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SANITARY AND IMPROVEMENT DISTRICT
NO. 163
OF SARPY COUNTY, NEBRASKA
FINANCIAL STATEMENTS
JUNE 30, 2010

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sanitary and Improvement District No. 163
of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 163 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. 163 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 August 26, 2010 on our consideration of the Sanitary and Improvement District No. 163'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 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 16 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for

placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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


Certified Public Accountants

Omaha, Nebraska
August 26, 2010

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

Current assets:	
Cash on deposit, County Treasurer	\$ 54,782
Taxes receivable	93,615
Investments	249,858
Interest receivable - investments	93
Total current assets	<u>398,348</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	2,027,878
Bond issue costs, net of accumulated amortization	123,492
Total noncurrent assets	<u>2,151,370</u>
Total assets	<u>2,549,718</u>

LIABILITIES

Current liabilities:	
Accounts payable	14,669
Bonds payable - current portion	100,000
Total current liabilities	<u>114,669</u>
Noncurrent liabilities:	
Bonds payable	1,735,000
Total liabilities	<u>1,849,669</u>

NET ASSETS

Invested in capital assets, net of related debt	316,370
Restricted for debt services	353,166
Unrestricted	30,513
Total net assets	<u>\$ 700,049</u>

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

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Expenditures:

Audit and budget	\$ 3,750
Legal fees	5,506
Publication costs	52
Engineering fee	5,812
Repairs and maintenance	445
Interest on bonds	103,058
Street lighting	4,835
Paying agent fees	700
Depreciation	89,078
Amortization	17,851
	231,087

Revenues:

Real property taxes assessed	177,239
Collection fee - County Treasurer	(3,473)
Real estate tax credit	6,300
Other taxes	612
Interest income on taxes	262
Interest income on investments	563
Miscellaneous	272
	181,775

Increase (decrease) in net assets (49,312)

Net assets, beginning of year 749,361

Net assets, end of year \$ 700,049

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

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

ASSETS

	Governmental Funds		
	General Fund	Debt Service Fund	Total
Assets:			
Cash on deposit, County Treasurer	\$ 22,759	\$ 32,023	\$ 54,782
Taxes receivable	12,424	81,191	93,615
Investments	9,998	239,860	249,858
Interest receivable - investments	1	92	93
Total assets	\$ 45,182	\$ 353,166	\$ 398,348

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable	\$ 14,669	\$ -	\$ 14,669
Total liabilities	14,669	-	14,669
Fund equity:			
Fund balances:			
Reserved for debt services	-	353,166	353,166
Unreserved	30,513	-	30,513
Total fund equity	30,513	353,166	383,679
Total liabilities and fund equity	\$ 45,182	\$ 353,166	\$ 398,348

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

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Total fund balances - governmental funds		\$ 383,679
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements:		
Capital assets	\$2,926,803	
Accumulated depreciation	<u>(898,925)</u>	
		2,027,878
Other long-term assets are not financial resources and therefore not reported in the fund financial statements:		
Bond issue costs	245,290	
Accumulated amortization	<u>(121,798)</u>	
		123,492
Other liabilities are not due and payable in the current period and therefore not reported in governmental funds:		
Bonds payable		<u>(1,835,000)</u>
Net assets of governmental activities		<u>\$ 700,049</u>

