

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

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

YEAR ENDED JUNE 30, 2012

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

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HANCOCK & DANA PC

ACCOUNTANTS & CONSULTANTS

12829 WEST DODGE ROAD
SUITE 100

OMAHA, NEBRASKA 68154-2155
(402) 391-1065 FAX (402) 334-9498

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 225
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. 225 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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. 225 of Sarpy County, Nebraska as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of Sanitary and Improvement District No. 225 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 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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 17 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 225 of Sarpy County, Nebraska's basic financial statements as a whole. The other supplementary information on pages 21 through 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Management has not presented Management's Discussion and Analysis, that governmental 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.

HANCOCK & DANA PC

Hancock & Dana PC

Omaha, Nebraska
November 15, 2012

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA
Statement of Net Assets
June 30, 2012**

ASSETS

Cash on deposit - County Treasurer	\$ 264,255
Taxes receivable	110,126
Special assessments receivable	138,002
Accrued interest on special assessments	100,954
Capital assets, net of accumulated depreciation	1,413,626
Bond issue costs, net of accumulated amortization	327,419
Total Assets	\$ <u>2,354,382</u>

LIABILITIES

Accounts payable	16,410
Accrued interest	11,146
Noncurrent liabilities	
Warrants payable	
Due in more than one year	50,084
Bonds payable	
Due within one year	80,000
Due in more than one year	2,125,000
Total Liabilities	\$ <u>2,282,640</u>

NET ASSETS

Invested in capital assets, net of related debt	(463,955)
Restricted for debt service	559,675
Unrestricted	(23,978)
Total Net Assets	\$ <u><u>71,742</u></u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA
Statement of Activities
For the year ended June 30, 2012**

GOVERNMENTAL ACTIVITIES:

EXPENSES - GENERAL GOVERNMENT

Professional and administrative expenses	\$ 28,982
Maintenance and street lighting	25,653
Depreciation	79,430
Amortization	19,223
Interest	116,200
	<u>269,488</u>

GENERAL REVENUES

Property taxes, net of uncollectible taxes	240,697
Interest	15,447
Miscellaneous	676
	<u>256,820</u>

Change in net assets **(12,668)**

Net assets - beginning of year	<u>84,410</u>
Net assets - end of year	<u><u>\$ 71,742</u></u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA
Balance Sheet
Governmental Funds
June 30, 2012**

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash on deposit - County Treasurer	\$ 7,805	\$ 256,450	\$ 264,255
Taxes receivable	36,709	73,417	110,126
Special assessments receivable	-	138,002	138,002
Total Assets	\$ 44,514	\$ 467,869	\$ 512,383
LIABILITIES			
Accounts payable	\$ 16,160	\$ 250	\$ 16,410
Special assessments deferred revenue	-	138,002	138,002
Total Liabilities	16,160	138,252	154,412
FUND BALANCES			
Restricted for debt service	-	329,617	329,617
Unassigned	28,354	-	28,354
Total Fund Balances	28,354	329,617	357,971
Total Liabilities and Fund Balances	\$ 44,514	\$ 467,869	\$ 512,383

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012**

Total Fund Balances - Governmental Funds **\$ 357,971**

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	\$ 2,217,588	
Accumulated depreciation	<u>(803,962)</u>	1,413,626

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

Bond issue costs	368,315	
Accumulated amortization	<u>(40,896)</u>	327,419

Deferred revenue on special assessments in the governmental funds has been recorded as revenue in the government-wide statements.		138,002
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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.		100,954
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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	(2,205,000)	
Warrants payable	(50,084)	
Accrued interest	<u>(11,146)</u>	<u>(2,266,230)</u>

