



**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Basic Financial Statements  
and Supplementary Information  
June 30, 2010**

**Together with Independent Auditor's Report**

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

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June 30, 2010**

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## **Independent Auditor's Report on the Basic Financial Statements and Supplementary Information**

To the Board of Trustees of  
Sanitary Improvement District No. 270  
of Sarpy County, Nebraska:

We have audited the accompanying financial statements of the governmental activities of Sanitary Improvement District No. 270 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparisons for the general and debt service funds thereof 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 our report dated December 20, 2010, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report was 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As described in Note 10 to the financial statements, the fund balance of the general fund and the net liabilities in the government-wide financial statements as of June 30, 2009 have been restated for errors in the application of accounting principles.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 11 to the financial statements, the District is facing significant liquidity issues. This raises substantial doubt about the District's ability to continue as a going concern. The Board of Trustees' plan in regard to these matters is also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Seim, Johnson, Satala & Quist, LLP*

Omaha, Nebraska,  
December 20, 2010.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Government Funds Balance Sheet / Statement of Net Liabilities  
June 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,279	28,863	48,142	--	48,142
Investments	--	324,808	324,808	--	324,808
Receivables:					
Property taxes	50,616	--	50,616	--	50,616
Special assessments	--	1,908,361	1,908,361	--	1,908,361
Interest on special assessments	--	548,100	548,100	--	548,100
Capital assets, net of accumulated depreciation	--	--	--	6,444,242	6,444,242
Total assets	<u>\$ 69,895</u>	<u>2,810,132</u>	<u>2,880,027</u>	<u>6,444,242</u>	<u>9,324,269</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 4,691	--	4,691	--	4,691
Accrued interest payable	--	--	--	668,578	668,578
Deferred revenue	--	2,456,461	2,456,461	(2,456,461)	--
Long-term liabilities					
Portion due less than one year	127,144	--	127,144	5,825,219	5,952,363
Portion due after one year	--	--	--	3,841,768	3,841,768
Total liabilities	<u>131,835</u>	<u>2,456,461</u>	<u>2,588,296</u>	<u>7,879,104</u>	<u>10,467,400</u>
<b>FUND BALANCES/NET LIABILITIES</b>					
Debt service fund	--	353,671	353,671	(353,671)	--
General fund	(61,940)	--	(61,940)	61,940	--
Total fund balance (deficit)	<u>(61,940)</u>	<u>353,671</u>	<u>291,731</u>	<u>(291,731)</u>	<u>--</u>
Total liabilities and fund balances	<u>\$ 69,895</u>	<u>2,810,132</u>	<u>2,880,027</u>		
Invested in capital assets, net of related debt				(3,349,889)	(3,349,889)
Restricted for debt service				353,671	353,671
Unrestricted				1,853,087	1,853,087
Total net liabilities				<u>\$ (1,143,131)</u>	<u>(1,143,131)</u>

See Notes to Basic Financial Statements

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Statement of Governmental Fund Revenues, Expenditures  
and Changes in Fund Balances / Statement of Activities  
For the Year Ended June 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Activities</u>
<b>REVENUES:</b>					
Personal and real estate taxes	\$ 105,680	--	105,680	--	105,680
Special assessments	--	59,905	59,905	(59,905)	--
Interest on investments	--	696	696	--	696
Interest on special assessments	--	16,296	16,296	140,202	156,498
Miscellaneous	3,666	--	3,666	(1,317)	2,349
Total revenues	<u>109,346</u>	<u>76,897</u>	<u>186,243</u>	<u>78,980</u>	<u>265,223</u>
<b>EXPENDITURES:</b>					
Capital outlay	--	12,142	12,142	(12,142)	--
Collection fees	1,939	1,523	3,462	--	3,462
Depreciation	--	--	--	251,151	251,151
Electricity	20,661	--	20,661	--	20,661
Insurance	3,928	--	3,928	(1,317)	2,611
Interest on warrants	16,903	630,598	647,501	49,524	697,025
Professional fees	28,669	--	28,669	--	28,669
Publications	87	--	87	--	87
Repairs and maintenance	33,321	--	33,321	--	33,321
Street cleaning	950	--	950	--	950
Street signs	121	--	121	--	121
Total expenditures	<u>106,579</u>	<u>644,263</u>	<u>750,842</u>	<u>287,216</u>	<u>1,038,058</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>2,767</u>	<u>(567,366)</u>	<u>(564,599)</u>	<u>(208,236)</u>	<u>(772,835)</u>
<b>OTHER FINANCING SOURCES:</b>					
Issuance of warrants	84,066	631,567	715,633	(715,633)	--
Maturity of warrants	(199,780)	(236,839)	(436,619)	436,619	--
Total other financing sources	<u>(115,714)</u>	<u>394,728</u>	<u>279,014</u>	<u>(279,014)</u>	<u>--</u>
REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	<u>(112,947)</u>	<u>(172,638)</u>	<u>(285,585)</u>	<u>285,585</u>	<u>--</u>
CHANGE IN NET ASSETS	<u>--</u>	<u>--</u>	<u>--</u>	<u>(772,835)</u>	<u>(772,835)</u>
<b>FUND BALANCES/NET LIABILITIES</b>					
Beginning of year as previously reported	(459,872)	526,309	66,437	(2,812,898)	(2,746,461)
Prior period adjustment (see Note 9)	510,879	--	510,879	1,865,286	2,376,165
Beginning of year as adjusted	<u>51,007</u>	<u>526,309</u>	<u>577,316</u>	<u>(947,612)</u>	<u>(370,296)</u>
End of year	<u>\$ (61,940)</u>	<u>353,671</u>	<u>291,731</u>	<u>(1,434,862)</u>	<u>(1,143,131)</u>

