



**SANITARY AND IMPROVEMENT  
DISTRICT NO. 255 OF SARPY  
COUNTY, NEBRASKA**

**BASIC FINANCIAL STATEMENTS AND  
INDEPENDENT ACCOUNTANTS' AUDIT REPORT**

**JUNE 30, 2010**

---

# SANITARY AND IMPROVEMENT DISTRICT NO. 255 OF SARPY COUNTY, NEBRASKA

---

## INDEX

	<u>Page</u>
Independent Accountant's Audit Report	1-2
Basic Financial Statements	
Governmental Funds Balance Sheet/Statement of Net Assets	3
Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	4
Notes to Basic Financial Statements	5-12

### REQUIRED SUPPLEMENTARY INFORMATION

	<u>Schedule</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	1	13
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – Debt Service Fund	2	14

### SUPPLEMENTAL INFORMATION

Information Required by Section 31-740, Reissue Revised Statute of Nebraska, 1998	3	15
District Trustees and Related Bonds	4	16
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		17-18

13616 California Street, Suite 300  
Omaha, NE 68154-5336  
p: 402.496.8800  
f: 402.496.2711  
www.lutzcpa.com



#### SHAREHOLDERS

James D. Honz  
Gary K. Witt  
Ronald J. Nebbia  
Mark F. Duren

W. Reed Samson  
Jeffrey L. Snyder  
Patrick C. Knowles  
Sandra A. Lane

Shawn A. Wederquist  
Steven P. Kenney  
William W. Kenedy  
Susan S. Krause

Michael B. Mowat  
Thomas J. Helligso  
David F. Horner  
Kelly J. Martinson

Peter A. Froelicher  
James J. Tichota  
Stacy L. Watson  
Scott A. Carrico

## INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Trustees  
Sanitary and Improvement District No. 255  
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. 255 of Sarpy County, Nebraska, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the index. These financial statements are the responsibility of the District's Trustees. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Sanitary and Improvement District No. 255 of Sarpy County, Nebraska, as of June 30, 2010, and the results of its operations for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2010, on our consideration of Sanitary and Improvement District No. 255 of Sarpy County, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Sanitary and Improvement District No. 255  
of Sarpy County, Nebraska  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Information Required by Section 31-740, Reissue Revised Statute of Nebraska, 1998 and District Trustee and Related Bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010, taken as a whole.

*Luty & Company, P.C.*

December 1, 2010

**SANITARY AND IMPROVEMENT DISTRICT NO. 255  
OF SARPY COUNTY, NEBRASKA**

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS**

**JUNE 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Reconciliation (Note 8)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>					
Cash on Deposit-County Treasurer	\$ 3,749	\$ 44,955	\$ 48,704	\$	\$ 48,704
Investments		609,572	609,572		609,572
Receivables					
Property Taxes (Note 2)	32,324	40,303	72,627		72,627
Sewer Connection Fees (Note 3)		102,480	102,480		102,480
Special Assessments (Note 4)		1,050,010	1,050,010		1,050,010
Accrued Interest Receivable					
Investments		254	254		254
Special Assessments (Note 4)		263,257	263,257		263,257
Bond Issue Costs, Net of Accumulated Amortization of \$26,200				143,747	143,747
Capital Assets, Net of Accumulated Depreciation (Note 5)				2,953,113	2,953,113
<b>TOTAL ASSETS</b>	<b>\$ 36,073</b>	<b>\$ 2,110,831</b>	<b>\$ 2,146,904</b>	<b>\$ 3,096,860</b>	<b>\$ 5,243,764</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 28,944	\$	\$ 28,944	\$	\$ 28,944
Registered Warrants Payable (Note 6)	51,767		51,767	2,861,404	2,913,171
Accrued Interest on					
Registered Warrants (Note 6)	2,071	76,827	78,898		78,898
Bonds Payable (Note 7)		5,357	5,357		5,357
Bonds Payable (Note 7)					
Due Within One Year				40,000	40,000
Due After One Year				1,365,000	1,365,000
Deferred Revenue				72,627	72,627
<b>Total Liabilities</b>	<b>82,782</b>	<b>82,184</b>	<b>164,966</b>	<b>4,339,031</b>	<b>4,503,997</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>					
<b>FUND BALANCE/NET ASSETS</b>					
Unreserved, Reported in					
General Fund	(46,709)		(46,709)	46,709	
Restricted, Debt Service Fund		2,028,647	2,028,647	(2,028,647)	
<b>Total Fund Balance (Deficit)</b>	<b>(46,709)</b>	<b>2,028,647</b>	<b>1,981,938</b>	<b>(1,981,938)</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>					
	<b>\$ 36,073</b>	<b>\$ 2,110,831</b>	<b>\$ 2,146,904</b>		
<b>NET ASSETS (DEFICIT)</b>					
Invested in Capital Assets, Net of Related Debt				(1,242,171)	(1,242,171)
Unrestricted				(46,709)	(46,709)
Restricted for Debt Service				2,028,647	2,028,647
<b>TOTAL NET ASSETS</b>				<b>\$ 739,767</b>	<b>\$ 739,767</b>

