

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

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**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

**YEAR ENDED JUNE 30, 2014**

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

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## INDEPENDENT AUDITORS' 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 and Improvement District No. 266 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express 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 auditors' 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.

## **INDEPENDENT AUDITORS' REPORT- continued**

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 and Improvement District No. 266 of Sarpy County, Nebraska, as of June 30, 2014, 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.

### **Emphasis of Matter**

As described in Note J to the basic financial statements, in fiscal 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinions are not modified with respect to that matter.

### **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 statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 266 of Sarpy County, Nebraska's basic financial statements. The supplementary information on pages 22 through 23, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

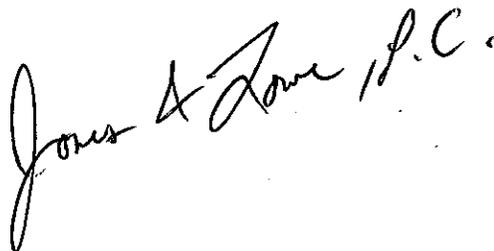
## INDEPENDENT AUDITORS' REPORT- continued

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2014, on our consideration of Sanitary and Improvement District No. 266 of Sarpy County, Nebraska'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 Sanitary and Improvement District No. 266 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

JONES & LOWE PC

A handwritten signature in cursive script that reads "Jones & Lowe P.C." is written across the page.

Omaha, Nebraska  
December 30, 2014

SANITARY AND IMPROVEMENT DISTRICT NO. 266  
 OF SARPY COUNTY, NEBRASKA  
 STATEMENT OF NET POSITION  
 June 30, 2014

ASSETS

Cash on deposit - County Treasurer	\$	600,160
Investments		-
Taxes receivable		42,831
Special assessments receivable		982,709
Accrued interest - special assessments		249,239
Capital assets, net of accumulated depreciation		<u>1,848,113</u>
Total Assets	\$	<u>3,723,052</u>

LIABILITIES

Accounts payable		5,134
Accrued interest		47,811
Noncurrent liabilities		
Warrants payable		
Due within one year		-
Due in more than one year		2,069,199
Bonds payable		
Due within one year		45,000
Due in more than one year		<u>935,000</u>
Total Liabilities	\$	<u>3,102,144</u>

NET POSITION

Net investment in capital assets		(1,248,897)
Restricted for debt service		1,772,147
Unrestricted		<u>97,658</u>
Total Net Position	\$	<u>620,908</u>

See accompanying notes to basic financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266  
 OF SARPY COUNTY, NEBRASKA  
 STATEMENT OF ACTIVITIES  
 For the year ended June 30, 2014

EXPENSES - GENERAL GOVERNMENT

Audit fees	\$	5,795
Collection fees - county treasurer		5,976
Depreciation expense		72,013
Electricity		3,264
Engineering fees		3,318
Insurance		2,645
Legal fees		8,640
Interest expense		178,650
Pay agent fees		12,892
Repairs and maintenance		<u>455</u>
Total expenses		<u>293,648</u>

GENERAL REVENUES

Property taxes		91,922
Interest		<u>86,948</u>
Total general revenues		<u>178,870</u>

Change in net position (114,778)

NET POSITION - beginning of the year		842,560
Adjustment for implementation of GASB 65		<u>(106,874)</u>
NET POSITION - beginning of the year, restated		<u>735,686</u>
NET POSITION - end of the year	\$	<u>620,908</u>

See accompanying notes to basic financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266  
 OF SARPY COUNTY, NEBRASKA  
 BALANCE SHEET  
 Governmental Funds  
 June 30, 2014

	<u>General</u>	<u>Debt Service Fund</u>	<u>Total Governmental</u>
<b>ASSETS</b>			
Cash on deposit - County Treasurer	\$ 88,515	\$ 511,645	\$ 600,160
Taxes receivable	14,277	28,554	42,831
Investments	-	-	-
Special assessments receivable	-	982,709	982,709
Interest receivable on special assessments	-	<u>249,239</u>	<u>249,239</u>
Total Assets	<u>\$ 102,792</u>	<u>\$ 1,772,147</u>	<u>\$ 1,874,939</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,134	-	\$ 5,134
Total Liabilities	<u>5,134</u>	<u>-</u>	<u>5,134</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues-special assessments and interest receivable thereon	-	<u>1,231,948</u>	<u>1,231,948</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>1,231,948</u>	<u>1,231,948</u>
<b>FUND BALANCES</b>			
Restricted for debt service	-	540,199	540,199
Unassigned	<u>97,658</u>	<u>-</u>	<u>97,658</u>
Total Fund Balances	<u>97,658</u>	<u>540,199</u>	<u>637,857</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 102,792</u>	<u>\$ 1,772,147</u>	<u>\$ 1,874,939</u>

