65  
OF SARPY COUNTY, NEBRASKA  
Basic Financial Statements  
with  
Supplementary Information  
and  
Accompanying Independent  
Auditors' Report  
For the Year ended June 30, 2011**

**Sanitary and Improvements District No. 65  
of Sarpy County Nebraska**

**TABLE OF CONTENTS**

<u>FINANCIAL SECTION</u>	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
 <u>BASIC FINANCIAL STATEMENTS</u>	
<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS</u>	
Statement of Net Assets.....	3
Statement of Activities.....	4
<u>FUND FINANCIAL STATEMENTS</u>	
Governmental Funds:	
Balance Sheet – Governmental Funds.....	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Net Assets.....	8
Proprietary Funds:	
Statement of Net Assets.....	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	10
Statement of Cash Flows.....	11
 NOTES TO FINANCIAL STATEMENTS.....	 12-21
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
<u>BUDGETARY COMPARISON STATEMENTS</u>	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	23
<u>BUDGETARY COMPARISON STATEMENTS INFORMATION</u>	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to GAAP Reconciliation.....	24
 <u>OTHER SUPPLEMENTARY INFORMATION</u>	
<u>BALANCE SHEET INFORMATION</u>	
Taxes Receivable.....	26
Investments.....	27
 Information Required by Section 31-740.....	 28
Board of Trustees and Related Bonds.....	29
 <u>OTHER REPORTS</u>	
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	30-31
 Schedule of Findings and Questioned Costs.....	 32



**GORACKE, RITTERBUSH & PIOTROWSKI, L.L.P.**

*Certified Public Accountants*

10846 Old Mill Road • Suite 1  
Omaha, NE 68154-2652  
Telephone (402) 896-1500  
Fax (402) 896-1726

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Sanitary and Improvement District No. 65  
of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the business-type activities of the Sanitary and Improvement District No. 65 of Sarpy County, Nebraska as of June 30, 2011 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the governmental and business-type activities referred to above present fairly, in all material respects, the financial position of the governmental activities and the business-type activities of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska as of June 30, 2011, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund and the Debt Service Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011 on our consideration of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the compliance and 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 District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Budgetary Comparison Information – General Fund and the Budgetary Comparison Information – Debt Service Fund listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 other supplementary information listed in the table of contents is not a required part of the basic financial statements. Such information has been subject 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.

*Goracke, Ritterbush & Piotrowski, L.L.P.*

Goracke, Ritterbush & Piotrowski, L.L.P.  
December 8, 2011

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Government-Wide Statement of Net Assets**  
**June 30, 2011**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash (Note 1)	\$ 180,946	\$ 40,468	\$ 221,414
Investments (Notes 1 and 2)	69,961	-	69,961
Interest Receivable, Investments	24	-	24
Taxes Receivable (Notes 1 and 7)	214,646	-	214,646
Prepaid Utilities	4,489	-	4,489
Interfund Receivable/Payable	637,662	(637,662)	-
Capital Assets, Net of Accumulated Depreciation (Notes 1 and 3)	157,764	388,471	546,235
Intangible Assets, Net of Accumulated Amortization (Notes 1 and 4)	-	22,664	22,664
<b>Total Assets</b>	<b>1,265,492</b>	<b>(186,059)</b>	<b>1,079,433</b>
<b>Liabilities</b>			
Accounts Payable	23,317	1,691	25,008
Payroll Taxes Payable	-	2,242	2,242
Accrued Interest Payable	10,095	-	10,095
Warrants Payable: (Note 5)			-
Due within one year	7,368	-	7,368
Due in more than one year	17,765	-	17,765
Noncurrent Liabilities: (Note 6)			
Due within one year	130,000	-	130,000
Due in more than one year	845,000	-	845,000
<b>Total Liabilities</b>	<b>1,033,545</b>	<b>3,933</b>	<b>1,037,478</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	(817,236)	411,135	(406,101)
Restricted for Debt Service	861,833	-	861,833
Unrestricted	187,350	(601,127)	(413,777)
<b>Total Net Assets (Liabilities)</b>	<b>\$ 231,947</b>	<b>\$ (189,992)</b>	<b>\$ 41,955</b>

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Government-Wide Statement of Activities**  
**For the year ended June 30, 2011**

