

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 263  
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2012

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ALDEN B. AWERKAMP

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J. DOUGLAS GOODNIGHT  
(1936 - 2006)

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities, and each major fund of Sanitary and Improvement District No. 263, Sarpy County, Nebraska (a political subdivision) 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 an opinion 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 misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and remaining fund information of the District as of June 30, 2012, and the respective changes in financial position of those activities and funds and the budgetary comparison for the general fund as of and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 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 and 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.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual on page 18, be prepared to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on page 19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The District has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Awerkamp, Goodnight, Schwaller & Nelson, P.C.*

Omaha, Nebraska  
November 19, 2012

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government Governmental Activities
<b>ASSETS:</b>	
Cash on deposit - County Treasurer	\$ 172,011
Taxes receivable (notes B and H)	182,579
Investments (note C)	114,978
Accrued interest on investments	21
Bond issue costs, net of amortization	355,993
Capital assets (note D):	
Land	173,558
Infrastructure	5,733,999
Accumulated depreciation	<u>(1,086,372)</u>
Total assets	<u>5,646,767</u>
<b>LIABILITIES:</b>	
Accounts payable	37,810
Accrued interest on warrants	8,982
Accrued interest on bonds	62,330
Noncurrent liabilities (notes E and F):	
Due within one year	140,000
Due in more than one year	<u>4,584,374</u>
Total liabilities	<u>4,833,496</u>
COMMITMENTS AND CONTINGENCIES (notes G and I)	-
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	484,357
Restricted for debt service	332,830
Unrestricted	<u>(3,916)</u>
Total net assets	<u>\$ 813,271</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes In Net Assets</u> <u>Governmental Activities</u>
Governmental activities			
General	\$148,318	\$ -	\$(148,318)
Debt service	30,105	-	(30,105)
Depreciation	165,831	-	(165,831)
Interest on long-term debt	<u>232,872</u>	<u>-</u>	<u>(232,872)</u>
Total government	<u>\$577,126</u>	<u>\$ -</u>	<u>(577,126)</u>

General revenues:		
Property taxes		397,764
Interest on taxes		34
State motor vehicle tax allocation		1,120
Homestead exemption		5,244
Interest on investments		<u>71</u>
Total general revenues		<u>404,233</u>
Change in net assets		(172,893)
Net assets at beginning of year		<u>986,164</u>
Net assets at end of year		<u>\$ 813,271</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>			
Cash on deposit - County Treasurer	\$ 4,630	\$167,381	\$172,011
Taxes receivable (note B and H)	60,860	121,719	182,579
Investments (note C)	-	114,978	114,978
Accrued interest on investments	-	21	21
Due from other fund	-	1,080	1,080
Total assets	<u>\$65,490</u>	<u>\$405,179</u>	<u>\$470,669</u>

LIABILITIES AND FUND BALANCE

<b>LIABILITIES:</b>			
Accounts payable	\$36,060	\$ 1,750	\$ 37,810
Warrants payable (note E)	31,553	-	31,553
Accrued interest on registered warrants	713	8,269	8,982
Due to other fund	1,080	-	1,080
Total liabilities	69,406	10,019	79,425
<b>COMMITMENTS AND CONTINGENCIES</b>			
(notes G and I)	-	-	-
<b>Fund balance (deficit):</b>			
Reserved for debt service	-	395,160	395,160
Unassigned	(3,916)	-	(3,916)
Total fund balance (deficit)	(3,916)	395,160	391,244
Total liabilities and fund balance	<u>\$65,490</u>	<u>\$405,179</u>	<u>\$470,669</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2012

