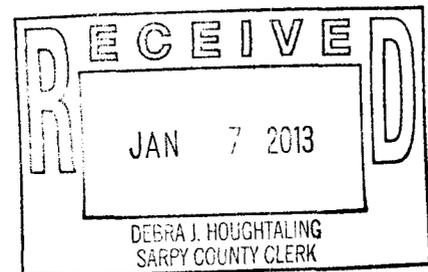


**Sanitary Improvement District No. 270  
of Sarpy County, Nebraska**

**Basic Financial Statements  
and Supplementary Information  
June 30, 2012**

**Together with Independent Auditor's Report**



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

**Table of Contents**

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	<u>Page</u>
<b>SECTION I – BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION:</b>	
Independent Auditor's Report on the Basic Financial Statements and Supplementary Information.....	1
Basic Financial Statements:	
Governmental Funds Balance Sheet / Statement of Net Liabilities June 30, 2012 .....	2
Statement of Governmental Fund Revenues, Expenditures and Changes In Fund Balances / Statement of Activities For the Year Ended June 30, 2012 .....	3
Budgetary Comparison Statements:	
Statement of Receipts and Disbursements – Budget and Actual General Fund – Budgetary Basis For the Year Ended June 30, 2012 .....	4
Statement of Receipts and Disbursements – Budget and Actual Debt Service Fund – Budgetary Basis For the Year Ended June 30, 2012 .....	5
Notes to Basic Financial Statements June 30, 2012 .....	6 – 14
Supplementary Information:	
Exhibit 1    Information Required by Sections 31-740, Revised Statutes of Nebraska 1943, Reissued 2008 For the Year Ended June 30, 2012 .....	15
Exhibit 2    Board of Trustees June 30, 2012.....	16
<b>SECTION II – COMPLIANCE MATTERS AND INTERNAL CONTROLS:</b>	
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.....	17
Schedule of Findings and Responses .....	18

## 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 and each major fund, and the budgetary comparison schedules for the general and debt service funds of Sanitary Improvement District No. 270 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2012, 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, 2012, 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.

As discussed in Note 9 to the financial statements, the District implemented a Chapter 9 Plan of Adjustment under the United States Bankruptcy Code. The Plan of Adjustment calls for the use of cash funds from the debt service fund to retire outstanding warrants and for the issuance of certificates of indebtedness in exchange for any warrants not retired.

The District's management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012 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 is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Seim Johnson, LLP

Omaha, Nebraska,  
December 28, 2012

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

**Governmental Funds Balance Sheet / Statement of Net Liabilities  
June 30, 2012**

	General	Debt Service	Total	Adjustments (Note 1)	Statement of Net Liabilities
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,253	770,121	776,374	--	776,374
Receivables:					
Property taxes	29,505	33,193	62,698	--	62,698
Special assessments	--	1,707,868	1,707,868	--	1,707,868
Interest on special assessments	--	776,494	776,494	--	776,494
Capital assets, net of accumulated depreciation	--	--	--	5,941,533	5,941,533
Total assets	<u>\$ 35,758</u>	<u>3,287,676</u>	<u>3,323,434</u>	<u>5,941,533</u>	<u>9,264,967</u>
<b>LIABILITIES</b>					
Accounts payable	5,518	--	5,518	--	5,518
Accrued interest payable	89,326	--	89,326	695,168	784,494
Deferred revenue	3,317	2,488,094	2,491,411	(2,491,411)	--
Long-term liabilities					
Portion due less than one year	317,062	--	317,062	236,389	553,451
Portion due after one year	--	--	--	10,615,426	10,615,426
Total liabilities	<u>415,223</u>	<u>2,488,094</u>	<u>2,903,317</u>	<u>9,055,572</u>	<u>11,958,889</u>
<b>FUND BALANCES (DEFICIT)/NET LIABILITIES</b>					
Restricted for debt service	--	799,582	799,582	(799,582)	--
Unassigned	(379,465)	--	(379,465)	379,465	--
Total fund balance (deficit)	<u>(379,465)</u>	<u>799,582</u>	<u>420,117</u>	<u>(420,117)</u>	<u>--</u>
Total liabilities and fund balances (deficit)	<u>\$ 35,758</u>	<u>3,287,676</u>	<u>3,323,434</u>		
Invested in capital assets, net of related debt				(5,227,344)	(5,227,344)
Restricted for debt service				2,608,585	2,608,585
Unrestricted				(75,163)	(75,163)
Total net liabilities				<u>\$ (2,693,922)</u>	<u>(2,693,922)</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, 2012**

