

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

**YEAR ENDED JUNE 30, 2010**

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Sanitary and Improvement District No. 221  
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. 221 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 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. 221 of Sarpy County, Nebraska as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note H to the basic financial statements, subsequent to June 30, 2009 certain errors were discovered in the financial statements of the debt service fund, as previously issued for the year ended June 30, 2009. Accordingly, as discussed in the aforementioned note, the fund balance of the debt service fund at June 30, 2009, as previously reported, has been increased by \$118,987 to correct for these errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2010 on our consideration of Sanitary and Improvement District No. 221 of Sarpy County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## INDEPENDENT AUDITORS' REPORT- Continued

The Budgetary Comparison Information – General Fund and the Budgetary Comparison Information – Debt Service Fund on pages 16 through 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on pages 20 through 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

HANCOCK & DANA PC



Omaha, Nebraska  
October 21, 2010

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA  
Statement of Net Assets  
June 30, 2010**

**ASSETS**

Cash on deposit - County Treasurer	\$ 319,353
Investments	609,686
Taxes receivable	103,781
Special assessments receivable	15,066
Accrued interest on special assessments	4,147
Capital assets, net of accumulated depreciation	1,665,691
Bond issue costs, net of accumulated amortization	261,662
<b>Total Assets</b>	<b>\$ <u>2,979,386</u></b>

**LIABILITIES**

Accounts payable	11,753
Accrued interest	41,698
Noncurrent liabilities	
Bonds payable	
Due within one year	105,000
Due in more than one year	2,565,000
<b>Total Liabilities</b>	<b>\$ <u>2,723,451</u></b>

**NET ASSETS**

Invested in capital assets, net of related debt	(742,647)
Restricted for debt service	900,415
Unrestricted	98,167
<b>Total Net Assets</b>	<b>\$ <u><u>255,935</u></u></b>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221**  
**OF SARPY COUNTY, NEBRASKA**  
**Statement of Activities**  
**For the year ended June 30, 2010**

**GOVERNMENTAL ACTIVITIES:**

**EXPENSES - GENERAL GOVERNMENT**

Professional and administrative expenses	\$ 24,729
Maintenance and street lighting	18,688
Depreciation	64,533
Amortization	17,198
Interest	137,336
	<u>262,484</u>

**GENERAL REVENUES**

Property taxes	221,200
Interest	3,202
Miscellaneous	767
	<u>225,169</u>

**Change in net assets** **(37,315)**

<b>Net assets - beginning of year</b>	<u><b>293,250</b></u>
<b>Net assets - end of year</b>	<u><u><b>\$ 255,935</b></u></u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA  
Balance Sheet  
Governmental Funds  
June 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash on deposit - County Treasurer	\$ 81,065	\$ 238,288	\$ 319,353
Investments	-	609,686	609,686
Taxes receivable	28,855	74,926	103,781
Special assessments receivable	-	15,066	15,066
<b>Total Assets</b>	<b><u>\$ 109,920</u></b>	<b><u>\$ 937,966</u></b>	<b><u>\$ 1,047,886</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 11,753	\$ -	\$ 11,753
Special assessments deferred revenue	-	15,066	15,066
<b>Total Liabilities</b>	<b><u>11,753</u></b>	<b><u>15,066</u></b>	<b><u>26,819</u></b>
<b>FUND BALANCES</b>			
Fund balance - unreserved	98,167	-	98,167
Fund balance - reserved for debt service	-	922,900	922,900
<b>Total Fund Balances</b>	<b><u>98,167</u></b>	<b><u>922,900</u></b>	<b><u>1,021,067</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 109,920</u></b>	<b><u>\$ 937,966</u></b>	<b><u>\$ 1,047,886</u></b>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
June 30, 2010**

**Total Fund Balances - Governmental Funds** **\$ 1,021,067**

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 governmental funds:

Capital assets	\$ 2,183,955	
Accumulated depreciation	<u>(518,264)</u>	1,665,691

Other assets are not financial resources and, therefore, not reported in the governmental funds:

Bond issue costs	345,010	
Accumulated amortization	<u>(83,348)</u>	261,662

Deferred revenue on special assessments in the governmental funds has been recorded as revenue in the government-wide statements.		15,066
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Interest is accrued as revenue on unpaid special assessments in the government-wide statements whereas interest on special assessments is recorded as revenue in the governmental funds when collected.		4,147
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Long-term liabilities are not due and payable in the current period and, therefore, not reported in the governmental funds:

Bonds payable	(2,670,000)	
Accrued interest	<u>(41,698)</u>	<u>(2,711,698)</u>

**Net Assets of Governmental Activities** **\$ 255,935**

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2010**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes assessed	\$ 61,444	\$ 159,756	\$ 221,200
Interest on taxes	77	201	278
Special assessments	-	886	886
Interest on special assessments	-	469	469
Interest on investments	-	1,562	1,562
State motor vehicle tax allocation	213	554	767
Total Revenues	61,734	163,428	225,162
<b>EXPENDITURES</b>			
Current:			
Collection fees - County Treasurer	1,190	3,122	4,312
Engineering fees	4,729	-	4,729
Insurance	1,677	-	1,677
Paying agent fees	1,500	-	1,500
Professional fees	12,510	-	12,510
Repairs and maintenance	14,195	-	14,195
Street lighting	4,493	-	4,493
Debt service:			
Bond principal payments	-	105,000	105,000
Bond interest payments	-	128,832	128,832
Total Expenditures	40,294	236,954	277,248
<b>Excess of revenues over (under) expenditures and net change in fund balances</b>	<b>21,440</b>	<b>(73,526)</b>	<b>(52,086)</b>
<b>Fund balances - beginning of year, as previously reported</b>	<b>76,727</b>	<b>877,439</b>	<b>954,166</b>
<b>Prior period adjustments</b>	<b>-</b>	<b>118,987</b>	<b>118,987</b>
<b>Fund balances - beginning of year, as restated</b>	<b>76,727</b>	<b>996,426</b>	<b>1,073,153</b>
<b>Fund balances - end of year</b>	<b>\$ 98,167</b>	<b>\$ 922,900</b>	<b>\$ 1,021,067</b>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
For the year ended June 30, 2010**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (52,086)**

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

Governmental funds report capital outlays, net of refunds, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays, net of refunds, in the current year. (64,533)

Repayment of principal on noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net assets, the repayment reduces long-term liabilities.

Bond principal payments 105,000

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses consist of:

Amortization of bond issue costs (17,198)  
Change in accrued interest (8,504)

Collections on special assessments and interest thereon have been reported as revenues in the governmental funds but are reported as decreases in receivables on the statement of net assets. This is the amount of collections on special assessments and the change in accrued interest thereon. 6

**Change in Net Assets of Governmental Activities** **\$ (37,315)**

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Sanitary and Improvement District No. 221 of Sarpy County, Nebraska comply with the rules and regulations of the State of Nebraska, and conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

**DEFINITION OF DISTRICT** – The District is a governmental subdivision created with the filing of the Petition and Articles of Association with the Secretary of State, State of Nebraska. The District was formed for the purpose of installing sewers, water and public road systems within the District and contracting for water, fire protection, and lighting for roads. The District is located in Sarpy County and is commonly known as Cedar Ridge.

**REPORTING ENTITY** – The Board of Trustees has governance responsibilities over all activities related to public improvements within the jurisdiction of the District. The accompanying financial statements present the District's primary government unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District including budget adoption, taxing authority, funding, and appointment of the respective governing board.

The Sarpy County Treasurer is the ex-officio treasurer of the District. All cash transactions and funds are required to be administered and recorded by the County Treasurer.

