



**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

**FINANCIAL STATEMENTS AND
ACCOMPANYING INDEPENDENT AUDITOR'S REPORT**

FEBRUARY 17, 2010

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

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December 27, 2010

INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members of the City Council
City of Papillion, Nebraska**

**Board of Trustees
Sanitary and Improvement District No. 117
of Sarpy County, Nebraska**

We have audited the accompanying financial statements of the governmental activities and each fund of Sanitary and Improvement District No. 117 of Sarpy County, Nebraska (the "District"), as of February 17, 2010 and for the period from July 1, 2009 through February 17, 2010, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the District as of February 17, 2010, and the respective changes in financial position for the period July 1, 2009 through February 17, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The 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 a part of, the basic financial statements.

The Budgetary Comparison Schedules, Reconciliation and Note on pages 16 - 19 are not a required part of the basic financial statements, but is 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 do not express an 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 financial information included on pages 20 - 21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Orizon CPAs LLC
ORIZON CPAs LLC

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

STATEMENT OF NET ASSETS

FEBRUARY 17, 2010

	<u>Governmental Activities</u>
ASSETS:	
Cash with County Treasurer	\$ 211,246
Investments with County Treasurer	59,997
Accounts receivable	140,000
Property tax receivable	229,904
Other current assets	4,269
Bond issue costs, net of accumulated amortization	75,869
Capital assets, net of accumulated depreciation	<u>457,250</u>
TOTAL ASSETS	<u>1,178,535</u>
 LIABILITIES:	
Accounts payable	685
Accrued interest on bonds	7,390
Warrants payable	15,880
Bonds payable	<u>1,595,000</u>
TOTAL LIABILITIES	<u>1,618,955</u>
 NET ASSETS:	
Invested in capital assets, net of related debt	(1,069,271)
Restricted for debt service	474,960
Unrestricted	<u>153,891</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ (440,420)</u>

See the Accompanying Notes to the Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

STATEMENT OF ACTIVITIES

FROM JULY 1, 2009 THROUGH FEBRUARY 17, 2010

	Governmental Activities	
Governmental activities expenses:		
General services	\$ 61,132	
Interest on indebtedness	48,991	
Net program expenses		\$ 110,123
General revenues:		
Property taxes	230,275	
Motor vehicle taxes	342	
Interest income	273	
Total general revenues		<u>230,890</u>
Change in net assets		120,767
Net assets (deficit) - beginning of year, as previously reported	(734,774)	
Prior period adjustments	<u>173,587</u>	
Net assets (deficit) - beginning of year, as restated		<u>(561,187)</u>
Net assets (deficit) - end of year		<u>\$ (440,420)</u>

See the Accompanying Notes to the Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

FEBRUARY 17, 2010

	General	Debt Service	Total Governmental Funds
ASSETS:			
Cash with County Treasurer	\$ 46,259	\$ 164,987	\$ 211,246
Investments with County Treasurer	59,997		59,997
Accounts receivable		140,000	140,000
Property tax receivable	59,931	169,973	229,904
Other current assets	4,269		4,269
Total assets	\$ 170,456	\$ 474,960	\$ 645,416
 LIABILITIES:			
Accounts payable	\$ 685		\$ 685
Warrants payable	15,880		15,880
Deferred revenue	28,125	\$ 79,766	107,891
Total liabilities	44,690	79,766	124,456
 FUND BALANCE:			
Restricted for:			
Debt service fund		395,194	395,194
Unrestricted	125,766		125,766
Total fund balance	125,766	395,194	520,960
Total liabilities and fund balances	\$ 170,456	\$ 474,960	\$ 645,416

See the Accompanying Notes to the Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS**

FEBRUARY 17, 2010

Total fund balance - governmental funds	\$ 520,960
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Amounts reported for governmental activities in the statement of net assets are different because:

Infrastructure, property and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.	457,250
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Bond issue costs were expensed when incurred in the fund financials, but are capitalized and amortized over the life of the bonds on the Statement of Net Assets as deferred charges.	75,869
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,595,000)
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Accrued interest expense from the balance sheet that requires current financial resources for governmental activities.	(7,390)
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Deferred revenues represent funds not available in the current period and, therefore, are not recognized as revenue in the governmental funds.	<u>107,891</u>
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Total net assets (deficit) - governmental activities	<u>\$ (440,420)</u>
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See the Accompanying Notes to the Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

