

**SANITARY AND IMPROVEMENT
DISTRICT NO. 264 OF SARP
COUNTY, NEBRASKA**

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

JUNE 30, 2010



SANITARY AND IMPROVEMENT DISTRICT NO. 264 OF SARPY COUNTY, NEBRASKA

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Trustees
Sanitary and Improvement District No. 264
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. 264 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 and each major fund of Sanitary and Improvement District No. 264 of Sarpy County, Nebraska, as of June 30, 2010, and the results of its operations for the year then ended 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 Improvement District No. 264 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. 264
of Sarpy County, Nebraska
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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 Trustees 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.

Lutz & Company, P.C.

December 1, 2010

**SANITARY AND IMPROVEMENT DISTRICT NO. 264
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 7)</u>	<u>Statement of Net Assets</u>
ASSETS					
Cash on Deposit-County Treasurer	\$ 86,993	\$ 414,642	\$ 501,635	\$	\$ 501,635
Investments		1,264,561	1,264,561		1,264,561
Receivables					
Property Taxes (Note 2)	269,446		269,446		269,446
Special Assessments (Note 3)		6,132,914	6,132,914		6,132,914
Accrued Interest Receivable					
Investments		439	439		439
Special Assessments (Note 3)		1,323,303	1,323,303		1,323,303
Bond Issue Costs, Net of Accumulated Amortization of \$12,201				353,829	353,829
Capital Assets, Net of Accumulated Depreciation (Note 4)				26,569,565	26,569,565
TOTAL ASSETS	\$356,439	\$9,135,859	\$9,492,298	\$26,923,394	\$36,415,692
LIABILITIES					
Accounts Payable	\$ 54,413	\$ 96,199	\$ 150,612	\$	\$ 150,612
Registered Warrants Payable (Note 5)	148,814		148,814	24,623,693	24,772,507
Unregistered Warrants Payable (Note 5)	75,034		75,034	10,111	85,145
Accrued Interest on					
Registered Warrants (Note 5)	3,221	1,420,101	1,423,322		1,423,322
Bonds (Note 6)		26,655	26,655		26,655
Bonds Payable (Note 6)					
Due Within One Year				110,000	110,000
Due After One Year				3,390,000	3,390,000
Deferred Revenue				269,446	269,446
Total Liabilities	281,482	1,542,955	1,824,437	28,403,250	30,227,687
COMMITMENTS AND CONTINGENCIES (Notes 8 and 9)					
FUND BALANCE/NET ASSETS					
Unreserved, Reported in					
General Fund	74,957		74,957	(74,957)	
Restricted, Debt Service Fund		7,592,904	7,592,904	(7,592,904)	
Total Fund Balance (Deficit)	74,957	7,592,904	7,667,861	(7,667,861)	
TOTAL LIABILITIES AND FUND BALANCE	\$356,439	\$9,135,859	\$9,492,298		
NET ASSETS (DEFICIT)					
Invested in Capital Assets, Net of Related Debt				(1,479,856)	(1,479,856)
Unrestricted				74,957	74,957
Restricted for Debt Service				7,592,904	7,592,904
TOTAL NET ASSETS				\$ 6,188,005	\$ 6,188,005

