

197



SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2010

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Sanitary and Improvement District No. 197
of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 197 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United State 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 197 of Sarpy County, Nebraska as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budgetary Comparison Information on pages 17 and 18 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information listed on pages 19 and 20 is presented for purposes of additional analysis and are 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.

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.

Omaha, Nebraska
November 22, 2010

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS

Cash on deposit - County Treasurer	\$ 133,431
Taxes receivable	101,273
Investments	119,946
Capital assets, net of accumulated depreciation	1,466,297
Bond issue costs, net of accumulated amortization	<u>163,536</u>
Total Assets	<u>\$ 1,984,483</u>

LIABILITIES

Accounts payable	18,919
Accrued interest	17,382
Noncurrent liabilities	
Warrants payable	
Due in more than one year	58,623
Bonds payable	
Due within one year	60,000
Due in more than one year	<u>1,810,000</u>
Total liabilities	<u>\$ 1,964,924</u>

NET ASSETS

Invested in capital assets, net of related debt	(240,167)
Restricted for debt service	317,043
Unrestricted	<u>(57,317)</u>
Total net assets	<u>\$ 19,559</u>

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
 OF SARPY COUNTY, NEBRASKA
 STATEMENT OF ACTIVITIES
 For the year ended June 30, 2010

EXPENSES

General government:

Amortization expense	\$ 25,911
Audit fees	5,200
Collection fees - county treasurer	4,082
Depreciation expense	71,430
Electricity	11,067
Engineering fees	1,560
Insurance	659
Interest expense	95,054
Legal fees	10,383
Paying agent fees	500
Repairs and maintenance	<u>25,932</u>

Total expenses 251,778

GENERAL REVENUES

Property taxes	214,047
Interest on taxes	480
Interest on investments	329
Miscellaneous	<u>4,471</u>

Total general revenues 219,327

Change in net assets (32,451)

NET ASSETS - beginning of the year 52,010

NET ASSETS - end of the year \$ 19,559

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
 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>
ASSETS			
Cash on deposit - County Treasurer	\$ 2,470	\$ 130,961	\$ 133,431
Taxes receivable	20,241	81,032	101,273
Investments	<u>-</u>	<u>119,946</u>	<u>119,946</u>
Total Assets	<u>\$ 22,711</u>	<u>\$ 331,939</u>	<u>\$ 354,650</u>
LIABILITIES			
Accounts payable	<u>\$ 18,919</u>	<u>\$ -</u>	<u>\$ 18,919</u>
Total Liabilities	<u>18,919</u>	<u>-</u>	<u>18,919</u>
Fund Balances:			
Reserved for debt service	-	331,939	331,939
Unreserved	<u>3,792</u>	<u>-</u>	<u>3,792</u>
Total Fund Balances	<u>3,792</u>	<u>331,939</u>	<u>335,731</u>
Total Liabilities and Fund Balances	<u>\$ 22,711</u>	<u>\$ 331,939</u>	<u>\$ 354,650</u>

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
 OF SARPY COUNTY, NEBRASKA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 For the year ended June 30, 2010

Total Fund Balances - Governmental Funds \$ 335,731

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements:

Capital assets	\$ 2,121,665	
Accumulated depreciation	<u>(655,368)</u>	1,466,297

Other long-term assets are not financial resources and therefore not reported in the fund financial statements:

Bond issue costs	311,703	
Accumulated amortization	<u>(148,167)</u>	163,536

Long term liabilities are not due and payable in the current period and therefore not reported in the governmental funds:

Warrants payable		(58,623)
Bond payable		(1,870,000)
Accrued interest		<u>(17,382)</u>

Net Assets of Governmental Activities \$ 19,559

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
 OF SARPY COUNTY, NEBRASKA
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 (Governmental Funds)
 For the year ended June 30, 2010

