

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

**Basic Financial Statements and
Independent Auditors' Report**

June 30, 2012



Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 236 of Sarpy County, Nebraska, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the index. These financial statements are the responsibility of the District's Trustees. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 236 of Sarpy County, Nebraska, as of June 30, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 14 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District's management has elected to omit management's discussion and analysis from the basic financial statements. The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Information Required by Section 31-740, Reissue Revised Statute of Nebraska, 1998 on page 16 and District Trustees and Related Bonds on page 17 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information on pages 16 and 17 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2012, on our consideration of Sanitary and Improvement District No. 236 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 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.

Lutz Company, P.C.

December 15, 2012

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Governmental Funds Balance Sheet/Statement of Net Assets

June 30, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Reconciliation (Note 7)</u>	<u>Statement of Net Assets</u>
ASSETS					
Cash on Deposit					
County Treasurer	\$ 2,995	\$ 58,022	\$ 61,017	\$ -	\$ 61,017
Investments	-	39,992	39,992	-	39,992
Receivables					
Property Taxes (Note 2)	25,944	47,181	73,125	-	73,125
Sewer Connection Fees (Note 3)	-	152,098	152,098	-	152,098
Accrued Interest Receivable					
Investments	-	7	7	-	7
Bond Issue Costs, Net of Accumulated Amortization of \$1,899	-	-	-	48,732	48,732
Capital Assets, Net of Accumulated Depreciation (Note 4)	-	-	-	1,446,931	1,446,931
TOTAL ASSETS	\$ 28,939	\$ 297,300	\$ 326,239	\$ 1,495,663	\$ 1,821,902
LIABILITIES					
Accounts Payable	\$ 7,390	\$ 1,250	\$ 8,640	\$ -	\$ 8,640
Registered Warrants Payable (Note 5)	232,187	-	232,187	-	232,187
Accrued Interest on Registered Warrants (Note 5)	39,218	-	39,218	-	39,218
Bonds (Note 6)	-	9,864	9,864	-	9,864
Bonds Payable (Note 6) Due After One Year	-	-	-	2,102,869	2,102,869
Deferred Revenue	-	-	-	73,125	73,125
Total Liabilities	278,795	11,114	289,909	2,175,994	2,465,903
COMMITMENTS AND CONTINGENCIES (Note 8)					
FUND BALANCE (DEFICIT)/NET ASSETS					
Unassigned, Reported in					
General Fund	(249,856)	-	(249,856)	249,856	-
Restricted, Debt Service Fund	-	286,186	286,186	(286,186)	-
Total Fund Balance (Deficit)	(249,856)	286,186	36,330	(36,330)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 28,939	\$ 297,300	\$ 326,239		
NET ASSETS (DEFICIT)					
Invested in Capital Assets, Net of Related Debt				(680,331)	(680,331)
Unassigned				(249,856)	(249,856)
Restricted for Debt Service				286,186	286,186
TOTAL NET ASSETS (DEFICIT)				\$ (644,001)	\$ (644,001)

See Notes to Basic Financial Statements.