Total fund balance - total governmental funds		\$	391,244
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
- Capital assets used in the governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.			4,821,185
- Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.			(62,330)
- Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.			
	Due within one year	\$	(140,000)
	Due in more than one year		<u>(4,552,821)</u>
			(4,692,821)
- Bond issue costs are not current financial resources and therefore are not reported in the governmental funds balance sheet.			<u>355,993</u>
Net Assets of Governmental Activities		\$	<u>813,271</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Taxes assessed (note B)	\$132,075	\$ 265,689	\$ 397,764
Interest on taxes	15	19	34
State motor vehicle tax allocation	408	712	1,120
Homestead exemption	1,845	3,399	5,244
Interest on investments	<u>-</u>	<u>71</u>	<u>71</u>
Total revenues	<u>134,343</u>	<u>269,890</u>	<u>404,233</u>
<b>EXPENDITURES:</b>			
Legal and accounting	19,664	-	19,664
Trustee fees	1,200	-	1,200
Collection fees - County Treasurer	2,803	4,553	7,356
Electric service	33,723	-	33,723
Engineering fees	28,375	-	28,375
Interest on registered warrants	3,126	31,738	34,864
Maintenance and repairs	53,606	-	53,606
Registered agent fees	4,774	4,036	8,810
Trustee bond and insurance	4,088	-	4,088
Payroll taxes	86	-	86
Debt service:			
Interest charges	<u>-</u>	<u>200,819</u>	<u>200,819</u>
Total expenditures	<u>151,445</u>	<u>241,146</u>	<u>392,591</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(17,102)	28,744	11,642
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of long-term debt	-	33,446	33,446
Payment of long-term debt	<u>-</u>	<u>(135,000)</u>	<u>(135,000)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	(17,102)	(72,810)	(89,912)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>13,186</u>	<u>467,970</u>	<u>481,156</u>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u>\$ (3,916)</u>	<u>\$ 395,160</u>	<u>\$ 391,244</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Net change in fund balance - total governmental funds	\$ (89,912)
Amounts reported for governmental activities in the statement of activities are different because:	
- Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(165,831)
- The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	101,554
- Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets; but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the governmental funds.	2,812
- Amortization of bond issue costs is recorded in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, amortization of bond issue costs is not reported as an expenditure in the governmental funds.	<u>(21,516)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (172,893)</u></u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 263 of Sarpy County, Nebraska is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the trustees of the District, who are responsible for their integrity and objectivity. These accounting policies conform in all material respects to generally accepted accounting principles, as promulgated by the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of State and Local Government Units, and have been consistently applied in the preparation of the financial statements.

History and Business Activity

The District is a governmental subdivision, created pursuant to Nebraska law, to act as a vehicle for the construction of roads, utilities and similar improvements. The Board of Trustees, consisting of five members, has the power to provide financing for such improvements and has authority to: issue warrants for construction work and services, contract with financial institutions for conversion of warrants to cash, and to levy both special assessments and general taxes against property in the District to pay off warrants and bonds issued by the District.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reporting Entity

The accompanying financial statements present the District's primary governmental unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

General Fund

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. The fund balance of the General Fund is unassigned and is expended first for all expenditures except debt service payments and capital expenditures from the Debt Service Fund.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements - Continued

Debt Service Fund

Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the District. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes and interest income. All other governmental fund revenues are recognized when received.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are carried at cost, which approximates market, and any premium or discount on investments are amortized on the straight-line method from date of purchase to date of maturity. These deposits were covered with sufficient assets pledged to the Douglas County by the financial institutions at June 30, 2012.

Infrastructure

Infrastructure is carried at cost plus interest on warrants while construction is in progress. Depreciation is provided using the straight-line method over estimated lives ranging from 20-40 years.

Bond Issue Costs

Bond issue costs are being amortized on the straight-line method over the life of the bond issue.

Budget 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. 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:

- (a) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- (b) Notice of place and time of public hearings must be published prior to the public hearings.
- (c) Public hearings are conducted to obtain taxpayer comment.
- (d) 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.
- (e) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

- (f) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the year ended June 30, 2012.
- (g) The accompanying combined statements of revenues, expenditures, and changes in fund balances - Budget and Actual - General and Debt Service Fund presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended June 30, 2012 is presented as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Deficiency of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ (6,472)	\$(100,613)
Adjustments:		
To adjust revenues for receivables	(12,006)	30,132
To adjust expenditures for payables and accruals	18,678	(2,329)
To adjust for variance in recognition of items for other financing sources (uses)	<u>(17,302)</u>	<u>-</u>
Deficiency of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ (17,102)</u>	<u>\$ (72,810)</u>

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Trustees may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - PROPERTY TAXES

Property taxes are levied in September and attach 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 Douglas County Treasurer bills and collects all property taxes for the District.

Property tax revenues are recognized when they become available, which includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

The District levied taxes for 2011-2012 at the rate of \$.89999 per \$100 on property valuation of \$44,670,896.

NOTE C - INVESTMENTS

Custodial Credit Risk

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R.S., 1990, and generally include U.S. government obligations, certificates of deposit and time deposits. During the year ended June 30, 2012, the District invested in U.S. treasury bills.

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

Interest Rate Risk

The District invests in U.S. Treasury bills with maturity of less than one year to limit its exposure to fair-value losses arising from rising interest rates. The securities are classified as Level 1 in the fair value of hierarchy as indicated in ASC 820-10.