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

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Funds		
	General	Debt Service	Total
Revenues:			
Real property taxes	\$ 23,776	\$ 153,463	\$ 177,239
Collection fee - County Treasurer	(466)	(3,007)	(3,473)
Real estate tax credit	845	5,455	6,300
Other taxes	82	530	612
Interest income on taxes	35	227	262
Interest income - investment	45	518	563
Miscellaneous	37	235	272
	<u>24,354</u>	<u>157,421</u>	<u>181,775</u>
Expenditures:			
Audit and budget	3,750	-	3,750
Legal fees	5,506	-	5,506
Publication costs	52	-	52
Engineering fees	5,812	-	5,812
Repairs and maintenance	445	-	445
Interest on bonds	-	103,058	103,058
Street lighting	4,835	-	4,835
Paying agent fees	700	-	700
	<u>21,100</u>	<u>103,058</u>	<u>124,158</u>
Excess of revenues over (under) expenditures	3,254	54,363	57,617
Other financing (uses):			
Interfund transfer	(100,000)	100,000	-
Retirement of bond principal	-	(220,000)	(220,000)
	<u>(100,000)</u>	<u>(120,000)</u>	<u>(220,000)</u>
Excess of revenues over (under) expenditures and other financing (uses)	(96,746)	(65,637)	(162,383)
Fund balance, beginning of year	127,259	418,803	546,062
Fund balance, end of year	<u>\$ 30,513</u>	<u>\$ 353,166</u>	<u>\$ 383,679</u>

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

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2010

Net changes in fund balances - Total government funds	\$ (162,383)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.</p>	
Depreciation expense	(89,078)
<p>Governmental funds report bond issue costs as expenditures while government activities report amortization to allocate the cost over the life of the bond issues.</p>	
Amortization expense	(17,851)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.</p>	
Retirement of bond principal	<u>220,000</u>
Change in net assets (deficit) of governmental activities	<u>\$ (49,312)</u>

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

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Sanitary and Improvement District No. 163 of Sarpy County, Nebraska (the District) is presented to assist in understanding the District's basic financial statements. The financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

District Activities

The District is organized as a political subdivision and governed under the State of Nebraska. The District has a tax base made up of a commercial development, conducting its activity in Sarpy County, Nebraska.

The Financial Reporting Entity

The Board of Trustees of the District has financial accountability and control over all the activities related to Sanitary and Improvement District No. 163. The Board of Trustees is elected by the property owners of the District and has decision-making authority, the authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The Board also has primary financial accountability for fiscal matters of the District. The District is engaged in a single governmental program and is not included in any other governmental "reporting entity" as defined by the GASB pronouncements. In addition, there are no component units as defined by the Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

Basis of Presentation

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

Government-Wide Financial Statements:

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

The government-wide statement of net assets recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by law through constitutional provisions or enabling legislature. Internally imposed designations resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2010

1. Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

Fund Financial Statements:

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

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Measurement Focus and Basis of Accounting

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

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

In the fund financial statements, both funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both measureable and available. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the period the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due.

Property tax revenues are recognized when susceptible to accrual. Revenues on special assessments and miscellaneous revenues are recognized as the amounts are collected. Investment earnings are recorded as earned since they are measureable and available.

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2010

1. Summary of Significant Accounting Policies - Continued

Budgets and Budgetary Accounting

The District is required by Nebraska law to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using the cash basis of accounting, which differs significantly from accounting principles generally accepted in the United States of America. 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. Budgetary comparisons presented for both the General Fund and Debt Service Fund in this report are on non-GAAP budgetary basis.

The District adheres to the following procedures in preparing and adopting the budget:

- a. In or before early September, the Board of Trustees proposes an operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to September 20, the Board of Trustees formally approves the budget document following a public hearing, with notice given five days in advance.
- c. As of September 20, the budget document must be on file with the County Board and the Auditor of Public Accounts.
- d. Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.
- e. Expenditures cannot exceed appropriations at the fund level. When expenditures are required for functions that have not been budgeted, authorization to amend the budget and to incur the expenditures is permitted following a public hearing. Expenditures did not exceed appropriations for the fiscal year ended June 30, 2010.
- f. A majority vote by the Board of Trustees may authorize transfer of budgeted amounts from the General Fund to the Debt Service Fund.

Encumbrances

The District does not employ encumbrance accounting.

