



SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA

BASIC FINANCIAL STATEMENTS  
WITH  
SUPPLEMENTARY INFORMATION  
AND  
ACCOMPANYING INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2010

# Sanitary and Improvement District No. 189

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Sanitary and Improvement District No. 189  
Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities of the Sanitary and Improvement District No. 189 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 financial position of the governmental activities of Sanitary and Improvement District No. 189 of Sarpy County, Nebraska as of June 30, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District's management has elected to omit management's discussion and analysis from the basic financial statements. The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2010, on our consideration of Sanitary and Improvement District No. 189 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 Sanitary and Improvement District No. 189 of Sarpy County, Nebraska's basic financial statements. The information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Sanitary and Improvement District No. 189 of Sarpy County, Nebraska, 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.

*Dolleck & Frederes P.C.*

DOLLECK & FREDERES P.C.  
Omaha, Nebraska  
December 7, 2010

SANITARY & IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA  
STATEMENT OF NET ASSETS  
June 30, 2010

ASSETS

<b>CURRENT ASSETS</b>	
Cash on deposit, County Treasurer (Note B)	\$ 29,157
Investments (Note B)	824,457
Taxes receivable (Notes A and C)	199,849
Interest receivable on investments	<u>221</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,053,684</u>
<b>NONCURRENT ASSETS</b>	
Capital assets, net of accumulated depreciation (Notes A and D)	2,778,690
Bond issue costs, net of accumulated amortization (Note A)	<u>273,973</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>3,052,663</u>
<b>TOTAL ASSETS</b>	<u>4,106,347</u>

LIABILITIES

<b>CURRENT LIABILITIES</b>	
Warrants and Accounts Payable	13,018
Accrued interest	55,636
Bonds payable - current portion (Note E)	<u>100,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>168,654</u>
<b>NONCURRENT LIABILITIES</b>	
Bonds payable (Note E)	<u>4,730,000</u>
<b>TOTAL LIABILITIES</b>	<u>4,898,654</u>

NET ASSETS

Invested in capital assets, net of related debt	(1,832,973)
Restricted for debt service	923,865
Unrestricted	<u>116,801</u>
<b>TOTAL NET ASSETS</b>	<u>\$ (792,307)</u>

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

SANITARY & IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2010

EXPENSES

General government:

Professional and administrative fees	\$ 29,694
Maintenance and utilities	21,191
Depreciation (Notes A and D)	112,850
Amortization (Note A)	15,659
Interest	223,213
Abandoned Bond Insurance Costs	<u>146,775</u>

TOTAL EXPENSES 549,382

GENERAL REVENUES

Personal and real property taxes (Note C)	468,811
Interest Income	1,928
Miscellaneous	<u>1,825</u>

TOTAL GENERAL REVENUES 472,564

Increase (Decrease) in net assets (76,817)

NET ASSETS - beginning of the year (715,490)

NET ASSETS - ending of the year \$ (792,307)

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

SANITARY & IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA  
BALANCE SHEET  
 (Governmental Funds)  
 June 30, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash on deposit, County Treasurer (Note B)	\$ 24,339	\$ 4,818	\$ 29,157
Investments (Note B)	74,981	749,476	824,457
Taxes receivable (Note A and C)	30,485	169,364	199,849
Interest receivable on investment	<u>14</u>	<u>207</u>	<u>221</u>
Total Assets	<u>\$ 129,819</u>	<u>\$ 923,865</u>	<u>\$ 1,053,684</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Warrants and Accounts Payable	\$ <u>13,018</u>	-	\$ <u>13,018</u>
Total Liabilities	<u>\$ 13,018</u>	-	<u>\$ 13,018</u>
<u>FUND EQUITY</u>			
Fund balance (Note G)			
Restricted for debt service	\$ -	923,865	923,865
Unrestricted	<u>116,801</u>	-	<u>116,801</u>
Total Fund Equity	<u>\$ 116,801</u>	<u>\$ 923,865</u>	<u>\$ 1,040,666</u>
Total Liabilities & Fund Equity	<u>\$ 129,819</u>	<u>\$ 923,865</u>	<u>\$ 1,053,684</u>

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

SANITARY & IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
 Year ended June 30, 2010