	Net (Expenses) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
<b>Expenses (Note 1)</b>			
Governmental Activities			
General Government:			
Audit Fees	\$ 5,851	\$ -	\$ 5,851
Broker Fees	1,250	-	1,250
Collection Fees - County Treasurer	7,149	-	7,149
Depreciation (Note 3)	19,883	-	19,883
Engineering	8,079	-	8,079
Insurance and Trustee Bonding	6,253	-	6,253
Legal Fees	20,987	-	20,987
Repairs and Maintenance	94,609	-	94,609
Trustee Fees	457	-	457
Utilities	37,608	-	37,608
Total General Government Expenses	202,126	-	202,126
Interest Expense on Long-Term Debt	19,672	-	19,672
Total Governmental Activities Expenses	221,798	-	221,798
Business-Type Activities			
Advertising	-	1,546	1,546
Amortization	-	3,627	3,627
Bank Charges	-	839	839
Deposit Refunds	-	6,125	6,125
Depreciation (Note 3)	-	13,348	13,348
Insurance	-	4,124	4,124
Interest Expense on Long-Term Debt	-	22,038	22,038
Miscellaneous Expense	-	658	658
Payroll Taxes	-	6,443	6,443
Professional Fees	-	1,363	1,363
Repairs and Maintenance	-	32,168	32,168
Salaries and Wages	-	65,362	65,362
Supplies	-	11,891	11,891
Telephone	-	2,115	2,115
Utilities	-	2,307	2,307
Total Business-type Activities Expenses	-	173,954	173,954
Total Government Expenses	221,798	173,954	395,752
<b>General Revenues (Note 1)</b>			
Taxes			
Property Taxes Assessed (Note 7)	378,292	-	378,292
State Motor Vehicle Tax Allocation	1,018	-	1,018
Homestead Exemption	7,351	-	7,351
Interest Income	1,264	15	1,279
Membership Dues and Fees	-	30,090	30,090
Miscellaneous Revenue	1,670	-	1,670
Pool Admissions	-	2,211	2,211
Pool Parties	-	660	660
Rental Income	-	12,237	12,237
Swim Lessons	-	3,545	3,545
Transfers (to) from (Note 8)	(92,975)	92,975	-
Total General Revenues and Transfers	296,620	141,733	438,353
Change in Net Assets	74,822	(32,221)	42,601
Net Assets (Liabilities) - Beginning of the Year	157,125	(157,771)	(646)
Net Assets (Liabilities) - End of the Year	\$ 231,947	\$ (189,992)	\$ 41,955

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>			
Cash on Deposit, County Treasurer (Note 1)	\$ 104,767	\$ 76,179	\$ 180,946
Investments (Notes 1 and 2)	-	69,961	69,961
Interest Receivable, Investments	-	24	24
Taxes Receivable (Notes 1 and 7)	126,463	88,183	214,646
Interfund Receivable, Proprietary Fund (Note 8)	-	637,662	637,662
Prepaid Utilities	4,489	-	4,489
	<u>4,489</u>	<u>-</u>	<u>4,489</u>
 Total Assets	 <u>\$ 235,719</u>	 <u>\$ 872,009</u>	 <u>\$ 1,107,728</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 23,317	\$ -	\$ 23,317
Total Liabilities	<u>23,317</u>	<u>-</u>	<u>23,317</u>
 <b>Fund Balances</b>			
Non-Spendable Fund Balance	4,489	-	4,489
Unrestricted Fund Balance			
Assigned Fund Balance	-	872,009	872,009
Unassigned Fund Balance	207,913	-	207,913
	<u>212,402</u>	<u>872,009</u>	<u>1,084,411</u>
 Total Liabilities and Fund Equity	 <u>\$ 235,719</u>	 <u>\$ 872,009</u>	 <u>\$ 1,107,728</u>

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**For the Year Ended June 30, 2011**

Total Fund Balances of Governmental Funds \$ 1,084,411

Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This is the amount of capital assets, net of accumulated depreciation. 157,764

Interest payable on long-term debt does not require current financial resources. Therefore, this accrued interest is not reported on as a liability in governmental funds balance sheet. This is the amount of interest accrued on the bonds payable as of June 30, 2011. (10,095)

Warrants issued but not paid are shown as a liability in the government-wide statements, whereas warrants issued and paid are shown as revenues and expenditures in the governmental funds. This is the amount of warrants payable as of June 30, 2011. (25,133)

Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the the governmental funds:

Bonds Payable (975,000)

