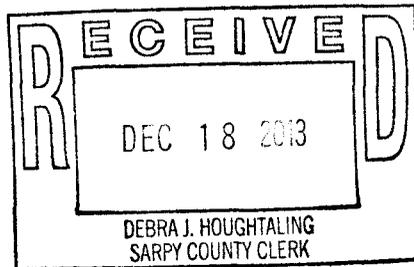


SANITARY AND IMPROVEMENT DISTRICT
NO. 204
OF SARPY COUNTY, NEBRASKA

FINANCIAL STATEMENTS

JUNE 30, 2013



SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
JUNE 30, 2013

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Michael L Massman CPA
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James A Reinig CPA
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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, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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. 204 of Sarpy County, Nebraska as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2013 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 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 conjunction with this report in considering the results of our audit.

Other Matters

Required Supplementary Information

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.

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic 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 basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

MASSMAN NELSON REINIG PC
Certified Public Accountants

Omaha, Nebraska
October 4, 2013

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

Cash on deposit, County Treasurer	\$ 330,078
Taxes receivable	52,559
Bond issue costs, net of accumulated amortization	44,407
Capital assets, net of accumulated depreciation	<u>1,027,348</u>
Total assets	<u>1,454,392</u>

LIABILITIES

Accounts payable	10,144
Deferred revenue - taxes	115
Warrants outstanding	1,827
Accrued interest payable – bond	1,448
Bond payable:	
Due within one year	80,000
Due in more than one year	<u>1,270,000</u>
Total liabilities	<u>1,363,534</u>

NET POSITION

Invested in capital assets, net of related debt	(279,693)
Restricted for debt services	201,225
Unrestricted	<u>169,326</u>
Total net position	<u>\$ 90,858</u>

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, 2013

Expenditures:

Audit and budget	\$	3,550
Legal fees		7,684
Insurance		2,292
Interest on bonds		38,547
Engineering fees		408
Street lighting		8,796
Bond agent fees		500
Repairs and maintenance		1,827
Depreciation		47,352
Amortization		6,719
		<u>117,675</u>

Revenues:

Real property taxes		133,150
Collection fee – County Treasurer		(2,489)
Other taxes		239
Interest income – taxes		15
Over/under property tax accrual		(107)
Miscellaneous		31
		<u>130,839</u>

Change in net position		13,164
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Net position, beginning of year		<u>77,694</u>
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Net position, end of year	\$	<u>90,858</u>
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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, 2013

ASSETS

	Governmental Funds		
	General Fund	Debt Service Fund	Total
Assets:			
Cash on deposit, County Treasurer	\$ 166,595	\$ 163,483	\$ 330,078
Taxes receivable	14,234	38,325	52,559
Total assets	\$ 180,829	\$ 201,808	\$ 382,637

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable	\$ 9,644	\$ 500	\$ 10,144
Deferred revenue - taxes	32	83	115
Warrants outstanding	1,827	-	1,827
Total liabilities	11,503	583	12,086
Fund equity:			
Fund balances:			
Restricted for debt services	-	201,225	201,225
Unassigned	169,326	-	169,326
Total fund equity	169,326	201,225	370,551
Total liabilities and fund equity	\$ 180,829	\$ 201,808	\$ 382,637

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 POSITION
FOR THE YEAR ENDED JUNE 30, 2013

Total fund balances – governmental funds		\$ 370,551
<p>Amounts reported for governmental activities in the statement of net position 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	\$ 1,636,925	
Accumulated depreciation	<u>(609,577)</u>	1,027,348
<p>Other long-term assets are not financial resources and, therefore, not reported in the fund financial statements:</p>		
Bond issue costs	52,013	
Accumulated amortization	<u>(7,606)</u>	44,407
<p>Other liabilities are not due and payable in the current period and, therefore, not reported in governmental funds:</p>		
Accrued interest payable – bond	(1,448)	
Bonds payable	<u>(1,350,000)</u>	<u>(1,351,448)</u>
Net position of governmental activities		<u>\$ 90,858</u>