At June 30, 2012, the par value, cost, and market value of the District's investments were \$115,000, \$114,978, and \$114,998, respectively.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE D- CAPITAL ASSETS

At June 30, 2012, capital assets consist of the following:

	July 1, 2011	Additions	June 30, 2012
Concrete paving storm and sanitary sewer	\$3,425,992	\$ -	\$ 3,425,992
Exterior street improvement	806,950	-	806,950
Storm sewer culverts	345,018	-	345,018
Water	643,741	-	643,741
Electrical distribution	270,696	-	270,696
Park land	241,602	-	241,602
Park improvements	173,558	-	173,558
	5,907,557	-	5,907,557
Accumulated depreciation	(920,541)	(165,831)	(1,086,372)
	<u>\$4,987,016</u>	<u>\$(165,831)</u>	<u>\$ 4,821,185</u>

Depreciation expense for the year ended June 30, 2012 was \$165,831.

NOTE E - REGISTERED WARRANTS

At June 30, 2012, the District has registered warrants outstanding for operating expenses and construction costs. The warrants bear interest at 7.0%. No interest was capitalized during the year.

Aggregate maturities of registered warrants are as follows:

	General Fund	Long-Term Debt	Total
2013	\$ -	\$ -	\$ -
2014	-	45,097	45,097
2015	31,553	348,995	380,548
2016	-	50,282	50,282
2017	-	33,447	33,447
	<u>\$31,553</u>	<u>\$477,821</u>	<u>\$509,374</u>

NOTE F - GENERAL OBLIGATION BONDS PAYABLE

On March 1, 2008, the District issued \$3,000,000 in general obligation bonds with interest rates ranging from 3.80% to 5.00% to redeem construction warrants. Bonds maturing on or after March 1, 2014, are subject to redemption in whole or in part, at any time on or after March 1, 2013, at par and accrued interest, to the date set for redemption, with no redemption premium.

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE F - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

On September 15, 2010, the District issued \$1,650,000 in general obligation bonds with interest rates ranging from 1.15% to 5.00% to redeem construction warrants. Bonds maturing on or after September 15, 2016, are subject to redemption in whole or in part, at any time on or after September 15, 2015, at par and accrued interest, to the date set for redemption, with no redemption premium. Bonds maturing on September 15, 2030 are subject to mandatory sinking fund redemption commencing September 15, 2026.

A summary of changes in bonds payable is as follows:

Balance, July 1, 2011	\$4,350,000
Bond payments	<u>(135,000)</u>
Balance, June 30, 2012	<u>\$4,215,000</u>

Aggregate maturities of bonds payable and interest is as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 140,000	\$ 196,168	\$ 336,168
2014	140,000	191,235	331,235
2015	150,000	185,841	335,841
2016	155,000	179,991	334,991
2017	160,000	173,699	333,699
2018 - 2022	905,000	758,385	1,663,385
2023 - 2027	1,150,000	524,769	1,674,769
2028 - 2031	<u>1,415,000</u>	<u>195,250</u>	<u>1,610,250</u>
	<u>\$4,215,000</u>	<u>\$2,405,338</u>	<u>\$6,620,338</u>

NOTE G - COMMITMENTS

The District has entered into an agreement with Omaha Public Power District (OPPD) under which OPPD is to furnish street lighting to the District. The cost to the District for this service for fiscal 2013 is estimated to be approximately \$40,000.

NOTE H - CREDIT RISK

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

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE I - 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; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE J - SUBSEQUENT EVENT

Management evaluated transactions and events occurring subsequent to June 30, 2012 and through November 19, 2012 to determine whether any events should be recognized or disclosed in these statements. There were no transactions or events in the subsequent period requiring disclosure or recognition in the statements.

SUPPLEMENTARY INFORMATION

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL AND DEBT SERVICE FUND

Year Ended June 30, 2012

	GENERAL FUND (NON GAAP)		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Taxes collected	\$ 127,751	\$ 144,081	\$ 16,330
Interest on taxes	50	15	(35)
State motor vehicle tax allocation	550	408	(142)
Homestead exemption	-	1,845	1,845
Interest on investments	-	-	-
	<u>128,351</u>	<u>146,349</u>	<u>17,998</u>
<b>EXPENDITURES:</b>			
Accounting and auditing	7,000	7,809	(809)
Trustee fees	1,500	900	600
Collection fees - County Treasurer	2,505	2,803	(298)
Electric service	40,000	45,907	(5,907)
Engineering fees	12,500	27,369	(14,869)
Interest on registered warrants	2,100	2,698	(598)
Legal fees	15,000	10,605	4,395
Maintenance and repairs	45,000	63,561	(18,561)
Registered agent fees	6,000	4,274	1,726
Trustee bonds and insurance	5,000	4,088	912
Payroll taxes	100	109	(9)
Bond Interest	-	-	-
	<u>136,705</u>	<u>170,123</u>	<u>(33,418)</u>
Excess (deficiency) of revenues over expenditures	(8,354)	(23,774)	(15,420)
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from warrants issued	132,100	164,620	32,520
Payment of registered warrants	(130,000)	(147,318)	(17,318)
Payment of long-term debt	-	-	-
	<u>(6,254)</u>	<u>(6,472)</u>	<u>(218)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<u>\$ (6,254)</u>	<u>(6,472)</u>	<u>\$ (218)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>11,102</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 4,630</u>	

