



Financial Statements

**SANITARY AND IMPROVEMENT
DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Sanitary and Improvement District No. 172
Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 172 of Sarpy County, Nebraska (the District), as of and for the year ended June 30, 2011, 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 the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 172 of Sarpy County, Nebraska, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General and Debt Service Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2011 on our consideration of Sanitary and Improvement District No. 172 of Sarpy County, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 15 through 19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Infinity CPA Group, LLC

Omaha, Nebraska
November 15, 2011

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**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
June 30, 2011**

ASSETS	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Cash on deposit, County Treasurer	\$ 434	\$ 36,994	\$ 37,428
Investments	-	304,872	304,872
Taxes receivable	15,845	124,496	140,341
Interest receivable on investments	-	71	71
Bond issue costs, net of accumulated amortization \$7,391	-	-	-
Capital assets:			
Depreciable infrastructure, net	-	-	-
Total assets	<u>\$ 16,279</u>	<u>\$ 466,433</u>	<u>\$ 482,712</u>
 LIABILITIES			
Accounts payable	\$ 2,265	\$ 584	\$ 2,849
Interest payable, registered warrants	122	-	122
Warrants payable:			
Due after one year	9,752	-	9,752
Interest payable, bonds	-	-	-
Bonds payable:			
Due within one year	-	-	-
Due after one year	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>12,139</u>	<u>584</u>	<u>12,723</u>
 FUND BALANCES/NET ASSETS			
Fund balances:			
Reserved for debt service	-	465,849	465,849
Unreserved, reported in:			
General fund	<u>4,140</u>	<u>-</u>	<u>4,140</u>
Total fund balances	<u>4,140</u>	<u>465,849</u>	<u>469,989</u>
Total liabilities and fund balances	<u>\$ 16,279</u>	<u>\$ 466,433</u>	<u>\$ 482,712</u>
 Net assets:			
Invested in capital assets, net of related debt			
Restricted for debt service			
Unrestricted			

See Notes to Basic Financial Statements.

<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ -	\$ 37,428
-	304,872
-	140,341
-	71
60,917	60,917
<u>1,546,160</u>	<u>1,546,160</u>
<u>1,607,077</u>	<u>2,089,789</u>
-	2,849
-	122
-	9,752
17,149	17,149
120,000	120,000
1,780,000	1,780,000
-	-
<u>1,917,149</u>	<u>1,929,872</u>
(465,849)	-
<u>(4,140)</u>	<u>-</u>
<u>(469,989)</u>	<u>-</u>
(310,072)	(310,072)
465,849	465,849
4,140	4,140
<u>\$ 159,917</u>	<u>\$ 159,917</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
REVENUES			
Personal and real property taxes	\$ 34,381	\$ 270,224	\$ 304,605
Interest on taxes	15	134	149
Interest on investments	-	305	305
Micellaneous	-	-	-
State motor vehicle tax allocation	90	747	837
Total revenues	<u>34,486</u>	<u>271,410</u>	<u>305,896</u>
EXPENDITURES/EXPENSES			
Current:			
Accounting fees	355	-	355
Amortization of bond issue costs	-	-	-
Audit fees	4,885	-	4,885
Collection fees	644	5,601	6,245
Depreciation	-	-	-
Engineering fees	2,773	-	2,773
Fiscal Agent Fees	-	1,909	1,909
Interest on registered warrants	405	-	405
Legal fees	12,969	-	12,969
Publishing expense	67	-	67
Repairs and maintenance	19,464	-	19,464
Utilities	9,507	-	9,507
Other capital outlay	-	68,308	68,308
Debt service:			
Bond principal	-	2,065,000	2,065,000
Bond interest	-	87,217	87,217
Total expenditures/expenses	<u>51,069</u>	<u>2,228,035</u>	<u>2,279,104</u>
Excess (deficit) of revenues over expenditures	(16,583)	(1,956,625)	(1,973,208)
OTHER FINANCING SOURCES			
Bond issue proceeds	-	1,900,000	1,900,000
Excess (deficit) of revenues and other sources over expenditures	<u>(16,583)</u>	<u>(56,625)</u>	<u>(73,208)</u>
Change in net assets	-	-	-
Fund balances/net assets-beginning	20,723	522,474	543,197
Fund balances/net assets-ending	<u>\$ 4,140</u>	<u>\$ 465,849</u>	<u>\$ 469,989</u>

