

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 235
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2012

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(1936 - 2006)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 235
Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities, and each major fund of Sanitary and Improvement District No. 235, 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 an opinion 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 misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and remaining fund information of the District as of June 30, 2012, and the respective changes in financial position of those activities and funds and the budgetary comparison for the general fund as of and 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 19, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual on page 18, be prepared to supplement the basic financial statements. Such information, although not 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 the District's basic financial statements. The other supplementary information on page 19 are presented for purposed of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain addition procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 taken as a whole.

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

Averkamp, Goodnight, Schwaller & Nelson, P.C.

Omaha, Nebraska
November 19, 2012

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government Governmental Activities
ASSETS:	
Cash on deposit - County Treasurer	\$ 317,939
Taxes receivable (notes B and J)	163,669
Special assessment receivable (notes C and J)	215,234
Accrued interest on special assessments	44,500
Investments (note D)	64,987
Accrued interest on investments	12
Bond issue costs, net of amortization	270,168
Capital assets (note E):	
Land	18,305
Infrastructure	4,147,284
Construction in progress	565,437
Accumulated depreciation	<u>(1,111,324)</u>
Total assets	<u>4,696,211</u>
LIABILITIES:	
Accounts payable and accrued expenses	78,453
Warrants issued not registered	1,635
Accrued interest on warrants	2,742
Accrued interest on bonds	15,259
Noncurrent liabilities (notes F and G):	
Due within one year	115,000
Due in more than one year	<u>3,939,152</u>
Total liabilities	<u>4,152,241</u>
COMMITMENTS AND CONTINGENCIES (notes H and I)	-
NET ASSETS:	
Invested in capital assets, net of related debt	(164,282)
Restricted for debt service	527,716
Unrestricted	<u>180,536</u>
Total net assets	<u>\$ 543,970</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended June 30, 2012

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes In Net Assets</u> <u>Governmental Activities</u>
Governmental activities			
General	\$ 94,923	\$ -	\$ (94,923)
Debt service	161,997	-	(161,997)
Depreciation	131,026	-	(131,026)
Interest on long-term debt	<u>187,499</u>	<u>-</u>	<u>(187,499)</u>
Total government	<u>\$575,445</u>	<u>\$ -</u>	<u>(575,445)</u>

General revenues:		
Property taxes		359,022
Interest on taxes		2,078
State motor vehicle tax allocation		1,049
Homestead exemption		6,594
Interest on investments		210
Interest on special assessments		<u>25,483</u>
Total general revenues		<u>394,436</u>
Change in net assets		(181,009)
Net assets at beginning of year		<u>724,979</u>
Net assets at end of year		<u>\$ 543,970</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit			
- County Treasurer	\$150,558	\$167,381	\$317,939
Taxes receivable (notes B and J)	44,732	118,937	163,669
Special assessment receivable (notes C and J)	-	215,234	215,234
Accrued interest on special assessments	-	20,169	20,169
Investments (note D)	-	64,987	64,987
Accrued interest on investments	-	12	12
Total assets	<u>\$195,290</u>	<u>\$586,720</u>	<u>\$782,010</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable and accrued expenses	\$ 13,119	\$ 65,334	\$ 78,453
Warrants issued not registered	1,635	-	1,635
Accrued interest on registered warrants	-	2,742	2,742
Deferred revenue	-	215,234	215,234
Total liabilities	14,754	283,310	298,064
COMMITMENTS AND CONTINGENCIES			
(notes H and I)	-	-	-
Fund balance:			
Reserved for debt service	-	303,410	303,410
Unassigned	180,536	-	180,536
Total fund balance	180,536	303,410	483,946
Total liabilities and fund balance	<u>\$195,290</u>	<u>\$586,720</u>	<u>\$782,010</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2012

