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SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2010

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Sanitary and Improvement District No. 266
of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 266 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 266 of Sarpy County, Nebraska as of June 30, 2010, and the respective changes in financial position therof 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 22, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report 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* and should be considered in assessing the results of our audit.

The Budgetary Comparison Information on pages 16 and 17 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other supplementary information listed on pages 18 and 19 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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.

Omaha, Nebraska
November 22, 2010

Weber + Thorson, P.C.

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Cash on deposit - County Treasurer	$ 75,436
Taxes receivable	44,257
Special assessments receivable	1,859,646
Accrued interest - special assessments	69,164
Capital assets, net of accumulated depreciation	2,309,806
Total Assets	$ 4,358,309

LIABILITIES	
Accounts payable	4,165
Accrued interest	53,917
Noncurrent liabilities	
Warrants payable	
Due within one year	447,265
Due in more than one year	2,668,267
Total Liabilities	$ 3,173,614

NET ASSETS	
Invested in capital assets, net of related debt	(805,726)
Restricted for debt service	1,927,236
Unrestricted	63,185
Total net assets	$ 1,184,695

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

General government:	
Audit fees	$ 4,950
Collection fees - county treasurer	1,229
Depreciation expense	76,147
Electricity	2,896
Engineering fees	1,247
Insurance	2,786
Legal fees	216
Interest expense - warrants	206,198
Repairs and maintenance	171
Warrant placement costs	10,041
Total expenses	305,881
PROGRAM REVENUES	
Special assessments	1,868,221
Interest on special assessments	70,838
Total program revenues	1,939,059
GENERAL REVENUES	
Property taxes	78,005
Interest on taxes	76
Miscellaneous	473
Total general revenues	78,554
Change in net assets	1,711,732
NET ASSETS - beginning of the year	(527,037)
NET ASSETS - end of the year	$ 1,184,695

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
BALANCE SHEET
(Governmental Funds)
June 30, 2010

	General	Debt Service Fund	Total Governmental
ASSETS			
Cash on deposit - County Treasurer	$ 45,573	$ 29,863	$ 75,436
Taxes receivable	20,096	24,161	44,257
Special assessments receivable	-	1,859,646	1,859,646
Total Assets	$ 65,669	$ 1,913,670	$ 1,979,339
LIABILITIES			
Accounts payable	$ 2,484	$ 1,681	$ 4,165
Deferred Revenue-special assessments	-	1,859,646	1,859,646
Total Liabilities	2,484	1,861,327	1,863,811
FUND BALANCES			
Reserved for debt service	-	52,343	52,343
Unreserved	63,185	-	63,185
Total Fund Balances	63,185	52,343	115,528
Total Liabilities and Fund Balances	$ 65,669	$ 1,913,670	$ 1,979,339

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
For the year ended June 30, 2010

Total Fund Balances - Governmental Funds		$ 115,528
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements:		
Capital assets	$ 2,424,027	
Accumulated depreciation	(114,221)	2,309,806
Deferred revenue on special assessments in the government funds has been recorded as revenue in the government-wide statements		1,859,646
Interest is accrued as revenue on unpaid special assessments in the government-wide statements but interest on special assessments is recorded as revenue in the government funds when collected.		69,164
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the government funds:		
Warrants payable	(3,115,532)	
Accrued interest	(53,917)	(3,169,449)
Net Assets of Governmental Activities		$ 1,184,695

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
(Governmental funds)
For the year ended June 30, 2010

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property taxes	$ 35,457	$ 42,548	$ 78,005
Special assessments	-	8,574	8,574
Interest income - taxes	31	45	76
Interest income - special assessments	-	1,674	1,674
Miscellaneous	388	85	473
Total Revenues	35,876	52,926	88,802
EXPENDITURES			
Current:			
Audit fees	4,950	-	4,950
Collection fee - County Treasurer	646	583	1,229
Electricity	2,896	-	2,896
Engineering fees	1,247	-	1,247
Insurance	2,786	-	2,786
Legal fees	216	-	216
Repairs and maintenance	171	-	171
Warrant placement costs	-	10,041	10,041
Debt Service:			
Warrant principal payments	13,629	-	13,629
Warrant interest payments	-	152,281	152,281
Total Expenditures	26,541	162,905	189,446
Excess (deficiency) of Revenues over (under) Expenditures	9,335	(109,979)	(100,644)
OTHER FINANCING SOURCES			
Issuance of warrants	13,629	310,910	324,539
Total other financing sources	13,629	310,910	324,539
Net change in fund balances	22,964	200,931	223,895
Fund balances - beginning of period	40,221	(148,588)	(108,367)
Fund balances - end of period	$ 63,185	$ 52,343	$ 115,528