See Notes to Basic Financial Statements

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Statement of Receipts and Disbursements –  
Budget and Actual – General Fund  
For the Year Ended June 30, 2010**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>RECEIPTS:</b>			
Property taxes	\$ 105,605	100,566	(5,039)
Miscellaneous revenues	--	1,664	1,664
Total receipts	<u>105,605</u>	<u>102,230</u>	<u>(3,375)</u>
<b>DISBURSEMENTS:</b>			
Collection fees	2,071	1,938	133
Electricity	30,000	18,806	11,194
Insurance	8,000	3,271	4,729
Interest on warrants	21,000	16,903	4,097
Miscellaneous	2,000	--	2,000
Professional fees	40,000	27,499	12,501
Publications	500	87	413
Repairs and maintenance	267,000	33,331	233,669
Street cleaning	1,500	950	550
Street signs	1,000	121	879
Total disbursements	<u>373,071</u>	<u>102,906</u>	<u>270,165</u>
RECEIPTS UNDER DISBURSEMENTS (BUDGETARY BASIS)	<u>(267,466)</u>	<u>(676)</u>	<u>(266,790)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of warrants	350,000	84,066	(265,934)
Maturity of warrants	(80,000)	(199,780)	(119,780)
Total other financing sources, net	<u>270,000</u>	<u>(115,714)</u>	<u>(385,714)</u>
RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	<u>\$ 2,535</u>	<u>(116,390)</u>	<u>(118,925)</u>
<b>ADJUSTMENTS:</b>			
To adjust receipts for accruals		7,116	
To adjust disbursements for accruals		<u>(3,673)</u>	
Total adjustments		<u>3,443</u>	
RECEIPTS AND OTHER FINANCING SOURCES UNDER DISBURSEMENTS AND OTHER FINANCING USES (GAAP)		<u>\$ (112,947)</u>	

*See Notes to Basic Financial Statements*

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Statement of Receipts and Disbursements –  
Budget and Actual – Debt Service Fund  
For the Year Ended June 30, 2010**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>RECEIPTS:</b>			
Special assessments	\$ 40,000	59,905	19,905
Interest on special assessments	3,500	16,296	12,796
Interest on investments	4,000	763	(3,237)
Total receipts	<u>47,500</u>	<u>76,964</u>	<u>29,464</u>
<b>DISBURSEMENTS:</b>			
Collection fees	853	1,524	(671)
Construction costs	13,274	12,642	632
Interest on registered warrants	618,925	630,598	(11,673)
Total disbursements	<u>633,052</u>	<u>644,764</u>	<u>(11,712)</u>
RECEIPTS OVER/(UNDER) DISBURSEMENTS (BUDGETARY BASIS)	<u>(585,552)</u>	<u>(567,800)</u>	<u>17,752</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of warrants	632,199	631,567	(632)
Maturity of warrants	--	(236,839)	(236,839)
Total other financing sources	<u>632,199</u>	<u>394,728</u>	<u>(237,471)</u>
RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS	<u>\$ 46,647</u>	<u>(173,072)</u>	<u>(219,719)</u>
<b>ADJUSTMENTS:</b>			
To adjust receipts for accruals		(67)	
To adjust disbursements for accruals		501	
Total adjustments		<u>434</u>	
RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES (GAAP)		<u>\$ (172,638)</u>	

