

BASIC FINANCIAL STATEMENTS
& SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 263
SARPY COUNTY, NEBRASKA

YEAR ENDED JUNE 30, 2016

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Sanitary and Improvement District No. 263 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 263 of Sarpy County, Nebraska as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require budgetary comparison on page 16 to be presented 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.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 263 of Sarpy County, Nebraska's basic financial statements. The other supplementary information on page 17 and 18 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the Sanitary and Improvement District No. 263 of Sarpy County, Nebraska internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitary and Improvement District No. 263 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

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

Omaha, Nebraska
November 29, 2016

Sanitary and Improvement District No. 263
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2016

ASSETS:	
Cash on deposit - County Treasurer	\$ 176,042
Taxes receivable (notes B and F)	207,442
Capital assets (note C):	
Land	173,558
Infrastructure	5,733,999
Accumulated depreciation	<u>(1,749,696)</u>
Total assets	<u>4,541,345</u>
LIABILITIES:	
Accounts payable	40,847
Accrued interest on bonds	41,972
Noncurrent liabilities (note D):	
Due within one year	130,000
Due in more than one year	<u>4,245,000</u>
Total liabilities	<u>4,457,819</u>
COMMITMENTS AND CONTINGENCIES (notes E and G)	-
NET POSITION:	
Net investment in capital assets	(217,139)
Restricted for debt service	259,137
Unrestricted	<u>41,528</u>
Total net position	<u>\$ 83,526</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, 2016

EXPENSES - GENERAL GOVERNMENT	
General	\$105,926
Debt service	119,493
Depreciation	165,831
Interest	<u>152,085</u>
Total expenses - general government	<u>543,335</u>
GENERAL REVENUES:	
Property taxes	452,500
Interest on taxes	325
State motor vehicle tax allocation	1,612
Homestead exemption	<u>14,149</u>
Total general revenues	<u>468,586</u>
Change in net position	(74,749)
Net position at beginning of year	<u>158,275</u>
Net position at end of year	<u>\$ 83,526</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, 2016

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit - County Treasurer	\$10,253	\$165,789	\$176,042
Taxes receivable (note B and F)	71,452	135,990	207,442
Due from other fund	-	1,080	1,080
Total assets	<u>\$81,705</u>	<u>\$302,859</u>	<u>\$384,564</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:			
Accounts payable	\$39,097	\$ 1,750	\$ 40,847
Due to other fund	1,080	-	1,080
Total liabilities	40,177	1,750	41,927
COMMITMENTS AND CONTINGENCIES (notes E and G)			
	-	-	-
Fund balance:			
Restricted for debt service	-	301,109	301,109
Unassigned	41,528	-	41,528
Total fund balance	41,528	301,109	342,637
Total liabilities and fund balance	<u>\$81,705</u>	<u>\$302,859</u>	<u>\$384,564</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 POSITION

June 30, 2016

Total fund balance - total governmental funds		\$	342,637
Amounts reported for governmental activities in the Statement of Net Position 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.			4,157,861
- 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.			(41,972)
- 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	\$	(130,000)
	Due in more than one year	<u>(4,245,000)</u>	<u>(4,375,000)</u>
Net Position of Governmental Activities		\$	<u>83,526</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, 2016

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Taxes assessed (note B)	\$156,352	\$ 296,148	\$ 452,500
Interest on taxes	87	238	325
State motor vehicle tax allocation	490	1,122	1,612
Homestead exemption	4,873	9,276	14,149
Total revenues	161,802	306,784	468,586
EXPENDITURES:			
Legal and accounting	19,462	-	19,462
Collection fees - County Treasurer	1,364	3,092	4,456
Electric service	42,243	-	42,243
Engineering fees	5,094	-	5,094
Maintenance and repairs	22,373	-	22,373
Financial advisory fee	9,000	21,000	30,000
Registered agent fees	2,806	1,750	4,556
Trustee bond and insurance	3,584	-	3,584
Debt service:			
Interest on registered warrants	3,231	-	3,231
Bond principal payments	-	150,000	150,000
Bond interest payments	-	154,431	154,431
Bond issue costs	-	93,650	93,650
Total expenditures	109,157	423,923	533,080
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	52,645	(117,139)	(64,494)
OTHER FINANCING SOURCES (USES):			
Issuance of long-term debt	-	1,600,000	1,600,000
Bonds refunded	-	(1,530,000)	(1,530,000)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	52,645	(47,139)	5,506
FUND BALANCE, (DEFICIT), BEGINNING OF YEAR	(11,117)	348,248	337,131
FUND BALANCE, END OF YEAR	\$ 41,528	\$ 301,109	\$ 342,637

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, 2016

Net change in fund balance - total governmental funds	\$ 5,506
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 position, 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 position. This amount is the net effect of these differences in the treatment of long-term debt.	80,000
- Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position; but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the governmental funds.	<u>5,576</u>
Change in Net Position of Governmental Activities	<u>\$ (74,749)</u>

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 263
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 263 of Sarpy County, Nebraska comply with the rules and regulations of the State of Nebraska, and conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

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.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of changes in net position) 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.

