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

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2012

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 the 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, 2012, and the respective changes in financial position thereof 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 December 14, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 17 through 20 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on pages 21 and 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The District has not presented Management's Discussion and Analysis that governmental 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 the 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 the missing information.

Omaha, Nebraska
December 14, 2012

Weber + Thorson, P.C.

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS	
Investments	$ 264,995
Taxes receivable	70,392
Special assessments receivable	1,050,078
Accrued interest - special assessments	201,667
Capital assets, net of accumulated depreciation	2,157,512
Bond issue costs, net of accumulated amortization	113,099
Total Assets	$ 3,857,743
LIABILITIES	
Cash overdraft - County Treasurer	3,602
Accounts payable	7,699
Accrued interest	43,626
Noncurrent liabilities	
Warrants payable	
Due within one year	693,507
Due in more than one year	1,110,860
Bonds payable	
Due within one year	40,000
Due in more than one year	1,020,000
Total Liabilities	$ 2,919,294
NET ASSETS	
Invested in capital assets, net of related debt	(593,756)
Restricted for debt service	1,435,963
Unrestricted	96,242
Total net assets	$ 938,449

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, 2012

EXPENSES - GENERAL GOVERNMENT	
Amortization expense	$ 6,226
Audit fees	5,400
Collection fees - county treasurer	6,280
Depreciation expense	76,147
Electricity	3,782
Engineering fees	1,884
Insurance	2,656
Legal fees	662
Interest expense	167,128
Pay agent fees	1,750
Repairs and maintenance	3,020
Warrant placement costs	5,883
Total expenses	280,818
GENERAL REVENUES	
Property taxes	87,832
Interest	94,938
Miscellaneous	231
Total general revenues	183,001
Change in net assets	(97,817)
NET ASSETS - beginning of the year	1,036,266
NET ASSETS - end of the year	$ 938,449

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
BALANCE SHEET
Governmental Funds
June 30, 2012

	General	Debt Service Fund	Total Governmental
ASSETS			
Cash on deposit - County Treasurer	$ 73,544	$ -	$ 73,544
Taxes receivable	30,397	39,995	70,392
Investments	-	264,995	264,995
Special assessments receivable	-	1,050,078	1,050,078
Total Assets	$ 103,941	$ 1,355,068	$ 1,459,009
LIABILITIES			
Accounts payable	$ 7,699	$ -	$ 7,699
Cash overdraft - County Treasurer		$ 77,146	77,146
Deferred Revenue-special assessments	-	1,050,078	1,050,078
Total Liabilities	7,699	1,127,224	1,134,923
FUND BALANCES			
Restricted for debt service	-	227,844	227,844
Unassigned	96,242	-	96,242
Total Fund Balances	96,242	227,844	324,086
Total Liabilities and Fund Balances	$ 103,941	$ 1,355,068	$ 1,459,009

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, 2012

Total Fund Balances - Governmental Funds		$ 324,086
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 governmental funds:		
Capital assets	$ 2,424,027	
Accumulated depreciation	(266,515)	2,157,512
Other assets are not financial resources and, therefore, not reported in the governmental funds:		
Bond issue costs	$ 124,513	
Accumulated amortization	(11,414)	113,099
Deferred revenue on special assessments in the governmental funds has been recorded as revenue in the government-wide statements		1,050,078
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 governmental funds when collected.		201,667
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the government funds:		
Warrants payable	(1,804,367)	
Bonds payable	(1,060,000)	
Accrued interest	(43,626)	(2,907,993)
Net Assets of Governmental Activities		$ 938,449