See Notes to Basic Financial Statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 255  
OF SARPY COUNTY, NEBRASKA**

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

**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Reconciliation (Note 8)</u>	<u>Statement of Activities</u>
<b>REVENUES</b>					
Property Taxes (Note 2)	\$ 80,796	\$ 100,995	\$ 181,791	\$ (1,681)	\$ 180,110
Interest on					
Property Taxes (Note 2)	1,260	53	1,313		1,313
Investments		1,068	1,068		1,068
Special Assessments (Note 4)		86,869	86,869		86,869
State Motor Vehicle Taxes Allocation	371	200	571		571
<b>Total Revenues</b>	<b>82,427</b>	<b>189,185</b>	<b>271,612</b>	<b>(1,681)</b>	<b>269,931</b>
<b>EXPENDITURES/EXPENSES</b>					
Current:					
Collection Fees-County Treasurer	2,268	2,452	4,720		4,720
Amortization of Bond Issue Costs				8,497	8,497
Bond Maintenance		700	700		700
Clerk Fees	1,200		1,200		1,200
Depreciation (Note 5)				83,980	83,980
Engineering	11,238		11,238		11,238
Fiscal Agent Fees	3,429	197	3,626		3,626
Interest on					
Registered Warrants (Note 6)	5,527	192,128	197,655		197,655
Maintenance	17,441		17,441		17,441
Professional Fees	20,355	3,250	23,605		23,605
Utilities	27,845		27,845		27,845
Bonds Payable (Note 7)					
Principal Payments		35,000	35,000	(35,000)	
Interest		68,991	68,991		68,991
Net Capital Outlay (Note 5)		(11,744)	(11,744)	11,744	
<b>Total Expenditures/Expenses</b>	<b>89,303</b>	<b>290,974</b>	<b>380,277</b>	<b>69,221</b>	<b>449,498</b>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	(6,876)	(101,789)	(108,665)	(70,902)	(179,567)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Warrants (Note 6)		191,143	191,143	(191,143)	
Change in Payables		138,794	138,794	(138,794)	
<b>Total Other Financing Sources (Uses)</b>		<b>329,937</b>	<b>329,937</b>	<b>(329,937)</b>	
Excess (Deficiency) of Revenues and Transfers in Over (Under) Expenditures and Transfers Out	(6,876)	228,148	221,272	(221,272)	
Change in Net Assets				(179,567)	(179,567)
Fund Balance (Deficit)/Net Assets, Beginning of Year	(39,833)	1,800,499	1,760,666		919,334
<b>Fund Balance (Deficit)/Net Assets, End of Year</b>	<b>\$(46,709)</b>	<b>\$2,028,647</b>	<b>\$1,981,938</b>		<b>\$ 739,767</b>

See Notes to Basic Financial Statements.

# SANITARY AND IMPROVEMENT DISTRICT NO. 255 OF SARPY COUNTY, NEBRASKA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

---

### 1. Summary of Significant Accounting Policies

---

The accounting policies of Sanitary and Improvement District No. 255 of Sarpy County, Nebraska conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the District's significant policies.

**Reporting Entity** Sanitary and Improvement District No. 255 of Sarpy County, Nebraska (the District), formed on March 26, 2004, is a governmental subdivision authorized under the statutes of the State of Nebraska. The District operates under an elected Board of Trustees which governs all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The accompanying basic financial statements present the District's primary government unit and no component units because the District does not have any component units.

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

The GASB determined that fund reporting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB determined that fund financial statements are needed to allow users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting as complimentary components of a single comprehensive financial reporting model.

