SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA

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

YEAR ENDED JUNE 30, 2014

SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-3
BASIC FINANCIAL STATEMENTS	
Government–Wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Basic Financial Statements	10-16
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund	17
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Debt Service Fund	18
Notes to Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	19-20
SUPPLEMENTARY INFORMATION	
Schedules of Bonds Payable	21-22
Information Required by Section 31-740 Reissued Revised Statutes of Nebraska, 2008	23
Trustees and Related Bonds	24
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*	25-27

HANCOCK & DANA PC
ACCOUNTANTS & CONSULTANTS
12829 WEST DODGE ROAD
SUITE 100
OMAHA, NEBRASKA 68154-2155
(402) 391-1065 FAX (402) 334-9498

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 179
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. 179 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT- continued

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. 179 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 H 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 17 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. 179 of Sarpy County, Nebraska's basic financial statements. The supplementary information on pages 21 through 24, 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 8, 2014, on our consideration of Sanitary and Improvement District No. 179 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. 179 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

HANCOCK & DANA PC
Hancock + Dana PC

Omaha, Nebraska
December 8, 2014

SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA
Statement of Net Position
June 30, 2014

ASSETS		
Cash on deposit - County Treasurer	$	754,863
Taxes receivable		137,948
Capital assets, net of accumulated depreciation		1,358,565
Total Assets	**$**	**2,251,376**
LIABILITIES		
Accounts payable		14,591
Accrued interest		12,620
Noncurrent liabilities		
Bonds payable		
Due within one year		155,000
Due in more than one year		2,050,000
Total Liabilities	**$**	**2,232,211**
NET POSITION		
Net investment in capital assets		(846,435)
Restricted for debt service		823,501
Unrestricted		42,099
Total Net Position	**$**	**19,165**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA
Statement of Activities
For the year ended June 30, 2014

GOVERNMENTAL ACTIVITIES:

EXPENSES - GENERAL GOVERNMENT		
Professional and administrative expenses	$	49,236
Maintenance and street lighting		82,030
Depreciation		95,446
Interest		77,011
		303,723
GENERAL REVENUES		
Property taxes, net of uncollectible taxes		302,645
Interest		344
Miscellaneous		1,246
		304,235
Change in net position		**512**
Net position - beginning of year, as previously reported		**282,226**
Adjustment for implementation of GASB 65		**(263,573)**
Net position - beginning of year, as restated		**18,653**
Net position - end of year	$	**19,165**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash on deposit - County Treasurer	$ 21,718	$ 733,145	$ 754,863
Taxes receivable	34,972	102,976	137,948
Total Assets	**$ 56,690**	**$ 836,121**	**$ 892,811**
LIABILITIES			
Accounts payable	$ 14,591	$ -	$ 14,591
Total Liabilities	14,591	-	14,591
FUND BALANCES			
Restricted for debt service	-	836,121	836,121
Unassigned	42,099	-	42,099
Total Fund Balances	42,099	836,121	878,220
Total Liabilities and Fund Balances	**$ 56,690**	**$ 836,121**	**$ 892,811**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 179
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		**$ 878,220**
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	$ 2,940,887	
Accumulated depreciation	(1,582,322)	1,358,565
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the governmental funds:		
Bonds payable	(2,205,000)	
Accrued interest	(12,620)	(2,217,620)
Net Position of Governmental Activities		**$ 19,165**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 179
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
REVENUES			
Taxes assessed	$ 77,302	$ 227,357	$ 304,659
Interest on taxes	83	262	345
State motor vehicle tax allocation	306	939	1,245
Total Revenues	77,691	228,558	306,249
EXPENDITURES			
Current:			
Collection fees - County Treasurer	1,461	4,451	5,912
Engineering fees	12,090	-	12,090
Insurance	4,401	-	4,401
Paying agent fees	-	1,625	1,625
Professional fees	25,207	-	25,207
Repairs and maintenance	63,190	-	63,190
Street lights	15,847	-	15,847
Uncollectible taxes	482	1,532	2,014
Water	2,993	-	2,993
Debt service:			
Bond principal payments	-	150,000	150,000
Bond interest payments	-	77,783	77,783
Total Expenditures	125,671	235,391	361,062
Excess of revenues under expenditures and net change in fund balances	**(47,980)**	**(6,833)**	**(54,813)**
Fund balances - beginning of year	**90,079**	**842,954**	**933,033**
Fund balances - end of year	**$ 42,099**	**$ 836,121**	**$ 878,220**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the year ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	**$**	**(54,813)**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.		(95,446)
Repayment of principal on noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net position, the repayment reduces long-term liabilities.		
Bond principal payments		150,000
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses consist of:		
Change in accrued interest		771
Change in Net Position of Governmental Activities	**$**	**512**

See accompanying notes to basic financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 179 OF SARPY COUNTY, NEBRASKA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 179 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 Eagle Crest.