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, 2012

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property taxes	$ 37,927	$ 49,905	$ 87,832
Special assessments	-	193,756	193,756
Interest income - investments	-	117	117
Interest income - taxes	782	1,151	1,933
Interest income - special assessments	-	32,411	32,411
Miscellaneous	100	131	231
Total Revenues	38,809	277,471	316,280
EXPENDITURES			
Current:			
Audit fees	5,400	-	5,400
Collection fee - County Treasurer	719	5,561	6,280
Electricity	3,782	-	3,782
Engineering fees	1,884	-	1,884
Insurance	2,656	-	2,656
Legal fees	662	-	662
Pay agent fees	1,750	-	1,750
Repairs and maintenance	3,020	-	3,020
Warrant placement costs	-	5,883	5,883
Debt Service:			
Warrant principal payments	13,549	616,596	630,145
Warrant interest payments	-	144,048	144,048
Bond issue costs	-	-	-
Bond principal payments		40,000	
Bond Interest payments	-	42,558	42,558
Total Expenditures	33,422	854,646	848,068
Excess (deficiency) of Revenues over (under) Expenditures	5,387	(577,175)	(531,788)
OTHER FINANCING SOURCES			
Issuance of warrants	13,549	123,541	137,090
Total other financing sources	13,549	123,541	137,090
Net change in fund balances	18,936	(453,634)	(394,698)
Fund balances - beginning of period	77,306	681,478	758,784
Fund balances - end of period	$ 96,242	$ 227,844	$ 364,086

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, 2012

Net Change in Fund Balances - Total Governmental Funds	$ (394,698)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental 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)
Payment of noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net assets, the payment reduces noncurrent liabilities. This is the amount of warrant principal paid in the current year.	630,145
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.	(137,090)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses consist of:	
Amortization of bond issue costs	(6,226)
Change in accrued interest	19,478
Collections on special assessments and interest thereon have been reported as revenues in the governmental funds but are reported as decreases in receivables in the statement of net assets. This is the amount of collections on special assessments and the change in accrued interest thereon.	(133,279)
Change in Net Assets of Governmental Activities	$ (97,817)

See accompanying notes to financial statements

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 266 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.

DEFINITION OF DISTRICT – The District is a governmental subdivision created with the filing of the Petition and Articles of Association with the Secretary of State, State of Nebraska. The District was formed for the purpose of installing sewers, water, and public road systems within the District and contracting for water, fire protection, and lighting for roads. The District is located in Sarpy County and is commonly known as Portal Plaza.

REPORTING ENTITY – The Board of Trustees has governance responsibilities over all activities related to streets, utility systems, and other public improvements within the jurisdiction of the District. The accompanying financial statements present the District's primary government 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 including budget adoption, taxing authority, funding, and appointment of the respective governing board.

The Sarpy County Treasurer is the ex-officio treasurer of the District. All cash transactions and funds are required to be administered and recorded by the County Treasurer.

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 are eliminated. Governmental activities include programs supported primarily by taxes and other intergovernmental revenue. The District has no business type activities that 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 function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The following is a description of the District's two governmental funds:

General Fund – The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term 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 on the 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. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

In the governmental fund financial statements, the 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 they become both measurable and available. Measurable means that 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. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred except for debt service expenditures and other long-term liabilities, which are recorded only when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as another financing source in governmental funds.

INVESTMENTS - Investments are stated at amortized cost, which approximates market. Premiums or discounts on investments are amortized on the straight-line method from date of purchase to date of maturity.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 prior three years. The District has

CAPITAL ASSETS – Capital assets of the District, which primarily include infrastructure assets, are recorded at historical cost within the government-wide financial statements. 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 in the government-wide statements. 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

AMORTIZATION – Bond issue costs are amortized over the term of the bonds using the straight-line method in the government-wide financial statements. The amount of bond issue costs presented in the government-wide financial statements is net of accumulated amortization of $11,414 at June 30, 2012. Bond issue costs are recorded as expenditures in the government funds.

SUBSEQUENT EVENTS – The District has evaluated subsequent events through December 14, 2012, the date which the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS

DEPOSITS – At June 30, 2012, the balance in cash of $73,544 in the general fund 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. The debt service fund had an overdraft balance of ($77,146) at June 30, 2012.