**Combined Financial Statements** The Governmental Funds Balance Sheet/Statement of Net Assets and the Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities are part of the combined financial statements. They report information on all of the District's activities with the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, special assessments and other intergovernmental revenues. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

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

# SANITARY AND IMPROVEMENT DISTRICT NO. 255 OF SARPY COUNTY, NEBRASKA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

---

### 1. Summary of Significant Accounting Policies - Continued

---

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

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

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

- **General Fund**

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

- **Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs anticipated to be settled during the next fiscal year.

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

# SANITARY AND IMPROVEMENT DISTRICT NO. 255 OF SARPY COUNTY, NEBRASKA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

---

### 1. Summary of Significant Accounting Policies - Continued

---

#### **Budgets and Budgetary Accounting**

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

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

- (1) In September of each year, the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (2) Notice of place and time of public hearings must be published prior to the public hearings.
- (3) Public hearings are conducted to obtain taxpayer comment.
- (4) After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts in accordance with the Nebraska Budget Act.
- (5) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- (6) The Board of Trustees may authorize supplemental appropriations during the year. (No such appropriations were made during the fiscal year ended June 30, 2010.)

#### **Investments**

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 1990, and allowable investments generally include U.S. government obligations, certificates of deposit, and time deposits. The District's investments during the year ended June 30, 2010, consisted of U.S. Treasury bills.

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

Investments are stated at fair value.

#### **Property Taxes**

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 255  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**1. Summary of Significant Accounting Policies - Continued**

**Special Assessments  
And Sewer**

**Connection Fees** Revenue on special assessments and sewer connection fees are recognized when the specials and fees are assessed. Special assessments and sewer connection fees are considered fully collectible; therefore, no allowance for uncollectible fees are provided.

**Capital Assets** Capital assets are stated at cost in accordance with construction contracts and other costs applicable thereto. Interest accrued on warrants issued for the construction of improvements is capitalized during the period of construction. Capital assets are classified as construction in progress until construction is complete or special assessments are levied. No depreciation expense is reported for capital assets classified as construction in progress. The costs of improvements disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

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

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

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

**Credit Risk** The District's credit risk relates to receivables for property taxes, special assessments and sewer connection fees which are due from property owners within the boundaries of the District and cash on deposit with the Sarpy County Treasurer.

# SANITARY AND IMPROVEMENT DISTRICT NO. 255 OF SARPY COUNTY, NEBRASKA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

### 1. Summary of Significant Accounting Policies - Continued

**Subsequent Events** Subsequent events are events or transactions that occur after the Governmental Funds Balance Sheet/Statement of Net Assets date but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through December 1, 2010 noting no items requiring disclosure.

### 2. Property Taxes

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

For 2009-2010, the District levied taxes in the General Fund at the rate of \$0.90 (\$.40 in the General Fund and \$.50 in the Debt Service Fund) per \$100 based on a property valuation of \$20,199,043.

### 3. Sewer Connection Fees Receivable

Sewer connection fees in the cumulative amount of \$119,280 were levied against certain properties within the District in connection with the construction of the District's sewers. The sewer connection fees are due on each lot prior to connection of the lot to the District's sewers.

### 4. Special Assessments Receivable

Special assessments in the amount cumulative of \$1,863,768 were levied against certain properties within the District in connection with the construction of improvements. The assessments are due in ten annual installments and bear interest at 7% per annum until delinquent and 9% per annum thereafter until paid.

### 5. Capital Assets

Capital assets at June 30, 2010, consist of the following:

	<u>Cost at June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Costs at June 30, 2010</u>
Sanitary and Storm Systems	\$2,588,416	\$	\$11,744	\$2,576,672
Street Improvements	648,923	_____	_____	648,923
	<u>\$3,237,339</u>	<u>\$</u>	<u>\$11,744</u>	3,225,595
Less Accumulated Depreciation				<u>272,482</u>
Capital Assets, Net of Accumulated Depreciation				<u>\$2,953,113</u>

**SANITARY AND IMPROVEMENT DISTRICT NO. 255  
OF SARPY COUNTY, NEBRASKA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**6. Warrants Payable**

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

General fund warrants are due 3 years from the date of issuance. Debt service fund warrants are due 5 years from the date of issuance.