*See Notes to Basic Financial Statements*

**Sanitary Improvement District No. 270  
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**Notes to Basic Financial Statements  
June 30, 2010**

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**(1) Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies employed in the preparation of these financial statements:

**A. Reporting Entity**

Sanitary Improvement District No. 270 (the "District") was formed on April 13, 2005 to construct and maintain improvements in Hyda Hills. The Subdivision consists of 425 lots and is located in Sarpy County, Nebraska.

The Board of Trustees of the District has financial accountability and control over all the activities related to Sanitary Improvement District No. 270. The Board of Trustees is elected by the property owners of the District and has decision-making authority, the authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The Board also has primary financial accountability for fiscal matters of the District.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds for which the District is financially accountable. The District has also considered all other potential organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the District to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the District. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net liabilities and the statement of activities, which report financial information for all activities of the District.

The government-wide Statement of Net Liabilities recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by law through constitutional provisions or enabling legislature. Internally imposed designations of resources are not presented as restricted net assets.

The government-wide Statement of Activities reflects the expenses of the District's governmental activities, offset by general revenues to determine the change in net assets for the year.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the District's governmental funds:

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2010**

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General Fund - The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Debt Service Fund - The Debt Service Fund is used to account for the funding and payment of interest and principal of general obligation debt of the District.

*D. Measurement Focus and Basis of Accounting*

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

*E. Budgets and Budgetary Accounting*

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

Formal budgetary integration is employed as a management control device during the year for the General and Debt Service Funds. These budgets are adopted on the cash basis of accounting. Revenues are recognized when cash is received and expenses are recognized when cash is disbursed.

The District approves total budget appropriations. Supplemental funds may be appropriated for emergency purposes after a public hearing and approval by the District. The level of budgetary responsibility is by total appropriations.

Unused appropriations for all of the above annual budgeted funds lapse at the end of the District's fiscal year.

The budget amounts shown in the basic financial statements are the final authorized amounts. No additional appropriations were made during the year ended June 30, 2010.

*F. Cash and Cash Equivalents*

Cash and cash equivalents include investments in highly liquid debt instruments which are available to meet working capital requirements and other current obligations.

Cash of the individual funds of the Sanitary Improvement District were held by the Sarpy County, Nebraska Treasurer, the fiscal agent, in a pooled fund. Such pooled fund deposits were covered by federal depository insurance or with sufficient assets pledged to Sarpy County by the financial institution at June 30, 2010. Amounts collateralized were not readily available.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2010**

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G. *Investments*

State statutes authorize the District to invest in U.S. government obligations, bonds or indentures issued by banks supervised by the Farm Credit Administration, or in certificates of deposit.

The District's investments during the year and at year end for the Debt Service Fund were invested in U.S. Treasury Bills. The U.S. Treasury Bills are stated at cost plus accrued interest, which approximates market value.

The cost of all cash and investments registered in the District's name is as follows:

	<u>Cost</u>	<u>Cost and Accrued Interest</u>
Cash held by County Treasurer	\$ 48,142	48,142
U.S. Treasury Bills held by County Treasurer	<u>324,706</u>	<u>324,808</u>
	<u>\$ 372,848</u>	<u>372,950</u>

Interest Rate Risk – Since the District's investments are short-term, this risk is minimized at June 30, 2010.

Custodial Credit Risk – Since investments are held in the County's name, the District is exposed to this risk at June 30, 2010.

H. *Receivables*

Property taxes are recognized as a receivable at the time an enforceable legal claim is established. Revenues on special assessments and the related accrued interest are recognized as the amounts are collected in the government fund financial statements. Uncollected special assessments and accrued interest outstanding are recorded as receivable and deferred revenue on the government fund balance sheets as of June 30, 2010. Revenues on special assessments are recognized when levied and interest on outstanding special assessments are recognized when earned in the government-wide financial statements. Property tax and special assessment receivables are written off when deemed uncollectible. Recoveries of property tax and special assessment receivables previously written off are recorded when received. Interest income on property taxes and special assessments is recognized when received in the government fund financial statements.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2010**

