BASIC FINANCIAL STATEMENTS
& SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT

SANITARY AND IMPROVEMENT DISTRICT NO. 265
SARPY COUNTY, NEBRASKA

FOR YEAR ENDED JUNE 30, 2015

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	2
STATEMENT OF ACTIVITIES	3
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET	4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	7
NOTES TO BASIC FINANCIAL STATEMENTS	8
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL	17
SUPPLEMENTARY INFORMATION	
INFORMATION REQUIRED BY SECTION 31-740, REISSUED REVISED STATUTE OF NEBRASKA, 2008	18
TRUSTEES AND RELATED BONDS	19
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*	20

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sanitary and Improvement District No 265
of 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. 265 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2015, 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. 265 of Sarpy County, Nebraska as of June 30, 2015, 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 17 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. 265 of Sarpy County, Nebraska's basic financial statements. The other supplementary information on page 18 and 19 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 25, 2015, on our consideration of the Sanitary and Improvement District No. 265 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 mattes. 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. 265 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

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

Omaha, Nebraska
November 25, 2015

Sanitary and Improvement District No. 265
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2015

ASSETS:	
Cash on deposit - County Treasurer	$ 435,278
Taxes receivable (notes B and H)	132,569
Special assessment receivable (notes C and H)	236,124
Accrued interest on special assessments	114,036
Capital assets (note E):	
Infrastructure	3,332,156
Accumulated depreciation	(730,735)
Total assets	3,519,428
LIABILITIES:	
Accounts payable	2,688
Warrants issued not registered	656
Accrued interest on bonds	13,004
Noncurrent liabilities (note F):	
Due within one year	100,000
Due in more than one year	2,585,000
Total liabilities	2,701,348
COMMITMENTS AND CONTINGENCIES (notes G and I)	-
NET POSITION:	
Net investment in capital assets	(83,579)
Restricted for debt service	646,605
Unrestricted	255,054
Total net position	$ 818,080

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 265
Sarpy County, Nebraska

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For year ended June 30, 2015

EXPENSES – GENERAL GOVERNMENT	
General	$ 46,820
Debt service	10,419
Depreciation	94,064
Interest	92,652
Total expenses – general government	243,955
GENERAL REVENUES:	
Property taxes	278,072
Interest on taxes	12
State motor vehicle tax allocation	631
Homestead exemption	4,898
Interest on investments	17
Interest on special assessments	21,895
Total general revenues	305,525
Change in net position	61,570
Net position at beginning of year	756,510
Net position at end of year	$818,080

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 265
Sarpy County, Nebraska

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

ASSETS

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash on deposit - County Treasurer	$211,499	$223,779	$435,278
Taxes receivable (notes B and H)	46,399	86,170	132,569
Special assessments receivable (notes C and H)	-	236,124	236,124
Accrued interest on special assessments	-	54,461	54,461
Total assets	$257,898	$600,534	$858,432

LIABILITIES AND FUND BALANCE

LIABILITIES:			
Accounts payable	$ 2,188	$ 500	$ 2,688
Warrants issued not registered	656	-	656
Total liabilities	2,844	500	3,344
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	-	236,124	236,124
COMMITMENTS AND CONTINGENCIES (notes G and I)	-	-	-
Fund balance			
Restricted for debt service	-	363,910	363,910
Unassigned	255,054	-	255,054
Total fund balance	255,054	363,910	618,964
Total liabilities and fund balance	$257,898	$600,534	$858,432

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 265
Sarpy County, Nebraska

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

June 30, 2015

Total fund balance - total governmental funds		$ 618,964
Amounts reported for governmental activities in the Statement of Net Position are different because:		
– Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		2,601,421
– 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.		(13,004)
– 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	$ (100,000)	
Due in more than one year	(2,585,000)	(2,685,000)
– Accrued interest on special assessments.		59,575
– Deferred inflows of resources related to special assessments is required under modified accrual in the governmental funds balance sheet but not under full accrual accounting in the government-wide statement of net position.		236,124
Net Position of Governmental Activities		$ 818,080