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.

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

BASIS OF PRESENTATION – The basic financial statements of the District include the government-wide and the fund financial statements.

Government-Wide Financial Statements – The government-wide financial statements include the statement of net 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 are eliminated. Governmental activities include programs supported primarily by taxes and other intergovernmental revenue. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 did not have any deferred inflows of resources at June 30, 2014.

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.

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 statements.

The estimated useful lives are as follows:

Sanitary and Storm Sewers	25-30 years
Underground Power and Water	25 years
Paving	40 years
Miscellaneous Infrastructure (principally Legal Fees, Financing Fees and Park Improvements)	10-25 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.

CREDIT RISK – Receivables for property taxes 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 A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

SUBSEQUENT EVENTS – The District has evaluated subsequent events through December 8, 2014, the date which the financial statements were available to be issued.

NOTE B – INVESTMENTS

The District is allowed to invest funds as permitted by Nebraska Statutes and allowable investments generally include U.S. government obligations, certificates of deposit and time deposits. The District does not have a formal investment policy in place. All investment activities are conducted through the County Treasurer and investments are held in the County's name.

At June 30, 2014, the District held no investments and, accordingly, was not subject to interest rate risk or custodial credit risk as of that date.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Governmental Activities:				
Depreciable Capital Assets:				
Sanitary and Storm Sewers	$ 1,125,048	$ -	$ -	$ 1,125,048
Underground Power and Water	544,163	-	-	544,163
Paving	481,268	-	-	481,268
Miscellaneous Infrastructure	484,268	-	-	484,268
	2,634,747	-	-	2,634,747
Accumulated Depreciation:				
Sanitary and Storm Sewers	645,946	41,821	-	687,767
Underground Power and Water	350,188	21,767	-	371,955
Paving	198,523	12,031	-	210,554
Miscellaneous Infrastructure	292,219	19,827	-	312,046
	1,486,876	95,446	-	1,582,322
Net Depreciable Capital Assets	1,147,871	(95,446)	-	1,052,425
Non-depreciable Capital Assets				
Capital Facilities Charges	248,064	-	-	248,064
Land and Easement	58,076	-	-	58,076
	306,140	-	-	306,140
Capital Assets, net	$ 1,454,011	$ (95,446)	$ -	$ 1,358,565

NOTE D – WARRANTS PAYABLE

General fund warrants are due 3 years from the date of issuance. Debt service fund warrants are due 5 years from the date of issuance.

Warrants registered with the County bear interest at 7% per annum. Interest accrues on the warrants from the date of registration to the date they are called for payment.

The summary of warrant activity is as follows:

	General Fund	Debt Service Fund	Total
Balance Outstanding, June 30, 2013	$ -	$ -	$ -
Warrants Issued	121,159	1,750	122,909
Warrant Principal Payments	(121,159)	(1,750)	(122,909)
Balance Outstanding, June 30, 2014	$ -	$ -	$ -

The District is not currently registering its warrants but is paying them on a current basis as presented to the County Treasurer. Accordingly, any outstanding warrant balance is presented as a current liability in the governmental funds balance sheet and in the statement of net position.

NOTE E – BONDS PAYABLE

BOND ISSUE OF JUNE 1, 2010 – The $1,715,000 General Obligation Refunding Bonds, "Series 2010" Bond Issue is scheduled to mature in annual increments of $135,000 - $175,000 through October 1, 2021. At June 30, 2014, the outstanding balance was $1,220,000. Bonds bear interest payable semi-annually each October 1 and April 1 at a rate of 2.70% graduating to 4.30% depending on maturity date.

Bonds maturing October 1, 2015 to and including October 1, 2021 are subject to redemption in whole or in part anytime on or after April 1, 2015 at par plus accrued interest to the date set for redemption.

BOND ISSUE OF JUNE 15, 2012 – The $1,025,000 General Obligation Refunding Bonds, "Series 2012" Bond Issue is scheduled to mature in annual increments of $20,000 - $220,000 through June 15, 2025. At June 30, 2014, the outstanding balance was $985,000. Bonds bear interest payable semi-annually each June 15 and December 15 at a rate of 1.55% graduating to 3.45% depending on maturity date.