	General	Debt Service	Total	Adjustments (Note 1)	Statement of Activities
<b>REVENUES:</b>					
Personal property and real estate taxes	\$ 75,927	85,418	161,345	4,726	166,071
Special assessments	--	125,513	125,513	(125,513)	--
Interest on investments	--	61	61	--	61
Interest on special assessments	--	51,379	51,379	98,045	149,424
Miscellaneous	840	945	1,785	--	1,785
<b>Total revenues</b>	<b>76,767</b>	<b>263,316</b>	<b>340,083</b>	<b>(22,742)</b>	<b>317,341</b>
<b>EXPENDITURES / EXPENSES:</b>					
Collection fees	1,366	5,073	6,439	--	6,439
Depreciation	--	--	--	251,355	251,355
Electricity	19,971	--	19,971	--	19,971
Insurance	2,442	--	2,442	--	2,442
Interest on warrants	42,830	694,464	737,294	39,218	776,512
Professional fees	49,083	--	49,083	--	49,083
Publications	73	--	73	--	73
Repairs and maintenance	6,675	--	6,675	--	6,675
Street cleaning	500	--	500	--	500
<b>Total expenditures</b>	<b>122,940</b>	<b>699,537</b>	<b>822,477</b>	<b>290,573</b>	<b>1,113,050</b>
<b>REVENUES UNDER EXPENDITURES / EXPENSES</b>	<b>(46,173)</b>	<b>(436,221)</b>	<b>(482,394)</b>	<b>(313,315)</b>	<b>(795,709)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of warrants	84,490	694,464	778,954	(778,954)	--
Retirement of warrant principal	--	(10)	(10)	10	--
Maturity of warrants	(109,149)	--	(109,149)	109,149	--
<b>Total other financing sources (uses), net</b>	<b>(24,659)</b>	<b>694,454</b>	<b>669,795</b>	<b>(669,795)</b>	<b>--</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>(70,832)</b>	<b>258,233</b>	<b>187,401</b>	<b>(187,401)</b>	
<b>CHANGE IN NET LIABILITIES</b>				<b>(795,709)</b>	<b>(795,709)</b>
<b>FUND BALANCES (DEFICIT)/NET LIABILITIES</b>					
Beginning of year	(308,633)	541,349	232,716	--	(1,898,213)
End of year	\$ (379,465)	799,582	420,117	--	(2,693,922)