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 265
Sarpy County, Nebraska

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

For year ended June 30, 2015

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Taxes assessed (note B)	$ 97,580	$180,492	$278,072
Interest on taxes	4	8	12
State motor vehicle tax allocation	213	418	631
Homestead exemption	1,673	3,225	4,898
Interest on investments	-	17	17
Special assessments and interest	-	41,036	41,036
Total revenues	99,470	225,196	324,666
EXPENDITURES:			
Legal and accounting	19,461	-	19,461
Collection fees - county treasurer	1,414	3,467	4,881
Electric service	12,712	-	12,712
Engineering fees	5,025	-	5,025
Maintenance and repairs	4,448	-	4,448
Financial advisor fees	-	6,000	6,000
Registered agent fees	-	950	950
Trustee bond and insurance	3,760	-	3,760
Debt service:			
Bond principal payments	-	100,000	100,000
Bond interest payments	-	92,893	92,893
Total expenditures	46,820	203,310	250,130
EXCESS OF REVENUES OVER EXPENDITURES	52,650	21,886	74,536
FUND BALANCE, BEGINNING OF YEAR	202,404	342,024	544,428
FUND BALANCE, END OF YEAR	$255,054	$363,910	$618,964

The accompanying notes are an integral part of these statements.

Sanitary and Improvement District No. 265
Sarpy County, Nebraska

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

For year ended June 30, 2015

Net change in fund balance - total governmental funds	$ 74,536
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.	(94,064)
– The issuance of long-term debt (e.g. warrants) provides current financial resources to the 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 and related items. This amount is the net effect of these differences in the treatment of long-term debt.	100,000
– 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 governmental funds.	239
– Special assessments and related interest are recorded at modified accrual for governmental funds and full accrual for the government-wide statements resulting in this difference.	(19,141)
Change in Net Position of Governmental Activities	$ 61,570

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 265 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

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 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows and Inflows of Resources

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any deferred outflows of resources at June 30, 2015.

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District's receivables for special assessments are measurable, but are not available to finance current period operations and, therefore, are reported as deferred inflows of resources in the governmental fund statements and will be recognized as an inflow of resources (revenue) when they become available.

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 Sarpy County by the financial institutions at June 30, 2015.

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 25 to 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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budget and Budgetary Accounting - Continued

(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, 2015.
(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, 2015 is presented as follows:

	Debt General Fund	Service Fund
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	$52,762	$ 16,849
Adjustments:		
To adjust revenues for receivables	(9)	(10,456)
To adjust expenditures for payables and accruals	(103)	15,493
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	$52,650	$ 21,886

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.

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 Sarpy 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 2014-2015 at the rate of $.800000 per $100 on property valuation of $35,580,413.

NOTE C - SPECIAL ASSESSMENTS

On August 27, 2008, special assessments in the amount of $695,540 were levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments and bear interest at 7.5% per annum until delinquent and 9.5% per annum thereafter until paid.

NOTE D - 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, 2015, 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. These securities are classified as Level 1 in the fair value of hierarchy as indicated in FASB ASC 820-10.

The District had no investments at June 30, 2015.

NOTE E - CAPITAL ASSETS

At June 30, 2015, capital assets consist of the following:

	July 1, 2014	Additions	June 30, 2015
Paving, sanitary and storm sewer	$2,335,492	$ -	$2,335,492
Electric distribution system	166,655	-	166,655
Water system	534,118	-	534,118
Exterior paving	280,315	-	280,315
Park fees	15,576	-	15,576
	3,332,156	-	3,332,156
Accumulated depreciation	(636,671)	(94,064)	(730,735)
	$2,695,485	$(94,064)	$2,601,421

Depreciation expense for year ended June 30, 2015 was $94,064.

NOTE F - BONDS PAYABLE

On March 15, 2012, the District issued $1,100,000 of general obligation bonds to redeem the construction fund warrant and accrued interest, in the amount of $1,535,803. The bonds bear interest at 1.55% to 3.90% per annum. Interest is payable semi-annually on March 15th and September 15th. The bonds mature serially on March 15, 2017, 2022, 2027, and 2032. Bonds maturing on these dates are subject to mandatory annual sinking fund redemption beginning four years prior to the maturity of each bond at par plus accrued interest with no redemption premium. Bonds maturing on or after March 15, 2018 are subject to redemption in whole or part at any time on or after March 15, 2017 at par plus accrued interest to the date of redemption with no redemption premium.

On June 15, 2014, the District issued $1,730,000 in general obligation refunding bonds, the bond matures through June 15, 2034 with interest rates ranging from 1.10% to 4.30% to refund the June 15, 2009 general obligation. Bonds maturing on or after June 15, 2020, are subject to redemption in whole or in part at any time on or after June 15, 2019, at par and accrued interest, to the date set for redemption, with no redemption premium.