FROM JULY 1, 2009 THROUGH FEBRUARY 17, 2010

	General	Debt Service	Total Governmental
REVENUES:			
Property taxes	\$ 31,899	\$ 90,485	\$ 122,384
Motor vehicle tax	89	253	342
Interest on investments	46	227	273
Total revenues	32,034	90,965	122,999
EXPENDITURES:			
Current:			
Audit fees	3,999		3,999
Broker fees	500		500
Clerk fees	185		185
Collection fees - County Treasurer	558	1,582	2,140
Engineering	104		104
Insurance and trustee bonding	974		974
Legal fees	5,618		5,618
Repairs and maintenance	3,689		3,689
Utilities	8,695		8,695
Bonds principal		120,000	120,000
Interest on bonds		58,386	58,386
Total expenditures	24,322	179,968	204,290
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,712	(89,003)	(81,291)
FUND BALANCE - beginning of year, as previously reported	118,054	344,197	462,251
PRIOR PERIOD AJUSTMENT		140,000	140,000
FUND BALANCE - beginning of year, as restated	118,054	484,197	602,251
FUND BALANCE - end of year	\$ 125,766	\$ 395,194	\$ 520,960

See the Accompanying Notes to the Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE CHANGES
IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

FROM JULY 1, 2009 THROUGH FEBRUARY 17, 2010

Net change in fund balances - governmental funds \$ (81,291)

Amounts reported for governmental activities in the statement of activities differ because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets will be allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (29,581)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Additionally, the effect of issuance costs, premiums, discounts and similar items when new debt is issued, whereas, these amounts are deferred and amortized in the statement of activities. This is the amount that bond principal repayments exceeded amortization expense. 114,353

The net change in accrued interest expense that does not require current financial resources. 9,395

The net change in deferred revenues that does not provide current financial resources. 107,891

Change in net assets - governmental activities \$ 120,767

See the Accompanying Notes to the Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 117 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 are responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the 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.

Basis of Presentation

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

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

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 period.

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.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used 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 amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.

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 expensed 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	25-40 Years
Land and Park Improvements	20-30 Years

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

Investments

Investments are stated at cost or amortized cost, which approximates fair value. Additional cash and investment disclosures are presented in Note 2.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Long-term Debt, Deferred Debt Expense and Bond Discounts/Premiums

In government-wide financial statements, outstanding debt is reported as a liability. Bond issuance costs, bond discounts or premiums and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using the method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

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.

Budget and Budgetary Accounting

The District is required by state law to adopt annual budgets for the General Fund and Debt Service Fund. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the State budget act.

State Statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditures and/or tax levy limitations.

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

- a. The Board of Trustees considers a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at a public meeting to obtain taxpayer comments.
- c. Prior to September 20, the budget is legally enacted by a resolution of the Board of Trustees.
- d. An encumbrance system is not used by the District and all appropriations lapse at the end of the fiscal year.
- e. The budget is adopted on a per-fund basis and all adjustments or supplemental appropriations must be approved by the Board of Trustees. No such adjustments or supplemental appropriations were made to the 2009-2010 budget.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

2. DEPOSITS AND INVESTMENTS

Nebraska statutes provide that the District may, by and with the consent of the Board of Trustees of the District, invest the funds of the District in certificates of deposit or treasury bills.

Deposit and investment risks include:

- Custodial Credit Risk – for deposits and investments, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the District will not be able to recover the value of its deposits or investments or collateral securities in the possession of a third party.
- Credit Risk – for deposits and investments, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits and investments, interest rate risk is the risk that the value of deposits and investments will decrease as a result of a rise in interest rates.

The District has not adopted specific policies for the above risks, but requires compliance with the provisions of state statutes.

According to State statutes, Sanitary and Improvement Districts are required to maintain their cash with the County Treasurer. At February 17, 2010, the County Treasurer has represented to the District that the District's cash maintained by the County Treasurer is insured or collateralized in the County Treasurer's name.

The District may by State statute invest in U.S. Government obligations, certificates of deposit and other time deposits. The District's investments of \$59,997 consist primarily of U.S. Treasury bills with an original maturity of less than one year. As of February 17, 2010, all of the District's investments were uninsured and unregistered investments for which the securities were held by the County Treasurer in the District's name.

3. ACCOUNTS RECEIVABLE

As of February 17, 2010, the District had accounts receivable of \$140,000 from the City of Papillion related to payments made by the District for a storm sewer owned by the City of Papillion. The receivable balance has been classified as a current asset because the District was annexed by the City of Papillion on February 17, 2010.

