

**Sanitary and Improvement District No. 258
of Sarpy County, Nebraska**

**Basic Financial Statements and
Independent Auditors' Report**

June 30, 2011



Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sanitary and Improvement District No. 258 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. 258 of Sarpy County, Nebraska, as of and for the year ended June 30, 2011, 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 and each major fund of Sanitary and Improvement District No. 258 of Sarpy County, Nebraska, as of June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, on July 1, 2010.

In September 2011, the District filed for reorganization under Chapter 9 of the United States Bankruptcy Code. See Note 8 for a description of the District's Plan of Adjustment as approved by the United States Bankruptcy Court of the District of Nebraska.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 13 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Information Required by Section 31-740, Reissue Revised Statute of Nebraska, 1998 and District Trustees and Related Bonds in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 15, 2011, on our consideration of Sanitary and Improvement District No. 258 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.

Luty & Company P.C.

December 15, 2011

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Governmental Funds Balance Sheet/Statement of Net Assets

June 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Reconciliation Note (6)</u>	<u>Statement of Net Assets</u>
ASSETS					
Cash on Deposit					
County Treasurer	\$ 3,492	\$ 21,519	\$ 25,011	\$ -	\$ 25,011
Investments	-	1,134,534	1,134,534	-	1,134,534
Receivables					
Property Taxes (Note 2)	30,961	35,466	66,427	-	66,427
Special Assessments (Note 3)	-	1,370,649	1,370,649	-	1,370,649
Accrued Interest Receivable					
Investments	-	218	218	-	218
Special Assessments (Note 3)	-	522,650	522,650	-	522,650
Capital Assets, Net of					
Accumulated Depreciation (Note 4)	-	-	-	3,377,273	3,377,273
TOTAL ASSETS	\$ 34,453	\$ 3,085,036	\$ 3,119,489	\$ 3,377,273	\$ 6,496,762
LIABILITIES					
Accounts Payable	\$ 3,144	\$ -	\$ 3,144	\$ -	\$ 3,144
Registered Warrants					
Payable (Note 5)	356,018	-	356,018	6,417,963	6,773,981
Unregistered Warrants					
Payable (Note 5)	7,448	-	7,448	449,257	456,705
Accrued Interest on					
Registered Warrants (Note 5)	46,704	-	46,704	-	46,704
Deferred Revenue	-	-	-	59,408	59,408
Total Liabilities	413,314	-	413,314	6,926,628	7,339,942
COMMITMENTS AND CONTINGENCIES (Notes 7 and 8)					
FUND BALANCE (DEFICIT)/NET ASSETS					
Unassigned, Reported in					
General Fund	(378,861)	-	(378,861)	378,861	-
Restricted, Debt Service Fund	-	3,085,036	3,085,036	(3,085,036)	-
Total Fund Balance (Deficit)	(378,861)	3,085,036	2,706,175	(2,706,175)	-
TOTAL LIABILITIES AND FUND BALANCE					
	\$ 34,453	\$ 3,085,036	\$ 3,119,489		
NET ASSETS (DEFICIT)					
Invested in Capital Assets, Net of					
Related Debt				(3,549,355)	(3,549,355)
Unassigned				(378,861)	(378,861)
Restricted for Debt Service				3,085,036	3,085,036
TOTAL NET ASSETS (DEFICIT)				\$ (843,180)	\$ (843,180)

See Notes to Basic Financial Statements.

