Massman Nelson Reinig PC
Certified Public Accountants
13310 I Street | Omaha, Nebraska 68137
402 330 7099 Fax 402 330 0809

Michael L Massman CPA
George E Nelson CPA
James A Reinig CPA

Keli D Palfini CPA
Jason T McGill CPA

October 24, 2012

Sarpy County Clerk
1210 Golden Gate Drive, Suite 1118
Papillion, Nebraska 68046-2895

Dear Sirs,

Enclosed are the audited financial statements for Sanitary and Improvement District No. 147 of Sarpy County, Nebraska, for the year ended June 30, 2012. If you should have any questions, please contact us.

Sincerely,

MASSMAN NELSON REINIG PC

James A. Reinig

JAR/tf

Enclosure

RECEIVED
DEC 14 2012
DEBRA J. HOUGHTALING
SARPY COUNTY CLERK

SANITARY AND IMPROVEMENT DISTRICT NO. 147 OF SARPY COUNTY, NEBRASKA

FINANCIAL STATEMENTS

JUNE 30, 2012

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Sanitary and Improvement District No. 147
of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 147 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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. 147 of Sarpy County, Nebraska as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated September 12, 2012 on our consideration of the Sanitary and Improvement District No. 147's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 18 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.

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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

Certified Public Accountants

Omaha, Nebraska
September 12, 2012

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2012

ASSETS

Current assets:		
Cash on deposit, County Treasurer	$	77,308
Taxes receivable		91,086
Due from Bond Fund		22,943
Total current assets		191,337
Noncurrent assets:		
Capital assets, net of accumulated depreciation		883,265
Bond issue costs, net of accumulated amortization		72,904
Total noncurrent assets		956,169
Total assets		1,147,506

LIABILITIES

Current liabilities:	
Accounts payable	13,487
Warrants outstanding	157,062
Due to General Fund	22,943
Accrued interest payable - bond	18,231
Accrued interest payable - warrants	11,669
Bonds payable - current portion	25,000
Total current liabilities	248,392
Noncurrent liabilities:	
Bonds payable	1,125,000
Total liabilities	1,373,392

NET ASSETS (DEFICIT)

Invested in capital assets, net of related debt	(212,062)
Restricted for debt service	95,331
Unrestricted	(109,155)
Total net assets (deficit)	$ (225,886)

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Expenditures:		
Audit and budget	$	3,200
Legal fees		8,226
Publication costs		110
Trash collection		22,378
Insurance		50
Repairs and maintenance		20,617
Interest on warrants		13,931
Interest on bonds		50,014
Street lighting		16,985
Bond agents fees		1,124
Depreciation		62,747
Amortization		7,391
		206,773
Revenues:		
Real property taxes assessed		195,930
Collection fee - County Treasurer		(3,805)
Other taxes		1,745
Interest income on taxes		234
Interest income on investments		7
Over accrual - tax revenue		(2,704)
		191,407
Decrease in net assets		(15,366)
Net assets (deficit), beginning of year		(210,520)
Net assets (deficit), end of year	$	(225,886)

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS

	Governmental Funds		
	General Fund	Debt Service Fund	Total
Assets:			
Cash on deposit, County Treasurer	$ 4,201	$ 73,107	$ 77,308
Taxes receivable	45,919	45,167	91,086
Due from Bond Fund	22,943	-	22,943
Total assets	$ 73,063	$ 118,274	$ 191,337

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable	$ 13,487	$ -	$ 13,487
Warrants outstanding	157,062	-	157,062
Accrued interest payable - warrants	11,669	-	11,669
Due to General Fund	-	22,943	22,943
Total liabilities	182,218	22,943	205,161
Fund equity:			
Fund balances:			
Restricted for debt services	-	95,331	95,331
Unassigned	(109,155)	-	(109,155)
Total fund equity	(109,155)	95,331	(13,824)
Total liabilities and fund equity	$ 73,063	$ 118,274	$ 191,337

