

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

Sanitary and Improvement District No. 158
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2012

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Awerkamp, Goodnight, Schwaller & Nelson, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
17007 Marcy Street - Suite One
Omaha, Nebraska 68118-3122

THOMAS J. SCHWALLER, CPA
CONRAD NELSON, CPA
JOHN R. PRIBRAMSKY, CPA
DANIEL R. GILG, CPA, CFP

Telephone: (402) 334-9011
(402) 334-9111
FAX: (402) 334-9112

ALDEN B. AWERKAMP

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, 2012, 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, 2012, 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 27, 2012 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

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual on page 22, be prepared to supplement the basic financial statements. Such information, although not 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. The other supplementary information on page 23 are presented for purposed of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to 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 basic financial statements and certain addition 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 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.

Awerkamp, Goodnight, Schwaller & Nelson, P.C.

Omaha, Nebraska
December 27, 2012

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government		Total
	Government Activities	Business-Type Activities	
ASSETS:			
Cash on deposit - County Treasurer	\$ 1,618,457	\$ 27,265	\$ 1,645,722
Taxes receivable (notes H and J)	374,455	-	374,455
Accounts receivable	-	13,061	13,061
Special assessment receivable (notes B and J)	408,199	-	408,199
Accrued interest on special assessments	540,416	-	540,416
Lots for sale (note C)	-	161,240	161,240
Intra-fund receivable	(6,392)	6,392	-
Bond issue costs, net of amortization	443,699	-	443,699
Capital assets (note E):			
Infrastructure	11,825,568	-	11,825,568
Accumulated depreciation	<u>(4,862,829)</u>	<u>-</u>	<u>(4,862,829)</u>
Total assets	<u>10,341,573</u>	<u>207,958</u>	<u>10,549,531</u>
LIABILITIES:			
Accounts payable	147,712	-	147,712
Warrants payable	112,653	-	112,653
Accrued interest	134,789	-	134,789
Non current liabilities (notes F and G):			
Due within one year	454,089	-	454,089
Due in more than one year	<u>7,910,664</u>	<u>-</u>	<u>7,910,664</u>
Total liabilities	<u>8,759,907</u>	<u>-</u>	<u>8,759,907</u>
COMMITMENTS AND CONTINGENCIES (notes I and K)			
	-	-	-
NET ASSETS:			
Invested in capital assets, net of related debt	(958,315)	-	(958,315)
Restricted for debt service	2,560,174	-	2,560,174
Unrestricted	<u>(20,193)</u>	<u>207,958</u>	<u>187,765</u>
Total net assets	<u>\$ 1,581,666</u>	<u>\$207,958</u>	<u>\$ 1,789,624</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, 2012

	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expenses) Revenue and Changes in Net Assets	
			<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Governmental activities				
General	\$ 611,764	\$ -	\$ (611,764)	\$ -
Debt service	73,412	-	(73,412)	-
Depreciation	366,953	-	(366,953)	-
Interest on long-term debt	<u>443,916</u>	<u>-</u>	<u>(443,916)</u>	<u>-</u>
Total governmental activities	<u>\$1,496,045</u>	<u>\$ -</u>	<u>(1,496,045)</u>	<u>-</u>
Business-type activities:				
Water system	\$ 25,128	\$ 37,879	-	12,751
Lot Sales	<u>49,908</u>	<u>120,953</u>	<u>-</u>	<u>71,045</u>
Total Business-type activities	<u>75,036</u>	<u>158,832</u>	<u>-</u>	<u>83,796</u>
	<u>\$1,571,081</u>	<u>\$158,832</u>	<u>(1,496,045)</u>	<u>83,796</u>
General revenues:				
Property taxes			849,502	-
Interest on taxes			1,315	-
State motor vehicle tax allocation			2,529	-
Interest on special assessments			44,732	-
Interest on investments			220	-
Homestead exemption			9,256	-
Property tax credit allocation			26,330	-
Connection fees			2,350	-
Miscellaneous			<u>32,000</u>	<u>-</u>
Total general revenues			<u>968,234</u>	<u>-</u>
Change in net assets			<u>(527,811)</u>	<u>83,796</u>
Net assets at beginning of year, as previously reported			2,261,753	124,162
Adjustment of interest on special assessments (note L)			<u>(152,276)</u>	<u>-</u>
Net assets at beginning of year, as restated			<u>2,109,477</u>	<u>124,162</u>
Net assets at end of year			<u>\$ 1,581,666</u>	<u>\$207,958</u>

The accompanying notes are an integral part of these statements.

