

**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, 2012**

**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>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets.....	3
Statement of Activities.....	4
FUND FINANCIAL STATEMENTS	
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
Reconciliation of the Proprietary Funds Statement of Net Assets to the Government-Wide Business-Type Activities Statement of Net Assets.....	10
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	11
Reconciliation of the Proprietary Funds Statement of Revenues, Expenditures, and Changes in Business-Type Activities to the Government-Wide Changes in Net Assets for Business-Type Activities.....	12
Statement of Cash Flows.....	13
NOTES TO FINANCIAL STATEMENTS.....	14-23
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
BUDGETARY COMPARISON STATEMENTS	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	25
BUDGETARY COMPARISON STATEMENTS INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to GAAP Reconciliation.....	26
 <u>OTHER SUPPLEMENTARY INFORMATION</u>	
BALANCE SHEET INFORMATION	
Taxes Receivable.....	28
Information Required by Section 31-740.....	29
Board of Trustees and Related Bonds.....	30
 <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>	31-32
Schedule of Findings and Questioned Costs.....	33



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, business-type activities, each major fund, and the aggregate remaining fund information of the Sanitary and Improvement District No. 65 of Sarpy County, Nebraska 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 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 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 referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and each major fund of Sanitary and Improvement District No. 65 of Sarpy County, Nebraska as of June 30, 2012, and the changes in financial position 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 Debt Service Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012 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 grant agreements and other matters. The purpose of that report is to describe to 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.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Information – General Fund and the Budgetary Comparison Information – Debt Service Fund listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Goracke, Ritterbush & Piotrowski, L.L.P.
Omaha, Nebraska
December 19, 2012

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Government-Wide Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash (Note 1)	\$ 250,574	\$ 60,099	\$ 310,673
Taxes Receivable (Notes 1 and 7)	221,476	-	221,476
Prepaid Insurance	1,531	1,064	2,595
Prepaid Utilities	7,445	-	7,445
Capital Assets, Net of Accumulated Depreciation (Notes 1 and 3)	139,253	379,528	518,781
Intangible Assets, Net of Accumulated Amortization (Notes 1 and 4)	-	19,037	19,037
Total Assets	620,279	459,728	1,080,007
Liabilities			
Accounts Payable	28,384	1,207	29,591
Payroll Taxes Payable	-	3,347	3,347
Accrued Interest Payable	8,885	-	8,885
Warrants Payable: (Note 5)			-
Due within one year	7,534	-	7,534
Due in more than one year	20,576	-	20,576
Noncurrent Liabilities: (Note 6)			
Due within one year	135,000	-	135,000
Due in more than one year	735,000	-	735,000
Total Liabilities	935,379	4,554	939,933
Net Assets			
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	(730,747)	398,565	(332,182)
Unrestricted	231,168	-	231,168
	184,479	56,609	241,088
Total Net Assets (Liabilities)	\$ (315,100)	\$ 455,174	\$ 140,074

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, 2012

	Net (Expenses) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
Expenses (Note 1)			
Governmental Activities			
General Government:			
Audit Fees	\$ 5,516	\$ -	\$ 5,516
Broker Fees	1,000	-	1,000
Collection Fees - County Treasurer	7,226	-	7,226
Depreciation (Note 3)	18,511	-	18,511
Engineering	11,588	-	11,588
Insurance and Trustee Bonding	6,413	-	6,413
Legal Fees	17,582	-	17,582
Repairs and Maintenance	56,378	-	56,378
Trustee Fees	524	-	524
Utilities	37,323	-	37,323
Total General Government Expenses	162,061	-	162,061
Interest Expense on Long-Term Debt	15,587	-	15,587
Total Governmental Activities Expenses	177,648	-	177,648
Business-Type Activities			
Advertising	-	11,505	11,505
Amortization	-	3,627	3,627
Bank Charges	-	1,174	1,174
Deposit Refunds	-	5,260	5,260
Depreciation (Note 3)	-	13,085	13,085
Donations	-	100	100
Insurance	-	4,500	4,500
Interest Expense on Long-Term Debt	-	22,037	22,037
Miscellaneous Expense	-	117	117
Payroll Taxes	-	5,133	5,133
Professional Fees	-	1,400	1,400
Repairs and Maintenance	-	27,406	27,406
Salaries and Wages	-	58,516	58,516
Supplies	-	13,121	13,121
Telephone	-	2,054	2,054
Utilities	-	2,117	2,117
Total Business-type Activities Expenses	-	171,152	171,152
Total Government Expenses	177,648	171,152	348,800
General Revenues (Note 1)			
Taxes			
Property Taxes Assessed (Note 7)	379,009	-	379,009
State Motor Vehicle Tax Allocation	1,082	-	1,082
Homestead Exemption	9,245	-	9,245
Interest Income	962	8	970
Membership Dues and Fees	-	32,865	32,865
Miscellaneous Revenue	227	4,781	5,008
Pool Admissions	-	1,515	1,515
Pool Parties	-	1,165	1,165
Rental Income	-	11,080	11,080
Swim Lessons	-	4,980	4,980
Transfers (to) from (Note 8)	(122,262)	122,262	-
Total General Revenues and Transfers	268,263	178,656	446,919
Change in Net Assets	90,615	7,504	98,119
Net Assets (Liabilities) - Beginning of the Year	(405,715)	447,670	41,955
Net Assets (Liabilities) - End of the Year	\$ (315,100)	\$ 455,174	\$ 140,074

