SANITARY AND IMPROVEMENT DISTRICT NO. 234
OF SARPY COUNTY, NEBRASKA

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

YEAR ENDED JUNE 30, 2013

SANITARY AND IMPROVEMENT DISTRICT NO. 234
OF SARPY COUNTY, NEBRASKA

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 234
of Sarpy County, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 234 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT- continued

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

Other Matters

Required Supplementary Information

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.

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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 234 of Sarpy County, Nebraska's basic financial statements. The supplementary information on pages 21 through 23, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT- continued

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013, on our consideration of Sanitary and Improvement District No. 234 of Sarpy County, Nebraska'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* in considering Sanitary and Improvement District No. 234 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

HANCOCK & DANA PC
Hancock & Dana Pc

Omaha, Nebraska
October 23, 2013

SANITARY AND IMPROVEMENT DISTRICT NO. 234
OF SARPY COUNTY, NEBRASKA
Statement of Net Position
June 30, 2013

ASSETS		
Cash on deposit - County Treasurer	$	169,207
Taxes receivable		48,012
Capital assets, net of accumulated depreciation		618,720
Bond issue costs, net of accumulated amortization		173,363
Total Assets	**$**	**1,009,302**
LIABILITIES		
Accounts payable		8,672
Warrants payable		210
Accrued interest		921
Noncurrent liabilities, bonds payable		
Due within one year		55,000
Due in more than one year		790,000
Total Liabilities	**$**	**854,803**
NET POSITION		
Net investment in capital assets		(52,917)
Restricted for debt service		138,472
Unrestricted		68,944
Total Net Position	**$**	**154,499**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 234
OF SARPY COUNTY, NEBRASKA
Statement of Activities
For the year ended June 30, 2013

GOVERNMENTAL ACTIVITIES:

EXPENSES - GENERAL GOVERNMENT		
Professional and administrative expenses	$	23,031
Maintenance and street lighting		11,880
Depreciation		33,560
Amortization		12,412
Interest		22,677
		103,560
GENERAL REVENUES		
Property taxes, net of uncollectible taxes		112,952
Interest		73
Miscellaneous		215
		113,240
Change in net position		**9,680**
Net position - beginning of year		**144,819**
Net position - end of year	**$**	**154,499**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 234
OF SARPY COUNTY, NEBRASKA
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash on deposit - County Treasurer	$ 56,931	$ 112,276	$ 169,207
Taxes receivable	20,895	27,117	48,012
Total Assets	**$ 77,826**	**$ 139,393**	**$ 217,219**
LIABILITIES			
Accounts payable	$ 8,672	$ -	$ 8,672
Warrants payable	210	-	210
Total Liabilities	8,882	-	8,882
FUND BALANCES			
Restricted for debt service	-	139,393	139,393
Unassigned	68,944	-	68,944
Total Fund Balances	68,944	139,393	208,337
Total Liabilities and Fund Balances	**$ 77,826**	**$ 139,393**	**$ 217,219**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 234
OF SARPY COUNTY, NEBRASKA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total Fund Balances - Governmental Funds		**$ 208,337**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds:		
Capital assets	$ 971,101	
Accumulated depreciation	(352,381)	618,720
Other assets are not financial resources and, therefore, not reported in the governmental funds:		
Bond issue costs	186,285	
Accumulated amortization	(12,922)	173,363
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the governmental funds:		
Bonds payable	(845,000)	
Accrued interest	(921)	(845,921)
Net Position of Governmental Activities		**$ 154,499**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 234
OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Taxes assessed	$ 49,209	$ 63,839	$ 113,048
Interest on taxes	6	9	15
Interest on investments	-	59	59
State motor vehicle tax allocation	89	127	216
Total Revenues	49,304	64,034	113,338
EXPENDITURES			
Current:			
Collection fees - County Treasurer	915	1,299	2,214
Engineering fees	4,457	-	4,457
Financing fees	1,617	-	1,617
Insurance	3,031	-	3,031
Paying agent fees	750	-	750
Professional fees	14,818	600	15,418
Repairs and maintenance	1,860	-	1,860
Street lighting	5,564	-	5,564
Uncollectible taxes	41	55	96
Capital outlay (refunds)	-	(9,230)	(9,230)
Debt service:			
Bond principal payments	-	55,000	55,000
Bond interest payments	-	22,703	22,703
Total Expenditures	33,053	70,427	103,480
Excess of revenues over (under) expenditures/ net change in fund balances	**16,251**	**(6,393)**	**9,858**
Fund balances - beginning of year	**52,693**	**145,786**	**198,479**
Fund balances - end of year	**$ 68,944**	**$ 139,393**	**$ 208,337**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 234
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, 2013