Bonds maturing June 15, 2018 to and including June 15, 2025 are subject to redemption in whole or in part anytime on or after June 15, 2017 at par plus accrued interest to the date set for redemption.

NOTE E – BONDS PAYABLE – Continued

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

Balance Outstanding, June 30, 2013	$ 2,355,000
Bond Principal Payments	(150,000)
Balance Outstanding, June 30, 2014	$ 2,205,000

Aggregate maturities of the bonds payable and interest due on this debt, for the next five years and thereafter are as follows:

	PRINCIPAL	INTEREST	TOTAL
June 30, 2015	$ 155,000	$ 74,153	$ 229,153
June 30, 2016	165,000	69,815	234,815
June 30, 2017	165,000	64,758	229,758
June 30, 2018	165,000	59,136	224,136
June 30, 2019	175,000	52,888	227,888
June 30, 2020-2024	1,160,000	151,268	1,311,268
June 30, 2025	220,000	7,590	227,590
Total	$ 2,205,000	$ 479,608	$ 2,684,608

NOTE F – 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:

GENERAL FUND	DEBT SERVICE FUND	ASSESSED VALUATION	TAXES LEVIED
(Cents per $100 Valuation)			
17.00	50.00	$45,471,404	$ 304,659

NOTE G – 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.

NOTE G – NET POSITION AND FUND BALANCES – Continued

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.

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 unasssigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

NOTE H – 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 the write-off of bond issue costs of $263,573 at June 30, 2013 on the government-wide statement of net position with a corresponding decrease in net position.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)

SANITARY AND IMPROVEMENT DISTRICT NO. 179
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	(Budgetary Basis) Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes assessed	$ 77,302	$ 72,971	$ (4,331)
Interest on taxes	50	83	33
State motor vehicle tax allocation	200	307	107
Homestead exemption allocation	-	603	603
Property tax credit	-	1,995	1,995
Total Revenues	77,552	75,959	(1,593)
EXPENDITURES			
Current:			
Collection fees - County Treasurer	1,516	1,461	55
Engineering fees	5,000	8,125	(3,125)
Insurance	1,500	4,401	(2,901)
Professional fees	30,000	24,601	5,399
Repairs and maintenance	40,000	64,883	(24,883)
Street lights	25,000	15,834	9,166
Water	5,000	3,317	1,683
	108,016	122,622	(14,606)
Debt service:			
Warrant principal payments	106,500	121,159	(14,659)
	106,500	121,159	(14,659)
Total Expenditures	214,516	243,781	(29,265)
Excess of revenues under expenditures	**(136,964)**	**(167,822)**	**(30,858)**
OTHER FINANCING SOURCES			
Issuance of warrants	106,500	121,159	14,659
Total Other Financing Sources	106,500	121,159	14,659
Net change in fund balances	**(30,464)**	**(46,663)**	**(16,199)**
Fund balances - beginning of year	**68,381**	**68,381**	**-**
Fund balances - end of year	**$ 37,917**	**$ 21,718**	**$ (16,199)**

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

SANITARY AND IMPROVEMENT DISTRICT NO. 179
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	(Budgetary Basis) Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes assessed	$ 227,357	$ 222,309	$ (5,048)
Interest on taxes	100	262	162
State motor vehicle tax allocation	400	939	539
Homestead exemption allocation	-	1,786	1,786
Property tax credit	-	5,866	5,866
Total Revenues	227,857	231,162	3,305
EXPENDITURES			
Current:			
Collection fees - County Treasurer	9,458	4,451	5,007
Paying agent fees	1,500	1,750	(250)
	10,958	6,201	4,757
Debt service:			
Bond principal payments	150,000	150,000	-
Warrant principal payments	1,500	1,750	(250)
Bond interest payments	77,783	77,783	-
	229,283	229,533	(250)
Total Expenditures	240,241	235,734	4,507
Excess of revenues under expenditures	**(12,384)**	**(4,572)**	**7,812**
OTHER FINANCING SOURCES			
Issuance of warrants	1,500	1,750	250
	1,500	1,750	250
Net change in fund balances	**(10,884)**	**(2,822)**	**8,062**
Fund balances - beginning of year	**735,967**	**735,967**	**-**
Fund balances - end of year	**$ 725,083**	**$ 733,145**	**$ 8,062**

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

SANITARY AND IMPROVEMENT DISTRICT NO. 179 OF SARPY COUNTY, NEBRASKA

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. 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, 2014.