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, 2012

	General Fund	Debt Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash on Deposit, County Treasurer (Note 1)	\$ 101,506	\$ 149,068	\$ 250,574
Taxes Receivable (Notes 1 and 7)	130,410	91,066	221,476
Interfund Receivable, Proprietary Fund (Note 8)	-	659,699	659,699
Prepaid Insurance	1,531	-	1,531
Prepaid Utilities	7,445	-	7,445
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 240,892</u>	<u>\$ 899,833</u>	<u>\$ 1,140,725</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 28,384	\$ -	\$ 28,384
Total Liabilities	<u>28,384</u>	<u>-</u>	<u>28,384</u>
 Fund Balances			
Non-Spendable Fund Balance	8,976	-	8,976
Unrestricted Fund Balance			
Assigned Fund Balance	-	899,833	899,833
Unassigned Fund Balance	203,532	-	203,532
	<u>212,508</u>	<u>899,833</u>	<u>1,112,341</u>
Total Liabilities and Fund Equity	<u>\$ 240,892</u>	<u>\$ 899,833</u>	<u>\$ 1,140,725</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, 2012

Total Fund Balances of Governmental Funds	\$ 1,112,341
Amounts reported for governmental activities in the statement of activities are different because:	
Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. These interfund payables are posted on the fund financial statements.	\$ (659,699)
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.	139,253
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, 2012.	(8,885)
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, 2012.	(28,110)
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	<u>(870,000)</u>
Total Net Assets of Governmental Activities	<u>\$ (315,100)</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
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues (Note 1)			
Taxes			
Property Taxes (Note 7)	\$ 230,000	\$ 149,009	\$ 379,009
State Motor Vehicle Tax Allocation	657	425	1,082
Homestead Exemption	5,612	3,633	9,245
Miscellaneous Revenue	227	-	227
Interest Income			
Interest on Taxes Collected	572	369	941
Interest Income on Investments	-	21	21
Total Revenues	237,068	153,457	390,525
Expenditures (Note 1)			
Current			
General Government			
Audit Fees	5,516	-	5,516
Broker Fees	-	1,000	1,000
Collection Fees, County Treasurer	4,389	2,837	7,226
Engineering	11,588	-	11,588
Insurance and Trustee Bonding	6,413	-	6,413
Legal Fees	17,582	-	17,582
Repairs and Maintenance	56,378	-	56,378
Trustee Fees	524	-	524
Utilities	37,323	-	37,323
Total General Government	139,713	3,837	143,550
Debt Service			
Warrant Principal Payment	246,639	1,000	247,639
Bond Principal Payment	-	105,000	105,000
Bond Interest Payment	-	16,796	16,796
Total Expenditures	386,352	126,633	512,985
Other Financing Sources (Uses)			
Proceeds from the Issuance of Warrants	249,615	1,000	250,615
Net Transfers In (Out) (Note 8)	(100,225)	-	(100,225)
Excess Revenues Over Expenditures	106	27,824	27,930
Fund Balance - Beginning of Year	212,402	872,009	1,084,411
Fund Balance - End of Year	<u>\$ 212,508</u>	<u>\$ 899,833</u>	<u>\$ 1,112,341</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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 27,930
Amounts reported for governmental activities in the statement of activities are different because:	
Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. This is the difference between interfund transfers on the government-wide financial statements and the fund financial statements.	(22,037)
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.	(18,511)
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	(250,615)
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	247,639
Bond Principal Payments	105,000
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.	1,209
Change in Net Assets of Governmental Activities	<u>\$ 90,615</u>