The following is a summary of warrant transactions during the year ended June 30, 2010:

	<b>General Fund</b>	<b>Debt Service Fund</b>
Balance, June 30, 2009	\$ 85,414	\$2,670,261
Warrants Issued	72,014	191,143
Warrants Retired	<u>(105,661)</u>	
Balance, June 30, 2010	<u>\$ 51,767</u>	<u>\$2,861,404</u>

Aggregate maturities of warrants outstanding during the next five years are as follows:

Year Ending <u>June 30,</u>	-----General Fund-----		----Debt Service Fund----	
	<u>Amount of Warrants</u>	<u>Interest Rate</u>	<u>Amount of Warrants</u>	<u>Interest Rate</u>
2011	\$		\$	
2012			2,303,947	7%
2013	51,767	7%	182,780	7%
2014			183,534	7%
2015			191,143	7%
	<u>\$51,767</u>		<u>\$2,861,404</u>	

There were no unregistered warrants for the general fund and debt service fund at June 30, 2010.

**7. Long-Term Debt**

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

General obligation bonds totaling \$1,500,000 issued June 1, 2007, with a balance of \$1,405,000 at June 30, 2010, are due serially beginning June 1, 2008 through June 1, 2027. Interest is payable semi-annually on this issue at 4.35% to 5.05% per annum.

The following is a summary of bonds payable transactions of the District for the year ending June 30, 2010:

Bonds Outstanding, June 30, 2009	\$1,440,000
Bond Payments	<u>(35,000)</u>
Bonds Outstanding, June 30, 2010	<u>\$1,405,000</u>

# SANITARY AND IMPROVEMENT DISTRICT NO. 255 OF SARPY COUNTY, NEBRASKA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

### 7. Long-Term Debt - Continued

Aggregate maturities of long-term debt and interest due on long-term debt, for the next five fiscal years and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 40,000	\$ 67,606	\$ 107,606
2012	45,000	65,866	110,866
2013	50,000	63,886	113,886
2014	55,000	61,660	116,660
2015	60,000	59,184	119,184
Thereafter	<u>1,155,000</u>	<u>410,756</u>	<u>1,565,756</u>
	<u>\$1,405,000</u>	<u>\$728,958</u>	<u>\$2,133,958</u>

### 8. Reconciliation of Net Assets & Changes in Net Assets

#### Net Assets

Total fund balance per balance sheet	\$ 1,981,938
Capital assets and bond issue costs used in governmental activities are not considered financial resources and therefore are not reported in the funds.	3,096,860
Liabilities, including bonds payable and warrants payable are not due and payable in the current period, therefore are not reported in the funds.	(4,266,404)
Property tax revenue not yet earned is shown as deferred revenue.	<u>(72,627)</u>
Net assets of governmental activities	<u>\$ 739,767</u>

#### Changes in Net Assets

Net change in fund balance	\$ (108,665)
Current year property tax levy not yet earned at year end.	(1,681)
Certain expenditures do not require the use of current financial resources and therefore are not reported as expenditures of in governmental funds	(92,477)
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets.	35,000
Governmental funds report capital outlay as expenditures. However, the costs of these assets is allocated over their estimated useful lives.	<u>(11,744)</u>
Change in net assets of governmental activities	<u>\$ (179,567)</u>

# SANITARY AND IMPROVEMENT DISTRICT NO. 255 OF SARPY COUNTY, NEBRASKA

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

---

### 9. Commitments and Contingencies

---

The District has entered into various contracts and agreements related to the construction of streets, utility systems and other public improvements as well as general maintenance and other operating expenses related to the District. These contracts and agreements will be completed in the future. All expenditures are initially funded by the issuance of warrants. Warrants mature as follows; General Fund warrants mature within 3 years of issuance and Debt Service Fund warrants mature in 5 years. Maturities of warrants payable are primarily funded by the issuance of bonds payable and cash flow generated from special assessments, sewer connection fees and annual property tax levies. Special assessments and sewer connection fees are levied on a per lot basis. The generation of property taxes is dependent upon the growth of the valuation base as lots are developed. In addition, the District's ability to issue bonds is dependent upon an acceptable level of valuation for the District. The District's ability to fund its obligations in the future is contingent upon the success of future lot sales and the development within the District.