As of February 17, 2010, this storm sewer project was fully depreciated and, therefore, the entire \$140,000 was reported as a prior period adjustment on the governmental activities financial statements, as well as on the governmental funds financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

4. CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

A summary of capital assets for the period ended February 17, 2010 is as follows:

	Balance June 30, <u>2009</u>	<u>Adjustments</u>	<u>Additions</u>	Balance February 17, <u>2010</u>
Depreciable capital assets:				
Infrastructure assets	\$ 2,221,877	\$ (248,834)		\$ 1,973,043
Land/park improvements	<u>107,186</u>			<u>107,186</u>
Subtotal	2,329,063	<u>(248,834)</u>		2,080,229
Less: accumulated depreciation	<u>(1,832,743)</u>	<u>239,345</u>	<u>\$ (29,581)</u>	<u>(1,622,979)</u>
Net capital assets	<u>\$ 496,320</u>	<u>\$ (9,489)</u>	<u>\$ (29,581)</u>	<u>\$ 457,250</u>

The District has reported a prior period adjustment of \$9,489 on the statement of activities to remove net capitalized assets which were not owned by the District.

The District recorded depreciation expense of \$29,581 for the period ended February 17, 2010 which is included in general services on the statement of activities.

5. INTANGIBLE ASSETS AND ACCUMULATED AMORTIZATION

A summary of intangible assets for the period ended February 17, 2010 is as follows:

	Balance June 30, <u>2009</u>	<u>Adjustments</u>	<u>Additions</u>	Balance February 17, <u>2010</u>
Bond issue costs	\$ 70,544	\$ 79,530		\$ 150,074
Less: accumulated depreciation	<u>(32,104)</u>	<u>(36,454)</u>	<u>\$ (5,647)</u>	<u>(74,205)</u>
Net intangible assets	<u>\$ 38,440</u>	<u>\$ 43,076</u>	<u>\$ (5,647)</u>	<u>\$ 75,869</u>

The District issued general obligation bonds on August 15, 2003. The cost of issuance of \$70,544 includes bond discount, legal fees, and broker fees. The District recorded amortization expense of \$3,449 for period ended February 17, 2010.

The District reported a prior period adjustment of \$43,076 on the statement of activities to record net bond issue costs of the general obligation bonds issued on October 15, 1998. The cost of issuance of \$79,530 includes bond discount, legal fees, and broker fees. The District recorded amortization expense of \$2,198 for the period ended February 17, 2010.

6. 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 date of issuance. Registered warrants bear interest at the rate of 7% per annum. Interest accrued on warrants from the date of registration until the date they are called for payment. General Fund warrants of \$15,880 were outstanding as of February 17, 2010. None of the general fund warrants issued and outstanding have been registered as of February 17, 2010.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

7. LONG-TERM DEBT

On December 15, 1998, the District issued \$780,000 in general obligation bonds. The bonds were callable on December 15, 2003, and at any time thereafter. The proceeds from the sale of these bonds were used to pay a portion of the April 1, 1995 bond issue and retire outstanding warrants and interest. 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>
December 15, 2017	5.40%	\$ 170,000
December 15, 2018	5.45%	180,000
December 15, 2019	5.50%	190,000
December 15, 2020	5.50%	<u>200,000</u>
Total		<u>\$ 740,000</u>

On August 15, 2003, the District issued \$1,485,000 in general obligation bonds. The bonds were callable on December 15, 2008, and at any time thereafter. The proceeds from the sale of these bonds were used to redeem the September 15, 1993 bonds in the amount of \$430,000, the April 1, 1995 bonds in the amount of \$255,000, and the October 15, 1998 bonds in the amount of \$780,000. 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>
August 15, 2011	3.80%	\$ 125,000
August 15, 2012	4.00%	135,000
August 15, 2013	4.20%	140,000
August 15, 2014	4.30%	145,000
August 15, 2015	4.40%	150,000
August 15, 2016	4.50%	<u>160,000</u>
Total		<u>\$ 855,000</u>

Transactions for long-term debt for the period ended February 17, 2010 are summarized as follows:

<u>Type of Debt</u>	<u>Balance June 30, 2009</u>	<u>Payments</u>	<u>Balance February 17, 2010</u>
Bond Issue, 1998	\$ 740,000		\$ 740,000
Bond Issue, 2003	<u>975,000</u>	\$ (120,000)	<u>855,000</u>
Total	<u>\$ 1,715,000</u>	<u>\$ (120,000)</u>	<u>\$ 1,595,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

7. LONG-TERM DEBT, CONTINUED

Aggregate maturities of long-term debt are as follows:

Period Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010		\$ 20,220	\$ 20,220
2011	\$ 125,000	74,131	199,131
2012	135,000	69,056	204,056
2013	140,000	63,416	203,416
2014	145,000	57,358	202,358
2015-2019	660,000	197,625	857,625
2020-2021	<u>390,000</u>	<u>21,725</u>	<u>411,725</u>
Total	<u>\$ 1,595,000</u>	<u>\$ 503,531</u>	<u>\$ 2,098,531</u>

8. TAX LEVY

Property taxes are levied in August and become due in 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 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 become available, which includes those property tax receivables expected to be collected within sixty days after period-end. The portion of the taxes not expected to be collected within sixty days after period-end is recorded as deferred revenue. 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>
2009-2010	<u>\$35,579,590</u>	<u>0.16876</u>	<u>0.47863</u>	<u>0.64739</u>

9. RISK MANAGEMENT

The District is exposed to various risks of loss, include those related to torts; theft of, damage to or destruction of assets; errors or omissions; injuries; 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 period or the three prior periods.

10. SUBSEQUENT EVENT

On February 17, 2010, the District was annexed by the City of Papillion. Once annexed, all the financial attributes of the District became part of the City of Papillion.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - GENERAL FUND

FOR THE PERIOD JULY 1, 2009 THROUGH FEBRUARY 17, 2010

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS:			
Property taxes	\$ 58,991	\$ 28,302	\$ (30,689)
State motor vehicle tax allocation	175	89	(86)
Interest on investments	160	50	(110)
Total receipts	59,326	28,441	(30,885)
DISBURSEMENTS:			
Current operations:			
Audit fees	4,200	7,831	(3,631)
Broker fees	1,500	480	1,020
Clerk fees	1,600		1,600
Collection fees - County Treasurer	1,155	558	597
Engineering	8,000	2,108	5,892
Insurance and trustee bonding	2,500	2,149	351
Legal fees	6,500	6,763	(263)
Repair and maintenance	100,000	11,750	88,250
Utilities	18,000	6,439	11,561
Total disbursements	143,455	38,078	105,377
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(84,129)	(9,637)	74,492
OTHER FINANCING USES:			
Retirement of warrants	(7,949)		7,949
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS AND OTHER FINANCING USES	\$ (92,078)	(9,637)	\$ 82,441
FUND BALANCE - beginning of year		115,893	
FUND BALANCE - end of year		\$ 106,256	

See the Accompanying Note to Required Supplementary Information.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - DEBT SERVICE FUND

FOR THE PERIOD JULY 1, 2009 THROUGH FEBRUARY 17, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
RECEIPTS:			
Property taxes	\$ 167,291	\$ 80,268	\$ (87,023)
State motor vehicle tax allocation	500	253	(247)
Interest on investments	850	373	(477)
Total receipts	<u>168,641</u>	<u>80,894</u>	<u>(87,747)</u>
DISBURSEMENTS:			
Collection fees - County Treasurer	3,275	1,582	1,693
Bond principal	120,000	120,000	
Interest on bonds	<u>78,605</u>	<u>58,386</u>	<u>20,219</u>
Total disbursements	<u>201,880</u>	<u>179,968</u>	<u>21,912</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(33,239)	(99,074)	(65,835)
OTHER FINANCING USES:			
Sinking fund retirement	<u>(200,000)</u>	_____	<u>200,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS AND OTHER FINANCING USES	<u>\$ (233,239)</u>	(99,074)	<u>\$ 134,165</u>
FUND BALANCE - beginning of year		<u>264,061</u>	
FUND BALANCE - end of year		<u>\$ 164,987</u>	

See the Accompanying Note to Required Supplementary Information.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

