



**SANITARY AND IMPROVEMENT
DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

FINANCIAL STATEMENTS

JUNE 30, 2013
(WITH INDEPENDENT AUDITOR'S REPORTS)

**SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

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Frankel Zacharia ^{LLC}

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sanitary and Improvement District No. 207
of Sarpy County, Nebraska:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each fund of Sanitary and Improvement District No. 207 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 controls relevant to the preparation and fair presentation of financial statements that are free of material misstatement, 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant 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 previously present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the District as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedule 1 – Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Governmental Funds 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. Schedule 1 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. Such 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 information in the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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. Schedule 2 of Information Required by Section 31-740 of the Revised Statutes of Nebraska is presented for purposes of additional analysis and is not a required part of the financial statements. Schedule 2 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 information in the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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* in considering the District's internal control over financial reporting and compliance.

Frank Zacharia LLC

December 11, 2013

**SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

BALANCE SHEET - GOVERNMENTAL FUNDS and STATEMENT OF NET POSITION

JUNE 30, 2013

| | Balance Sheet - Governmental Funds | | | Reconciling Items (Note 2) | Statement of Net Position |
|---|------------------------------------|----------------|----------------|----------------------------------|------------------------------|
| | General | Debt Service | Total | | |
| ASSETS | | | | | |
| Cash on deposit with County Treasurer | \$ 38,568 | 63,911 | 102,479 | --- | 102,479 |
| Property taxes receivable | 11,101 | 18,111 | 29,212 | --- | 29,212 |
| Capital assets, net of accumulated depreciation | --- | --- | --- | 839,257 | 839,257 |
| TOTAL ASSETS | \$ 49,669 | 82,022 | 131,691 | 839,257 | 970,948 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,896 | 107,957 | 109,853 | --- | 109,853 |
| Warrants | | | | | |
| Due within one year | --- | 268,843 | 268,843 | --- | 268,843 |
| Accrued interest on warrants | | | | | |
| Due within one year | --- | 166,677 | 166,677 | --- | 166,677 |
| Bonds payable | | | | | |
| Due within one year | --- | --- | --- | 25,000 | 25,000 |
| Due after one year | --- | --- | --- | 280,000 | 280,000 |
| Accrued interest on bonds | --- | --- | --- | 1,031 | 1,031 |
| TOTAL LIABILITIES | 1,896 | 543,477 | 545,373 | 306,031 | 851,404 |
| FUND BALANCES | | | | | |
| Fund balance (deficit) - unassigned | 47,773 | (461,455) | (413,682) | 413,682 | --- |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 49,669 | 82,022 | 131,691 | | |
| NET POSITION | | | | | |
| Net investment in capital assets | | | | 265,414 | 265,414 |
| Deficit | | | | (145,870) | (145,870) |
| TOTAL NET POSITION | | | | \$ 119,544 | 119,544 |

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES and STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

| | Governmental Fund Revenues, Expenditures and Changes in Fund Balances | | | Reconciling Items (Note 2) | Statement of Activities |
|---|--|-------------------|-------------------|----------------------------------|----------------------------|
| | General | Debt Service | Total | | |
| Revenues | | | | | |
| Property taxes | \$ 24,700 | 40,300 | 65,000 | --- | 65,000 |
| Collection fees - County Treasurer | (481) | (785) | (1,266) | --- | (1,266) |
| Delinquent tax allowance | (6) | (11) | (17) | --- | (17) |
| State motor vehicle allocation | 45 | 75 | 120 | --- | 120 |
| Other Income | 5 | 262 | 267 | --- | 267 |
| Total revenues | 24,263 | 39,841 | 64,104 | --- | 64,104 |
| Expenditures/expenses | | | | | |
| Accounting and audit fees | 7,824 | --- | 7,824 | --- | 7,824 |
| Legal fees | 3,063 | --- | 3,063 | --- | 3,063 |
| Trustee bonds and insurance | 2,957 | --- | 2,957 | --- | 2,957 |
| Engineering fees | 1,380 | --- | 1,380 | --- | 1,380 |
| Paying agent | 1,250 | --- | 1,250 | --- | 1,250 |
| Street lighting | 2,060 | --- | 2,060 | --- | 2,060 |
| Municipal advisor fees | 370 | --- | 370 | --- | 370 |
| Depreciation | --- | --- | --- | 22,834 | 22,834 |
| Debt service- | | | | | |
| Warrant principal | 17,432 | 3,595 | 21,027 | (21,027) | --- |
| Warrant interest | --- | 18,819 | 18,819 | --- | 18,819 |
| Bond principal | --- | 25,000 | 25,000 | (25,000) | --- |
| Bond interest | --- | 8,573 | 8,573 | (41) | 8,532 |
| Total expenditures/expenses | 36,336 | 55,987 | 92,323 | (23,234) | 69,089 |
| Excess (deficiency) of revenues over expenditures/expenses | (12,073) | (16,146) | (28,219) | 23,234 | (4,985) |
| Other sources of financial resources | | | | | |
| Warrants issued | 17,432 | 3,595 | 21,027 | (21,027) | --- |
| NET CHANGE IN FUND BALANCES/NET POSITION | 5,359 | (12,551) | (7,192) | 2,207 | (4,985) |
| Fund balances/Net position at beginning of year (deficit) | 42,414 | (448,904) | (406,490) | 531,019 | 124,529 |
| Fund balances/Net position at end of year (deficit) | \$ 47,773 | (461,455) | (413,682) | 533,226 | 119,544 |