Net Change in Fund Balances - Total Governmental Funds	**$**	**9,858**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays, net of refunds, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays, net of refunds, in the current year.		(42,790)
Repayment of principal on noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net position, the repayment reduces long-term liabilities.		
Bond principal payments		55,000
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses consist of:		
Amortization of bond issue costs		(12,412)
Change in accrued interest		24
Change in Net Position of Governmental Activities	**$**	**9,680**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 234 OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 234 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 Hillview.

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 – For the fiscal year ended June 30, 2013, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB Statement No. 63 establishes accounting and financial reporting standards for deferred outflows of resources or deferred inflows of resources and net position together with related disclosures. At June 30, 2013, the District did not have any deferred outflows of resources or deferred inflows of resources, as defined by GASB Statement No. 63. However, see Note G for a description of the District's net position, as required by GASB Statement No. 63.

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

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:

Water and Electrical Distribution Systems	25 years
Paving and Storm Sewer	30 years
Sanitary Sewer System	25 years
Engineering, Legal, Financing and 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 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 (15 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 $12,922 at June 30, 2013. 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 23, 2013, the date which the financial statements were available to be issued.

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, 2013, 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, 2013, the District held no investments and, accordingly, was not subject to interest rate risk or custodial credit risk as of that date.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Governmental Activities:				
Depreciable Capital Assets:				
Water and Electrical Distribution Systems	$ 153,538	$ -	$ -	$ 153,538
Paving and Storm Sewer	377,915	-	-	377,915
Sanitary Sewer System	98,683	-	-	98,683
Engineering, Legal, Financing and Testing Fees	271,851	-	-	271,851
	901,987	-	-	901,987
Accumulated Depreciation:				
Water and Electrical Distribution Systems	58,346	6,142	-	64,488
Paving and Storm Sewer	119,673	12,597	-	132,270
Sanitary Sewer System	37,499	3,947	-	41,446
Engineering, Legal, Financing and Testing Fees	103,303	10,874	-	114,177
	318,821	33,560	-	352,381
Net Depreciable Capital Assets	583,166	(33,560)	-	549,606
Non-depreciable Capital Assets:				
Sewer Connection Fees	78,344	-	9,230	69,114
Capital Assets, net	$ 661,510	$ (33,560)	$ 9,230	$ 618,720

NOTE D – 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:

	General Fund	Debt Service Fund	Total
Balance Outstanding, June 30, 2012	$ -	$ -	$ -
Warrants Issued	24,135	6,850	30,985
Warrant Principal Payments	(23,925)	(6,850)	(30,775)
Balance Outstanding, June 30, 2013	$ 210	$ -	$ 210

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

NOTE E – BONDS PAYABLE – GOVERNMENTAL ACTIVITIES

BOND ISSUE OF JUNE 15, 2012 – The $900,000 "General Obligation Refunding Bonds, Series 2012" bond issue is scheduled to mature in annual increments of $55,000 - $75,000 through June 15, 2027. At June 30, 2013, the outstanding balance was $845,000. Bonds bear interest payable semi-annually each June 15 and December 15, until maturity at a rate of 1.20% graduating to 3.70% depending on maturity date.