	General <u>Fund</u>	Debt Service <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Property taxes	\$ 42,763	\$ 171,284	\$ 214,047
Interest on taxes	90	390	480
Interest on investments	-	329	329
Miscellaneous	<u>840</u>	<u>3,631</u>	<u>4,471</u>
 Total Revenues	 <u>43,693</u>	 <u>175,634</u>	 <u>219,327</u>
 EXPENDITURES			
Current:			
Audit fees	5,200	-	5,200
Collection fee - County Treasurer	796	3,286	4,082
Electricity	11,067	-	11,067
Engineering fees	1,560	-	1,560
Insurance	659	-	659
Legal fees	10,383	-	10,383
Paying agent fees	-	500	500
Repairs and maintenance	25,932	-	25,932
Debt service:			
Warrant principal payments	41,498	500	41,998
Warrant interest payments	1,310	-	1,310
Bond principal	-	55,000	55,000
Bond interest	-	<u>91,385</u>	<u>91,385</u>
Total Expenditures	<u>98,405</u>	<u>150,671</u>	<u>249,076</u>
 Excess (deficiency) of Revenues over (under) Expenditures	 <u>(54,712)</u>	 <u>24,963</u>	 <u>(29,749)</u>
 OTHER FINANCING SOURCES			
Issuance of warrants	<u>40,630</u>	<u>500</u>	<u>41,130</u>
Total other financing sources	<u>40,630</u>	<u>500</u>	<u>41,130</u>
 Net change in fund balances	 (14,082)	 25,463	 11,381
Fund balances - beginning of period	<u>17,874</u>	<u>306,476</u>	<u>324,350</u>
Fund balances - end of period	<u>\$ 3,792</u>	<u>\$ 331,939</u>	<u>\$ 335,731</u>

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
 OF SARPY COUNTY, NEBRASKA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES
 EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 For the year ended June 30, 2010

Net Change in Fund Balances - Total Government Funds \$ 11,381

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

Capital outlays are reported as expenditures in government funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of current year activity related to capital assets.

Depreciation expense (71,430)

Repayment of bond principal is reported as an expenditure in the governmental funds. In the statement of net assets, the repayment reduces long term liabilities. Bond proceeds are reported as financing sources in the governmental funds. This is the amount of current year activity related to bonds.

Bond principal paid 55,000

Repayment of warrant principal is reported as an expenditure in the governmental funds but reduces long term liabilities in the statement of net assets. Proceeds from the issuance of warrants are reported as other financing in the governmental funds but as an increase in noncurrent liabilities in the government-wide statements.

This is the net (proceeds) repayments in the current year. 868

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:

Amortization of bond issue costs (25,911)
 Change in accrued interest (2,359)

Change in Net Assets of Governmental Activities \$ (32,451)

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
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. 197 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. 197. 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. 197
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

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 and program revenues to determine the change in net assets for the year. Program revenues include special assessments. Property tax and other items are reported as general revenues.

Fund Financial Statements

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

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

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

Measurement Focus and Basis of Accounting

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

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

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2010.

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Credit Risk

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. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant capital assets are as follows:

Paving and Sewer Systems	25 – 40 Years
Power and Water Systems	25 – 30 Years
Park Improvements	20 Years
Other Improvements	30 Years

Amortization

Bond issue costs are amortized over the terms of the bonds, using the straight-line method of amortization. Amortization expense for the year ended June 30, 2010, amounted to \$25,911.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the government-wide statements, net assets are reported in three components—invested in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or notes issued to acquire, construct or improve those assets. Restricted net assets are reported when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or by enabling legislation. Unrestricted net assets are net assets that do not meet the definition of either of the first two categories of net assets.

NOTE B – DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2010, the balance in cash of \$133,431 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 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 \$119,946, are invested in U.S. Treasury Bills with maturities of 106 days or less and are carried at amortized cost, which approximates fair value. Since the District's investments are short-term, the interest rate risk is minimal. 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.

At June 30, 2010, the original par value, cost, and amortized cost of the District's investments were \$120,000, \$119,897, and \$119,946, respectively.

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. Tax collections are remitted to the District from the County Treasurer on a daily basis.