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2012

Total fund balances - governmental funds		$ (13,824)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements:		
Capital assets	$ 1,907,350	
Accumulated depreciation	(1,024,085)	
		883,265
Other long-term assets are not financial resources and therefore not reported in the fund financial statements:		
Bond issue costs	85,568	
Accumulated amortization	(12,664)	
		72,904
Other liabilities are not due and payable in the current period and therefore not reported in governmental funds:		
Accrued interest payable - bonds	(18,231)	
Bonds payable	(1,150,000)	
		(1,168,231)
Net assets (deficit) of governmental activities		$ (225,886)

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Funds		
	General	Debt Service	Total
Revenues:			
Real property taxes	$ 98,774	$ 97,156	$ 195,930
Collection fee - County Treasurer	(1,918)	(1,887)	(3,805)
Other taxes	879	866	1,745
Interest income on taxes	118	116	234
Interest income - investment	-	7	7
Over accrual - tax revenue	(1,363)	(1,341)	(2,704)
	96,490	94,917	191,407
Expenditures:			
Audit and budget	3,200	-	3,200
Legal fees	8,226	-	8,226
Publication costs	110	-	110
Trash collection	22,378	-	22,378
Insurance	50	-	50
Repairs and maintenance	20,617	-	20,617
Interest on warrants	13,931	-	13,931
Interest on bonds	-	50,512	50,512
Street lighting	16,985	-	16,985
Bond agent fees	-	1,124	1,124
	85,497	51,636	137,133
Excess of revenues over expenditures	10,993	43,281	54,274
Other financing uses:			
Retirement of bond principal	-	(60,000)	(60,000)
	-	(60,000)	(60,000)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	10,993	(16,719)	(5,726)
Fund balance, beginning of year	(120,148)	112,050	(8,098)
Fund balance, end of year	$ (109,155)	$ 95,331	$ (13,824)

See the accompanying notes to the financial statements.

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - Total government funds		$	(5,726)
Amounts reported for governmental activities in the statement of activities are different because:			
Capital assets 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 as depreciation expense.			
Depreciation expense			(62,747)
Governmental funds report bond issue costs as expenditures while government activities report amortization to allocate the cost over the life of the bond issues.			
Decrease in interest payable	498		
Amortization expense	(7,391)		
			(6,893)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.			
Retirement of bond principal			60,000
Change in net assets (deficit) of governmental activities		$	(15,366)

See the accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Sanitary and Improvement District No. 147 of Sarpy County, Nebraska (the District) is presented to assist in understanding the District's basic financial statements. The financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

District Activities

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

The Financial Reporting Entity

The Board of Trustees of the District has financial accountability and control over all the activities related to Sanitary and Improvement District No. 147. The Board of Trustees is elected by the property owners of the District and has decision-making authority, the authority to levy taxes, the power to designate management, and the ability to significantly influence operations. The Board also has primary financial accountability for fiscal matters of the District. The District is engaged in a single governmental program and is not included in any other governmental "reporting entity" as defined by the GASB pronouncements. In addition, there are no component units as defined by the Governmental Accounting Standards Board Statement 14, which are included in the District's reporting entity.

Basis of Presentation

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

Government-Wide Financial Statements:

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

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

The government-wide statement of activities reflects the expenses of the District's governmental activities, offset by general revenues to determine the change in net assets for the year.

1. Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

Fund Financial Statements:

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

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

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

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

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

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

1. Summary of Significant Accounting Policies - Continued

Budgets and Budgetary Accounting

The District is required by Nebraska law to adopt an annual operating budget for all the funds over which the District controls. The budget is adopted using the cash basis of accounting, which differs significantly from accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed to have been made when warrants are issued. Budgetary comparisons presented for both the General Fund and Debt Service Fund in this report are on non-GAAP budgetary basis.

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

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

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

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

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

e. Expenditures and transfers cannot exceed appropriations at the fund level. When expenditures and transfers are required for functions that have not been budgeted, authorization to amend the budget and to incur the expenditures is permitted following a public hearing. No significant supplemental appropriations were made for the fiscal year ended June 30, 2012.

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

Use of Estimates

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

1. Summary of Significant Accounting Policies - Continued

Taxes Receivable

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

Capital Assets and Depreciation

Capital assets of the District, which primarily include infrastructure assets, are recorded at historical cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant capital assets are as follows:

Paving and sewer systems	25 – 40 years
Underground power and water systems	25 – 30 years
Improvements	25 – 30 years

Amortization

Bond issue costs are amortized over the terms of the bonds, using the interest method of amortization.

