

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

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

YEAR ENDED JUNE 30, 2012

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 244
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. 244 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 244 of Sarpy County, Nebraska as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012 on our consideration of Sanitary and Improvement District No. 244 of Sarpy County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT- continued

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 244 of Sarpy County, Nebraska's basic financial statements as a whole. The other supplementary information on pages 21 through 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

HANCOCK & DANA PC

Hancock & Dana PC

Omaha, Nebraska
November 19, 2012

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA
Statement of Net Assets
June 30, 2012**

ASSETS

Cash on deposit - County Treasurer	\$ 204,328
Taxes receivable	78,566
Special assessments receivable	29,505
Interest receivable on special assessments	13,898
Capital assets, net of accumulated depreciation	1,316,176
Bond issue costs, net of accumulated amortization	249,890
Total Assets	\$ <u>1,892,363</u>

LIABILITIES

Accounts payable	20,091
Accrued interest	39,643
Noncurrent liabilities	
Warrants payable	
Due within one year	10,839
Due in more than one year	93,937
Bonds payable	
Due within one year	40,000
Due in more than one year	1,860,000
Total Liabilities	\$ <u>2,064,510</u>

NET ASSETS (DEFICIT)

Invested in capital assets, net of related debt	(333,934)
Restricted for debt service	256,475
Unrestricted	(94,688)
Total Net Assets (Deficit)	\$ <u>(172,147)</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA
Statement of Activities
For the year ended June 30, 2012**

GOVERNMENTAL ACTIVITIES:

EXPENSES - GENERAL GOVERNMENT

Professional and administrative expenses	\$ 26,504
Maintenance and street lighting	38,247
Depreciation	58,209
Amortization	14,809
Interest	119,855
	<u>257,624</u>

GENERAL REVENUES

Property taxes, net of uncollectible taxes	162,139
Interest	2,686
Miscellaneous	461
	<u>165,286</u>

Change in net assets **(92,338)**

Net assets (deficit) - beginning of year	(79,809)
Net assets (deficit) - end of year	\$ <u>(172,147)</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

**Balance Sheet
Governmental Funds
June 30, 2012**

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash on deposit - County Treasurer	\$ 3,882	\$ 200,446	\$ 204,328
Taxes receivable	28,946	49,620	78,566
Special assessments receivable	-	29,505	29,505
Total Assets	\$ 32,828	\$ 279,571	\$ 312,399
LIABILITIES			
Accounts payable	\$ 15,181	\$ 4,910	\$ 20,091
Special assessments deferred revenue	-	29,505	29,505
Total Liabilities	15,181	34,415	49,596
FUND BALANCES			
Restricted for debt service	-	245,156	245,156
Unassigned	17,647	-	17,647
Total Fund Balances	17,647	245,156	262,803
Total Liabilities and Fund Balances	\$ 32,828	\$ 279,571	\$ 312,399

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012**

Total Fund Balances - Governmental Funds	\$	262,803
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds:		
Capital assets	\$ 1,799,322	
Accumulated depreciation	<u>(483,146)</u>	1,316,176
Other assets are not financial resources and, therefore, not reported in the governmental funds:		
Bond issue costs	274,412	
Accumulated amortization	<u>(24,522)</u>	249,890
Deferred revenue on special assessments in the governmental funds has been recorded as revenue in the government-wide statements.		29,505
Interest is accrued as revenue on unpaid special assessments in the government-wide statements whereas interest on special assessments is recorded as revenue in the governmental funds when collected.		13,898
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the governmental funds:		
Bonds payable	(1,900,000)	
Warrants payable	(104,776)	
Accrued interest	<u>(39,643)</u>	<u>(2,044,419)</u>
Net Assets (Deficit) of Governmental Activities	\$	<u>(172,147)</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012**