Net Assets of Governmental Activities **\$ 71,742**

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes assessed	\$ 80,272	\$ 160,544	\$ 240,816
Interest on taxes	246	492	738
Special assessments	-	17,250	17,250
Interest on special assessments	-	9,904	9,904
Interest on investments	-	173	173
State motor vehicle tax allocation	226	452	678
Total Revenues	<u>80,744</u>	<u>188,815</u>	<u>269,559</u>
EXPENDITURES			
Current:			
Collection fees - County Treasurer	1,457	3,457	4,914
Engineering fees	5,891	-	5,891
Financing fees	1,971	-	1,971
Insurance	3,319	-	3,319
Paying agent fees	500	725	1,225
Professional fees	17,554	-	17,554
Repairs and maintenance	6,424	-	6,424
Street lighting	13,336	-	13,336
Uncollectible taxes	38	81	119
Capital outlay (refunds)	-	(8,520)	(8,520)
Debt service:			
Warrant principal payments	72,828	-	72,828
Warrant interest payments	4,179	-	4,179
Bond principal payments	-	115,000	115,000
Bond interest payments	-	137,833	137,833
Bond issue costs	-	66,500	66,500
Total Expenditures	<u>127,497</u>	<u>315,076</u>	<u>442,573</u>
Excess of revenues under expenditures	<u>(46,753)</u>	<u>(126,261)</u>	<u>(173,014)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of bonds	-	1,000,000	1,000,000
Payments on bonds refunded	-	(1,560,000)	(1,560,000)
Proceeds from issuance of warrants	41,394	-	41,394
Total Other Financing Sources (Uses)	<u>41,394</u>	<u>(560,000)</u>	<u>(518,606)</u>
Net change in fund balances	<u>(5,359)</u>	<u>(686,261)</u>	<u>(691,620)</u>
Fund balances - beginning of year	<u>33,713</u>	<u>1,015,878</u>	<u>1,049,591</u>
Fund balances - end of year	<u>\$ 28,354</u>	<u>\$ 329,617</u>	<u>\$ 357,971</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
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, 2012**

Net Change in Fund Balances - Total Governmental Funds **\$ (691,620)**

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. (87,950)

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.

Warrant principal payments 72,828
Bond principal payments 115,000

Proceeds from issuance of warrants are reported as an other financing source in the governmental funds. In the statement of net assets, the proceeds increase long-term liabilities. This is the amount of the proceeds in the current year. (41,394)

Proceeds from issuance of bonds are reported as an other financing source in the governmental funds. In the statement of net assets, the proceeds increase long-term liabilities. The related bond issue costs are reported as an expenditure in the governmental funds but as an increase in assets in the statement of net assets.

Proceeds from bonds issued (1,000,000)
Bond issue costs 66,500

The payments on bonds refunded are reported as an other financing use in the governmental funds. In the statement of net assets, the repayments reduce noncurrent liabilities. This is the amount of repayments in the current year. 1,560,000

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 (19,223)
Change in accrued interest 25,810

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. (12,619)

Change in Net Assets of Governmental Activities **\$ (12,668)**

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 225 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 Giles 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. 225
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

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. 225
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

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	25 years
Sanitary Sewer, Paving & Storm Sewer	30 years
Civil Defense Siren	15 years
Engineering, Legal, Financing & Testing Fees	25 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 \$40,896 at June 30, 2012. 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 November 15, 2012, the date which the financial statements were available to be issued.

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012, 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, 2012, the District held no investments and, accordingly, was not subject to interest rate risk or custodial credit risk as of that date.

NOTE C – SPECIAL ASSESSMENTS

SPECIAL ASSESSMENT LEVY OF APRIL 3, 2003 – Special assessments in the amount of \$1,703,459 were levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments through April 3, 2013 and bear interest at 8% per annum until delinquent and 10% per annum thereafter until paid.