Bonds maturing on or after June 15, 2018, are subject to redemption in whole or in part, prior to maturity at the option of the District at anytime on or after June 15, 2017, 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, 2012	$ 900,000
Bond Principal Payments	(55,000)
Balance Outstanding, June 30, 2013	$ 845,000

NOTE E – BONDS PAYABLE – GOVERNMENTAL ACTIVITIES

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

	PRINCIPAL	INTEREST	TOTAL
June 30, 2014	$ 55,000	$ 22,098	$ 77,098
June 30, 2015	55,000	21,438	76,438
June 30, 2016	55,000	20,640	75,640
June 30, 2017	55,000	19,788	74,788
June 30, 2018	55,000	18,798	73,798
June 30, 2019-2023	295,000	74,395	369,395
June 30, 2024-2027	275,000	25,120	300,120
	$ 845,000	$ 202,277	$ 1,047,277

NOTE F – 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
(Cents per $100 Valuation)			
37.00	48.00	$ 13,299,752	$ 113,048

NOTE G – NET POSITION AND FUND BALANCES

Net position in the government-wide financial statements is classified into three components:

Net investment in capital assets – capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – represents constraints on resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments imposed by law through state statute.

Unrestricted net position – all other assets that do not meet the definition of "restricted" or "net investment in capital assets".

NOTE G – NET POSITION AND FUND BALANCES - Continued

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.

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 unasssigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

NOTE H – PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in April 2012 and will be effective for the financial statements of the District for the year ending June 30, 2014. This statement provides further guidance on the accounting and reporting of deferred outflows of resources, deferred inflows of resources and certain items previously reported as assets and liabilities. More specifically, the adoption of this statement by the District in fiscal 2014 will result in the write-off of bond issue costs of $173,363 at June 30, 2013 on the government-wide statement of net position with a corresponding decrease in net position.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)

SANITARY AND IMPROVEMENT DISTRICT NO. 234
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, 2013

	Budget - Original/ Final	(Budgetary Basis) Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes assessed	$ 47,803	$ 45,738	$ (2,065)
Interest on taxes	-	6	6
Property tax credit	-	1,216	1,216
State motor vehicle tax allocation	150	89	(61)
Homestead exemption allocation	-	2,263	2,263
Total Revenues	47,953	49,312	1,359
EXPENDITURES			
Current:			
Collection fees - County Treasurer	937	915	22
Engineering fees	5,000	3,179	1,821
Insurance	3,500	-	3,500
Professional fees	16,500	14,819	1,681
Repairs and maintenance	30,000	1,965	28,035
Street lighting	6,500	4,172	2,328
	62,437	25,050	37,387
Debt service:			
Warrant principal payments	61,500	23,925	37,575
	61,500	23,925	37,575
Total Expenditures	123,937	48,975	74,962
Excess of revenues over (under) expenditures	**(75,984)**	**337**	**76,321**
OTHER FINANCING SOURCES			
Issuance of warrants	61,500	24,135	(37,365)
Net change in fund balances	**(14,484)**	**24,472**	**38,956**
Fund balances - beginning of year	**32,459**	**32,459**	**-**
Fund balances - end of year	**$ 17,975**	**$ 56,931**	**$ 38,956**

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

SANITARY AND IMPROVEMENT DISTRICT NO. 234
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, 2013

	Budget - Original/ Final	(Budgetary Basis) Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes assessed	$ 62,015	$ 64,941	$ 2,926
Interest on taxes	-	9	9
Interest on investments	200	59	(141)
Property tax credit	-	1,578	1,578
Homestead exemption allocation	-	3,050	3,050
State motor vehicle tax allocation	200	127	(73)
Total Revenues	62,415	69,764	7,349
EXPENDITURES			
Current:			
Collection fees - County Treasurer	1,216	1,299	(83)
Paying agent fees	-	1,000	(1,000)
Professional fees	2,000	600	1,400
	3,216	2,899	317
Capital outlay:			
Improvements (refunds)	-	(9,230)	9,230
Debt service:			
Bond issue costs	7,500	5,250	2,250
Bond principal payments	55,000	55,000	-
Bond interest payments	22,703	22,703	-
Warrant principal payments	9,500	6,850	2,650
	94,703	89,803	4,900
Total Expenditures	97,919	83,472	14,447
Excess of revenues under expenditures	**(35,504)**	**(13,708)**	**21,796**
OTHER FINANCING SOURCES			
Issuance of warrants	9,500	6,850	(2,650)
Net change in fund balances	**(26,004)**	**(6,858)**	**19,146**
Fund balances - beginning of year	**119,134**	**119,134**	**-**
Fund balances - end of year	**$ 93,130**	**$ 112,276**	**$ 19,146**

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

SANITARY AND IMPROVEMENT DISTRICT NO. 234
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, 2013

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, 2013.

