



FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

Sanitary and Improvement District No. 158
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2010

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J. DOUGLAS GOODNIGHT
(1936 - 2006)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 158
Sarpy County, Nebraska

We have audited accompanying the financial statements of the governmental activities, and each major fund, of Sanitary and Improvement District No. 158 of Sarpy County, Nebraska as of and for the year ended June 30, 2010, which collectively comprise the 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 major fund of Sanitary and Improvement District No. 158 of Sarpy County, Nebraska as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 22, 2010 on our consideration of Sanitary and Improvement District No. 158 of Sarpy County'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.

INDEPENDENT AUDITORS' REPORT- continued

The Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General and Debt Service Fund on page 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on page 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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.

Arnsperg, Doodright, Selwall + Nelson, P.C.

Omaha, Nebraska
December 22, 2010

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government		Total
	Government Activities	Business-Type Activities	
ASSETS:			
Cash on deposit - County Treasurer	\$ 1,286,388	\$ 40,078	\$ 1,326,466
Taxes receivable (notes H and J)	402,975	-	402,975
Accounts receivable		8,577	8,577
Special assessment receivable (notes B and J)	608,599	-	608,599
Accrued interest on special assessments	881,345	-	881,345
Lots for sale (note C)	-	245,699	245,699
Investments (note D)	814,482	-	814,482
Accrued interest on investments	223	-	223
Intra-fund receivable	203,253	(203,253)	-
Bond issue costs, net of amortization	525,839	-	525,839
Capital assets (note E):			
Infrastructure	11,527,136	-	11,527,136
Accumulated depreciation	<u>(4,133,154)</u>	<u>-</u>	<u>(4,133,154)</u>
 Total assets	 <u>12,117,086</u>	 <u>91,101</u>	 <u>12,208,187</u>
LIABILITIES:			
Accounts payable	50,867	116	50,983
Warrants payable	122,052	-	122,052
Accrued interest	144,361	-	144,361
Non current liabilities (notes F and G):			
Due within one year	275,000	-	275,000
Due in more than one year	<u>8,890,475</u>	<u>-</u>	<u>8,890,475</u>
 Total liabilities	 <u>9,482,755</u>	 <u>116</u>	 <u>9,482,871</u>
COMMITMENTS AND CONTINGENCIES (notes I and K)			
	-	-	-
NET ASSETS:			
Invested in capital assets, net of related debt	(1,245,654)	-	(1,245,654)
Restricted for debt service	3,613,276	-	3,613,276
Unrestricted	<u>266,709</u>	<u>90,985</u>	<u>357,694</u>
 Total net assets	 <u>\$ 2,634,331</u>	 <u>\$ 90,985</u>	 <u>\$ 2,725,316</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes in Net Assets</u>	
			<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Governmental activities				
General	\$ 506,556	\$ -	\$ (506,556)	\$ -
Debt service	58,508	-	(58,508)	-
Depreciation	362,723	-	(362,723)	-
Interest on long-term debt	<u>464,093</u>	<u>-</u>	<u>(464,093)</u>	<u>-</u>
Total governmental activities	<u>\$1,391,880</u>	<u>\$ -</u>	<u>(1,391,880)</u>	<u>-</u>
Business-type activities:				
Water system	25,619	34,816	-	9,197
Lot Sales	<u>34,552</u>	<u>95,520</u>	<u>-</u>	<u>60,968</u>
Total Business-type activities	<u>60,171</u>	<u>130,336</u>	<u>-</u>	<u>70,165</u>
	<u>\$1,452,051</u>	<u>\$130,336</u>	<u>(1,391,880)</u>	<u>70,165</u>
General revenues:				
Property taxes			863,144	-
Interest on taxes			2,074	-
State motor vehicle tax allocation			3,088	-
Interest on special assessments			96,794	-
Interest on investments			2,162	-
Homestead exemption			5,850	-
Property tax credit allocation			29,955	-
Connection fees			2,000	-
Miscellaneous			<u>3,700</u>	<u>-</u>
Total general revenues			<u>1,008,767</u>	<u>-</u>
Change in net assets			(383,113)	70,165
Net assets at beginning of year			<u>3,017,444</u>	<u>20,820</u>
Net assets at end of year			<u>\$ 2,634,331</u>	<u>\$90,985</u>

The accompanying notes are an integral part of these statements.