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Governmental Activities:				
Depreciable Capital Assets:				
Electrical & Water Distribution Systems	\$ 441,315	\$ -	\$ -	\$ 441,315
Sanitary Sewer, Paving & Storm Sewer	1,147,920	-	-	1,147,920
Civil Defense Siren	11,497	-	-	11,497
Engineering, Legal, Financing & Testing Fees	570,285	-	-	570,285
	<u>2,171,017</u>	<u>-</u>	<u>-</u>	<u>2,171,017</u>
Accumulated Depreciation:				
Electrical & Water Distribution Systems	168,435	17,588	-	186,023
Sanitary Sewer, Paving & Storm Sewer	333,385	38,264	-	371,649
Civil Defense Siren	6,004	767	-	6,771
Engineering, Legal, Financing & Testing Fees	216,708	22,811	-	239,519
	<u>724,532</u>	<u>79,430</u>	<u>-</u>	<u>803,962</u>
Net Depreciable Capital Assets	1,446,485	(79,430)	-	1,367,055
Non-Depreciable Capital Assets – Sewer Connection Fees	55,091	-	8,520	46,571
Capital Assets, net	<u>\$ 1,501,576</u>	<u>\$ (79,430)</u>	<u>\$ (8,520)</u>	<u>\$ 1,413,626</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE E – WARRANTS PAYABLE

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 debt service fund warrant activity is as follows:

Balance Outstanding, June 30, 2011	\$ 1,000
Warrants Issued	6,975
Warrant Principal Payments	<u>(7,975)</u>
Balance Outstanding, June 30, 2012	<u>\$ -</u>

The District is not currently registering its 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 debt service fund in the governmental funds balance sheet and in the statement of net assets.

NOTE F – NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES

WARRANTS PAYABLE

General fund warrants are due 3 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:

Balance Outstanding, June 30, 2011	\$ 81,518
Warrants Issued	41,394
Warrant Principal Payments	<u>(72,828)</u>
Balance Outstanding, June 30, 2012	<u>\$ 50,084</u>

Outstanding warrants mature as follows:

Fiscal year ending June 30, 2014	\$ 8,690
2015	41,394
	<u>\$ 50,084</u>

At June 30, 2012 all outstanding general fund warrants had been registered with the County.

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE F – NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES - Continued

BONDS PAYABLE

BOND ISSUE OF AUGUST 15, 2005 – The \$2,000,000 “General Obligation Bonds, Series 2005” bond issue was scheduled to mature in annual increments of \$80,000 - \$150,000 through August 15, 2025. Interest was payable semi-annually each August 15 and February 15, until maturity at a rate of 3.85% graduating to 5.00% depending on maturity date. These bonds were called for payment on December 15, 2011 with the issuance of bonds on that date, as described below.

BOND ISSUE OF NOVEMBER 15, 2007 – The \$1,350,000 “General Obligation Bonds, Series 2007” bond issue is scheduled to mature in annual increments of \$35,000 - \$240,000 through November 15, 2027. At June 30, 2012, the outstanding balance was \$1,205,000. Bonds bear interest payable semi-annually each November 15 and May 15, until maturity at a rate of 4.30% graduating to 5.05% depending on maturity date.

Bonds maturing November 15, 2013 through November 15, 2027, inclusive, are subject to redemption in whole or in part, prior to maturity at the option of the District at anytime on or after November 15, 2012, at par plus interest accrued thereon to the date set for redemption, with no redemption premium. These bonds were refunded on November 15, 2012, as described in Note I.

BOND ISSUE OF DECEMBER 15, 2011 – The \$1,000,000 “Series 2011 Refunding Bond Issue” is scheduled to mature in annual increments of \$40,000 - \$165,000 through December 15, 2029. At June 30, 2012, the outstanding balance was \$1,000,000. Bonds bear interest payable semi-annually each December 15 and June 15, until maturity at a rate of 1.25% graduating to 4.45% depending on maturity date.

Bonds maturing December 15, 2017 through December 15, 2029, inclusive, are subject to redemption in whole or in part, prior to maturity at the option of the District at anytime on or after December 15, 2016, at par plus interest accrued thereon to the date set for redemption, with no redemption premium.