**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 are eliminated. Governmental activities include programs supported primarily by taxes and other intergovernmental revenue. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fund Financial Statements** – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The following is a description of the District's two governmental funds:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term 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 on the financial statements. Basis of accounting relates to the timing of the measurements 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. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

In the governmental fund financial statements, the 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 they become both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred except for debt service expenditures and other long-term liabilities, which are recorded only when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as an other financing source in governmental funds.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue criteria are met, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**INVESTMENTS** – Investments are stated at amortized cost, which approximates market. Premiums or discounts on investments are amortized on the straight-line method from date of purchase to date of maturity.

**CAPITAL ASSETS** – Within the government-wide financial statements, capital assets, including primarily infrastructure, are recorded at historical cost. The District defines capital assets as assets with an individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives in the government-wide statements.

The estimated useful lives are as follows:

Electrical & Water Distribution Systems	30-40 years
Sanitary & Storm Sewer	40 years
Paving	30 years

**RISK MANAGEMENT** – The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased a commercial general liability insurance policy and bonds on its chairman and clerk to minimize the adverse effects of certain types of losses. There have been no significant reductions in insurance coverage and no significant claims or settlements for the current year or three prior years. The District has retained the risk of loss for property damage to its public improvements.

**CREDIT RISK** – Receivables for property taxes and special assessments are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

**AMORTIZATION** – Bond issue costs are amortized over the term of the bonds (20 years) using the straight-line method in the government-wide financial statements. The amount of bond issue costs presented in the government-wide financial statements is net of accumulated amortization of \$ 83,348 at June 30, 2010. Bond issue costs are recorded as expenditures in the governmental funds.

**USE OF ESTIMATES** – The preparation of 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 reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**SUBSEQUENT EVENTS** – The District has evaluated subsequent events through October 21, 2010, the date which the financial statements were available to be issued.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE B – INVESTMENTS**

The District is allowed to invest funds as permitted by Nebraska Statutes and allowable investments generally include U.S. government obligations, certificates of deposit and time deposits. During the year ended June 30, 2010, the District invested only in U.S. Treasury Bills. The District does not have a formal investment policy in place.

All investment activities are conducted through the County Treasurer and investments are held in the County's name.

At June 30, 2010, the District's investments in U.S. Treasury Bills had maturities of less than one year and the original purchase costs and amortized costs are as follows:

	<b>Debt Service Fund</b>
Original Purchase Costs	\$ 609,471
Amortized Costs	\$ 609,686

Investment risks that the District may be subject to consist of:

**Interest Rate Risk** - Since the District's investments are short-term, this risk is minimized at June 30, 2010.

**Custodial Credit Risk** - Since investments are held in the County's name, the District is exposed to this risk at June 30, 2010.

**NOTE C – SPECIAL ASSESSMENTS**

**SPECIAL ASSESSMENT LEVY OF AUGUST 7, 2003** – Special assessments were levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments through August 7, 2013 and bear interest at 8% per annum until delinquent and 10% per annum thereafter until paid.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 is as follows:

	<u>Balance June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Governmental Activities:				
Depreciable Capital Assets:				
Electrical & Water Distribution				
Systems	\$ 395,051	\$ -	\$ -	\$ 395,051
Sanitary & Storm Sewer	714,320	-	-	714,320
Paving	<u>1,074,584</u>	<u>-</u>	<u>-</u>	<u>1,074,584</u>
	<u>2,183,955</u>	<u>-</u>	<u>-</u>	<u>2,183,955</u>
Accumulated Depreciation:				
Electrical & Water Distribution				
Systems	75,989	10,855	-	86,844
Sanitary & Storm Sewer	125,006	17,858	-	142,864
Paving	<u>252,736</u>	<u>35,820</u>	<u>-</u>	<u>288,556</u>
	<u>453,731</u>	<u>64,533</u>	<u>-</u>	<u>518,264</u>
Capital Assets, net	<u>\$ 1,730,224</u>	<u>\$ (64,533)</u>	<u>\$ -</u>	<u>\$ 1,665,691</u>

**NOTE E – WARRANTS PAYABLE**

General fund warrants are due 3 years from the date of issuance. Debt service fund warrants are due 5 years from the date of issuance.