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 – Budgetary Basis  
For the Year Ended June 30, 2012**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>RECEIPTS:</b>			
Personal property and real estate taxes	\$ 68,056	70,309	2,253
Miscellaneous	--	840	840
Total receipts	<u>68,056</u>	<u>71,149</u>	<u>3,093</u>
<b>DISBURSEMENTS:</b>			
Collection fees	1,334	1,366	(32)
Electricity	25,000	23,326	1,674
Insurance	5,000	2,442	2,558
Interest on warrants	17,613	16,963	650
Miscellaneous	2,000	--	2,000
Professional fees	40,000	49,312	(9,312)
Publications	1,200	85	1,115
Repairs and maintenance	25,300	8,825	16,475
Street cleaning	1,000	500	500
Street signs	500	--	500
Total disbursements	<u>118,947</u>	<u>102,819</u>	<u>16,128</u>
<b>EXCESS OF DISBURSEMENTS OVER RECEIPTS</b>	<u>(50,891)</u>	<u>(31,670)</u>	<u>19,221</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of warrants	100,000	84,490	(15,510)
Retirement of warrant principal	(50,000)	(51,619)	(1,619)
Total other financing sources, net	<u>50,000</u>	<u>32,871</u>	<u>(17,129)</u>
<b>RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>	<u>\$ (891)</u>	<u>1,201</u>	<u>2,092</u>
<b>ADJUSTMENTS:</b>			
To adjust receipts for accruals		5,618	
To adjust disbursements for accruals		<u>(77,651)</u>	
Total adjustments		<u>(72,033)</u>	
<b>REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES (GAAP)</b>		<u>\$ (70,832)</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 – Budgetary Basis  
For the Year Ended June 30, 2012**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>RECEIPTS:</b>			
Personal property and real estate taxes	\$ 76,563	79,098	2,535
Special assessments	55,000	125,513	70,513
Interest on investments	--	101	101
Interest on special assessments	20,000	51,379	31,379
Miscellaneous	--	945	945
Total receipts	<u>151,563</u>	<u>257,036</u>	<u>105,473</u>
<b>DISBURSEMENTS:</b>			
Collection fees	2,972	5,073	(2,101)
Construction costs	2,000	--	2,000
Interest on warrants	694,464	694,464	--
Total disbursements	<u>699,436</u>	<u>699,537</u>	<u>(101)</u>
<b>EXCESS OF DISBURSEMENTS OVER RECEIPTS</b>	<u>(547,873)</u>	<u>(442,501)</u>	<u>105,372</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of warrants	696,464	694,464	(2,000)
Retirement of warrant principal	--	(10)	(10)
Total other financing sources, net	<u>696,464</u>	<u>694,454</u>	<u>(2,010)</u>
<b>RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>	<u>\$ 148,591</u>	251,953	<u>103,362</u>
<b>ADJUSTMENTS:</b>			
To adjust receipts for accruals		<u>6,280</u>	
<b>REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES (GAAP)</b>		<u>\$ 258,233</u>	

*See Notes to Basic Financial Statements*

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

**Notes to Basic Financial Statements  
June 30, 2012**

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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 the Hyda Hills Subdivision. 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 (liabilities) are reported in three parts - invested in capital assets, net of related debt; restricted and unrestricted. Net assets (liabilities) 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 (liabilities).

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, fund balance, revenues, and expenditures. 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, 2012**

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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, 2012.

*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, 2012. Amounts collateralized were not readily available.

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

**Notes to Basic Financial Statements  
June 30, 2012**

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*G. Deposits and Investments*

State statutes require that all bank balances be insured or collateralized by United States government securities held by the District's third-party agent or the pledging financial institution's trust department in the name of the District.

*Credit Risk* - The statutes of the State of Nebraska authorize the District to invest in certificates of deposit and time deposits of banks or capital stock financial institutions, obligations of the United States government and agencies thereof, and securities as provided in the authorized investment guidelines of the Nebraska Investment Council. The District does not have a policy for custodial credit risk beyond requirements set by the state statutes. All cash funds are held in the County's name, as such, the District is exposed to this risk at June 30, 2012.

*Interest Rate Risk* - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*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 governmental fund financial statements. Uncollected special assessments and accrued interest outstanding are recorded as receivable and deferred revenue on the governmental fund balance sheets as of June 30, 2012. Revenues on special assessments are recognized when levied and interest on outstanding special assessments is 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 governmental fund financial statements.

*I. Property Taxes*

The District has approved a tax levy as follows for the year ending June 30, 2012:

	<b>Dollars per \$100 of Valuation</b>
General Fund	\$ 0.4000
Valuation	<u>17,013,952</u>
Total tax levy	<u>\$ 68,056</u>
Debt Service Fund	\$ 0.4500
Valuation	<u>17,013,952</u>
Total tax levy	<u>\$ 76,563</u>
Levy Date	December 31
Due Date	December 31
Delinquent Dates	April 1 and August 1
Interest Rate	14%

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

**Notes to Basic Financial Statements  
June 30, 2012**

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*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 straight-line method, 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. Net Liabilities/Fund Balance*

Fund balances of the District's governmental funds are classified in the financial statements as follows:

- *Nonspendable Fund Balance* consists of amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be kept intact. The District had no nonspendable fund balance as of June 30, 2012.
- *Restricted Fund Balance* consists of amounts that are restricted for specific purposes. These restrictions are either 1) externally imposed by creditors, grantors contributors, or laws or regulations of other governments or 2) imposed through constitutional provisions or enabling legislation.
- *Committed Fund Balance* consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision making authority. These amounts cannot be used for any other purpose unless the government removes or changes the specific use by taking the same type of action it used to commit those amounts. The Board of Trustees is the District's highest level of authority. All actions concerning approving, eliminating, or modifying of minimal fund balances will be accomplished through resolution. The District had no committed fund balance as of June 30, 2012.
- *Assigned Fund Balance* consists of amounts that are constrained by the government intended to be used for specific purposes, but are neither restricted nor committed. The authority for making an assignment is not required to be the government's highest decision making authority. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regards to committed fund balances. The Board of Trustees of the District will have the overall responsibilities for monitoring these balances. The District had no assigned fund balance as of June 30, 2012.
- *Unassigned Fund Balance* is the residual classification for the general fund. The general fund is the only fund to report a positive unassigned fund balance.

Net assets (liabilities) of the District are classified in the government-wide statement of net liabilities and are defined as follows:

- *Net assets invested in capital assets, net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- *Restricted expendable net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, contributors or laws or regulations external to the District.

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

**Notes to Basic Financial Statements  
June 30, 2012**

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- Restricted nonexpendable net assets equal the principal portion of permanent endowments. The District had no restricted nonexpendable net assets as of June 30, 2012.
- Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt or restricted.

The District first applies restricted resources when an expense/expenditure incurred for purposes for which both restricted and unrestricted resources are available.

**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.

**L. Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Liabilities as of June 30, 2012**

Total fund balance - governmental funds	\$ 420,117
---	------------

Amounts reported for governmental activities in the Statement of Net Liabilities are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,941,533
---	-----------

Deferred revenue on property taxes and special assessments in the governmental funds has been recorded as revenue in the government-wide financial statements.	1,714,917
--	-----------

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.	776,494
---	---------

Accrued interest expense that is not due or payable in the current period is not reported as a liability in the governmental funds.	(695,168)
---	-----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(10,851,815)</u>
--	---------------------

Total net liabilities - governmental activities	<u>\$ (2,693,922)</u>
---	-----------------------

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

**Notes to Basic Financial Statements  
June 30, 2012**

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*M. Reconciliation of the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities for the Year Ended June 30, 2012*

Net change in fund balances - governmental funds \$ 187,401

Amounts reported for governmental activities in the Statement of  
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.

(251,355)

Accrued interest expense that does not require current financial resources.

(39,218)

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.

(27,468)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

4,726

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 liabilities. The net change in long-term debt for the year was:

(669,795)

Changes in net liabilities of governmental activities

\$ (795,709)

*N. Subsequent Events*

The District considered events occurring through December 31, 2012 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

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

**Notes to Basic Financial Statements  
June 30, 2012**

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**(2) Capital Assets**

The following is a summary of capital assets:

	<u>Balance 6/30/2011</u>	<u>Current Period Additions</u>	<u>Balance 6/30/2012</u>
Paving and sewers	\$ 6,100,922	--	6,100,922
Gas, electric and water distribution system	1,439,726	--	1,439,726
	<u>7,540,648</u>	--	<u>7,540,648</u>
Less: Accumulated depreciation	<u>(1,347,760)</u>	<u>(251,355)</u>	<u>(1,599,115)</u>
	<u>\$ 6,192,888</u>	<u>(251,355)</u>	<u>5,941,533</u>

The District recorded depreciation expense \$251,355 for the year ended June 30, 2012.

At June 30, 2012, the District had no contractual commitments for construction projects.