Net Assets/Fund Equity

The government-wide fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and outstanding balance of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net assets – This category represents net assets of the District not restricted for any project or other purpose.

Fund equity – In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

- Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantor or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

1. Summary of Significant Accounting Policies - Continued

Net Assets/Fund Equity - Continued

- Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the District through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same action it employed to commit those amounts.
- Assigned – Amounts the District intends to use for specific purposes.
- Unassigned – All amounts not included in other classifications.

2. Budget Basis of Accounting

Nebraska budgetary procedures require the preparation of budgets on a cash basis, rather than on the modified accrual basis of accounting used in the preparation of the accompanying financial statements. Accordingly, required budget comparisons for both the General Fund and the Debt Service Fund are presented on a non-GAAP budgetary basis in the accompanying financial statements of the District. The adjustments necessary to reconcile the differences between the two methods of accounting are summarized as follows:

	Fund		
	General	Debt Service	Total
Excess of receipts over disbursements on a budgetary basis	$ 13,173	$ 44,974	$ 58,147
Change in property tax revenue from recognition on a cash basis	(1,720)	(1,693)	(3,413)
Change in accounts payable from recognition on a cash basis	(460)	-	(460)
Excess of revenues over expenditures on a modified accrual (GAAP) basis	$ 10,993	$ 43,281	$ 54,274

3. Deposits and Investments

Deposits

The District's deposits are insured or collateralized with securities held by the District of its agent in the District's name. All deposits are maintained by the Sarpy County Treasurer and are considered to be held by the District. As of June 30, 2012, The District's total deposits were $77,308.

3. Deposits and Investments - Continued

Investments

The District is allowed to invest funds as permitted by Nebraska Statute 77-2341 and generally include U.S. government obligations, certificates of deposit, and time deposits. During the year ended June 30, 2012, the District invested in treasury bills.

All investment activities are conducted through the District's fiscal agent, the Sarpy County Treasurer. Investments are bought and held in safekeeping by the Sarpy County Treasurer in the District's name. The District's investments are insured or collateralized with securities held by the District of its agent in the District's name.

As of June 30, 2012, the District had the following investments:

	Cost	Cost and Accrued Interest
Cash on deposit, County Treasurer	$ 77,308	$ 77,308

Deposit risks include:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the District will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposits, credit risk is the risk that a bank or other counterparty defaults on its own principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

4. Outstanding Warrants Payable

Warrants are issued for payment of liabilities. These warrants bear interest at the rate of 7% and 8% per annum from the date registered with the County Treasurer. 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.

A detail of the registered warrants outstanding at June 30, 2012 is as follows:

	June 30, 2011	Issued	Retired	June 30, 2012
General Fund	$ 171,323	$ 72,189	$ (86,450)	$ 157,062
Debt Service Fund	-	1,124	(1,124)	-
	$ 171,323	$ 73,313	$ (87,574)	$ 157,062

Interest expense on registered warrants for the General fund and Bond fund amounted to $13,931 and $0 for the year ended June 30, 2012.

5. Capital Assets

All capital assets are carried at their original cost. A summary is presented below:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Costs:				
Paving and storm sewer	$ 787,591	$ -	$ -	$ 787,591
Sanitary sewer	230,419	-	-	230,419
Underground power system	69,131	-	-	69,131
Bike path	78,945	-	-	78,945
Water system	153,588	-	-	153,588
Park improvements	587,676	-	-	587,676
	1,907,350	-	-	1,907,350

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Accumulated depreciation:				
Paving and storm sewer	446,687	22,617	-	469,304
Sanitary sewer	182,031	9,217	-	191,248
Underground power system	45,511	2,304	-	47,815
Bike path	15,713	2,876	-	18,589
Water system	121,335	6,143	-	127,478
Park improvements	150,061	19,590	-	169,651
	961,338	62,747	-	1,024,085
Capital assets, net of accumulated depreciation	$ 946,012	$ (62,747)	$ -	$ 883,265

The District recorded depreciation expense of $62,747 for the year ended June 30, 2012.