See Notes to Basic Financial Statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 304,605
-	149
-	305
5,000	5,000
-	837
5,000	310,896
-	355
98,652	98,652
-	4,885
-	6,245
71,172	71,172
-	2,773
-	1,909
-	405
-	12,969
-	67
-	19,464
-	9,507
(68,308)	-
(2,065,000)	-
(15,506)	71,711
(1,978,990)	300,114
1,973,208	-
(1,900,000)	-
73,208	-
\$ 10,782	10,782
	149,135
	\$ 159,917

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Personal and real property taxes	\$ 33,675	\$ 33,091	\$ (584)
Interest on taxes	-	15	15
State motor vehicle tax allocation	100	90	(10)
Total revenues	33,775	33,196	(579)
EXPENDITURES			
Current			
Accounting fees	300	355	(55)
Audit fees	4,885	4,885	-
Chairman and clerk bonds	500	-	500
Collection fees	-	644	(644)
Election costs	250	-	250
Engineering fees	750	2,773	(2,023)
Insurance	300	-	300
Legal fees	10,000	12,969	(2,969)
Publishing	100	67	33
Repairs and maintenance	10,000	19,771	(9,771)
Utilities	10,000	9,501	499
Total expenditures	37,085	50,965	(13,880)
Excess (deficit) of revenues over expenditures	(3,310)	(17,769)	(14,459)
OTHER FINANCING SOURCES (USES)			
Interest on warrants	-	(282)	(282)
Issuance of warrants	-	27,274	27,274
Retirement of warrants	-	(17,523)	(17,523)
	-	9,469	9,469
Excess (deficit) of revenues and other sources over expenditures and other uses	(3,310)	(8,300)	(4,990)
Fund balance, beginning	8,734	8,734	-
Fund balance, ending	\$ 5,424	\$ 434	\$ (4,990)

See Notes to Basic Financial Statements.

<u>Budget to GAAP Reconciliation</u>	<u>Actual amounts (GAAP Basis)</u>
\$ 1,290	\$ 34,381
-	15
-	90
<u>1,290</u>	<u>34,486</u>
-	355
-	4,885
-	-
-	644
-	-
-	2,773
-	-
-	12,969
-	67
(307)	19,464
6	9,507
<u>(301)</u>	<u>50,664</u>
1,591	(16,178)
(123)	(405)
(27,274)	-
17,523	-
<u>(9,874)</u>	<u>(405)</u>
\$ <u><u>(8,283)</u></u>	
	20,723
	<u>4,140</u>
	\$ <u><u>4,140</u></u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE FOR THE DEBT SERVICE FUND
For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Personal and real property taxes	\$ 264,600	\$ 287,118	\$ 22,518
Interest on taxes	-	134	134
Interest on investments	3,000	377	(2,623)
State motor vehicle tax allocation	1,000	747	(253)
Total revenues	268,600	288,376	19,776
EXPENDITURES			
Current			
Collection fees	-	5,601	(5,601)
Fiscal agent fees	2,100	3,425	(1,325)
Debt service:			
Bond principal	135,000	2,065,000	(1,930,000)
Bond interest	112,875	87,217	25,658
Total expenditures	249,975	2,161,243	(1,911,268)
Excess (deficit) of revenues over expenditures	18,625	(1,872,867)	(1,891,492)
OTHER FINANCING SOURCES (USES)			
Bond issue costs	-	(68,308)	(68,308)
Bond issue proceeds	-	1,900,000	1,900,000
	-	1,831,692	1,831,692
Excess (deficit) of revenues and other sources over expenditures and other uses	18,625	(41,175)	(59,800)
Fund balance, beginning	383,041	383,041	-
Fund balance, ending	\$ 401,666	\$ 341,866	\$ (59,800)

See Notes to Basic Financial Statements.