INVESTMENTS – State Statute authorizes the District to invest in obligations of the U.S. Treasury. All investment activities are conducted through the County Treasurer. Investments are bought and held in safekeeping by a bank in the District's name and therefore the District was not exposed to custodial risk at June 30, 2012. All investments for the District at June 30, 2012, amounting to $264,995, are invested in U.S. Treasury Bills with maturities of 12 days or less. Since the District's investments are short-term, the interest rate risk is minimal. 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, 2012, the original par value, cost, and amortized cost of the District's investments were $265,000, $264,948, and $264,995, respectively.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

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 Valuation of	District Tax Levy Per $100 Valuation		
		Debt		
Fiscal Year	Property	General	Service	Total
2011-2012	$9,980,889	0.380000	0.500000	0.880000

A summary of taxes receivable for the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Taxes Assessed	Taxes Collected	Balance June 30 2012
General Fund	$28,630	$37,927	$(36,160)	$30,397
Debt Service Fund	42,145	49,905	(52,055)	39,995
	$70,775	$87,832	$(88,215)	$70,392

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

NOTE D – SPECIAL ASSESSMENTS

Special Assessment Levy of November 12, 2010

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, 2012 amounted to $1,050,078.

NOTE E – CAPITAL ASSETS

A summary of depreciable capital assets for the year ended June 30, 2012, is as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
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	(190,368)	(76,147)	-	(266,515)
	$2,233,659	$ (76,147)	$ -	$2,157,212

The District recorded depreciation expense of $76,147 for the year ended June 30, 2012. The District has not identified any capital assets where impairment has occurred as a result of significant and unexpected utility.

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.

NOTE F – NONCURRENT LIABILITIES - WARRANTS PAYABLE (Continued)

The summary of warrant activity is as follows:

	General Fund	Debt Service Fund	Total
Balance Outstanding, June 30, 2011	$ -	$2,297,423	$2,297,423
Warrants Issued	13,549	123,541	137,090
Warrant Principal Payments	(13,549)	(616,596)	(630,145)
Balance Outstanding, June 30, 2012	$ -	$1,804,367	$1,804,367

Aggregate maturities during the next five years are as follows:

Year Ending June 30	General Fund	Debt Service Fund
2013	$ -	$ 693,506
2014	-	504,267
2015	-	310,910
2016	-	172,143
2017	-	123,541
	$ -	$1,804,367

NOTE G – NONCURRENT LIABILITIES - BONDS PAYABLE

Transactions for bonds payable for the year ended June 30, 2012 are summarized as follows:

	Balance June 30, 2011	Proceeds	Payments	Balance June 30, 2012
Bond Issue, 2010	$1,100,000	$ -	$(40,000)	$1,060,000

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

NOTE G – NONCURRENT LIABILITIES - BONDS PAYABLE (Continued)

Bonds payable are comprised of the following:	June 30, 2012
General obligation bond issued on September 15, 2010, bonds outstanding due serially through September 15, 2030, annual maturities range from $40,000 in 2013 to $80,000 in 2030, interest payable semi-annually at 1.50% to 5.00% per annum.	$1,060,000

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2013	$ 40,000	$ 41,998	$ 81,998
2014	40,000	41,328	81,328
2015	45,000	40,485	85,485
2016	45,000	39,439	84,439
2017	45,000	38,213	83,213
2018 – 2022	250,000	166,681	416,681
2023 – 2027	300,000	110,334	410,334
2028 – 2031	295,000	30,375	325,375
Total	$1,060,000	$ 508,853	$1,568,853

NOTE H – FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2012, 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 is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through 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. Under the District's adopted policy, 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. 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, 2012