	<u>Total</u>
\$	(611,764)
	(73,412)
	(366,953)
	<u>(443,916)</u>
	 (1,496,045)
	 12,751
	<u>71,045</u>
	 83,796
	<u>(1,412,249)</u>
	 849,502
	1,315
	2,529
	44,732
	220
	9,256
	26,330
	2,350
	<u>32,000</u>
	 968,234
	<u>(444,015)</u>
	 2,385,915
	 <u>(152,276)</u>
	 <u>2,233,639</u>
\$	<u>1,789,624</u>

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit - County Treasurer	\$119,925	\$1,498,532	\$1,618,457
Taxes receivable (notes H and J)	158,860	215,595	374,455
Special assessment receivable (notes B and J)	-	408,199	408,199
Accrued interest on special assessments	-	540,416	540,416
Due from other fund	246,382	204,000	450,382
Total assets	\$525,167	\$2,866,742	\$3,391,909

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ 61,075	\$ 86,637	\$ 147,712
Warrants payable	112,653	-	112,653
Accrued interest on registered warrants	-	20,058	20,058
Due to other fund	371,632	85,142	456,774
Deferred revenue	-	948,615	948,615
Total liabilities	545,360	1,140,452	1,685,812
COMMITMENTS AND CONTINGENCIES			
(notes I and K)	-	-	-
Fund balance (deficit):			
Reserved for debt service	-	1,726,290	1,726,290
Unassigned	(20,193)	-	(20,193)
Total fund balance (deficit)	(20,193)	1,726,290	1,706,097
Total liabilities and fund balance	\$525,167	\$2,866,742	\$3,391,909

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, 2012

Total fund balance - total governmental funds		\$ 1,706,097
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.		6,962,739
- 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.		(114,731)
- 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	\$ (454,089)
	Due in more than one year	<u>(7,910,664)</u>
		(8,364,753)
- Bond issue costs are not current financial resources and therefore are not reported in the governmental funds balance sheet.		443,699
- 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.		<u>948,615</u>
Net Assets of Governmental Activities		<u>\$ 1,581,666</u>

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, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes assessed (note H)	\$ 360,395	\$ 489,107	\$ 849,502
State motor vehicle tax allocation	1,073	1,456	2,529
Interest on taxes	558	757	1,315
Homestead exemption	3,927	5,329	9,256
Property tax credit allocation	11,170	15,160	26,330
Interest on investments	-	220	220
Special assessments	-	143,199	143,199
Interest on special assessments	-	228,398	228,398
Connection fees	-	2,350	2,350
Miscellaneous	32,000	-	32,000
	<u>409,123</u>	<u>885,976</u>	<u>1,295,099</u>
Total revenues			
EXPENDITURES:			
Interest on registered warrants	1,298	-	1,298
Legal and accounting fees	63,253	-	63,253
Trustee bonds and insurance	12,430	-	12,430
Collection fees - County Treasurer	7,372	16,938	24,310
Maintenance and engineering	215,704	-	215,704
Electricity	47,465	-	47,465
Water system expense	125,201	-	125,201
Trash removal	59,648	-	59,648
Sewer expense	78,883	-	78,883
Publication	510	-	510
Paying agent fees	-	8,272	8,272
Debt service:			
Interest charges	-	447,748	447,748
	<u>611,764</u>	<u>472,958</u>	<u>1,084,722</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(202,641)	413,018	210,377
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt	-	105,108	105,108
Payment of long-term debt	-	(730,537)	(730,537)
Purchase of improvements	-	(189,654)	(189,654)
	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	(202,641)	(402,065)	(604,706)
FUND BALANCE, BEGINNING OF YEAR	<u>182,448</u>	<u>2,128,355</u>	<u>2,310,803</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (20,193)</u>	<u>\$1,726,290</u>	<u>\$1,706,097</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, 2012

Net change in fund balance - total governmental funds \$(604,706)

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

- Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated their estimate useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 189,654
- 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. (366,953)
- 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. 577,226
- 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. 3,833
- Special assessments and related interest are recorded at modified accrual for governmental funds and full accrual for government-wide statements resulting in this difference. (326,865)

Change in Net Assets of Governmental Activities \$(527,811)

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, 2012

	Enterprise Funds		
	Service Fee Fund	Lot Sale Fund	Total
ASSETS:			
Current assets:			
Cash	\$27,265	\$ -	\$ 27,265
Accounts receivable	13,061	-	13,061
Lots for sale (note C)	-	161,240	161,240
Total current assets	40,326	161,240	201,566
Non-current assets			
Due from other fund	6,424	-	6,424
	6,424	-	6,424
Total assets	46,750	161,240	207,990
LIABILITIES:			
Total current liabilities			
	\$ -	\$ -	\$ -
Non-current liabilities			
Due to other fund	-	32	32
Total non-current liabilities	-	32	32
NET ASSETS:			
Unrestricted	46,750	161,208	207,958
Total net assets	\$46,750	\$161,208	\$207,958