In fiscal 2014, the District incurred general fund expenditures of approximately $29,300 in excess of those budgeted for this fund. Total expenditures for the general fund and debt service fund exceeded those budgeted for both funds by approximately $24,800. The budget was not amended to include these additional expenditures.

SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA

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:

	General Fund	Debt Service Fund
Net change in fund balances:		
Balance on a budgetary basis	$ (46,663)	$ (2,822)
Adjustments:		
Revenue for receivables	1,250	(4,136)
Expenditures for payables	(2,567)	125
Balance on a GAAP basis	$ (47,980)	$ (6,833)

SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2014

Issue date: June 1, 2010
Optional call date: April 1, 2015

BOND NUMBERS	INTEREST RATES	MATURITY DATES	AMOUNT
100 – 126	2.70%	October 1, 2014	$ 135,000
127 – 154	3.15%	October 1, 2015	140,000
155 – 182	3.45%	October 1, 2016	140,000
183 – 211	3.75%	October 1, 2017	145,000
212 – 242	4.00%	October 1, 2018	155,000
243 – 274	4.10%	October 1, 2019	160,000
275 – 308	4.20%	October 1, 2020	170,000
309 – 343	4.30%	October 1, 2021	175,000
			1,220,000
		From Page 22	985,000
			$ 2,205,000

SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA

SCHEDULE OF BONDS PAYABLE

JUNE 30, 2014

Issue date: June 15, 2012
Optional call date: June 15, 2017

BOND NUMBERS	INTEREST RATES	MATURITY DATES	AMOUNT
9 – 12	1.55%	June, 15, 2015	$ 20,000
13 – 17	1.75%	June, 15, 2016	25,000
18 – 22	1.95%	June, 15, 2017	25,000
23 – 26	2.15%	June, 15, 2018	20,000
27 – 30	2.40%	June, 15, 2019	20,000
31 – 34	2.60%	June, 15, 2020	20,000
35 – 38	2.85%	June, 15, 2021	20,000
39 – 77	3.00%	June, 15, 2022	195,000
78 – 118	3.15%	June, 15, 2023	205,000
119 – 161	3.30%	June, 15, 2024	215,000
162 – 205	3.45%	June, 15, 2025	220,000
		To Page 21	$ 985,000

SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA

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

JUNE 30, 2014

Gross income from all sources	$ 304,235
Amount spent for access to facilities and use of services of library system of neighboring cities and villages	None
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	$ 63,190
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 property within the District	$ 304,659

SANITARY AND IMPROVEMENT DISTRICT NO. 179
OF SARPY COUNTY, NEBRASKA

TRUSTEES AND RELATED BONDS

JUNE 30, 2014

TRUSTEES		BONDS	
NAME	OFFICE	INSURER	AMOUNT
Michael F. Rogers	Chairman	Western Surety Company	$ 5,000
Joseph P. Rogers	Clerk	Western Surety Company	$ 20,000
Charles Fricke	Trustee	None	
Thomas Thomas	Trustee	None	
Kenneth Ritter	Trustee	None	

HANCOCK & DANA PC
ACCOUNTANTS & CONSULTANTS
12829 WEST DODGE ROAD
SUITE 100
OMAHA, NEBRASKA 68154-2155
(402) 391-1065 FAX (402) 334-9498

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. 179
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. 179 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. 179 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated December 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanitary and Improvement District No. 179 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. 179 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 179 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 that 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. 179 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 therefrom. 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. 179 of Sarpy County, Nebraska's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is described below.

Budget Violation

The District exceeded budgeted general fund and debt service fund expenditures by approximately $24,800 without amending the budget.

Sanitary and Improvement District No. 179 of Sarpy County's response to this finding is that managment of the District believes that this instance of noncompliance resulted from unanticipated events that occurred subsequent to the adoption of the budget and that future expenditures will be more closely monitored to prevent the reoccurrence of this budget violation.

Sanitary and Improvement District No. 179 of Sarpy County, Nebraska's Responses to Findings

Sanitary and Improvement District No. 179 of Sarpy County, Nebraska's responses to the findings are described previously. Sanitary and Improvement District No. 179 of Sarpy County, Nebraska's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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*

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.

HANCOCK & DANA PC
Hancock + Dana PC

Omaha, Nebraska
December 8, 2014