BUDGET TO GAAP RECONCILIATION

FOR THE PERIOD JULY 1, 2009 THROUGH FEBRUARY 17, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Sources and inflows of resources:			
Actual amounts (budgetary basis) "total revenues" available for appropriation from the budgetary comparison schedule	\$ 28,441	\$ 80,894	\$ 109,335
Difference - Budget to GAAP			
Real estate and property tax revenue is recognized when assessed and excess collections are recorded (subject to ability to collect within 60 days rule) rather than when collected	31,722	89,983	121,705
Interest income is accrued during the year rather than recognized when collected	<u>(4)</u>	<u>(146)</u>	<u>(150)</u>
Total revenues as reported on the government-wide statement of activities (GAAP)	<u>\$ 60,159</u>	<u>\$ 170,731</u>	<u>\$ 230,890</u>
 Uses and outflows of resources:			
Actual amounts (budgetary basis) of total expenditures from the budgetary comparison schedule	\$ 38,078	\$ 179,968	\$ 218,046
Difference - Budget to GAAP			
Retirement of long-term debt principal is not an expenditure but a reduction in long-term liability		(120,000)	(120,000)
Interest on bonds is accrued rather than expensed when paid		(9,395)	(9,395)
Capital outlay is depreciated rather than expensed when paid. This is the amount of depreciation expense.		29,581	29,581
Intangible assets are amortized rather than expensed when paid. This is the amount of amortization expense.		5,647	5,647
Expenditures are accrued during the year through accounts payable, other payables or prepaid expenses rather than expensed when paid	<u>(13,756)</u>		<u>(13,756)</u>
Total expenditures as reported on the government-wide statement of activities (GAAP).	<u>\$ 24,322</u>	<u>\$ 85,801</u>	<u>\$ 110,123</u>

See the Accompanying Note to Required Supplementary Information.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES**

FOR THE PERIOD JULY 1, 2009 THROUGH FEBRUARY 17, 2010

1. BUDGETARY ACCOUNTING

The District prepares its budgets on the cash basis of accounting. Accordingly, revenues are recognized when cash is received by the District and expenditures are recognized when cash is disbursed. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method of accounting, all unexpended appropriations lapse at the end of the budget period.

Amounts presented on the cash basis of accounting differ from those presented in accordance with GAAP due to the treatment of afforded accruals. A reconciliation for the period ended February 17, 2010, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented in the budget to GAAP reconciliation.

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

**INFORMATION REQUIRED BY SECTION 31-740,
REISSUE REVISED STATUTES OF NEBRASKA**

FOR THE PERIOD JULY 1, 2009 THROUGH FEBRUARY 17, 2010

Gross revenue from all sources in previous year	\$ 237,971
Amount spent for access to facilities and use of the services of the library system of one or more neighboring cities or villages	None
Amount spent for sewage disposal	None
Amount expended for water mains	None
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for maintenance and repairs	\$ 3,689
Amount expended for new equipment	None
Amount expended for new construction work	None
Amount expended for real estate acquisitions	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon the property within the District	\$ 230,341

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

BOARD OF TRUSTEES AND RELATED BONDS

FEBRUARY 17, 2010

TRUSTEES

BONDS

Bruce Popish, Chairperson

Universal Surety Co. \$ 5,000

Steve Williamson, Clerk

Universal Surety Co. \$ 20,000

Tony Calandra, Trustee

Todd Gould, Trustee

ORIZON CPAs LLC
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OMAHA, NEBRASKA 68130



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December 27, 2010

**INDEPENDENT AUDITOR'S 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**

**Honorable Mayor and Members of the City Council
City of Papillion, Nebraska**

**Board of Trustees
Sanitary and Improvement District No. 117
of Sarpy County, Nebraska**

We have audited the basic financial statements of Sanitary and Improvement District No. 117 of Sarpy County, Nebraska (the "District") as of February 17, 2010 and for the period July 1, 2009 through February 17, 2010, and have issued our report thereon dated December 27, 2010. Our report disclosed that the financial statements do not include Management's Discussion and Analysis in the required supplementary information. 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standard* and which is described in the accompanying schedule of findings and responses as item 2010-1.

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

Orizon CPAs LLC

ORIZON CPAs LLC

**SANITARY AND IMPROVEMENT DISTRICT NO. 117
OF SARPY COUNTY, NEBRASKA**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE PERIOD JULY 1, 2009 THROUGH FEBRUARY 17, 2010

A. FINANCIAL STATEMENT FINDINGS

2010-1 NONCOMPLIANCE OR OTHER MATTERS

Proper Organization

Condition: At February 17, 2010, the District had four trustees rather than the prescribed five trustees.

Criteria: A district's board of trustees should consist of five or more owners of real estate located in the district.

The District was annexed by the City of Papillion on February 17, 2010.