Total

\$ (506,556)
 (58,508)
 (362,723)
 (464,093)

(1,391,880)

 9,197
 60,968

 70,165

(1,321,715)

 863,144
 2,074

 3,088

 96,794

 2,162

 5,850

 29,955

 2,000

 3,700

1,008,767

(312,948)

3,038,264

\$ 2,725,316

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

ASSETS

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash on deposit - County Treasurer	\$269,166	\$1,017,222	\$1,286,388
Taxes receivable (notes H and J)	170,959	232,016	402,975
Special assessment receivable (notes B and J)	-	608,599	608,599
Accrued interest on special assessments	-	881,345	881,345
Investments (note D)	-	814,482	814,482
Accrued interest on investments	-	223	223
Due from other fund	<u>245,699</u>	<u>204,000</u>	<u>449,699</u>
Total assets	<u>\$685,824</u>	<u>\$3,757,887</u>	<u>\$4,443,711</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ 50,617	\$ 250	\$ 50,867
Warrants payable	122,052	-	122,052
Accrued interest on registered warrants	-	22,025	22,025
Due to other fund	246,446	-	246,446
Deferred revenue	<u>-</u>	<u>1,489,944</u>	<u>1,489,944</u>
Total liabilities	<u>419,115</u>	<u>1,512,219</u>	<u>1,931,334</u>
COMMITMENTS AND CONTINGENCIES			
(notes I and K)	-	-	-
Fund balance:			
Reserved for debt service	-	2,245,668	2,245,668
Unreserved	<u>266,709</u>	<u>-</u>	<u>266,709</u>
Total fund balance	<u>266,709</u>	<u>2,245,668</u>	<u>2,512,377</u>
Total liabilities and fund balance	<u>\$685,824</u>	<u>\$3,757,887</u>	<u>\$4,443,711</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

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

June 30, 2010

Total fund balance - total governmental funds \$2,512,377

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

- Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 7,393,982
- Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet. (122,336)
- Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.
 - Due within one year \$ (275,000)
 - Due in more than one year (8,890,475) (9,165,475)
- Bond issue costs are not current financial resources and therefore are not reported in the governmental funds balance sheet. 525,839
- Deferred income related to special assessment is required under modified accrual in the governmental funds balance sheet but not under full accrual accounting in the government-wide statement of net assets. 1,489,944

Net Assets of Governmental Activities \$2,634,331

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Year Ended June 30, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes assessed (note H)	\$ 366,182	\$ 496,962	\$ 863,144
State motor vehicle tax allocation	1,310	1,778	3,088
Interest on taxes	880	1,194	2,074
Homestead exemption	2,482	3,368	5,850
Property tax credit allocation	12,708	17,247	29,955
Interest on investments	-	2,162	2,162
Special assessments	-	284,689	284,689
Interest on special assessments	-	128,787	128,787
Connection fees	-	2,000	2,000
Miscellaneous	3,700	-	3,700
	<u>387,262</u>	<u>938,187</u>	<u>1,325,449</u>
Total revenues			
EXPENDITURES:			
Legal and accounting fees	30,081	-	30,081
Trustee bonds and insurance	10,708	-	10,708
Collection fees - County Treasurer	7,254	18,114	25,368
Maintenance and engineering	192,174	-	192,174
Electricity	38,914	-	38,914
Water system expense	112,664	-	112,664
Trash removal	59,535	-	59,535
Sewer expense	54,828	-	54,828
Other	148	-	148
Paying agent fees	250	6,455	6,705
Debt service:			
Interest charges	-	467,980	467,980
	<u>506,556</u>	<u>492,549</u>	<u>999,105</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(119,294)	445,638	326,344
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt	-	108,803	108,803
Payment of long-term debt	-	(360,000)	(360,000)
	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	(119,294)	194,441	75,147
FUND BALANCE, BEGINNING OF YEAR	<u>386,003</u>	<u>2,051,227</u>	<u>2,437,230</u>
FUND BALANCE, END OF YEAR	<u>\$ 266,709</u>	<u>\$2,245,668</u>	<u>\$2,512,377</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Net change in fund balance - total governmental funds \$ 75,147