<u>Budget to GAAP Reconciliation</u>	<u>Actual amounts (GAAP Basis)</u>
\$ (16,894)	\$ 270,224
-	134
(72)	305
-	747
<u>(16,966)</u>	<u>271,410</u>
-	5,601
(1,516)	1,909
-	2,065,000
-	87,217
<u>(1,516)</u>	<u>2,159,727</u>
(15,450)	(1,888,317)
-	(68,308)
-	1,900,000
<u>-</u>	<u>1,831,692</u>
<u>\$ (15,450)</u>	
	<u>522,474</u>
	<u>\$ 465,849</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Note 1. Nature of Activity and Significant Accounting Policies

Nature of activity:

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

Significant accounting policies are as follows:

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. 172. The Board of Trustees is elected every other year by the property owners of the District. The Board of Trustees appoints the Chairperson of the Board from existing Board members. The Chair responsibilities are to preside at all meetings of the Board; be the Chief officer of the District; and exercise supervision over the District.

The Board has decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters of the District. The District 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.

Government-wide and fund financial statements:

Government-wide financial statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information on all of the non-fiduciary activities of the District.

The 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 are placed on them and are either externally imposed or are imposed by law through constitutional provisions or enabling legislature. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Note 1. Significant Accounting Policies (continued)

Government-wide financial statements (continued):

The statement of activities reports the expenses of a given function offset by program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements:

The fund financial statements provide information about the District's funds. Separate statements for each fund category – *governmental* – are presented. The emphasis of fund financial statements is on the determination of financial position and changes in financial position.

The District reports on the following major 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. The primary revenue sources are personal property and real estate taxes. The primary expenditures are for street repairs and maintenance, professional fees, and utilities.

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:

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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 measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recognized in the period the liability is incurred, except for interest that is not matured on general long-term debt, which is recognized when due.

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Note 1. Significant Accounting Policies (continued)

Measurement focus and basis of accounting (continued):

Property tax revenues are recognized when susceptible to accrual. Miscellaneous revenues are recognized as the amounts are collected. Uncollected taxes are recorded as a receivable and as deferred revenue on the balance sheets. Investment earnings are recorded as earned since they are measurable and available.

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 generally accepted accounting principles. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed 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.

1. On 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.
2. Prior to September 20, the Board of Trustees formally approves the budget document following a public hearing, with notice given five days in advance.
3. As of September 20, the budget document must be on file with the County Board and the Auditor of Public Accounts.
4. Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.
5. Expenditures and transfers cannot exceed appropriations at the fund level. When expenditures and transfers are required for functions that have not been budgeted, authorization to amend the budget and to incur the expenditures is permitted following a public hearing. No significant supplemental appropriations were made for the fiscal year ended June 30, 2011.
6. A majority vote by the Board of Trustees may authorize transfer of budgeted amounts from the General Fund to the Debt Service Fund.

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Note 1. Significant Accounting Policies (continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments are not treated as expenditures until a liability for payment is incurred. Encumbrance accounting is not employed by the District, rather the expenditure will be budgeted for in the period which the contract will be performed.

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	30 – 50 years
Underground power and water systems	20 – 30 years

Amortization:

Bond issue costs are amortized over the terms of the bonds, using the interest method of amortization. Amortization expense for the year ended June 30, 2011 was \$98,652.

Note 2. Concentration of Credit Risk

At June 30, 2011, the balance in cash of \$37,428 is equal to the carrying amount of the District's deposits. The deposits of the District are classified as Category 3, deposits that are uncollateralized or uninsured. This includes any deposit balance that is collateralized with securities held by the County but not in the district's name.

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Note 2. Concentration of Credit Risk (continued)

State Statute authorizes the District to invest in obligations of the U.S. Treasury. All investments for the District at June 30, 2011, amounting to \$304,872 are invested in obligations of the U.S. Treasury and are carried at amortized cost, which approximates fair value. These investments are classified as Category 3 investments, uninsured and unregistered securities of the District which are held by the County in the name of the District.