SANITARY AND IMPROVEMENT DISTRICT NO. 234
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, 2013

RECONCILIATION OF BUDGET BASIS TO GAAP

A reconciliation for the year ended June 30, 2013, which discloses the nature and amount of adjustments necessary to convert the budgetary basis to a GAAP basis, is presented below:

	General Fund	Debt Service Fund
Net change in fund balances:		
Balance on a budgetary basis	$ 24,472	$ (6,858)
Adjustments:		
Revenue for receivables	(49)	(5,785)
Expenditures for payables	(7,962)	6,250
Issuance of warrants, net of retirements	(210)	-
Balance on a GAAP basis	$ 16,251	$ (6,393)

SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 234
OF SARPY COUNTY, NEBRASKA

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2012

Issue date: June 15, 2012
Optional call date: June 15, 2017

BOND NUMBERS	INTEREST RATES	MATURITY DATES	AMOUNT
12 – 22	1.20%	June 15, 2014	$ 55,000
23 – 33	1.45%	June 15, 2015	55,000
34 – 44	1.55%	June 15, 2016	55,000
45 – 55	1.80%	June 15, 2017	55,000
56 – 66	2.00%	June 15, 2018	55,000
67 – 77	2.25%	June 15, 2019	55,000
78 – 88	2.45%	June 15, 2020	55,000
89 – 100	2.75%	June 15, 2021	60,000
101 – 112	3.00%	June 15, 2022	60,000
113 – 125	3.15%	June 15, 2023	65,000
126 – 138	3.30%	June 15, 2024	65,000
139 – 151	3.40%	June 15, 2025	65,000
152 – 165	3.55%	June 15, 2026	70,000
166 – 180	3.70%	June 15, 2027	75,000
			$ 845,000

SANITARY AND IMPROVEMENT DISTRICT NO. 234
OF SARPY COUNTY, NEBRASKA

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

JUNE 30, 2013

Gross income from all sources	$	113,240
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	$	1,860
b. New equipment		None
c. New construction work, net of refunds of $9,230	$	(9,230)
d. Property purchased		None
Number of employees		None
Salaries and fees paid employees		None
Total amount of taxes levied upon property within the District	$	113,048

SANITARY AND IMPROVEMENT DISTRICT NO. 234
OF SARPY COUNTY, NEBRASKA

TRUSTEES AND RELATED BONDS

JUNE 30, 2013

TRUSTEES		BONDS	
NAME	OFFICE	INSURER	AMOUNT
Gary Witecki	Chairman	Universal Surety Company	$ 5,000
Larry Herman	Clerk	Universal Surety Company	$ 20,000
Jack Hausmann	Trustee	None	
Jeff Cook	Trustee	None	

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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. 234
of Sarpy County, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 234 of Sarpy County, Nebraska, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Sanitary and Improvement District No. 234 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated October 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanitary and Improvement District No. 234 of Sarpy County, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 234 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 234 of Sarpy County, Nebraska's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. As described below, we did identify a certain deficiency in internal control that we consider to be a significant deficiency.

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 and notes being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Sanitary and Improvement District No. 234 of Sarpy County, Nebraska'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. 234 of Sarpy County, Nebraska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Sanitary and Improvement District No. 234 of Sarpy County, Nebraska's Response to Finding

Sanitary and Improvement District No. 234 of Sarpy County, Nebraska's response to the finding identified in our audit is described previously. Sanitary and Improvement District No. 234 of Sarpy County, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

HANCOCK & DANA PC

Hancock & Dana PC

Omaha, Nebraska
October 23, 2013

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October 23, 2013

To the Board of Trustees
Sanitary and Improvement District No. 234
of Sarpy County, Nebraska

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 234 of Sarpy County, Nebraska as of and for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 3, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sanitary and Improvement District No. 234 of Sarpy County, Nebraska are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2013 except, as described in Note A to the financial statements, the District adopted Statement of Governmental Accounting Standards No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the depreciation of capital assets is based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of Sanitary and Improvement District No. 234 of Sarpy County, Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

HANCOCK & DANA PC

Hancock & Dana PC