Use of Estimates

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

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2010

1. Summary of Significant Accounting Policies - Continued

Taxes Receivable

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

Capital Assets and Depreciation

Capital assets of the District, which primarily include infrastructure assets, are recorded at historical cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant capital assets are as follows:

Paving and sewer systems	25 – 40 years
Underground power and water systems	25 – 30 years
Improvements	25 – 30 years

Amortization

Bond issue costs are amortized over the terms of the bonds, using the interest method of amortization.

2. Budget Basis of Accounting

Nebraska budgetary procedures require the preparation of budgets on a cash basis, rather than on the modified accrual basis of accounting used in the preparation of the accompanying financial statements. Accordingly, required budget comparisons for both the General Fund and the Debt Service Fund are presented on a non-GAAP budgetary basis in the accompanying financial statements of the District. The adjustments necessary to reconcile the differences between the two methods of accounting are summarized as follows:

	<u>General</u>	<u>Fund Debt Service</u>	<u>Total</u>
Excess (deficiency) of receipts over (under) disbursements on a budgetary basis	\$ 14,182	\$ 50,849	\$ 65,031
Change in property tax revenue from recognition on a cash basis	551	3,558	4,109
Change in interest and miscellaneous income from recognition on a cash basis	(9)	(44)	(53)
Change in total expenditures from recognition on a cash basis	<u>(11,470)</u>	<u>-</u>	<u>(11,470)</u>
Excess of revenues over expenditures and other sources (uses) on a modified accrual (GAAP) basis	<u>\$ (3,254)</u>	<u>\$ 54,363</u>	<u>\$ 57,617</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2010

3. Concentration of Credit Risk

Cash and cash equivalents include investments in highly liquid debt instruments that are available to meet working capital requirements and other current obligations.

At June 30, 2010, the cash on deposit \$54,782 is equal to the carrying amount of the District's deposits. The deposit balance with the County Treasurer is covered by federal depository insurance or with sufficient assets pledged to the County, which are held by the County in its own name, rather than in the name of the District. In addition, the District at June 30, 2010, has investments amounting to \$249,857 in obligations of the U.S. Treasury and are carried at amortized cost, which approximates fair value.

The cost of all cash and investments registered in the District's name is as follows:

	2010	
	Cost	Cost and Accrued Interest
Cash on deposit, County Treasurer	\$ 54,782	\$ 54,782
U.S. Treasury Bills held by County Treasurer	249,857	249,950
	\$ 304,639	\$ 304,732

All of the taxes receivable, special assessments receivable and accrued interest on special assessments are due from the property owners within the District. The District is located in the Sarpy County, Nebraska area.

4. Warrants Payable

Warrants are issued for payment of liabilities. These warrants bear an interest rate of 7% and 8% per annum from the date registered with the County Treasurer. General Fund warrants are due and payable no later than three years from the date of issuance. Debt Service Fund warrants are due and payable no later than five years from the date of issuance.

A detail of the warrants outstanding at June 30, 2010 is as follows:

	June 30, 2009	Issued	Retired	June 30, 2010
General Fund	\$ -	\$ 9,630	\$ (9,630)	\$ -
Debt Service Fund	-	-	-	-
	\$ -	\$ 9,630	\$ (9,630)	\$ -

There was no interest expense on warrants for the year ended June 30, 2010 for the general fund and debt service fund. None of the warrants issued and outstanding have been registered.

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2010

5. Capital Assets

The capital assets are carried at their original cost. A summary is presented below:

<u>Costs:</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Paving and storm sewer I	\$ 1,939,550	\$ -	\$ -	\$ 1,939,550
Sanitary sewer	436,802	-	-	436,802
Other costs	42,398	-	-	42,398
Underground power	309,601	-	-	309,601
Water	198,452	-	-	198,452
	<u>2,926,803</u>	<u>-</u>	<u>-</u>	<u>2,926,803</u>
 <u>Accumulated depreciation:</u>				
Paving and storm sewer I	496,687	57,745	-	554,432
Sanitary sewer	129,545	10,920	-	140,465
Other costs	20,464	1,414	-	21,878
Underground power	117,281	12,384	-	129,665
Water	45,870	6,615	-	52,485
	<u>809,847</u>	<u>89,078</u>	<u>-</u>	<u>898,925</u>
Capital assets, net of accumulated depreciation	<u>\$ 2,116,956</u>	<u>\$ 89,078</u>	<u>\$ -</u>	<u>\$ 2,027,878</u>

The District recorded depreciation expense of \$89,078 for the year ended June 30, 2010.