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

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>Debt Service</u>	<u>Total</u>
2009-2010	\$26,103,338	0.163822	0.656178	0.820000

A summary of taxes receivable for the year ended June 30, 2010 is as follows:

	<u>Restated Balance June 30, 2009</u>	<u>Taxes Assessed</u>	<u>Taxes Collected</u>	<u>Balance June 30, 2010</u>
General Fund	\$19,009	\$ 42,763	\$ (41,531)	\$20,241
Debt Service Fund	<u>80,839</u>	<u>171,284</u>	<u>(171,091)</u>	<u>81,032</u>
	<u>\$99,848</u>	<u>\$214,047</u>	<u>\$(212,622)</u>	<u>\$101,273</u>

NOTE D – CAPITAL ASSETS

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

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Depreciable Capital Assets				
Paving and storm sewer	\$1,072,994	\$ -	\$ -	\$1,072,994
Sanitary sewer	322,891	-	-	322,891
Electrical distribution system	106,300	-	-	106,300
Water system	267,359	-	-	267,359
Park improvements	342,898	-	-	342,898
Other improvements	<u>9,223</u>	<u>-</u>	<u>-</u>	<u>9,223</u>
	2,121,665	-	-	2,121,665
Less accumulated depreciation	<u>(583,938)</u>	<u>(71,430)</u>	<u>-</u>	<u>(655,368)</u>
	<u>\$1,537,727</u>	<u>\$ (71,430)</u>	<u>\$ -</u>	<u>\$ 1,466,297</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

NOTE D – CAPITAL ASSETS (Continued)

The District recorded depreciation expense of \$71,430 for the year ended June 30, 2010. The District has not identified any capital assets where impairment has occurred as a result of significant and unexpected utility.

NOTE E – NONCURRENT LIABILITIES - WARRANTS PAYABLE

General Fund warrants are due and payable no later than three years from the date of issuance. Debt Service Fund warrants are due and payable no later than five years from the date of issuance. Warrants are payable in order in which they are registered. Once registered, they accrue and bear interest at 7.00% per annum. Interest is payable annually and accrues through the date called.

The summary of warrant activity is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Balance Outstanding, June 30, 2009	\$ 59,491	\$ -	\$ 59,491
Warrants Issued	40,630	500	41,130
Warrant Principal Payments	<u>(41,498)</u>	<u>(500)</u>	<u>(41,998)</u>
Balance Outstanding, June 30, 2010	<u>\$ 58,623</u>	<u>\$ -</u>	<u>\$ 58,623</u>

Aggregate maturities during the next five years are as follows:

<u>Year Ending June 30</u>	<u>General Fund</u>	<u>Debt Service Fund</u>
2011	\$ -	\$ -
2012	17,993	-
2013	40,630	-
2014	-	-
2015	<u>-</u>	<u>-</u>
	<u>\$ 58,623</u>	<u>\$ -</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

NOTE F – GENERAL LONG-TERM DEBT

Transactions for long-term debt for the year ended June 30, 2010 are summarized as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2010</u>
Bond Issue, 2008	\$1,925,000	\$ -	\$ (55,000)	\$1,870,000
	<u>\$1,925,000</u>	<u>\$ -</u>	<u>\$ (55,000)</u>	<u>\$1,870,000</u>

Long-term debt was comprised of the following:

June 30, 2010

General obligation bond issued on November 1, 2008, bonds outstanding due serially through November 1, 2028, annual maturities range from \$60,000 in 2010 to \$150,000 in 2028, interest payable semi-annually at 3.00% to 5.55% per annum.

\$1,870,000

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	60,000	89,715	149,715
2012	65,000	87,759	152,759
2013	70,000	85,478	155,478
2014	70,000	82,958	152,958
2015	75,000	80,200	155,200
2016 – 2020	430,000	348,676	778,676
2021 – 2025	550,000	228,760	778,760
2026 – 2029	<u>550,000</u>	<u>63,270</u>	<u>613,270</u>
Total	<u>\$1,870,000</u>	<u>\$1,066,816</u>	<u>\$2,936,816</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

NOTE G – 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)	\$ 2,470	\$ 250,858
Adjustments to generally accepted accounting principles:		
Revenue and transfer accruals	20,241	81,081
Expenditure and transfer accruals	<u>(18,919)</u>	<u>-</u>
Fund balance, ending (GAAP basis)	<u>\$ 3,792</u>	<u>\$ 331,939</u>

NOTE H – 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 and no significant claims or settlements for the current year or the three prior years. The District has retained the risk of loss for property damage to public improvements.