See accompanying notes to financial statements

**SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

1. Summary of Significant Accounting and Reporting Policies

- A. Sanitary and Improvement District No. 207 of Sarpy County, Nebraska (the District) is a governmental subdivision created in 1999 with the filing of the petition and Articles of Association with the Secretary of the State of Nebraska. The District was formed for the purpose of infrastructure construction and to arrange for basic services for a mixed use subdivision commonly known as "Barrington Place" located in the vicinity of 90th Street and Highway 370 (Papillion, Nebraska).
- B. The reporting entity includes all funds under the control of the District's Board of Trustees. Accordingly, the criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. The Board of Trustees, consisting of three members, has governance responsibilities over all activities within the jurisdiction of the District. The accompanying financial statements present the primary government unit and do not include any component units because none exist.
- C. The accounting policies of the District conform to accounting principles generally accepted in the U.S.A. (GAAP) applicable to governmental units.

The government-wide financial statements (Statement of Net Position and Statement of Activities) are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the obligations are incurred, regardless of the timing of related cash flows.

The governmental fund financial statements (Balance Sheet and Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances) use a current financial resources measurement focus and are reported using the modified accrual basis of accounting whereby revenues are recognized when susceptible to accrual, that is, when they become measurable and available. Available means collectible within the current year or soon enough thereafter (within sixty days) to be used to pay current obligations. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for debt service expenditures which are recorded only when due.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are reported in governmental funds. The measurement focus is upon determination of changes in current financial position, rather than results of operations. The following are the District's governmental fund types:

General Fund The General Fund is the main operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

Debt Service Fund The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Continued

**SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS – CONTINUED

JUNE 30, 2013

1. Summary of Significant Accounting and Reporting Policies - Continued

- D. The District may by statute invest in U.S. Government obligations, certificates of deposit and other time deposits. All investments are in U.S. Government obligations and all investment activities are conducted through the District's fiscal agent, the Sarpy County Treasurer. Securities transactions are executed by Pinnacle Bank who also holds the securities in the County's name. There were no investments at year end.
- E. Capital expenditures with estimated useful lives in excess of one year are recorded at cost and depreciated by the straight-line method over such lives, typically fifty years.

| | As of <u>June 30, 2012</u> | <u>Additions</u> | As of <u>June 30, 2013</u> |
|---|-------------------------------|------------------|-------------------------------|
| Street improvements | \$ 107,957 | -- | 107,957 |
| Improvements section I | 712,419 | -- | 712,419 |
| Improvements section III | 238,779 | -- | 238,779 |
| Underground power I | 82,540 | -- | 82,540 |
| Total | \$ 1,141,695 | -- | 1,141,695 |
| Less: Accumulated depreciation | 279,604 | 22,834 | 302,438 |
| <u>Capital assets, net of accumulated depreciation</u> | | | <u>\$ 839,257</u> |

- F. Property taxes are levied and due December 31, based on the assessed value of property within the District the previous January. Property taxes are delinquent on April 1 (first half) and August 1 (second half). The Board of Trustees approved a tax levy of \$0.92010 per \$100 of assessed value of taxable property. The 2012-2013 taxes based on that levy are as follows:

| | General <u>Fund</u> | Debt Service <u>Fund</u> |
|--|------------------------|-----------------------------|
| Valuation of taxable property | \$ 7,064,460 | 7,064,460 |
| Tax levy | .0034964 | .0057046 |
| <u>2012-2013 taxes assessed</u> | \$ 24,700 | 40,300 |

