

SANITARY AND IMPROVEMENT DISTRICT  
NO. 204  
OF SARP COUNTY, NEBRASKA  
FINANCIAL STATEMENTS  
JUNE 30, 2012

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Sanitary and Improvement District No. 204  
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. 204 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 204 of Sarpy County, Nebraska as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2012 on our consideration of the Sanitary and Improvement District No. 204's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 18 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have

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

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

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

*Massman Nelson Reiny PC*

Certified Public Accountants

Omaha, Nebraska  
September 19, 2012

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

ASSETS

Current assets:	
Cash on deposit, County Treasurer	\$ 346,244
Taxes receivable	47,729
Total current assets	<hr/> 393,973
Noncurrent assets:	
Capital assets, net of accumulated depreciation	1,074,700
Bond issue costs, net of accumulated amortization	51,126
Total noncurrent assets	<hr/> 1,125,826
Total assets	<hr/> 1,519,799

LIABILITIES

Current liabilities:	
Accounts payable	12,291
Deferred revenue - taxes	317
Accrued interest payable - bond	4,497
Bond payable - current portion	75,000
Total current liabilities	<hr/> 92,105
Noncurrent liabilities:	
Bond payable	<hr/> 1,350,000
Total liabilities	<hr/> 1,442,105

NET ASSETS

Invested in capital assets, net of related debt	(303,671)
Restricted for debt services	222,909
Unrestricted	158,456
Total net assets	<hr/> \$ 77,694

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Expenditures:	
Audit and budget	\$ 3,450
Legal fees	6,279
Insurance	1,677
Interest on bonds	96,369
Engineering fees	293
Street lighting	8,717
Paying agent fees	375
Repairs and maintenance	4,244
Depreciation	47,352
Amortization	73,663
	<hr/> 242,419 <hr/>
Revenues:	
Real property taxes	128,638
Collection fee - County Treasurer	(2,642)
Other taxes	348
Special assessments	14,576
Interest income - investments	40
Interest income - taxes	14
Interest income - special assessments	1,022
Over/under property tax accrual	(3,603)
Miscellaneous	31
	<hr/> 138,424 <hr/>
Decrease in net assets	(103,995)
Net assets, beginning of year	<hr/> 181,689 <hr/>
Net assets, end of year	<hr/> \$ 77,694 <hr/>

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

ASSETS

	Governmental Funds		
	General Fund	Debt Service Fund	Total
Assets:			
Cash on deposit, County Treasurer	\$ 151,474	\$ 194,770	\$ 346,244
Taxes receivable	13,337	34,392	47,729
 Total assets	\$ 164,811	\$ 229,162	\$ 393,973

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable	\$ 6,266	\$ 6,025	\$ 12,291
Deferred revenue- taxes	89	228	317
 Total liabilities	6,355	6,253	12,608
 Fund equity:			
Fund balances:			
Restricted for debt services	-	222,909	222,909
Unassigned	158,456	-	158,456
 Total fund equity	158,456	222,909	381,365
 Total liabilities and fund equity	\$ 164,811	\$ 229,162	\$ 393,973

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

Total fund balances - governmental funds \$ 381,365

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	\$ 1,636,925	
Accumulated depreciation	<u>(562,225)</u>	1,074,700

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

Bond issue costs	52,013	
Accumulated amortization	<u>(887)</u>	51,126

Other liabilities are not due and payable in the current period, and therefore, not reported in governmental funds:

Accrued interest payable - bond	(4,497)	
Bonds payable	<u>(1,425,000)</u>	<u>(1,429,497)</u>

Net assets of governmental activities \$ 77,694

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Funds		
	General	Debt Service	Total
<b>Revenues:</b>			
Real property taxes	\$ 35,945	\$ 92,693	\$ 128,638
Collection fee - County Treasurer	(651)	(1,991)	(2,642)
Other taxes	97	251	348
Special assessments	-	14,576	14,576
Interest income - investments	6	34	40
Interest income - taxes	4	10	14
Interest income - special assessments	-	1,022	1,022
Over/under property tax accrual	(1,007)	(2,596)	(3,603)
Penalty - taxes	9	22	31
	34,403	104,021	138,424
<b>Expenditures:</b>			
Audit and budget	3,450	-	3,450
Legal fees	6,279	-	6,279
Insurance	1,677	-	1,677
Interest on bond	-	91,872	91,872
Engineering fees	293	-	293
Street lighting	8,717	-	8,717
Bond agent fees	-	375	375
Repairs and maintenance	4,244	-	4,244
	24,660	92,247	116,907
 Excess of revenues over expenditures	 9,743	 11,774	 21,517
<b>Other financing sources (uses):</b>			
New bond issue	-	1,425,000	1,425,000
Retirement of bond principal	-	(1,580,000)	(1,580,000)
Bond issue costs	-	(52,013)	(52,013)
	-	(195,239)	(185,496)
 Excess (deficiency) of revenues over (under) expenditures and other financing	 9,743	 (195,239)	 (185,496)
 Fund balance, beginning of year	 148,713	 418,148	 566,861
 Fund balance, end of year	 \$ 158,456	 \$ 222,909	 \$ 381,365

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - Total government funds \$ (185,496)

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

Capital assets 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.