Warrants registered with the County bear interest at 7% per annum. Interest accrues on the warrants from the date of registration to the date they are called for payment.

The summary of warrant activity is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Balance Outstanding, June 30, 2009	\$ -	\$ -	\$ -
Warrants Issued	40,669	-	40,669
Warrant Principal Payments	<u>(40,669)</u>	<u>-</u>	<u>(40,669)</u>
Balance Outstanding, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The District is not currently registering its general fund and debt service fund warrants but is paying them on a current basis as presented to the County Treasurer. Accordingly, any outstanding warrant balance is presented as a current liability in the governmental funds balance sheet and in the statement of net assets.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE F – NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES**

**BONDS PAYABLE**

**BOND ISSUE OF FEBRUARY 15, 2005** – The \$1,750,000 “General Obligation Bonds, Series 2005” bond issue is scheduled to mature in annual increments of \$70,000 - \$130,000 through February 15, 2025. At June 30, 2010, the outstanding balance was \$1,430,000. Bonds bear interest payable semi-annually each August 15 and February 15, until maturity at a rate of 3.70% graduating to 5.20% depending on maturity date.

Bonds maturing February 15, 2011 through February 15, 2025, inclusive, are subject to redemption in whole or in part, prior to maturity at the option of the District at anytime on or after February 15, 2010, at par plus interest accrued thereon to the date set for redemption, with no redemption premium.

**BOND ISSUE OF MAY 15, 2006** – The \$1,350,000 “General Obligation Bonds, Series 2006” bond issue is scheduled to mature in annual increments of \$35,000 - \$250,000 through May 15, 2026. At June 30, 2010, the outstanding balance was \$1,240,000. Bonds bear interest payable semi-annually each November 15 and May 15, until maturity at a rate of 4.15% graduating to 5.00% depending on maturity date.

Bonds maturing May 15, 2012 through May 15, 2026, inclusive, are subject to redemption in whole or in part, prior to maturity at the option of the District at anytime on or after May 15, 2011, at par plus interest accrued thereon to the date set for redemption, with no redemption premium.

The following is a summary of bonds payable transactions of the District:

Balance Outstanding, June 30, 2009	\$ 2,775,000
Bond Principal Payments	<u>(105,000)</u>
Balance Outstanding, June 30, 2010	<u>\$ 2,670,000</u>

Aggregate maturities of the bonds payable and interest due on this debt, for the next five years and thereafter, are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
June 30, 2011	\$ 105,000	\$ 124,983	\$ 229,983
June 30, 2012	115,000	120,940	235,940
June 30, 2013	115,000	116,315	231,315
June 30, 2014	125,000	111,558	236,558
June 30, 2015	130,000	106,217	236,217
June 30, 2016-2020	780,000	435,215	1,215,215
June 30, 2021-2025	1,050,000	227,485	1,277,485
June 30, 2026	<u>250,000</u>	<u>12,500</u>	<u>262,500</u>
	<u>\$ 2,670,000</u>	<u>\$ 1,255,213</u>	<u>\$ 3,925,213</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**NOTE G – PROPERTY TAXES**

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. The first half payment becomes delinquent April 1 of the following year and the second half payment becomes delinquent August 1 of the following year. The Sarpy County Treasurer bills and collects all property taxes for the District.