Sanitary and Improvement District No. 263
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

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.

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.

Sanitary and Improvement District No. 263
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 position 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, bond interest 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.

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.

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.

Sanitary and Improvement District No. 263
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

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.
- (f) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the year ended June 30, 2016.
- (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, 2016 is presented as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 3,259	\$(23,929)
Adjustments:		
To adjust revenues for receivables	14,595	(23,210)
To adjust expenditures for payables and accruals	116,182	-
To adjust for variance in recognition of items for other financing sources (uses)	<u>(81,391)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ 52,645</u>	<u>\$(47,139)</u>

Sanitary and Improvement District No. 263
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between (a) assets and (b) liabilities. Net position 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 position is 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 BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

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 2015-2016 at the rate of \$.899999 per \$100 on property valuation of \$50,948,733.

NOTE C - CAPITAL ASSETS

At June 30, 2016, capital assets consist of the following:

	July 1, 2015	Additions	June 30, 2016
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	(1,583,865)	(165,831)	(1,749,696)
	\$ 4,323,692	\$(165,831)	\$ 4,157,861

Depreciation expense for the year ended June 30, 2016 was \$165,831.

NOTE D - GENERAL OBLIGATION BONDS PAYABLE

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, 2016. This bond issue was refunded with the September 15, 2015 refunding bonds below.

Sanitary and Improvement District No. 263
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE D - GENERAL OBLIGATION BONDS PAYABLE - CONTINUED

On March 1, 2013, the District issued \$3,150,000 in general obligation refunding bonds with interest rates ranging from 1.20% to 3.80% to refund the March 1, 2008 bond issue. Bonds mature serially through 2033. Bonds maturing on March 15, 2033 are subject to mandatory sinking fund redemption in prescribed principal amounts starting in 2029 at par plus accrued interest, to the date set for redemption. Bonds maturing on or after March 15, 2019 are subject to redemption in whole or in part prior to maturing at the option of the District or after March 15, 2018, at par plus interest to date set for redemption, with no redemption premium.

On September 15, 2015, the District issued \$1,600,000 of general obligation refunding bonds with interest rates ranging between 1.60% and 4.10% to refund the September 15, 2010 general obligation bonds. The bonds mature serially through 2036. Bonds maturing on or after September 15, 2021 are subject to redemption in whole or part, at anytime after September 15, 2020 at par plus accrued interest at the date of redemption, with no redemption premium.

A summary of changes in bonds payable is as follows:

Balance, July 1, 2015	\$ 4,455,000
Bond issue	1,600,000
Bond refund	(1,530,000)
Bond payments	<u>(150,000)</u>
Balance, June 30, 2016	<u>\$ 4,375,000</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>
2017	\$ 130,000	\$ 143,903	\$ 273,903
2018	180,000	141,333	321,333
2019	180,000	137,991	317,991
2020	190,000	134,160	324,160
2021	190,000	129,783	319,783
2022 - 2026	1,040,000	565,176	1,605,176
2027 - 2031	1,235,000	379,000	1,614,000
2032 - 2036	<u>1,230,000</u>	<u>135,184</u>	<u>1,365,184</u>
	<u>\$4,375,000</u>	<u>\$1,766,530</u>	<u>\$6,141,530</u>

NOTE E - 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 2017 is estimated to be approximately \$35,000.

Sanitary and Improvement District No. 263
Sarpy County, Nebraska

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2016

NOTE F - CREDIT RISK

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

NOTE G - 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 H - SUBSEQUENT EVENT

Management evaluated transactions and events occurring subsequent to June 30, 2016 and through November 29, 2016 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.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD & A)