Note 3. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment consists of several elements as follows:

Total fund balance – governmental funds	\$		469,989
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements	\$	2,599,350	
Less accumulated depreciation		<u>(1,053,190)</u>	1,546,160
Other long-term assets are not current financial resources and therefore not reported in the fund financial statements:			
Bond issue costs		68,308	
Accumulated amortization		<u>(7,391)</u>	60,917
Liabilities are not due and payable in the current period and therefore not reported in governmental funds statements:			
Bond payable			(1,900,000)
Interest payable – bonds			<u>(17,149)</u>
Net assets of governmental activities	\$		<u>159,917</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Note 3. Reconciliation of Government-Wide and Fund Financial Statements (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment as follows:

Net change in fund balances – governmental funds	\$	(73,208)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements		(71,172)
Proceeds from issuance of bonds is recorded as other financing sources on the funds statements, but do not affect the statement of net assets in the government-wide statements		(1,900,000)
Capital outlay is recorded as an expenditure in the fund statement but not in the statement of activities		68,308
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements		2,065,000
Miscellaneous income is recorded in the statement of activities but not in the fund statements		5,000
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:		
Amortization on bond issue costs		(98,652)
Increase in interest payable - bonds		15,506
Change in net assets of governmental activities	\$	10,782

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Note 4. Personal and Real Property Taxes

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. Nebraska State law allows taxpayers the opportunity to pay real estate taxes in two equal installments after December 31. Installment one is due March 31 and delinquent April 1. Installment two is due July 31 and delinquent August 1. If after February of the following year the taxes remain delinquent, the County places the property up for tax sale. Tax collections are remitted to the District from the County on a regular basis.

Property tax revenues are recognized when they become available, which includes those property tax receivables expected to be collected within sixty days after year-end. The portion of the taxes not expected to be collected within sixty days after year-end is recorded as deferred revenue. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

The District has levied personal and real property taxes as follows:

Fiscal Year	District Valuation of Property	District Tax Levy Per \$100 Valuation		
		General	Debt Service	Total
2010-2011	\$49,071,171	.070000	.550000	.620000

Note 5. Capital Assets

A summary of capital assets for the year ended June 30, 2011 is as follows:

Governmental activities	Balance at 6/30/10	Additions	Balance at 6/30/11
Infrastructure:			
Water distribution system	\$ 351,299	\$ -	\$ 351,299
Sanitary sewer	355,564	-	355,564
Paving and storm sewers	1,683,628	-	1,683,628
Electrical distribution system	208,859	-	208,859
Totals at historical cost	2,599,350	-	2,599,350
Less accumulated depreciation for infrastructure	(982,018)	(71,172)	(1,053,190)
Capital assets, net	\$ 1,617,332	\$ (71,172)	\$ 1,546,160

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Note 5. Capital Assets (continued)

The district recorded depreciation expense of \$71,172 for the year ended June 30, 2011.

Note 6. Warrants Payable

General Fund warrants are due and payable not later than three years from date of issuance.

Aggregate maturities during the next five years are as follows:

<u>Year Ending June 30</u>	<u>General Fund</u>
2012	\$ -
2013	-
2014	<u>9,752</u>
Totals	<u>\$ 9,752</u>

Note 7. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

<u>Debt Service fund</u>	<u>Balance 6/30/10</u>	<u>Proceeds (Retired)</u>	<u>Balance 6/30/11</u>	<u>Due within one year</u>
1997 Bond Issue	\$ 590,000	\$ (590,000)	\$ -	\$ -
1999 Bond Issue	595,000	(595,000)	-	-
2001 Bond Issue	880,000	(880,000)	-	-
2010 Bond Issue	<u>-</u>	<u>1,900,000</u>	<u>1,900,000</u>	<u>120,000</u>
	<u>\$ 2,065,000</u>	<u>\$ (165,000)</u>	<u>\$ 1,900,000</u>	<u>\$ 120,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Note 7. Long-Term Debt (continued)

The District issued general obligation bonds totaling \$1,900,000 on September 15, 2010 to pay off three Bond Issues. The balance remaining at June 30, 2011 is \$1,900,000. The remaining bonds are due serially on September 15, 2011 through September 15, 2021. The remaining annual maturities range from \$120,000 in 2011 to \$225,000 in 2021. Interest is payable semi-annually on this issue at 1.50% to 4.15% per annum.