A summary of changes in bonds payable is as follows:

Balance July 1, 2014	$2,785,000
Bonds paid	(100,000)
Bonds June 30, 2015	$2,685,000

NOTE F - BONDS PAYABLE

Combined aggregates maturities and mandatory sinking fund redemption of bond principal and interest as follows:

	Principal	Interest	Total
2016	$ 100,000	$ 91,703	$ 191,703
2017	100,000	90,303	190,303
2018	105,000	88,640	193,640
2019	105,000	86,378	191,378
2020	110,000	83,875	193,875
2021-2025	600,000	370,193	970,193
2026-2030	770,000	256,535	1,026,535
2031-2034	795,000	80,590	875,590
	$2,685,000	$1,148,217	$3,833,217

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 2016 is estimated to be approximately $20,000.

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.

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 EVENTS

Management evaluated transactions and events occurring subsequent to June 30, 2015 and through November 25, 2015 to determine whether any events should be recognized or disclosed in these statements. There were no material 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. 265
Sarpy County, Nebraska

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

For the year ended June 30, 2015

	GENERAL FUND (NON GAAP)		
	Original And Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes collected	$ 94,969	$ 97,589	$ 2,620
Interest on taxes	10	4	(6)
State motor vehicle tax allocation	300	213	(87)
Homestead exemption	-	1,673	1,673
Interest on investments	-	-	-
Special assessments and interest	-	-	-
Total revenues	95,279	99,479	4,200
EXPENDITURES:			
Accounting and auditing	7,800	7,554	246
Collection fees - county treasurer	1,862	1,414	448
Electric service	20,000	12,712	7,288
Engineering fees	25,000	5,025	19,975
Legal fees	15,000	11,907	3,093
Maintenance and repairs	70,000	4,225	65,775
Financial advisor fees	-	-	-
Registered agent fees	35,000	-	35,000
Trustee bonds and insurance	5,000	3,880	1,120
Debt service:			
Bond principal payments	-	-	-
Bond interest payments	-	-	-
Bond issue costs	-	-	-
Total expenditures	179,662	46,717	132,945
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	$(84,383)	52,762	$137,145
FUND BALANCE, BEGINNING OF YEAR		158,737	
FUND BALANCE, END OF YEAR		$211,499	

DEBT SERVICE FUND
(NON GAAP)

Original And Final Budget	Actual	Variance Positive (Negative)
$176,372	$197,080	$ 20,708
10	8	(2)
750	418	(332)
-	3,225	3,225
20	17	(3)
50,000	34,904	(15,096)
227,152	235,652	8,500
-	-	-
4,458	3,467	991
-	-	-
-	-	-
-	-	-
-	-	-
7,000	6,000	1,000
-	2,198	(2,198)
-	-	-
100,000	100,000	-
92,893	92,893	-
-	14,245	(14,245)
204,351	218,803	(14,452)
$ 22,801	16,849	$ (5,952)
	206,930	
	$223,779	

Sanitary and Improvement District No. 265
Sarpy County, Nebraska

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

From the year ended June 30, 2015

Gross revenues from all sources	$324,666
Gross revenues from all sources from previous year	$382,274
Amount spent for sewage disposal	$ -
Amount expended on water mains	$ -
Gross amount of sewage processed	$ -
Cost per thousand gallons of processing sewage	$ -
Amount expended for:	
Maintenance and repairs	$ 4,448
New equipment	$ -
New construction work (incl. water mains)	$ -
Property purchased	$ -
Number of employees	-
Salaries and fees paid employees	$ -
Total amount of taxes levied upon the property within the District	$284,643

Sanitary and Improvement District No. 265
Sarpy County, Nebraska

TRUSTEE AND RELATED BONDS

June 30, 2015

Trustees		Bonds	
Name	Office	Insurer	Amount
David Caulfield	Chairman	Universal Surety Company	$ 5,000
Grant Thompson	Clerk	Universal Surety Company	$20,000
Mary Thompson	Trustee		

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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. 265
of Sarpy County, Nebraska

We have audited the financial statements of Sanitary and Improvement District No. 265 of Sarpy County, Nebraska as of and for the year ended June 30, 2015, and have issued our report thereon dated November 25, 2015. 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. 265 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. 265's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sanitary and Improvement District No. 265'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. 265'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. 265's financial statements that is more than consequential will not be prevented or detected by the Sanitary and Improvement District No. 265'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. 265'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. 265 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 instance of noncompliance that is required to be reported under *Government Auditing Standards.*

Finding #1

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

Response

- The District is looking for residents to serve.

Sanitary and Improvement District No. 265's response to the finding identified in our audit is described above. We did not audit Sanitary and Improvement District No. 265's response and accordingly, we express no opinion on it.

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 25, 2015