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

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Statement of Net Assets
Proprietary Funds
June 30, 2012

Assets	Business-type Activities:
	<u>Enterprise Funds</u>
	Community Clubhouse & Swimming Pool
	<hr/>
Current Assets	
Cash in Bank (Note 1)	\$ 60,099
Prepaid Insurance	1,064
	<hr/>
	61,163
Other Assets	
Capital Assets (Note 3):	
Building	470,206
Furniture and Equipment	47,121
Accumulated Depreciation	<u>(137,799)</u>
Total Capital Assets, Net of Accumulated Depreciation	<hr/>
	379,528
Intangible Assets	
Bond Issue Costs	47,146
Amortization	<u>(28,109)</u>
Total Intangible Assets, Net of Accumulated Amortization	<hr/>
	19,037
	<hr/>
	\$ 459,728
	<hr/> <hr/>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 1,207
Payroll Taxes Payable	3,347
Interfund Payables to Debt Service Fund (Note 8)	<u>659,699</u>
Total Current Liabilities	<hr/>
	664,253
	<hr/>
Net Assets	
Invested in Capital Assets, Net of Related Debt	398,565
Unrestricted	<u>(603,090)</u>
	<hr/>
Total Net Assets	<hr/>
	\$ (204,525)
	<hr/> <hr/>

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

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Reconciliation of the Proprietary Funds Statement of Net Assets to the
Government-Wide Business-Type Activities Statement of Net Assets
For the Year Ended June 30, 2012

Total Fund Balance of Proprietary Funds	\$ (204,525)
---	--------------

Amounts reported for business-type activities in the statement of activities are different because:

Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. These interfund payables are posted on the fund financial statements.

<u>659,699</u>

Total Net Assets of Governmental-Wide Business-Type Activities	<u><u>\$ 455,174</u></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, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities:
	<u>Enterprise Funds</u>
	Community Clubhouse & Swimming Pool
	<hr/>
Operating Revenues (Note 1)	
Membership Dues and Fees	\$ 32,865
Pool Admissions	1,515
Pool Parties	1,165
Swim Lessons	4,980
Rental Income	11,080
Miscellaneous Revenue	4,781
Total Operating Revenues	<hr/> 56,386 <hr/>
Operating Expenses (Note 1)	
Advertising	11,505
Amortization	3,627
Bank Charges	1,174
Deposit Refunds	5,260
Depreciation (Note 3)	13,085
Donations	100
Insurance	4,500
Miscellaneous Expense	117
Payroll Taxes	5,133
Professional Fees	1,400
Repairs and Maintenance	27,406
Salaries and Wages	58,516
Supplies	13,121
Telephone	2,054
Utilities	2,117
Total Operating Expenses	<hr/> 149,115 <hr/>
Income (Loss) from Operations	(92,729)
Non-Operating Revenues (Expenses)	
Interest Income on Cash Investments	8
Interest Expense on Bonds	(22,037)
Income (Loss) Before Contributions and Transfers	<hr/> (114,758)
Other Financing Sources (Uses)	
Transfers In	100,225
Change in Net Assets	(14,533)
Adjustment to reconcile to Government-Wide Statement of Net Assets	<hr/> -
Change in Net Assets of Business-type Activities	(14,533)
Net Assets - Beginning of the Year	(189,992)
Net Assets - End of the Year	<hr/> <u>\$ (204,525)</u> <hr/>

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

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Reconciliation of the Proprietary Funds Statement of Revenues, Expenditures,
and Changes in Business-Type Activities to the Government-Wide Changes in
Net Assets for Business-Type Activities
For the Year Ended June 30, 2012

Net Change in Fund Balances - Total Proprietary Funds \$ (14,533)

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

Operating transfers were reported on the government-wide financial statements to eliminate interfund payables. This is the difference between interfund transfers on the government-wide financial statements and the fund financial statements. 22,037