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Reconciliation Note (6)</u>	<u>Statement of Activities</u>
REVENUES/RECEIPTS					
Property Taxes (Note 2)	\$ 53,251	\$ 66,564	\$ 119,815	\$ (10,660)	\$ 109,155
Interest on					
Property Taxes (Note 2)	333	4	337	-	337
Investments	-	963	963	-	963
Special Assessments (Note 3)	-	118,276	118,276	-	118,276
Sewer Connection Fees	-	32,000	32,000	-	32,000
State Motor Vehicle Tax Allocation	180	128	308	-	308
Total Revenue/Receipts	53,764	217,935	271,699	(10,660)	261,039
EXPENDITURES/EXPENSES					
Current:					
Collection Fees- County Treasurer	1,396	3,734	5,130	-	5,130
Depreciation (Note 4)	-	-	-	153,837	153,837
Engineering	7,743	-	7,743	-	7,743
Fiscal Agent Fees	1,161	-	1,161	-	1,161
Insurance	710	-	710	-	710
Interest on					
Registered Warrants (Note 5)	23,832	449,257	473,089	-	473,089
Maintenance	44,387	-	44,387	-	44,387
Professional Fees	21,037	-	21,037	-	21,037
Utilities	139	-	139	-	139
Total Expenditures/Expenses	100,405	452,991	553,396	153,837	707,233
Excess (Deficiency) of Revenues/Receipts					
Over Expenditures/Expenses	(46,641)	(235,056)	(281,697)	(164,497)	(446,194)
OTHER FINANCING SOURCES (USES)					
Warrants Issued (Note 5)	-	449,257	449,257	(449,257)	-
Change in Payables	-	261,567	261,567	(261,567)	-
Total Other Financing Sources (Uses)	-	710,824	710,824	(710,824)	-
Excess (Deficiency) of Revenues/Receipts and Transfers in Over (Under) Expenditures/ Expenses and Transfers Out					
	(46,641)	475,768	429,127	(429,127)	-
Change in Net Assets					
				(446,194)	(446,194)
Fund Balance (Deficit)/Net Assets, Beginning of Year					
	(332,220)	2,609,268	2,277,048	-	(396,986)
Fund Balance (Deficit)/Net Assets, End of Year					
	\$(378,861)	\$ 3,085,036	\$ 2,706,175	\$ -	\$ (843,180)

See Notes to Basic Financial Statements.

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

The accounting policies of Sanitary and Improvement District No. 258 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. 258 of Sarpy County, Nebraska (the District), was formed on December 15, 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.

On July 1, 2010, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which provides additional guidance on fund balance classifications and clarifies existing guidance on governmental fund type definitions. GASB No. 54 requires the District to identify amounts that are considered nonspendable and provides for additional classification of spendable amounts as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Basic 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 basic 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 basic 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. 258 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2011

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. 258 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2011

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, 2011.)

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, 2011, 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. 258 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2011

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>
Park Improvements	15
Storm and Sanitary Sewers Systems	50
Street Improvements	20

Costs 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.

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 years services.

Credit Risk

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

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 15, 2011. See Note 8 for description of subsequent event.

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2011

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 2010-2011, the District levied property taxes at the rate of \$.90 (\$.40 for the general fund and \$.50 for the debt service fund) per \$100 based on a property valuation of \$13,312,869.

3. Special Assessments Receivable

Special assessments in the amount cumulative of \$2,262,286 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.

4. Capital Assets

Capital assets at June 30, 2011 consist of the following:

	Costs at June 30, 2010	Additions	Deletions	Costs at June 30, 2011
Storm and Sanitary Sewer System	\$ 1,955,393	\$ -	\$ -	\$ 1,955,393
Street Improvements	1,576,313	-	-	1,576,313
Park Improvements	538,701	-	-	538,701
Easements	48,800	-	-	48,800
	<u>\$ 4,119,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,119,207</u>
Less Accumulated Depreciation				<u>741,934</u>
Capital Assets, Net of Accumulated Depreciation				<u>\$ 3,377,273</u>

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2011

5. 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, 2011:

	General Fund	Debt Service Fund
Balance, June 30, 2010	\$ 341,056	\$ 6,417,963
Warrants Issued	81,896	449,257
Warrants Retired	(59,486)	-
Balance, June 30, 2011	<u>\$ 363,466</u>	<u>\$ 6,867,220</u>

Aggregate maturities of warrants outstanding are as follows:

Year Ending June 30:	-----General Fund-----		----Debt Service Fund----	
	Amount of Warrants	Interest Rate	Amount of Warrants	Interest Rate
2012	\$ 178,574	7%	\$ -	
2013	59,720	7%	967,325	7%
2014	125,172	7%	3,637,690	7%
2015	-		1,036,740	7%
2016	-		383,809	7%
Thereafter	-		841,656	7%
	<u>\$ 363,466</u>		<u>\$ 6,867,220</u>	

Unregistered warrants for the general fund and debt service fund at June 30, 2011 were \$7,448 and \$449,257, respectively. These warrants have not been registered, therefore they do not accrue interest.

