



**SANITARY AND IMPROVEMENT  
DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**  
**(WITH INDEPENDENT AUDITOR'S REPORTS)**

**SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Sanitary and Improvement District No. 238  
of Sarpy County, Nebraska:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each fund of Sanitary and Improvement District No. 238 of Sarpy County, Nebraska (the District) 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 controls relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

***Auditor's 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant 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.

***Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the District as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity 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 Schedule 1 – Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Governmental Funds 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. Schedule 1 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 in the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Schedule 2 of Information Required by Section 31-740 of the Revised Statutes of Nebraska is presented for purposes of additional analysis and is not a required part of the financial statements. Schedule 2 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in the schedule 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 December 17, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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* in considering the District's internal control over financial reporting and compliance.

*Frankel Zacharia LLC*

December 17, 2013

**SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

**BALANCE SHEET - GOVERNMENTAL FUNDS and STATEMENT OF NET POSITION**

**JUNE 30, 2013**

	Balance Sheet - Governmental Funds			Reconciling Items (Note 2)	Statement of Net Position
	General	Debt Service	Total		
<b>ASSETS</b>					
Cash on deposit with County Treasurer	\$ 4,341	161,850	166,191	---	166,191
Property taxes receivable	24,297	48,594	72,891	---	72,891
Prepaid interest expense	---	86,305	86,305	( 78,871)	7,434
Capital assets, net of accumulated depreciation	---	---	---	2,507,596	2,507,596
<b>TOTAL ASSETS</b>	<b>\$ 28,638</b>	<b>296,749</b>	<b>325,387</b>	<b>2,428,725</b>	<b>2,754,112</b>
<b>LIABILITIES</b>					
Accounts payable	38,555	1,258	39,813	---	39,813
Warrants					
Due after one year	---	---	---	1,351,236	1,351,236
Accrued interest on warrants					
Due after one year	---	---	---	279	279
Bonds payable					
Due within one year	---	---	---	35,000	35,000
Due after one year	---	---	---	1,885,000	1,885,000
Accrued interest on bonds	---	---	---	46,754	46,754
<b>TOTAL LIABILITIES</b>	<b>38,555</b>	<b>1,258</b>	<b>39,813</b>	<b>3,318,269</b>	<b>3,358,082</b>
<b>FUND BALANCES (DEFICIT)</b>					
Fund balance restricted for debt service	---	295,491	295,491	( 295,491)	---
Fund balance (deficit) - unassigned	( 9,917)	---	( 9,917)	9,917	---
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>( 9,917)</b>	<b>295,491</b>	<b>285,574</b>	<b>( 285,574)</b>	<b>---</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 28,638</b>	<b>296,749</b>	<b>325,387</b>		
<b>NET POSITION</b>					
Net investment in capital assets				( 736,614)	( 736,614)
Restricted for debt service				169,866	169,866
Unrestricted deficit				( 37,222)	( 37,222)
<b>TOTAL NET POSITION</b>				<b>\$ ( 603,970)</b>	<b>( 603,970)</b>

SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES and STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

	Governmental Fund Revenues, Expenditures and Changes in Fund Balances			Reconciling Items (Note 2)	Statement of Activities
	General	Debt Service	Total		
<b>Revenues</b>					
Property taxes	\$ 60,300	120,600	180,900	---	180,900
Collection fees - County Treasurer	( 1,167)	( 2,321)	( 3,488)	---	( 3,488)
Delinquent tax allowance	180	( 261)	( 81)	---	( 81)
State motor vehicle allocation	106	212	318	---	318
Other	33	65	98	---	98
<b>Total revenues</b>	<b>59,452</b>	<b>118,295</b>	<b>177,747</b>	<b>---</b>	<b>177,747</b>
<b>Expenditures/expenses</b>					
Accounting and audit fees	7,505	---	7,505	---	7,505
Legal fees	20,999	3,460	24,459	---	24,459
Trustee bonds and insurance	526	---	526	---	526
Engineering fees	975	---	975	---	975
Placement fees	---	8,450	8,450	---	8,450
Broker fees	---	500	500	---	500
Street lighting	15,141	---	15,141	---	15,141
Repairs and maintenance	8,925	---	8,925	---	8,925
Depreciation	---	---	---	71,101	71,101
Street Signs	2,542	---	2,542	---	2,542
Park development fund	1,407	---	1,407	---	1,407
Debt service-					
Warrant principal	54,669	---	54,669	( 54,669)	---
Warrant interest	1,574	79,993	81,567	5,877	87,444
Bond principal	---	30,000	30,000	( 30,000)	---
Bond interest	---	94,303	94,303	( 398)	93,905
<b>Total expenditures/expenses</b>	<b>114,263</b>	<b>216,706</b>	<b>330,969</b>	<b>( 8,089)</b>	<b>322,880</b>
<b>Deficiency of revenues over expenditures/expenses</b>	<b>( 54,811)</b>	<b>( 98,411)</b>	<b>( 153,222)</b>	<b>8,089</b>	<b>( 145,133)</b>
<b>Other sources of financial resources</b>					
Warrants issued	58,615	177,451	236,066	( 236,066)	---
<b>NET CHANGE IN FUND BALANCES/NET POSITION</b>	<b>3,804</b>	<b>79,040</b>	<b>82,844</b>	<b>( 227,977)</b>	<b>( 145,133)</b>
Fund balances/Net position at beginning of year	( 13,721)	216,451	202,730	( 661,567)	( 458,837)
<b>Fund balances/Net position at end of year</b>	<b>\$ ( 9,917)</b>	<b>295,491</b>	<b>285,574</b>	<b>( 889,544)</b>	<b>( 603,970)</b>