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Taxes assessed	\$ 59,763	\$ 102,452	\$ 162,215
Interest on taxes	15	26	41
Interest on investments	-	157	157
State motor vehicle tax allocation	170	291	461
Total Revenues	59,948	102,926	162,874
EXPENDITURES			
Current:			
Clerk and trustee fees	300	-	300
Collection fees - County Treasurer	1,105	1,895	3,000
Engineering fees	4,596	-	4,596
Financing and paying agent fees	2,008	1,250	3,258
Insurance	4,386	-	4,386
Professional fees	15,559	-	15,559
Repairs and maintenance	16,883	-	16,883
Street lighting	16,768	-	16,768
Uncollectible taxes	29	47	76
Debt service:			
Warrant principal payments	53,812	-	53,812
Warrant interest payments	5,813	-	5,813
Bond principal payments	-	55,000	55,000
Bond interest payments	-	132,162	132,162
Bond issue costs	-	46,660	46,660
Total Expenditures	121,259	237,014	358,273
Excess of revenues under expenditures	(61,311)	(134,088)	(195,399)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of bonds	-	700,000	700,000
Payments on bonds refunded	-	(1,240,000)	(1,240,000)
Proceeds from issuance of warrants	41,679	-	41,679
Total Other Financing Sources (Uses)	41,679	(540,000)	(498,321)
Net change in fund balances	(19,632)	(674,088)	(693,720)
Fund balances - beginning of year	37,279	919,244	956,523
Fund balances - end of year	\$ 17,647	\$ 245,156	\$ 262,803

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the year ended June 30, 2012**

Net Change in Fund Balances - Total Governmental Funds **\$ (693,720)**

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

Governmental funds report capital outlays, net of refunds, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays, net of refunds, in the current year. (58,209)

Repayment of principal on noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net assets, the repayment reduces long-term liabilities.

Bond principal payments	55,000
Warrant principal payments	53,812

Proceeds from issuance of warrants are reported as an other financing source in the governmental funds. In the statement of net assets, the proceeds increase long-term liabilities. This is the amount of proceeds in the current year. (41,679)

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

Proceeds from issuance of bonds	(700,000)
Bond issue costs	46,660

The payments on bonds refunded are reported as an other financing use in the governmental funds. In the statement of net assets, the payments reduce noncurrent liabilities. This is the amount of payments in the current year. 1,240,000

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses consist of:

Amortization of bond issue costs	(14,809)
Change in accrued interest	18,119

Collections on special assessments and interest thereon have been reported as revenues in the governmental funds but are reported as decreases in receivables in the statement of net assets. This is the amount of the change in accrued interest thereon. 2,488

Change in Net Assets of Governmental Activities **\$ (92,338)**

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 244 of Sarpy County, Nebraska comply with the rules and regulations of the State of Nebraska, and conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

DEFINITION OF DISTRICT – The District is a governmental subdivision created with the filing of the Petition and Articles of Association with the Secretary of State, State of Nebraska. The District was formed for the purpose of installing sewers, water, and public road systems within the District and contracting for water, fire protection, and lighting for roads. The District is located in Sarpy County and is commonly known as Edgewater on the Park.

REPORTING ENTITY – The Board of Trustees has governance responsibilities over all activities related to public improvements within the jurisdiction of the District. The accompanying financial statements present the District's primary government unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District including budget adoption, taxing authority, funding, and appointment of the respective governing board.

The Sarpy County Treasurer is the ex-officio treasurer of the District. All cash transactions and funds are required to be administered and recorded by the County Treasurer.

BASIS OF PRESENTATION – The basic financial statements of the District include the government-wide and the fund financial statements.

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities, which report financial information for all nonfiduciary activities of the District. Individual funds are not displayed and internal activity between or within funds are eliminated. Governmental activities include programs supported primarily by taxes and other intergovernmental revenue. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The following is a description of the District's two governmental funds:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

In the governmental fund financial statements, the funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred except for debt service expenditures and other long-term liabilities, which are recorded only when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as an other financing source in governmental funds.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue criteria are met, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

INVESTMENTS – Investments are stated at amortized cost, which approximates market. Premiums or discounts on investments are amortized on the straight-line method from date of purchase to date of maturity.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CAPITAL ASSETS – Within the government-wide financial statements, capital assets, including primarily infrastructure, are recorded at historical cost. The District defines capital assets as assets with an individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives in the government-wide statements.