The purpose of the bond issue was to provide funds to redeem outstanding 2005 bonds and to pay for the costs and expenses of issuance and sale. The refunding will result in a decrease in total debt service payments over the next sixteen years of approximately \$101,000 and an economic loss (difference between the present value of the old and new debt service payments) of approximately \$57,000.

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

Balance Outstanding, June 30, 2011	\$ 2,880,000
Proceeds from Issuance of Bonds	1,000,000
Payments on Bonds Refunded	(1,560,000)
Bond Principal Payments	<u>(115,000)</u>
Balance Outstanding, June 30, 2012	<u>\$ 2,205,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE F – NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES - Continued

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, 2013	\$ 80,000	\$ 91,764	\$ 171,764
June 30, 2014	80,000	89,570	169,570
June 30, 2015	85,000	87,138	172,138
June 30, 2016	85,000	84,452	169,452
June 30, 2017	90,000	81,476	171,476
June 30, 2018-2022	500,000	352,673	852,673
June 30, 2023-2027	720,000	229,627	949,627
June 30, 2028-2030	565,000	34,856	599,856
	<u>\$ 2,205,000</u>	<u>\$ 1,051,556</u>	<u>\$ 3,256,556</u>

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, 2012 as follows:

GENERAL FUND	DEBT SERVICE FUND	ASSESSED VALUATION	TAXES LEVIED
<u>(Cents per \$100 Valuation)</u>			
30.00	60.00	\$ 26,757,266	\$ 240,816

NOTE H – FUND BALANCES - GOVERNMENTAL FUNDS

Fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE H – FUND BALANCES - GOVERNMENTAL FUNDS - Continued

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Trustees may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

NOTE I – SUBSEQUENT EVENT

On November 15, 2012, the District issued "Series 2012 Refunding Bonds" in the amount of \$1,160,000. The bonds are scheduled to mature in annual increments of \$30,000 - \$160,000, commencing on November 15, 2013, through November 15, 2032. Interest is payable semi-annually each November 15 and May 15 at a rate of 1.25% - 3.85% depending on maturity date.

Bonds maturing on or after November 15, 2018 are subject to redemption in whole or in part on or after November 15, 2017 at par plus accrued interest to the date set for redemption.

The purpose of the bond issue was to redeem outstanding 2007 bonds and to pay for the costs and expenses of issuance and sale.

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
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, 2012**

	Budget - Original/ Final	(Budgetary Basis) Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes assessed	\$ 77,979	\$ 72,610	\$ (5,369)
Interest on taxes	-	246	246
Homestead exemption allocation	-	3,138	3,138
Property tax credit	-	2,183	2,183
State motor vehicle tax allocation	200	225	25
Total Revenues	<u>78,179</u>	<u>78,402</u>	<u>223</u>
EXPENDITURES			
Current:			
Collection fees - County Treasurer	1,529	1,457	72
Engineering fees	15,000	4,313	10,687
Financing fees	3,760	1,971	1,789
Insurance	2,000	3,319	(1,319)
Paying agent fees	1,500	-	1,500
Professional fees	16,700	17,052	(352)
Repairs and maintenance	25,000	3,603	21,397
Street lighting	15,000	11,136	3,864
	<u>80,489</u>	<u>42,851</u>	<u>37,638</u>
Debt service:			
Warrant principal payments	70,000	72,828	(2,828)
Warrant interest payments	5,000	4,179	821
	<u>75,000</u>	<u>77,007</u>	<u>(2,007)</u>
Total Expenditures	<u>155,489</u>	<u>119,858</u>	<u>35,631</u>
Excess of revenues under expenditures	<u>(77,310)</u>	<u>(41,456)</u>	<u>35,854</u>
OTHER FINANCING SOURCES			
Issuance of warrants	78,960	41,394	(37,566)
	<u>78,960</u>	<u>41,394</u>	<u>(37,566)</u>
Net change in fund balances	1,650	(62)	(1,712)
Fund balances - beginning of year	7,867	7,867	-
Fund balances - end of year	\$ <u>9,517</u>	\$ <u>7,805</u>	\$ <u>(1,712)</u>