Total Net Assets of Governmental Activities \$ 231,947

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues (Note 1)</b>			
Taxes			
Property Taxes (Note 7)	\$ 230,000	\$ 148,292	\$ 378,292
State Motor Vehicle Tax Allocation	619	399	1,018
Homestead Exemption	4,469	2,882	7,351
Miscellaneous Revenue	1,670	-	1,670
Interest Income			
Interest on Taxes Collected	719	460	1,179
Interest Income on Investments	-	85	85
<b>Total Revenues</b>	<b>237,477</b>	<b>152,118</b>	<b>389,595</b>
<b>Expenditures (Note 1)</b>			
Current			
General Government			
Audit Fees	5,851	-	5,851
Broker Fees	1,250	-	1,250
Collection Fees, County Treasurer	4,347	2,802	7,149
Engineering	8,079	-	8,079
Insurance and Trustee Bonding	6,253	-	6,253
Legal Fees	20,987	-	20,987
Repairs and Maintenance	94,609	-	94,609
Trustee Fees	457	-	457
Utilities	37,608	-	37,608
<b>Total General Government</b>	<b>179,441</b>	<b>2,802</b>	<b>182,243</b>
Debt Service			
Warrant Principal Payment	286,235	-	286,235
Bond Principal Payment	-	100,000	100,000
Bond Interest Payment	-	20,795	20,795
<b>Total Expenditures</b>	<b>465,676</b>	<b>123,597</b>	<b>589,273</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from the Issuance of Warrants	274,568	-	274,568
Net Transfers In (Out) (Note 8)	(92,975)	-	(92,975)
Excess Revenues Over Expenditures	(46,606)	28,521	(18,085)
Fund Balance - Beginning of Year	259,008	843,488	1,102,496
Fund Balance - End of Year	<u>\$ 212,402</u>	<u>\$ 872,009</u>	<u>\$ 1,084,411</u>

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (18,085)

Amounts reported for governmental activities in the statement of activities are different because:

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. This is the amount of depreciation expense in the current year for total capital assets. (19,883)

Proceeds from issuance of warrants and bonds are reported as an other financing source in the governmental funds. In the statement of net assets, the proceeds increase long-term liabilities. This is the amount of proceeds in the current year.  
Warrant Proceeds (274,568)

Repayment of principal on noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net assets, the repayment reduces long-term liabilities. This is the amount of repayments in the current year.  
Warrant Principal Payments 286,235  
Bond Principal Payments 100,000

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. This is the difference between governmental activities interest expense and interest expenditures reported in the government funds. 1,123

Change in Net Assets of Governmental Activities \$ 74,822

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





**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2011**

	Business-type Activities:
	<u>Enterprise Funds</u>
	Community Clubhouse & Swimming Pool
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 48,743
Cash payments to suppliers for goods and services	(52,977)
Cash payments for customer refunds	(6,125)
Cash payments to employees for services	(65,362)
Cash payments for payroll taxes	(7,665)
Cash payments for interest	(22,038)
Net Cash Provided (Used) by Operating Activities	<u>(105,424)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Expenses paid for with funds from the general fund	92,975
Net Cash Provided by Non-Capital Financing Activities	<u>92,975</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Increase in interfund payable related to capital asset	22,038
Net Cash Provided by Capital and Related Financing Activities	<u>22,038</u>
<b>Cash Flows from Investing Activities</b>	
Interest on cash investments	<u>15</u>
 Net Decrease in Cash and Cash Investments	 9,604
Cash and Cash Investments - Beginning of Year	30,864
Cash and Cash Investments - End of Year	<u>\$ 40,468</u>
 <b>Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities</b>	
Income (Loss) from Operations	\$ (103,173)
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:	
Amortization	3,627
Depreciation	13,348
Interest expense on bonds	(22,038)
Change in assets and liabilities:	
(Increase) Decrease in Prepaid Insurance	3,347
Increase (Decrease) in Accounts Payable	687
Increase (Decrease) in Payroll Taxes Payable	(1,222)
Net Cash Provided (Used) by Operating Activities	<u>\$ (105,424)</u>

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 1 – Summary of Significant Accounting Policies**

This summary of significant accounting policies of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska (the District) is presented to assist in understanding the District's basic financial statements. The basic financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the basic financial statements.

***Reporting Entity***

The District is a governmental subdivision authorized under the statutes of the State of Nebraska. A Board of Trustees is elected by the property owners of the District and has decision-making authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The board has governance responsibilities over all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The board also has primary financial accountability for fiscal matters of the District. The District is engaged in a single government program and is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In addition, there are no component units as defined by GASB 14, which are included in the District's reporting entity. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements.

***Government Accounting Standards Board Statement No. 34***

Effective June 30, 2004, the District adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Note Disclosures." These statements require the presentation of government-wide financial statements in addition to fund financial statements.

The primary impact of adopting the statements includes changing the presentation of fund equity to net assets and long-term debt in the statements in place of separate account groups, and presenting "Management's Discussion and Analysis." Management has elected to omit "Management's Discussion and Analysis" from the basic financial statements.

***Basis of Presentation***

The basic financial statements of the District include the government-wide and the fund financial statements. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities, which report financial information for all non-fiduciary activities of the District. Individual funds are not displayed, and internal activity between or within funds is eliminated.

## Note 1 – Summary of Significant Accounting Policies (Continued)

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 for debt service; and unrestricted net assets. Net assets are restricted when constraints placed on them are either externally imposed or imposed by law through constitutional provisions or enabling legislatures. 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.