The following is a summary of the District's future annual debt service requirements:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 120,000	\$ 57,898	\$ 177,898
2013	130,000	55,925	185,925
2014	140,000	53,452	193,452
2015	150,000	50,327	200,327
2016	160,000	46,442	206,442
2017-2021	975,000	142,170	1,117,170
2022	225,000	4,669	229,669
Totals	<u>\$ 1,900,000</u>	<u>\$ 410,883</u>	<u>\$ 2,310,883</u>

Note 8. Financial Statement Presentation – Budget Basis

The budget of the District is prepared on the cash basis. The necessary adjustments to reconcile from budgetary basis to GAAP basis follows:

	<u>General</u>	<u>Debt Service</u>
Fund balance, ending (budget basis)	\$ 434	\$ 341,866
<u>Adjustments to generally accepted accounting principles</u>		
Revenue accruals	15,845	124,567
Expenditure accruals	<u>(12,139)</u>	<u>(584)</u>
Fund balance, ending (GAAP basis)	<u>\$ 4,140</u>	<u>\$ 465,849</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Note 9. 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; 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 prior three years.

Note 10. Unfavorable Budget Differences

The General Fund and Debt Service Fund had excess of expenditures over appropriations for the year ended June 30, 2011.

Note 11. Subsequent Event

The District has evaluated all subsequent events through November 15, 2011, the date the financial statements were available to be issued.

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**TAXES RECEIVABLE
June 30, 2011**

	<u>Fiscal Year</u>	<u>Receivable at June 30 2010</u>	<u>Taxes Assessed</u>	<u>Taxes Collected</u>	<u>Taxes Adjusted*</u>	<u>Receivable at June 30 2011</u>
General Fund:						
Personal and real property taxes						
	2009-2010	\$ 14,555	\$ -	\$ 14,600	\$ 45	\$ -
	2010-2011	-	34,350	18,491	(14)	15,845
		<u>\$ 14,555</u>	<u>\$ 34,350</u>	<u>\$ 33,091</u>	<u>\$ 31</u>	<u>\$ 15,845</u>
Debt Service Fund:						
Personal and real property taxes						
	2009-2010	\$ 141,390	\$ -	\$ 141,832	\$ 442	\$ -
	2010-2011	-	269,891	145,286	(109)	124,496
		<u>\$ 141,390</u>	<u>\$ 269,891</u>	<u>\$ 287,118</u>	<u>\$ 333</u>	<u>\$ 124,496</u>

*Taxes adjusted consist of subsequent adjustments in taxes assessed because of changes in certified valuations of personal and real property.

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**INVESTMENTS
June 30, 2011**

Description: Held to Maturity	<u>Maturity Date</u>	<u>Par Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Accrued Interest</u>
Debt Service Fund:					
U.S. Treasury Bill	August 11, 2011	\$ 115,000	\$ 114,941	\$ 114,985	\$ 44
U.S. Treasury Bill	October 6, 2011	160,000	159,940	159,965	25
U.S. Treasury Bill	November 10, 2011	30,000	29,991	29,993	2
		<u>\$ 305,000</u>	<u>\$ 304,872</u>	<u>\$ 304,943</u>	<u>\$ 71</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**BONDS PAYABLE
June 30, 2011**

<u>Bond Numbers</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount</u>
Issue date: September 15, 2010			
Option call date: Bond numbers 109 - 380 on or after September 15, 2015			
1-24	1.50%	September 15, 2011	\$ 120,000
25-50	1.65%	September 15, 2012	130,000
51-78	2.00%	September 15, 2013	140,000
79-108	2.30%	September 15, 2014	150,000
109-140	2.70%	September 15, 2015	160,000
141-175	3.05%	September 15, 2016	175,000
176-212	3.35%	September 15, 2017	185,000
213-251	3.60%	September 15, 2018	195,000
252-292	3.80%	September 15, 2019	205,000
293-335	4.00%	September 15, 2020	215,000
336-380	4.15%	September 15, 2021	225,000
			<u>\$ 1,900,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

INFORMATION REQUIRED BY SECTION 31-715 AND 31-740
REVISED STATUTES OF NEBRASKA
For the Year Ended June 30, 2011