Depreciation expense (47,352)

Governmental funds report bond issue costs as expenditures while government activities report amortization to allocate the cost over the life of the bond issue.

New bond issue costs	\$ 52,013	
Increase in interest payable	(4,497)	
Amortization expense	<u>(73,663)</u>	
		(26,147)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

New bond issue (1,425,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.

Retirement of bond principal 1,580,000

Change in net assets of governmental activities \$ (103,995)

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Sanitary and Improvement District No. 204 of Sarpy County, Nebraska (the District) is presented to assist in understanding the District's basic financial statements. The financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

District Activities

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

The Financial Reporting Entity

The Board of Trustees of the District has financial accountability and control over all the activities related to Sanitary and Improvement District No. 204. The Board of Trustees is elected by the property owners of the District and has decision-making authority, the authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The Board also has primary financial accountability for fiscal matters of the District. The District is engaged in a single governmental program and is not included in any other governmental "reporting entity" as defined by the GASB pronouncements. In addition, there are no component units as defined by the Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

Basis of Presentation

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

Government-Wide Financial Statements:

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

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

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

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2012

1. Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

Fund Financial Statements

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2012

1. Summary of Significant Accounting Policies - Continued

Budgets and Budgetary Accounting - Continued

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

- a. 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.
- b. Prior to September 20, the Board of Trustees formally approves the budget document following a public hearing, with notice given five days in advance.
- c. As of September 20, the budget document must be on file with the County Board and the Auditor of Public Accounts.
- d. Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.
- e. Expenditures 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.
- f. 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.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2012

1. Summary of Significant Accounting Policies - Continued

Capital Assets and Depreciation

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

Paving and sewer systems	30 – 50 years
Underground power and water systems	20 – 30 years
Interest and indirect costs	20 – 50 years

Amortization

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

Net Assets/Fund Equity

The government-wide fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and outstanding balance of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This category represents net assets of the District not restricted for any project or other purpose.

Fund equity – In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantor or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2012

1. Summary of Significant Accounting Policies - Continued

Net Assets/Fund Equity - Continued

- Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the District through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same action it employed to commit those amounts.
- Assigned – Amounts the District intends to use for specific purposes.
- Unassigned – All amounts not included in other classifications.

2. Budget Basis of Accounting

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

	<u>Fund</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Excess (deficiency) of receipts over (under) disbursements on a budgetary basis	\$ (2,749)	\$ 7,867	\$ 5,118
Change in interest income from recognition on a cash basis	(15)	(33)	(48)
Change in tax income from recognition on a cash basis	1,383	3,565	4,948
Change in total expenditures from recognition on a cash basis	<u>11,124</u>	<u>375</u>	<u>11,499</u>
Excess of revenues over expenditures on a modified accrual (GAAP) basis	<u>\$ 9,743</u>	<u>\$ 11,774</u>	<u>\$ 21,517</u>

3. Deposits and Investments

Deposits

The District's deposits are insured or collateralized with securities held by the District of its agent in the District's name. All deposits are maintained by the Sarpy County Treasurer and are considered to be held by the District. As of June 30, 2012, The District's total deposits were \$346,244.

Investments

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341 and generally include U.S. government obligations, certificates of deposit, and time deposits. During the year ended June 30, 2012, the District invested in treasury bills.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2012

3. Deposits and Investments - Continued

All investment activities are conducted through the District's fiscal agent, the Sarpy County Treasurer. Investments are bought and held in safekeeping by the Sarpy County Treasurer in the District's name. The District's investments are insured or collateralized with securities held by the District of its agent in the District's name.