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

### **Fund Financial Statements**

The fund financial statements provide additional and detailed information about the District. The emphasis of the fund financial statements is on the determination of financial position and changes in financial position rather than upon net income. The following is a description of the District's two governmental funds:

General Fund – This fund is the operating fund of the District. It is used to account for all financing resources, except those accounted for in other funds.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The following is a brief description of the District's one proprietary fund.

Community Clubhouse and Swimming Pool Fund - This fund is used to account for operations of the District's community clubhouse and swimming pool, including the administration, operation, and maintenance.

### **Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

## Note 1 – Summary of Significant Accounting Policies (Continued)

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On an accrual basis, revenues are recognized when earned. Expenditures are recorded when liabilities are incurred, regardless of the timing of related cash flows.

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 modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is when they become both measurable and available. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the period the liability is incurred, except for unaccrued interest on general long-term debt, which is recognized when due.

Use of Estimates – The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Revenue – (See subsequent note “Tax Levy” for property tax revenues.) State motor vehicle tax allocation, taxes collected in excess, interest on taxes, and miscellaneous revenues are recognized as the amounts are collected as the amounts earned cannot be measured. However, investment earnings are recorded as earned since they are measurable and available. All non-property tax revenue is considered available if able to collect within one year.

Special Assessments - Revenues on special assessments levied after June 15, 1987 are recognized as the amounts are collected on the fund financial statements and in the year when they were assessed on the government-wide statements. Uncollected special assessments outstanding are recorded as receivable on the government-wide statement of net assets and balance sheet and as receivable and deferred revenue on the fund financial statements. Special assessments levied before June 15, 1987 were recorded as income in the year assessed.

Long-Lived Assets – Long-lived assets and certain identifiable intangibles held and used by the entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This application has not materially affected the entity’s reported earnings, financial condition or cash flows.

Cash and Cash Investments – Cash and cash investments that are available upon demand and are considered to be “cash equivalents” when preparing these financial statements. Also, any marketable securities that are purchased with maturity of ninety days or less are considered to be “cash equivalents.”

**Note 1 – Summary of Significant Accounting Policies (Continued)**

Capital Assets and Depreciation – Capital assets of the District are recorded at historical costs except for minor expenses for street and sidewalk improvements, recreational equipment, costs of constructing improvements for utilities, etc.

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 assets capitalized are as follows:

Infrastructure Assets	20-25 Years
Land and Park Improvements	20 Years
Equipment	5-20 Years

Infrastructure assets include all water systems, drainage systems, easements, sewage disposal works system, waterways, electrical systems, and roads.

GASB 34 requires the District to report and depreciate new infrastructure assets effective July 1, 2003 and allows for an extended implementation period for retroactive reporting of infrastructure assets. The District has elected to report and depreciate all major general infrastructure assets retroactively.

Interest Expense - GASB 37 eliminated the requirement to capitalize construction-period interest for government activities. Effective July 1, 2003, all governmental activities interest not relating to long-term debt is expensed when incurred and the long-term debt relating interest is expensed when incurred for government-wide financial statements and expensed when paid for fund financial statements. However, all debt relating interest expense is capitalized during construction periods for all business-type activities for both the government-wide statements and proprietary fund statements.

Investments - Investments are stated at cost or amortized cost, which approximates market.

Bond Issue Costs and Amortization – In the government-wide financial statements bond issue costs are amortized over the terms of the bonds, using the straight-line method of amortization. Fund financial statements expense bond issue costs when incurred.

Transactions Between Funds – Legally authorized transfers are treated as interfund transfers and are included in the operations of both Governmental and Proprietary Funds.

Subsequent Events – The District has evaluated subsequent events through December 8, 2011, the date which the financial statements were available to be issued.

**Concentration of Credit Risks**

Taxes and Special Assessments Receivable - Receivables for real estate and property taxes and special assessments are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

### Note 1 – Summary of Significant Accounting Policies (Continued)

Budget 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. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) The Board of Trustees considers a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) 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, 2011.
- d) A majority vote by the Board of Trustees authorizes transfer of budgeted amounts from the General Fund to the Debt Service Fund.
- e) Prior to September 20, the budget is legally enacted by a resolution of the Board of Trustees. On or before September 20, the budget document is filed with the County Board and State Auditor of Public Accounts.
- f) Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.

### Note 2 – Deposits and Investments

Listed below is a summary of the deposits and investments that comprise the Cash on Deposit, County Treasurer and Investments on the June 30, 2011, basic financial statements.

**Deposits.** At June 30, 2011, the carrying amounts of the District's deposits were \$104,767 in the General Fund, \$76,179 in the Debt Service Fund, and \$40,468 in the Enterprise Fund. The County Treasurer balances for all funds totaled \$180,946. The balance at Centennial Bank totaled \$40,468. For purposes of classifying categories of custodial risk, the bank and the County Treasurer balances of the District's deposits as of June 30, 2011 were entirely insured by the federal depository insurance corporation.

