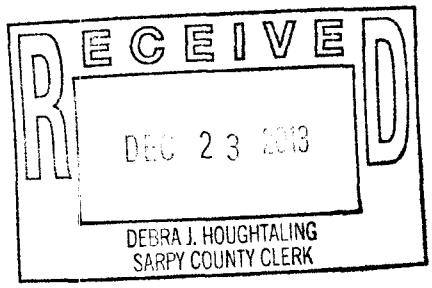

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary Improvement District No. 266 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2013, 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.

Auditor's Responsibility

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 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 from 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 opinions.

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 Improvement District No. 266 of Sarpy County, Nebraska as of June 30, 2013, and the respective changes in financial position thereof 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 that the budgetary comparison information on pages 18 through 21 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.

The District's 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 22 and 23 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. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 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* in considering the District's internal control over financial reporting and compliance.

Weber & Thorson, P.C.

Omaha, Nebraska
December 12, 2013

Weber + Thorson, P.C.

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
STATEMENT OF NET POSITION
June 30, 2013

ASSETS		
Cash on deposit - County Treasurer	$	421,722
Investments		-
Taxes receivable		61,014
Special assessments receivable		1,050,078
Accrued interest - special assessments		286,010
Capital assets, net of accumulated depreciation		1,920,126
Bond issue costs, net of accumulated amortization		106,874
Total Assets	$	3,845,824
LIABILITIES		
Accounts payable		6,954
Accrued interest		45,636
Noncurrent liabilities		
Warrants payable		
Due within one year		-
Due in more than one year		1,930,673
Bonds payable		
Due within one year		40,000
Due in more than one year		980,000
Total Liabilities	$	3,003,263
NET POSITION		
Net investment in capital assets		(969,309)
Restricted for debt service		1,711,580
Unrestricted		100,290
Total Net Position	$	842,561

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, 2013

EXPENSES - GENERAL GOVERNMENT		
Amortization expense	$	6,226
Audit fees		5,600
Collection fees - county treasurer		2,120
Depreciation expense		72,013
Electricity		4,406
Engineering fees		5,792
Insurance		2,776
Legal fees		7,254
Interest expense		170,314
Pay agent fees		1,250
Repairs and maintenance		1,595
Warrant placement costs		-
Total expenses		279,346
GENERAL REVENUES		
Property taxes		92,948
Interest		90,364
Miscellaneous		145
Total general revenues		183,457
Change in net position		(95,889)
NET POSITION - beginning of the year		938,450
NET POSITION - end of the year	$	842,561

See accompanying notes to financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266
OF SARPY COUNTY, NEBRASKA
BALANCE SHEET
Governmental Funds
June 30, 2013

	General	Debt Service Fund	Total Governmental
ASSETS			
Cash on deposit - County Treasurer	$ 86,906	$ 334,816	$ 421,722
Taxes receivable	20,338	40,676	61,014
Investments	-	-	-
Special assessments receivable	-	1,050,078	1,050,078
Total Assets	$ 107,244	$ 1,425,570	$ 1,532,814
LIABILITIES			
Accounts payable	$ 6,954	$ -	$ 6,954
Deferred Revenue-special assessments	-	1,050,078	1,050,078
Total Liabilities	6,954	1,050,078	1,057,032
FUND BALANCES			
Restricted for debt service	-	375,492	375,492
Unassigned	100,290	-	100,290
Total Fund Balances	100,290	375,492	475,782
Total Liabilities and Fund Balances	$ 107,244	$ 1,425,570	$ 1,532,814

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 POSITION
For the year ended June 30, 2013

Total Fund Balances - Governmental Funds		$ 475,782
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds:		
Capital assets	$ 2,258,654	
Accumulated depreciation	(338,528)	1,920,126
Other assets are not financial resources and, therefore, not reported in the governmental funds:		
Bond issue costs	$ 124,513	
Accumulated amortization	(17,639)	106,874
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.		286,010
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the government funds:		
Warrants payable	(1,930,673)	
Bonds payable	(1,020,000)	
Accrued interest	(45,636)	(2,996,309)
Net Position of Governmental Activities		$ 842,561

