



**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

**ANNUAL FINANCIAL STATEMENTS AND
ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS**

JUNE 30, 2010

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

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December 16, 2010

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
**Sanitary and Improvement District No. 246 of
Sarpy County, Nebraska**

We have audited the accompanying financial statements of the governmental activities and each fund of Sanitary Improvement District No. 246 of Sarpy County, Nebraska (the "District"), as of June 30, 2010 and for the year then ended, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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.

As described in Note 1, the financial statements were prepared on a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the governmental activities and each fund of the District as of June 30, 2010 and the respective receipts and disbursements arising from cash transactions for the year then ended on the cash basis of accounting described in Note 1, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010 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 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.

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

The Budgetary Comparison Schedules and Note on pages 12 - 14 are not a required part of the basic financial statements, but are 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 do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information included on pages 15 - 18 are presented for purpose of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Orizon CPAs LLC
ORIZON CPAs LLC

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

STATEMENT OF NET ASSETS - CASH BASIS

JUNE 30, 2010

ASSETS		<u>Governmental Activities</u>
Cash with County Treasurer		\$ 195,510
Investments with County Treasurer		<u>69,938</u>
TOTAL ASSETS		<u>\$ 265,448</u>
NET ASSETS		
Restricted:		
Debt service		\$ 256,674
Unrestricted		<u>8,774</u>
TOTAL NET ASSETS		<u>\$ 265,448</u>

See Notes to Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

STATEMENT OF ACTIVITIES - CASH BASIS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	<u>Cash Disbursements</u>	<u>Program Cash Receipts Capital Grants and Contributions</u>
Governmental activities:			
General services	\$ (225,071)	\$ (225,071)	
Capital improvements	(214,948)	(292,939)	\$ 77,991
Interest on indebtedness	(358,899)	(358,899)	
Net program (disbursements) receipts	<u>(798,918)</u>	<u>\$ (876,909)</u>	<u>\$ 77,991</u>
General receipts:			
Property taxes	104,713		
Intergovernmental	400		
Interest on taxes and assessments	25,300		
Investment earnings	2,369		
Issuance of debt, net	794,065		
Other	8,170		
Total general receipts	<u>935,017</u>		
Increase in net assets	136,099		
Net assets - beginning of year	<u>129,349</u>		
Net assets - end of year	<u>\$ 265,448</u>		

See Notes to Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

**STATEMENT OF FUND BALANCES AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Debt Service Fund	Total Government Funds
RECEIPTS:			
Property taxes	\$ 70,866	\$ 33,847	\$ 104,713
State motor vehicle tax allocation	254	146	400
Interest on investments		2,369	2,369
Interest on special assessments		25,300	25,300
Special assessments		77,991	77,991
Miscellaneous	3,944	4,226	8,170
Total receipts	75,064	143,879	218,943
DISBURSEMENTS:			
Audit and budget fees	6,286		6,286
Collection fees - County Treasurer	1,417	2,743	4,160
Electricity	11,489		11,489
Engineering fees	2,220		2,220
Insurance and bonds	3,194		3,194
Legal fees	6,000		6,000
Capital outlay	80,158	212,781	292,939
Fiscal fees		21,569	21,569
Interest expense - bonds		81,781	81,781
Interest expense - warrants	2,903	274,215	277,118
Repairs and maintenance - streets	450		450
Repairs and maintenance - grounds	8,828		8,828
Signs	960		960
Bond issue costs		158,750	158,750
Publication, postage, and copying	1,165		1,165
Total disbursements	125,070	751,839	876,909
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(50,006)	(607,960)	(657,966)
OTHER FINANCING SOURCES AND USES:			
Bond proceeds		3,175,000	3,175,000
Warrants issued current year unpaid	64,385	447,707	512,092
Warrants issued prior years paid	(21,556)	(2,871,471)	(2,893,027)
Total other financing sources and uses	42,829	751,236	794,065
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	(7,177)	143,276	136,099
FUND BALANCE - beginning of year	15,951	113,398	129,349
FUND BALANCE - end of year	\$ 8,774	\$ 256,674	\$ 265,448
FUND BALANCE - CASH BASIS:			
Cash with County Treasurer	\$ 8,774	\$ 186,736	\$ 195,510
Investments with County Treasurer		69,938	69,938
TOTAL FUND BALANCE - CASH BASIS - JUNE 30, 2010	\$ 8,774	\$ 256,674	\$ 265,448

See Notes to Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sanitary and Improvement District No. 246 of Sarpy County, Nebraska (the "District") is a governmental subdivision authorized in 2003 under the statutes of the State of Nebraska. It was formed for the purposes of installation and maintenance of street and utility systems and contracting for lighting for public roads.