**Investments.** As of June 30, 2011 all investments for the District are invested in obligations of the U.S. Treasury and are conducted through the District's fiscal agent, the County Treasurer. These securities are bought and held in safekeeping by the County Treasurer in the District's name.

**Note 2 – Deposits and Investments (Continued)**

At June 30, 2011, the District had the following investments:

Debt Service:	<u>Cost</u>	<u>Market Value</u>	<u>Maturity</u>
U.S. Treasury Bill	\$ 69,961	\$ 69,986	September 8, 2011
	<u>\$ 69,961</u>	<u>\$ 69,986</u>	

**Note 3 – Capital Assets and Accumulated Depreciation**

A summary of capital assets for the year ended June 30, 2011 is as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Sales or Disposals</u>	<u>Balance June 30, 2011</u>
Depreciable Capital Assets:				
Infrastructure Assets	\$ 3,311,569	\$ -	\$ -	\$ 3,311,569
Land & Park Improvements	840,061	-	-	840,061
Buildings	46,406	-	-	46,406
Equipment	53,363	-	-	53,363
Subtotal	4,251,399	-	-	4,251,399
Less: Accumulated Depreciation	(4,073,752)	(19,883)	-	(4,093,635)
Total Net Capital Assets	<u>\$ 177,647</u>	<u>\$ (19,883)</u>	<u>\$ -</u>	<u>\$ 157,764</u>

<u>Business-type Activities:</u>	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Sales or Disposals</u>	<u>Balance June 30, 2011</u>
Depreciable Capital Assets:				
Buildings	\$ 470,206	\$ -	\$ -	\$ 470,206
Equipment	42,979	-	-	42,979
Subtotal	513,185	-	-	513,185
Less: Accumulated Depreciation	(111,366)	(13,348)	-	(124,714)
Total Net Capital Assets	<u>\$ 401,819</u>	<u>\$ (13,348)</u>	<u>\$ -</u>	<u>\$ 388,471</u>

The District recorded total depreciation expense of \$33,231, of which \$19,883 was allocated directly for the governmental activities and \$13,348 was directly allocated to the business-type activities, for the year ended June 30, 2011.

**Note 4 – Intangible Assets and Accumulated Amortization**

A summary of intangible assets for the year ended June 30, 2011 is as follows:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	Sales or <u>Disposals</u>	Balance <u>June 30, 2011</u>
Bond Issue Costs	\$ 47,146	\$ -	\$ -	\$ 47,146
Less: Accumulated Amortization	(20,855)	(3,627)	-	(24,482)
Net Capital Assets	<u>\$ 26,291</u>	<u>\$ (3,627)</u>	<u>\$ -</u>	<u>\$ 22,664</u>

The District issued general obligation bonds on October 1, 2004. The cost of issuance includes a \$39,003 bond discount, \$7,312 in legal fees, and \$831 in broker fees. The District recorded amortization expense of \$3,627 for the year ended June 30, 2011.

**Note 5 – Warrants Outstanding**

General fund warrants are due and payable no later than three years from the date of issuance. Debt service fund warrants are due and payable no later than five years from the date of issuance. The outstanding general and debt service fund warrants mature during the next five years as follows:

Year Ending <u>June 30,</u>	General <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
2012	\$ 7,287	\$ 81	\$ 7,368
2013	165	-	165
2014	<u>17,600</u>	<u>-</u>	<u>17,600</u>
	<u>\$ 25,052</u>	<u>\$ 81</u>	<u>\$ 25,133</u>

Registered warrants bear interest at the rate of 7% per annum. Interest accrues on warrants from the date of registration until the date they are called for payment. None of the general fund or debt service fund warrants were registered as of June 30, 2011.

All \$81 of the debt service fund warrants outstanding as of June 30, 2011 were for payments directly related to the enterprise fund.

**Note 6 – Long-Term Debt**

Long-term debt comprised of the following:

Bonds Payable

On March 15, 1977, the District issued \$1,500,000 in general obligation bonds. The proceeds from the sale of these bonds were used to retire outstanding warrants and to pay interest that had accrued on these warrants. The District reserves the option of calling and paying any or call all of these bonds at par plus accrued interest to the date set for redemption. The bonds mature according to the following schedule and bear interest, which is payable semi-annually at the rates indicated:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
March 15, 1993	7.10%	\$ 10,000
March 15, 1994	7.15%	15,000
		<u>\$ 25,000</u>