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

- Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. (362,723)
- The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 217,258
- 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 an expenditure in the governmental funds. 3,887
- Special assessments and related interest are recorded at modified accrual for governmental funds and full accrual for government-wide statements resulting in this difference. (316,682)

Change in Net Assets of Governmental Activities \$ (383,113)

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2010

	Enterprise Funds		
	Service Fee Fund	Lot Sale Fund	Total
ASSETS:			
Current assets:			
Cash	\$40,078	\$ -	\$ 40,078
Accounts receivable	8,577	-	8,577
Lots for sale (note C)	-	245,699	245,699
Total current assets	48,655	245,699	294,354
Total assets	48,655	245,699	294,354
LIABILITIES:			
Sales tax payable	\$ 116	\$ -	\$ 116
Total current liabilities	116	-	116
Non-current liabilities			
Due to other fund	18,522	184,731	203,253
Total non-current liabilities	18,522	184,731	203,253
NET ASSETS:			
Unrestricted	30,017	60,968	90,985
Total net assets	\$30,017	\$ 60,968	\$ 90,985

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND ASSETS

PROPRIETARY FUNDS

For the year ended June 30, 2010

	Enterprise Funds		
	Service Fee Fund	Lot Sale Fund	Total
OPERATING REVENUES:			
Sewer and water use fees	<u>\$34,816</u>	<u>\$ 95,520</u>	<u>\$130,336</u>
OPERATING COSTS AND EXPENSES:			
Cost of sales	-	34,552	34,552
Maintenance and repair	18,850	-	18,850
Accounting fees and office expense	1,130	-	1,130
Electricity	<u>5,639</u>	<u>-</u>	<u>5,639</u>
	<u>25,619</u>	<u>34,552</u>	<u>60,171</u>
NET INCOME	9,197	60,968	70,165
Net assets, beginning of year	<u>20,820</u>	<u>-</u>	<u>20,820</u>
Net assets, end of year	<u>\$30,017</u>	<u>\$ 60,968</u>	<u>\$ 90,985</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the year ended June 30, 2010

	Enterprise Funds		
	Service Fee Fund	Lot Sale Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 28,632	\$ 95,520	\$124,152
Cash payments to suppliers	<u>(25,666)</u>	<u>-</u>	<u>(25,666)</u>
Net cash provided by operating activities	<u>2,966</u>	<u>95,520</u>	<u>98,486</u>
Cash flows from financing activities:			
Change in interfund payables (net)	<u>28,448</u>	<u>(95,520)</u>	<u>(67,072)</u>
Cash flows provided by in financing activities	<u>28,448</u>	<u>(95,520)</u>	<u>(67,072)</u>
Cash flows from investing activities:			
Cash flows used by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash	31,414	-	31,414
Cash at beginning of year	<u>8,664</u>	<u>-</u>	<u>8,664</u>
Cash at end of year	<u>\$ 40,078</u>	<u>\$ -</u>	<u>\$ 40,078</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 9,197	\$60,968	\$ 70,165
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in receivables	(6,184)	-	(6,184)
Decrease in inventory	-	34,552	34,552
Decrease in payables	<u>(47)</u>	<u>-</u>	<u>(47)</u>
Net cash provided by operating activities	<u>\$ 2,966</u>	<u>\$ 95,520</u>	<u>\$ 98,486</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 158 of Sarpy County, Nebraska is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the trustees of the District, who are responsible for their integrity and objectivity. These accounting policies conform in all material respects to generally accepted accounting principles, as promulgated by the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units, and have been consistently applied in the preparation of the financial statements.