Except for the use of the cash basis of accounting as discussed below, the District complies with accounting principles generally accepted in the United States of America ("GAAP"). The District's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements and applicable Financial Accounting Standards Board ("FASB") and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. Governments have the option of following subsequently issued FASB statements subject to this same limitation. The District has elected not to follow the subsequently issued FASB statements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

The District's financial statements are presented as the primary government and include all departments and activities for which the District is financially accountable. The District has determined that there are no potential component units that meet the criteria for inclusion in the financial statements.

Basis of Presentation - Fund Accounting

Government-wide Financial Statements – Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis display information about the reporting government as a whole. They include all funds of the reporting entity. The statements present the District's financial statements as governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Alternatively, business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not operate any business-type activities.

Fund Financial Statements – Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, receipts and disbursements. The District only has governmental funds. The District currently has no fiduciary or proprietary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District, meets specific mathematical criteria set forth by GASB or is identified as a major fund by the District's management. All of the District's funds meet the criteria of a major fund.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation - Fund Accounting, Continued

The governmental funds of the reporting entity are described below:

General Fund – This fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financing resources except those required to be accounted for in other funds.

Debt Service Fund – This fund is used to account for infrastructure related capital asset acquisition and development and the accumulation of resources for the payment of general long-term obligations, interest and related costs.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

In both the government-wide financial statements and the fund financial statements, the governmental activities are presented using a cash basis measurement focus. Their reported net assets/fund balance is considered a measure of “available cash and investments.” The operating statements focus on cash received and cash disbursed.

Basis of Accounting

In the government-wide and the fund financial statements, the District prepares its financial statements using the cash basis of accounting. Accordingly, revenues are recognized when cash is received by the District and expenditures are recognized when cash is disbursed. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

This basis of accounting is applied to all transactions, including the disbursements for capital assets, receipt of proceeds from issuance of debt and the retirement of debt.

Investments

Investments are stated at cost, which approximates fair value. Additional cash and investment disclosures are presented in Note 3.

Long-term Debt

Long-term debt arising from cash transactions for governmental funds is not reported as a liability in the government-wide or fund financial statements. The debt proceeds are, instead, reported as other financing receipts and payment of principal and interest reported as cash disbursements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classification

Government-wide Financial Statements:

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups, such as creditors, grantors, contributors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the District's policy to use restricted net assets, first, prior to the use of unrestricted net assets, when a disbursement is made for purposes in which both restricted and unrestricted net assets are available.

Fund Financial Statements:

Governmental fund equity is reported as fund balance within each respective fund.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Government-wide Financial Statements:

Amounts reported in the fund financial statements as interfund receivables and payables, if any, would be eliminated in the governmental activities column of the Statement of Net Assets.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental fund category is reported as follows in the fund financial statements:

- a. Interfund loans – amounts provided with a requirement for repayment are reported as interfund receivables and payables. The District has no such interfund balances as of June 30, 2010.
- b. Interfund reimbursements – repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- c. Interfund transfers – flow of assets from one fund to another where repayment is not expected are reported as cash receipts and disbursements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

2. BUDGET PROCESS AND PROPERTY TAXES

The District is required by state law to adopt annual budgets for the General Fund and Debt Service Fund. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

State Statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditures and/or tax levy limitations.

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

- a. 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.
- b. Public hearings are conducted at a public meeting to obtain taxpayer comments.
- c. Prior to September 20, the budget is legally enacted by a resolution of the Board of Trustees.
- d. An encumbrance system is not used by the District and all appropriations lapse at the end of the fiscal year.
- e. The budget is adopted on a per-fund basis and all adjustments or supplemental appropriations must be approved by the Board of Trustees. No such adjustments or supplemental appropriations were made to the 2009-2010 budget.