As of June 30, 2012, the District had the following investments:

	Cost	Cost and Accrued Interest
Cash on deposit, County Treasurer	\$ 346,244	\$ 346,244

Deposit risks include:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the District will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposits, credit risk is the risk that a bank or other counterparty defaults on its own principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

4. Capital Assets

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

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Costs:				
Paving, storm sewer and sanitary sewer	\$ 937,602	\$ -	\$ -	\$ 937,602
Gas, electric and water distribution	281,124	-	-	281,124
Capitalized interest and other indirect costs	418,199	-	-	418,199
	1,636,925	-	-	1,636,925

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2012

5. Capital Assets - Continued

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Accumulated depreciation:				
Paving, storm sewer and sanitary sewer	269,126	24,347	-	293,473
Gas, electric and water distribution	129,085	11,647	-	140,732
Capitalized interest and other indirect costs	<u>116,662</u>	<u>11,358</u>	<u>-</u>	<u>128,020</u>
	<u>514,873</u>	<u>47,352</u>	<u>-</u>	<u>562,225</u>
Capital assets, net of accumulated depreciation	<u>\$ 1,122,052</u>	<u>\$ 47,352</u>	<u>\$ -</u>	<u>\$ 1,074,700</u>

The District recorded depreciation expense of \$47,352 for the year ended June 30, 2012.

5. Special Assessments Receivable

During April, 2002, property owners were assessed special assessments totaling \$556,915. These assessments are due in ten equal annual installments, with interest at 8% per annum. Delinquent installments bear interest at the rate of 10% per annum from the due date until paid. The balance of the special assessment receivable was collected in full during the year ending June 30, 2012.

6. Registered Warrants Payable

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

A detail of the registered warrants outstanding at June 30, 2012 is as follows:

	<u>June 30, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2012</u>
General Fund	\$ -	\$ 35,784	\$ 35,784	\$ -
Debt Service Fund	-	4,313	4,313	-
	<u>\$ -</u>	<u>\$ 40,097</u>	<u>\$ 40,097</u>	<u>\$ -</u>

Interest expense on registered warrants for the year ended June 30, 2012 amounted to \$0 and \$0 for the general fund and debt service fund, respectively.

7. Bonds Payable

Bonds payable totaling \$1,900,000 issued on July 15, 2005, with a balance of \$0 at June 30, 2012 are due serially beginning July 15, 2012 through July 15, 2025. The maturities range from \$70,000 in 2012 to \$145,000 in 2025. Interest is payable semi-annually on this issue at 4.15% to 5.10%. This issue was paid in full during current period with funds from new bond issue.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2012

7. Bonds Payable - Continued

Bonds payable totaling \$1,425,000 issued on April 17, 2012, with a balance of \$1,425,000 at June 30, 2012 are due serially beginning December 15, 2012 through December 15, 2025. The maturities range from \$75,000 in 2012 to \$135,000 in 2025. Interest is payable semi-annually on this issue at 1.00% to 3.50%.

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

	<u>Balance</u> <u>June 30, 2011</u>	<u>New</u> <u>Issues</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
July 15, 2005 issue	\$ 1,580,000	\$ -	\$ (1,580,000)	\$ -
April 17, 2012 issue	<u>-</u>	<u>1,425,000</u>	<u>-</u>	<u>1,425,000</u>
	<u>\$ 1,580,000</u>	<u>\$ 1,425,000</u>	<u>\$ (1,580,000)</u>	<u>\$ 1,425,000</u>

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

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 75,000	\$ 23,983	\$ 98,983
2014	80,000	35,225	115,225
2015	85,000	34,225	119,225
2016	90,000	32,993	122,993
2017	90,000	31,462	121,462
2018-2022	510,000	125,855	635,855
2023-2026	<u>495,000</u>	<u>43,193</u>	<u>538,193</u>
	<u>\$ 1,425,000</u>	<u>\$ 326,936</u>	<u>\$ 1,751,936</u>

8. Bond Issue Costs

Costs incurred by the District relating to issuing or refunding bonds payable are capitalized and amortized over the life of the bond issue. Amortization expense is computed using the interest method, which is computed by multiplying the bond issue costs by the ratio, the numerator is the face value of the bond issue outstanding during the year; the denominator is the summation of the face value of the bond issue outstanding for all years of the bond issue. Amortization expense for the year ended June 30, 2012 amounted to \$73,663.

9. Tax Levy

Property taxes are levied in August and become due on December 31. The first half payment is due March 31 and becomes delinquent April 1 of the following year, and the second half payment is due July 31 and becomes delinquent August 1 of the following year. The County Treasurer bills and collects all property taxes for the District. If the taxes remain delinquent after February of the following year, the County places a lien on the property.

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2012

9. Tax Levy - Continued

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

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

Fiscal Year	District Valuation of Property	District Tax Levy per \$100		
		General	Debt Service	Total
2011-2012	\$ 20,452,033	0.17084	0.44055	0.61139

10. Insurance

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage for the current year.