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Funds		
	General	Debt Service	Total
Revenues:			
Real property taxes	\$ 36,061	\$ 97,089	\$ 133,150
Collection fee – County Treasurer	(683)	(1,806)	(2,489)
Other taxes	66	173	239
Interest income - taxes	4	11	15
Over/under property tax accrual	(30)	(77)	(107)
Miscellaneous	9	22	31
	35,427	95,412	130,839
Expenditures:			
Audit and budget	3,550	-	3,550
Legal fees	7,684	-	7,684
Insurance	2,292	-	2,292
Interest on bond	-	41,596	41,596
Engineering fees	408	-	408
Street lighting	8,796	-	8,796
Bond agent fees	-	500	500
Repairs and maintenance	1,827	-	1,827
	24,557	42,096	66,653
Excess of revenue over expenditures	10,870	53,316	64,186
Other financing uses:			
Retirement of bond principal	-	(75,000)	(75,000)
Excess (deficiency) of revenues over (under) expenditures and other financing	10,870	(21,684)	(10,814)
Fund balance, beginning of year	158,456	222,909	381,365
Fund balance, end of year	\$ 169,326	\$ 201,225	\$ 370,551

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 POSITION
FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances – Total governmental funds \$ (10,814)

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 issues.

Amortization expense (6,719)

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

Retirement of bond principal	75,000	
Increase in interest payable	3,049	78,049

Change in net position of governmental activities \$ 13,164

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 position 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 position recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - invested in capital assets, net of related debt; restricted net ; position and unrestricted net position. Net position is 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 position. 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 position for the year.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2013

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. 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, 2013

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, 2013.
- 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, 2013

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 Position/Fund Equity

The government-wide fund financial statements utilize a net position presentation. Net position is 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 position. 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 position – 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 position – This category represents net position 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, 2013

1. Summary of Significant Accounting Policies - Continued

Net Position/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:

	Fund		
	General	Debt Service	Total
Excess of receipts over disbursements on a budgetary basis	\$ 13,293	\$ 49,613	\$ 62,906
Change in property tax revenue from recognition on a cash basis	954	4,078	5,032
Change in total expenditures from recognition on a cash basis	(3,377)	(375)	(3,752)
Excess of revenues over expenditures on a modified accrual (GAAP) basis	\$ 10,870	\$ 53,316	\$ 64,186

3. Deposits and Investments

Deposits

The District's deposits are insured or collateralized with securities held by an agent of the District 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, 2013, The District's total deposits were \$330,078.

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, 2013 the District held no investments.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2013

3. Deposits and Investments - Continued

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:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
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	<u>418,199</u>	<u>-</u>	<u>-</u>	<u>418,199</u>
	<u>1,636,925</u>	<u>-</u>	<u>-</u>	<u>1,636,925</u>
	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Accumulated depreciation:				
Paving, storm sewer and sanitary sewer	293,473		-	
Gas, electric and water distribution	140,732		-	
Capitalized interest and other indirect costs	<u>128,020</u>		<u>-</u>	
	<u>562,225</u>	<u>47,352</u>	<u>-</u>	<u>609,577</u>
Capital assets, net of accumulated depreciation	<u>\$ 1,074,700</u>	<u>\$ 47,352</u>	<u>\$ -</u>	<u>\$ 1,027,348</u>

The District recorded depreciation expense of \$47,352 for the year ended June 30, 2013.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2013

5. 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 is as follows:

	<u>June 30, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2013</u>
General Fund	\$ -	\$ 21,179	\$ 19,352	\$ 1,827
Debt Service Fund	-	6,025	6,025	-
	<u>\$ -</u>	<u>\$ 27,204</u>	<u>\$ 25,377</u>	<u>\$ 1,827</u>

Interest expense on registered warrants for the year ended June 30, 2013 amounted to \$0 and \$0 for the general fund and debt service fund, respectively.

6. Bonds Payable

Bonds payable totaling \$1,425,000 issued on April 17, 2012, with a balance of \$1,350,000 at June 30, 2013 are due serially beginning December 15, 2013 through December 15, 2025. The maturities range from \$80,000 in 2013 to \$135,000 in 2025. Interest is payable semi-annually on this issue at 1.25% to 3.50%.

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

	<u>Balance</u> <u>June 30, 2012</u>	<u>New</u> <u>Issues</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
April 17, 2012 issue	<u>\$ 1,425,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ 1,350,000</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>
2014	\$ 80,000	\$ 34,725	\$ 114,725
2015	85,000	33,609	118,609
2016	90,000	32,227	122,227
2017	90,000	30,630	120,630
2018	95,000	28,824	123,824
2019-2023	530,000	105,158	635,158
2024-2026	380,000	20,167	400,167
	<u>\$ 1,350,000</u>	<u>\$ 285,340</u>	<u>\$ 1,635,340</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2013

7. 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, 2013 amounted to \$6,719.

8. 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.