See accompanying notes to basic 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  
 June 30, 2014

Total Fund Balances - Governmental Funds	\$	637,857
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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	<u>(410,541)</u>		1,848,113

Deferred inflows of resources on special assessments and interest receivable thereon in the governmental funds has been recorded as revenue in the government-wide statements

1,231,948

Long-term liabilities are not due and payable in the current period and, therefore, not reported in the government funds:

Warrants payable	(2,069,199)		
Bonds payable	(980,000)		
Accrued interest	<u>(47,811)</u>		<u>(3,097,010)</u>

Net Position of Governmental Activities	\$	<u>620,908</u>
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See accompanying notes to basic 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, 2014

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 30,640	\$ 61,282	\$ 91,922
Special assessments	-	185,171	185,171
Interest income - investments	-	-	-
Interest income - taxes	1,098	2,193	3,291
Interest income - special assessments	-	2,625	2,625
Interlocal agreement contribution	-	-	-
Miscellaneous	-	-	-
	<u>31,738</u>	<u>251,271</u>	<u>283,009</u>
<b>Total Revenues</b>			
<b>EXPENDITURES</b>			
Current:			
Audit fees	5,795	-	5,795
Collection fee - County Treasurer	740	5,236	5,976
Electricity	3,264	-	3,264
Engineering fees	3,318	-	3,318
Insurance	2,645	-	2,645
Legal fees	8,640	-	8,640
Pay agent fees	9,513	3,379	12,892
Repairs and maintenance	455	-	455
Debt Service:			
Warrant principal payments	28,858	-	28,858
Warrant interest payments	-	135,147	135,147
Bond principal payments	-	40,000	40,000
Bond Interest payments	-	<u>41,328</u>	<u>41,328</u>
<b>Total Expenditures</b>	<u>63,228</u>	<u>225,090</u>	<u>288,318</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>(31,490)</u>	<u>26,181</u>	<u>(5,309)</u>
<b>OTHER FINANCING SOURCES</b>			
Issuance of warrants	<u>28,858</u>	<u>138,526</u>	<u>167,384</u>
<b>Total other financing sources</b>	<u>28,858</u>	<u>138,526</u>	<u>167,384</u>
Net change in fund balances	(2,632)	164,707	162,075
Fund balances - beginning of period	<u>100,290</u>	<u>375,492</u>	<u>475,782</u>
Fund balances - end of period	<u>\$ 97,658</u>	<u>\$ 540,199</u>	<u>\$ 637,857</u>

See accompanying notes to basic financial statements

SANITARY AND IMPROVEMENT DISTRICT NO. 266  
 OF SARPY COUNTY, NEBRASKA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 For the year ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 162,075

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 (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 28,858

Long-term warrants issued are reported as an other financing source in the governmental funds but as an increase in noncurrent liabilities on the government-wide statements. This is the amount reported as issuance of long-term warrants in the governmental fund statements in the current year.

(167,384)

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:

Change in accrued interest (2,175)

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.

(104,139)

Change in Net Position of Governmental Activities

\$ (114,778)

See accompanying notes to basic financial statements

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**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 western Sarpy County and is commonly known as Portal Plaza.

**REPORTING ENTITY** - The Board of Trustees has governance responsibilities over all activities related to 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.

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 position and the statement of activities, which report financial information for all nonfiduciary activities of the District. Individual funds are not displayed and internal activity between or within funds is eliminated. 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.

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**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 measurements made, regardless of the measurement focus applied.

In the government-wide 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 an other financing source in governmental funds.

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES** – In addition to assets, the financial statements may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any deferred outflows of resources at June 30, 2014.