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

Year Ended June 30, 2012

	General Fund	Debt Service Fund	Total	Reconciliation (Note 7)	Statement of Activities
REVENUES/RECEIPTS					
Property Taxes (Note 2)	\$ 52,314	\$ 97,155	\$ 149,469	\$ (1,256)	\$ 148,213
Interest on					
Property Taxes (Note 2)	190	352	542	-	542
Investments	-	12	12	-	12
State Motor Vehicle Tax Allocation	148	275	423	-	423
Total Revenue/Receipts	52,652	97,794	150,446	(1,256)	149,190
EXPENDITURES/EXPENSES					
Current:					
Collection Fees- County Treasurer	1,015	1,886	2,901	-	2,901
Amortization of Bond Issue Costs	-	-	-	107,872	107,872
Bond Maintenance Costs	-	1,250	1,250	-	1,250
Depreciation (Note 4)	-	-	-	58,083	58,083
Engineering	340	-	340	-	340
Fiscal Agent Fees	1,311	-	1,311	-	1,311
Interest on					
Registered Warrants (Note 5)	16,841	15,848	32,689	-	32,689
Maintenance	274	-	274	-	274
Professional Fees	14,828	-	14,828	-	14,828
Utilities	15,890	-	15,890	-	15,890
Bonds Payable (Note 6)					
Principal	-	1,175,000	1,175,000	(1,175,000)	-
Interest	-	62,316	62,316	-	62,316
Total Expenditures/Expenses	50,499	1,256,300	1,306,799	(1,009,045)	297,754
Excess (Deficiency) of Revenues/Receipts					
Over Expenditures/Expenses	2,153	(1,158,506)	(1,156,353)	1,007,789	(148,564)
OTHER FINANCING SOURCES (USES)					
Warrants Issued (Note 5)	-	15,881	15,881	(15,881)	-
Warrants Retired (Note 5)	-	(871,118)	(871,118)	871,118	-
Bonds Issued (Note 6)	-	2,085,611	2,085,611	(2,085,611)	-
Change in Payables	-	(33,372)	(33,372)	33,372	-
Total Other Financing Sources (Uses)	-	1,197,002	1,197,002	(1,197,002)	-
Excess (Deficiency) of Revenues/Receipts and Transfers in Over (Under) Expenditures/Expenses and Transfers Out					
	2,153	38,496	40,649	(40,649)	-
Change in Net Assets					
				(148,564)	(148,564)
Fund Balance (Deficit)/Net Assets, Beginning of Year					
	(252,009)	247,690	(4,319)	-	(495,437)
Fund Balance (Deficit)/Net Assets, End of Year					
	\$(249,856)	\$ 286,186	\$ 36,330	\$ -	\$(644,001)

See Notes to Basic Financial Statements.

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

The accounting policies of Sanitary and Improvement District No. 236 of Sarpy County, Nebraska conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the District's significant policies.

Reporting Entity

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska (the District), formed on July 24, 2002, is a governmental subdivision authorized under the statutes of the State of Nebraska. The District operates under an elected Board of Trustees which governs all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The accompanying basic financial statements present the District's primary government unit and no component units because the District does not have any component units.

The District implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides additional guidance on fund balance classifications and clarifies existing guidance on governmental fund type definitions. GASB No. 54 requires the District to identify amounts that are considered nonspendable and provides for additional classification of spendable amounts as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and fund financial statements to the extent they do not conflict or contradict guidance of the GASB.

Basic Financial Statements

The District Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities. These statements are presented on an *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the District's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Governmental activities include programs supported primarily by taxes, special assessments and other intergovernmental revenues. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2012

The basic financial statements provide reports on the financial condition and results of operations for the District. The District reports the two major governmental funds' financial condition and results of operations in separate columns.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's Trustees to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The District used funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only used governmental funds. The following governmental funds are used by the District.

Governmental Funds

Governmental funds are those through which most general governmental functions of the District are financed. These funds are accounted for using the current financial resources measurement focus. Under this measurement focus, only current assets and liabilities are included on the balance sheets, and the operating statements present sources and uses of available financial resources during a given period. The following major governmental funds are used by the District:

- 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, long-term debt principal, interest and related costs anticipated to be settled during the next fiscal year.

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2012

Basis of Accounting

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Budgets 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, respectively. 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:

- (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) The Board of Trustees may authorize supplemental appropriations during the year. (No such appropriations were made during the fiscal year ended June 30, 2012.)

Investments

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 1990, and allowable investments generally include U.S. government obligations, certificates of deposit, and time deposits. The District's investments during the year ended June 30, 2012, consisted of U.S. Treasury bills.

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

Investments are stated at fair value.

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2012

Property Taxes

Property tax revenues are recognized when a legal and enforceable claim is assessed against the property. Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided.

Sewer Connection Fees

Revenue on sewer connection fees is recognized when the fees are assessed. Sewer connection fees are considered fully collectible; therefore, no allowance for uncollectible fees are provided.

Capital Assets

Capital assets are stated at cost in accordance with construction contracts and other costs applicable thereto. Interest accrued on warrants issued for the construction of improvements is capitalized during the period of construction. The costs of improvements disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Storm and Sanitary Sewer Systems	50
Street Improvements	20

Deferred Revenue

The District reports unearned deferred revenue in the Governmental Fund Balance Sheet/Statement of Net Assets. Deferred and unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within thirty-one days after year-end are considered to have been for prior year services.

Cost of Utilities

These costs include the cost of systems for which the District does not obtain title such as electrical systems (OPPD), water distribution systems (MUD) and/or gas distribution systems (MUD). These costs are expensed as incurred.

