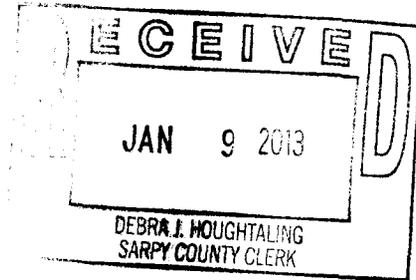


Financial Statements

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

JUNE 30, 2012



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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, 2012, 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, 2012, 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 December 21, 2012 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 considered in assessing 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 as a whole. 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.


Omaha, Nebraska
December 21, 2012

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

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
June 30, 2012**

ASSETS	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Cash on deposit, County Treasurer	\$ 7,430	\$ 23,272	\$ 30,702
Investments	-	384,890	384,890
Taxes receivable	27,205	113,357	140,562
Interest receivable on investments	-	57	57
Bond issue costs, net of accumulated amortization \$16,727	-	-	-
Capital assets:			
Depreciable infrastructure, net	-	-	-
Total assets	<u>\$ 34,635</u>	<u>\$ 521,576</u>	<u>\$ 556,211</u>
 LIABILITIES			
Accounts payable	\$ 3,605	\$ 700	\$ 4,305
Interest payable, bonds	-	-	-
Bonds payable:			
Due within one year	-	-	-
Due after one year	-	-	-
Total liabilities	<u>3,605</u>	<u>700</u>	<u>4,305</u>
 FUND BALANCES/NET ASSETS			
Fund balances:			
Reserved for debt service	-	520,876	520,876
Unreserved, reported in:			
General fund	<u>31,030</u>	<u>-</u>	<u>31,030</u>
Total fund balances	<u>31,030</u>	<u>520,876</u>	<u>551,906</u>
Total liabilities and fund balances	<u>\$ 34,635</u>	<u>\$ 521,576</u>	<u>\$ 556,211</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>
\$ -	\$ 30,702
-	384,890
-	140,562
-	57
51,581	51,581
<u>1,474,987</u>	<u>1,474,987</u>
<u>1,526,568</u>	<u>2,082,779</u>
-	4,305
16,624	16,624
130,000	130,000
<u>1,650,000</u>	<u>1,650,000</u>
<u>1,796,624</u>	<u>1,800,929</u>
(520,876)	-
(31,030)	-
<u>(551,906)</u>	<u>-</u>
(270,056)	(270,056)
520,876	520,876
<u>31,030</u>	<u>31,030</u>
<u>\$ 281,850</u>	<u>\$ 281,850</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, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
REVENUES			
Personal and real property taxes	\$ 57,015	\$ 237,527	\$ 294,542
Interest on taxes	11	88	99
Interest on investments	-	154	154
State motor vehicle tax allocation	144	706	850
Total revenues	<u>57,170</u>	<u>238,475</u>	<u>295,645</u>
EXPENDITURES/EXPENSES			
Current:			
Accounting fees	250	-	250
Amortization of bond issue costs	-	-	-
Audit fees	4,895	-	4,895
Collection fees	883	4,850	5,733
Depreciation	-	-	-
Engineering fees	707	-	707
Fiscal Agent Fees	-	700	700
Interest on registered warrants	620	-	620
Legal fees	12,382	-	12,382
Publishing expense	57	-	57
Repairs and maintenance	777	-	777
Utilities	9,709	-	9,709
Debt service:			
Bond principal	-	120,000	120,000
Bond interest	-	57,898	57,898
Total expenditures/expenses	<u>30,280</u>	<u>183,448</u>	<u>213,728</u>
Excess (deficit) of revenues over expenditures	<u>26,890</u>	<u>55,027</u>	<u>81,917</u>
Change in net assets	-	-	-
Fund balances/net assets-beginning	<u>4,140</u>	<u>465,849</u>	<u>469,989</u>
Fund balances/net assets-ending	<u>\$ 31,030</u>	<u>\$ 520,876</u>	<u>\$ 551,906</u>

See Notes to Basic Financial Statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 294,542
-	99
-	154
-	850
<u>-</u>	<u>295,645</u>
-	250
9,336	9,336
-	4,895
-	5,733
71,173	71,173
-	707
-	700
-	620
-	12,382
-	57
-	777
-	9,709
(120,000)	-
<u>(525)</u>	<u>57,373</u>
<u>(40,016)</u>	<u>173,712</u>
(81,917)	-
<u>\$ 121,933</u>	121,933
	<u>159,917</u>
	<u>\$ 281,850</u>