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
RECONC ILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

Net Change in Fund Balances - Total Government Funds	$ 223,895
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in government funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of current year activity related to capital assets.	
Depreciation expense	(76,147)
Repayment of warrant principal is reported as an expenditure in the governmental funds. In the statement of net assets, the repayment reduces long-term liabilities, This is the amount of repayment in the current year.	13,629
Proceeds from the issuance of warrants are reported as an other financing source in the governmental funds, but as an increase in noncurrent liabilities in the government-wide statements. This is the amount of proceeds in the current year.	(324,539)
Certain expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the government funds. These expenses consist of:	
Change in accrued interest	(53,917)
Special assessments are recognized as revenue in the statement of net assets when they are assessed. Special assessments are reported as revenue in the governmental funds when received.	
This is the amount of specials assessed this year.	1,868,221
Collections on special assessments and interest thereon have been reported as revenues in the governmental funds but are reported as decreases in receivables in the statement of net assets.	
This is the amount of special assessments collected this year.	(8,574)
Increase in special assessment accrued interest	69,164
Change in Net Assets of Governmental Activities	$ 1,711,732

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sanitary and Improvement District No. 266 of Sarpy County, Nebraska (the District) is presented to assist in understanding the District's basic financial statements. The financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

District Activities

The District is organized as a political subdivision and governed under the State of Nebraska. The District has a tax base made up of a residential development, conducting its activity in Sarpy County, Nebraska.

The Reporting Entity

The Board of Trustees of the District has financial accountability and control over all the activities related to Sanitary and Improvement District No. 266. The Board of Trustees is elected by the property owners of the District and has decision-making authority, the authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The Board also has primary financial accountability for fiscal matters of the District. The District is engaged in a single governmental program and is not included in any other governmental "reporting entity" as defined by the GASB pronouncements. In addition, there are no component units as defined by the Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

Basis of Presentation

The basic financial statements of the District include the government-wide and the fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities, which report financial information for all nonfiduciary activities of the District. Individual funds are not displayed, and internal activity between or within funds is eliminated.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Net Assets recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by law through constitutional provisions or enabling legislature. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide Statement of Activities reflects the expenses of the District's governmental activities, offset by general and program revenues to determine the change in net assets for the year. Program revenues include special assessments. Property tax and other items are reported as general revenues.

Fund Financial Statements

The fund financial statements provide additional and detailed information about the District. The emphasis of the fund financial statements is on the determination of financial position and changes in financial position rather than upon net income. The following is a description of the District's two governmental funds:

General Fund – This fund is the operating fund of the District. It is used to account for all financing resources, except those required to be accounted for in other funds.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Measurement Focus and 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 basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On an accrual basis, revenues are recognized when earned. Expenditures are recorded when liabilities are incurred, regardless of the timing of related cash flows.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, both funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both measurable and available. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized in the period the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due.

Property tax revenues are recognized when susceptible to accrual. Revenues on special assessments and miscellaneous revenues are recognized as the amounts are collected. Investment earnings are recorded as earned since they are measurable and available.

Budgets and Budgetary Accounting

The District is required by Nebraska law to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using the cash basis of accounting, which differs significantly from accounting principles generally accepted in the United States of America. 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. Budgetary comparisons presented for both the General Fund and Debt Service Fund in this report are on non-GAAP budgetary basis.

The District adheres to the following procedures in preparing and adopting the budget:

1. On or before early September, the Board of Trustees proposes an operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Prior to September 20, the Board of Trustees formally approves the budget document following a public hearing, with notice given five days in advance.

3. As of September 20, the budget document must be on file with the County Board and the Auditor of Public Accounts.

4. Appropriations for the General Fund and the Debt Service Fund lapse at the end of the fiscal year.

5. Expenditures and transfers cannot exceed appropriations at the fund level. When expenditures and transfers are required for functions that have not been budgeted, authorization to amend the budget and to incur the expenditures is permitted following a public hearing. No significant supplemental appropriations were made for the fiscal year ended June 30, 2010.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. A majority vote by the Board of Trustees may authorize transfer of budgeted amounts from the General Fund to the Debt Service Fund.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Credit Risk

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

Depreciation

Capital assets of the District, which primarily include infrastructure assets, are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant capital assets are as follows:

Paving and Sewer Systems	25 – 40 Years
Power and Water Systems	25 – 30 Years

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide statements, net assets are reported in three components-invested in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or notes issued to acquire, construct or improve those assets. Restricted net assets are reported when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or by enabling legislation. Unrestricted net assets are net assets that do not meet the definition of either of the first two categories of net assets.