Credit Risk

The District's credit risk relates to receivables for property taxes and sewer connection fees which are due from property owners within the boundaries of the District and cash on deposit with the Sarpy County Treasurer. The District's investments are also exposed to various risks, such as interest rate, market and credit risk.

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2012

Bond Issue Costs

Bond issue costs are amortized, using the straight-line method, over the life of the bond issue.

Subsequent Events

Subsequent events are events or transactions that occur after the Governmental Funds Balance Sheet/Statement of Net Assets date but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through December 15, 2012 noting no items requiring disclosure.

2. Property Taxes

Property taxes are levied in September and attached 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.

For 2011-2012, the District levied taxes at the rate of \$1.00 (\$.35 in the general fund and \$.65 in the debt service fund) per \$100 based on a property valuation of \$14,946,937.

3. Sewer Connection Fees Receivable

Sewer connection fees in the cumulative amount of \$152,098 have been levied against certain properties within the District in connection with the construction of the District's sewers. The sewer connection fees are due on each lot prior to connection of the lot to the District's sewers.

4. Capital Assets

Capital assets at June 30, 2012, consist of the following:

	Costs at				Costs at
	June 30, 2011	Additions	Deletions		June 30, 2012
Storm Sewer Systems	\$ 931,278	\$ -	\$ -		\$ 931,278
Sanitary Sewer Systems	321,238	-	-		321,238
Street Improvements	660,646	-	-		660,646
Easements	56,513	-	-		56,513
	<u>\$ 1,969,675</u>	<u>\$ -</u>	<u>\$ -</u>		<u>1,969,675</u>
Less Accumulated Depreciation					<u>522,744</u>
Capital Assets, Net of Accumulated Depreciation					<u>\$ 1,446,931</u>

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2012

5. Warrants Payable

Warrants registered with Sarpy County accrue interest from the date of registration to the date they are called for payment.

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.

The following is a summary of warrant transactions during the year ended June 30, 2012:

	General Fund	Debt Service Fund
Balance, June 30, 2011	\$ 242,523	\$ 855,237
Warrants Issued	31,052	15,881
Warrants Retired	(41,388)	(871,118)
Balance, June 30, 2012	<u>\$ 232,187</u>	<u>\$ -</u>

Aggregate maturities of warrants outstanding are as follows:

Year Ending June 30:	-----General Fund-----		----Debt Service Fund----	
	Amount of Warrants	Interest Rate	Amount of Warrants	Interest Rate
2013	\$ 165,015	7%	\$ -	
2014	36,120	7%	-	
2015	31,052	7%	-	
2016	-		-	
2017	-		-	
	<u>\$ 232,187</u>		<u>\$ -</u>	

The District has delinquent warrants totaling \$100,594 in the general fund that have not been extended.

There were no unregistered warrants at June 30, 2012.

6. Long-Term Debt

The District's long-term debt consists of general obligation and capital appreciation bonds which are reflected in the debt service fund.

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2012

General obligation bonds totaling \$1,500,000 issued on October 15, 2004, with no balance at June 30, 2012, were due serially beginning October 15, 2005 through October 15, 2024. Interest was payable semi-annually on this issue at 4.20% to 5.50% per annum. These bonds were called and paid in full during the year ended June 30, 2012.

General obligation bonds totaling \$1,175,000 issued on October 1, 2011, with a balance of \$1,175,000 at June 30, 2012, are due serially beginning October 14, 2015 through October 1, 2029. Interest is payable semi-annually on this issue at 1.50% to 4.55% per annum. These bonds were issued to redeem the general obligation bonds issued on October 15, 2004.

Capital appreciation bond issued on October 1, 2011, with final maturity value of \$1,430,000, payable in full on October 1, 2029. The bond was issued to retire debt service fund warrant principal and accrued interest totaling \$910,611. The bond had an accreted cost of \$927,869 at June 30, 2012 with accretion of \$17,286 included as interest expense for the year ended June 30, 2012.