History and business activity

The District is a governmental subdivision, created pursuant to Nebraska law, to act as a vehicle for the construction of roads, utilities and similar improvements. The Board of Trustees, consisting of five members, has the power to provide financing for such improvements and has authority to: issue warrants for construction work and services, contract with financial institutions for conversion of warrants to cash, and to levy both special assessments and general taxes against property in the District to pay off warrants and bonds issued by the District.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reporting entity

The accompanying financial statements present the District's primary governmental unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

General Fund

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the District. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Types

Proprietary funds are those which are used to account for activities conducted on a fee for service or sales basis in a manner similar to commercial enterprises. The District's proprietary funds include the Enterprise Funds which maintain and operate a water system providing service to commercial customers as well as the Lot Sale Fund which has acquired unsold residential lots in the District with the intent of selling the lots to the general public.

Measurement Focus/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 financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. 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. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are carried at cost, which approximates market, and any premium or discount on investments are amortized on the straight-line method from date of purchase to date of maturity. These deposits were covered with sufficient assets pledged to the Sarpy County by the financial institutions at June 30, 2010.

Infrastructure

Infrastructure is carried at cost plus interest on warrants while construction is in progress. Depreciation is provided using the straight-line method over estimated lives of 25-40 years.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Bond Issue Costs

Bond issue costs are being amortized on the straight-line method over the life of the bond issue.

Budget and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed to have been made when warrants are issued.

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

- (a) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (b) Notice of place and time of public hearings must be published prior to the public hearings.
- (c) Public hearings are conducted to obtain taxpayer comment.
- (d) After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts in accordance with the Nebraska Budget Act.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

- (e) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- (f) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2010.
- (g) The accompanying combined statements of revenues, expenditures, and changes in fund balances - Budget and Actual - General, Debt Service Fund and Service Fee Fund presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2010 is presented as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Service Fee Fund</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ (36,853)	\$150,396	\$ 31,414
Adjustments:			
To adjust revenues for receivables	(91,168)	5,979	101,751
To adjust expenditures for payables and accruals	17,082	(1,976)	(60,171)
To adjust for variance in recognition of items for other financing sources (uses)	<u>(8,355)</u>	<u>40,042</u>	<u>(2,829)</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ (119,294)</u>	<u>\$194,441</u>	<u>\$ 70,165</u>

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

Budget and Budgetary Accounting - Continued

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE B - SPECIAL ASSESSMENTS RECEIVABLE

Special assessments were levied from 1994 through 2006 against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten equal annual installments. The special assessments bear interest at rates ranging from 7.5% to 10% until delinquent and then at rates ranging from 9.5% to 12% until paid (see note C).

NOTE C - ACQUISITION OF RESIDENTIAL LOTS

On April 15, 2009, the District purchased 73 unsold residential lots from the developer of the subdivision. The primary purpose of this transaction was to preserve and collect the special assessments levied against the lots (see note B). As the lots are sold, the special assessments and accrued interest will be paid and the residual will be returned to the District.

While the lots are held by the District, they will not be subject to real estate taxes and further accrued interest on the special assessments will cease.

NOTE D - INVESTMENTS

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 2003, and generally include U.S. government obligations, certificates of deposit, and time deposits. During the period ended June 30, 2009, the District invested in U.S. Treasury Bills.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE D - INVESTMENTS - CONTINUED

Investments consist of the following at June 30, 2010:

<u>Debt Service Fund</u>	<u>Face Value</u>	<u>Cost</u>	<u>Accrued Interest</u>
U.S. Treasury bill, held by U.S. Bank, matures July 15, 2010.	\$300,000	\$299,865	\$121
U.S. Treasury bill, held by U.S. Bank, matures October 14, 2010.	265,000	264,765	94
U.S. Treasury bill, held by U.S. Bank, matures December 9, 2010.	<u>250,000</u>	<u>249,852</u>	<u>8</u>
	<u>\$815,000</u>	<u>\$814,482</u>	<u>\$223</u>

All investments activities are conducted through the District's fiscal agent, the County Treasurer. Treasury bills are bought and held in safekeeping through the County Treasurer in the District's name. These securities are classified as Level 1 in the fair value hierarchy as indicated in ASC 820-10.

The market value of the above investments is \$814,654 as of June 30, 2010.

Investment risks that the District may be subject to consist of:

Interest Rate Risk - Since the District's investments are short-term, this risk is minimized at June 30, 2010.

Custodial Credit Risk - Investments are held by a bank in the District's name and therefore, the District was not exposed to this risk at June 30, 2010.