The District has levied taxes for the year ended June 30, 2010 as follows:

GENERAL FUND	DEBT SERVICE FUND	ASSESSED VALUATION	TAXES LEVIED
(Cents per \$100 Valuation)			
<u>25.00</u>	<u>65.00</u>	<u>\$ 24,577,789</u>	<u>\$ 221,200</u>

**NOTE H – PRIOR PERIOD ADJUSTMENTS**

Subsequent to the issuance of the 2009 financial statements of the debt service fund certain errors were discovered resulting in an understatement of the fund balance of this fund at June 30, 2009 as follows:

Deferred revenue on special assessments was not recorded	\$ (15,952)
Interest receivable on special assessments should not have been accrued	(3,255)
Noncurrent bonds payable should not have been recorded as a liability	105,000
Interest payable on noncurrent bonds payable should not have been accrued	<u>33,194</u>
	<u>\$ 118,987</u>

Accordingly, the fund balance of the debt service fund, as previously reported at June 30, 2009, has been increased by \$118,987 to correct for the above errors.

If the aforementioned errors had not occurred, the net change in fund balance of the debt service fund for fiscal 2009, as previously reported in the amount of \$(55,670), would have been reduced to \$(38,940).

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**REQUIRED SUPPLEMENTARY INFORMATION  
(OTHER THAN MD&A)**

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**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA  
Required Supplementary Information - Unaudited  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the year ended June 30, 2010**

	Budget - Original/ Final	(Budgetary Basis) Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes assessed	\$ 58,574	\$ 59,443	\$ 869
Interest on taxes	-	77	77
Homestead exemption allocation	-	408	408
Property tax credit	-	1,872	1,872
State motor vehicle tax allocation	-	215	215
Total Revenues	<u>58,574</u>	<u>62,015</u>	<u>3,441</u>
<b>EXPENDITURES</b>			
Current:			
Collection fees - County Treasurer	1,149	1,191	(42)
Engineering fees	3,500	3,494	6
Insurance	2,000	1,677	323
Paying agent fees	1,000	1,010	(10)
Professional fees	12,500	11,101	1,399
Repairs and maintenance	73,000	14,009	58,991
Street lighting	10,000	9,378	622
	<u>103,149</u>	<u>41,860</u>	<u>61,289</u>
Debt service:			
Warrant principal payments	102,000	40,669	61,331
	<u>102,000</u>	<u>40,669</u>	<u>61,331</u>
Total Expenditures	<u>205,149</u>	<u>82,529</u>	<u>122,620</u>
<b>Excess of revenues under expenditures</b>	<u><b>(146,575)</b></u>	<u><b>(20,514)</b></u>	<u><b>126,061</b></u>
<b>OTHER FINANCING SOURCES</b>			
Issuance of warrants	102,000	40,669	(61,331)
	<u>102,000</u>	<u>40,669</u>	<u>(61,331)</u>
<b>Net change in fund balances</b>	<u><b>(44,575)</b></u>	<u><b>20,155</b></u>	<u><b>64,730</b></u>
Fund balances - beginning of year	60,910	60,910	-
Fund balances - end of year	<u>\$ 16,335</u>	<u>\$ 81,065</u>	<u>\$ 64,730</u>

See accompanying notes to schedules of revenues, expenditures and changes in fund balances - budget and actual.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA  
Required Supplementary Information - Unaudited  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Debt Service Fund  
For the year ended June 30, 2010**

	<u>Budget - Original/ Final</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Taxes assessed	\$ 152,290	\$ 154,552	\$ 2,262
Special assessments	-	886	886
Interest on special assessments	-	469	469
Interest on investments	-	1,897	1,897
Interest on taxes	-	201	201
Homestead exemption allocation	-	1,061	1,061
Property tax credit	-	4,866	4,866
State motor vehicle tax allocation	-	554	554
Total Revenues	<u>152,290</u>	<u>164,486</u>	<u>12,196</u>
<b>EXPENDITURES</b>			
Current:			
Collection fees - County Treasurer	<u>2,987</u>	<u>3,122</u>	<u>(135)</u>
	<u>2,987</u>	<u>3,122</u>	<u>(135)</u>
Debt service:			
Bond principal payments	105,000	105,000	-
Bond interest payments	<u>128,832</u>	<u>128,832</u>	<u>-</u>
	<u>233,832</u>	<u>233,832</u>	<u>-</u>
Total Expenditures	<u>236,819</u>	<u>236,954</u>	<u>(135)</u>
<b>Excess of revenues under expenditures and net change in fund balances</b>	<b>(84,529)</b>	<b>(72,468)</b>	<b>12,061</b>
Fund balances - beginning of year	<u>920,227</u>	<u>920,227</u>	<u>-</u>
Fund balances - end of year	<u>\$ 835,698</u>	<u>\$ 847,759</u>	<u>\$ 12,061</u>