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, 2013

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property taxes	$ 30,983	$ 61,965	$ 92,948
Special assessments	-	-	-
Interest income - investments	-	58	58
Interest income - taxes	2,543	3,420	5,963
Interest income - special assessments	-	-	-
Interlocal agreement contribution	-	165,373	165,373
Miscellaneous	51	94	145
Total Revenues	33,577	230,910	264,487
EXPENDITURES			
Current:			
Audit fees	5,600	-	5,600
Collection fee - County Treasurer	856	1,264	2,120
Electricity	4,406	-	4,406
Engineering fees	5,792	-	5,792
Insurance	2,776	-	2,776
Legal fees	7,254	-	7,254
Pay agent fees	1,250	-	1,250
Repairs and maintenance	1,595	-	1,595
Debt Service:			
Warrant principal payments	29,418	-	29,418
Warrant interest payments	-	126,306	126,306
Bond principal payments	-	40,000	40,000
Bond Interest payments	-	41,998	41,998
Total Expenditures	58,947	209,568	268,515
Excess (deficiency) of Revenues over (under) Expenditures	(25,370)	21,342	(4,028)
OTHER FINANCING SOURCES			
Issuance of warrants	29,418	126,306	155,724
Total other financing sources	29,418	126,306	155,724
Net change in fund balances	4,048	147,648	151,696
Fund balances - beginning of period	96,242	227,844	324,086
Fund balances - end of period	$ 100,290	$ 375,492	$ 475,782

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, 2013

Net Change in Fund Balances - Total Governmental Funds	$	151,696
Amounts reported for governmental activities in the statement of activities are different because:		
Interlocal agreement contributions are reported as revenues in the governmental funds. In the statement of net position, the contribution is a reimbursement of outlay for improvements.		(165,373)
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		(72,013)
Payment of noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net position, the payment reduces noncurrent liabilities. This is the amount of current year activity.		
Bond principal payments		40,000
Warrant principal payments		29,418
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.		(155,724)
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		(2,010)
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 position. This is the amount of collections on special assessments and the change in accrued interest thereon.		84,343
Change in Net Position of Governmental Activities	$	(95,889)

See accompanying notes to financial statements

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2013

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 – For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. GASB Statement No. 63 established accounting and financial reporting standards for deferred outflow and inflow of resources and net position.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 $17,639 at June 30, 2013. Bond issue costs are recorded as expenditures in the government funds.

SUBSEQUENT EVENTS – The District has evaluated subsequent events through December 12, 2013, the date which the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2013

NOTE B – INVESTMENTS

INVESTMENTS – State Statute authorizes the District to invest in obligations of the U.S. Treasury, certificates of deposit and time deposits. 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, 2013. Since the District's investments are short-term, the interest rate risk is minimal. At June 30, 2013, the District held no 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 Valuation of	District Tax Levy Per $100 Valuation		
			Debt	
Fiscal Year	Property	General	Service	Total
2012-2013	$10,327,548	0.300000	0.600000	0.900000

A summary of taxes receivable for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Taxes Assessed	Taxes Collected	Balance June 30 2013
General Fund	$30,397	$30,983	$(41,042)	$20,338
Debt Service Fund	39,995	61,965	(61,284)	40,676
	$70,392	$92,948	$(102,326)	$61,014

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, 2013 amounted to $1,050,078.

NOTE E – CAPITAL ASSETS

A summary of depreciable capital assets for the year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Depreciable Capital Assets				
Exterior road improvements	$1,328,649	$ -	$ (165,373)	$1,163,276
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	-	(165,373)	2,258,654
Less accumulated depreciation	(266,515)	(72,013)	-	(338,528)
	$2,157,512	$ (72,013)	$ (165,373)	$1,920,126

The District recorded depreciation expense of $72,013 for the year ended June 30, 2013. 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.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2013

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, 2012	$ -	$1,804,367	$1,804,367
Warrants Issued	29,418	126,306	155,724
Warrant Principal Payments	(29,418)	-	(29,418)
Balance Outstanding, June 30, 2013	$ -	$1,930,673	$1,930,673

Aggregate maturities during the next five years are as follows:

Year Ending June 30	General Fund	Debt Service Fund
2014	$ -	$ -
2015	-	-
2016	-	693,507
2017	-	504,267
2018	-	437,216
2019-2020	-	295,683
	$ -	$1,930,673

NOTE G – NONCURRENT LIABILITIES - BONDS PAYABLE

Transactions for bonds payable for the year ended June 30, 2013 are summarized as follows:

	Balance June 30, 2012	Proceeds	Payments	Balance June 30, 2013
Bond Issue, 2010	$1,060,000	$ -	$(40,000)	$1,020,000

NOTE G – NONCURRENT LIABILITIES - BONDS PAYABLE (Continued)

Bonds payable are comprised of the following:	June 30, 2013
General obligation bond issued on September 15, 2010, bonds outstanding due serially through September 15, 2030, annual maturities range from $40,000 in 2014 to $80,000 in 2030, interest payable semi-annually at 1.85% to 5.00% per annum.	$1,020,000

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
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	45,000	36,840	81,840
2019 – 2023	260,000	157,079	417,079
2024 – 2028	315,000	96,096	411,096
2029 – 2031	225,000	17,374	242,374
Total	$1,020,000	$ 466,854	$1,486,854

NOTE H – NET POSITION AND FUND BALANCES

Net position in the government-wide financial statements are classified as follows:

Net Investment in capital assets – capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position – represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments imposed by law through state statute.