NOTE B – DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2010, the balance in cash of $75,436 is equal to the carrying amount of the District's deposits. The deposits of the District are classified as Category 3, deposits that are uncollateralized or uninsured. This includes any deposit that is collateralized with securities held by the County but not in the name of the District.

Investments

State Statute authorizes the District to invest in obligations of the U.S. Treasury. Investments for the District are invested in U.S. Treasury Bills and are carried at amortized cost, which approximates fair value. These investments are classified as Category 3 investments, uninsured and unregistered securities of the District, which are held by the County in the name of the District.

At June 30, 2010 the District did not have any investments.

NOTE C – PROPERTY TAXES

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. Nebraska State law allows taxpayers the opportunity to pay real estate taxes in two equal installments after December 31. Installment one is due March 31 and delinquent April 1. Installment two is due July 31 and delinquent August 1. Tax collections are remitted to the District from the County Treasurer on a daily basis.

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. The portion of the taxes not expected to be collected within sixty days after year-end is recorded as deferred revenue. Delinquent taxes are considered fully collectable and, therefore, no allowance for uncollectable taxes is provided.

The District has levied real and personal property taxes as follows:

	District	District Tax Levy Per $100 Valuation		
Fiscal Year	Valuation of Property	General	Debt Service	Total
2009-2010	$8,864,131	0.400000	0.480000	0.880000

NOTE C – PROPERTY TAXES (Continued)

A summary of taxes receivable for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Taxes Assessed	Taxes Collected	Balance June 30, 2010
General Fund	$17,666	$35,457	$(33,027)	$20,096
Debt Service Fund	-	42,548	(18,387)	24,161
	$17,666	$78,005	$(51,414)	$44,257

NOTE D – SPECIAL ASSESSMENTS

Special Assessment Levy of November 12, 2009

Special assessments in the amount of $1,868,221 were levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments through November, 2019 and bear interest at 7.5% per annum until delinquent and 9.5% per annum thereafter until paid. The balance due on this levy at June 30, 2010 amounted to $1,859,646.

NOTE E – CAPITAL ASSETS

A summary of depreciable capital assets for the year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Depreciable Capital Assets				
Exterior road improvements	$1,328,649	$ -	$ -	$1,328,649
Sewer and paving-Section I & II	408,158	-	-	408,158
Electrical distribution system-	132,618	-	-	132,618
Water distribution system	554,602	-	-	554,602
	2,424,027	-	-	2,424,027
Less accumulated depreciation	(38,074)	(76,147)	-	(114,221)
	$2,385,953	$ (76,147)	$ -	$2,309,806

The District recorded depreciation expense of $76,147 for the year ended June 30, 2010. The District has not identified any capital assets where impairment has occurred as a result of significant and unexpected utility.

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

NOTE F – NONCURRENT LIABILITIES - WARRANTS PAYABLE

General Fund warrants are due and payable no later than three years from the date of issuance. Debt Service Fund warrants are due and payable no later than five years from the date of issuance. Warrants are payable in order in which they are registered. Once registered, they accrue and bear interest at 7.00% per annum. Interest is payable annually and accrues through the date called.

The summary of warrant activity is as follows:

	General Fund	Debt Service Fund	Total
Balance Outstanding, June 30, 2009	$ -	$2,804,622	$2,804,622
Warrants Issued	13,629	310,910	324,539
Warrant Principal Payments	(13,629)	-	(13,629)
Balance Outstanding, June 30, 2010	$ -	$3,115,532	$3,115,532

Aggregate maturities during the next five years are as follows:

Year Ending June 30	General Fund	Debt Service Fund
2011	$ -	$ 447,265
2012	-	1,138,669
2013	-	714,422
2014	-	504,266
2015	-	310,910
	$ -	$3,115,532

NOTE G – FINANCIAL STATEMENT PRESENTATION – BUDGET BASIS

The budget of the District is prepared on the cash basis. The necessary adjustments to reconcile from budgetary basis to GAAP basis is as follows:

	General Fund	Debt Service Fund
Fund balance, ending (budget basis)	$ 45,573	$ 29,863
Adjustments to generally accepted accounting principles:		
Revenue and transfer accruals	20,096	24,161
Expenditure and transfer accruals	(2,484)	(1,681)
Fund balance, ending (GAAP basis)	$ 63,185	$ 52,343

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Significant losses are covered by commercial insurance for all programs. There have been no significant reductions in insurance coverage and no significant claims or settlements for the current year or the three prior years. The District has retained the risk of loss for property damage to its public improvements.

