



FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 251
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 251
Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities, and each major fund of Sanitary and Improvement District No. 251 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2010, 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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. 251 of Sarpy County, Nebraska as of June 30, 2010, 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 a report dated December 10, 2010 on our consideration of Sanitary and Improvement District No. 251 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 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 important for assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT - continued

The Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual-General and Debt Service Fund on page 16 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 express no 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 other supplementary information on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Touley & Howe, P.C.

Omaha, Nebraska
December 10, 2010

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2010

	<u>Primary Government</u> <u>Governmental Activities</u>
ASSETS:	
Cash on deposit - County Treasurer	\$ 191,318
Taxes receivable (notes F and H)	83,789
Special assessments receivable (notes C and H)	1,983,384
Accrued interest on special assessments	403,659
Capital assets (note D):	
Infrastructure	8,285,605
Accumulated depreciation	<u>(1,102,160)</u>
Total assets	<u>9,845,595</u>
LIABILITIES:	
Accounts payable	17,113
Accrued interest	272,984
Noncurrent liabilities (note E):	
Due within one year	-
Due in more than one year	<u>7,435,346</u>
Total liabilities	<u>7,725,443</u>
COMMITMENTS AND CONTINGENCIES (notes G and I)	-
NET ASSETS:	
Invested in capital assets, net of related debt	(251,901)
Restricted for debt service	2,161,924
Unrestricted	<u>210,129</u>
Total net assets	<u>\$2,120,152</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes In Net Assets</u> <u>Governmental Activities</u>
Governmental activities			
General	\$131,006	\$ -	\$ (131,006)
Debt service	150,068	-	(150,068)
Depreciation	293,940	-	(293,940)
Interest on long-term debt	<u>389,170</u>	<u>-</u>	<u>(389,170)</u>
Total government	<u>\$964,184</u>	<u>\$</u>	<u>(964,184)</u>

General revenues:

Property taxes	184,108
Interest on taxes	426
State motor vehicle tax allocation	618
Property tax credit allocation	5,627
Interest on special assessments	171,836
Connection fees	18,438
Interest on investments	2,165
Interest eliminated (note B)	<u>369,913</u>
Total general revenues	<u>753,131</u>
Change in net assets	(211,053)
Net assets at beginning of year	<u>2,331,205</u>
Net assets at end of year	<u>\$2,120,152</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit - County Treasurer	\$190,019	\$ 1,299	\$ 191,318
Taxes receivable (notes F and H)	37,223	46,566	83,789
Special assessments receivable (notes C and H)	-	1,983,384	1,983,384
Accrued interest on special assessments	-	403,659	403,659
Total assets	<u>\$227,242</u>	<u>\$2,434,908</u>	<u>\$2,662,150</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:			
Accounts payable	\$ 17,113	\$ -	\$ 17,113
Accrued interest on registered warrants	-	272,984	272,984
Deferred revenue	-	2,387,043	2,387,043
Total liabilities	<u>17,113</u>	<u>2,660,027</u>	<u>2,677,140</u>
COMMITMENTS AND CONTINGENCIES			
(notes G and I)	-	-	-
Fund balance:			
Reserved for debt service	-	(225,119)	(225,119)
Unreserved	210,129	-	210,129
Total fund balance	<u>210,129</u>	<u>(225,119)</u>	<u>(14,990)</u>
Total liabilities and fund balance	<u>\$227,242</u>	<u>\$2,434,908</u>	<u>\$2,662,150</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

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

June 30, 2010

Total fund balance - total governmental funds		\$	(14,990)
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
- Capital assets used in governmental activities are not current financial resources and there- fore are not reported in the governmental funds balance sheet.			7,183,445
- Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.			
	Due within one year	\$	-
	Due in more than one year	<u>7,435,346</u>	(7,435,346)
- Deferred income related to special assessments is required under modified accrual in the governmental funds balance sheet but not under full accrual accounting in the government-wide statement of net assets.			<u>2,387,043</u>
Net Assets of Governmental Activities			<u>\$ 2,120,152</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