6. Bonds Payable

Bonds payable totaling $560,000 issued December 15, 1997, with a balance of $0 at June 30, 2012, was due serially December 15, 2011. This issue was paid in full during the period ending June 30, 2012.

Bonds payable totaling $1,150,000 issued August 1, 2010, with a balance of $1,150,000 at June 30, 2012, is due serially beginning August 15, 2012 through August 15, 2030. The maturities range from $25,000 in 2012 to $100,000 in 2030. Interest is payable semi-annually on this issue at 1.50% to 5.00%.

6. Bonds Payable - Continued

A summary of changes in outstanding bonds payable is as follows:

	Balance June 30, 2011	New	Retirements	Balance June 30, 2012
December 15, 1997 issue	$ 60,000	$ -	$ 60,000	$ -
August 1, 2010 issue	1,150,000	-	-	1,150,000
	$ 1,210,000	$ -	$ 60,000	$ 1,150,000

Bond interest expense for the year ended June 30, 2012 was $50,014.

The following is a disclosure of total debt service to maturity:

Year ending June 30,	Principal	Interest	Total
2013	$ 25,000	$ 48,615	$ 73,615
2014	30,000	48,128	78,128
2015	35,000	47,407	82,407
2016	45,000	46,369	91,369
2017	45,000	45,041	90,041
2018-2022	270,000	197,026	467,026
2023-2027	345,000	131,438	476,438
2028-2031	355,000	37,125	392,125
	$ 1,150,000	$ 601,149	$ 1,751,149

7. Bond Issue Costs

Costs incurred by the District relating to issuing or refunding bonds payable are capitalized and amortized over the life of the bond issue. Amortization expense is computed using the interest method, which is computed by multiplying the bond issue costs by the ratio in which the numerator is the face value of the bond issue outstanding during the year, and the denominator is the summation of the face value of the bond issue outstanding for all years of the bond issue. Amortization expense for the year ended June 30, 2012 amounted to $7,391.

8. Tax Levy

Property taxes are levied in August and become due on December 31. The first half payment is due March 31 and becomes delinquent April 1 of the following year, and the second half payment is due July 31 and becomes delinquent August 1 of the following year. The County Treasurer bills and collects all property taxes for the District. If the taxes remain delinquent after February of the following year, the County places a lien on the property.

Property tax revenues are recognized when they become available, which includes those property tax receivables expected to be collected within sixty days after period-end. The portion of the taxes not expected to be collected within sixty days after period-end is recorded as deferred revenue. Delinquent taxes are considered fully collectable and, therefore, no allowance for uncollectible taxes is provided.

8. Tax Levy - Continued

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

		District Tax Levy per $100		
Fiscal Year	District Valuation of Property	General	Debt Service	Total
2011-2012	$ 32,385,238	0.30500	0.30000	0.60500

9. Insurance

The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage for the current year or in the past three years.

10. Interfund Receivables and Payables

Interfund balances at June 30, 2012, consisted of the following individual fund receivables and payables:

Due to	Due from	Amount
General Fund	Debt Service Fund	$ 22,943

11. Other

Management has evaluated subsequent events through September 12, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
STATEMENT OF COMPARISON:
BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

GENERAL FUND

	Original/ Final Budget	Actual	Variance With Budget Favorable (Unfavorable)
Receipts:			
Operating:			
Taxes collected	$ 96,837	$ 97,213	$ 376
Other taxes	300	284	(16)
Other:			
Miscellaneous	700	713	13
Total receipts	97,837	98,210	373
Disbursements:			
Operating:			
Audit and budget	3,000	3,200	(200)
Interest on warrants	12,000	12,848	(848)
Publishing costs	300	110	190
Trash collection	20,000	20,513	(513)
Maintenance and repairs	15,000	22,205	(7,205)
Street lighting	16,000	18,670	(2,670)
Legal fees	10,000	7,441	2,559
Insurance	100	50	50
Total disbursements	76,400	85,037	(8,637)
Excess of receipts over disbursements from operations	21,437	13,173	(8,264)
Other sources (uses):			
Warrants issued	-	72,189	72,189
Warrants retired	(20,000)	(86,450)	(66,450)
Excess (deficiency) of receipts over (under) disbursements	$ 1,437	$ (1,088)	$ (2,525)