The following is a summary of bonds payable transactions of the District for the year ended June 30, 2012:

Bonds Outstanding, June 30, 2011	\$ 1,175,000
Bonds Issued	2,085,611
Bonds Retired	(1,175,000)
Accretion of Capital Appreciation Bond	17,258
Bonds Outstanding, June 30, 2012	<u>\$ 2,102,869</u>

Aggregate maturities of long-term debt and interest due on long-term debt are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 63,671	\$ 63,671
2014	-	64,270	64,270
2015	65,000	64,395	129,395
2016	65,000	63,984	128,984
2017	65,000	63,410	128,410
2018-2022	360,000	299,864	659,864
2023-2027	425,000	248,883	673,883
2028-2030	1,122,869	87,464	1,210,333
	<u>\$ 2,102,869</u>	<u>\$ 955,941</u>	<u>\$ 3,058,810</u>

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2012

7. Reconciliation of Net Assets and Change in Net Assets

Net Assets

Total fund balance per balance sheet \$ 36,330

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

Capital assets and bond issue costs used in governmental activities are not financial resources and therefore are not reported in the funds. 1,495,663

Some liabilities, including warrants payable and bonds payable are not due and payable in the current period and therefore are not reported in the funds. (2,102,869)

Property tax revenue not yet earned at year end is reported as deferred revenue. (73,125)

Net deficit of governmental activities \$ (644,001)

Changes in Net Assets

Net change in fund balance \$ (1,156,353)

Current year property tax levy not yet earned at year end. (1,256)

Certain expenditures do not require the use of current financial resources and therefore are not reported as expenditures of in governmental funds. (165,955)

Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets. 1,175,000

Change in net deficit of governmental activities \$ (148,564)

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2012

8. Commitments and Contingencies

The District has entered into various contracts and agreements related to general maintenance and other operating expenses of to the District. These contracts and agreements will be completed in the future. All expenditures are initially funded by the issuance of warrants. Maturities of warrants payable are primarily funded by the issuance of bonds payable and cash flow generated from annual property tax levies. The generation of property taxes is dependent upon the growth of the valuation base as lots are developed. Current economic conditions give rise to the concern that the growth in the valuation of the District will be limited in the next few years. The District's ability to fund its obligations including retiring general fund warrants as they mature (See Note 6) is contingent upon the success of future lot sales and the development within the District.

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Revenue, Expenditures and Changes in Fund Balance-
Budget and Actual (Budgetary Basis) – General Fund**

**Schedule of Revenue, Expenditures and Changes in Fund Balance-
Budget and Actual (Budgetary Basis) – Debt Service Fund**

SUPPLEMENTAL INFORMATION

**Information Required by Section 31-740,
Reissue Revised Statute of Nebraska, 1998**

District Trustees and Related Bonds

**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***

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund

Schedule 1

Year Ended June 30, 2012

	Actual on GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
REVENUES/RECEIPTS					
Property Taxes	\$ 52,314	\$ (360)	\$ 51,954	\$ 50,745	\$ 1,209
Interest on					
Property Taxes	190	-	190	100	90
State Motor Vehicle Tax Allocation	148	-	148	-	148
Total Revenues/Receipts	52,652	(360)	52,292	50,845	1,447
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	1,015	-	1,015	-	(1,015)
Bond Maintenance Costs	-	-	-	500	500
Engineering	340	336	676	2,000	1,324
Fiscal Agent Fees	1,311	-	1,311	2,000	689
Insurance	-	-	-	2,000	2,000
Interest on Registered Warrants	16,841	(6,571)	10,270	10,000	(270)
Maintenance	274	-	274	5,000	4,726
Professional Fees	14,828	5,464	20,292	20,000	(292)
Utilities	15,890	(7,390)	8,500	10,000	1,500
Total Expenditures/Disbursements	50,499	(8,161)	42,338	51,500	9,162
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	2,153	7,801	9,954	(655)	10,609
OTHER FINANCING SOURCES (USES)					
Warrants Issued	-	31,052	31,052	41,500	(10,448)
Warrants Retired	-	(41,388)	(41,388)	(40,000)	(1,388)
Total Other Financing Sources (Uses)	-	(10,336)	(10,336)	1,500	(11,836)
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES					
	2,153	(2,535)	(382)	\$ 845	\$ (1,227)
Fund Balance (Deficit), Beginning of Year	(252,009)	255,386	3,377		
Fund Balance (Deficit), End of Year	\$(249,856)	\$ 252,851	\$ 2,995		

See Independent Auditors' Report.