See accompanying notes to financial statements

**SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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1. Summary of Significant Accounting and Reporting Policies

- A. Sanitary and Improvement District No. 238 of Sarpy County, Nebraska (the District) is a governmental subdivision created in 2003 with the filing of the petition and Articles of Association with the Secretary of the State of Nebraska. The District was formed for the purpose of infrastructure construction and to arrange for basic services for a residential subdivision commonly known as "Ashford Hollow" located in the vicinity of 42<sup>nd</sup> Street and Highway 370, Bellevue, Nebraska.
- B. The reporting entity includes all funds under the control of the District's Board of Trustees. Accordingly, the criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. The Board of Trustees, consisting of five members, has governance responsibilities over all activities within the jurisdiction of the District. The accompanying financial statements present the primary government unit and do not include any component units because none exist.
- C. The accounting policies of the District conform to accounting principles generally accepted in the U.S.A. (GAAP) applicable to governmental units.

The government-wide financial statements (Statement of Net Position and Statement of Activities) are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the obligations are incurred, regardless of the timing of related cash flows.

The governmental fund financial statements (Balance Sheet and Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances) use a current financial resources measurement focus and are reported using the modified accrual basis of accounting whereby revenues are recognized when susceptible to accrual, that is, when they become measurable and available. Available means collectible within the current year or soon enough thereafter (within sixty days) to be used to pay current obligations. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for debt service expenditures which are recorded only when due.

**Governmental Fund Types**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are reported in governmental funds. The measurement focus is upon determination of changes in current financial position, rather than results of operations. The following are the District's governmental fund types:

General Fund The General Fund is the main operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

Debt Service Fund The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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Continued

**SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2013**

1. Summary of Significant Accounting and Reporting Policies - Continued

D. Capital expenditures with estimated useful lives in excess of one year are recorded at cost and depreciated by the straight-line method over such lives ranging from twenty to fifty years.

	As of <u>June 30, 2012</u>	Additions	As of <u>June 30, 2013</u>
South Project	\$ 254,654	--	254,654
Water Main Extension	187,206	--	187,206
Interior Water Main Extension I	293,738	--	293,738
Underground Power Sec I	149,945	--	149,945
Raynor Parkway Bridge and Trail	374,387	--	374,387
Outfall Sanitary Sewer	124,607	--	124,607
Sanitary & Storm Sewer; Paving I	1,311,514	--	1,311,514
Ashford Hollow Park Land	87,640	--	87,640
Ashford Hollow Park Improvements	297,955	--	297,955
<b>Total</b>	<b>\$ 3,081,646</b>	<b>--</b>	<b>3,081,646</b>
<b>Less: Accumulated depreciation</b>	<b>502,949</b>	<b>71,101</b>	<b>574,050</b>
<b>Capital assets, net of accumulated depreciation</b>			<b>\$ 2,507,596</b>

Ashford Hollow Park Land is not depreciated.

E. Property taxes are levied and due December 31, based on the assessed value of property within the District the previous January. Property taxes are delinquent on April 1 (first half) and August 1 (second half). The Board of Trustees approved a tax levy of \$.90004 per \$100 of assessed value of taxable property. The 2012-2013 taxes based on that levy are as follows:

	General <u>Fund</u>	Debt Service <u>Fund</u>
Valuation of taxable property	\$ 20,099,012	20,099,012
Tax levy	.0030001	.0060003
<b>2012-2013 taxes assessed</b>	<b>\$ 60,300</b>	<b>120,600</b>

There were no delinquent taxes as of June 30, 2013.

**SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**JUNE 30, 2013**

1. Summary of Significant Accounting and Reporting Policies - Continued

F. The District follows these procedures in establishing budgets:

- i. The Board of Trustees considers a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- ii. Public hearings are conducted to obtain taxpayer comments.
- iii. The budget is legally enacted by a resolution of the Board of Trustees. The District may revise legally adopted budgets as provided by statute. Such revisions are subject to procedures similar to those stated above.
- iv. The supplementary schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds presents comparisons of the legally adopted budget with actual data on a budgetary basis. 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. A reconciliation of the differences between the methods at June 30, 2013, is presented below:

<b>Net changes in fund balances – budgetary basis</b>	<b>\$ (9,830)</b>
<b>Adjustments:</b>	
Revenue from receivables	7,031
Expenditures for payables	(662)
<u>Expenditures for prepaid interest</u>	<u>86,305</u>
<b><u>Net changes in fund balances - GAAP basis</u></b>	<b><u>\$ 82,844</u></b>

G. Preparation of financial statements often necessitates the use of accounting estimates based on considerations of past and current events and assumptions about the future. Estimates and assumptions affect the amounts reported in the statements including related disclosures. Because of the inherent uncertainties in this process, it is likely that actual results will vary from estimates.

2. Adjustments from the Balance Sheet – Governmental Funds to the Statement of Net Position are differences in modified accrual accounting used in the Balance Sheet and full accrual accounting used in the Statement of Net Position. The adjustments are summarized as follows:

Total Governmental Fund Balance	\$ 285,574
<b>ADJUSTMENTS</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,507,596
Long-term obligations (warrants, bonds and related interest) do not require the use of current financial resources and therefore are not reported as fund liabilities.	<u>(3,397,140)</u>
<b><u>Net Position of Governmental Activities</u></b>	<b><u>\$ (603,970)</u></b>

Continued

SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS – CONTINUED

JUNE 30, 2013

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2. Continued

Adjustments from the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are differences in modified accrual accounting used in the Government Funds and full accrual accounting used in the Statement of Activities. The adjustments are summarized as follows:

Net Change in Governmental Fund Balances	\$ 82,844
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ADJUSTMENTS

Investment in capital assets is reported as expenditures in the Government funds but not in the Statement of Activities. Instead, the costs are capitalized in the Statement of Net Position and allocated over estimated useful lives as depreciation expense in the Statement of Activities. This is the amount of depreciation for the current year.	(71,101)
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Issuing long-term obligations is reported as a financing source in governmental funds and thus contributes to the change in fund balance. However, issuance increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. This is the amount issued in the current year.	(236,066)
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Payment of long-term obligations is reported as expenditures in governmental funds but reduces the liability in the Statement of Net Position. This is the amount paid in the current year.	84,669
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<u>Other</u>	<u>(5,479)</u>
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<u>Change in Net Position of Governmental Activities (deficit)</u>	<u>\$ (145,133)</u>
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Continued

**SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**JUNE 30, 2013**

3. Warrants bear interest at 7% per annum from the date registered with the County Treasurer. General Fund warrants mature in three years after date of issue, five years for Debt Service Fund warrants, or earlier if called for payment. The maturity of Debt Service Fund warrants previously due in the year ending June 30, 2012 through July 21, 2015, were extended to September 1, 2015 by a District Court of Sarpy County, Nebraska decree signed on July 29, 2013, which requested extension of the maturity as the District did not have sufficient funds to retire said warrants. Warrants mature as follows:

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
2016	\$ 27,026	1,060,825	1,087,851
2017	--	85,934	85,934
2018	--	177,451	177,451
<b>Total outstanding warrants</b>	<b>\$ 27,026</b>	<b>1,324,210</b>	<b>1,351,236</b>

Warrant activity in 2013 follows:

<u>Beginning Balance</u>	<u>Warrants Issued</u>	<u>Warrants Redeemed</u>	<u>Ending Balance</u>
\$ 1,169,839	236,066	54,669	1,351,236

4. General Obligation bonds payable at June 30, 2013 consist of:

2010 Series, 2.65% - 5.35%. Interest paid semiannually on July 1 and January 1.	<u>\$ 1,920,000</u>
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The change in bonds payable during 2013 follows:

<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
\$ 1,950,000	--	30,000	1,920,000

The bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 35,000	93,507	128,507
2015	45,000	92,458	137,458
2016	55,000	90,927	145,927
2017	60,000	88,948	148,948
2018	70,000	86,607	156,607
2019-2023	500,000	378,408	878,408
2024-2028	755,000	232,498	987,498
2029-2030	400,000	32,635	432,635
<b>Total</b>	<b>\$ 1,920,000</b>	<b>1,095,988</b>	<b>3,015,988</b>

Continued

**SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**JUNE 30, 2013**

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5. 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, which risks are insured to limits considered adequate by the District. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage for the current or three prior years.
  6. The District received a request for payment of approximately \$440,000 dated October 30, 2011, from Sanitary and Improvement District No. 212 of Sarpy County, Nebraska, related to an interlocal agreement between the districts entered into in 2003. Sanitary and Improvement District No. 212 of Sarpy County, Nebraska has subsequently been annexed by the City of Bellevue. The District has not reached an opinion as to the validity or correct amount of the claim and thus the District has not recorded a liability for such as of June 30, 2013.
  7. The District financed capital improvements with warrants which mature as disclosed in Note 3. Such obligations are typically liquidated with proceeds from tax receipts or bond issuance. The current assessed value of property within the District was not sufficient to generate receipts to allow the District to meet its obligations and the due date of warrants maturing in 2012 through 2016 was extended (Note 3). The ability of the District to meet its future obligations is dependent on additional development, increased tax collections and continued extension of the maturing warrants.
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**SUPPLEMENTARY SCHEDULES**

**SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

**SCHEDULE 1 - REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS  
(NOTE 1.F.iv)**

	YEAR ENDED JUNE 30, 2013		
	(Non-GAAP)		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property taxes	\$ 180,900	173,644 (	7,256)
Collection fees - County Treasurer	( 3,515) (	3,345)	170
State motor vehicle allocation	400	318 (	82)
Other	( 1,635)	100	1,735
<b>Total revenues</b>	<b>176,150</b>	<b>170,717 (</b>	<b>5,433)</b>
<b>Expenditures</b>			
Operating expenditures	78,500	69,766	8,734
Debt service - warrant principal and interest	106,000	222,544 (	116,544)
Debt service - bond principal and interest	124,303	124,303	---
Debt service - reserve	129,000	---	129,000
<b>Total expenditures</b>	<b>437,803</b>	<b>416,613</b>	<b>21,190</b>
<b>Deficiency of revenues over expenditures</b>	<b>( 261,653) (</b>	<b>245,896)</b>	<b>15,757</b>
<b>Other financing sources</b>			
Warrants issued	159,500	236,066	76,566
<b>Deficiency of revenues and other sources over expenditures and other uses of financial resources</b>	<b>( 102,153) (</b>	<b>9,830)</b>	<b>92,323</b>
Fund balances at beginning of year	176,021	176,021	---
<b>Fund balances at end of year</b>	<b>\$ 73,868</b>	<b>166,191</b>	<b>92,323</b>

**SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

**SCHEDULE 2**

**YEAR ENDED JUNE 30, 2013**

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Information Required by Section 31-740,  
Revised Statutes of Nebraska

Gross income from all sources	\$ 181,316
Amount spent for access to the facilities and use of the services of the library system of one or more neighboring cities or villages	None
Amount spent for sewage disposal	None
Amount expended on water system and mains	None
Gross amount of sewage processed	Not applicable
Cost per thousand gallons of processing sewage	Not applicable
Amount expended for	
a. Maintenance and repairs	\$ 8,925
b. New equipment	None
c. New construction	None
d. Property purchased	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon property within the District	\$ 180,900

INDEPENDENT AUDITOR'S 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. 238  
of Sarpy County, Nebraska

We have audited, 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, the financial statements of the governmental activities and each fund of Sanitary and Improvement District No. 238 of Sarpy County, Nebraska (the District) 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, and have issued our report thereon dated December 17, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 that 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. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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*.

## **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District'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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Frankel Zacharia LLC*

December 17, 2013

**SANITARY AND IMPROVEMENT DISTRICT NO. 238  
OF SARPY COUNTY, NEBRASKA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2013**

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**SIGNIFICANT DEFICIENCY**

Financial Reporting

*Criteria:* Internal controls should be in operation that provide reasonable assurance of the District's ability to report financial data reliably in accordance with generally accepted accounting principles (GAAP).

*Condition:* The District utilizes an outside audit firm to prepare its financial statements, including footnotes.

*Cause:* The District does not have the ability to prepare financial statement, including footnotes.

*Effect:* The District, cannot on its own, comply with regulatory requirements to prepare annual financial statements in accordance with GAAP.

*Response:* The Board of Trustees has determined it is not cost-beneficial to create a system of internal control 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.