Continued

**SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS – CONTINUED

JUNE 30, 2013

1. Summary of Significant Accounting and Reporting Policies - Continued

G. The District follows these procedures in establishing budgets:

- i. The Board of Trustees considers a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- ii. Public hearings are conducted to obtain taxpayer comments.
- iii. The budget is legally enacted by a resolution of the Board of Trustees. The District may revise legally adopted budgets as provided by statute. Such revisions are subject to procedures similar to those stated above.
- iv. The supplementary schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Governmental Funds presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the differences between the methods for the year ended June 30, 2013, is presented below:

| | |
|--|-------------------|
| Net change in fund balances – budgetary basis | \$ (1,298) |
|--|-------------------|

Adjustments:

| | |
|----------------------------------|-----------------|
| Revenue from receivables | 10,802 |
| <u>Expenditures for payables</u> | <u>(16,696)</u> |

| | |
|--|--------------------------|
| <u>Net change in fund balances - GAAP basis</u> | <u>\$ (7,192)</u> |
|--|--------------------------|

- H. Preparation of financial statements often necessitates the use of accounting estimates based on considerations of past and current events and assumptions about the future. Estimates and assumptions affect the amounts reported in the statements including related disclosures. Because of the inherent uncertainties in this process, it is likely that actual results will vary from estimates used.

Continued

**SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS – CONTINUED

JUNE 30, 2013

2. Adjustments from the Balance Sheet – Governmental Funds to the Statement of Net Position are differences in modified accrual accounting used in the Balance Sheet to full accrual accounting used in the Statement of Net Position. The differences are summarized as follows:

| | |
|--|--------------------------|
| Total Governmental Fund Deficit | \$ (413,682) |
| ADJUSTMENTS | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 839,257 |
| Long-term obligations (bonds and related interest) do not require the use of current financial resources and therefore are not reported as <u>fund liabilities</u> . | (306,031) |
| <u>Net Position of Governmental Activities</u> | <u>\$ 119,544</u> |

- Adjustments from the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are differences in modified accrual accounting used in the funds to full accrual accounting used in the Statement of Activities. The adjustments are summarized as follows:

| | |
|--|--------------------------|
| Net Change in Governmental Fund Balances | \$ (7,192) |
| ADJUSTMENTS | |
| Investment in capital assets is reported as expenditures in the Government funds but not in the Statement of Activities. Instead, the costs are capitalized in the Statement of Net Position and allocated over estimated useful lives as depreciation expense in the Statement of Activities. This is the amount of depreciation for the current year | (22,834) |
| Payment of long-term obligations is reported as expenditures in governmental funds but reduces the liability in the Statement of Net Position. This is the amount paid in the current year. | 25,000 |
| <u>Other</u> | <u>41</u> |
| <u>Change in Net Position of Governmental Activities</u> | <u>\$ (4,985)</u> |

3. Warrants bear interest at 7% per annum from the date registered with the Sarpy County Treasurer. Debt Service Fund warrants mature five years after date of issue, or earlier if called for payment. Total outstanding warrants were \$268,843 and all were delinquent as of June 30, 2013.

Continued

**SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS – CONTINUED

JUNE 30, 2013

4. General Obligation 2012 Series bonds bear interest at 1.45% - 3.70%. Interest is payable semiannually on October 1 and April 1 and the bonds mature as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-----------------|----------------|
| 2014 | \$ 25,000 | 8,247 | 33,247 |
| 2015 | 25,000 | 7,885 | 32,885 |
| 2016 | 25,000 | 7,473 | 32,473 |
| 2017 | 25,000 | 6,985 | 31,985 |
| 2018 | 25,000 | 6,448 | 31,448 |
| 2019-2023 | 150,000 | 20,370 | 170,370 |
| 2024 | 30,000 | 1,110 | 31,110 |
| | \$ 305,000 | 58,518 | 363,518 |

The change in bonds is summarized as follows:

| <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|------------------------------|------------------|-------------------|---------------------------|
| \$ 330,000 | -- | 25,000 | 305,000 |