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:

<u>Fiscal Year</u>	<u>District Valuation of Property</u>	<u>District Tax Levy per \$100</u>		
		<u>General</u>	<u>Debt Service</u>	<u>Total</u>
2012-2013	\$ 21,074,942	<u>0.17084</u>	<u>0.46000</u>	<u>0.63084</u>

9. 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.

10. Other

Management has evaluated subsequent events through October 4, 2013, 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, 2013

GENERAL FUND

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Favorable (Unfavorable)</u>
Receipts:			
Operating:			
Taxes collected	\$ 35,298	\$ 33,417	\$ (1,881)
Property tax credit allocation	-	977	977
Other taxes	100	66	(34)
Interest income – taxes	10	4	(6)
Interest income – investment	50	-	(50)
Miscellaneous	10	9	(1)
Total receipts	<u>35,468</u>	<u>34,473</u>	<u>(995)</u>
Disbursements:			
Operating:			
Audit and budget	3,550	3,550	-
Insurance	4,000	1,008	2,992
Street lighting	13,000	7,390	5,610
Repairs and maintenance	5,000	1,827	3,173
Legal fees	8,000	7,405	595
Engineering	500	-	500
Total disbursements	<u>34,050</u>	<u>21,180</u>	<u>12,870</u>
Excess of receipts over disbursements from operations	1,418	13,293	11,875
Other sources (uses):			
Warrants issued	-	21,179	21,179
Warrants retired	-	(19,352)	(19,352)
Transfers	<u>(136,000)</u>	<u>-</u>	<u>136,000</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (134,582)</u>	<u>\$ 15,120</u>	<u>\$ 149,702</u>

See the accompanying notes to the 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, 2013

DEBT SERVICE FUND

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Favorable (Unfavorable)</u>
Receipts:			
Operating:			
Taxes collected	\$ 95,044	\$ 88,496	\$ (6,548)
Property tax credit allocation	-	2,632	2,632
Other taxes	300	173	(127)
Interest income – taxes	100	11	(89)
Interest income – investment	100	-	(100)
Miscellaneous income	-	22	22
Total receipts	<u>95,544</u>	<u>91,334</u>	<u>(4,210)</u>
Disbursements:			
Operating:			
Paying agent fees	750	125	625
Interest on bonds	41,596	41,596	-
Total disbursements	<u>42,346</u>	<u>41,721</u>	<u>625</u>
Excess of receipts over disbursements from operations	53,198	49,613	(3,585)
Other sources (uses):			
Warrants issued	-	6,025	6,025
Warrants retired	-	(6,025)	(6,025)
Bond issue costs	-	-	-
Bond principal payments	(75,000)	(75,000)	-
Transfer	136,000	-	(136,000)
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 114,198</u>	<u>\$ (25,387)</u>	<u>\$ (139,585)</u>

See the accompanying notes to the required supplementary information.

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2013

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
INFORMATION REQUIRED BY SECTION 31-740
REVISED STATUTES OF NEBRASKA
JUNE 30, 2013
SUPPLEMENTARY SCHEDULE

Gross income from all sources	\$	130,839
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	\$	1,827
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	\$	133,150

SANITARY AND IMPROVEMENT DISTRICT NO. 204
OF SARPY COUNTY, NEBRASKA
TRUSTEES AND RELATED BONDS
JUNE 30, 2013
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		-
Larry 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

INDEPENDENT AUDITORS' 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, 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 4, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we have identified certain deficiencies in internal control, as described below, 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 deficiencies described below 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 auditing 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 from 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*.

During the year ended June 30, 2013, the actual expenditures in the general and bond funds did not exceed the amount budgeted.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Certified Public Accountants

Omaha, Nebraska
October 4, 2013

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

October 4, 2013

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 and each major fund of Sanitary and Improvement District No. 204 of Sarpy County, Nebraska as of and for the year ended June 30, 2013, 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 that are appropriate in the circumstances 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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 to be material weaknesses in Sanitary and Improvement District No. 204 of Sarpy County, Nebraska's internal control.

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 auditing 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.

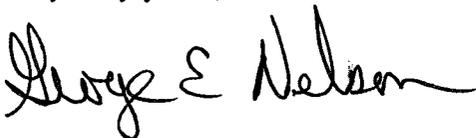
2. Comment: The Auditing Standards Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Statement of Auditing Standard No. 115 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.

This communication is intended solely for the information and use of the Board of Trustees and management of Sanitary and Improvement District No. 204 of Sarpy County, Nebraska 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