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Personal and real property taxes	$ 37,928	$ 36,152	$ (1,776)
Interest on taxes	-	782	782
Miscellaneous	150	108	(42)
Total Revenues	38,078	37,042	(1,036)
EXPENDITURES			
Current:			
Legal fees	3,000	662	2,338
Audit fees	5,400	5,400	-
Electricity	4,000	3,484	516
Engineering fees	2,500	2,020	480
Insurance	4,200	1,279	2,921
Collection fees	744	719	25
Pay agent fees		500	(500)
Repairs and maintenance	10,900	204	10,696
Debt Service:			
Warrant principal payments	30,000	13,549	16,451
Warrant interest payments	-	-	-
Total Expenditures	60,744	27,817	32,927
Excess(deficiency) of Revenues over (under) Expenditures	(22,666)	9,225	31,891
OTHER FINANCING SOURCES			
Issuance of warrants	30,000	13,549	(16,451)
Total other financing sources	30,000	13,549	(16,451)
Net changes in fund balances	7,334	22,774	$ 15,440
Fund Balance - Beginning	50,770	50,770	
Fund Balance - Ending	$ 58,104	$ 73,544	

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, 2012

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Personal and real property taxes	49,904	52,041	2,137
Special assessments	124,383	193,756	69,373
Interest on taxes	-	1,151	1,151
Interest on investments	-	165	165
Interest on special assessments	-	32,411	32,411
Miscellaneous	100	146	46
Total Revenues	174,387	279,670	105,283
EXPENDITURES			
Current:			
Warrant placement costs	-	5,883	(5,883)
Collection fees	978	5,561	(4,583)
Paying agent fees	1,000	-	1,000
Debt Service:			
Warrant principal payments	595,682	616,596	(20,914)
Warrant interest payments	140,000	144,049	(4,049)
Bond issue costs	-	-	-
Bond principal	40,000	40,000	-
Bond interest	42,558	42,558	-
Total Expenditures	820,218	854,647	(34,429)
Excess(deficiency) of Revenues over (under) Expenditures	(645,831)	(574,977)	70,854
OTHER FINANCING SOURCES			
Proceeds from bond issue	-	-	-
Issuance of warrants	120,000	123,541	3,541
Total other financing sources	120,000	123,541	3,541
Net changes in fund balances	(525,831)	(451,436)	74,395
Fund Balance - Beginning	639,237	639,237	
Fund Balance - Ending	113,406	187,801	

See accompanying notes to financial statements

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

Required Supplementary Information-Notes to Schedules of
Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2012

BUDGETS AND BUDGETARY ACCOUNTING – The District is required to adopt an annual operating budget for all the funds over which the District controls. Budgets are adopted by the District for the general and debt service funds. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles (GAAP). 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. Accordingly, adjustments are necessary to convert the revenues and expenditures as reported on the governmental fund statements to the budgetary basis for comparison with budgetary data in the accompanying schedules of revenues, expenditures and changes in fund balances – budget and actual. Fund balance on the budgetary basis consists of cash on deposit with the County Treasurer and the original purchase cost of investments. Encumbrance accounting is not used by the District.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.

2. Notice of place and time of public hearings must be published prior to the public hearings.

3. Public hearings are conducted to obtain taxpayer comment.

4. 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.

5. The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.

6. Appropriations lapse at year-end, however, the Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2012.

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

Required Supplementary Information - Notes to Schedules of
Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2012

RECONCILIATION OF BUDGET BASIS TO GAAP

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)	$ 73,544	$187,801
Adjustments to generally accepted accounting principles:		
Revenue and transfer accruals	30,397	40,043
Expenditure and transfer accruals	(7,699)	-
Fund balance, ending (GAAP basis)	$ 96,242	$227,844

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	$183,001
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	$3,020
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	$87,832

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

Trustees and Related Bonds
June 30, 2012

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		

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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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 are 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
December 14, 2012

Weber + Thorson, P.C.

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December 14, 2012

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, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 6, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the depreciation of capital assets is based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 14, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Weber + Thorson, P.C.

Weber & Thorson, P.C.