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, 2012

	Enterprise Funds		Total
	Service Fee Fund	Lot Sale Fund	
OPERATING REVENUES:			
Sewer and water use fees/sales	<u>\$37,879</u>	<u>\$120,953</u>	<u>\$158,832</u>
OPERATING COSTS AND EXPENSES:			
Cost of sales	-	49,908	49,908
Maintenance and repair	21,272	-	21,272
Electricity	<u>3,856</u>	<u>-</u>	<u>3,856</u>
	<u>25,128</u>	<u>49,908</u>	<u>75,036</u>
NET INCOME	12,751	71,045	83,796
Net assets, beginning of year	<u>33,999</u>	<u>90,163</u>	<u>124,162</u>
Net assets, end of year	<u>\$46,750</u>	<u>\$161,208</u>	<u>\$207,958</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, 2012

	Enterprise Funds		
	Service Fee Fund	Lot Sale Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 36,911	\$ 120,953	\$ 157,864
Cash payments to suppliers	<u>(25,128)</u>	<u>-</u>	<u>(25,128)</u>
Net cash provided by operating activities	<u>11,783</u>	<u>120,953</u>	<u>132,736</u>
Cash flows from financing activities:			
Change in interfund payables (net)	<u>(49,873)</u>	<u>(120,953)</u>	<u>(170,826)</u>
Cash flows provided by (used in) financing activities	<u>(49,873)</u>	<u>(120,953)</u>	<u>(170,826)</u>
Cash flows from investing activities:			
Cash flows used by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash	(38,090)	-	(38,090)
Cash at beginning of year	<u>65,355</u>	<u>-</u>	<u>65,355</u>
Cash at end of year	<u>\$ 27,265</u>	<u>\$ -</u>	<u>\$ 27,265</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 12,751	\$ 71,045	\$ 83,796
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in receivables	(878)	-	(878)
Decrease in inventory	-	49,908	49,908
Decrease in payables	<u>(90)</u>	<u>-</u>	<u>(90)</u>
Net cash provided by operating activities	<u>\$ 11,783</u>	<u>\$ 120,953</u>	<u>\$ 132,736</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, 2012

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, 2012

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.

For the classification of fund balance, the District considers unassigned amounts to have been spent when an expenditure is incurred for purposes for which unrestricted fund balance could be used.

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, 2012

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.

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, 2012.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 20-40 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.
- (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, 2012.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

(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, 2012 is presented as follows:

	General Fund	Debt Service Fund	Service Fee Fund
Deficiency of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$(139,234)	\$(249,714)	\$(38,090)
Adjustments:			
To adjust revenues for receivables	(7,656)	63,037	968
To adjust expenditures for payables and accruals	42,277	5,125	(75,036)
To adjust for variance in recognition of items for other financing sources (uses)	(98,028)	(220,513)	195,954
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$(202,641)</u>	<u>\$(402,065)</u>	<u>\$ 83,796</u>

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.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Trustees may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

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.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE C - ACQUISITION OF RESIDENTIAL LOTS - CONTINUED

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, 2012, the District invested in U.S. Treasury Bills.

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.

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, 2012.

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, 2012.

The District held no investments at June 30, 2012.

NOTE E - CAPITAL ASSETS

At June 30, 2012, capital assets consist of the following:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>June 30, 2012</u>
Infrastructure:			
Paving, sanitary sewer and storm sewer	\$ 8,424,274	\$ -	\$ 8,424,274
Power and water systems	3,102,862	-	3,102,862
Park improvements	-	212,045	212,045
Construction in progress	<u>108,778</u>	<u>(22,391)</u>	<u>86,387</u>
	11,635,914	189,654	11,825,568
Accumulated depreciation	<u>(4,495,876)</u>	<u>(366,953)</u>	<u>(4,862,829)</u>
	<u>\$ 7,140,038</u>	<u>\$(177,299)</u>	<u>\$ 6,962,739</u>

Depreciation expense totaled \$366,953 for the year ended June 30, 2012. Park land not being depreciated totals \$85,142.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE F - REGISTERED WARRANTS

At June 30, 2012, 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, 2012.