The estimated useful lives are as follows:

Electrical & Water Distribution Systems	25 years
Sanitary Sewer	25 years
Storm Sewer	25 years
Concrete Paving	40 years
Miscellaneous Infrastructure	25 years

RISK MANAGEMENT – The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased a commercial general liability insurance policy and bonds on its chairman and clerk to minimize the adverse effects of certain types of losses. There have been no significant reductions in insurance coverage and no significant claims or settlements for the current year or the three prior years. The District has retained the risk of loss for property damage to its public improvements.

CREDIT RISK – Receivables for property taxes and special assessments are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

AMORTIZATION – Bond issue costs are amortized over the term of the bonds (14 – 25 years) using the straight-line method in the government-wide financial statements. The amount of bond issue costs presented in the government-wide financial statements is net of accumulated amortization of \$24,522 at June 30, 2012. Bond issue costs are recorded as expenditures in the governmental funds.

USE OF ESTIMATES – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

SUBSEQUENT EVENTS – The District has evaluated subsequent events through November 19, 2012, the date which the financial statements were available to be issued.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE B – INVESTMENTS

The District is allowed to invest funds as permitted by Nebraska Statutes and allowable investments generally include U.S. government obligations, certificates of deposit and time deposits. During the year ended June 30, 2012, the District invested only in U.S. Treasury Bills. The District does not have a formal investment policy in place. All investment activities are conducted through the County Treasurer and investments are held in the County's name.

At June 30, 2012, the District held no investments and, accordingly, was not subject to interest rate risk or custodial credit risk as of that date.

NOTE C – SPECIAL ASSESSMENTS

SPECIAL ASSESSMENT LEVY OF APRIL 1, 2004 – Special assessments in the amount of \$1,064,279 were levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments through April, 2014 and bear interest at 7% per annum until delinquent and 9% per annum thereafter until paid.

NOTE D – CAPITAL ASSETS

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

	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Governmental Activities:				
Depreciable Capital Assets:				
Electrical & Water Distribution				
Systems	\$ 236,330	\$ -	\$ -	\$ 236,330
Sanitary Sewer	168,021	-	-	168,021
Storm Sewer	128,956	-	-	128,956
Concrete Paving	400,149	-	-	400,149
Miscellaneous Infrastructure (Principally Engineering, Legal and Financing Fees	671,846	-	-	671,846
	<u>1,605,302</u>	<u>-</u>	<u>-</u>	<u>1,605,302</u>
Accumulated Depreciation:				
Electrical & Water Distribution				
Systems	72,696	9,453	-	82,149
Sanitary Sewer	52,088	6,721	-	58,809
Storm Sewer	38,685	5,158	-	43,843
Concrete Paving	70,866	10,004	-	80,870
Miscellaneous Infrastructure	190,602	26,873	-	217,475
	<u>424,937</u>	<u>58,209</u>	<u>-</u>	<u>483,146</u>
Net Depreciable Capital Assets	<u>1,180,365</u>	<u>(58,209)</u>	<u>-</u>	<u>1,122,156</u>
Non-depreciable Capital Assets:				
Capital Facilities Charges	156,187	-	-	156,187
Park Land	37,833	-	-	37,833
	<u>194,020</u>	<u>-</u>	<u>-</u>	<u>194,020</u>
Capital Assets, net	<u>\$ 1,374,385</u>	<u>\$ (58,209)</u>	<u>\$ -</u>	<u>\$ 1,316,176</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE E –WARRANTS PAYABLE

Debt service fund warrants are due 5 years from the date of issuance. Warrants registered with the County bear interest at 7% per annum. Interest accrues on the warrants from the date of registration to the date they are called for payment.