The property tax requirement resulting from the budget process is utilized to establish the tax levy in accordance with State statutes, which tax levy attaches as an enforceable lien on property within the District as of December 31. Taxes are due as of that date. One-half of the real estate taxes become delinquent after the following April 1, with the second one-half becoming delinquent after August 1. The District levied taxes for 2009-2010 at the rate of \$.750000 per \$100 on an estimated property valuation of \$18,437,750.

3. DEPOSITS

Deposit risks include:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the District will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposits, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

The District has not adopted specific policies for the above risks, but requires compliance with the provisions of state statutes.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

3. DEPOSITS AND INVESTMENTS, CONTINUED

According to State statutes, Sanitary and Improvement Districts are required to maintain their cash with the County Treasurer. At June 30, 2010, the county treasurer has represented to the District that the District's cash maintained by the county treasurer is insured or collateralized in the County Treasurer's name.

The District may by State statute invest in U.S. Government obligations, certificates of deposit and other time deposits. The District's investments of \$69,938 consist primarily of U.S. Treasury Bills with an original maturity of less than one year. As of June 30, 2010, all of the District's investments were uninsured and unregistered investments for which the securities were held by the County Treasurer in the District's name.

4. SPECIAL ASSESSMENTS

Special assessments for infrastructure and capital improvements were levied on July 14, 2005, in the amount of \$1,487,221, and are due in 10 annual installments. Interest is at 7.0% per annum until delinquent and 9.0% per annum when delinquent. As of June 30, 2010, the balance still due was \$1,087,515. Special assessment collections during the year were \$77,991.

Special assessments for infrastructure and capital improvements were levied on July 15, 2009, in the amount of \$1,147,221 and are due in 10 annual installments. Interest is at 7.5% per annum until delinquent and 9.5% per annum when delinquent. As of June 30, 2010, the outstanding balance was \$1,147,221.

5. LONG-TERM DEBT

The following general obligation bond issue is outstanding at June 30, 2010:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2010</u>
August 15, 2009	2.00 to 5.90%		\$3,175,000		\$3,175,000

Aggregate principal and interest payments applicable to the District's bond issue subsequent to June 30, 2010 are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 45,000	\$ 163,112	\$ 208,112
2012	50,000	162,075	212,075
2013	60,000	160,693	220,693
2014	65,000	158,923	223,923
2015	75,000	156,635	231,635
2016-2020	545,000	724,539	1,269,539
2021-2025	980,000	537,138	1,517,138
2026-2030	<u>1,355,000</u>	<u>210,482</u>	<u>1,565,482</u>
TOTAL	<u>\$3,175,000</u>	<u>\$2,273,597</u>	<u>\$5,448,597</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED

6. OUTSTANDING WARRANTS

General fund warrants are due three years from the date of issuance. Long-term construction fund warrants are due five years from the date of issuance. Registered warrants bear interest at 7% per year. As of June 30, 2010, all warrants were registered.

A schedule of maturity dates, principal and interest due is presented below:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 242,372	\$280,118	\$ 522,490
2012	248,161	221,152	469,313
2013	1,447,188	187,116	1,634,304
2014	1,065,206	65,392	1,130,598
2015	<u>447,707</u>	<u>17,512</u>	<u>465,219</u>
TOTAL	<u>\$3,450,634</u>	<u>\$771,290</u>	<u>\$4,221,924</u>

7. COMMITMENTS AND CONCENTRATIONS

As of June 30, 2010, the District had two major taxpayers that own approximately 43% and 7% of the District's taxable value, respectively.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors or omissions, injuries or natural disasters. These risks are transferred to independent issuance carriers and no self-insurance program is maintained by the District. District management believes adequate coverage exists for potential exposures as of June 30, 2010. There have been no claims that have exceeded this coverage for any of the past three years.