DEBT SERVICE FUND  
(NON GAAP)

Original and Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 255,501	\$ 235,497	\$ (20,004)
100	19	(81)
300	712	412
-	3,399	3,399
<u>1,600</u>	<u>131</u>	<u>(1,469)</u>
 257,501	 <u>239,758</u>	 <u>(17,743)</u>
 -	 -	 -
 -	 -	 -
6,010	4,552	1,458
-	-	-
-	-	-
35,000	31,160	3,840
-	-	-
-	-	-
2,500	2,286	214
-	-	-
-	-	-
<u>327,010</u>	<u>200,819</u>	<u>126,191</u>
<u>370,520</u>	<u>238,817</u>	<u>131,703</u>
 (113,019)	 941	 113,960
 40,000	 33,446	 (6,554)
-	-	-
<u>(135,000)</u>	<u>(135,000)</u>	<u>-</u>
 <u>\$(208,019)</u>	 (100,613)	 <u>\$107,406</u>
	 <u>382,972</u>	
	 <u>\$ 282,359</u>	

Sanitary and Improvement District No.263  
Sarpy County, Nebraska

INFORMATION REQUIRED BY SECTION 31-740,  
REISSUED REVISED STATUTE OF NEBRASKA, 2008

Year Ended June 30, 2012

Gross revenues from all sources	<u>\$404,233</u>
Gross revenues from all sources from previous year	<u>\$577,866</u>
Amount spent for sewage disposal	<u>\$ -</u>
Amount expended on water mains	<u>\$ -</u>
Gross amount of sewage processed	<u>\$ -</u>
Cost per thousand gallons of processing sewage	<u>\$ -</u>
Amount expended for:	
Maintenance and repairs	<u>\$ 53,606</u>
New equipment	<u>\$ -</u>
New construction work (incl. water mains)	<u>\$ -</u>
Property purchased	<u>\$ -</u>
Number of employees	<u>One</u>
Salaries and fees paid employees	<u>\$ 1,200</u>
Total amount of taxes levied upon the property within the District	<u>\$402,038</u>

Sanitary and Improvement District No. 263  
Sarpy County, Nebraska

TRUSTEE AND RELATED BONDS

June 30, 2012

<u>Trustees</u>		<u>Bonds</u>	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Loren Johnson	Chairman	Universal Surety Company	\$ 5,000
Jim Emmons	Clerk	Universal Surety Company	\$20,000
Paula Johnson	Trustee		
Victoria Crane	Trustee		

# Awerkamp, Goodnight, Schwaller & Nelson, P.C.

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ALDEN B. AWERKAMP

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J. DOUGLAS GOODNIGHT  
(1936 - 2006)

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

To the Board of Directors  
Sanitary and Improvement District No. 263  
of Sarpy County, Nebraska

We have audited the financial statements of Sanitary and Improvement District No. 263 of Sarpy County, Nebraska as of and for the year ended June 30, 2012, and have issued our report thereon dated November 19, 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

In planning and performing our audit, we considered Sanitary and Improvement District No. 263'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 Sanitary and Improvement District No. 263's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 263's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified the following deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

The district does not have the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Management is aware of this significant deficiency and believes it is economically not feasible to obtain the ability to prepare financial statements.

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. 263'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 Sanitary and Improvement District No. 263's financial statements that is more than consequential will not be prevented or detected by the Sanitary and Improvement District No. 263's internal control. We consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.

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. 263's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 263's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Finding #1

- The District exceeded budget general fund expenditures by \$33,418, without amending the budget.

#### Response

- The District had additional maintenance and engineering cost that were not anticipated when the budget was prepared.

#### Finding #2

- The District repaid \$17,318 of general fund warrants in excess of budget, without amending the budget.

Response

- The District had additional funds available and used the funds to repay warrants to reduce interest costs.

Finding #3

- The District has four members of the Board of Trustees instead of the required five.

Response

- The District is trying to find a resident that is willing to serve.

Sanitary and Improvement District No. 263's responses to the findings identified in our audit are described above. We did not audit Sanitary and Improvement District No. 263's responses and accordingly, we express no opinion on them.

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

*Awerkamp, Goodnight, Schwaller & Nelson, P.C.*

Omaha, Nebraska  
November 19, 2012