The summary of debt service fund warrant activity is as follows:

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

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

NOTE F – NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES

WARRANTS PAYABLE

General fund warrants are due 3 years from the date of issuance. Warrants registered with the County bear interest at 7% per annum. Interest accrues on the warrants from the date of registration to the date they are called for payment.

The summary of warrant activity is as follows:

Balance Outstanding, June 30, 2011	\$ 116,909
Warrants Issued	41,679
Warrant Principal Payments	<u>(53,812)</u>
Balance Outstanding, June 30, 2012	<u>\$ 104,776</u>

Warrants are scheduled to mature as follows:

Fiscal Year Ending June 30, 2013	\$ 10,839
June 30, 2014	52,258
June 30, 2015	<u>41,679</u>
	<u>\$ 104,776</u>

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE F – NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES – Continued

BONDS PAYABLE

BOND ISSUE OF AUGUST 1, 2006 – The \$1,500,000 “General Obligation Bonds, Series 2006 bond issue” was scheduled to mature in annual increments of \$55,000 - \$115,000 through August 1, 2026. Interest was payable semi-annually each February 1 and August 1 until maturity at a rate of 4.35% graduating to 5.05% depending on maturity date. These bonds were called for payment on March 15, 2012 with the issuance of bonds on that date, as described below.

BOND ISSUE OF AUGUST 1, 2008 – The \$1,200,000 “General Obligation Bonds, Series 2008 bond issue” is scheduled to mature in annual increments of \$10,000 - \$180,000, commencing August 1, 2013, through August 1, 2033. At June 30, 2012, the outstanding balance was \$1,200,000. Bonds bear interest payable semi-annually each August 1 and February 1 until maturity at a rate of 4.05% graduating to 5.50% depending on maturity date.

Bonds maturing August 1, 2014 through August 1, 2033, inclusive, are subject to redemption in whole or in part, prior to maturity at the option of the District at anytime on or after August 1, 2013, at par plus accrued interest thereon to the date set for redemption, with no redemption premium.

BOND ISSUE OF MARCH 15, 2012 – The \$700,000 “Series 2012 Refunding Bond Issue” is scheduled to mature in annual increments of \$40,000 - \$65,000, commencing March 15, 2013, through March 15, 2026. At June 30, 2012, the outstanding balance was \$700,000. Bonds bear interest payable semi-annually each March 15 and September 15 until maturity at a rate of 1.20% graduating to 3.50% depending on maturity date.

Bonds maturing March 15, 2018 through March 15, 2026, inclusive, are subject to redemption in whole or in part, prior to maturity at the option of the District at anytime on or after March 15, 2017, at par plus accrued interest thereon to the date set for redemption, with no redemption premium.

The purpose of the bond issue was to provide funds to redeem outstanding 2006 bonds and to pay for the costs and expenses of issuance and sale. The refunding will result in a decrease in total debt service payments over the next fourteen years of approximately \$290,000 and an economic gain (difference between the present value of the old and new debt service payments) of approximately \$53,000.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE F – NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES – Continued

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

Balance Outstanding, June 30, 2011	\$ 2,495,000
Proceeds from the Issuance of Bonds	700,000
Payments on Bonds Refunded	(1,240,000)
Bond Principal Payments	<u>(55,000)</u>
Balance Outstanding, June 30, 2012	<u>\$ 1,900,000</u>

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

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
June 30, 2013	\$ 40,000	\$ 82,098	\$ 122,098
June 30, 2014	60,000	81,415	141,415
June 30, 2015	40,000	80,537	120,537
June 30, 2016	55,000	79,723	134,723
June 30, 2017	55,000	78,520	133,520
June 30, 2018-2022	295,000	370,295	665,295
June 30, 2023-2027	285,000	317,475	602,475
June 30, 2028-2032	720,000	197,956	917,956
June 30, 2033-2034	<u>350,000</u>	<u>19,525</u>	<u>369,525</u>
	<u>\$ 1,900,000</u>	<u>\$ 1,307,544</u>	<u>\$ 3,207,544</u>

NOTE G – PROPERTY TAXES

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. The first half payment becomes delinquent April 1 of the following year and the second half payment becomes delinquent August 1 of the following year. The Sarpy County Treasurer bills and collects all property taxes for the District.