6. Bonds Payable

Bond payable totaling \$2,740,000 issued October 1, 2003, with a balance of \$1,835,000 at June 30, 2010, is due serially beginning October 1, 2010 through October 1, 2022. The maturities range from \$100,000 in October 2010 to \$120,000 in October 2022. Interest is payable semi-annually on this issue at 4.00% to 5.50%. During the year the District retired \$95,000 of the bonds due on October 1, 2009 and \$125,000 of bonds due on October 1, 2022.

A summary of changes in outstanding bonds payable is as follows:

	<u>Series 2003</u>	<u>Total</u>
Balance, June 30, 2009	2,055,000	\$ 2,055,000
Net issues	-	-
Retirements	(220,000)	(220,000)
Balance, June 30, 2010	<u>\$ 1,835,000</u>	<u>\$ 1,835,000</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2010

6. Bonds Payable – Continued

The following is a disclosure of total debt service to maturity:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 100,000	\$ 99,008	\$ 199,008
2012	100,000	94,559	194,559
2013	110,000	89,564	199,564
2014-2018	535,000	362,547	897,547
2019-2023	990,000	150,958	1,140,958
	<u>\$ 1,835,000</u>	<u>\$ 796,636</u>	<u>\$ 2,631,636</u>

7. Bond Issue Costs

Costs incurred by the District relating to issuing or refunding bonds payable are capitalized and amortized over the life of the bond issue. Amortization expense is computed using the interest method, which is computed by multiplying the bond issue costs by the ratio in which the numerator is the face value of the bond issue outstanding during the year, and the denominator is the summation of the face value of the bond issue outstanding for all years of the bond issue. Amortization expense for the year ended June 30, 2010 amounted to \$17,851.

8. Insurance

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, and natural disasters. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage for the current year or in the past three years.

9. Other

Management has evaluated subsequent events through August 26, 2010, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 163

OF SARPY COUNTY, NEBRASKA

STATEMENT OF COMPARISON: BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

GENERAL FUND

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Receipts:			
Operating:			
Taxes collected	\$ 23,776	\$ 23,225	\$ (551)
Collection fee - County Treasurer	(466)	(466)	-
Other taxes	70	82	12
Other:			
Miscellaneous	1,080	970	(110)
Total receipts	<u>24,460</u>	<u>23,811</u>	<u>(649)</u>
Disbursements:			
Operating:			
Audit and budget	4,000	-	4,000
Paying agent fee	700	700	-
Publication costs	70	52	18
Street lighting	5,000	2,777	2,223
Maintenance and repairs	5,000	1,426	3,574
Engineering fees	2,000	4,674	(2,674)
Legal fees	6,000	-	6,000
Insurance	-	-	-
Election expense	60	-	60
Total disbursements	<u>22,830</u>	<u>9,629</u>	<u>13,201</u>
Excess (deficit) of receipts over (under) disbursements from operations	1,630	14,182	12,552
Other sources (uses):			
Interfund transfer	(110,000)	(100,000)	10,000
Warrants issued	-	9,630	9,630
Warrants retired	-	(9,630)	(9,630)
Excess (deficit) of receipts over (under) disbursements	<u>\$ (108,370)</u>	<u>\$ (85,818)</u>	<u>\$ 22,552</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 163