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*I. Property Taxes*

The District has approved a tax levy as follows for the year ending June 30, 2010:

	<b>Dollars per \$100 of Valuation</b>
General Fund Valuation	\$ 0.7500 14,080,670
Total tax levy	<u>\$ 105,605</u>
Debt Service Fund Valuation	\$ -- 14,080,670
Total tax levy	<u>\$ --</u>
Levy Date	December 31
Due Date	December 31
Delinquent Dates	April 1 and August 1
Interest Rate	14%

*J. Capital Assets*

Capital assets, primarily infrastructure, are reported in the applicable column in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Depreciation is calculated using the modified half-year depreciation method (straight-line depreciation with a half-year taken the first year and the last year) over the following estimated useful lives:

Paving and sewers	30 years
Gas, electric and water distribution systems	30 years

*K. Estimates*

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board of 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 during the reporting period. Actual results could differ from those estimates.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2010**

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*L. Reconciliation of the Balance Sheet to the Statement of Net Liabilities -  
Governmental Funds for the Year Ended June 30, 2010*

Total fund balances - governmental funds	\$ 291,731
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 governmental funds.	6,444,242
Deferred revenue on special assessments in the government funds has been recorded as revenue in the government-wide financial statements.	1,908,361
Interest is accrued as revenue on unpaid special assessments in the government-wide statements whereas interest on special assessments is recorded as revenue in the governmental funds when collected.	548,100
Accrued interest expense is not due and payable in the current period and, accordingly, is not reported in the governmental funds.	(668,578)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(9,666,987)</u>
Total net liabilities - governmental activities	<u>\$ (1,143,131)</u>

*M. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the  
Statement of Activities - Governmental Fund for the Year Ended June 30, 2010*

Net change in fund balances – government funds	\$ (285,585)
Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(239,009)
Accrued interest expense that does not require current financial resources.	(49,524)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net change in long-term debt for the year was:	(279,014)
Collections on special assessments and interest thereon have been reported as revenues in the governmental funds but are reported as decreases in receivables in the statement of net assets. This is the amount of collections on special assessments and the change in accrued interest thereon.	<u>80,297</u>
	<u>\$ (772,835)</u>

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2010**

*N. Subsequent Events*

The District considered events occurring through December 20, 2010 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

**(2) Improvements**

The following is a summary of general fixed assets:

	<u>Balance 6/30/2009</u>	<u>Current Period Additions</u>	<u>Balance 6/30/2010</u>
Paving and sewers	\$ 6,091,732	9,190	6,100,922
Gas, electric and water distribution system	1,436,774	2,952	1,439,726
	<u>7,528,506</u>	<u>12,142</u>	<u>7,540,648</u>
Less: Accumulated depreciation	<u>845,255</u>	<u>251,151</u>	<u>1,096,406</u>
	<u>\$ 6,683,251</u>	<u>(239,009)</u>	<u>6,444,242</u>

At June 30, 2010, the District had no contractual commitments.

The District recorded depreciation expense \$251,151 for the year ended June 30, 2010.

**(3) Special Assessments**

The Board of Trustees has levied special assessments on the lots in the District. The assessments are summarized as follows:

Levy Date:	May 15, 2006	December 11, 2006
Amount Assessed:	\$784,099	\$1,640,186
Due Date:	July 4, 2006	January 30, 2007
Delinquent Date:	May 15, 2007	December 11, 2007
Regular Rate:	7.5%	7.5%
Delinquent Rate:	9.5%	9.5%

The special assessment is payable in ten annual principal installments, plus interest, beginning on the due date. Special assessments delinquent at June 30, 2010 were \$618,071.

**(4) General Long-Term Debt**

Warrants Payable

The District issues warrants to pay for expenditures of the District. When warrants are presented for payment, the paying agent either pays them or registers them, at which time interest begins accruing if the warrant is registered. The interest rate on the registered warrants is 7% to 8%. These warrants are generally expected to be redeemed with tax and special assessment revenues or refinanced with a long-term bond issue within their appropriate statutory maturity limits.