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

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2012**

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts <u>(Budgetary Basis)</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
REVENUES			
Personal and real property taxes	\$ 55,950	\$ 45,655	\$ (10,295)
Interest on taxes	-	11	11
State motor vehicle tax allocation	100	144	44
Total revenues	<u>56,050</u>	<u>45,810</u>	<u>(10,240)</u>
EXPENDITURES			
Current			
Accounting fees	400	250	150
Audit fees	4,895	4,895	-
Collection fees	-	883	(883)
Engineering fees	750	707	43
Insurance	300	-	300
Legal fees	10,000	12,382	(2,382)
Publishing	100	57	43
Repairs and maintenance	10,000	1,145	8,855
Utilities	10,000	8,002	1,998
Total expenditures	<u>36,445</u>	<u>28,321</u>	<u>8,124</u>
Excess (deficit) of revenues over expenditures	19,605	17,489	(2,116)
OTHER FINANCING SOURCES (USES)			
Interest on warrants	(122)	(742)	(620)
Issuance of warrants	-	21,869	21,869
Retirement of warrants	(9,752)	(31,620)	(21,868)
	<u>(9,874)</u>	<u>(10,493)</u>	<u>(619)</u>
Excess (deficit) of revenues and other sources over expenditures and other uses	9,731	6,996	(2,735)
Fund balance, beginning	434	434	-
Fund balance, ending	<u>\$ 10,165</u>	<u>\$ 7,430</u>	<u>\$ (2,735)</u>

See Notes to Basic Financial Statements.

<u>Budget to GAAP Reconciliation</u>	<u>Actual amounts (GAAP Basis)</u>
\$ 11,360	\$ 57,015
-	11
-	144
<u>11,360</u>	<u>57,170</u>
-	250
-	4,895
-	883
-	707
-	-
-	12,382
-	57
(368)	777
1,707	9,709
<u>1,339</u>	<u>29,660</u>
10,021	27,510
122	(620)
(21,869)	-
31,620	-
<u>9,873</u>	<u>(620)</u>
\$ <u>19,894</u>	26,890
	4,140
	<u>\$ 31,030</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, 2012**

	<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	\$ 233,123	\$ 248,666	\$ 15,543
Interest on taxes	-	88	88
Interest on investments	400	168	(232)
State motor vehicle tax allocation	1,000	706	(294)
Total revenues	<u>234,523</u>	<u>249,628</u>	<u>15,105</u>
EXPENDITURES			
Current			
Collection fees	-	4,850	(4,850)
Fiscal agent fees	2,100	584	1,516
Debt service:			
Bond principal	120,000	120,000	-
Bond interest	57,898	57,898	-
Total expenditures	<u>179,998</u>	<u>183,332</u>	<u>(3,334)</u>
Excess of revenues over expenditures	54,525	66,296	11,771
Fund balance, beginning	<u>341,866</u>	<u>341,866</u>	-
Fund balance, ending	<u>\$ 396,391</u>	<u>\$ 408,162</u>	<u>\$ 11,771</u>

See Notes to Basic Financial Statements.

<u>Budget to GAAP Reconciliation</u>	<u>Actual amounts (GAAP Basis)</u>
\$ (11,139)	\$ 237,527
-	88
(14)	154
-	706
<u>(11,153)</u>	<u>238,475</u>
-	4,850
116	700
-	120,000
-	57,898
<u>116</u>	<u>183,448</u>
<u>\$ (11,269)</u>	55,027
	<u>465,849</u>
	<u>\$ 520,876</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

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, 2012**

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, 2012**

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, 2012.
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, 2012**

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, 2012 was \$9,336.

Note 2. Concentration of Credit Risk

At June 30, 2012, the balance in cash of \$30,702 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, 2012**

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, 2012, amounting to \$384,890 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	\$	551,906
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>(1,124,363)</u>	1,474,987
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>(16,727)</u>	51,581
Liabilities are not due and payable in the current period and therefore not reported in governmental funds statements:		
Bond payable		(1,780,000)
Interest payable – bonds		<u>(16,624)</u>
Net assets of governmental activities	\$	<u>281,850</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

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	\$	81,917
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		(71,173)
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		120,000
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		(9,336)
Increase in interest payable - bonds		525
Change in net assets of governmental activities	\$	<u>121,933</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

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
2011-2012	\$47,556,975	.119999	.500000	.619999

Note 5. Capital Assets

A summary of capital assets for the year ended June 30, 2012 is as follows:

Governmental activities	Balance at 6/30/11	Additions	Balance at 6/30/12
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	(1,053,190)	(71,173)	(1,124,363)
Capital assets, net	\$ 1,546,160	\$ (71,173)	\$ 1,474,987

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

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

Note 5. Capital Assets (continued)

The district recorded depreciation expense of \$71,173 for the year ended June 30, 2012.