Total fund balance - total governmental funds		\$ 483,946
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
- Capital assets used in the governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		3,619,702
- Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(15,259)
- Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Due within one year	\$ (115,000)	
Due in more than one year	<u>(3,939,152)</u>	(4,054,152)
- Bond issue costs are not current financial resources and therefore are not reported in the governmental funds balance sheet.		270,168
- Accrued interest on special assessments is recognized only on current and deferred installments whereas interest is due on the remaining balance under the accrual basis.		24,331
- Deferred income related to special assessments is required under modified accrual in the governmental funds balance sheet but not under full accrual accounting in the government-wide statement of net assets.		<u>215,234</u>
Net Assets of Governmental Activities		<u>\$ 543,970</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes assessed (note B)	\$ 96,763	\$ 262,259	\$ 359,022
Interest on taxes	576	1,502	2,078
State motor vehicle tax allocation	283	766	1,049
Homestead exemption	1,770	4,824	6,594
Interest on investments	-	210	210
Special assessments and interest	-	11,969	11,969
	<u>99,392</u>	<u>281,530</u>	<u>380,922</u>
EXPENDITURES:			
Legal and accounting	19,270	-	19,270
Collection fees			
- County Treasurer	2,055	5,496	7,551
Electric service	4,902	-	4,902
Engineering fees	14,718	-	14,718
Interest on registered warrants	-	2	2
Maintenance and repairs	49,566	-	49,566
Registered agent fees	-	1,790	1,790
Trustee bond and insurance	4,412	-	4,412
Debt service:			
Interest charges	-	225,703	225,703
	<u>94,923</u>	<u>232,991</u>	<u>327,914</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,469	48,539	53,008
OTHER FINANCING SOURCES (USES):			
Issuance of long-term debt	-	1,508,627	1,508,627
Payment of long-term debt	-	(1,789,475)	(1,789,475)
Payment of bond issue costs	-	(69,475)	(69,475)
Construction cost	-	(565,437)	(565,437)
	<u>-</u>	<u>(565,437)</u>	<u>(565,437)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	4,469	(867,221)	(862,752)
FUND BALANCE, BEGINNING OF YEAR	<u>176,067</u>	<u>1,170,631</u>	<u>1,346,698</u>
FUND BALANCE, END OF YEAR	<u>\$180,536</u>	<u>\$ 303,410</u>	<u>\$ 483,946</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 235 of Sarpy County, Nebraska is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the trustees of the District, who are responsible for their integrity and objectivity. These accounting policies conform in all material respects to generally accepted accounting principles, as promulgated by the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units, and have been consistently applied in the preparation of the financial statements.

History and business activity

The District is a governmental subdivision, created pursuant to Nebraska law, to act as a vehicle for the construction of roads, utilities and similar improvements. The Board of Trustees, consisting of five members, has the power to provide financing for such improvements and has authority to: issue warrants for construction work and services, contract with financial institutions for conversion of warrants to cash, and to levy both special assessments and general taxes against property in the District to pay off warrants and bonds issued by the District.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reporting entity

The accompanying financial statements present the District's primary governmental 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.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

General Fund

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. The fund balance of the General Fund is unassigned and is expended first for all expenditures except for debt service payments and capital expenditure from the Debt Service Fund.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements - Continued

Debt Service Fund

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the District. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means 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. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are carried at cost, which approximates market, and any premium or discount on investments are amortized on the straight-line method from date of purchase to date of maturity. These deposits were covered with sufficient assets pledged to the Douglas County by the financial institutions at June 30, 2012.

Infrastructure

Infrastructure is carried at cost plus interest on warrants while construction is in progress. Depreciation is provided using the straight-line method over estimated lives ranging from 7 to 40 years.

Bond Issue Costs

Bond issue costs are being amortized on the straight-line method over the life of the bond issue.

Budget and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles. 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.

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

- (a) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (b) Notice of place and time of public hearings must be published prior to the public hearings.
- (c) Public hearings are conducted to obtain taxpayer comment.
- (d) 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.
- (e) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

- (f) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2012.
- (g) The accompanying combined statements of revenues, expenditures, and changes in fund balances - Budget and Actual - General and Debt Service Fund presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2012 is presented as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 5,540	\$(792,493)
Adjustments:		
To adjust revenues for receivables	(8,132)	(6,652)
To adjust expenditures for payables and accruals	7,061	(751)
To adjust for difference in recognizing of items for other financing sources (uses)	<u>-</u>	<u>(67,325)</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ 4,469</u>	<u>\$(867,221)</u>

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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.