Total Fund Balances - Governmental Funds		\$ 1,040,666
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital Assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements:</p>		
Capital assets	\$ 4,004,724	
Accumulated Depreciation	<u>(1,226,034)</u>	2,778,690
<p>Other long-term assets are not financial resources and therefore not reported in the fund financial statements</p>		
Bond issue costs	313,180	
Accumulated amortization	<u>(39,207)</u>	273,973
<p>Other liabilities are not due and payable in the current period and therefore not reported in governmental funds:</p>		
Bond payable		(4,830,000)
Interest payable – bonds		<u>(55,636)</u>
Net Assets		<u>\$ (792,307)</u>

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

SANITARY & IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
(Governmental Funds)  
Year ended June 30, 2010

	<u>General</u> <u>Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental Funds</u>
<b>REVENUES</b>			
Personal and real property taxes (Note C)	\$ 71,145	\$ 397,666	\$ 468,811
Interest on taxes	129	683	812
Interest income on investments	39	1,284	1,116
Miscellaneous	<u>274</u>	<u>1,344</u>	<u>1,825</u>
<b>TOTAL REVENUES</b>	<u>71,587</u>	<u>400,977</u>	<u>472,564</u>
<b>EXPENDITURES</b>			
Current			
Audit fees	4,300	-	4,300
Collection fees	1,566	7,641	9,207
Bondholder & Paying agent fees	-	3,368	3,368
Legal fees	7,591	-	7,591
Repairs and maintenance	14,640	-	14,640
Insurance	370	-	370
Utilities	6,551	-	6,551
Clerk fees & Payroll Taxes	2,584	-	2,584
Engineering	2,274	-	2,274
Debt service			
Bond principal (Note E)	-	2,135,000	2,135,000
Bond interest	-	251,967	251,967
Warrants paid	-	-	-
Capital outlay	<u>-</u>	<u>77,700</u>	<u>77,700</u>
<b>TOTAL EXPENDITURES</b>	<u>39,876</u>	<u>2,475,676</u>	<u>2,515,552</u>
Excess Expenditures Over Revenues	31,711	(2,074,699)	(2,042,988)
Other Financing Sources			
Issuance of Bonds	<u>-</u>	<u>2,100,000</u>	<u>2,100,000</u>
Net change in fund balance	31,711	25,301	57,012
Fund Balance - Beginning	<u>85,090</u>	<u>898,564</u>	<u>983,654</u>
Fund Balance - Ending	<u>\$ 116,801</u>	<u>\$ 923,865</u>	<u>\$1,040,666</u>

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

SANITARY & IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF NET ASSETS  
 Year ended June 30, 2010

Net Change in Fund Balances - Total Government Funds	\$ 57,012
<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. This is the amount of depreciation exceeded capital outlays in the current period.</p>	(35,150)
<p>Proceeds from issuance of Bonds provide current financial resources, but issuing debt increases liabilities in the statement of assets, this is the amount of bonds issued in the current year.</p>	(2,100,000)
<p>Repayment of bond principal is reported as an expenditure in governmental funds. In the statement of net assets, the repayment reduces long term liabilities. This is the amount of repayment in the current year.</p>	2,135,000
<p>Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:</p>	
Amortization on bond issue costs	(15,659)
Decrease in interest payable	28,755
Abandoned bond issuance costs	<u>(146,775)</u>
Change in Net Assets	<u>\$ (76,817)</u>