OF SARPY COUNTY, NEBRASKA

STATEMENT OF COMPARISON: BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

DEBT SERVICE FUND

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Favorable (Unfavorable)</u>
Receipts:			
Operating:			
Taxes collected	\$ 153,463	\$ 149,905	\$ (3,558)
Collection fee - County Treasurer	(3,009)	(3,007)	2
Other taxes	500	530	30
Other:			
Miscellaneous	5,350	6,479	1,129
Total receipts	<u>156,304</u>	<u>153,907</u>	<u>(2,397)</u>
Disbursements:			
Operating:			
Interest on bonds	104,930	103,058	1,872
Total disbursements	<u>104,930</u>	<u>103,058</u>	<u>1,872</u>
Excess of receipts over disbursements from operations	51,374	50,849	(525)
Other sources (uses):			
Interfund transfer	110,000	100,000	(10,000)
Bonds retired	<u>(220,000)</u>	<u>(220,000)</u>	<u>-</u>
Excess (deficit) of receipts over (under) disbursements	<u>\$ (58,626)</u>	<u>\$ (69,151)</u>	<u>\$ (10,525)</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2010

1. Budgetary Accounting

The District prepares its budget for the Governmental Funds on the cash basis of accounting. The basis is consistent with the basis of accounting used in presenting the basic financial statements. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

The term "Budgetary Fund Balance" used in these supplementary schedules is synonymous with the terms "Fund Balance - Cash Basis" used in the basic financial statements.

OTHER SUPPLEMENTARY SCHEDULES

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
SCHEDULE OF TAXES RECEIVABLE
JUNE 30, 2010
SUPPLEMENTARY SCHEDULE

	Valuation	Receivable at June 30, 2009	Tax*	Collected 2009-10	Receivable at June 30, 2010
Real estate and personal property	<u>\$ 43,229,010</u>				
General fund		\$ 11,873	\$ 23,776	\$ (23,225)	\$ 12,424
Debt service fund		77,633	153,463	(149,905)	81,191
		<u>\$ 89,506</u>	<u>\$ 177,239</u>	<u>\$ (173,130)</u>	<u>\$ 93,615</u>

*Computed on the basis of 5.50 and 35.50 cents per hundred for the general fund and debt service fund, respectively, on an actual valuation of \$43,229,010 for real estate and personal property.

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
SCHEDULE OF INVESTMENTS
JUNE 30, 2010
SUPPLEMENTARY SCHEDULE

<u>Description</u>	<u>Maturity Dates</u>	<u>Yield</u>	<u>Par</u>	<u>Cost</u>	<u>Market Value</u>	<u>Accrued Interest</u>
<u>General</u>						
U.S. T-Bills	08/12/10	0.11 %	\$ 10,000	\$ 9,998	\$ 9,999	\$ 1
<u>Debt Service</u>						
U.S. T-Bills	07/15/10	0.10 %	\$ 20,000	\$ 19,990	\$ 19,991	\$ 1
U.S. T-Bills	08/12/10	0.14	40,000	39,973	39,980	7
U.S. T-Bills	09/09/10	0.15	45,000	44,974	44,987	13
U.S. T-Bills	09/09/10	0.13	15,000	14,994	14,998	4
U.S. T-Bills	12/09/10	0.13	120,000	119,929	119,996	67
			<u>\$ 240,000</u>	<u>\$ 239,860</u>	<u>\$ 239,952</u>	<u>\$ 92</u>
<u>Total of all funds</u>			<u>\$ 250,000</u>	<u>\$ 249,858</u>	<u>\$ 249,951</u>	<u>\$ 93</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
INFORMATION REQUIRED BY SECTION 31-740
REVISED STATUTES OF NEBRASKA, 1943, REISSUED 1997
JUNE 30, 2010
SUPPLEMENTARY SCHEDULE

Gross income from all sources	\$	181,775
Amount spent for sewage disposal		None
Amount expended on water mains		None
Gross amount of sewage processed		None
Cost per thousand gallons of processing sewage		None
Amount expended for:		
Maintenance and repair	\$	445
New equipment		-
New construction work		-
Property purchased		-
Start-up costs		-
Number of employees		-
Salaries and fees paid employees		-
Total amount of taxes levied upon property within the district	\$	177,239