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – Debt Service Fund

Schedule 2

Year Ended June 30, 2012

	Actual on GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
REVENUES/RECEIPTS					
Property Taxes	\$ 97,155	\$ (669)	\$ 96,486	\$ 94,240	\$ 2,246
Interest on					
Property Taxes	352	-	352	100	252
Investments	12	(5)	7	100	(93)
State Motor Vehicle Tax Allocation	275	-	275	-	275
Total Revenues/Receipts	97,794	(674)	97,120	94,440	2,680
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	1,886	-	1,886	-	(1,886)
Bond Maintenance Costs	1,250	(750)	500	-	(500)
Bond Issue Cost	-	15,381	15,381	-	(15,381)
Interest on Registered Warrants	15,848	(15,848)	-	60,000	60,000
Bonds Payable					
Principal	1,175,000	-	1,175,000	60,000	(1,115,000)
Interest	62,316	(14,913)	47,403	57,540	10,137
Total Expenditures/Disbursements	1,256,300	(16,130)	1,240,170	177,540	(1,062,630)
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(1,158,506)	15,456	(1,143,050)	(83,100)	(1,059,950)
OTHER FINANCING SOURCES (USES)					
Warrants Issued	15,881	-	15,881	60,000	(44,119)
Warrants Retired	(871,118)	855,237	(15,881)	-	(15,881)
Bonds Issued	2,085,611	(945,861)	1,139,750	-	1,139,750
Change in Payables	(33,372)	33,372	-	-	-
Total Other Financing Sources (Uses)	1,197,002	(57,252)	1,139,750	60,000	1,079,750
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES					
	38,496	(41,796)	(3,300)	\$ (23,100)	\$ 19,800
Fund Balance (Deficit), Beginning of Year	247,690	(146,376)	101,314		
Fund Balance (Deficit), End of Year	\$ 286,186	\$ (188,172)	\$ 98,014		

See Independent Auditors' Report.

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

Information Required by Section 31-740
Reissue Revised Statute of Nebraska, 1998

Schedule 3

June 30, 2012

Total Receipts From All Sources	\$	149,412
Amount Spent for Sewage Disposal		None
Amount Expended on Water System		None
Gross Amount of Sewage Processed		None
Cost Per Thousand Gallons of Processing Sewage		None
Amount Expended For		
Maintenance and Repair	\$	274
New Equipment		None
New Construction Work		None
Property Purchased		None
Number of Employees		None
Total Amount of Taxes Levied Upon the Property Within the District	\$	149,469

Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

District Trustees and Related Bonds

Schedule 4

June 30, 2012

<u>Trustees</u>		<u>Bonds</u>	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Paul McCune	Chairman	Western Surety Company	\$ 5,000
Sherry Huntwork	Clerk	Western Surety Company	\$ 20,000
Michael Fielder	Trustee		
Larry Sibley	Trustee		
Michelle Zimmerman	Trustee		

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

Board of Trustees
Sanitary and Improvement District No. 236 of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 236 of Sarpy County, Nebraska, as of and for the year ended June 30, 2012, which collectively comprise Sanitary and Improvement District No. 236 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated December 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 236 of Sarpy County, Nebraska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 236 of Sarpy County, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 236 of Sarpy County, Nebraska's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, as summarized below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 236 of Sarpy County, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* summarized below.

Findings and Responses

Significant Deficiency Identified:

Condition

The District's management does not have the ability to prepare its financial statements and related footnotes in conformity with accounting standards generally accepted in the United States of America.

Criteria

Internal controls should be in place that provides reasonable assurance of the District's ability to report financial information reliably in accordance with generally accepted accounting principles.

Effect

The District cannot on its own, comply with regulatory requirements to prepare annual financial statements in accordance with generally accepted accounting principles.

Response

Management has determined it would not be cost-beneficial to establish a system of internal controls that would allow the District to prepare its own financial statements. Accordingly, the District engaged the audit firm to assist in the preparation of the statements in accordance with generally accepted accounting principles.

Instances of Noncompliance Identified:

Condition

The District exceeded budgeted expenditures/expenses by approximately \$1,053,500.

Criteria

Internal controls should be in place that monitor the District's activities for consistency with budgeted amounts.

Effect

The District did not amend the budget to account for the exceeded expenditures/expenses.

Response

The District's activities were not consistent with budgeted amounts due to an unbudgeted bond refinance. The Board of Trustees will monitor the District's activities in order to effectively budget in the future.

Board of Trustees
Sanitary and Improvement District No. 236 of Sarpy County, Nebraska
Page 2

We did not audit and, accordingly, we express no opinion on the District's responses to the findings identified above.

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

Lutz & Company, P.C.

December 15, 2012