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
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, 2012**

	<u>Budget - Original/ Final</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes assessed	\$ 155,957	\$ 145,219	\$ (10,738)
Special assessments	5,000	17,250	12,250
Interest on special assessments	500	9,904	9,404
Interest on investments	1,000	306	(694)
Interest on taxes	-	492	492
Homestead exemption allocation	-	6,277	6,277
Property tax credit	-	4,365	4,365
State motor vehicle tax allocation	400	452	52
Total Revenues	<u>162,857</u>	<u>184,265</u>	<u>21,408</u>
EXPENDITURES			
Current:			
Collection fees - County Treasurer	3,058	3,457	(399)
Paying agent fees	-	475	(475)
	<u>3,058</u>	<u>3,932</u>	<u>(874)</u>
Capital outlay:			
Improvements (refunds)	-	(8,520)	8,520
Debt service:			
Bond issue costs	-	66,500	(66,500)
Bond principal payments	115,000	1,675,000	(1,560,000)
Bond interest payments	132,774	137,833	(5,059)
Warrant principal payments	1,000	7,975	(6,975)
	<u>248,774</u>	<u>1,887,308</u>	<u>(1,638,534)</u>
Total Expenditures	<u>251,832</u>	<u>1,882,720</u>	<u>(1,630,888)</u>
Excess of revenues under expenditures	<u>(88,975)</u>	<u>(1,698,455)</u>	<u>(1,609,480)</u>
OTHER FINANCING SOURCES			
Proceeds from issuance of bonds	-	1,000,000	1,000,000
Issuance of warrants	-	6,975	6,975
	<u>-</u>	<u>1,006,975</u>	<u>1,006,975</u>
Net change in fund balances	<u>(88,975)</u>	<u>(691,480)</u>	<u>(602,505)</u>
Fund balances - beginning of year	<u>947,930</u>	<u>947,930</u>	<u>-</u>
Fund balances - end of year	<u>\$ <u>858,955</u></u>	<u>\$ <u>256,450</u></u>	<u>\$ <u>(602,505)</u></u>

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

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

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012.

In fiscal 2012, the District incurred debt service fund expenditures of approximately \$1,630,000 in excess of those budgeted for this fund. Total expenditures for the general fund and debt service fund exceeded those budgeted for both funds by approximately \$1,595,000. The budget was not amended to include these additional expenditures.

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

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

FOR THE YEAR ENDED JUNE 30, 2012

RECONCILIATION OF BUDGET BASIS TO GAAP

A reconciliation for the year ended June 30, 2012, 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	\$ (62)	\$ (691,480)
Adjustments:		
Revenue for receivables	2,304	4,469
Expenditures for payables	(7,601)	(250)
Warrants issued, net of repayments	<u>-</u>	<u>1,000</u>
Balance on a GAAP basis	<u>\$ (5,359)</u>	<u>\$ (686,261)</u>

OTHER SUPPLEMENTARY INFORMATION

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2012

Issue date: November 15, 2007
Optional call date: November 15, 2012

<u>BOND NUMBERS</u>	<u>INTEREST RATES</u>	<u>MATURITY DATES</u>	<u>AMOUNT</u>
30 – 36	4.30%	November 15, 2012	\$ 35,000
37 – 44	4.35%	November 15, 2013	40,000
45 – 52	4.45%	November 15, 2014	40,000
53 – 61	4.50%	November 15, 2015	45,000
62 – 70	4.60%	November 15, 2016	45,000
71 – 80	4.65%	November 15, 2017	50,000
81 – 90	4.75%	November 15, 2018	50,000
91 – 101	4.80%	November 15, 2019	55,000
102 – 112	4.85%	November 15, 2020	55,000
113 – 124	4.90%	November 15, 2021	60,000
125 – 136	4.95%	November 15, 2022	60,000
137 – 149	4.95%	November 15, 2023	65,000
150 – 162	5.00%	November 15, 2024	65,000
163 – 176	5.05%	November 15, 2025	70,000
177 – 222	5.05%	November 15, 2026	230,000
223 – 270	5.05%	November 15, 2027	<u>240,000</u>
			1,205,000
		Total from page 22	<u>1,000,000</u>
			<u>\$ 2,205,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2012