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
STATEMENT OF COMPARISON:
BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

DEBT SERVICE FUND

	Original/ Final Budget	Actual	Variance With Budget Favorable (Unfavorable)
Receipts:			
Operating:			
Taxes collected	$ 95,251	$ 95,621	$ 370
Other taxes	300	278	(22)
Other:			
Miscellaneous	900	711	(189)
Total receipts	96,451	96,610	159
Disbursements:			
Operating:			
Bond agent fees	1,000	1,124	(124)
Interest on bonds	50,513	50,512	1
Total disbursements	51,513	51,636	(123)
Excess of receipts over disbursements from operations	44,938	44,974	36
Other sources (uses):			
Bonds retired	(60,000)	(60,000)	-
Warrants issued	-	1,124	1,124
Warrants retired	-	(1,124)	(1,124)
Deficiency of receipts under disbursements	$ (15,062)	$ (15,026)	$ 36

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2012

1. Budgetary Accounting

The District prepares its budget for the Governmental Funds on the cash basis of accounting. The basis is consistent with the basis of accounting used in presenting the basic financial statements. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

The term "Budgetary Fund Balance" used in these supplementary schedules is synonymous with the terms "Fund Balance - Cash Basis" used in the basic financial statements.

OTHER SUPPLEMENTARY SCHEDULES

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
INFORMATION REQUIRED BY SECTION 31-740
REVISED STATUTES OF NEBRASKA
JUNE 30, 2012
SUPPLEMENTARY SCHEDULE

Gross income from all sources	$	191,407
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:		
Maintenance and repair	$	20,617
New equipment		-
New construction work		-
Property purchased		-
Start-up costs		-
Number of employees		-
Salaries and fees paid employees		-
Total amount of taxes levied upon property within the district	$	195,930

SANITARY AND IMPROVEMENT DISTRICT NO. 147
OF SARPY COUNTY, NEBRASKA
TRUSTEES AND RELATED BONDS
JUNE 30, 2012
SUPPLEMENTARY SCHEDULE

Board of Trustees			
Name	Office	Insurer	Amount
Allen Klostermeyer	Chairman	Universal Surety Co.	$ 5,000
Richard Scofield	Clerk	Universal Surety Co.	20,000
Shelli Dart	Trustee		-
Mark Schenck	Trustee		-
Dennis Whitfield	Trustee		-

MASSMAN NELSON REINIG PC
Certified Public Accountants
13310 I Street | Omaha, Nebraska 68137
402 330 7099 Fax 402 330 0809

Michael L Massman CPA
George E Nelson CPA
James A Reinig CPA

Keli D Palfini CPA
Jason T McGill CPA

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

Board of Trustees
Sanitary and Improvement District No. 147
of Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities of Sanitary and Improvement District No. 147 of Sarpy County, Nebraska (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the District's internal control to be material weaknesses:

1. Comment: In conjunction with the audit of the financial statements, it was necessary to propose material adjustments for the financial statement to be in conformity with accounting principles generally accepted in the United States of America, specifically the conversion to the accrual method.

   Recommendation: We recommend that the Board read, review, discuss and approve the adjusting journal entries to make the accrual financial statements be in conformity with accounting principles generally accepted in the United States of America.

Board response: The Board will review the proposed adjustments at one of the Board meetings.

2. Comment: The Auditing Standards Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Statement of Auditing Standard No. 115 emphasizes that the auditor cannot be part of the system of internal control over financial reporting. In our judgment, the Board's trustee charged with governance, in the course of his assigned duties, lacks the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles (GAAP) and to correct any misstatements if present.

   Recommendation: In our judgment, those charged with governance need to understand the importance of this communication. However, due to the lack of resources available to the Board to correct this material weakness in financial reporting, we recommend the Board mitigate this weakness by having a heightened awareness of all transactions being reported.

   Board response: The Board of Trustees realizes the importance of the financial statements and heightened its awareness of all transactions being reported.