Change in Net Assets of Business-Type Activities \$ 7,504

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, 2012

	Business-type Activities:
	<u>Enterprise Funds</u>
	Community Clubhouse & Swimming Pool
Cash Flows from Operating Activities	
Cash received from customers	\$ 56,385
Cash payments to suppliers for goods and services	(65,041)
Cash payments for customer refunds	(5,260)
Cash payments to employees for services	(58,516)
Cash payments for payroll taxes	(4,028)
Cash payments for interest	(22,037)
Net Cash Provided (Used) by Operating Activities	<u>(98,497)</u>
Cash Flows from Non-Capital Financing Activities	
Expenses paid for with funds from the general fund	100,225
Net Cash Provided by Non-Capital Financing Activities	<u>100,225</u>
Cash Flows from Capital and Related Financing Activities	
Increase in interfund payable related to capital asset	22,037
Purchases of capital assets	(4,142)
Net Cash Provided by Capital and Related Financing Activities	<u>17,895</u>
Cash Flows from Investing Activities	
Interest on cash investments	<u>8</u>
Net Decrease in Cash and Cash Investments	19,631
Cash and Cash Investments - Beginning of Year	40,468
Cash and Cash Investments - End of Year	<u>\$ 60,099</u>
Reconciliation of Income (Loss) from Operations	
to Net Cash Provided (Used) by Operating Activities	
Income (Loss) from Operations	\$ (92,729)
Adjustments to Reconcile Income (Loss) from Operations	
to Net Cash Provided (Used) by Operating Activities:	
Amortization	3,627
Depreciation	13,085
Interest expense on bonds	(22,037)
Change in assets and liabilities:	
(Increase) Decrease in Prepaid Insurance	(1,064)
Increase (Decrease) in Accounts Payable	(484)
Increase (Decrease) in Payroll Taxes Payable	1,105
Net Cash Provided (Used) by Operating Activities	<u>\$ (98,497)</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, 2012

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 19, 2012, 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, 2012.
- 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, 2012, basic financial statements.

Deposits. At June 30, 2012, the carrying amounts of the District's deposits were \$101,506 in the General Fund, \$149,068 in the Debt Service Fund, and \$60,099 in the Enterprise Fund. The County Treasurer balances for all funds totaled \$250,574. The balance at Centennial Bank totaled \$60,099. For purposes of classifying categories of custodial risk, the bank and the County Treasurer balances of the District's deposits as of June 30, 2012 were entirely insured by the federal depository insurance corporation.

Investments. As of June 30, 2012, the District held no investments.

Note 3 – Capital Assets and Accumulated Depreciation

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

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Sales or</u> <u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</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	<u>53,363</u>	<u>-</u>	<u>-</u>	<u>53,363</u>
Subtotal	4,251,399	-	-	4,251,399
Less: Accumulated Depreciation	<u>(4,093,635)</u>	<u>(18,511)</u>	<u>-</u>	<u>(4,112,146)</u>
Total Net Capital Assets	<u>\$ 157,764</u>	<u>\$ (18,511)</u>	<u>\$ -</u>	<u>\$ 139,253</u>

<u>Business-type Activities:</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Sales or</u> <u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
Depreciable Capital Assets:				
Buildings	\$ 470,206	\$ -	\$ -	\$ 470,206
Equipment	<u>42,979</u>	<u>4,142</u>	<u>-</u>	<u>47,121</u>
Subtotal	513,185	-	-	517,327
Less: Accumulated Depreciation	<u>(124,714)</u>	<u>(13,085)</u>	<u>-</u>	<u>(137,799)</u>
Total Net Capital Assets	<u>\$ 388,471</u>	<u>\$ (8,943)</u>	<u>\$ -</u>	<u>\$ 379,528</u>

The District recorded total depreciation expense of \$31,596, of which \$18,511 was allocated directly for the governmental activities and \$13,085 was directly allocated to the business-type activities, for the year ended June 30, 2012.

Note 4 – Intangible Assets and Accumulated Amortization

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

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Sales or</u> <u>Disposals</u>	<u>Balance</u> <u>June 30, 2011</u>
Bond Issue Costs	\$ 47,146	\$ -	\$ -	\$ 47,146
Less: Accumulated Amortization	<u>(24,482)</u>	<u>(3,627)</u>	<u>-</u>	<u>(28,109)</u>
Net Capital Assets	<u>\$ 22,664</u>	<u>\$ (3,627)</u>	<u>\$ -</u>	<u>\$ 19,037</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, 2012.

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>
2013	\$ 7,453	\$ 81	\$ 7,534
2014	-	-	-
2015	<u>20,576</u>	-	<u>20,576</u>
	<u>\$ 28,029</u>	<u>\$ 81</u>	<u>\$ 28,110</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, 2012.

