

DRAFT

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**FINANCIAL STATEMENTS
WITH
SUPPLEMENTAL INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2016**

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

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November 4, 2016

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Papio-Missouri River Natural Resources District
Omaha, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Papio-Missouri River Natural Resources District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison information on pages 3-9 and 38-39 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on pages 40-51 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on pages 52-53 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information is the responsibility of management and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 4, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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HSMC ORIZON LLC

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2016

The Management's Discussion and Analysis of the financial performance of Papio-Missouri River Natural Resources District (the "District") provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow. The discussion primarily focuses on the District's general fund, although the proprietary funds are also analyzed.

FINANCIAL HIGHLIGHTS

- Net position increased by \$12,189,876, which is a 6.7% increase in total net position.
- Total governmental activities net position are comprised of the following:
 - 1) Net investment in capital assets of \$146,694,461. Property and equipment, net of accumulated depreciation, is reduced for the outstanding debt related to the purchase or construction of capital assets.
 - 2) Restricted net position of \$9,126,332. General obligation bond proceeds from special bonding authority granted by the 2009 Nebraska Legislature are restricted to providing funding for specific flood control projects.
 - 3) Unrestricted net position of \$29,326,703. These assets are available to maintain the District's continuing obligations. Unrestricted net position includes assets reserved for specific purposes by Board resolution but not restricted by debt covenants or laws and regulations.
- Revenues on the general fund financial statements totaled \$32,123,201. This is an increase of \$5,308,492 from last year's revenues of \$26,814,709.
- The net increase in capital assets was \$9,425,226 to a total of \$219,915,754.
- Total long-term debt of the District decreased from \$69,535,730 to \$67,207,537 during the fiscal year. Long-term debt from business-type activities decreased by \$91,391 to \$2,007,537.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the District's basic financial statements, which include the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and a perspective of current financial resources and obligations.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED YEAR ENDED JUNE 30, 2016

Government-wide Financial Statements, Continued

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by taxes and intergovernmental revenues, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District's governmental activities include general government administration, projects aimed at ground and surface water protection, flood threat protection, soil and wildlife conservation efforts, public services such as trail maintenance and educational materials, and recreation. The District's business-type activities include four rural water systems and four other waterway construction and preservation projects.

Statement of Net Position

The first of these government-wide statements is the Statement of Net Position. This is the District-wide statement of position presenting information that includes all of the District's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors, such as the condition of the District's capital assets, in addition to the financial information provided in this report.

Statement of Activities

The second government-wide statement is the Statement of Activities, which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by property tax collections.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The District is comprised of the governmental fund, seven proprietary funds, and one fiduciary fund. The governmental fund encompasses essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different, with fund statements providing a distinctive view of the District's governmental fund. These statements report short-term fiscal accountability, focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED YEAR ENDED JUNE 30, 2016

Fund Financial Statements, Continued

A budgetary comparison schedule is included as required supplementary information to the basic financial statements for the general fund. This schedule demonstrates compliance with the District's adopted and final revised budget.

Proprietary funds generally report services for which the District charges customers a fee. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. The Dakota County, Washington County and Thurston County Rural Water Systems, as well as four waterway reconstruction projects, comprise the District's proprietary funds.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. Individual fund information for non-major enterprise funds is found in combining statements in a later section of this report.

The fiduciary fund is used to account for assets held in a trustee capacity. Fiduciary fund statements focus on net position and the change in net position and are accounted for on the accrual basis. The District is the administering agent of the Papillion Creek Watershed Partnership (the "Partnership"). The Partnership is comprised of local governments that have entered into an inter-local agreement to fund engineering studies addressing water quantity and quality issues in the Papillion Creek drainage area.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's non-major proprietary funds and expenditures of federal awards.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole. The following table summarizes the District's net position.