See Notes to Basic Financial Statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 264 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 7)</u>	<u>Statement of Activities</u>
REVENUES					
Property Taxes (Note 2)	\$566,182	\$	\$ 566,182	\$ (49,995)	\$ 516,187
Interest on					
Property Taxes (Note 2)	7,875		7,875		7,875
Investments		1,242	1,242		1,242
Special Assessments (Note 3)		531,658	531,658		531,658
Special Assessments (Note 3)					
Collection in District		908	908		908
State Motor Vehicle Taxes Allocation	1,765		1,765		1,765
Total Revenues	575,822	533,808	1,109,630	(49,995)	1,059,635
EXPENDITURES/EXPENSES					
Current:					
Collection Fees-County Treasurer	11,256	29,703	40,959		40,959
Amortization of Bond Issue Costs				12,201	12,201
Bond Maintenance Costs		1,000	1,000		1,000
Clerk Fees	1,200		1,200		1,200
Depreciation (Note 4)				650,709	650,709
Engineering	60,052	137,200	197,252		197,252
Fiscal Agent Fees		104,764	104,764		104,764
Insurance	3,527		3,527		3,527
Interest on Registered Warrants (Note 5)	19,598	1,766,071	1,785,669		1,785,669
Interest on Bonds Payable (Note 6)		108,398	108,398		108,398
Maintenance	255,448		255,448		255,448
Professional Fees	33,334	15,612	48,946		48,946
Utilities	57,031		57,031		57,031
Net Capital Outlay (Note 4)		62,547	62,547	(62,547)	
Total Expenditures/Expenses	441,446	2,225,295	2,666,741	600,363	3,267,104
Excess (Deficiency) of Revenues Over Expenditures/Expenses	134,376	(1,691,487)	(1,557,111)	(650,358)	(2,207,469)
OTHER FINANCING SOURCES (USES)					
Issuance of Warrants (Note 5)		2,180,051	2,180,051	(2,180,051)	
Warrants Retired (Note 5)		(3,923,781)	(3,923,781)	3,923,781	
Bonds Issued (Note 6)		3,220,000	3,220,000	(3,220,000)	
Change in Payables		(86,027)	(86,027)	86,027	
Total Other Financing Sources (Uses)		1,390,243	1,390,243	(1,390,243)	
Excess (Deficiency) of Revenues and Transfers in Over (Under) Expenditures and Transfers Out	134,376	(301,244)	(166,868)	166,868	
Change in Net Assets				(2,207,469)	(2,207,469)
Fund Balance (Deficit)/Net Assets, Beginning of Year	(59,419)	7,894,148	7,834,729		8,395,474
Fund Balance					
Net Assets, End of Year	\$ 74,957	\$7,592,904	\$7,667,861		\$ 6,188,005

See Notes to Basic Financial Statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 264 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. 264 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. 264 of Sarpy County, Nebraska (the District), was formed on April 4, 2005, 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 No. 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.

SANITARY AND IMPROVEMENT DISTRICT NO. 264 OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

1. Summary of Significant Accounting Policies - Continued

Combined

Financial Statements -

Continued

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.

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.

SANITARY AND IMPROVEMENT DISTRICT NO. 264 OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

1. Summary of Significant Accounting Policies - Continued

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.

**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.

SANITARY AND IMPROVEMENT DISTRICT NO. 264 OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

1. Summary of Significant Accounting Policies - Continued

Investments -

Continued

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.

Special Assessments

Revenue on special assessments are recognized when the specials are assessed. Special assessments are considered fully collectible; therefore, no allowance for uncollectible assessments 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>
Sanitary and Storm Sewer Systems	50
Street Improvements	20
Park Improvements	15

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.

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.

SANITARY AND IMPROVEMENT DISTRICT NO. 264 OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

1. Summary of Significant Accounting Policies - Continued

Credit Risk The District's credit risk relates to receivables for property taxes 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 June 30, 2010. See Note 9 for a description of subsequent event.

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 at the rate of \$0.88 in the general fund per \$100 based on a property valuation of \$64,338,889.

3. Special Assessments Receivable

Special assessments in the amount cumulative of \$10,062,594 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 7.50% per annum until delinquent and 9.50% per annum thereafter until paid.

4. Capital Assets

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

	<u>Costs at June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Costs at June 30, 2010</u>
Sanitary and Storm Systems	\$17,076,667	\$ 85,145	\$47,000	\$17,114,812
Street Improvements	5,216,979	24,402		5,241,381
Park Improvements	695,153			695,153
Land	<u>5,827,472</u>			<u>5,827,472</u>
	<u>\$28,816,271</u>	<u>\$109,547</u>	<u>\$47,000</u>	28,878,818
Less Accumulated Depreciation				<u>2,309,253</u>
Capital Assets, Net of Accumulated Depreciation				<u>\$26,569,565</u>

SANITARY AND IMPROVEMENT DISTRICT NO. 264 OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

5. Warrants Payable

Interest accrues on the warrants 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:

	General Fund	Debt Service Fund
Balance, June 30, 2009	\$ 320,518	\$26,377,534
Warrants Issued	407,523	2,180,051
Warrants Retired	<u>(504,193)</u>	<u>(3,923,781)</u>
Balance, June 30, 2010	<u>\$ 223,848</u>	<u>\$24,633,804</u>

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

<u>Year Ending June 30,</u>	<u>---General Fund---</u>		<u>--Debt Service Fund--</u>	
	<u>Amount of Warrants</u>	<u>Interest Rate</u>	<u>Amount of Warrants</u>	<u>Interest Rate</u>
2011	\$		\$	
2012			13,847,000	7%
2013	223,848	7%	6,334,762	7%
2014			2,194,156	7%
2015			<u>2,257,886</u>	7%
	<u>\$223,848</u>		<u>\$24,633,804</u>	

Unregistered warrants for the general fund and debt service fund at June 30, 2010 were \$75,034 and \$10,111, respectively. These warrants have not been registered, therefore they do not accrue interest.