All \$81 of the debt service fund warrants outstanding as of June 30, 2012 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%	<u>15,000</u>
		<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:

Note 6 – Long-Term Debt (Continued)

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Payable</u>
September 15, 2012	4.05%	\$ 110,000
September 15, 2013	4.20%	115,000
September 15, 2014	4.35%	125,000
		<u>\$ 350,000</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>

Transactions for long-term debt for the year ended June 30, 2012 are summarized as follows:

<u>Type of Debt</u>	<u>Balance June 30, 2011</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2012</u>
Bond Issue, 1977	\$ 25,000	\$ -	\$ -	\$ 25,000
Bond Issue, 2002	455,000	-	105,000	350,000
Bond Issue, 2004	495,000	-	-	495,000
Total	<u>\$ 975,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 870,000</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>
2013	\$ 135,000	\$ 34,533	\$ 169,533
2014	115,000	29,890	144,890
2015	125,000	24,756	149,756
2016	160,000	18,557	178,557
2017	165,000	11,406	176,406
2018	170,000	3,868	173,868
Totals	<u>\$ 870,000</u>	<u>\$ 123,010</u>	<u>\$ 993,010</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>	District Valuation of <u>Property</u>	<u>District Tax Levy per \$100</u>		
		<u>General</u>	<u>Debt Service</u>	<u>Total</u>
2011-2012	<u>\$ 64,786,566</u>	<u>0.355012</u>	<u>0.230000</u>	<u>0.585012</u>

Note 8 - Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2012 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>\$ 659,699</u>

The \$659,699 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 consists of \$500,000 in bonds payable, \$4,591 in accrued bond interest, \$155,027 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, 2012, the District transferred \$100,225 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, 2012 of (\$204,525). 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.

Note 11 – Restatement of Financial Statements

The beginning fund balance was restated to correct balances at June 30, 2011. In the Debt Service Fund, Fund Balance – Beginning of the Year was decreased by \$637,662 from \$231,947 to (\$405,715). In the Enterprise Fund, Fund Balance – Beginning of the Year was increased by \$637,662 from (\$189,992) to \$447,670. The correction was made to properly remove the beginning balance of internal activity between the funds on the Government-Wide Financial Statements.

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, 2012

	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)
Revenues						
Property Taxes Collected	\$ 221,154	\$ 226,054	\$ 4,900	\$ 143,278	\$ 146,126	\$ 2,848
State Motor Vehicle Tax	600	657	57	400	425	25
Homestead Exemption	-	5,612	5,612	-	3,633	3,633
Miscellaneous Revenue	-	227	227	-	-	-
Interest on Investments	-	-	-	70	45	(25)
Interest on Taxes	850	572	(278)	510	369	(141)
Total Revenues	<u>222,604</u>	<u>233,122</u>	<u>10,518</u>	<u>144,258</u>	<u>150,598</u>	<u>6,340</u>
Expenditures						
Current Operating Expenses						
Audit Fee	7,000	5,516	1,484	-	-	-
Broker Fees	3,000	500	2,500	-	1,000	(1,000)
Clerk and Trustee Fees	1,500	524	976	-	-	-
Collection Fee, Co. Treasurer	4,423	4,389	34	2,866	2,836	30
Engineering	12,000	12,003	(3)	-	-	-
Insurance and Trustee Bonding	20,000	15,404	4,596	-	-	-
Legal Fees	15,000	19,566	(4,566)	-	-	-
Miscellaneous	500	-	500	-	-	-
Repairs and Maintenance	70,000	52,325	17,675	-	-	-
Utilities	35,000	37,873	(2,873)	-	-	-
Total Operating Expenses	<u>168,423</u>	<u>148,100</u>	<u>20,323</u>	<u>2,866</u>	<u>3,836</u>	<u>(970)</u>
Debt Service						
Retirement of Bond Principal	-	-	-	105,000	105,000	-
Interest on Bonds	-	-	-	38,834	38,834	-
Total Expenditures	<u>168,423</u>	<u>148,100</u>	<u>20,323</u>	<u>146,700</u>	<u>147,670</u>	<u>(970)</u>
Excess/(Deficiency) of Revenues Over Expenditures	54,181	85,022	30,841	(2,442)	2,928	5,370
Other Financing Sources (Uses)						
Issuance of Warrants	164,000	249,615	85,615	-	1,000	1,000
Retirement of Warrants	(199,421)	(246,639)	(47,218)	(81)	(1,000)	(919)
Operating Transfers Out	(80,000)	(91,259)	(11,259)	-	-	-
Sinking Fund	-	-	-	(80,000)	-	80,000
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>\$ (61,240)</u>	<u>(3,261)</u>	<u>\$ 57,979</u>	<u>\$ (82,523)</u>	<u>2,928</u>	<u>\$ 85,451</u>
Fund Balance, Beginning of Year		<u>104,767</u>			<u>146,140</u>	
Fund Balance, End of Year		<u>\$ 101,506</u>			<u>\$ 149,068</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, 2012