#### Warrant Maturity Date Extensions

The District has had difficulties paying warrant principal and interest as warrants mature due to the lack of property valuation and special assessment collection. During the prior year, the District received permission from the local court to extend the maturity date of approximately \$2,026,100 in warrant principal originally maturing August 2009 through September 2011 to January 12, 2012.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL (BUDGETARY BASIS) – DEBT SERVICE FUND**

**SUPPLEMENTAL INFORMATION**

**INFORMATION REQUIRED BY SECTION 31-740  
REISSUE REVISED STATUTE OF NEBRASKA, 1998**

**DISTRICT TRUSTEES AND RELATED BONDS**

---

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

**SANITARY AND IMPROVEMENT DISTRICT NO. 255  
OF SARPY COUNTY, NEBRASKA**

SCHEDULE 1

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Actual on GAAP Basis</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
<b>REVENUES/RECEIPTS</b>					
Property Taxes	\$ 80,796	\$ 33,789	\$ 114,585	\$ 78,372	\$ 36,213
Interest on Property Taxes	1,260		1,260	300	960
State Motor Vehicle Taxes Allocation	371		371		371
<b>Total Revenues/Receipts</b>	<b>82,427</b>	<b>33,789</b>	<b>116,216</b>	<b>78,672</b>	<b>37,544</b>
<b>EXPENDITURES/DISBURSEMENTS</b>					
Collection Fees-County Treasurer	2,268		2,268		(2,268)
Clerk Fees	1,200		1,200	1,200	
Engineering	11,238	(2,624)	8,614	10,000	1,386
Fiscal Agent Fees	3,429		3,429	3,750	321
Insurance				1,500	1,500
Interest on Registered Warrants	5,527	1,620	7,147	6,000	(1,147)
Maintenance	17,441	(3,890)	13,551	22,000	8,449
Professional Fees	20,355	(1,093)	19,262	18,000	(1,262)
Utilities	27,845	(1,887)	25,958	22,000	(3,958)
<b>Total Expenditures/Disbursements</b>	<b>89,303</b>	<b>(7,874)</b>	<b>81,429</b>	<b>84,450</b>	<b>3,021</b>
Excess of Revenues/Receipts over Expenditures/Disbursements	(6,876)	41,663	34,787	(5,778)	40,565
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Warrants		72,014	72,014	78,450	(6,436)
Warrants Retired		(105,661)	(105,661)	(24,000)	(81,661)
<b>Total Other Financing Sources (Uses)</b>		<b>(33,647)</b>	<b>(33,647)</b>	<b>54,450</b>	<b>(88,097)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/ DISBURSEMENTS AND OTHER USES</b>					
	(6,876)	8,016	1,140	<b>\$ 48,672</b>	<b>\$(47,532)</b>
Fund Balance (Deficit), Beginning of Year	(39,833)	42,442	2,609		
<b>Fund Balance (Deficit), End of Year</b>	<b>\$(46,709)</b>	<b>\$ 50,458</b>	<b>\$ 3,749</b>		

See Independent Accountant's Audit Report.

**SANITARY AND IMPROVEMENT DISTRICT NO. 255  
OF SARPY COUNTY, NEBRASKA**

SCHEDULE 2

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (BUDGETARY BASIS) - DEBT SERVICE FUND**

**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Actual on GAAP Basis</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES/RECEIPTS</b>					
Property Taxes	\$ 100,995	\$ (40,303)	\$ 60,692	\$ 97,965	\$ (37,273)
Interest on Taxes	53		53		53
Interest on Investments	1,068	282	1,350	8,000	(6,650)
Interest on Special Assessments	86,869	(74,463)	12,406	10,000	2,406
Special Assessments		52,501	52,501	100,000	(47,499)
Collection in District		11,744	11,744		11,744
State Motor Vehicle Tax Allocation	200		200		200
<b>Total Revenues/Receipts</b>	<b>189,185</b>	<b>(50,239)</b>	<b>138,946</b>	<b>215,965</b>	<b>(77,019)</b>
<b>EXPENDITURES/DISBURSEMENTS</b>					
Collection Fees-County Treasurer	2,452		2,452	2,200	(252)
Bond Maintenance Costs	700		700	750	50
Fiscal Agent Fees	197		197	9,500	9,303
Interest on Registered Warrants	192,128	(5,132)	186,996	187,000	4
Professional Fees	3,250		3,250		(3,250)
Interest on Bonds Payable					
Principal Payments	35,000		35,000	35,000	
Interest	68,991	119	69,110	69,110	
Net Capital Outlay	(11,744)	11,744			
<b>Total Expenditures/Disbursements</b>	<b>290,974</b>	<b>6,731</b>	<b>297,705</b>	<b>303,560</b>	<b>5,855</b>
<b>Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements</b>	<b>(101,789)</b>	<b>(56,970)</b>	<b>(158,759)</b>	<b>(87,595)</b>	<b>(71,164)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Warrants	191,143		191,143	197,250	(6,107)
Warrants Retired				(300,000)	300,000
Change in Payables	138,794	(138,794)			
<b>Total Other Financing Sources (Uses)</b>	<b>329,937</b>	<b>(138,794)</b>	<b>191,143</b>	<b>(102,750)</b>	<b>293,893</b>
<b>EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/ DISBURSEMENTS AND OTHER USES</b>					
	<b>228,148</b>	<b>(195,764)</b>	<b>32,384</b>	<b><u>\$(190,345)</u></b>	<b><u>\$222,729</u></b>
Fund Balance, Beginning of Year	1,800,499	(1,178,356)	622,143		
<b>Fund Balance, End of Year</b>	<b><u>\$2,028,647</u></b>	<b><u>\$(1,374,120)</u></b>	<b><u>\$ 654,527</u></b>		