The District has levied taxes for the year ended June 30, 2012 as follows:

	<u>DEBT SERVICE</u>		
<u>GENERAL FUND</u>	<u>FUND</u>	<u>ASSESSED</u>	<u>TAXES</u>
(Cents per \$100 Valuation)		<u>VALUATION</u>	<u>LEVIED</u>
35.00	60.00	\$ 17,075,283	\$ 162,215

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE H – FUND BALANCES - GOVERNMENTAL FUNDS

Fund balances of the governmental funds are classified as follows:

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

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

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.

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA
Required Supplementary Information - Unaudited
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the year ended June 30, 2012**

	<u>Budget - Original/ Final</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes assessed	\$ 58,055	\$ 55,259	\$ (2,796)
Interest on taxes	-	15	15
Property tax credit	-	1,593	1,593
State motor vehicle tax allocation	200	170	(30)
Total Revenues	<u>58,255</u>	<u>57,037</u>	<u>(1,218)</u>
EXPENDITURES			
Current:			
Clerk and trustee fees	1,200	329	871
Collection fees - County Treasurer	1,138	1,106	32
Engineering fees	5,000	3,671	1,329
Financing and paying agent fees	4,850	2,008	2,842
Insurance	6,000	-	6,000
Professional fees	16,800	15,530	1,270
Repairs and maintenance	30,000	8,573	21,427
Street lighting	17,000	11,568	5,432
	<u>81,988</u>	<u>42,785</u>	<u>39,203</u>
Debt service:			
Warrant principal payments	50,000	53,812	(3,812)
Warrant interest payments	5,000	5,813	(813)
	<u>55,000</u>	<u>59,625</u>	<u>(4,625)</u>
Total Expenditures	<u>136,988</u>	<u>102,410</u>	<u>34,578</u>
Excess of revenues under expenditures	<u>(78,733)</u>	<u>(45,373)</u>	<u>33,360</u>
OTHER FINANCING SOURCES			
Issuance of warrants	80,850	41,679	(39,171)
	<u>80,850</u>	<u>41,679</u>	<u>(39,171)</u>
Net change in fund balances	2,117	(3,694)	(5,811)
Fund balances - beginning of year	7,576	7,576	-
Fund balances - end of year	<u>\$ 9,693</u>	<u>\$ 3,882</u>	<u>\$ (5,811)</u>

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA
Required Supplementary Information - Unaudited
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Debt Service Fund
For the year ended June 30, 2012**

	<u>Budget - Original/ Final</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes assessed	\$ 99,525	\$ 94,730	\$ (4,795)
Interest on taxes	-	26	26
Special assessments	10,000	-	(10,000)
Interest on investments	1,000	389	(611)
Interest on special assessments	5,000	-	(5,000)
Property tax credit	-	2,731	2,731
State motor vehicle tax allocation	300	291	(9)
Total Revenues	<u>115,825</u>	<u>98,167</u>	<u>(17,658)</u>
EXPENDITURES			
Current:			
Collection fees - County Treasurer	2,252	1,895	357
Pay agent fees	-	1,000	(1,000)
	<u>2,252</u>	<u>2,895</u>	<u>(643)</u>
Debt service:			
Bond issue costs	-	42,000	(42,000)
Bond interest payments	124,904	132,162	(7,258)
Bond principal payments	55,000	1,295,000	(1,240,000)
Warrant principal payments	-	1,000	(1,000)
	<u>179,904</u>	<u>1,470,162</u>	<u>(1,290,258)</u>
Total expenditures	<u>182,156</u>	<u>1,473,057</u>	<u>(1,290,901)</u>
Excess of revenues under expenditures	<u>(66,331)</u>	<u>(1,374,890)</u>	<u>(1,308,559)</u>
OTHER FINANCING SOURCES			
Proceeds from issuance of bonds	-	700,000	700,000
Issuance of warrants	-	1,000	1,000
	<u>-</u>	<u>701,000</u>	<u>701,000</u>
Net change in fund balances	(66,331)	(673,890)	(607,559)
Fund balances - beginning of year	874,336	874,336	-
Fund balances - end of year	<u>\$ 808,005</u>	<u>\$ 200,446</u>	<u>\$ (607,559)</u>