Issue date: December 15, 2011
Optional call date: December 15, 2016

<u>BOND NUMBERS</u>	<u>INTEREST RATES</u>	<u>MATURITY DATES</u>	<u>AMOUNT</u>
1 – 9	1.25%	December 15, 2012	\$ 45,000
10 – 17	1.45%	December 15, 2013	40,000
18 – 26	1.70%	December 15, 2014	45,000
27 – 34	2.00%	December 15, 2015	40,000
35 – 43	2.35%	December 15, 2016	45,000
44 – 51	2.60%	December 15, 2017	40,000
52 – 60	2.85%	December 15, 2018	45,000
61 – 69	3.10%	December 15, 2019	45,000
70 – 79	3.35%	December 15, 2020	50,000
80 – 89	3.50%	December 15, 2021	50,000
90 – 100	3.60%	December 15, 2022	55,000
101 – 111	3.75%	December 15, 2023	55,000
112 – 123	3.90%	December 15, 2024	60,000
124 – 135	4.05%	December 15, 2025	60,000
136 – 167	4.35%	December 15, 2028	160,000
168 – 200	4.45%	December 15, 2029	<u>165,000</u>
		Total to page 21	<u>\$ 1,000,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

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

JUNE 30, 2012

Gross income from all sources	\$ 256,820
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	\$ 6,424
b. New equipment	None
c. New construction work, net of refunds of \$8,520	\$ (8,520)
d. Property purchased	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon property within the District	\$ 240,816

**SANITARY AND IMPROVEMENT DISTRICT NO. 225
OF SARPY COUNTY, NEBRASKA**

TRUSTEES AND RELATED BONDS

JUNE 30, 2012

<u>TRUSTEES</u>		<u>BONDS</u>	
<u>NAME</u>	<u>OFFICE</u>	<u>INSURER</u>	<u>AMOUNT</u>
Brian Webber	Chairman	Universal Surety Company	\$ 5,000
Thomas Haynes	Clerk	Universal Surety Company	\$ 20,000
Joanne Sharples	Trustee	None	
Lance Jordan	Trustee	None	
Jeffrey Holl	Trustee	None	

HANCOCK & DANA PC

ACCOUNTANTS & CONSULTANTS

12829 WEST DODGE ROAD

SUITE 100

OMAHA, NEBRASKA 68154-2155

(402) 391-1065 FAX (402) 334-9498

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. 225
of Sarpy County, Nebraska

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 225 of Sarpy County, Nebraska, as of and for the year ended June 30, 2012, which collectively comprise Sanitary and Improvement District No. 225 of Sarpy County's basic financial statements and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Sanitary and Improvement District No. 225 of Sarpy County, Nebraska is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sanitary and Improvement District No. 225 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. 225 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. 225 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. 225 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. 225 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below.

Budget Violation

The District exceeded budgeted general fund and debt service fund expenditures by approximately \$1,595,000 without amending the budget.

Sanitary and Improvement District No. 225 of Sarpy County's response to this finding is that management of the District believes that this instance of noncompliance resulted from unanticipated events that occurred subsequent to the adoption of the budget and that future expenditures will be more closely monitored to prevent the reoccurrence of this budget violation.

Sanitary and Improvement District No. 225 of Sarpy County's responses to the findings identified in our audit are described above. We did not audit Sanitary and Improvement District No. 225 of Sarpy County's responses and, accordingly, we express no opinion on them.

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

Hancock & Dana PC

Omaha, Nebraska
November 15, 2012