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.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - 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.

Property tax revenues are recognized when they become available, which includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

The District levied taxes for 2011-2012 at the rate of \$0.89999 per \$100 on property valuation of \$40,766,586.

NOTE C - SPECIAL ASSESSMENTS

On July 14, 2006, special assessments in the amount of \$384,882 were levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments and bear interest at 7.5% per annum until delinquent and 9.5% per annum thereafter until paid.

NOTE D - INVESTMENTS

Custodial Credit Risk

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 1990, and generally include U.S. government obligations, certificates of deposit and time deposits. During the year ended June 30, 2012, the District invested in U.S. treasury bills.

All investment activities are conducted through the District's fiscal agent, the County Treasurer. Treasury bills are bought and held in safekeeping by the County Treasurer in the district's name.

Interest Rate Risk

The District invests in U.S. Treasury bills with maturity of less than one year to limit its exposure to fair-value losses arising from rising interest rates. These securities are classified as Level 1 in the fair value of hierarchy as indicated in ASC 820-10.

At June 30, 2012, the par value, cost, and market value of the District's investments were \$65,000, \$64,987, and \$64,998, respectively.

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE E - CAPITAL ASSETS

A summary of changes in improvements is as follows:

	Balance <u>July 1, 2011</u>	Additions	Balance <u>June 30, 2012</u>
Concrete pavement, storm sewer and sanitary sewer	\$2,131,501	\$ -	\$ 2,131,501
Sanitary sewer, connection fee	601,763	-	601,763
Water section	628,759	-	628,759
Electrical distribution	278,181	-	278,181
Park land	18,305	-	18,305
Silt basin	135,137	-	135,137
Extension street improvements	235,431	-	235,431
Park improvements	136,512	-	136,512
Construction in progress	<u>-</u>	<u>565,437</u>	<u>565,437</u>
	4,165,589	565,437	4,731,026
Accumulated depreciation	<u>(980,298)</u>	<u>(131,026)</u>	<u>(1,111,324)</u>
	<u>\$3,185,291</u>	<u>\$ 434,411</u>	<u>\$ 3,619,702</u>

Depreciation expense totaled \$131,026 for the year ended June 30, 2012.

NOTE F - REGISTERED WARRANTS

At June 30, 2012, the District has registered warrants outstanding for the payment of construction costs. Debt service fund warrants bear interest at 7.0% and are due five years from issue. Interest of \$2,740 was capitalized as part of the construction costs for the year ended June 30, 2012.

Aggregate maturities of registered warrants are as follows:

	<u>General Fund</u>
2013	\$ -
2014	-
2015	-
2016	-
2017	<u>499,152</u>
	<u>\$499,152</u>

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE G - GENERAL OBLIGATION BONDS PAYABLE

On July 1, 2006, the District issued \$2,000,000 of general obligation bonds to repay \$1,816,752 of registered warrants plus accrued interest. The bonds mature serially through July 1, 2026, in increments from \$65,000 to \$150,000. Interest is payable semiannually on July 1 and January 1. The bonds bear interest at 4.20% to 5.15% per annum. Bonds maturing July 1, 2012, and thereafter are subject to redemption in whole or part, at any time after July 1, 2011, at par plus accrued interest, to the date set for redemption, with no redemption premium. The bond issued was refunded with the 2011 bond issue below.

On June 1, 2008, the District issued \$2,750,000 of general obligation bonds to repay \$3,413,107 of registered warrants plus accrued interest. The bonds mature serially through July 1, 2031, in increments from \$45,000 to \$340,000. Interest is payable semiannually on June 1 and December 1. The bonds bear interest at 3.30% to 5.70% per annum. Bonds maturing June 1, 2014, and thereafter are subject to redemption in whole or part, at any time after June 1, 2013, at par plus accrued interest, to the date set for redemption, with no redemption premium.