	General Fund	Debt Service Fund	Total
Sources/Inflows of Resources			
Actual Amounts (Budgetary Basis) "Total Revenues" Available for Appropriation from the Budgetary Comparison Schedule	\$ 233,122	\$ 150,598	\$ 383,720
Differences - Budget to GAAP			
Property tax revenue is recognized when assessed or when excess collections are recorded rather than when collected.	3,946	2,883	6,829
Interest income is accrued during the year rather than recognized when collected.	-	(24)	(24)
Transfers to business-type activities is recorded with the general revenues.	(122,262)	-	(122,262)
Total Revenues as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 114,806</u>	<u>\$ 153,457</u>	<u>\$ 268,263</u>
Uses/Outflows of Resources			
Actual Amounts (Budgetary Basis) of Total Expenditures from the Budgetary Comparison Schedule	\$ 148,100	\$ 147,670	\$ 295,770
Differences - Budget to GAAP			
Depreciation expense is recorded for capitalized assets.	492	18,019	18,511
Interest on bonds is accrued rather than expensed when paid.	-	(1,209)	(1,209)
Amount of interest paid by the bond fund that was for debt that was related to the payment of enterprise fund warrants	-	(22,037)	(22,037)
Retirement of bond principal reduces long-term debt and is not considered an expenditure.	-	(105,000)	(105,000)
Prepaid insurance adjustment is accrued rather than expensed when paid.	(1,531)	-	(1,531)
Prepaid utilities adjustment is accrued rather than expensed when paid.	(2,956)	-	(2,956)
Expenses were incurred by clubhouse and swimming pool. These amounts are paid on behalf of the enterprise fund (transferred out).	(8,967)	-	(8,967)
Expenses are accrued during the year through accounts payable and other payables rather than expensed when paid.	5,067	-	5,067
Total Expenditures as Reported on the Government-Wide Statement of Activities (GAAP)	<u>\$ 140,205</u>	<u>\$ 37,443</u>	<u>\$ 177,648</u>
Other Financing Sources/Uses			
Issuance of Warrants (Budgetary Basis)	\$ 249,615	\$ 1,000	\$ 250,615
Retirement of Warrants (Budgetary Basis)	(246,639)	(1,000)	(247,639)
Operating Transfers Out (Budgetary Basis)	(91,259)	-	(91,259)
Differences - Budget to GAAP			
Warrants issued and not yet retired are recorded as a payable rather than recognized as an other financing source.	(2,976)	-	(2,976)
Cash transfers to business-type activities are recorded with the general revenues.	91,259	-	91,259
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, 2012

Tax Levy

During 2011, the District's Board of Trustees approved a tax levy of 0.585012 per \$100 of actual value of taxable property. The June 30, 2012 taxes receivable based on this levy and the delinquent taxes receivable are as follows:

	General Fund	Debt Service Fund
Valuation of Taxable Property	\$ 64,786,566	\$ 64,786,566
Tax Levy	<u>0.355012</u>	<u>0.230000</u>
Taxes Receivable – 2011-2012	230,000	149,009
Less: 2011-2012 Taxes Collected	<u>121,183</u>	<u>78,510</u>
Balance Taxes Receivable 2011-2012	108,817	70,499
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	5,283	3,406
Tax Levied in 2010	<u>5,196</u>	<u>3,349</u>
Total Taxes Receivable	<u>\$ 130,410</u>	<u>\$ 91,066</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, 2012

Gross Revenue from all Sources	\$ 446,919
Gross Revenue from all Sources in Previous Year	\$ 438,353
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	\$ 83,784
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, 2012	12
Salaries and Fees Paid Employees	\$ 58,516
Total Amount of Taxes Levied Upon the Property Within the District	\$ 379,009

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Board of Trustees and Related Bonds
June 30, 2012

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 Johansen	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, business-type activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 65 of 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 December 19, 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 Sanitary and Improvement District No. 65 of Sarpy County, Nebraska 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. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses 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 in internal control over financial reporting 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 12-1.

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, LLP.

Goracke, Ritterbush & Piotrowski, LLP
Omaha, Nebraska
December 19, 2012

SANITARY AND IMPROVEMENT DISTRICT NO. 65 OF SARPY COUNTY, NEBRASKA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Financial Statement Findings

12-1: 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.