Unrestricted net position – all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

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 resolutions approved by the Board of Trustees.

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

Unassigned – all other spendable amounts.

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2013

NOTE I – PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, was issued in April, 2012 and will be effective for the financial statements of the District for the year ending June 30, 2014. This statement provides further guidance on the accounting and reporting of deferred outflows and inflows of resources and certain items previously reported as assets or liabilities. The adoption of this statement by the District in fiscal 2014 will result in the write off of bond issue costs of $106,874 at June 30, 2013 on the government-wide statement of net position with a corresponding decrease in net position.

NOTE J – WARRANT MATURITY DATE EXTENSIONS

In January, 2013, the District Court of Sarpy County, Nebraska approved the District's application to extend the maturity date of $1,804,368 in warrant principal for three years from their original maturity date. The Court order determined the warrants shall not be in default and shall continue to draw interest.

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, 2013

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Personal and real property taxes	$ 30,983	$ 41,031	$ 10,048
Interest on taxes	-	2,543	2,543
Miscellaneous	100	63	(37)
Total Revenues	31,083	43,637	12,554
EXPENDITURES			
Current:			
Legal fees	10,000	7,254	2,746
Audit fees	5,600	5,600	-
Electricity	4,000	4,704	(704)
Engineering fees	3,000	5,906	(2,906)
Insurance	3,000	5,432	(2,432)
Collection fees	608	856	(248)
Pay agent fees	500	2,500	(2,000)
Repairs and maintenance	12,900	4,615	8,285
Debt Service:			
Warrant principal payments	39,000	29,418	9,582
Warrant interest payments	-	-	-
Total Expenditures	78,608	66,285	12,323
Excess(deficiency) of Revenues over (under) Expenditures	(47,525)	(22,648)	24,877
OTHER FINANCING SOURCES			
Issuance of warrants	39,000	36,011	(2,989)
Total other financing sources	39,000	36,011	(2,989)
Net changes in fund balances	(8,525)	13,363	$ 21,888
Fund Balance - Beginning	73,544	73,544	
Fund Balance - Ending	$ 65,019	$ 86,907	

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, 2013

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Personal and real property taxes	61,965	61,272	(693)
Special assessments	105,000	-	(105,000)
Interest on taxes	-	3,420	3,420
Interest on investments	-	106	106
Interlocal government reimbursement	-	165,373	165,373
Miscellaneous	150	104	(46)
Total Revenues	167,115	230,275	63,160
EXPENDITURES			
Current:			
Collection fees	1,215	1,264	(49)
Paying agent fees	1,000	-	1,000
Debt Service:			
Warrant principal payments	1,804,368	-	1,804,368
Warrant interest payments	95,000	126,306	(31,306)
Bond issue costs	215,000	-	215,000
Bond principal	40,000	40,000	-
Bond interest	41,998	41,998	-
Total Expenditures	2,198,581	209,568	1,989,013
Excess(deficiency) of Revenues over (under) Expenditures	(2,031,466)	20,707	2,052,173
OTHER FINANCING SOURCES			
Proceeds from bond issue	2,000,000	-	(2,000,000)
Issuance of warrants	16,000	126,306	110,306
Total other financing sources	2,016,000	126,306	(1,889,694)
Net changes in fund balances	(15,466)	147,013	162,479
Fund Balance - Beginning	187,803	187,803	
Fund Balance - Ending	172,337	334,816	

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, 2013

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, 2013.

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, 2013

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)	$ 86,906	$334,816
Adjustments to generally accepted accounting principles:		
Revenue and transfer accruals	20,338	40,676
Expenditure and transfer accruals	(6,954)	-
Fund balance, ending (GAAP basis)	$ 100,290	$375,492

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	$183,457
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	$1,595
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	$92,948

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

Trustees and Related Bonds
June 30, 2013

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sanitary Improvement District No. 266 of Sarpy County, Nebraska, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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*.

District's Response to Findings

The District's response to the finding identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Omaha, Nebraska
December 12, 2013

Weber + Thorson, P.C.

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December 12, 2013

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, 2013. 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 21, 2013. 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, 2013. 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 12, 2013.

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.