On November 1, 2011, the district issued \$1,000,000 of general obligation refunding bonds to redeem the 2006 general obligation bonds above in the amount of \$1,655,000. The 2011 bonds bear interest at 1.25% to 4.20% per annum payable semi-annually on March 15th and May 15th. The bonds mature serially through 2026. Bonds maturing on or after November 15, 2017 are subject to redemption in whole or in part, at any time on or after November 15, 2015 at par plus accrued interest of the date set for redemption with no redemption premium.

A summary of changes in bonds payable is as follows:

Bonds payable July 1, 2011	\$ 4,335,000
Bonds issued	1,000,000
Bond refund	(1,655,000)
Bonds paid	<u>(125,000)</u>
 Balance June 30, 2012	 <u>\$ 3,555,000</u>

Aggregates maturities of bond principal and interest as follows:

	Principal	Interest	Total
2013	\$ 115,000	\$ 165,930	\$ 280,930
2014	110,000	162,943	272,943
2015	120,000	159,728	279,728
2016	115,000	156,111	271,111
2017	120,000	152,240	272,240
2018 - 2022	695,000	686,183	1,381,183
2023 - 2027	1,035,000	516,855	1,551,855
2028 - 2031	<u>1,245,000</u>	<u>181,178</u>	<u>1,426,178</u>
	<u>\$3,555,000</u>	<u>\$2,181,168</u>	<u>\$5,736,168</u>

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE H - 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; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE I- COMMITMENTS

The District has entered into an agreement with Omaha Public Power District (OPPD) under which OPPD is to furnish street lighting to the District. The cost to the District for this service for fiscal 2013 is estimated to be approximately \$30,000. In addition, District is obligated under construction contracts totaling approximately \$1,300,000 for construction of improvements.

NOTE J - 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.

NOTE K - SUBSEQUENT EVENTS

Management evaluated transactions and events occurring subsequent to June 30, 2012 and through November 19, 2012 (the date the financial statements were available to be issued) to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements.

SUPPLEMENTARY INFORMATION

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

For the year ended June 30, 2012

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes collected	\$ 93,268	\$104,895	\$11,627
Interest on taxes	750	576	(174)
State motor vehicle tax allocation	250	283	33
Homestead exemptions	-	1,770	1,770
Interest on investments	-	-	-
Sewer connection fee	-	-	-
Total revenues	<u>94,268</u>	<u>107,524</u>	<u>13,256</u>
EXPENDITURES:			
Accounting and auditing	7,000	6,887	113
Collection fees - County Treasurer	1,829	2,055	(226)
Electric service	10,000	4,902	5,098
Engineering fees	40,000	16,985	23,015
Legal fees	20,000	12,383	7,617
Maintenance and repairs	100,000	49,454	50,546
Registered agent fees	2,000	1,000	1,000
Trustee bonds and insurance	4,000	8,318	(4,318)
Bond interest	-	-	-
Total expenditures	<u>184,829</u>	<u>101,984</u>	<u>82,845</u>
Excess (deficiency) of revenues over expenditures	(90,561)	5,540	96,101
OTHER FINANCING SOURCES (USES):			
Proceeds from registered warrants issued	-	-	-
Proceeds of bond issue	-	-	-
Payment of long-term debt	-	-	-
Payment of construction costs	-	-	-
Payment of bond issue costs	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>\$(90,561)</u>	5,540	<u>\$96,101</u>
FUND BALANCE, BEGINNING OF YEAR		<u>145,018</u>	
FUND BALANCE, END OF YEAR		<u>\$150,558</u>	

DEBT SERVICE FUND
(NON GAAP)