11. Other

Management has evaluated subsequent events through September 19, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
STATEMENT OF COMPARISON:  
BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

GENERAL FUND

	Original/ Final Budget	Actual	Variance With Budget Favorable (Unfavorable)
Receipts:			
Operating:			
Taxes collected	\$ 34,255	\$ 31,883	\$ (2,372)
Property tax credit allocation	-	1,022	1,022
Other taxes	100	97	(3)
Interest income - taxes	100	4	(96)
Interest income - investment	100	21	(79)
Miscellaneous income	-	8	8
Total receipts	<u>34,555</u>	<u>33,035</u>	<u>(1,520)</u>
Disbursements:			
Operating:			
Audit and budget	6,900	6,900	-
Insurance	1,000	3,675	(2,675)
Street lighting	10,500	13,004	(2,504)
Repairs and maintenance	2,000	4,244	(2,244)
Legal fees	8,000	7,370	630
Engineering	500	591	(91)
Total disbursements	<u>28,900</u>	<u>35,784</u>	<u>(6,884)</u>
Excess (deficiency) of receipts over (under) disbursements from operations	5,655	(2,749)	(8,404)
Other sources (uses):			
Warrants issued	-	35,784	35,784
Warrants retired	-	(35,784)	(35,784)
Transfers	(145,000)	-	145,000
Deficiency of receipts under disbursements	<u>\$ (139,345)</u>	<u>\$ (2,749)</u>	<u>\$ 136,596</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
STATEMENT OF COMPARISON:  
BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

DEBT SERVICE FUND

	Original/ Final Budget	Actual	Variance With Budget Favorable (Unfavorable)
Receipts:			
Operating:			
Taxes collected	\$ 88,334	\$ 81,907	\$ (6,427)
Property tax credit allocation	-	2,634	2,634
Other taxes	300	251	(49)
Interest income - taxes	100	10	(90)
Interest income - special assessments	2,500	1,022	(1,478)
Special assessments	14,576	14,576	-
Interest income - investment	500	67	(433)
Miscellaneous income	-	22	22
Total receipts	<u>106,310</u>	<u>100,489</u>	<u>(5,821)</u>
Disbursements:			
Operating:			
Paying agent fees	500	750	(250)
Interest on bonds	73,457	91,872	(18,415)
Total disbursements	<u>73,957</u>	<u>92,622</u>	<u>(18,665)</u>
Excess of receipts over disbursements from operations	32,353	7,867	(24,486)
Other sources (uses):			
Warrants issued	-	4,313	4,313
Warrants retired	-	(4,313)	(4,313)
New bond issue	-	1,425,000	1,425,000
Bond issue costs	-	(46,113)	(46,113)
Bond principal payments	(70,000)	(1,580,000)	(1,510,000)
Transfer	145,000	-	(145,000)
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 107,353</u>	<u>\$ (193,246)</u>	<u>\$ (300,599)</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED JUNE 30, 2012

1. Budgetary Accounting

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

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

OTHER SUPPLEMENTARY SCHEDULES

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
SPECIAL ASSESSMENTS RECEIVABLE  
JUNE 30, 2012  
SUPPLEMENTARY SCHEDULE

Special Assessments

<u>Assessment Date and Improvements</u>	<u>Total Assessment</u>	<u>Receivable at June 30, 2011</u>	<u>Assessments Levied</u>	<u>Assessments Collected</u>	<u>Receivable at June 30, 2012</u>
April 24, 2002 for sanitary sewer 1, paving and storm sewer 1, water 1, and underground power 1	<u>\$ 556,915</u>	<u>\$ 14,576</u>	<u>\$ -</u>	<u>\$ 14,576</u>	<u>\$ -</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
INFORMATION REQUIRED BY SECTION 31-740  
REVISED STATUTES OF NEBRASKA  
JUNE 30, 2012  
SUPPLEMENTARY SCHEDULE

Gross income from all sources	\$	138,424
Amount spent for sewage disposal		None
Amount expended on water mains		None
Gross amount of sewage processed		None
Cost per thousand gallons of processing sewage		None
Amount expended for:		
Maintenance and repair	\$	4,244
New equipment		-
New construction work		-
Property purchased		-
Start-up costs		-
Number of employees		-
Salaries and fees paid employees		-
Total amount of taxes levied upon property within the district	\$	128,638

SANITARY AND IMPROVEMENT DISTRICT NO. 204  
OF SARPY COUNTY, NEBRASKA  
TRUSTEES AND RELATED BONDS  
JUNE 30, 2012  
SUPPLEMENTARY SCHEDULE