NOTE E - CAPITAL ASSETS

At June 30, 2010, capital assets consist of the following:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>June 30, 2010</u>
Infrastructure:			
Paving, sanitary sewer and storm sewer	\$ 8,424,274	\$ -	\$ 8,424,274
Power and water systems	<u>3,102,862</u>	<u>-</u>	<u>3,102,862</u>
	11,527,136	-	11,527,136
Accumulated depreciation	<u>(3,770,431)</u>	<u>(362,723)</u>	<u>(4,133,154)</u>
	<u>\$ 7,756,705</u>	<u>\$(362,723)</u>	<u>\$ 7,393,982</u>

Depreciation expense totaled \$362,723 for the year ended June 30, 2010.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE F - REGISTERED WARRANTS

At June 30, 2010, the District has registered warrants outstanding for construction costs. The warrants bear interest at 7%. No interest on warrants for construction costs has been capitalized for the year ended June 30, 2010.

Aggregate maturities of registered warrants are as follows:

	<u>Long-Term Debt</u>
2011	\$ -
2012	247,778
2013	290,347
2014	338,547
2015	<u>108,803</u>
	<u>\$985,475</u>

NOTE G - GENERAL OBLIGATION BONDS PAYABLE

Bonds totaling \$3,750,000 were issued November 15, 2004 and are due serially beginning November 15, 2005. Interest is payable semi-annually on November 1 and May 1 at a rates ranging from 2.25% to 5.10%.

Bonds totaling \$4,450,000 were issued July 15, 2007 and are due serially beginning July 15, 2008. Interest is payable semi-annually on January 15, and July 15 at rates ranging from 4.0% to 5.10%.

Two series of bonds were issued April 15, 2009. Series 2009A bonds total \$725,000 and were issued to retire outstanding registered warrants of the District. Series 2009B bonds total \$225,000 and were issued to purchase unsold residential lots within the District (see note C). Both are due serially beginning April 15, 2010. Interest is payable semi-annually on April 15 and October 15. Rates range from 2.20% to 5.65% for series A bonds and are 6% for series B bonds.

A summary of changes in bonds payable is as follows:

Balance July 1, 2009	\$8,540,000
Bond issued	-
Bond payments	<u>(360,000)</u>
Balance, June 30, 2010	<u>\$8,180,000</u>

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE G - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

Aggregate maturities of bonds payable and interest is as follows for the years ending June 30:

<u>April 15, 2009</u> <u>(Series A)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 15,000	\$ 35,517	\$ 50,517
2012	15,000	35,158	50,158
2013	20,000	34,752	54,752
2014	20,000	34,133	53,133
2015	20,000	33,433	54,433
2016 - 2020	135,000	152,667	287,667
2021 - 2025	180,000	116,667	296,667
2026 - 2029	<u>305,000</u>	<u>47,460</u>	<u>352,460</u>
	<u>710,000</u>	<u>489,787</u>	<u>1,199,787</u>
<u>April 15, 2009</u> <u>(Series B)</u>			
2011	-	7,500	7,500
2012	-	7,500	7,500
2013	-	7,500	7,500
2014	-	7,500	7,500
2015	-	7,500	7,500
2016 - 2030	<u>125,000</u>	<u>21,600</u>	<u>146,600</u>
	<u>125,000</u>	<u>59,100</u>	<u>184,100</u>
<u>July 15, 2007 issue</u>			
2011	115,000	205,717	320,717
2012	115,000	200,830	315,830
2013	125,000	195,608	320,608
2014	135,000	189,820	324,820
2015	140,000	183,598	323,598
2016 - 2020	820,000	810,645	1,630,645
2020 - 2025	1,085,000	580,609	1,665,609
2026 - 2028	<u>1,720,000</u>	<u>134,385</u>	<u>1,854,385</u>
	<u>4,255,000</u>	<u>2,501,212</u>	<u>6,756,212</u>

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE G - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