On November 15, 2002, the District issued \$1,165,000 in general obligation bonds. The proceeds from the sale of these bonds were used to retire outstanding bonds issued on September 15, 1994. The bonds are callable on November 15, 2007 and at any time thereafter. The bonds mature according to the following schedule and bear interest, which is payable semi-annually at the rates indicated:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
September 15, 2011	3.95%	\$ 105,000
September 15, 2012	4.05%	110,000
September 15, 2013	4.20%	115,000
September 15, 2014	4.35%	125,000
		<u>\$ 455,000</u>

On October 1, 2004, the District issued \$500,000 in general obligation bonds on behalf of the enterprise fund. The proceeds from the sale of these bonds were used to retire outstanding warrants previously issued by the District's Bond Fund for public improvements. The bonds are callable on October 15, 2009 and at any time thereafter. The bonds mature according to the following schedule and bear interest, which is payable semi-annually at the rates indicated:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
October 15, 2015	4.35%	\$ 160,000
October 15, 2016	4.45%	165,000
October 15, 2017	4.55%	170,000
		<u>\$ 495,000</u>

**Note 6 – Long-Term Debt (Continued)**

Transactions for long-term debt for the year ended June 30, 2011 are summarized as follows:

<u>Type of Debt</u>	<u>Balance June 30, 2010</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2011</u>
Bond Issue, 1977	\$ 25,000	\$ -	\$ -	\$ 25,000
Bond Issue, 2002	555,000	-	100,000	455,000
Bond Issue, 2004	495,000	-	-	495,000
Total	<u>\$ 1,075,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 975,000</u>

Aggregate maturities during the next five years and in five year increments thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 130,000	\$ 38,834	\$ 168,834
2013	110,000	34,533	144,533
2014	115,000	29,890	144,890
2015	125,000	24,756	149,756
2016	160,000	18,557	178,557
2017-2018	335,000	15,274	350,274
Totals	<u>\$ 975,000</u>	<u>\$ 161,844</u>	<u>\$ 1,136,844</u>

**Note 7 – Tax Levy**

Property taxes are levied in August and become due December 31. The first half payment is due March 31 and becomes delinquent April 1 of the following year and the second half payment is due July 31 and becomes delinquent August 1 of the following year. The County Treasurer bills and collects all property taxes for the District. If the taxes remain delinquent after February of the following year, the County places a lien on the property.

Property tax revenues are recognized when they are assessed. Delinquent taxes are considered fully collectable and, therefore, no allowance for uncollectible taxes is provided.

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

<u>Fiscal Year</u>	<u>District Valuation of Property</u>	<u>District Tax Levy per \$100 Debt</u>		
		<u>General</u>	<u>Service</u>	<u>Total</u>
2010-2011	<u>\$ 64,474,750</u>	<u>0.356729</u>	<u>0.230000</u>	<u>0.586729</u>

**Note 8 - Interfund Receivables, Payables, and Transfers**

Interfund balances at June 30, 2011 consisted of the following individual fund receivables and payables:

<u>Due To</u>	<u>Due from</u>	<u>Amount</u>
Debt Service Fund	Proprietary (Enterprise) Fund	<u>\$ 637,662</u>

The \$637,662 interfund balance to the debt service fund was from the bonds issued for the proprietary fund resulting from costs related to the construction of the community clubhouse. The total interfund balance consisted of \$500,000 in bonds payable, \$4,591 in accrued bond interest, \$132,990 in bond interest paid, and \$81 for warrants outstanding related to the bond issuance. The expenditures are not scheduled to be collected from the proprietary fund in the subsequent year.

Interfund transfers are primarily used to move funds from:

- The general fund to finance the various costs of operations and construction on behalf of the proprietary fund.

During the year-end June 30, 2011, the District transferred \$92,975 from the general fund to the proprietary fund to subsidize the costs of operations to manage the clubhouse and swimming pools. There were no transfers from the general fund to the debt service fund in the current year. In previous years, the general fund transferred \$116,958 to the debt service fund for fixed assets paid for by the general fund.

**Note 9 – Deficit Fund Balances**

The Community Clubhouse and Swimming Pool Fund had a deficit fund balance at June 30, 2011 of (\$189,992). This deficit will be financed through future revenues of the fund in addition to transfers from the general fund.