Original And Final Budget	Actual	Variance Favorable (Unfavorable)
\$256,486	\$ 280,769	\$ 24,283
1,500	1,502	2
700	765	65
-	4,824	4,824
500	322	(178)
<u>90,000</u>	<u>-</u>	<u>(90,000)</u>
<u>349,186</u>	<u>288,182</u>	<u>(61,004)</u>
-	-	-
10,029	5,496	4,533
-	-	-
-	-	-
-	-	-
-	1,040	(1,040)
-	-	-
<u>221,203</u>	<u>225,704</u>	<u>(4,501)</u>
<u>231,232</u>	<u>232,240</u>	<u>(1,008)</u>
117,954	55,942	(62,012)
-	499,152	499,152
-	940,000	940,000
(125,000)	(1,780,000)	(1,655,000)
-	(498,112)	(498,112)
<u>-</u>	<u>(9,475)</u>	<u>(9,475)</u>
<u>\$ (7,046)</u>	(792,493)	<u>\$ (785,447)</u>
	<u>1,024,861</u>	
	<u>\$ 232,368</u>	

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

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

For the year ended June 30, 2012

Gross income from all sources	<u>\$380,922</u>
Gross income from all sources from previous year	<u>\$461,259</u>
Amount expended for sewage disposal	<u>\$ -</u>
Amount expended for water mains	<u>\$185,641</u>
Gross amount of sewage processed	<u>\$ -</u>
Cost per thousand gallons of processing sewage	<u>\$ -</u>
Amount expended for:	
a. Maintenance and repairs	<u>\$ 49,566</u>
b. New equipment	<u>\$ -</u>
c. New construction work (including water main)	<u>\$565,437</u>
d. Property purchased	<u>\$ -</u>
Number of employees	<u>-</u>
Salaries and fees paid employees	<u>\$ -</u>
Total amount of taxes levied upon the property within the District	<u>\$366,899</u>

Sanitary and Improvement District No. 235
Sarpy County, Nebraska

TRUSTEES AND RELATED BONDS

June 30, 2012

<u>NAME</u>	<u>TRUSTEES</u>	<u>OFFICE</u>	<u>INSURER</u>	<u>BONDS</u>	<u>AMOUNT</u>
Loren Johnson		Chairman	Universal Surety Company		\$ 5,000
Jim Emmons		Clerk	Universal Surety Company		\$20,000
Paula Johnson		Trustee			
Mark Kinsey		Trustee			
Joseph Daffer		Trustee			

Awerkamp, Goodnight, Schwaller & Nelson, P.C.

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ALDEN B. AWERKAMP

J. DOUGLAS GOODNIGHT
(1936 - 2006)

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 Directors
Sanitary and Improvement District No. 235
of Sarpy County, Nebraska

We have audited the financial statements of Sanitary and Improvement District No. 235 of Sarpy County, Nebraska as of and for the year ended June 30, 2012, and have issued our report thereon dated November 19, 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

In planning and performing our audit, we considered Sanitary and Improvement District No. 235's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 235's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 235's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified the following deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

The district does not have the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Management is aware of this significant deficiency and believes it is economically not feasible to obtain the ability to prepare financial statements.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sanitary and Improvement District No. 235's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sanitary and Improvement District No. 235's financial statements that is more than consequential will not be prevented or detected by the Sanitary and Improvement District No. 235's internal control. We consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sanitary and Improvement District No. 235's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 235's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

Finding #1

- The District issued \$1,000,000 in general obligation refunding bonds, redeemed \$1,655,000 in general obligation bonds, paid bond interest of \$4,501, and paid \$9,475 in bond issuance costs in excess of the budget, without amending the budget.

Response

- The District did not anticipate a bond issuance when the budget was prepared.

Finding #2

- The District paid \$498,112 in construction cost, without amending the budget.

Response

- The District did not anticipate construction improvements when the budget was prepared.

Sanitary and Improvement District No. 235's responses to the findings identified in our audit are described above. We did not audit Sanitary and Improvement District No. 235'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 Nebraska Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Averkamp, Goodnight, Schwaller & Nelson, P.C.

Omaha, Nebraska
November 19, 2012