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

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

FOR THE YEAR ENDED JUNE 30, 2012

BUDGETS AND BUDGETARY ACCOUNTING

The District is required to adopt an annual operating budget for all the funds over which the District controls. Budgets are adopted by the District for the general and debt service funds. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles (GAAP). Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed to have been made when warrants are issued. Accordingly, adjustments are necessary to convert the revenues and expenditures as reported on the governmental fund statements to the budgetary basis for comparison with budgetary data in the accompanying schedules of revenues, expenditures and changes in fund balances - budget and actual. Fund balance on the budgetary basis consists of cash on deposit with the County Treasurer and the original purchase cost of investments. Encumbrance accounting is not used by the District.

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

- 1) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- 2) Notice of place and time of public hearings must be published prior to the public hearings.
- 3) Public hearings are conducted to obtain taxpayer comment.
- 4) After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts in accordance with the Nebraska Budget Act.
- 5) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- 6) Appropriations lapse at year-end, however, the Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2012.

In fiscal 2012, the District incurred debt service fund expenditures of approximately \$1,290,900 in excess of those budgeted for this fund. Total expenditures for the general fund and debt service fund exceeded those budgeted for both funds by approximately \$1,256,300. The budget was not amended to include these additional expenditures.

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

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

FOR THE YEAR ENDED JUNE 30, 2012

RECONCILIATION OF BUDGET BASIS TO GAAP

A reconciliation for the year ended June 30, 2012, which discloses the nature and amount of adjustments necessary to convert the budgetary basis to a GAAP basis, is presented below:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Net change in fund balances:		
Balance on a budgetary basis	\$ (3,694)	\$ (673,890)
Adjustments:		
Revenue for receivables	2,882	4,712
Expenditures for payables	<u>(18,820)</u>	<u>(4,910)</u>
Balance on a GAAP basis	<u>\$ (19,632)</u>	<u>\$ (674,088)</u>

OTHER SUPPLEMENTARY INFORMATION

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2012

Issue date: August 1, 2008

Optional call date: August 1, 2013

<u>BOND NUMBERS</u>	<u>INTEREST RATES</u>	<u>MATURITY DATES</u>	<u>AMOUNT</u>
1 – 2	4.05%	August 1, 2013	\$ 10,000
3 – 4	4.30%	August 1, 2015	10,000
5 – 6	4.45%	August 1, 2016	10,000
7 – 8	4.60%	August 1, 2017	10,000
9 – 10	4.70%	August 1, 2018	10,000
11 – 12	4.80%	August 1, 2019	10,000
13 – 14	4.90%	August 1, 2020	10,000
15 – 16	5.00%	August 1, 2021	10,000
17 – 18	5.05%	August 1, 2022	10,000
19 – 20	5.05%	August 1, 2023	10,000
21 – 22	5.10%	August 1, 2024	10,000
23 – 24	5.15%	August 1, 2025	10,000
25 – 26	5.20%	August 1, 2026	10,000
27 – 52	5.30%	August 1, 2027	130,000
53 – 79	5.35%	August 1, 2028	135,000
80 – 108	5.40%	August 1, 2029	145,000
109 – 138	5.45%	August 1, 2030	150,000
139 – 170	5.45%	August 1, 2031	160,000
171 – 204	5.50%	August 1, 2032	170,000
205 – 240	5.50%	August 1, 2033	180,000
			<u>1,200,000</u>
		From Page 22	<u>700,000</u>
			<u>\$ 1,900,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2012