5. The District entered into an interlocal cooperation agreement for construction of improvements with an engineer's estimate of \$107,957. As of June 30, 2013, the District has not received an invoice for the improvements, though such have been completed. The District has recognized a payable of \$107,957 in the accompanying statements as a preliminary estimate of the obligation.
6. 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, which risks are insured to limits considered adequate by the District. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage for the current or three prior years.
7. Sanitary and Improvement Districts normally pay annual or semi-annual interest on all outstanding capital outlay warrants. The District has recognized interest payable but did not make annual interest payments on outstanding debt service warrants during the years ended June 30, 2005 through 2013 in accordance with an informal agreement between the District and the warrant holders.
8. The District financed capital improvements with warrants all of which have matured as disclosed in Note 3. Such obligations are typically liquidated with proceeds from tax receipts or bond issuance. The current assessed value of property is not sufficient to generate receipts to allow the District to meet these obligations and the warrants have become delinquent. The ability of the District to ultimately meet its obligations is dependent on additional development and increased tax levy and receipts.

SUPPLEMENTARY SCHEDULES

**SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

**SCHEDULE 1 - REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
(NOTE 1.G.iv)**

| | YEAR ENDED JUNE 30, 2013 | | |
|--|---------------------------------|-----------------|--|
| | (Non-GAAP) | | |
| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Property taxes | \$ 65,000 | 53,933 (| 11,067) |
| Collection fees - County Treasurer | (1,260) (| 1,046) | 214 |
| Delinquent tax allowance | (740) | --- | 740 |
| State motor vehicle allocation | 150 | 120 (| 30) |
| Other | --- | 295 | 295 |
| Total revenues | 63,150 | 53,302 (| 9,848) |
| Expenditures | | | |
| Operating expenditures | 34,500 | 21,027 | 13,473 |
| Debt service - warrant principal and interest | 34,000 | 21,027 | 12,973 |
| Debt service - bond principal and interest | 33,573 | 33,573 | --- |
| Debt service - reserve | 66,000 | --- | 66,000 |
| Total expenditures | 168,073 | 75,627 | 92,446 |
| Excess (deficiency) of revenues over expenditures | (104,923) (| 22,325) | 82,598 |
| Other financing sources | | | |
| Warrants issued | 34,500 | 21,027 (| 13,473) |
| Excess (deficiency) of revenues and other sources over expenditures and other uses of financial resources | (70,423) (| 1,298) | 69,125 |
| Fund balances at beginning of year | 103,777 | 103,777 | --- |
| Fund balances at end of year | \$ 33,354 | 102,479 | 69,125 |

**SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

SCHEDULE 2

YEAR ENDED JUNE 30, 2013

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

| | |
|---|----------------|
| Gross income from all sources | \$ 65,387 |
| Amount spent for access to the facilities and use of the services of the library system of one or more neighboring cities or villages | None |
| Amount spent for sewage disposal | None |
| Amount expended on water system and mains | None |
| Gross amount of sewage processed | Not applicable |
| Cost per thousand gallons of processing sewage | Not applicable |
| Amount expended for | |
| a. Maintenance and repairs | None |
| b. New equipment | None |
| c. New construction | None |
| d. Property purchased | None |
| Number of employees | None |
| Salaries and fees paid employees | None |
| Total amount of taxes levied upon property within the District | \$ 65,000 |



FrankelZacharia^{L.L.C.}

Certified Public Accountants

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

Board of Trustees
Sanitary and Improvement District No. 207
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 fund of Sanitary and Improvement District No. 207 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 December 11, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

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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 and contracts, 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*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Frankel Zacharia LLC

December 11, 2013

**SANITARY AND IMPROVEMENT DISTRICT NO. 207
OF SARPY COUNTY, NEBRASKA**

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2013

SIGNIFICANT DEFICIENCY

Financial Reporting

Criteria: Internal controls should be in operation that provide reasonable assurance of the District's ability to report financial data reliably in accordance with generally accepted accounting principles (GAAP).

Condition: The District utilizes an outside audit firm to prepare its financial statements, including footnotes.

Cause: The District does not have the ability to prepare financial statements, including footnotes.

Effect: The District cannot on its own, comply with regulatory requirements to prepare annual financial statements in accordance with GAAP.

Response: The Board of Trustees has determined it is not cost-beneficial to create a system of internal control that would allow the District to prepare its own financial statements. Accordingly, the District engaged the audit firm to assist in the preparation of the statements.