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

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

**CAPITAL ASSETS** – Within the government-wide financial statements, capital assets, including primarily infrastructure, are recorded at historical cost. The District defines capital assets as assets with an individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements.

The estimated useful lives are as follows:

Paving and Sewer Systems	25 - 40 years
Water and Power Systems	25 - 30 years

**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. The District has purchased a commercial general liability insurance policy and bonds on its chairman and clerk to minimize the adverse effects of certain types of losses. There have been no significant reductions in insurance coverage and no significant claims or settlements for the current year or the three prior years. The District has retained the risk of loss for property damage to its public improvements.

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**CREDIT RISK** – Receivables for property taxes and special assessments are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

**USE OF ESTIMATES** – The preparation of 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 reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**NOTE B – INVESTMENTS**

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341, R.R. S., 2003, and generally include U.S. government obligations, certificates of deposit and time deposits. At June 30, 2014, the District held no investments.

All investment activities are conducted through the District's fiscal agent, the County Treasurer. Treasury bills are bought and held in safekeeping through the County Treasurer in the District's name. These securities are classified as Level 1 in the fair value hierarchy as indicated in 820-10.

Investment risks that the District may be subject to consist of:

**Interest Rate Risk** – Since the District's investments are short-term, this risk is minimized at June 30, 2014.

**Custodial Credit Risk** – Since investments are held in the District's name, the District is not exposed to this risk at June 30, 2014

**NOTE C – 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, 2014 amounted to \$982,709

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE D – CAPITAL ASSETS**

At June 30, 2014, capital assets consist of the following:

	<u>Balance June 30, 2013</u>	Increases	Decreases	<u>Balance June 30, 2014</u>
Infrastructure:				
Exterior road improvements	\$ 1,163,276	\$ -	\$ -	\$ 1,163,276
Sewer and paving-Sec I & II	408,158	-	-	408,158
Electrical distribution system	132,618	-	-	132,618
Water distribution system	<u>554,602</u>	<u>-</u>	<u>-</u>	<u>554,602</u>
	2,258,654	-	-	2,258,654
Accumulated depreciation	<u>(338,528)</u>	<u>(72,013)</u>	<u>-</u>	<u>(410,541)</u>
	<u>\$ 1,920,126</u>	<u>\$ (72,013)</u>	<u>\$ -</u>	<u>\$ 1,848,113</u>

Depreciation expense totaled \$72,013 for the year ended June 30, 2014.

**NOTE E – 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 the order in which they are registered. Once registered, they accrue and bear interest at 7.00% per annum. Interest is payable annually and accrues through the date called.

The summary of warrant activity is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Balance Outstanding, June 30, 2013	\$ 0	\$ 1,930,673	\$ 1,930,673
Warrants Issued	0	138,526	138,526
Warrant Principal Payments	<u>0</u>	<u>0</u>	<u>0</u>
Balance Outstanding, June 30, 2014	<u>\$ 0</u>	<u>\$ 2,069,199</u>	<u>\$ 2,069,199</u>

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE F – GENERAL OBLIGATION BONDS PAYABLE**

Bonds were issued September 15, 2010 and are due serially through September 15, 2030. Interest is payable semi-annually on September 15 and March 15 at rates ranging from 1.85 % to 5.00%.

The following is a summary of bonds payable transactions of the District:

Balance Outstanding, June 30, 2013	\$ 1,020,000
Bond Principal Payments	<u>(40,000)</u>
Balance Outstanding, June 30, 2014	<u>\$ 980,000</u>

Aggregate maturities of bonds payable and interest is as follows for the years ending June 30:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
June 30, 2015	\$ 45,000	\$ 40,485	\$ 85,485
June 30, 2016	45,000	39,439	84,439
June 30, 2017	45,000	38,213	83,213
June 30, 2018	45,000	36,840	81,840
June 30, 2019	50,000	35,257	85,257
June 30, 2020-2024	265,000	146,708	411,708
June 30, 2025-2029	330,000	80,710	410,710
June 30, 2030-2031	<u>155,000</u>	<u>7,875</u>	<u>162,875</u>
Total	<u>\$ 980,000</u>	<u>\$ 425,527</u>	<u>\$ 1,405,527</u>

**NOTE G – PROPERTY TAXES**

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. The first half payment becomes delinquent April 1 of the following year and the second half payment becomes delinquent August 1 of the following year. The Sarpy County Treasurer bills and collects all property taxes for the District.