Summary of Net Position

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Current and other assets	44,994,853	\$ 44,112,161	1,989,487	\$ 2,016,498
Capital assets, net of accumulated depreciation	211,750,892	202,643,199	8,164,862	7,847,329
Total assets	256,745,745	246,755,360	10,154,349	9,863,827
Current liabilities	6,404,865	6,235,356	718,975	191,596
Long-term liabilities	65,193,384	67,146,472	1,429,494	2,007,263
Total liabilities	71,598,249	73,381,828	2,148,469	2,198,859
Net position:				
Net investment in capital assets	146,694,461	135,360,221	6,157,325	5,748,401
Restricted	9,126,332	17,265,571	240,708	240,557
Unrestricted	29,326,703	20,747,740	1,607,847	1,676,010
Total net position	185,147,496	\$173,373,532	8,005,880	\$ 7,664,968

The District reported positive balances in net position for both governmental and business-type activities. Since net position increased \$11,773,964 for governmental activities and increased \$340,912 for business-type activities, the District's overall financial position improved during fiscal year 2016.

The table on the next page summarizes the District's changes in net position from revenues and expenditures. The District is heavily reliant on property taxes to support governmental operations, since taxes provide approximately 64% of the District's total governmental revenues.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2016

Summary of Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2016	% of Total	2015	2016	% of Total	2015
Revenues						
Program Revenues						
Charges for services	\$ 370,175	1.1%	\$ 754,242	\$ 1,569,127	94.6%	\$ 1,110,702
Operating grants and contributions	5,104,715	15.8%	5,714,115	-	-	-
Capital Grants	3,966,873	12.3%	1,073,917	-	-	-
General Revenues						
Property taxes	21,786,959	67.3%	17,887,690	-	-	-
Watershed	940,490	2.9%	1,338,517	-	-	-
Assessment income	-	-	-	84,830	5.1%	90,134
Gain on sale of fixed assets	188,626	0.6%	293,028	-	-	-
Interest income	11,666	0.0%	25,214	5,337	0.3%	16,879
Total revenues	32,369,504	100.0%	27,086,723	1,659,294	100.0%	1,217,715
Expenses						
General administration	7,913,952	38.4%	8,284,096	-	-	-
Information and education	188,768	0.9%	187,299	-	-	-
Flood prevention	5,048,843	24.5%	5,358,294	-	-	-
Erosion control	1,675,287	8.1%	1,932,831	-	-	-
Water quality	795,861	3.9%	396,937	-	-	-
Recreation	4,602,124	22.7%	1,448,611	-	-	-
Forestry and wildlife	370,705	1.8%	155,809	-	-	-
Major proprietary funds	-	-	-	837,632	63.5%	758,421
Other proprietary funds	-	-	-	480,750	36.5%	461,314
Total expenses	20,595,540	100.0%	17,763,877	1,318,382	100.0%	1,219,735
Change in net position	\$ 11,773,964		\$ 9,322,846	\$ 340,912		\$ (2,020)

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Fund

The General Fund is the District's primary operating fund. It is used to account for all financial resources except those required to be reported in a separate fund. The fund balance of the General Fund increased by \$386,305 to \$39,581,094.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The District's major proprietary fund for this fiscal year was Washington County Rural Water System. Net position of this fund decreased \$108,023. Net position of the non-major proprietary funds increased by \$448,935. Total proprietary fund net position increased by \$340,912.

BUDGETARY HIGHLIGHTS

The Papio-Missouri River Natural Resources District's Board of Directors adopts a budget each fiscal year that complies with the reporting regulations imposed by the State of Nebraska. This budget can be, but was not, modified during the year with the approval of the Board. Economic factors, such as property tax rates and the availability of federal and state funding, play a major role in the District's budgeting process.

The District adopts a budget on the cash basis of accounting in accordance with the Nebraska Budget Act.

The general fund budgeted expenditures for the current year was \$68,038,177, compared with the prior year budget of \$79,351,399. Actual expenditures were \$35,421,923 and \$46,965,860, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets, net of accumulated depreciation and related debt, for governmental and business-type activities as of June 30, 2016, was \$146,694,461 and \$6,157,325, respectively. The net investment increased 8.4% for governmental and 7.1% for business-type activities. This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment and unamortized bond issue costs.

Long-term Debt

At the end of the fiscal year, the District had \$67,207,538 in bonds, notes, and leases outstanding. \$2,007,537 of this debt is attributable to the proprietary funds for construction of the rural water distribution systems. \$65,200,000 is attributable to general obligation bonds issued for construction of flood control projects.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District adopted a budget for the 2016-17 fiscal year of \$70.56 million, a decrease from the 2015-16 fiscal year budget of \$71.85 million.