See accompanying notes to schedules of revenues, expenditures and changes in fund balances - budget and actual.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**REQUIRED SUPPLEMENTARY INFORMATION - Unaudited  
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2010**

**BUDGETS AND BUDGETARY ACCOUNTING**

The District is required to adopt an annual operating budget for all the funds over which the District controls. Budgets are adopted by the District for the general and debt service funds. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles (GAAP). 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. Accordingly, adjustments are necessary to convert the revenues and expenditures as reported on the governmental fund statements to the budgetary basis for comparison with budgetary data in the accompanying schedules of revenues, expenditures and changes in fund balances - budget and actual. Fund balance on the budgetary basis consists of cash on deposit with the County Treasurer and the original purchase cost of investments. Encumbrance accounting is not used by the District.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- 2) Notice of place and time of public hearings must be published prior to the public hearings.
- 3) Public hearings are conducted to obtain taxpayer comment.
- 4) After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts in accordance with the Nebraska Budget Act.
- 5) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- 6) Appropriations lapse at year-end, however, the Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2010.

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**REQUIRED SUPPLEMENTARY INFORMATION - Unaudited  
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2010**

**RECONCILIATION OF BUDGET BASIS TO GAAP**

A reconciliation for the year ended June 30, 2010, which discloses the nature and amount of adjustments necessary to convert the budgetary basis to a GAAP basis, is presented below:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Net change in fund balances:		
Balance on a budgetary basis	\$ 20,155	\$ (72,468)
Adjustments:		
Revenue for receivables	(281)	(1,058)
Expenditures for payables	<u>1,566</u>	<u>-</u>
Balance on a GAAP basis	<u>\$ 21,440</u>	<u>\$ (73,526)</u>

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**OTHER SUPPLEMENTARY INFORMATION**

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**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**SCHEDULE OF DEBT SERVICE FUND INVESTMENTS**

**JUNE 30, 2010**

<u>DESCRIPTION</u>	<u>PAR</u>	<u>COST</u>	<u>AMORTIZED COST</u>
U.S. Treasury Bills due:			
September 9, 2010	\$ 70,000	\$ 69,943	\$ 69,978
October 14, 2010	480,000	479,575	479,745
November 12, 2010	<u>60,000</u>	<u>59,953</u>	<u>59,963</u>
	<u>\$ 610,000</u>	<u>\$ 609,471</u>	<u>\$ 609,686</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**SCHEDULE OF BONDS PAYABLE**

**JUNE 30, 2010**

Issue date: February 15, 2005  
Optional call date: February 15, 2010

<u>BOND NUMBERS</u>	<u>INTEREST RATES</u>	<u>MATURITY DATES</u>	<u>AMOUNT</u>
65 – 78	3.70%	February 15, 2011	\$ 70,000
79 – 93	3.90%	February 15, 2012	75,000
94 – 108	4.05%	February 15, 2013	75,000
109 – 124	4.20%	February 15, 2014	80,000
125 – 140	4.30%	February 15, 2015	80,000
141 – 157	4.40%	February 15, 2016	85,000
158 – 175	4.50%	February 15, 2017	90,000
176 – 194	4.60%	February 15, 2018	95,000
195 – 213	4.65%	February 15, 2019	95,000
214 – 233	4.70%	February 15, 2020	100,000
234 – 254	4.80%	February 15, 2021	105,000
255 – 276	4.90%	February 15, 2022	110,000
277 – 299	5.00%	February 15, 2023	115,000
300 – 324	5.10%	February 15, 2024	125,000
325 – 350	5.20%	February 15, 2025	<u>130,000</u>
			1,430,000
		Total from Page 22	<u>1,240,000</u>
			<u>\$ 2,670,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**SCHEDULE OF BONDS PAYABLE**