**(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, 2012 were \$896,317.

**(4) 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, unless extended by court order.

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

**Notes to Basic Financial Statements  
June 30, 2012**

As discussed in Note 9, subsequent to year-end the District implemented a court ordered Plan of Adjustment which resulted in all warrants outstanding at the implementation date to either be paid in full or exchanged for certificates of indebtedness. The certificates of indebtedness do not have an established payment plan or maturity date. Therefore, all warrant liabilities in the statement of net liabilities are classified as due after one year.

Summary of warrant activities is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Balance outstanding, June 30, 2011	\$ 520,580	9,920,972	10,441,552
Issuance of warrants	84,490	694,464	778,954
Retirement of warrant principal	<u>(51,619)</u>	<u>(10)</u>	<u>(51,629)</u>
Balance outstanding, June 30, 2012	<u>\$ 553,451</u>	<u>10,615,426</u>	<u>11,168,877</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.

**(9) Subsequent Event**

Subsequent to year-end, the United States Bankruptcy Court, District of Nebraska, approved a Chapter 9 Plan of Adjustment (Plan) proposed by the District's Board of Trustees and legal counsel. Under the terms of the Plan, the District will transfer cash and investment funds from the Debt Service Fund to the General Fund and the payment of all administrative costs associated with the bankruptcy filing and all outstanding General Fund warrants. The Plan also required the District to cancel debt service fund warrants and replace them with certificates of indebtedness. Principal and interest payments to the certificate holders will be made on a pro rata basis with amounts determined annually by the Board of Trustees and the District's paying agent with payments being applied entirely to principal until fully paid and then being applied to outstanding interest. The Plan allows the District to issue post-petition bonds if it would be advantageous to the District and the certificate of indebtedness holders.

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

**Notes to Basic Financial Statements  
June 30, 2012**

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The Plan required the District to levy no less than \$.85 per \$100 of assessed valuation and shall not be decreased without an order from the court or until the Plan is terminated. The plan will terminate in August 2027 or the date upon which the District has made payment in full upon all pre-petition warrants.

The District's ability to fulfill its obligations will be contingent upon growth of the District's valuation which will drive its ability to generate sufficient tax revenues.

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

**Exhibit 1**

**Information Required by Section 31-740  
Revised Statutes of Nebraska 1943, Reissued 2008  
For the Year Ended June 30, 2012**

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Gross revenue from all sources	\$	340,083
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	\$	6,675
Amount expended for new equipment		None
Amount expended for new construction work, net		None
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	\$	144,619

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

**Exhibit 2**

**Board of Trustees  
June 30, 2012**

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<u>Name</u>	<u>Office</u>
W.L. Morrison, Jr.	Chairperson
Kristy J. Gregath	Clerk
Judith C. Morrison	Trustee
Clif Moffat	Trustee
Sharon Buckley	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, and the budgetary comparisons for the general and debt service funds of Sanitary Improvement District No. 270 of Sarpy County, Nebraska (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon, dated December 28, 2012. 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**

Management of the District is responsible for establishing and maintaining effective 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 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph 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, as defined above. However, we identified a certain deficiency in internal control over financial reporting, as described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency in internal control over financial reporting (12-1). 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.

**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 are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Seim Johnson, LLP

Omaha, Nebraska,  
December 31, 2012.

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

**Schedule of Findings and Responses  
June 30, 2012**

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**FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

12-1

*Significant Deficiency:*

Criteria:	Management is responsible for the preparation and fair presentation of the District's financial statements.
Condition:	Management relies on external accountants to prepare the District's financial statements and notes to financial statements.
Context:	External accountants prepare the District's financial statements and notes to financial statements.
Cause:	Due to the limited number of management and administrative personnel, management has elected to have external accountants prepare the financial statements and notes to financial statements.
Effect:	Condition could result in the District's financial statements to be misstated and not detected by the District's personnel.
Recommendation:	We recommend the District have a heightened awareness of the transactions being reported.
Views of Responsible Officials and Planned Corrective Action:	Management is aware of this significant deficiency and believes it is not financially prudent for the District to employ personnel for the purpose of preparing the financial statements. Management will continue to have a heightened awareness of the District's transactions when reviewing the financial statements prepared by external accountants.
Conclusion:	Response accepted.