Note 6. Warrants Payable

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

Debt Service Fund warrants are due and payable not later than five years from date of issuance.

Aggregate maturities during the next five years are as follows:

Year Ending June 30	General Fund	Debt Service Fund
	<u> </u>	<u> </u>
2013	\$ -	\$ -
2014	-	-
2015	3,605	-
2016	-	-
2017	-	700
Totals	<u>\$ 3,605</u>	<u>\$ 700</u>

Note 7. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

<u>Debt Service fund</u>	<u>Balance 6/30/11</u>	<u>Proceeds (Retired)</u>	<u>Balance 6/30/12</u>	<u>Due within one year</u>
2010 Bond Issue	\$ <u>1,900,000</u>	\$ <u>(120,000)</u>	\$ <u>1,780,000</u>	\$ <u>130,000</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

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, 2012 is \$1,780,000. The remaining bonds are due serially on September 15, 2012 through September 15, 2021. The remaining annual maturities range from \$130,000 in 2012 to \$225,000 in 2021. Interest is payable semi-annually on this issue at 1.65% 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>
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	175,000	41,614	216,614
2018-2022	1,025,000	105,225	1,130,225
Totals	<u>\$ 1,780,000</u>	<u>\$ 352,985</u>	<u>\$ 2,132,985</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)	\$ 7,430	\$ 408,162
<u>Adjustments to generally accepted accounting principles</u>		
Revenue accruals	27,205	113,414
Expenditure accruals	<u>(3,605)</u>	<u>(700)</u>
Fund balance, ending (GAAP basis)	<u>\$ 31,030</u>	<u>\$ 520,876</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

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 had excess of expenditures over appropriations for the year ended June 30, 2012.

Note 11. Subsequent Event

The District has evaluated all subsequent events through December 21, 2012 the date the financial statements were available to be issued.

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

**TAXES RECEIVABLE
June 30, 2012**

	<u>Fiscal Year</u>	<u>Receivable at June 30 2011</u>	<u>Taxes Assessed</u>	<u>Taxes Collected</u>	<u>Taxes Adjusted*</u>	<u>Receivable at June 30 2012</u>
General Fund:						
Personal and real property taxes						
	2010-2011	\$ 15,845	\$ -	\$ 15,834	\$ (11)	\$ -
	2011-2012	-	57,068	29,821	(42)	27,205
		<u>\$ 15,845</u>	<u>\$ 57,068</u>	<u>\$ 45,655</u>	<u>\$ (53)</u>	<u>\$ 27,205</u>
Debt Service Fund:						
Personal and real property taxes						
	2010-2011	\$ 124,496	\$ -	\$ 124,411	\$ (85)	\$ -
	2011-2012	-	237,785	124,255	(173)	113,357
		<u>\$ 124,496</u>	<u>\$ 237,785</u>	<u>\$ 248,666</u>	<u>\$ (258)</u>	<u>\$ 113,357</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, 2012**

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	September 6, 2012	\$ 25,000	\$ 24,988	\$ 24,995	\$ 7
U.S. Treasury Bill	September 6, 2012	<u>360,000</u>	<u>359,902</u>	<u>359,952</u>	<u>50</u>
		<u>\$ 385,000</u>	<u>\$ 384,890</u>	<u>\$ 384,947</u>	<u>\$ 57</u>

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

**BONDS PAYABLE
June 30, 2012**

<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			
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>\$ 1,780,000</u>

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 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

The board of the District is responsible for establishing and maintaining effective 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 December 21, 2012.

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.

Trinity CPA Group, LLC

Omaha, Nebraska
December 21, 2012

**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, 2012

Gross income from all sources	\$ 295,645
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	\$ 777
New equipment	-
New construction work	-
Real estate purchased	-
Number of employees	-
Salaries and fees paid employees	-
Total amount of taxes levied	\$ 294,853

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, 2012**

<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		