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

Year Ended June 30, 2010

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes assessed (note F)	\$ 81,762	\$ 102,346	\$ 184,108
State motor vehicle tax allocation	409	209	618
Property tax credit allocation	2,501	3,126	5,627
Interest on taxes	389	37	426
Interest on investments	-	2,165	2,165
Special assessments	-	365,074	365,074
Interest on special assessments	-	172,092	172,092
Connection fees	-	18,438	18,438
Interest eliminated (note B)	-	369,913	369,913
	<u>85,061</u>	<u>1,033,400</u>	<u>1,118,461</u>
Total revenues			
EXPENDITURES:			
Interest on registered warrants	7,090	-	7,090
Legal and accounting fees	30,647	134,978	165,625
Trustee bonds and insurance	3,657	-	3,657
Collection fees - County Treasurer	2,361	11,859	14,220
Maintenance and engineering	57,549	-	57,549
Electricity	24,922	-	24,922
Trustee fees	1,200	-	1,200
Fiscal agent fees	3,450	3,230	6,680
Payroll tax expense	130	-	130
Debt Service:			
Interest charges	-	389,170	389,170
	<u>131,006</u>	<u>539,237</u>	<u>670,243</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45,945)	494,163	448,218
OTHER FINANCING SOURCES (USES):			
Payment of long-term debt	-	(2,540,405)	(2,540,405)
Transfer per plan of adjustment (note B)	350,000	(350,000)	-
	<u>350,000</u>	<u>(350,000)</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	304,055	(2,396,242)	(2,092,187)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(93,926)	2,171,123	2,077,197
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$210,129</u>	<u>\$ (225,119)</u>	<u>\$ (14,990)</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Net change in fund balance - total governmental funds \$(2,092,187)

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

- Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. (293,940)

- The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 2,540,405

- Special assessments and related interest are recorded as modified accrual for governmental funds and full accrual for government-wide statements resulting in this difference. (365,331)

Change in Net Assets of Governmental Activities \$ (211,053)

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 251 of Sarpy County, Nebraska is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the trustees of the District, who are responsible for their integrity and objectivity. These accounting policies conform in all material respects to accounting principles generally accepted in the United States of America, as promulgated by the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units, and have been consistently applied in the preparation of the financial statements.

History and business activity

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

Estimates

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

Reporting entity

The accompanying financial statements present the District's primary governmental unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

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

Fund Financial Statements

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

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

General Fund

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

Debt Service Fund

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

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus/Basis of Accounting

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

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

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

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

Investments

Investments are carried at cost, which approximates market, and any premium or discount on investments are amortized on the straight-line method from date of purchase to date of maturity. These deposits were covered with sufficient assets pledged to the Sarpy County by the financial institutions at June 30, 2010.

Infrastructure

Infrastructure is carried at cost plus interest on warrants while construction is in progress. Depreciation is provided using the straight-line method over estimated lives ranging from 25 to 30 years.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting

The District is required to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed to have been made when warrants are issued.

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

- (a) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (b) Notice of place and time of public hearings must be published prior to the public hearings.
- (c) Public hearings are conducted to obtain taxpayer comment.
- (d) After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts in accordance with the Nebraska Budget Act.
- (e) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- (f) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the year ended June 30, 2010.
- (g) The accompanying combined statements of revenues, expenditures, and changes in fund balances - Budget and Actual - General and Debt Service Fund presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2010 is presented as follows:

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

	<u>Debt General Fund</u>	<u>Service Fund</u>
Excess (Deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$183,603	\$(2,398,506)
Adjustments:		
To adjust revenues for receivables	(35,885)	414,326
To adjust expenditures for payables and accruals	19,365	(382,909)
To adjust for variance in recognition of items for other financing sources (uses)	<u>136,972</u>	<u>(29,153)</u>
Excess (Deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$304,055</u>	<u>\$(2,396,242)</u>

Net Assets

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

NOTE B - PLAN OF ADJUSTMENT

On July 13, 2009, the District filed a plan of reorganization under Chapter 9 of the United States Bankruptcy Code. The plan calls for several actions which include the transfer of all funds held by the Debt Service Fund to the designated disbursing agent except for \$350,000 be held by the General Fund. Registered warrants which were issued for interest during March, 2009 were paid other than the amounts due to the developer. Remaining funds were used to pay warrant holders on a pro-rata basis. The interest rate on remaining warrants was reduced to 4.5% and prior interest was eliminated.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE B - PLAN OF ADJUSTMENT - CONTINUED

Warrants issued to the developer totaling \$691,812 were cancelled. Phase III lots, which had been partially developed, were detached from the District and the special assessments related to these lots were lifted. The net book value of the improvements affected is \$388,005. The special assessments lifted total \$365,863, including accrued interest. These provisions were recorded by the District in the June 30, 2009 financial statements. The plan of reorganization was accepted by the U.S. Bankruptcy Court on November 5, 2009.