November 15, 2004 issue

2011	145,000	141,153	286,153
2012	150,000	135,545	285,545
2013	160,000	129,380	289,380
2014	165,000	122,675	287,675
2015	175,000	115,448	290,448
2016 - 2020	1,005,000	449,302	1,454,302
2021 - 2025	<u>1,290,000</u>	<u>170,850</u>	<u>1,460,850</u>
	<u>3,090,000</u>	<u>1,264,353</u>	<u>4,354,353</u>
	<u>\$8,180,000</u>	<u>\$4,314,452</u>	<u>\$12,494,452</u>

Bonds maturing on or after November 15, 2010, July 15, 2013 and April 15, 2015, respectively, are subject to redemption in whole or in part, at any time after November 15, 2009, July 15, 2012 and April 15, 2014, respectively, at par and accrued interest, to the date of redemption with no redemption premium.

NOTE H - TAX LEVY

The District levied taxes for 2009-2010 at the rate of \$.66 per \$100 on an estimated 100% property valuation of \$136,428,937.

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

NOTE I - COMMITMENTS

The District has entered into an agreement with Omaha Public Power District (OPPD) under which OPPD is to furnish street lighting to the District. The cost to the District for this service for fiscal 2011 is estimated to be approximately \$45,000.

NOTE J - CREDIT RISK

Receivables for property taxes and special assessments are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE K - 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 L - SUBSEQUENT EVENTS

Management evaluated transactions and events occurring subsequent to June 30, 2010 and through the date of the report (the date the financial statements were available to be issued) to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD & A)

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

For The Year Ended June 30, 2010

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes collected	\$ 382,001	\$361,830	\$(20,171)
State motor vehicle tax allocation	1,100	1,310	210
Interest on taxes	-	880	880
Interest on investments	-	-	-
Special assessments and interest	-	-	-
Property tax credit allocation	-	12,708	12,708
Homestead exemption	-	2,482	2,482
Water use fees	-	-	-
Miscellaneous	-	99,220	99,220
	<u>383,101</u>	<u>478,430</u>	<u>95,329</u>
Total revenues			
EXPENDITURES:			
Legal and accounting fees	42,000	31,281	10,719
Sewer expense	35,000	51,190	(16,190)
Interest on bonds	-	-	-
Interest on registered warrants	-	-	-
Publication and election expense	1,000	148	852
Paying agent fees	-	250	(250)
Water system expense	40,000	135,996	(95,996)
Trash removal	60,000	60,001	(1)
Maintenance and engineering	87,000	188,759	(101,759)
Electricity	45,000	38,051	6,949
Trustee bonds and insurance	11,000	10,708	292
Collection fees - County Treasurer	7,490	7,254	236
	<u>328,490</u>	<u>523,638</u>	<u>(195,148)</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	54,611	(45,208)	(99,819)
OTHER FINANCING SOURCES (USES):			
Proceeds from warrants issued	-	91,486	91,486
Payment of warrants	(119,000)	(80,302)	38,698
Payment of improvements and lots	-	-	-
Payment of bond principal	-	-	-
Transfers	(140,000)	(2,829)	137,171
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES			
	<u>\$(204,389)</u>	<u>(36,853)</u>	<u>\$167,536</u>
FUND BALANCE, BEGINNING OF YEAR			
		<u>306,019</u>	
FUND BALANCE, END OF YEAR			
		<u>\$269,166</u>	

DEBT SERVICE FUND
(NON GAAP)

PROPRIETARY FUND
(NON GAAP)

Original And Final Budget	Actual	Variance Favorable (Unfavorable)	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
\$518,430	\$ 491,055	\$ (27,375)	\$ -	\$ -	\$ -
1,500	1,778	278	-	-	-
-	1,194	1,194	-	-	-
11,000	2,090	(8,910)	-	-	-
115,000	413,476	298,476	-	-	-
-	17,247	17,247	-	-	-
-	3,368	3,368	-	-	-
-	-	-	37,000	28,585	(8,415)
6,000	2,000	(4,000)	-	-	-
<u>651,930</u>	<u>932,208</u>	<u>280,278</u>	<u>37,000</u>	<u>28,585</u>	<u>(8,415)</u>
-	-	-	-	-	-
-	-	-	-	-	-
405,847	403,698	2,149	-	-	-
56,000	62,306	(6,306)	-	-	-
-	-	-	-	-	-
2,600	6,455	(3,855)	-	-	-
-	-	-	25,000	-	25,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,465	18,114	(5,649)	-	-	-
<u>476,912</u>	<u>490,573</u>	<u>(13,661)</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
175,018	441,635	266,617	12,000	28,585	16,585
356,000	108,803	(247,197)	-	-	-
(200,000)	-	200,000	-	-	-
(300,000)	(40,042)	259,958	-	-	-
(270,000)	(360,000)	(90,000)	-	-	-
150,000	-	(150,000)	(10,000)	2,829	12,829
<u>\$(88,982)</u>	150,396	<u>\$239,378</u>	<u>\$ 2,000</u>	31,414	<u>\$29,414</u>
	1,681,308			8,664	
	<u>\$1,831,704</u>			<u>\$40,078</u>	