NOTE I – SUBSEQUENT EVENT

On September 15, 2010, the District issued General Obligation 2010 Series Bonds in the amount of $1,100,000. They bear interest at 1.30% to 5.00%. Interest is payable semi-annually on March 15 and September 15.

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - General Fund
For the year ended June 30, 2010

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Personal and real property taxes	$ 35,456	$ 33,273	$ (2,183)
Interest on taxes	-	31	31
Miscellaneous	150	141	(9)
Total Revenues	35,606	33,445	(2,161)
EXPENDITURES			
Current:			
Legal fees	3,000	216	2,784
Audit fees	5,000	4,950	50
Electricity	6,000	2,609	3,391
Engineering fees	2,500	2,565	(65)
Insurance	500	2,984	(2,484)
Collection fees	695	646	49
Repairs and maintenance	7,500	306	7,194
Debt Service:			
Warrant principal payments	24,500	13,629	10,871
Warrant interest payments	-	-	-
Total Expenditures	49,695	27,905	21,790
Excess(deficiency) of Revenues over (under) Expenditures	(14,089)	5,540	19,629
OTHER FINANCING SOURCES			
Issuance of warrants	24,500	13,629	(10,871)
Total other financing sources	24,500	13,629	(10,871)
Net changes in fund balances	10,411	19,169	$ 8,758
Fund Balance - Beginning	26,404	26,404	
Fund Balance - Ending	$ 36,815	$ 45,573	

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - Debt Service Fund
For the year ended June 30, 2010

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Personal and real property taxes	42,548	18,388	(24,160)
Special assessments	-	8,574	8,574
Interest on taxes	-	45	45
Interest on investments	-	-	-
Interest on special assessments	-	3,355	3,355
Miscellaneous	-	84	84
Total Revenues	42,548	30,446	(12,102)
EXPENDITURES			
Current:			
Interest expense - warrants	200,000	200,818	(818)
Warrant placement costs	-	14,805	(14,805)
Collection fees	834	583	251
Paying agent fees	250	-	250
Capital outlay - improvements	65,000	95,287	(30,287)
Debt Service:			
Warrant principal payments	700,000	-	700,000
Warrant interest payments	-	-	-
Bond principal	-	-	-
Bond interest	-	-	-
Total Expenditures	966,084	311,493	654,591
Excess(deficiency) of Revenues over (under) Expenditures	(923,536)	(281,047)	642,489
OTHER FINANCING SOURCES			
Proceeds from bond issue	1,000,000	-	(1,000,000)
Issuance of warrants	15,250	310,910	295,660
Total other financing sources	1,015,250	310,910	(704,340)
Net changes in fund balances	91,714	29,863	(61,851)
Fund Balance - Beginning	-	-	
Fund Balance - Ending	91,714	29,863	

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA

Information Required by Section 31-740,
Revised Statutes of Nebraska, 1993

Gross income from all sources	$2,017,613
Gross income from all sources from previous year	$49,121
Amount spent for sewage disposal	None
Amount expended on water mains	None
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for:	
a. Maintenance and repair	$171
b. New equipment	None
c. New construction work	None
d. Property purchased	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon the property within the District	$78,005

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA

Trustees and Related Bonds
June 30, 2010

Trustees		Bonds	
Name	Office	Insurer	Amount
George Venteicher	Chairperson	Universal Surety	$ 5,000
Frank Kulig	Clerk	Universal Surety	$ 20,000
Susan Venteicher	Trustee		
John Danielson	Trustee		
Bernard Heck	Trustee		

WEBER & THORSON

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

To the Board of Trustees
Sanitary and Improvement District No. 266
of Sarpy County, Nebraska

We have audited the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 266 of Sarpy County, Nebraska, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting described below that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe that a material weakness, yet important enough to merit attention by those charged with governance.

Preparation of Financial Statements

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

The District's response to this finding is that this circumstance is not unusual in a governmental entity of their size and the costs of correcting this deficiency would exceed the benefits to be derived from any correction. The District's management has also informed us that they are willing to accept the degree of risk associated with this condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards.*

The District's response to the finding identified in our audit is described above. We did not audit the District'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 State of Nebraska Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Omaha, Nebraska
November 22, 2010

Weber + Thorson, P.C.