6. Long-Term Debt

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

General obligation bonds totaling \$3,500,000 issued on November 1, 2009, with a balance of \$3,500,000 at June 30, 2010, are due serially beginning November 1, 2010 through November 1, 2029. Interest is payable semi-annually on this issue at 2.15% to 5.55% per annum.

**SANITARY AND IMPROVEMENT DISTRICT NO. 264
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

6. Long-Term Debt - Continued

The following is a summary of bonds payable transactions of the District for the year ended June 30, 2009:

Bonds Outstanding, June 30, 2009	\$
Bonds Issued	<u>3,500,000</u>
Bonds Outstanding, June 30, 2010	<u>\$3,500,000</u>

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	\$ 110,000	\$ 162,303	\$ 272,303
2012	115,000	159,711	274,711
2013	120,000	156,623	276,623
2014	120,000	153,053	273,053
2015	125,000	148,975	273,975
Thereafter	<u>2,910,000</u>	<u>1,316,094</u>	<u>4,226,094</u>
Total	<u>\$3,500,000</u>	<u>\$2,096,759</u>	<u>\$5,596,759</u>

7. Reconciliation of Net Assets and Changes in Net Assets

Net Assets

Total fund balance per balance sheet \$ 7,667,861

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

Capital assets and bond issue costs used in governmental activities are not financial resources and therefore are not reported in the funds. 26,923,394

Various payables, including warrants payable and bonds payable are not due and payable in the current period are not reported in the funds. (28,133,804)

Property tax revenue not yet earned is shown as deferred revenue. (269,446)

Net assets of governmental activities \$ 6,188,005

SANITARY AND IMPROVEMENT DISTRICT NO. 264 OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

7. Reconciliation of Net Assets and Changes in Net Assets - Continued

Change in Net Assets

Net change in fund balance	\$ (1,557,111)
Current year property tax levy not yet earned at year end.	(49,995)
Certain expenditures do not require the use of current financial resources and therefore are not reported as expenditures of governmental funds.	(662,910)
Governmental funds report capital outlay as expenditures. However, the costs of these assets is allocated over their estimated useful lives.	<u>62,547</u>
Change in net assets of governmental activities	<u>\$ (2,207,469)</u>

8. 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 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.

9. Subsequent Events

On October 15, 2010, the District issued general obligation bonds totaling \$4,750,000. The bonds are due serially beginning August 15, 2011, through August 15, 2030. Interest is payable semi-annually on this issue at 1.70% to 5.10% per annum.

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. 264
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>
REVENUES/RECEIPTS					
Property Taxes	\$566,182	\$ 6,547	\$ 572,729	\$ 549,197	\$ 23,532
Interest on Taxes	7,875		7,875	5,000	2,875
State Motor Vehicle Taxes Allocation	1,765		1,765		1,765
Total Revenues/Receipts	575,822	6,547	582,369	554,197	28,172
EXPENDITURES/DISBURSEMENTS					
Collection Fees-County Treasurer	11,256		11,256		(11,256)
Clerk Fees	1,200		1,200	1,200	
Engineering	60,052	4,436	64,488	40,000	(24,488)
Insurance	3,527	874	4,401	4,000	(401)
Interest on Registered Warrants	19,598	5,205	24,803	22,500	(2,303)
Maintenance	255,448	(9,086)	246,362	300,000	53,638
Professional Fees	33,334	(393)	32,941	37,000	4,059
Utilities	57,031	1,100	58,131	60,000	1,869
Total Expenditures/Disbursements	441,446	2,136	443,582	464,700	21,118
Excess of Revenues/Receipts over Expenditures/Disbursements	134,376	4,411	138,787	89,497	49,290
OTHER FINANCING SOURCES (USES)					
Issuance of Warrants		407,523	407,523	442,200	(34,677)
Warrants Retired		(504,193)	(504,193)	(300,000)	(204,193)
Total Other Financing Sources (Uses)		(96,670)	(96,670)	142,200	(238,870)
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/ DISBURSEMENTS AND OTHER USES					
	134,376	(92,259)	42,117	<u>\$ 231,697</u>	<u>\$(189,580)</u>
Fund Balance, Beginning of Year	(59,419)	104,295	44,876		
Fund Balance (Deficit), End of Year	\$ 74,957	\$ 12,036	\$ 86,993		