**Note 10 – 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; injuries to employees; 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. 65 OF SARPY COUNTY, NEBRASKA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General and Debt Service Funds**  
**For the year ended June 30, 2011**

	General Fund			Debt Service Fund		
	Budgetary Basis (Non GAAP)			Budgetary Basis (Non GAAP)		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Property Taxes Collected	\$ 221,154	\$ 224,155	\$ 3,001	\$ 142,588	\$ 144,514	\$ 1,926
State Motor Vehicle Tax	800	619	(181)	500	399	(101)
Homestead Exemption	-	4,469	4,469	-	2,882	2,882
Miscellaneous Revenue	-	1,670	1,670	-	-	-
Interest on Investments	-	-	-	300	93	(207)
Interest on Taxes	850	719	(131)	510	460	(50)
<b>Total Revenues</b>	<b>222,804</b>	<b>231,632</b>	<b>8,828</b>	<b>143,898</b>	<b>148,348</b>	<b>4,450</b>
<b>Expenditures</b>						
Current Operating Expenses						
Audit Fee	7,000	5,851	1,149	-	-	-
Broker Fees	3,000	750	2,250	-	-	-
Clerk and Trustee Fees	1,500	457	1,043	-	-	-
Collection Fee, Co. Treasurer	4,423	4,347	76	2,852	2,802	50
Engineering	12,000	8,465	3,535	-	-	-
Insurance and Trustee Bonding	25,000	120	24,880	-	-	-
Legal Fees	15,000	22,901	(7,901)	-	-	-
Miscellaneous	500	-	500	-	-	-
Repairs and Maintenance	60,000	95,904	(35,904)	-	-	-
Utilities	30,000	36,210	(6,210)	-	-	-
<b>Total Operating Expenses</b>	<b>158,423</b>	<b>175,005</b>	<b>(16,582)</b>	<b>2,852</b>	<b>2,802</b>	<b>50</b>
Debt Service						
Retirement of Bond Principal	-	-	-	100,000	100,000	-
Interest on Bonds	-	-	-	42,833	42,833	-
<b>Total Expenditures</b>	<b>158,423</b>	<b>175,005</b>	<b>(16,582)</b>	<b>145,685</b>	<b>145,635</b>	<b>50</b>
Excess/(Deficiency) of Revenues Over Expenditures	64,381	56,627	(7,754)	(1,787)	2,713	4,500
<b>Other Financing Sources (Uses)</b>						
Issuance of Warrants	154,000	274,568	120,568	-	-	-
Retirement of Warrants	(190,720)	(286,235)	(95,515)	(81)	-	81
Operating Transfers Out	(80,000)	(92,975)	(12,975)	-	-	-
Sinking Fund	-	-	-	(80,000)	-	80,000
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>\$ (52,339)</u>	<u>(48,015)</u>	<u>\$ 4,324</u>	<u>\$ (81,868)</u>	<u>2,713</u>	<u>\$ 84,581</u>
Fund Balance, Beginning of Year		<u>152,782</u>			<u>143,427</u>	
Fund Balance, End of Year		<u>\$ 104,767</u>			<u>\$ 146,140</u>	

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget to GAAP Reconciliation**  
**For the Year Ended June 30, 2011**

	General <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
<b>Sources/Inflows of Resources</b>			
Actual Amounts (Budgetary Basis) "Total Revenues" Available for Appropriation from the Budgetary Comparison Schedule	\$ 231,632	\$ 148,348	\$ 379,980
<b>Differences - Budget to GAAP</b>			
Property tax revenue is recognized when assessed or when excess collections are recorded rather than when collected.	5,845	3,778	9,623
Interest income is accrued during the year rather than recognized when collected.	-	(8)	(8)
Transfers to business-type activities is recorded with the general revenues.	(92,975)	-	(92,975)
Total Revenues as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 144,502</u>	<u>\$ 152,118</u>	<u>\$ 296,620</u>
<b>Uses/Outflows of Resources</b>			
Actual Amounts (Budgetary Basis) of Total Expenditures from the Budgetary Comparison Schedule	\$ 175,005	\$ 145,635	\$ 320,640
<b>Differences - Budget to GAAP</b>			
Depreciation expense is recorded for capitalized assets.	492	19,391	19,883
Interest on bonds is accrued rather than expensed when paid.	-	(1,123)	(1,123)
Amount of interest paid by the bond fund that was for debt that was related to the payment of enterprise fund warrants	-	(22,038)	(22,038)
Retirement of bond principal reduces long-term debt and is not considered an expenditure.	-	(100,000)	(100,000)
Prepaid insurance adjustment is accrued rather than expensed when paid.	5,015	-	5,015
Prepaid utilities adjustment is accrued rather than expensed when paid.	(135)	-	(135)
Expenses are accrued during the year through accounts payable and other payables rather than expensed when paid.	(444)	-	(444)
Total Expenditures as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 179,933</u>	<u>\$ 41,865</u>	<u>\$ 221,798</u>
<b>Other Financing Sources/Uses</b>			
Issuance of Warrants (Budgetary Basis)	\$ 274,568	\$ -	\$ 274,568
Retirement of Warrants (Budgetary Basis)	(286,235)	-	(286,235)
Operating Transfers Out (Budgetary Basis)	(92,975)	-	(92,975)
<b>Differences - Budget to GAAP</b>			
Warrants issued and not yet retired are recorded as a payable rather than recognized as an other financing source.	11,667	-	11,667
Cash transfers to business-type activities are recorded with the general revenues.	92,975	-	92,975
Total Other Financing Sources/Uses (GAAP)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**OTHER SUPPLEMENTARY INFORMATION**