See Independent Accountant's Audit Report.

**SANITARY AND IMPROVEMENT DISTRICT NO. 255  
OF SARPY COUNTY, NEBRASKA**

**SCHEDULE 3**

**INFORMATION REQUIRED BY SECTION 31-740  
REISSUE REVISED STATUTE OF NEBRASKA, 1998**

**JUNE 30, 2010**

---

Total Receipts From All Sources	\$255,162
Amount Spent For Sewage Disposal	None
Amount Expended on Water System	None
Gross Amount of Sewage Processed	None
Cost Per Thousand Gallons of Processing Sewage	None
Amount Expended For	
A. Maintenance and Repair	\$17,441
B. New Equipment	None
C. New Construction Work	None
D. Property Purchased	None
Number of Employees	None
Total Amount of Taxes Levied Upon the Property Within the District	\$181,791

**SANITARY AND IMPROVEMENT DISTRICT NO. 255  
OF SARPY COUNTY, NEBRASKA**

SCHEDULE 4

**DISTRICT TRUSTEES AND RELATED BONDS**

**JUNE 30, 2010**

---

<u>Trustees</u>		<u>Bonds</u>	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Herbert L. Freeman	Chairman	Western Surety Company	\$5,000
Marcy Knobbe	Clerk	Western Surety Company	\$20,000
Michael L. Riedman	Trustee		
N.P. Dodge, Jr.	Trustee		
N.P. Dodge, III	Trustee		

13616 California Street, Suite 300  
Omaha, NE 68154-5336  
p: 402.496.8800  
f: 402.496.2711  
www.lutzcpa.com



SHAREHOLDERS

James D. Honz  
Gary K. Witt  
Ronald J. Nebbia  
Mark F. Duren

W. Reed Samson  
Jeffrey L. Snyder  
Patrick C. Knowles  
Sandra A. Lane

Shawn A. Wederquist  
Steven P. Kenney  
William W. Kenedy  
Susan S. Krause

Michael B. Mowat  
Thomas J. Helligso  
David F. Horner  
Kelly J. Martinson

Peter A. Froelicher  
James J. Tichota  
Stacy L. Watson  
Scott A. Carrico

**INDEPENDENT ACCOUNTANTS' 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. 255  
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. 255 of Sarpy County, Nebraska, as of and for the year ended June 30, 2010, which collectively comprise Sanitary and Improvement District No. 255 of Sarpy County, Nebraska's basic financial statements, and have issued our report thereon dated December 1, 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. 255 of Sarpy County, Nebraska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sanitary and Improvement District No. 255 of Sarpy County, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 255 of Sarpy County, Nebraska's internal control over financial reporting.

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. 255 of Sarpy County, Nebraska's ability to initiate, authorize, record, process, or report financial data reliability 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. 255 of Sarpy County, Nebraska's financial statements that is more than inconsequential will not be prevented or detected by the Sanitary and Improvement District No. 255 of Sarpy County, Nebraska's internal control.

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. 255 of Sarpy County, Nebraska's internal control.

Our consideration of 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 internal control that might be 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 255 of Sarpy County, Nebraska's, basic 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. Other than noted below, the results of our tests disclosed no other instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain instances of noncompliance that are summarized below:

The District had a shortfall in budgeted debt service fund revenues/receipts by approximately \$77,000 without amending the budget.

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

Lutz & Company, P.C.

December 1, 2010