General Fund warrants are due and payable no later than three years from the date of issuance. Debt Service Fund warrants are due and payable no later than five years from the date of issuance.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2010**

Summary of warrant activities is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Balance outstanding, June 30, 2009	\$ 510,879	8,877,094	9,387,973
Warrants issued	84,066	631,567	715,633
Warrant principal payments/cancellations	<u>(72,636)</u>	<u>(236,839)</u>	<u>(309,475)</u>
Balance outstanding, June 30, 2010	<u>\$ 522,309</u>	<u>9,271,822</u>	<u>9,794,131</u>

Aggregate maturities during the next five years are as follows:

<u>Year Ending June 30</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
2011	\$ 329,094	5,623,269	5,952,363
2012	109,149	1,745,776	1,854,925
2013	84,066	1,208,710	1,292,776
2014	--	62,500	62,500
2015	<u>--</u>	<u>631,567</u>	<u>631,567</u>
	<u>\$ 522,309</u>	<u>9,271,822</u>	<u>9,794,131</u>

**(5) Surety Bonds**

The District has acquired the following surety bonds which have been filed with the County Clerk in accordance with Nebraska Statutes Section 31-734:

Chairperson	\$ 5,000
Clerk	20,000

**(6) Credit Risk**

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

**(7) Risk Management**

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. This District has purchased a commercial general liability insurance policy and bonds on its chairman and clerk to minimize the adverse effects of certain types of losses. There have been no significant reductions in insurance coverage and no significant claims or settlements for the current year or the three prior years. The District has retained the risk of loss for property damage to its public improvements.

**(8) Related Parties**

The Board of Trustees of the District is comprised of individuals that have a direct or indirect ownership interest in the property under development.

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Notes to Basic Financial Statements  
June 30, 2010**

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**(9) Restatement of 2009 Financial Statements**

The District identified an error in its recognition of special assessments revenue in the government-wide financial statements in prior years. The District also identified an error in its reporting of warrants payable in the general fund of its fund financial statements. These errors required a prior period adjustment to properly state its beginning unrestricted net liabilities and its fund balance in the general fund as follows:

	<u>As Originally Reported</u>	<u>Restatement</u>	<u>Restated Amount</u>
Fund balance - general fund	\$ (459,872)	510,879	51,007
Net liabilities	(2,746,461)	2,376,165	(370,296)

**(10) Going Concern**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which contemplates continuation of the District as a going concern. The District has a significant amount of warrants coming due in the next year in both the general fund and the debt service fund. This issue raises substantial doubt about the District's ability to continue as a going concern.

However, subsequent to year-end, the District addressed this liquidity issue by obtaining a court order for all debt service fund warrants with maturity dates between June 2010 and June 2013 extending their due dates to June 2013.

Schedule of Investments  
June 30, 2010

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	<u>Cost</u>	<u>Cost and Accrued Interest</u>	<u>Par Value</u>
U.S. Treasury Bills:			
Due November 12, 2010	\$ 159,872	159,901	160,000
Due December 9, 2010	<u>164,902</u>	<u>164,907</u>	<u>165,000</u>
	<u>\$ 324,774</u>	<u>324,808</u>	<u>325,000</u>

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**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Exhibit 2**

**Information Required by Section 31-740  
Revised Statutes of Nebraska 1943, Reissued 2008  
For the Year Ended June 30, 2010**

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Gross revenue from all sources	\$	186,243
Amount spent for access to facilities and use of service of library system of neighboring cities and villages		None
Amount expended on water mains		None
Amount spent for sewage disposal		None
Gross amount of sewage processed		None
Cost per thousand gallons of processing sewage		None
Amount expended for maintenance and repairs	\$	33,321
Amount expended for new equipment		None
Amount expended for new construction work, net	\$	12,142
Amount expended for property purchased		None
Number of employees		None
Salaries and fees paid to employees		None
Total amount of taxes levied upon the property within the District	\$	105,605

**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Exhibit 3**

**Board of Trustees  
June 30, 2010**

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<u>Name</u>	<u>Office</u>
W.L. Morrison, Jr.	Chairperson
Kristy J. Gregath	Clerk
Judith C. Morrison	Trustee

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Trustees of  
Sanitary Improvement District No. 270  
of Sarpy County, Nebraska:

We have audited the financial statements of the governmental activities and each major fund of Sanitary Improvement District No. 270 of Sarpy County, Nebraska (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon, dated December 20, 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A 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 entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 is required to be reported under *Government Auditing Standards*.

This report is intended for the information of the District's Board of Trustees and the State of Nebraska Auditor of Public Accounts. However, this report is a matter of public record and its distribution is not limited.

*Seim, Johnson, Sestak & Quist, LLP*  
Omaha, Nebraska,  
December 20, 2010.