Compliance and Other Matters

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

Section 13-511 of the Nebraska Budget Act provides, ". . .whenever during the fiscal year or biennial period it becomes apparent to a governing body that a) there are circumstances which could not reasonably have been anticipated at the time the budget for the current year or biennial period was adopted, b) the budget adopted violated sections 13-518 to 13-522 such that the revenue of the current fiscal year or biennial period for any fund thereof will be insufficient, additional expenses will be necessarily incurred, or there is a need to reduce the budget requirements to comply with section 13-518 to 13-522, or c) the governing body has been notified by the auditor of a mathematical or accounting or noncompliance with the Nebraska Budget Act, such governing body may propose to revise the previously adopted budget statement and shall conduct a public hearing on such proposal."

During the year ended June 30, 2012, the actual expenditures in the general and bond funds exceeded the amounts budgeted by $8,637 and $123, respectively, but no evidence of an amended budget or public notice or a meeting to revise such budget was observed.

This report is intended solely for the information and use of the Board of Trustees, the State of Nebraska Auditor of Public Accounts, and the property owners of the District, and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants

Omaha, Nebraska
September 12, 2012

MASSMAN NELSON REINIG PC
Certified Public Accountants
13310 I Street | Omaha, Nebraska 68137
402 330 7099 Fax 402 330 0809

Michael L Massman CPA
George E Nelson CPA
James A Reinig CPA

Keli D Palfini CPA
Jason T McGill CPA

September 12, 2012

To the Board of Trustees
Sanitary and Improvement District No. 147
of Sarpy County, Nebraska

Dear Chairman:

Internal Control Matters

In planning and performing our audit of the financial statements of the governmental activities of Sanitary and Improvement District No. 147 of Sarpy County, Nebraska as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Sanitary and Improvement District No. 147 of Sarpy County, Nebraska's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Trustee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Trustee's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the District's internal control to be material weaknesses:

1. Comment: In conjunction with the audit of the financial statements, it was necessary to propose material adjustments for the financial statement to be in conformity with accounting principles generally accepted in the United States of America, specifically the conversion to the accrual method.

   Recommendation: We recommend that the Board read, review, discuss and approve the adjusting journal entries to make the accrual financial statements be in conformity with accounting principles generally accepted in the United States of America.

   Board response: The Board will review the proposed adjustments at one of the Board meetings.

2. Comment: The Auditing Standards Board (ASB) recently issued guidance to auditors related to an entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Statement of Auditing Standard No. 115 emphasizes that the auditor cannot be part of the system of internal control over financial reporting. In our judgment, the Board's trustee charged with governance, in the course of his assigned duties, lacks the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles (GAAP) and to correct any misstatements if present.

   Recommendation: In our judgment, those charged with governance need to understand the importance of this communication. However, due to the lack of resources available to the Board to correct this material weakness in financial reporting, we recommend the Board mitigate this weakness by having a heightened awareness of all transactions being reported.

   Board response: The Board of Trustees realizes the importance of the financial statements and heightened its awareness of all transactions being reported.

Compliance and Other Matters

Section 13-511 of the Nebraska Budget Act provides, ". . .whenever during the fiscal year or biennial period it becomes apparent to a governing body that a) there are circumstances which could not reasonably have been anticipated at the time the budget for the current year or biennial period was adopted, b) the budget adopted violated sections 13-518 to 13-522 such that the revenue of the current fiscal year or biennial period for any fund thereof will be insufficient, additional expenses will be necessarily incurred, or there is a need to reduce the budget requirements to comply with section 13-518 to 13-522, or c) the governing body has been notified by the auditor of a mathematical or accounting or noncompliance with the Nebraska Budget Act, such governing body may propose to revise the previously adopted budget statement and shall conduct a public hearing on such proposal."

During the year ended June 30, 2012, the actual expenditures in the general and bond funds exceeded the amounts budgeted by $8,637 and $123, respectively, but no evidence of an amended budget or public notice or a meeting to revise such budget was observed.

We would recommend that in the future, any time the actual expenditures for a specific fund exceed the expenditures budgeted, an amended budget be filed to include the additional expenditures.

This communication is intended solely for the use of the Board of Trustees and management of Sanitary and Improvement District No. 147 of Sarpy County and the Nebraska Auditor of Public Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Massman Nelson Reinig PC

Massman Nelson Reinig PC
Certified Public Accountants
By: James A. Reinig