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2011

6. Reconciliation of Net Assets and Changes in Net Assets

Net Assets

Total fund balance per balance sheet \$ 2,706,175

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 3,377,273

Some liabilities, including warrants payable are not due and payable in the current period and therefore are not reported in the funds. (6,867,220)

Property tax revenue not yet earned at year end is reported as deferred revenue. (59,408)

Net deficit of governmental activities \$ (843,180)

Changes in Net Assets

Net change in fund balance \$ (281,697)

Current year property tax levy not yet earned at year end. (10,660)

Certain expenditures do not require the use of current financial resources and therefore are not reported as expenditures of in governmental funds. (153,837)

Change in net deficit of governmental activities \$ (446,194)

7. 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 depended 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 of the District. The District's ability to fund its obligations in the future is contingent upon the increase in valuation, success of future lot sales and the development within the District.

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Notes to Basic Financial Statements

June 30, 2011

8. Subsequent Event

Chapter 9 Bankruptcy

The District has had difficulties paying warrant principal and interest as warrants mature due to the lack of property valuation and special assessment collection. In September 2011, the District commenced proceedings to propose a Plan of Adjustment in the United States Bankruptcy Court under Chapter 9 of the United States Bankruptcy Code. The Plan of Adjustment allowed for a transfer of funds from the debt service fund to the general fund in an amount sufficient to retire all outstanding general fund warrants and accrued interest plus a \$50,000 emergency reserve for the operation of the District. The Plan also outlined the exchange of outstanding debt service fund warrants for non-interest bearing Class A Bonds to individual warrant holders. A Class B Certificate of indebtedness will also be issued to bond holders contemporaneously with the payment in full of the bonds in an amount representing accrued interest on the bonds at 7%. The Plan of Adjustment was approved and confirmed by an Order of the United States Bankruptcy Court of the District of Nebraska in September 2011. The District's Plan of Adjustment is available at the Douglas County courthouse.

The District will make annual payments on outstanding bonds and certificates of indebtedness in an amount determined by the District's disbursement agent, until December 31, 2021, at which time the Plan of Adjustment terminates and any unpaid principal and interest will be discharged.

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Revenue, Expenditures and Changes in Fund Balance-
Budget and Actual (Budgetary Basis) – General Fund**

**Schedule of Revenue, 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 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***

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Schedule 1

Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund

For the Year Ended June 30, 2011

	Actual on GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
REVENUES/RECEIPTS					
Property Taxes	\$ 53,251	\$ 17,787	\$ 71,038	\$ 51,654	\$ 19,384
Interest on					
Property Taxes	333	-	333	1,000	(667)
State Motor Vehicle Tax Allocation	180	-	180	-	180
Total Revenues/Receipts	53,764	17,787	71,551	52,654	18,897
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	1,396	-	1,396	-	(1,396)
Engineering	7,743	383	8,126	8,000	(126)
Fiscal Agent Fee	1,161	-	1,161	4,250	3,089
Insurance	710	-	710	1,000	290
Interest on Registered Warrants	23,832	(9,592)	14,240	24,000	9,760
Maintenance	44,387	1,041	45,428	15,000	(30,428)
Professional Fees	21,037	2,782	23,819	21,000	(2,819)
Utilities	139	2,513	2,652	40,000	37,348
Total Expenditures/Disbursements	100,405	(2,873)	97,532	113,250	15,718
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(46,641)	20,660	(25,981)	(60,596)	34,615
OTHER FINANCING SOURCES (USES)					
Warrants Issued	-	81,896	81,896	89,250	(7,354)
Warrants Retired	-	(59,486)	(59,486)	(35,000)	(24,486)
Total Other Financing Sources (Uses)	-	22,410	22,410	54,250	(31,840)
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES					
	(46,641)	43,070	(3,571)	\$ (6,346)	\$ 2,775
Fund Balance (Deficit), Beginning of Year	(332,220)	339,283	7,063		
Fund Balance (Deficit), End of Year	\$(378,861)	\$ 382,353	\$ 3,492		

See Independent Auditors' Report.