<u>Board of Trustees</u>			
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Troy Blenderman	Chairman	Old Republic Surety Co.	\$ 5,000
Stan Baatz	Clerk	Old Republic Surety Co.	20,000
Roger Lindsey	Trustee		-
David Miller	Trustee		-

MASSMAN NELSON REINIG PC

Certified Public Accountants

13310 I Street | Omaha, Nebraska 68137

402 330 7099 Fax 402 330 0809

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

Keli D Palfini CPA  
Jason T McGill CPA

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

Board of Trustees  
Sanitary and Improvement District No. 204  
of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities of Sanitary and Improvement District No. 204 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 September 19, 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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the District's internal control to be material weaknesses:

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

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

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

2. Comment: The Auditing Standards Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Statement of Auditing Standard No. 115 emphasizes that the auditor cannot be part of the system of internal control over financial reporting. In our judgment, the Board's trustee charged with governance, in the course of his assigned duties, lacks the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles (GAAP) and to correct any misstatements if present.

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

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

#### 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Section 13-511 of the Nebraska Budget Act provides, ". . .whenever during the fiscal year or biennial period it becomes apparent to a governing body that a) there are circumstances which could not reasonably have been anticipated at the time the budget for the current year or biennial period was adopted, b) the budget adopted violated sections 13-518 to 13-522 such that the revenue of the current fiscal year or biennial period for any fund thereof will be insufficient, additional expenses will be necessarily incurred, or there is a need to reduce the budget requirements to comply with section 13-518 to 13-522, or c) the governing body has been notified by the auditor of a mathematical or accounting or noncompliance with the Nebraska Budget Act, such governing body may propose to revise the previously adopted budget statement and shall conduct a public hearing on such proposal."

During the year ended June 30, 2012, the actual expenditures in the general and bond funds exceeded the amounts budgeted by \$6,884 and \$18,665, respectively, but no evidence of an amended budget or public notice or a meeting to revise such budget was observed.

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

*Massman Nelson Reinig PC*  
Certified Public Accountants

Omaha, Nebraska  
September 19, 2012

MASSMAN NELSON REINIG PC

Certified Public Accountants

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Michael L Massman CPA  
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James A Reinig CPA

Keli D Palfini CPA  
Jason T McGill CPA

September 19, 2012

To the Board of Trustees  
Sanitary and Improvement District No. 204  
of Sarpy County, Nebraska

Dear Chairman:

Internal Control Matters

In planning and performing our audit of the financial statements of the governmental activities of Sanitary and Improvement District No. 204 of Sarpy County, Nebraska as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Sanitary and Improvement District No. 204 of Sarpy County, Nebraska's internal control over financial reporting (internal control) 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 Board of Trustee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Trustee's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the District's internal control to be material weaknesses:

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

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

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

2. Comment: The Auditing Standards Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Statement of Auditing Standard No. 115 emphasizes that the auditor cannot be part of the system of internal control over financial reporting. In our judgment, the Board's trustee charged with governance, in the course of his assigned duties, lacks the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles (GAAP) and to correct any misstatements if present.

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

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

#### Compliance and Other Matters

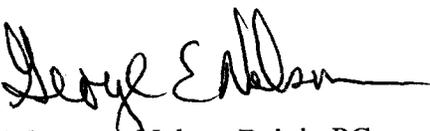
Section 13-511 of the Nebraska Budget Act provides, ". . .whenever during the fiscal year or biennial period it becomes apparent to a governing body that a) there are circumstances which could not reasonably have been anticipated at the time the budget for the current year or biennial period was adopted, b) the budget adopted violated sections 13-518 to 13-522 such that the revenue of the current fiscal year or biennial period for any fund thereof will be insufficient, additional expenses will be necessarily incurred, or there is a need to reduce the budget requirements to comply with section 13-518 to 13-522, or c) the governing body has been notified by the auditor of a mathematical or accounting or noncompliance with the Nebraska Budget Act, such governing body may propose to revise the previously adopted budget statement and shall conduct a public hearing on such proposal."

During the year ended June 30, 2012, the actual expenditures in the general and bond funds exceeded the amounts budgeted by \$6,884 and \$18,665, respectively, but no evidence of an amended budget or public notice or a meeting to revise such budget was observed.

We would recommend that in the future, any time the actual expenditures for a specific fund exceed the expenditures budgeted, an amended budget be filed to include the additional expenditures.

This communication is intended solely for the use of the Board of Trustees and management of Sanitary and Improvement District No. 204 of Sarpy County and the Nebraska Auditor of Public Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Massman-Nelson Reinig PC  
Certified Public Accountants

By: George E. Nelson