**JUNE 30, 2010**

Issue date: May 15, 2006  
Optional call date: May 15, 2011

<u>BOND NUMBERS</u>	<u>INTEREST RATES</u>	<u>MATURITY DATES</u>	<u>AMOUNT</u>
23 – 29	4.15%	May 15, 2011	\$ 35,000
30 – 37	4.25%	May 15, 2012	40,000
38 – 45	4.30%	May 15, 2013	40,000
46 – 54	4.40%	May 15, 2014	45,000
55 – 64	4.45%	May 15, 2015	50,000
65 – 75	4.50%	May 15, 2016	55,000
76 – 87	4.60%	May 15, 2017	60,000
88 – 100	4.65%	May 15, 2018	65,000
101 – 113	4.70%	May 15, 2019	65,000
114 – 127	4.75%	May 15, 2020	70,000
128 – 143	4.80%	May 15, 2021	80,000
144 – 160	4.85%	May 15, 2022	85,000
161 – 178	4.90%	May 15, 2023	90,000
179 – 198	4.95%	May 15, 2024	100,000
199 – 220	5.00%	May 15, 2025	110,000
221 – 270	5.00%	May 15, 2026	<u>250,000</u>
		Total to page 21	<u>\$ 1,240,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**INFORMATION REQUIRED BY SECTION 31-740  
REISSUED REVISED STATUTES OF NEBRASKA, 2008**

**JUNE 30, 2010**

Gross income from all sources	\$ 225,169
Amount spent for access to facilities and use of services of library system of neighboring cities and villages	None
Amount spent for sewage disposal	None
Amount expended on water mains	None
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for:	
a. Maintenance and repair	\$ 14,195
b. New equipment	None
c. New construction work, net of refunds	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	\$ 221,200

**SANITARY AND IMPROVEMENT DISTRICT NO. 221  
OF SARPY COUNTY, NEBRASKA**

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**TRUSTEES AND RELATED BONDS**

**JUNE 30, 2010**

<u>TRUSTEES</u>		<u>BONDS</u>	
<u>NAME</u>	<u>OFFICE</u>	<u>INSURER</u>	<u>AMOUNT</u>
Bob Kanger	Chairman	Universal Surety Company	\$ 5,000
Shawn Williams	Clerk	Universal Surety Company	\$ 20,000
John Montanez	Trustee	None	
Nate Croom	Trustee	None	

# HANCOCK & DANA PC

ACCOUNTANTS & CONSULTANTS

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## **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**

To the Board of Trustees  
Sanitary and Improvement District No. 221  
of Sarpy County, Nebraska

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 221 of Sarpy County, Nebraska, as of and for the year ended June 30, 2010, which collectively comprise Sanitary and Improvement District No. 221 of Sarpy County's basic financial statements and have issued our report thereon dated October 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Sanitary and Improvement District No. 221 of Sarpy County'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 Sanitary and Improvement District No. 221 of Sarpy County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 221 of Sarpy County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

**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 - *Continued***

**Preparation of Financial Statements**

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

Sanitary and Improvement District No. 221 of Sarpy County's response to this finding is that the aforementioned circumstance is not unusual in a governmental entity of their size and that the costs of correcting this deficiency would exceed the benefits to be derived therefrom. The District's management has also informed us that they are willing to accept the degree of risk associated with this condition.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 221 of Sarpy County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sanitary and Improvement District No. 221 of Sarpy County's response to the finding identified in our audit is described above. We did not audit Sanitary and Improvement District No. 221 of Sarpy County's response and, accordingly, we express no opinion on it.

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

HANCOCK & DANA PC



Omaha, Nebraska  
October 21, 2010