See Independent Accountants' Audit Report.

**SANITARY AND IMPROVEMENT DISTRICT NO. 264
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>
REVENUES/RECEIPTS					
Interest on					
Investments	\$ 1,242	\$ (39)	\$ 1,203	\$ 8,000	\$ (6,797)
Special Assessments	531,658	(322,895)	208,763	70,000	138,763
Special Assessments		1,276,364	1,276,364	700,000	576,364
Collection in District	908	47,000	47,908		47,908
Total Revenues/Receipts	533,808	1,000,430	1,534,238	778,000	756,238
EXPENDITURES/DISBURSEMENTS					
Collection Fees-County Treasurer	29,703		29,703	15,500	(14,203)
Bond Issue Costs		86,030	86,030		(86,030)
Bond Maintenance Costs	1,000		1,000		(1,000)
Engineering	137,200	(87,989)	49,211	50,000	789
Fiscal Agent Fees	104,764		104,764	117,500	12,736
Interest on Registered Warrants	1,766,071	103,331	1,869,402	1,850,000	(19,402)
Interest on Bonds Payable	108,398	(26,656)	81,742		(81,742)
Professional Fees	15,612	(5,178)	10,434	50,000	39,566
Net Capital Outlay	62,547	43,967	106,514	400,000	293,486
Total Expenditures/Disbursements	2,225,295	113,505	2,338,800	2,483,000	144,200
Excess (Deficiency) of Revenues/Receipts over Expenditures/Disbursements	(1,691,487)	886,925	(804,562)	(1,705,000)	900,438
OTHER FINANCING SOURCES (USES)					
Issuance of Warrants	2,180,051		2,180,051	2,467,500	(287,449)
Warrants Retired	(3,923,781)		(3,923,781)	(4,500,000)	576,219
Bonds Issued	3,220,000		3,220,000	4,500,000	(1,280,000)
Change in Payables	(86,027)	86,027			
Total Other Financing Sources (Uses)	1,390,243	86,027	1,476,270	2,467,500	(991,230)
EXCESS (DEFICIENCY) OF REVENUES/ RECEIPTS AND OTHER SOURCES OVER EXPENDITURES/ DISBURSEMENTS AND OTHER USES					
	(301,244)	972,952	671,708	\$ 762,500	\$ (90,792)
Fund Balance (Deficit), Beginning of Year	7,894,148	(6,886,653)	1,007,495		
Fund Balance (Deficit), End of Year	\$ 7,592,904	\$(5,913,701)	\$1,679,203		

See Independent Accountants' Audit Report.

**SANITARY AND IMPROVEMENT DISTRICT NO. 264
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	\$5,336,607
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	\$255,448
B. New Equipment	None
C. New Construction Work	\$109,547
D. Property Purchased	None
Number of Employees	None
Total Amount of Taxes Levied Upon the Property Within the District	\$566,182

See Independent Accountants' Audit Report.

**SANITARY AND IMPROVEMENT DISTRICT NO. 264
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>
John C. Allen	Chairman	Western Surety Company	\$5,000
Joyce A. Sramek	Clerk	Western Surety Company	\$20,000
Joseph J. Valenti	Trustee		
Jeanne D. Knox	Trustee		
Gerald L. Torczon	Trustee		

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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. 264
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. 264 of Sarpy County, Nebraska, as of and for the year ended June 30, 2010, which collectively comprise Sanitary and Improvement District No. 264 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. 264 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. 264 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. 264 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. 264 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. 264 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. 264 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. 264 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.

Board of Trustees
Sanitary and Improvement District No. 264
of Sarpy County, Nebraska
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 264 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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