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - General Fund
For the year ended June 30, 2010

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Personal and real property taxes	\$ 42,763	\$ 42,227	\$ (536)
Interest on taxes	-	90	90
Miscellaneous	120	144	24
Total Revenues	<u>42,883</u>	<u>42,461</u>	<u>(422)</u>
EXPENDITURES			
Current:			
Legal fees	12,000	10,872	1,128
Audit fees	5,200	5,200	-
Electricity	13,000	10,993	2,007
Engineering fees	2,000	-	2,000
Insurance	500	659	(159)
Collection fees	838	796	42
Repairs and maintenance	15,000	12,906	2,094
Debt Service:			
Warrant principal payments	40,000	41,498	(1,498)
Warrant interest payments	-	3,344	(3,344)
Total Expenditures	<u>88,538</u>	<u>86,268</u>	<u>2,270</u>
Excess(deficiency) of Revenues over (under) Expenditures	<u>(45,655)</u>	<u>(43,807)</u>	<u>1,848</u>
OTHER FINANCING SOURCES			
Issuance of warrants	47,700	40,630	(7,070)
Total other financing sources	<u>47,700</u>	<u>40,630</u>	<u>(7,070)</u>
Net changes in fund balances	2,045	(3,177)	<u>\$ (5,222)</u>
Fund Balance - Beginning	<u>5,647</u>	<u>5,647</u>	
Fund Balance - Ending	<u>\$ 7,692</u>	<u>\$ 2,470</u>	

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
 OF SARPY COUNTY, NEBRASKA
 REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - Debt Service Fund
 For the year ended June 30, 2010

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Personal and real property taxes	\$ 171,284	\$ 174,125	\$ 2,841
Interest on taxes	-	390	390
Interest on investments	2,000	358	(1,642)
Miscellaneous	550	596	46
Total Revenues	<u>173,834</u>	<u>175,469</u>	<u>1,635</u>
EXPENDITURES			
Current:			
Paying agent fees	1,000	500	500
Collection fees	3,359	3,286	73
Debt Service:			
Warrant principal payments	1,000	500	500
Bond principal	55,000	55,000	-
Bond interest	91,385	91,385	-
Total Expenditures	<u>151,744</u>	<u>150,671</u>	<u>1,073</u>
Excess(deficiency) of Revenues over (under) Expenditures	22,090	24,798	2,708
OTHER FINANCING SOURCES			
Issuance of warrants	1,000	500	(500)
Total other financing sources	<u>1,000</u>	<u>500</u>	<u>(500)</u>
Net changes in fund balances	23,090	25,298	<u>\$ 2,208</u>
Fund Balance - Beginning	<u>225,560</u>	<u>225,560</u>	
Fund Balance - Ending	<u>\$ 248,650</u>	<u>\$ 250,858</u>	

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

Information Required by Section 31-740,
Revised Statutes of Nebraska, 1993

Gross income from all sources	\$219,327
Gross income from all sources from previous year	\$240,882
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:	
a. Maintenance and repair	\$25,932
b. New equipment	None
c. New construction work	None
d. Property purchased	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon the property within the District	\$214,047

SANITARY AND IMPROVEMENT DISTRICT NO. 197
OF SARPY COUNTY, NEBRASKA

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>
Sharon Ruskamp	Chairperson	Traveler's Property Casualty	\$ 5,000
Jina Behne	Clerk	Traveler's Property Casualty	\$ 20,000
Cathy Sis	Trustee		
Michael Sis	Trustee		
Harry Strack	Trustee		

INDEPENDENT AUDITOR'S 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. 197
of Sarpy County, Nebraska

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 197 of Sarpy County, Nebraska, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct 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 entity'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, we identified a deficiency in internal control over financial reporting described below that we consider to be a significant deficiency in internal control over financial reporting. 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.

Preparation of Financial Statements

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

The District's response to this finding is that this circumstance is not unusual in a governmental entity of their size and the costs of correcting this deficiency would exceed the benefits to be derived from any correction. The District's management has also informed us that they are willing to accept the degree of risk associated with this condition.

Compliance and Other Matters

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

The District's response to the finding 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 and the State of Nebraska Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Omaha, Nebraska
November 22, 2010

Weber + Thorson, P.C.