Aggregate maturities of registered warrants are as follows:

	<u>Long-Term Debt</u>
2013	\$149,089
2014	338,547
2015	108,803
2016	164,706
2017	<u>103,608</u>
	<u>\$864,753</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. The series B bonds were paid off during the year ended June 30, 2012.

A summary of changes in bonds payable is as follows:

Balance July 1, 2011	\$7,840,000
Bond issued	-
Bond payments	<u>(340,000)</u>
Balance, June 30, 2012	<u>\$7,500,000</u>

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

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>
2013	\$ 20,000	\$ 34,752	\$ 54,752
2014	20,000	34,133	54,133
2015	20,000	33,433	53,433
2016	25,000	32,682	57,682
2017	25,000	31,683	56,683
2018 - 2022	150,000	140,168	290,168
2023 - 2027	235,000	96,160	331,160
2028 - 2029	185,000	16,102	201,102
	<u>680,000</u>	<u>419,113</u>	<u>1,099,113</u>
<u>July 15, 2007 issue</u>			
2013	125,000	195,608	320,608
2014	135,000	189,820	324,820
2015	140,000	183,598	323,598
2016	145,000	177,077	322,077
2017	155,000	170,139	325,139
2018 - 2022	920,000	727,875	1,647,875
2023 - 2027	1,805,000	435,248	2,240,248
2028	600,000	15,300	615,300
	<u>4,025,000</u>	<u>2,094,665</u>	<u>6,119,665</u>
<u>November 15, 2004 issue</u>			
2013	160,000	129,380	289,380
2014	165,000	122,675	287,675
2015	175,000	115,448	290,448
2016	185,000	107,615	292,615
2017	190,000	99,270	289,270
2018 - 2022	1,110,000	349,773	1,459,773
2023 - 2025	810,000	63,495	873,495
	<u>2,795,000</u>	<u>987,656</u>	<u>3,782,656</u>
	<u>\$7,500,000</u>	<u>\$3,501,434</u>	<u>\$11,001,434</u>

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE G - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

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 2011-2012 at the rate of \$.66 per \$100 on an estimated 100% property valuation of \$133,986,402.

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 2013 is estimated to be approximately \$55,000.

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.

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 - CORRECTION OF AN ERROR

The beginning net assets of the government-wide financial statements have been restated to correct an error. Interest on special assessments has continued to accrue on lots owned by the District even though that interest was to have ceased when purchased. The adjustment eliminates that accrued interest. There is no effect on the governmental funds statements.

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE M - SUBSEQUENT EVENTS

Management evaluated transactions and events occurring subsequent to June 30, 2012 and through December 27, 2012 (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 except as follows:

Bonds totaling \$7,300,000 were issued November 15, 2012 to refund the 2004 and 2007 bond issue as well as redeem outstanding debt service fund registered warrants. The bonds are due serially beginning November 15, 2013. Interest is payable semi-annually on May 15 and November 15 at rates ranging from 1.20% to 3.80%.