OTHER SUPPLEMENTARY INFORMATION

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

INFORMATION REQUIRED BY SECTION 31-715 AND 31-740,
REISSUE REVISED STATUTES OF NEBRASKA, 1993

Year ended June 30, 2010

Gross revenues from all sources	<u>\$1,455,785</u>
Gross revenues from all sources from previous year	<u>\$1,024,688</u>
Amount spent for sewage disposal	<u>\$ 54,828</u>
Amount expended on water mains	<u>None</u>
Gross amount of sewage processed	<u>None</u>
Cost per thousand gallons of processing sewage	<u>None</u>
Amount expended for:	
Maintenance and repairs	<u>\$ 280,351</u>
New equipment	<u>None</u>
New construction work (incl. water mains)	<u>None</u>
Property purchased	<u>None</u>
Number of employees	<u>None</u>
Salaries and fees paid employees	<u>None</u>
Total amount of taxes levied upon the property within the District	<u>\$ 863,144</u>

SUMMARY OF TAXES RECEIVABLE

	Receivable at June 30, 2009	2009-10 tax	Collected 2009-10	Receivable at June 30, 2010
Real estate and personal property	<u>\$392,716</u>	<u>\$863,144</u>	<u>\$852,885</u>	<u>\$402,975</u>

TRUSTEE AND RELATED BONDS

Trustees		Bonds	
Name	Office	Insurer	Amount
Allen Marsh	Chairman	Old Republic Surety Co.	\$5,000
David Christensen	Clerk	Old Republic Surety Co.	\$20,000
Larry Hammer	Trustee	-	None
Patrick Lichter	Trustee	-	None
Paul Stoupa	Trustee	-	None

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(1936 - 2006)

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

To the Board of Directors
Sanitary and Improvement District No. 158
of Sarpy County, Nebraska

We have audited the financial statements of Sanitary and Improvement District No. 158 of Sarpy County, Nebraska as of and for the year ended June 30, 2010, and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 158'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 Sanitary and Improvement District No. 158's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 158's internal control over financial reporting.

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

The district does not have the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Management is aware of this significant deficiency and believes it is economically not feasible to obtain the ability to prepare financial statements.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sanitary and Improvement District No. 158's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sanitary and Improvement District No. 158's financial statements that is more than consequential will not be prevented or detected by the Sanitary and Improvement District No. 158's internal control. We consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sanitary and Improvement District No. 158's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 158's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding #1

- General fund expenditures exceeded budget by \$195,148, without amending the budget.

Response

- Maintenance and engineering for the water system and District exceeded the amounts anticipated when the budget was prepared.

Finding #2

- Debt service fund expenditures exceeded budget by \$13,661, without amending the budget.

Response

- Collection of special assessments exceeded budget resulting in increased county collection fees. Additionally, the District did not retire registered warrants, as budgeted, resulting in higher interest expense.

Finding #3

- Payment of bond principal exceeded budget \$90,000, without amending the budget.

Response

- Certain bonds from the 2009 B issue were called and paid during the year.

Sanitary and Improvement District No. 158's responses to the findings identified in our audit are described above. We did not audit Sanitary and Improvement District No. 158's responses and accordingly, we express no opinion on them.

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

Annunzio, Pordright, Schmitt & Weber, P.C.

Omaha, Nebraska
December 22, 2010