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

SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year ended June 30, 2010

	General Fund				Debt Service Fund			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary Basis (See Note A)	Final Budget Favorable (Unfavorable)	Original	Final	Budgetary Basis (See Note A)	Final Budget Favorable (Unfavorable)
<b>REVENUES</b>								
Personal and real property taxes	\$ 72,973	\$ 72,973	\$ 80,570	\$ 7,597	\$ 405,407	\$ 405,407	\$ 394,591	\$ (10,816)
Interest on taxes	-	-	129	129	0	0	683	683
Interest income on investments	100	100	30	(70)	1,500	1,500	1,412	(88)
State motor vehicle tax allocation	206	206	274	68	1,042	1,042	1,344	302
	<u>73,279</u>	<u>73,279</u>	<u>81,003</u>	<u>7,724</u>	<u>407,949</u>	<u>407,949</u>	<u>398,030</u>	<u>(9,919)</u>
<b>EXPENDITURES</b>								
Current								
Audit fees	8,500	8,500	8,500	-	-	-	-	-
Collection fees	1,431	1,431	1,566	(135)	7,949	7,949	7,641	308
Bondholder & Fiscal agent fees	-	-	-	-	3,000	3,000	3,368	(368)
Insurance and trustee bonds	300	300	370	(70)	-	-	-	-
Interest on registered warrants	-	-	-	-	-	-	-	-
Legal fees	10,000	10,000	7,591	2,409	-	-	-	-
Publication costs	-	-	-	-	-	-	-	-
Repairs and maintenance	35,000	35,000	14,640	20,360	-	-	-	-
Utilities	6,500	6,500	6,551	(51)	-	-	-	-
Clerk fees & Payroll Taxes	1,200	1,200	2,584	(1,384)	-	-	-	-
Engineering Fees	1,500	1,500	2,274	(774)	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
	<u>64,431</u>	<u>64,431</u>	<u>44,076</u>	<u>20,355</u>	<u>10,949</u>	<u>10,949</u>	<u>11,009</u>	<u>(60)</u>
Debt Service								
Bond principal	-	-	-	-	90,000	90,000	2,135,000	(2,045,000)
Bond interest	-	-	-	-	248,237	248,237	251,967	(3,730)
Capital outlays	-	-	-	-	60,522	60,522	77,700	(17,178)
	-	-	-	-	<u>398,759</u>	<u>398,759</u>	<u>2,464,667</u>	<u>(2,065,908)</u>
<b>TOTAL EXPENDITURES</b>	<u>64,431</u>	<u>64,431</u>	<u>44,076</u>	<u>20,355</u>	<u>409,738</u>	<u>409,738</u>	<u>2,475,676</u>	<u>(2,065,968)</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<u>8,848</u>	<u>8,848</u>	<u>36,927</u>	<u>28,079</u>	<u>(1,789)</u>	<u>(1,789)</u>	<u>(2,077,646)</u>	<u>(2,075,857)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Issuance of bonds	-	-	-	-	-	-	2,100,000	2,100,000
Issuance of warrants	-	-	13,018	13,018	-	-	-	-
Retirement of warrants	-	-	-	-	-	-	-	-
Transfer to (from) other fund	-	-	-	-	-	-	-	-
	-	-	<u>13,018</u>	-	-	-	<u>2,100,000</u>	<u>2,100,000</u>
<b>EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>8,848</u>	<u>8,848</u>	<u>49,945</u>	<u>\$ 28,079</u>	<u>(1,789)</u>	<u>(1,789)</u>	<u>22,354</u>	<u>24,143</u>
<b>FUND BALANCE - BEGINNING</b>	<u>49,375</u>	<u>49,375</u>	<u>49,375</u>		<u>731,940</u>	<u>731,940</u>	<u>731,940</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 58,223</u>	<u>\$ 58,223</u>	<u>\$ 99,320</u>		<u>\$ 730,151</u>	<u>\$ 730,151</u>	<u>\$ 754,294</u>	

The accompanying notes to financial statements  
are an integral part of these Statements

**SANITARY AND IMPROVEMENT DISTRICT NO. 189**  
**OF SARPY COUNTY, NEBRASKA**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET TO GAAP RECONCILIATION**  
Year ended June 30, 2009