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, 2012

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes collected	\$ 375,162	\$ 368,052	\$ (7,110)
State motor vehicle tax allocation	1,000	1,073	73
Interest on taxes	-	558	558
Interest on investments	-	-	-
Special assessments and interest	-	-	-
Property tax credit allocation	-	11,170	11,170
Homestead exemption	-	3,926	3,926
Water use fees	-	-	-
Miscellaneous	90,000	32,000	(58,000)
Total revenues	<u>466,162</u>	<u>416,779</u>	<u>(49,383)</u>
EXPENDITURES:			
Legal and accounting fees	39,500	67,198	(27,698)
Sewer expense	50,000	74,470	(24,470)
Interest on bonds	-	-	-
Interest on registered warrants	-	1,298	(1,298)
Publication and election expense	500	510	(10)
Paying agent fees	-	-	-
Water system expense	124,600	153,599	(28,999)
Trash removal	60,000	59,437	563
Maintenance and engineering	175,000	227,244	(52,244)
Electricity	43,200	50,483	(7,283)
Trustee bonds and insurance	12,500	12,430	70
Collection fees - County Treasurer	7,356	7,372	(16)
Total expenditures	<u>512,656</u>	<u>654,041</u>	<u>_(141,385)</u>
Excess (deficiency) of revenues over expenditures)	(46,494)	(237,262)	(190,768)
OTHER FINANCING SOURCES (USES):			
Proceeds from warrants issued	-	112,225	112,225
Payment of warrants	(164,707)	(136,525)	28,182
Payment of bond issue costs	-	-	-
Proceeds from bond issue	-	-	-
Payment of improvements and lots	-	-	-
Payment of bond principal	-	-	-
Transfers	30,000	122,328	92,328
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>\$(181,201)</u>	(139,234)	<u>\$ 41,967</u>
FUND BALANCE, BEGINNING OF YEAR		<u>259,159</u>	
FUND BALANCE, END OF YEAR		<u>\$ 119,925</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)
\$ 509,148	\$ 499,499	\$ (9,649)	\$ -	\$ -	\$ -
1,300	1,456	156	-	-	-
-	757	757	-	-	-
500	416	(84)	-	-	-
240,000	297,972	57,972	-	-	-
-	15,160	15,160	-	-	-
-	5,329	5,329	-	-	-
-	-	-	30,000	36,911	6,911
10,000	2,350	(7,650)	-	120,953	120,953
<u>760,948</u>	<u>822,939</u>	<u>61,991</u>	<u>30,000</u>	<u>157,864</u>	<u>127,864</u>
-	-	-	-	-	-
-	-	-	-	-	-
365,000	373,289	(8,289)	-	-	-
35,000	81,083	(46,083)	-	-	-
-	-	-	-	-	-
10,000	6,773	3,227	-	-	-
-	-	-	30,000	-	30,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
14,783	16,938	(2,155)	-	-	-
<u>424,783</u>	<u>478,083</u>	<u>(53,300)</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
336,165	344,856	8,691	-	157,864	157,864
200,000	103,608	(96,392)	-	-	-
(1,352,000)	(390,537)	961,463	-	-	-
(50,000)	-	50,000	-	-	-
7,368,000	-	(7,368,000)	-	-	-
(200,000)	(41,267)	158,733	-	-	-
(7,085,000)	(340,000)	6,745,000	-	-	-
-	73,626	73,626	(30,000)	(195,954)	(165,954)
<u>\$ (782,835)</u>	<u>(249,714)</u>	<u>\$ 533,121</u>	<u>\$ (30,000)</u>	<u>(38,090)</u>	<u>\$ (8,090)</u>
	<u>1,748,246</u>			<u>65,355</u>	
	<u>\$1,498,532</u>			<u>\$ 27,265</u>	

OTHER SUPPLEMENTARY INFORMATION

Sanitary and Improvement District No. 158
Sarpy County, Nebraska

INFORMATION REQUIRED BY SECTION 31-740,
REVISED STATUTES OF NEBRASKA, 2008

Year ended June 30, 2012

Gross revenues from all sources	<u>\$1,453,951</u>
Gross revenues from all sources from previous year	<u>\$1,142,744</u>
Amount spent for sewage disposal	<u>\$ 78,883</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>\$ 202,457</u>
New equipment	<u>None</u>
New construction work (incl. water mains)	<u>\$ 189,654</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>\$ 849,502</u>

SUMMARY OF TAXES RECEIVABLE

	Receivable at June 30, 2011	2011-12 tax	Collected 2011-12	Receivable at June 30, 2012
Real estate and personal property	<u>\$392,504</u>	<u>\$849,502</u>	<u>\$867,551</u>	<u>\$374,455</u>

TRUSTEE AND RELATED BONDS

Trustees		Bonds	
Name	Office	Insurer	Amount
Allen Marsh	Chairman	-	None
Patrick Lichter	Clerk	-	None
Larry Hammer	Trustee	-	None
David Christensen	Trustee	-	None
Paul Stoupa	Trustee	-	None

Awerkamp, Goodnight, Schwaller & Nelson, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
17007 Marcy Street - Suite One
Omaha, Nebraska 68118-3122

THOMAS J. SCHWALLER, CPA
CONRAD NELSON, CPA
JOHN R. PRIBRAMSKY, CPA
DANIEL R. GILG, CPA, CFP

Telephone: (402) 334-9011
(402) 334-9111
FAX: (402) 334-9112

ALDEN B. AWERKAMP

J. DOUGLAS GOODNIGHT
(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, 2012, and have issued our report thereon dated December 27, 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

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 \$141,385, without amending the budget.

Response

- Various expense categories exceeded the amounts anticipated when the budget was prepared caused by increased maintenance, water fund expenses and sewer expense.

Finding #2

- Debt service fund expenditures exceeded budget by \$53,300, without amending the budget.

Response

- The refunding bond issue that was budgeted did not occur resulting in continuing interest on registered warrants and higher bond interest.

Finding #3

- The District has insurance coverage for trustees but not the specific bond coverage for the chairman and clerk as required by statute.

Response

- The District's insurance agent is aware of this situation and will verify the District is in compliance.

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.

Averkamp, Goodnight, Schwaller & Nelson, P.C.

Omaha, Nebraska
December 27, 2012