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

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

Year Ended June 30, 2016

	GENERAL FUND (NON GAAP)		
	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes collected	\$ 150,491	\$141,757	\$ (8,734)
Interest on taxes	10	87	77
State motor vehicle tax allocation	200	490	290
Homestead exemption	-	4,873	4,873
	<u>150,701</u>	<u>147,207</u>	<u>(3,494)</u>
EXPENDITURES:			
Accounting and auditing	7,550	7,392	158
Collection fees - County Treasurer	1,490	1,364	126
Electric service	45,000	28,224	16,776
Engineering fees	12,000	3,507	8,493
Legal fees	15,000	10,833	4,167
Maintenance and repairs	40,000	16,045	23,955
Financial advisor fees	-	9,000	(9,000)
Registered agent fees	7,000	2,806	4,194
Trustee bonds and insurance	4,000	3,584	416
Debt Service:			
Bond principal payments	-	-	-
Bond interest payments	-	-	-
Bond issue costs	-	-	-
Warrant principal payments	110,000	137,514	(27,514)
Warrant interest payments	10,000	5,070	4,930
	<u>252,040</u>	<u>225,339</u>	<u>26,701</u>
Excess (deficiency) of revenues over expenditures	(101,339)	(78,132)	23,207
OTHER FINANCING SOURCES (USES):			
Proceeds from warrants issued	130,550	81,391	(49,159)
Proceeds of bond issue	-	-	-
Bonds refunded	-	-	-
	<u>130,550</u>	<u>81,391</u>	<u>(49,159)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>\$ 29,211</u>	3,259	<u>\$(25,952)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>6,994</u>	
FUND BALANCE, END OF YEAR		<u>\$ 10,253</u>	

DEBT SERVICE FUND
(NON GAAP)

Original and Final Budget	Actual	Variance Positive (Negative)
\$ 286,419	\$ 319,358	\$32,939
20	238	218
750	1,122	372
-	9,276	9,276
<u>287,189</u>	<u>329,994</u>	<u>42,805</u>
-	-	-
4,836	3,092	1,744
-	-	-
-	-	-
-	-	-
30,000	21,000	9,000
3,000	1,750	1,250
-	-	-
150,000	150,000	-
162,729	154,431	8,298
112,000	93,650	18,350
30,000	-	30,000
5,000	-	5,000
<u>497,565</u>	<u>423,923</u>	<u>73,642</u>
(210,376)	(93,929)	116,447
35,000	-	(35,000)
1,600,000	1,600,000	-
<u>(1,530,000)</u>	<u>(1,530,000)</u>	<u>-</u>
<u>\$ (105,376)</u>	(23,929)	<u>\$81,447</u>
	<u>189,718</u>	
	<u>\$ 165,789</u>	

Sanitary and Improvement District No.263
Sarpy County, Nebraska

INFORMATION REQUIRED BY SECTION 31-740,
REISSUED REVISED STATUTE OF NEBRASKA, 2016

Year Ended June 30, 2016

Gross revenues from all sources	<u>\$465,586</u>
Gross revenues from all sources from previous year	<u>\$473,605</u>
Amount spent for solid waste collection services	<u>\$ -</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>\$ 22,373</u>
New equipment	<u>\$ -</u>
New construction work (incl. water mains)	<u>\$ -</u>
Property purchased	<u>\$ -</u>
Number of employees	<u>-</u>
Salaries and fees paid employees	<u>\$ -</u>
Total amount of taxes levied upon the property within the District	<u>\$458,539</u>

Sanitary and Improvement District No. 263
Sarpy County, Nebraska

TRUSTEE AND RELATED BONDS

June 30, 2016

Trustees		Bonds	
<u>Name</u>	<u>Office</u>	<u>Insurer</u>	<u>Amount</u>
Robert Smisek	Chairman	Universal Surety Company	\$ 5,000
Jose Fooshee	Clerk	Universal Surety Company	\$20,000
Tracy Harvey	Trustee		
Vernessa Stoudemeier	Trustee		

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

CERTIFIED PUBLIC ACCOUNTANTS
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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*

We have audited, in accordance with the 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, the financial statements of the governmental activities of each major fund of Sanitary and Improvement District #263 of Sarpy County, Nebraska, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated November 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sanitary and Improvement District #263 of Sarpy County, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sanitary and Improvement District #263 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District #263 of Sarpy County, Nebraska's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. Sanitary and Improvement District #263 of Sarpy County, Nebraska's, response to the findings that it is economically not feasible to obtain the ability to prepare financial statements. Management has also been informed us that they will accept the risk assessment with this deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sanitary and Improvement District #263 of Sarpy County, Nebraska's financial statements are free from 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.

Response to Findings

Sanitary and Improvement District #263 of Sarpy County, Nebraska's response to the finding identified in our audit is as previously described above. Sanitary and Improvement District #263 of Sarpy County, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Averkamp, Goodnight, Schwaller & Nelson, P.C.