9. EXCESS OF DISBURSEMENTS OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

The General Fund had disbursements in excess of appropriations totaling \$56,245 as a result of capital improvements that were not budgeted. Debt Service Fund had disbursements in excess of appropriations totaling \$48,130 due to capital improvements exceeding the budgeted disbursements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS:			
Property taxes	\$ 64,532	\$ 70,866	\$ 6,334
State motor vehicle tax allocation	200	254	54
Miscellaneous	<u> </u>	<u>3,944</u>	<u>3,944</u>
Total receipts	<u>64,732</u>	<u>75,064</u>	<u>10,332</u>
DISBURSEMENTS:			
Audit and budget fees	8,500	6,286	2,214
Collection fees - County Treasurer	1,265	1,417	(152)
Electricity	15,000	11,489	3,511
Engineering fees	1,000	2,220	(1,220)
Insurance and bonds	2,800	3,194	(394)
Legal fees	6,000	6,000	
Capital outlay		80,158	(80,158)
Warrant interest expense	1,260	2,903	(1,643)
Repairs and maintenance - streets		450	(450)
Repairs and maintenance - grounds	25,000	8,828	16,172
Signs	5,000	960	4,040
Publication, postage, and copying		1,165	(1,165)
Miscellaneous	<u>3,000</u>	<u> </u>	<u>3,000</u>
Total disbursements	<u>68,825</u>	<u>125,070</u>	<u>(56,245)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>(4,093)</u>	<u>(50,006)</u>	<u>(45,913)</u>
OTHER FINANCING SOURCES AND USES:			
Warrants issued current year unpaid	18,000	64,385	46,385
Warrants issued prior years paid	<u>(21,556)</u>	<u>(21,556)</u>	
Total other financing sources and uses	<u>(3,556)</u>	<u>42,829</u>	<u>46,385</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	<u>\$ (7,649)</u>	<u>(7,177)</u>	<u>\$ 472</u>
FUND BALANCE - beginning of year		<u>15,951</u>	
FUND BALANCE - end of year		<u>\$ 8,774</u>	

See Note to Required Supplementary Information.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

BUDGETARY COMPARISON SCHEDULE - CASH BASIS - DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
RECEIPTS:			
Property taxes	\$ 73,751	\$ 33,847	\$ (39,904)
State motor vehicle tax allocation		146	146
Special assessments and interest	128,198	103,291	(24,907)
Interest on investments	2,000	2,369	369
Miscellaneous		4,226	4,226
Total receipts	<u>203,949</u>	<u>143,879</u>	<u>(60,070)</u>
DISBURSEMENTS:			
Collection fees - County Treasurer	4,010	2,743	1,267
Capital outlay	100,000	212,781	(112,781)
Fiscal fees	20,000	21,569	(1,569)
Interest expense - bonds	81,781	81,781	
Interest expense - warrants	299,480	274,215	25,265
Bond issue costs	198,438	158,750	39,688
Total disbursements	<u>703,709</u>	<u>751,839</u>	<u>(48,130)</u>
DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	(499,760)	(607,960)	(108,200)
OTHER FINANCING SOURCES AND USES:			
Bond proceeds	3,175,000	3,175,000	
Warrants issued current year unpaid	419,500	447,707	28,207
Warrants issued prior years paid	<u>(2,871,471)</u>	<u>(2,871,471)</u>	
Total other financing sources and uses	<u>723,029</u>	<u>751,236</u>	<u>28,207</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER DISBURSEMENTS	<u>\$ 223,269</u>	143,276	<u>\$ (79,993)</u>
FUND BALANCE - beginning of year		<u>113,398</u>	
FUND BALANCE - end of year		<u>\$ 256,674</u>	

See Note to Required Supplementary Information.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES**

FOR THE YEAR ENDED JUNE 30, 2010

1. BUDGETARY ACCOUNTING

The District prepares its budget for the Governmental Funds on the cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the basic financial statements. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

The term "Budgetary Fund Balance" used in these supplementary schedules is synonymous with the terms "Fund Balance – Cash Basis" used in the basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

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

FOR THE YEAR ENDED JUNE 30, 2010

Gross revenue from all sources in previous year	\$ 133,861
Amount spent for access to 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 for water mains	None
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for maintenance and repairs	\$ 9,278
Amount expended for new equipment	None
Amount expended for new construction work	\$ 292,939
Amount expended for property	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon the property within the District	\$ 138,283