The District has levied taxes for the year ended June 30, 2014 as follows:

<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>ASSESSED VALUATION</u>	<u>TAXES LEVIED</u>
(Cents per \$100 Valuation)			
30.0	60.0	\$10,213,560	\$ 91,922

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE H – NET POSITION AND FUND BALANCES**

Net position in the government-wide financial statements is classified into three components:

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 assets 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 ordinances or resolutions approved by the Board of Trustees.

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

Unassigned – all other spendable amounts

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE H – NET POSITION AND FUND BALANCES - Continued**

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

**NOTE I – SUBSEQUENT EVENTS**

Management evaluates transactions and events occurring subsequent to June 30, 2014 and through December 30, 2014 (the date the financial statements were available to be issued) to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements.

**NOTE J – IMPLEMENTATION OF GASB 65**

In fiscal 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. The adoption of this statement by the District resulted in (1) 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 and (2) the reclassification of deferred revenue on special assessments and interest receivable thereon on the governmental funds balance sheet from a liability to deferred inflows of resources, with no change in the fund balances as previously reported.

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**REQUIRED SUPPLEMENTARY INFORMATION  
(OTHER THAN MD&A)**

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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, 2014

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Personal and real property taxes	\$ 30,641	\$ 36,579	\$ 5,938
Interest on taxes	-	1,098	1,098
Miscellaneous	100	122	22
<b>Total Revenues</b>	<b>30,741</b>	<b>37,799</b>	<b>7,058</b>
<b>EXPENDITURES</b>			
Current:			
Legal fees	10,000	8,641	1,359
Audit fees	5,800	5,795	5
Electricity	4,000	2,940	1,060
Engineering fees	7,500	3,138	4,362
Insurance	3,000	-	3,000
Collection fees	601	740	(139)
Pay agent fees	1,250	8,263	(7,013)
Repairs and maintenance	25,000	81	24,919
Debt Service:			
Warrant principal payments	63,143	35,449	27,694
Warrant interest payments	-	-	-
<b>Total Expenditures</b>	<b>120,294</b>	<b>65,047</b>	<b>55,247</b>
Excess(deficiency) of Revenues over (under) Expenditures	(89,553)	(27,248)	62,305
<b>OTHER FINANCING SOURCES</b>			
Issuance of warrants	56,550	28,856	(27,694)
<b>Total other financing sources</b>	<b>56,550</b>	<b>28,856</b>	<b>(27,694)</b>
Net changes in fund balances	(33,003)	1,608	<u>\$ 34,611</u>
Fund Balance - Beginning	<u>86,907</u>	<u>86,907</u>	
Fund Balance - Ending	<u>\$ 53,904</u>	<u>\$ 88,515</u>	

See accompanying notes to schedules of revenues, expenditures and changes in fund balances - budget and actual.

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, 2014

	Budget - Original/ Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Personal and real property taxes	\$ 61,281	\$ 73,159	\$ 11,878
Special assessments	-	187,796	187,796
Interest on taxes	-	2,193	2,193
Interest on investments	-	-	-
Miscellaneous	150	244	94
<b>Total Revenues</b>	<u>61,431</u>	<u>263,392</u>	<u>201,961</u>
<b>EXPENDITURES</b>			
Current:			
Collection fees	1,201	5,235	(4,034)
Paying agent fees	-	3,379	(3,379)
Debt Service:			
Warrant principal payments	-	-	-
Warrant interest payments	135,500	135,147	353
Bond principal	40,000	40,000	-
Bond interest	41,328	41,328	-
<b>Total Expenditures</b>	<u>218,029</u>	<u>225,089</u>	<u>(7,060)</u>
 Excess(deficiency) of Revenues over (under) Expenditures	 (156,598)	 38,303	 194,901
 Issuance of warrants	 135,500	 138,526	 3,026
Total other financing sources	<u>135,500</u>	<u>138,526</u>	<u>3,026</u>
 Net changes in fund balances	 (21,098)	 176,829	 <u>\$ 197,927</u>
 Fund Balance - Beginning	 <u>334,816</u>	 <u>334,816</u>	
 Fund Balance - Ending	 <u>\$ 313,718</u>	 <u>\$ 511,645</u>	

See accompanying notes to schedules of revenues, expenditures and changes in fund balances - budget and actual.