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Schedule 2

Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – Debt Service Fund

For the Year Ended June 30, 2011

	Actual on GAAP Basis	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
REVENUES/RECEIPTS					
Property Taxes	\$ 66,564	\$ (35,465)	\$ 31,099	\$ 64,567	\$ (33,468)
Interest on					
Property Taxes	4	-	4	-	4
Investments	963	61	1,024	2,000	(976)
Special Assessments	118,276	(78,209)	40,067	15,000	25,067
Special Assessments	-	117,484	117,484	150,000	(32,516)
Sewer Connection Fees	32,000	-	32,000	30,000	2,000
State Motor Vehicle Tax Allocation	128	-	128	-	128
Total Revenues/Receipts	217,935	3,871	221,806	261,567	(39,761)
EXPENDITURES/DISBURSEMENTS					
Collection Fees- County Treasurer	3,734	-	3,734	4,000	266
Fiscal Agent Fees	-	-	-	22,500	22,500
Interest on Registered Warrants	449,257	-	449,257	450,000	743
Total Expenditures/Disbursements	452,991	-	452,991	476,500	23,509
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(235,056)	3,871	(231,185)	(214,933)	(16,252)
OTHER FINANCING SOURCES (USES)					
Warrants Issued	449,257	-	449,257	472,500	(23,243)
Change in Payables	261,567	(261,567)	-	-	-
Total Other Financing Sources (Uses)	710,824	(261,567)	449,257	472,500	(23,243)
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/DISBURSEMENTS AND OTHER USES					
	475,768	(257,696)	218,072	\$ 257,567	\$ (39,495)
Fund Balance (Deficit), Beginning of Year	2,609,268	(1,671,287)	937,981		
Fund Balance (Deficit), End of Year	\$3,085,036	\$ (1,928,983)	\$1,156,053		

See Independent Auditors' Report.

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Schedule 3

Information Required by Section 31-740
Reissue Revised Statute of Nebraska, 1998

June 30, 2011

Total Receipts From All Sources	\$	293,357
Amount Spent for Sewage Disposal		None
Amount Expended on Water System		None
Gross Amount of Sewage Proceed		None
Cost Per Thousand Gallons of Processing Sewage		None
Amount Expended For		
Maintenance and Repair	\$	44,387
New Equipment		None
New Construction Work		None
Property Purchased		None
Number of Employees		None
Total Amount of Taxes Levied Upon the Property Within the District	\$	119,815

Sanitary and Improvement District No. 258 of Sarpy County, Nebraska

Schedule 4

District Trustees and Related Bonds

June 30, 2011

<u>Trustees</u>		<u>Bonds</u>	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Paul S. McCune	Chairman	Western Surety Company	\$ 5,000
Michelle Zimmerman	Clerk	Western Surety Company	\$ 20,000
Susan McCune	Trustee		
Stacey Holt	Trustee		
Merlyn Masters	Trustee		

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

Board of Trustees

Sanitary and Improvement District No. 258 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. 258 of Sarpy County, Nebraska, as of and for the year ended June 30, 2011, which collectively comprise Sanitary and Improvement District No. 258 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated December 15, 2011. 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. 258 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 Sanitary and Improvement District No. 258 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. 258 of Sarpy County, Nebraska's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 or significant deficiencies, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be control deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 258 of Sarpy County, Nebraska's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 budgeted shortfall in debt service fund revenues/receipts of approximately \$39,800 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.

Luty & Company P.C.

December 15, 2011