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

BOARD OF TRUSTEES AND RELATED BONDS

JUNE 30, 2010

TRUSTEES

Jolene Roberts, Chairman
Tracie Ballmer, Clerk
Kirk Heng, Trustee
Jon Zellars, Trustee
Kathleen Abboud, Trustee

BONDS

Western Surety Co.	\$ 5,000
Western Surety Co.	\$20,000

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

SCHEDULE OF BONDS OUTSTANDING

JUNE 30, 2010

Fiscal Year Ending June 30,	Principal	Rate	Interest			Fiscal Total
			August 15	February 15	Total	
2011	\$ 45,000	2.00%	\$ 81,781	\$ 81,331	\$ 163,112	\$ 208,112
2012	50,000	2.35%	81,331	80,744	162,075	212,075
2013	60,000	2.65%	80,744	79,949	160,693	220,693
2014	65,000	3.00%	79,949	78,974	158,923	223,923
2015	75,000	3.50%	78,974	77,661	156,635	231,635
2016	85,000	3.80%	77,661	76,046	153,707	238,707
2017	95,000	4.10%	76,046	74,099	150,145	245,145
2018	115,000	4.35%	74,099	71,598	145,697	260,697
2019	120,000	4.60%	71,598	68,837	140,435	260,435
2020	130,000	4.80%	68,837	65,718	134,555	264,555
2021	170,000	5.00%	65,718	61,467	127,185	297,185
2022	185,000	5.15%	61,467	56,704	118,171	303,171
2023	195,000	5.25%	56,704	51,585	108,289	303,289
2024	210,000	5.35%	51,585	45,968	97,553	307,553
2025	220,000	5.45%	45,968	39,972	85,940	305,940
2026	235,000	5.90%	39,972	33,040	73,012	308,012
2027	255,000	5.90%	33,040	25,518	58,558	313,558
2028	270,000	5.90%	25,518	17,552	43,070	313,070
2028	285,000	5.90%	17,552	9,145	26,697	311,697
2030	<u>310,000</u>	5.90%	<u>9,145</u>		<u>9,145</u>	<u>319,145</u>
TOTAL	<u>\$ 3,175,000</u>		<u>\$ 1,177,689</u>	<u>\$ 1,095,908</u>	<u>\$ 2,273,597</u>	<u>\$ 5,448,597</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

SCHEDULE OF CAPITAL ASSETS

JUNE 30, 2010

	<u>Balance June 30, 2009</u>	<u>Increase</u>	<u>Balance June 30, 2010</u>
Improvements\infrastructure	\$ 3,762,166	\$ 292,939	\$ 4,055,105



December 16, 2010

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. 246 of
Sarpy County, Nebraska**

We have audited the financial statements of the governmental activities and each fund of Sanitary and Improvement District No. 246, Sarpy County, Nebraska, (the "District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2010. Our report disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America and that the financial statements do not include Management's Discussion and Analysis in the required supplementary information. 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 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, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as 2010-1 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.

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, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*. However, the District did exceed its authorized expenditures in the General and Debt Service Funds.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response 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.

Orizon CPAs LLC

ORIZON CPAs LLC

**SANITARY AND IMPROVEMENT DISTRICT NO. 246
OF SARPY COUNTY, NEBRASKA**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2010

A. FINANCIAL STATEMENT FINDINGS

2010-1 SIGNIFICANT DEFICIENCY

Financial Statement Preparation

Condition: The District's management does not appear to possess the expertise to prepare its financial statements or detect and correct a potential misstatement in the financial statements or notes presented in accordance with accounting principles generally accepted in the United States of America.

Criteria: The District's management should possess the expertise to detect and correct a potential misstatement in the presentation of the financial statements or notes in accordance with accounting principles generally accepted in the United States of America.

Effect: Intentional or unintentional errors could be made and not be detected within a timely period by the District's management in the normal course of performing their assigned functions.

Recommendation: A remedy for this situation would be for the District to engage a person with enough accounting experience to assist the District with the preparation of the District's financial statements.

Response: At this time, the Board of Trustees of the District believes that the cost of eliminating this deficiency by engaging a duly qualified person to assist with the preparation of the financial statements outweighs the benefit.