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

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**REQUIRED SUPPLEMENTARY INFORMATION - Unaudited  
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2014**

**BUDGETS AND BUDGETARY ACCOUNTING**

The District is required to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed to have been made when warrants are issued. 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) The Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2014.

In fiscal 2014, the District's general fund actual expenditures were less than the budgeted expenditures by \$55,247. The general fund budget was not amended to include these changes.

In fiscal 2014, the District's bond fund actual expenditures were more than the budgeted expenditures by \$7,060. The bond fund budget was not amended to include these changes.

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

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**REQUIRED SUPPLEMENTARY INFORMATION - Unaudited  
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2014**

**RECONCILIATION OF BUDGET BASIS TO GAAP**

A reconciliation for the year ended June 30, 2014, which discloses the nature and amount of adjustments necessary to convert the budgetary basis to a GAAP basis, is presented below:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Net change in fund balances:		
Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 1,608	\$ 176,829
Adjustments:		
Revenue for receivables	(6,061)	(12,121)
Expenditures for payables & accruals	<u>1,821</u>	<u>(1)</u>
 Excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	 <u>\$ (2,632)</u>	 <u>\$ 164,707</u>

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**SUPPLEMENTARY INFORMATION**

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

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

**JUNE 30, 2014**

Gross revenues from all sources	\$ 178,870
Gross revenues from all sources from previous year	\$ 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	\$ 455
b. New equipment	None
c. New construction work, net of refunds	None
d. Property purchased	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon property within the District	\$ 91,922

**SUMMARY OF TAXES RECEIVABLE**

<u>Receivable at July 1, 2013</u>	<u>Tax Levied</u>	<u>Collected</u>	<u>Receivable at June 30, 2014</u>
<u>\$61,014</u>	<u>\$91,922</u>	<u>\$110,105</u>	<u>\$42,831</u>

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

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**TRUSTEES AND RELATED BONDS**

**JUNE 30, 2014**

<b>TRUSTEES</b>		<b>BONDS</b>	
<b><u>NAME</u></b>	<b><u>OFFICE</u></b>	<b><u>INSURER</u></b>	<b><u>AMOUNT</u></b>
George Venteicher	Chairman	Universal Surety Co.	\$ 5,000
Frank Kulig	Clerk	Universal Surety Co.	\$ 20,000
Susan Venteicher	Trustee	None	
John Danielson	Trustee	None	



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

To the Board of 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 and Improvement District No. 266 of Sarpy County, Nebraska, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Sanitary and Improvement District No. 266 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated December 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sanitary and Improvement District No. 266 of Sarpy County, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 266 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 266 of Sarpy County, Nebraska's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. As described below, we did identify a certain deficiency in internal control that we consider to be a significant deficiency.

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

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

Sanitary and Improvement District No. 266 of Sarpy County Nebraska's response to this finding is that the aforementioned circumstance is not unusual in a governmental entity of their size and that the costs of correcting this deficiency would exceed the benefits to be derived there from. 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 Sanitary and Improvement District No. 266 of Sarpy County, Nebraska'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 the following instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Finding #1**

- Debt service fund expenditures exceeded budget by \$7,060, without amending the budget.

**Response**

- Collection of special assessments exceeded budgeted amounts resulting in higher county collection fees than anticipated. Additionally, the paying agent fees were higher.

**Finding #2**

- The District has only four trustees rather than the five required by law.

**Response**

- The District had one elected trustee resign. Efforts are underway to recruit an additional trustee.

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

**Sanitary and Improvement District No. 266 of Sarpy County, Nebraska's Response to Findings**

Sanitary and Improvement District No. 266 of Sarpy County Nebraska's response to the findings identified in our audit is described previously. Sanitary and Improvement District No. 266 of Sarpy County, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Omaha, Nebraska  
December 30, 2014

*Jones & Jones P.C.*