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

<u>BOND NUMBERS</u>	<u>INTEREST RATES</u>	<u>MATURITY DATES</u>	<u>AMOUNT</u>
1 – 8	1.20%	March 15, 2013	\$ 40,000
9 – 18	1.35%	March 15, 2014	50,000
19 – 26	1.50%	March 15, 2015	40,000
27 – 35	1.70%	March 15, 2016	45,000
36 – 44	1.85%	March 15, 2017	45,000
45 – 53	2.05%	March 15, 2018	45,000
54 – 62	2.40%	March 15, 2019	45,000
63 – 72	2.75%	March 15, 2020	50,000
73 – 82	2.90%	March 15, 2021	50,000
83 – 93	3.10%	March 15, 2022	55,000
94 – 104	3.20%	March 15, 2023	55,000
105 – 115	3.30%	March 15, 2024	55,000
116 – 127	3.40%	March 15, 2025	60,000
128 – 140	3.50%	March 15, 2026	<u>65,000</u>
		To Page 21	\$ <u>700,000</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

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

JUNE 30, 2012

Gross income from all sources	\$ 165,286
Amount spent for access to facilities and use of services of library system of neighboring cities and villages	None
Amount spent for sewage disposal	None
Amount expended on water mains	None
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for:	
a. Maintenance and repair	\$ 16,883
b. New equipment	None
c. New construction work	None
d. Property purchased	None
Number of employees	One
Salaries and fees paid employees	\$ 300
Total amount of taxes levied upon property within the District	\$ 162,215

**SANITARY AND IMPROVEMENT DISTRICT NO. 244
OF SARPY COUNTY, NEBRASKA**

TRUSTEES AND RELATED BONDS

JUNE 30, 2012

TRUSTEES		BONDS	
<u>NAME</u>	<u>OFFICE</u>	<u>INSURER</u>	<u>AMOUNT</u>
Tom Falcone	Chairman	Universal Surety Company	\$ 5,000
Juanda Falcone	Clerk	Universal Surety Company	\$ 20,000
Elizabeth Thomas	Trustee	None	
Howard Munshaw	Trustee	None	
Sarah Falcone	Trustee	None	

HANCOCK & DANA PC

ACCOUNTANTS & CONSULTANTS

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SUITE 100

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Sanitary and Improvement District No. 244
of Sarpy County, Nebraska

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 244 of Sarpy County, Nebraska, as of and for the year ended June 30, 2012, which collectively comprise Sanitary and Improvement District No. 244 of Sarpy County's basic financial statements 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

Management of Sanitary and Improvement District No. 244 of Sarpy County, Nebraska is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sanitary and Improvement District No. 244 of Sarpy County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 244 of Sarpy County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 244 of Sarpy County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS - Continued**

Preparation of Financial Statements

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Sanitary and Improvement District No. 244 of Sarpy County's response to this finding is that the aforementioned circumstance is not unusual in a governmental entity of their size and that the costs of correcting this deficiency would exceed the benefits to be derived therefrom. The District's management has also informed us that they are willing to accept the degree of risk associated with this condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 244 of Sarpy County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below:

Budget Violation

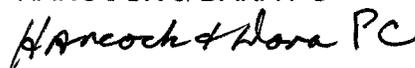
The District exceeded budgeted general fund and debt service fund expenditures by approximately \$1,256,300 without amending the budget.

Sanitary and Improvement District No. 244 of Sarpy County's response to this finding is that management of the District believes that this instance of noncompliance resulted from unanticipated events that occurred subsequent to the adoption of the budget and that future expenditures will be more closely monitored to prevent the reoccurrence of this budget violation.

Sanitary and Improvement District No. 244 of Sarpy County's responses to the findings identified in our audit are described above. We did not audit Sanitary and Improvement District No. 244 of Sarpy County's responses and, accordingly, we express no opinion on them.

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

HANCOCK & DANA PC



Omaha, Nebraska
November 19, 2012