SANITARY AND IMPROVEMENT DISTRICT NO. 163
OF SARPY COUNTY, NEBRASKA
TRUSTEES AND RELATED BONDS
JUNE 30, 2010
SUPPLEMENTARY SCHEDULE

<u>Board of Trustees</u>			
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Stan Baatz	Chairman	Old Republic Surety Co.	\$ 5,000
Dave Miller	Clerk	Old Republic Surety Co.	20,000
Herbert Lavigne	Trustee		-
Barbara Kroeger	Trustee		-
Troy Blenderman	Trustee		-

MASSMAN NELSON REINIG PC

Certified Public Accountants

13310 I Street Omaha, Nebraska 68137

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Michael L Massman CPA
George E Nelson CPA
James A Reinig CPA

Keli D Palfini CPA
Jason T McGill CPA

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

Board of Trustees
Sanitary and Improvement District No. 163
of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities of Sanitary and Improvement District No. 163 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 26, 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A 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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting.

1. Comment: In conjunction with the audit of the financial statements, it was necessary to propose material adjustments for the financial statement to be in conformity with accounting principles generally accepted in the United States of America, specifically the conversion to the accrual method.

Recommendation: We recommend that the Board read, review, discuss and approve the auditing journal entries to make the accrual financial statements be in conformity with accounting principles generally accepted in the United States of America.

Board response: The Board will review the proposed adjustments at one of the Board meetings.

2. Comment: The Auditing Standards Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Statement of Auditing Standard No. 112 emphasizes that the auditor cannot be part of the system of internal control over financial reporting. In our judgment, the Board's trustee charged with governance, in the course of his assigned duties, lacks the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles (GAAP) and to correct any misstatements if present.

Recommendation: In our judgment, those charged with governance need to understand the importance of this communication. However, due to the lack of resources available to the Board to correct this material weakness in financial reporting, we recommend the Board mitigate this weakness by having a heightened awareness of all transactions being reported.

Board response: The Board of Trustees realizes the importance of the financial statements and heightened its awareness of all transactions being reported.

A material weakness is a significant deficiency, or combination or 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 District's internal control.

Our consideration of 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 internal control over financial reporting that we consider to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

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


Certified Public Accountants

Omaha, Nebraska
August 26, 2010

Massman Nelson Reinig PC

Certified Public Accountants

13310 I Street | Omaha, Nebraska 68137

402 330 7099 Fax 402 330 0809

Michael L Massman CPA

George E Nelson CPA

James A Reinig CPA

September 15, 2010

To the Board of Trustees
Sanitary and Improvement District No. 163
of Sarpy County

We have audited the financial statements of the governmental activities of Sanitary and Improvement District No. 163 of Sarpy County for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 30, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sanitary and Improvement District No. 163 of Sarpy County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting Sanitary and Improvement District No. 163's financial statements was:

Management's estimate of the taxes receivable is based on the taxes receivable balance maintained at the County Treasurer's office. We evaluated the key factors and assumptions used to develop the taxes receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. In conjunction with the audit of the financial statements, it was necessary to propose material adjustments for the financial statement to be in conformity with accounting principles generally accepted in the United States of America, specifically the conversion to the accrual method. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 15, 2010.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Upon completion of the audit, we found it necessary to communicate the following significant internal control deficiencies to the Board of Trustees.

The Auditing Standard Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Statement of Auditing Standard No. 112 emphasizes that the auditor cannot be part of the system of internal control over financial reporting. In our judgment, the Board's trustee charged with governance, in the course of his assigned duties, lacks the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles (GAAP) and to correct any misstatements if present.

To the Board of Trustees
Sanitary and Improvement District No. 163
of Sarpy County

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This information is intended solely for the use of the Board of Trustees and management of Sanitary and Improvement District No. 163 of Sarpy County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Massman Nelson Reinig PC

Massman Nelson Reinig PC