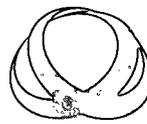
Gross income from all sources	\$ 305,896
Amount spent for sewage disposal	Not Applicable
Amount expended on water mains	-
Gross amount of sewage processed	-
Cost per thousand gallons of processing sewage	-
Amount expended for:	
Repairs and maintenance	\$ 19,464
New equipment	-
New construction work	-
Real estate purchased	-
Number of employees	-
Salaries and fees paid employees	-
Total amount of taxes levied	\$ 304,241

Note: Sewage disposal services are furnished by the City of Omaha, Nebraska.

**SANITARY AND IMPROVEMENT DISTRICT NO. 172
OF SARPY COUNTY, NEBRASKA**

**DISTRICT OFFICIALS AND RELATED BONDS
For the Year Ended June 30, 2011**

<u>Trustees</u>		<u>Bonds</u>	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Frank R. Krejci	Chairman	Universal Surety Company	\$ 5,000
Vera Jane Krejci	Clerk	Universal Surety Company	\$ 20,000
Robert F. Krejci	Trustee		
Lori M. Krejci	Trustee		
Larry D. Smith	Trustee		



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 Trustees
Sanitary and Improvement District No. 172
of Sarpy County, Nebraska

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 172 of Sarpy County, Nebraska, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2011. 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

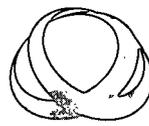
In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 deficiency in internal control exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, or detect and correct such misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

The District lacks a trustee or management with the qualifications and training to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.



Management response: We have an extremely small board and limited resources for the District. Our audited financial statements and footnotes are outsourced to our auditors because of the cost/benefit standpoint and our auditors have direct knowledge that aids in preparing the financial statements. Our trial balance, prepared by an outside bookkeeper, is used for basis in the preparation of the audited financial statements.

Management has the ability to override internal controls due to a lack of segregation of duties within the district.

Management response: We approve all warrants issued and the fiscal agent reviews the expenses and receipts periodically. Our attorney is present at all the District's meetings and oversees expenditures.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above.

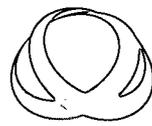
We noted certain matters that we reported to management of the District in a separate letter dated November 15, 2011.

The District's response to the findings identified in our audit is described above. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, the State of Nebraska Auditor of Public Accounts, the County Clerk, 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.

Infinity CPA Group LLC

Omaha, Nebraska
November 15, 2011



November 15, 2011

Board of Trustees
Sanitary and Improvement District No. 172
1505 N. 203rd Street
Elkhorn, NE 68022

Attention: Mr. Frank Krejci, Chairman:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanitary and Improvement District No. 172 of Sarpy County, Nebraska for the year ended June 30, 2011. 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 letter to you dated November 15, 2011. 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. 172 of Sarpy County, Nebraska 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, 2011. 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 the basic financial statements was:

Management's estimate of the useful lives and depreciation methods are based on industry standards for governmental entities. We evaluated the key factors and assumptions used to develop the useful lives and depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

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 November 15, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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.

The District lacks a trustee or management with the qualifications and training to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

Management has the ability to override internal controls due to a lack of segregation of duties within the district.

Other Information in Documents Containing Audited Financial Statements

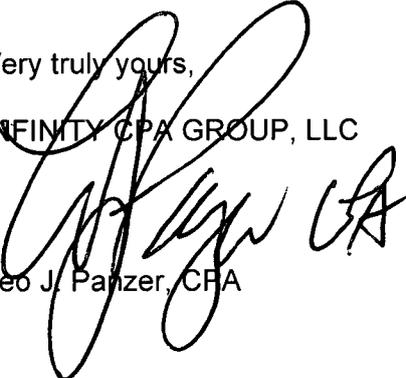
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of Sanitary and Improvement District No. 172 of Sarpy County, Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

INFINITY CPA GROUP, LLC

Leo J. Panzer, CPA

A large, stylized handwritten signature in black ink, appearing to read 'Leo J. Panzer CPA', is written over the typed name and company name.