	General Fund			Debt Service Fund		
	Actual Amounts (Budgetary Basis)	Actual Amounts (GAAP Basis)	Budget to GAAP Differences Over (Under)	Actual Amounts (Budgetary Basis)	Actual Amounts (GAAP Basis)	Budget to GAAP Differences Over (Under)
<b>REVENUES</b>						
Personal and real property taxes	\$ 80,570	\$ 71,145	\$ 9,425	\$ 394,591	\$ 397,666	\$ (3,075)
Interest on taxes	129	129	-	683	683	-
Interest income on investments	30	30	-	1,205	1,077	128
State motor vehicle tax allocation	274	274	-	1,551	1,077	474
	81,003	71,578	9,425	398,030	400,503	(2,947)
<b>EXPENDITURES</b>						
<b>Current</b>						
Audit fees	8,500	4,300	(4,200)	-	-	-
Collection fees	1,566	1,566	-	7,641	7,641	-
Bondholder & Fiscal agent fees	-	-	-	3,368	3,368	-
Insurance and trustee bonds	370	370	-	-	-	-
Interest on registered warrants	-	-	-	-	-	-
Legal fees	7,591	7,591	-	-	-	-
Publication costs	-	-	-	-	-	-
Repairs and maintenance	14,640	14,640	-	-	-	-
Utilities	6,551	6,551	-	-	-	-
Clerk fee & Payroll Taxes	2,584	2,584	-	-	-	-
Engineering fees	2,274	2,274	-	-	-	-
Title Search	-	-	-	-	-	-
	44,076	39,876	(4,200)	11,009	11,009	-
<b>Debt Service</b>						
Bond principal	-	-	-	2,135,000	2,163,000	(28,000)
Bond interest	-	-	-	251,967	223,213	28,754
Capital Outlay	-	-	-	77,700	77,700	-
	-	-	-	2,464,667	2,463,913	754
				2,475,676	2,446,922	28,754
<b>TOTAL EXPENDITURES</b>	44,076	39,876	(4,200)	2,475,676	2,446,922	28,754
<b>EXCESS REVENUES OVER EXPENDITURES</b>	36,927	31,711	5,225	(2,077,646)	(2,045,945)	(31,701)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of Bonds	-	-	-	2,100,000	2,100,000	-
Issuance of warrants and decrease in interest payable	13,018	-	13,018	-	(28,754)	28,754
Retirement of warrants	-	-	-	-	-	-
<b>Total other Financing Sources</b>	13,018	-	13,018	2,100,000	2,071,246	28,754
<b>EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	49,945	31,711	18,234	22,354	25,301	2,947
<b>FUND BALANCE - BEGINNING</b>	49,375	85,090	(35,715)	731,940	898,564	166,624
<b>FUND BALANCE - ENDING</b>	\$ 99,320	\$ 116,801	\$ (17,481)	\$ 754,294	\$ 923,865	\$ 169,571

The accompanying notes to financial statements  
are an integral part of these Statements

SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 189 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 residential development, conducting its activity in Sarpy County, Nebraska.

The 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. 189. 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.

SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

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.

SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 measurable 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 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 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:

1. On or before early September, the Board of Trustees proposes an operating budget for the fiscal year commencing on 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.

SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010.
6. A majority vote by the Board of Trustees may authorize transfer of budgeted amounts from the General Fund to the Debt Service Fund.

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.

Taxes Receivable

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

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:

Sanitary and Sewer Systems	25-40 Years
Underground Power, Water, and Gas Systems	25-30 Years
Intercept Sewers and Interlocal Agreements	25-40 Years
Electrical Systems	25-30 Years

SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010, amounted to \$15,659.

NOTE B – CONCENTRATION OF CREDIT RISK

Cash

At June 30, 2010, the cash on deposit \$ 29,157 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. 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 the name of the District.

Investments

State Statute authorizes the District to invest in obligations of the U.S. Treasury. All investments for the District at June 30, 2010, amounting to \$ 824,457, 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 its own name, rather than in the name of the District.

NOTE C – 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 daily basis.

SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

NOTE C – PROPERTY TAXES *(continued)*

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 collectable and, therefore, no allowance for uncollectable taxes is provided.

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

<u>Fiscal Year</u>	<u>District Valuation of Property</u>	<u>District Tax Levy Per \$100 Valuation</u>		
		<u>General</u>	<u>Service</u>	<u>Debt Total</u>
2009-2010	\$ 81,081,447	.09000	.500000	.590000

NOTE D – CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2010, is as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Depreciable Capital Assets				
Sanitary and storm sewer	\$ 2,026,169	\$ -	\$ -	\$ 2,026,169
Electrical System	366,639	-	-	366,639
Intercept sewers and Interlocal agreements	450,769	-	-	450,769
Underground power, water and gas system	<u>1,161,147</u>	<u>-</u>	<u>-</u>	<u>1,161,147</u>
	4,004,724	-	-	4,004,724
Less accumulated depreciation	<u>(1,113,184)</u>	<u>(112,850)</u>	<u>-</u>	<u>(1,226,034)</u>
	<u>\$ 2,891,540</u>	<u>\$ (112,850)</u>	<u>\$ -</u>	<u>\$ 2,778,690</u>

The District recorded depreciation expense of \$ 112,850 for the year ended June 30, 2010.

SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

NOTE E - GENERAL LONG-TERM DEBT

Transactions for long-term debt for the year ended June 30, 2009 are summarized as follows:

<u>Issue</u>	<u>Balance July 1, 2008</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2009</u>
Bond Issue, 2001	775,000	-	775,000	-
Bond Issue, 2003	1,310,000	-	1,310,000	-
Bond Issue, 2007	2,780,000	-	50,000	2,730,000
Bond Issue, 2009	-	2,100,000	-	2,100,000
	<u>\$ 4,865,000</u>	<u>\$ 2,100,000</u>	<u>\$ 2,135,000</u>	<u>\$ 4,830,000</u>

Long-term debt was comprised of the following:

	<u>June 30, 2010</u>
General obligation bond issued on September 15, 2007, bonds outstanding due serially through September 15, 2027, annual maturities range from \$50,000 in 2009 to \$500,000 in 2027, interest payable semi-annually at 4.1% to 5.2% per annum	<u>2,730,000</u>
General obligation bond issued on October 15, 2009 bonds outstanding due serially through October 15, 2023, annual maturities range from \$100,000 in 2011 to \$230,000 in 2023, interest payable semi-annually at 2.00% to 4.40% per annum	2,100,000
	<u>\$ 4,830,000</u>

Aggregate maturities during the next five years are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	100,000	211,125	311,125
2012	160,000	207,920	367,920
2013	120,000	204,275	324,275
2014	190,000	199,710	389,710
2015	200,000	193,095	393,095
Thereafter	<u>4,060,000</u>	<u>1,527,163</u>	<u>5,587,163</u>
	<u>\$ 4,830,000</u>	<u>\$ 2,543,288</u>	<u>\$ 7,373,288</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2010

NOTE F – 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 is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Fund balance, ending (budget basis)	\$ 99,320	\$ 754,294
Adjustments to generally accepted accounting principles:		
Revenue and transfer accruals	30,499	169,571
Expenditure and transfer accruals	<u>(13,018)</u>	<u>-</u>
Fund balance, ending (GAAP basis)	<u>\$ 116,801</u>	<u>\$ 923,865</u>

NOTE G – 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.

SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA  
INFORMATION REQUIRED BY NEBRASKA STATUTES  
 Year ended June 30, 2010

	<u>2010</u>
Gross income from all sources	\$ 472,564
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:	
Repairs and maintenance	\$ 14,640
New equipment	None
New construction work	None
Real estate purchased	None
Number of employees	1
Salaries and fees paid employees	\$ 2,400
Total amount of taxes levied	\$ 478,380
Total special assessment levied	None

SANITARY AND IMPROVEMENT DISTRICT NO. 189  
OF SARPY COUNTY, NEBRASKA

DISTRICT TRUSTEES AND RELATED BONDS  
June 30, 2010

<u>TRUSTEES</u>		<u>BONDS</u>	
<u>NAME</u>	<u>OFFICE</u>	<u>INSURER</u>	<u>AMOUNT</u>
Rudolph R. Mudra	Chairman	Constructors Bonding Co.	\$ 5,000
Carolyn T. Mudra	Clerk	Constructors Bonding Co.	\$ 20,000
William J. Whitmore	Trustee		
Mary L. Blair	Trustee		
Raymon W. Whitmore	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*

# DOLLECK & FREDERES P.C.

CERTIFIED PUBLIC ACCOUNTANTS

VERNON E. DOLLECK  
LOWELL L. FREDERES  
CERTIFIED PUBLIC ACCOUNTANTS

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## 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. 189  
Of Sarpy County, Nebraska

We have audited the financial statements of Sanitary and Improvement District No. 189 of Sarpy County, Nebraska, as of June 30, 2010, and for the year then ended and have issued our reports thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 189 of Sarpy County, Nebraska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 the 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 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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sanitary and Improvement District No. 189 of Sarpy County, Nebraska's financial statement 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Dolleck & Frederes P.C.*

Dolleck & Frederes P.C.  
Omaha, Nebraska  
December 7, 2010