NOTE C - SPECIAL ASSESSMENTS

Special assessments were levied in the amount of \$1,920,427 on April 20, 2006 against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments and bear interest at 7.5% per annum until delinquent and 9.5% per annum thereafter until paid.

Special assessments were levied in the amount of \$2,402,215 on September 4, 2007 against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments and bear interest at 7.5% per annum until delinquent and 9.5% per annum thereafter until paid.

NOTE D - CAPITAL ASSETS

At June 30, 2010, capital assets consist of the following:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>June 30, 2010</u>
Infrastructure:			
Paving, sanitary and and storm sewer	\$6,438,372	\$ -	\$6,438,372
Water system	1,285,178	-	1,285,178
Power system	501,635	-	501,635
Park and improvements	<u>60,420</u>	<u>-</u>	<u>60,420</u>
	8,285,605	-	8,285,605
Accumulated depreciation	<u>(808,220)</u>	<u>(293,940)</u>	<u>(1,102,160)</u>
	<u>\$7,477,385</u>	<u>\$(293,940)</u>	<u>\$7,183,445</u>

Depreciation expense totaled \$293,940 for the year ended June 30, 2010.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE E - REGISTERED WARRANTS

At June 30, 2010, the District has registered warrants outstanding for operating expenses and construction costs. The warrants bear interest at 4.5%. No interest on warrants for construction costs has been capitalized for the year ended June 30, 2010.

Aggregate maturities of registered warrants are subject to the provisions of the Plan of Adjustment (see note B). Under the Plan, the disbursing agent will conduct an annual review of the financial status of the District to determine if additional pro-rata payments are appropriate. All warrants have been reported on the Government-Wide Statement of Net Assets as due in more than one year

NOTE F - TAX LEVY

The District levied taxes for 2009-2010 at the rate of \$.90 per \$100 on an estimated 100% property valuation of \$21,094,523.

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.

NOTE G - COMMITMENTS

The District has entered into an agreement with Omaha Public Power District (OPPD) under which OPPD is to furnish street lighting to the District. The cost to the District for this service for fiscal 2011 is estimated to be approximately \$25,000.

NOTE H - CREDIT RISK

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

NOTE I - RISK MANAGEMENT

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2010

NOTE J - SUBSEQUENT EVENT

Management evaluated transactions and events occurring subsequent to June 30, 2010 and through the date of the report (the date the financial statements were available to be issued) to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD & A)

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

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

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

Year Ended June 30, 2010

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes collected	\$ 84,378	\$ 117,647	\$ 33,269
State motor vehicle tax allocation	200	409	209
Property tax credit allocation	-	2,501	2,501
Interest on taxes	-	389	389
Interest on investments	-	-	-
Special assessments and interest	-	-	-
Connection fees	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	84,578	120,946	36,368
EXPENDITURES:			
Interest on registered warrants	5,000	13,611	(8,611)
Legal and accounting fees	20,000	22,593	(2,593)
Trustee fees	1,300	1,700	(400)
Fiscal agent fees	5,000	3,450	1,550
Maintenance and engineering	55,000	71,372	(16,372)
Electricity	20,000	31,497	(11,497)
Trustee bonds and insurance	3,500	3,657	(157)
Collection fees - County Treasurer	1,655	2,361	(706)
Payroll tax expense	-	130	(130)
	<hr/>	<hr/>	<hr/>
Total expenditures	111,455	150,371	(38,916)
Excess (deficiency) of revenues over expenditures	(26,877)	(29,425)	(2,548)
OTHER FINANCING SOURCES (USES):			
Proceeds from warrants issued	104,800	-	(104,800)
Payment of registered warrants	(80,000)	(136,972)	(56,972)
Transfer per plan of adjustment	-	350,000	350,000
Purchase of improvement	-	-	-
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>\$ (2,077)</u>	183,603	<u>\$ 185,680</u>
FUND BALANCE, BEGINNING OF YEAR		<u>6,416</u>	
FUND BALANCE, END OF YEAR		<u>\$ 190,019</u>	

DEBT SERVICE FUND
(NON GAAP)