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Schedule of Taxes Receivable**  
**June 30, 2011**

**Tax Levy**

During 2010, the District's Board of Trustees approved a tax levy of 0.586729 per \$100 of actual value of taxable property. The June 30, 2011 taxes receivable based on this levy and the delinquent taxes receivable are as follows:

	General Fund	Debt Service Fund
Valuation of Taxable Property	\$ 64,474,750	\$ 64,474,750
Tax Levy	<u>0.356729</u>	<u>0.230000</u>
Taxes Receivable – 2010-2011	230,000	148,292
Less: 2010-2011 Taxes Collected	<u>120,134</u>	<u>77,456</u>
Balance Taxes Receivable 2010-2011	109,866	70,836
Add Delinquent Taxes Levied in previous years:		
Tax Levied in 2001	5	5
Tax Levied in 2002	315	220
Tax Levied in 2004	23	17
Tax Levied in 2005	564	395
Tax Levied in 2006	4,546	3,078
Tax Levied in 2007	4,965	3,219
Tax Levied in 2008	696	6,878
Tax Levied in 2009	<u>5,483</u>	<u>3,535</u>
Total Taxes Receivable	<u>\$ 126,463</u>	<u>\$ 88,183</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Schedule of Investments**  
**June 30, 2011**

<u>Debt Service Fund</u>	<u>Cost</u>	<u>Market Value</u>	<u>Accrued Interest</u>
U.S. Treasury Bill, Par Value \$70,000 Due September 8, 2011	\$ 69,961	\$ 69,986	\$ 24
Totals	<u>\$ 69,961</u>	<u>\$ 69,986</u>	<u>\$ 24</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Information Required by Section 31-740**  
**Revised Statutes of Nebraska, 1998**  
**For the year ended June 30, 2011**

Gross Revenue from all Sources	\$ 438,353
Gross Revenue from all Sources in Previous Year	\$ 436,387
Amount Spent for Access to the Facilities and Use of the Services of the Library System	None
Amount Spent for Sewage Disposal	None
Amount Expended on Water Mains	None
Gross Amount of Sewage Processed	Not Applicable
Cost per Thousand Gallons of Processing Sewage	Not Applicable
Amount Expended for Repairs and Maintenance	\$ 126,777
Amount Expended for New Equipment	None
Amount Expended for New Construction Work	None
Amount Expended for Real Estate Acquisitions and Property	None
Number of Employees at June 30, 2011	14
Salaries and Fees Paid Employees	\$ 65,362
Total Amount of Taxes Levied Upon the Property Within the District	\$ 378,292

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Board of Trustees and Related Bonds**  
**June 30, 2011**

Trustees		Bonds	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Tina Larson	Chairperson	Universal Surety Co.	\$ 5,000
Rick Staudenmaier	Clerk	Universal Surety Co.	\$ 20,000
Justin Johnson	Trustee		
Dixie Lee Martin	Trustee		
Corinne Dutcher	Trustee		



**GORACKE, RITTERBUSH & PIOTROWSKI, L.L.P.**

*Certified Public Accountants*

10846 Old Mill Road • Suite 1  
Omaha, NE 68154-2652  
Telephone (402) 896-1500  
Fax (402) 896-1726

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. 65  
of Sarpy County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the business-type activities of the Sanitary and Improvement District No. 65 of Sarpy County, Nebraska as of June 30, 2011 and for the year then ended as listed in the table of contents, and have issued our report thereon dated December 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 65 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 Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. The reportable condition is described as item 11-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 65 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Sanitary and Improvement District No. 65 of Sarpy County, Nebraska's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Trustees and the Nebraska Auditor of Public Accounts. However this report is a matter of public record and its distribution is not limited.

*Goracke, Ritterbush & Piotrowski, L.L.P.*

Goracke, Ritterbush & Piotrowski, L.L.P.  
December 8, 2011

**SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

**Financial Statement Findings**

**11-1: Segregation of Duties**

**Criteria or Specific Requirement**

The pool manager is capable of handling all phases of a receipt or disbursement transaction from beginning to end for the enterprise fund.

**Recommendation**

We recommend that management and Board of Trustees review the situation. We recognize that due to a limited number of personnel, an adequate segregation of duties is not possible. A member of the Board of Trustees reviews all invoices before or shortly after payment. An independent bookkeeper balances the month end bank statements as well.

**Management's Response**

We concur with the auditor's findings; however, we do not believe the cost of hiring additional personnel outweighs the benefits of additional segregation of duties.