Original And Final Budget	Actual	Variance Favorable (Unfavorable)
\$105,473	\$ 55,780	\$ (49,693)
300	209	(91)
-	3,126	3,126
-	37	37
25,000	4,318	(20,682)
350,000	537,166	187,166
<u>30,000</u>	<u>18,438</u>	<u>(11,562)</u>
<u>510,773</u>	<u>619,074</u>	<u>108,301</u>
720,000	6,261	713,739
-	134,978	(134,978)
-	-	-
-	3,230	(3,230)
-	-	-
-	-	-
-	-	-
9,068	11,859	(2,791)
<u>-</u>	<u>-</u>	<u>-</u>
<u>729,068</u>	<u>156,328</u>	<u>572,740</u>
(218,295)	462,746	681,041
845,000	-	(845,000)
(400,000)	(2,511,252)	(2,111,252)
-	(350,000)	(350,000)
<u>(125,000)</u>	<u>-</u>	<u>125,000</u>
<u>\$101,705</u>	(2,398,506)	<u>\$(2,500,211)</u>
	<u>2,399,805</u>	
	<u>\$ 1,299</u>	

OTHER SUPPLEMENTARY INFORMATION

Sanitary and Improvement District No. 251
Sarpy County, Nebraska

INFORMATION REQUIRED BY SECTION 31-740,
REISSUE REVISED STATUTES OF NEBRASKA, 2004

Year Ended June 30, 2010

Gross revenues from all sources	<u>\$1,118,461</u>
Gross revenues from all sources from previous year	<u>\$ 655,246</u>
Amount spent for sewage disposal	<u>None</u>
Amount expended on water mains	<u>None</u>
Gross amount of sewage processed	<u>None</u>
Cost per thousand gallons of processing sewage	<u>None</u>
Amount expended for:	
Maintenance and repairs	<u>\$ 24,426</u>
New equipment	<u>None</u>
New construction work (incl. water mains)	<u>None</u>
Property purchased	<u>None</u>
Number of employees	<u>One</u>
Salaries and fees paid employees	<u>\$ 1,200</u>
Total amount of taxes levied upon the property within the District	<u>\$ 184,108</u>

SUMMARY OF TAXES RECEIVABLE

Receivable at June 30, 2009	Tax Levied	Collected	Receivable at June 30, 2010
<u>\$73,108</u>	<u>\$184,108</u>	<u>\$173,427</u>	<u>\$83,789</u>

TRUSTEE AND RELATED BONDS

Trustees		Bonds	
Name	Office	Insurer	Amount
Chad LaMontage	Chairman	Universal Surety	\$5,000
Jana Faller	Clerk	Universal Surety	\$20,000
Barbara Shaw	Trustee	-	None
Steve Faller	Trustee	-	None
Diane Udes	Trustee	-	None



**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. 251
of Sarpy County, Nebraska

We have audited the financial statements of Sanitary and Improvement District No. 251 of Sarpy County, Nebraska as of and for the year ended June 30, 2010, and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanitary and Improvement District No. 251's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 251's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 251's internal control over financial reporting.

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

The district does not have the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Sanitary and Improvement District No. 251 of Sarpy County's response to this finding is that the aforementioned circumstances 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 indicated they are willing to accept the degree of risk associated with this condition.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sanitary and Improvement District No. 251's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sanitary and Improvement District No. 251's financial statements that is more than consequential will not be prevented or detected by the Sanitary and Improvement District No. 251's internal control. We consider the deficiency described above to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sanitary and Improvement District No. 251's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 251's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding #1

- General fund expenditures exceeded budget by \$38,916, without amending the budget.

Response

- Various expenditures including interest on registered warrants (see Finding #2) were higher than anticipated when the budget was prepared.

Finding #2

- Payment of general fund registered warrants exceeded budget by \$56,972, payment of debt service fund registered warrants exceeded budget by \$2,111,252 and transfer from debt service fund to general fund exceeded budget by \$350,000, all without amending the budget.

Response

- The budget was prepared prior to the acceptance of the Plan of Adjustment by the U.S. Bankruptcy Court. The approved plan required several actions not included in the budget.

Sanitary and Improvement District No. 251's responses to the findings identified in our audit are described above. We did not audit Sanitary and Improvement District No. 251's responses and accordingly, we express no opinion on them.

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

Omaha, Nebraska
December 10, 2010

Stone & Howe, P.C.