Factors considered in preparing the District's budget for fiscal year 2016-17 include the following:

- A total property tax assessment of \$22,828,011 on valuation of \$60.02 million from a levy of \$0.038034 per \$100 of valuation. This levy was unchanged from fiscal year 2015-16. The increase in valuation lead to an increase of \$852,307 in the total property tax assessment.
- Projects related to flood prevention, erosion control, and recreational trails are anticipated to continue as significant projects are in progress or will be started in the near future but less activity than the prior year. These projects are being financed by several methods, including federal and/or state funding, cost sharing agreements with other local governments, property taxes and general obligation bond proceeds that was granted by the Nebraska Legislature to provide funding of flood control projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District Accountant at 8901 South 154th Street, Omaha, NE 68138.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

		Primary Government	
	Governmental Activities	Business-type Activities	Total
CURRENT ASSETS:			
Cash and cash equivalents	\$ 16,777,152	\$ 654,962	\$ 17,432,114
Cash on deposit with County Treasurers	450,343	-	450,343
Certificates of deposit	50,000	1,077,191	1,127,191
Taxes receivable	8,906,073	-	8,906,073
Service receivables	19,437	117,803	137,240
Interest receivable	16	808	824
Prepaid expenses	274,366	-	274,366
Intergovernmental receivables	9,055,339	42,015	9,097,354
Intrafund balances	192,226	(192,226)	-
Inventories	-	48,226	48,226
Total current assets	<u>35,724,952</u>	<u>1,748,779</u>	<u>37,473,731</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred costs on refunded debt	143,569	-	143,569
NONCURRENT ASSETS:			
Restricted cash and cash equivalents	9,126,332	197,700	9,324,032
Restricted certificates of deposit	-	43,008	43,008
Capital assets:			
Land	81,604,511	214,215	81,818,726
Construction in progress	19,977,486	429,456	20,406,942
Capital improvements and infrastructure	175,106,124	9,621,561	184,727,685
Buildings and improvements	7,101,411	-	7,101,411
Vehicles and equipment	4,571,209	122,080	4,693,289
Accumulated depreciation	<u>(76,609,849)</u>	<u>(2,222,450)</u>	<u>(78,832,299)</u>
Total capital assets	<u>211,750,892</u>	<u>8,164,862</u>	<u>219,915,754</u>
Total noncurrent assets	<u>220,877,224</u>	<u>8,405,570</u>	<u>229,282,794</u>
	<u>\$ 256,745,745</u>	<u>\$ 10,154,349</u>	<u>\$ 266,900,094</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:			
Accounts payable	\$ 4,141,432	\$ 123,796	\$ 4,265,228
Accrued salaries and payroll withholdings	87,513	-	87,513
Accrued expenses	107,547	17,136	124,683
Current portion of long-term debt	1,915,000	578,043	2,493,043
Current portion of accrued compensated absences	<u>153,373</u>	<u>-</u>	<u>153,373</u>
Total current liabilities	<u>6,404,865</u>	<u>718,975</u>	<u>7,123,840</u>
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	63,285,000	1,429,494	64,714,494
Premium on bonds payable	1,361,334	-	1,361,334
Accrued compensated absences, less current portion	<u>547,050</u>	<u>-</u>	<u>547,050</u>
Total long-term liabilities	<u>65,193,384</u>	<u>1,429,494</u>	<u>66,622,878</u>
Total liabilities	<u>71,598,249</u>	<u>2,148,469</u>	<u>73,746,718</u>
NET POSITION:			
Net investment in capital assets	146,694,461	6,157,325	152,851,786
Restricted	9,126,332	240,708	9,367,040
Unrestricted	<u>29,326,703</u>	<u>1,607,847</u>	<u>30,934,550</u>
Total net position	<u>185,147,496</u>	<u>8,005,880</u>	<u>193,153,376</u>
	<u>\$ 256,745,745</u>	<u>\$ 10,154,349</u>	<u>\$ 266,900,094</u>

See Accompanying Notes to the Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expenses) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
GOVERNMENTAL ACTIVITIES:							
General administration	\$ 7,913,952	\$ 328,685	\$ 47,942	\$ -	\$ (7,537,325)	\$ -	\$ (7,537,325)
Information and education	188,768	-	-	-	(188,768)	-	(188,768)
Flood prevention	5,048,843	34,400	504,652	3,841,468	(668,323)	-	(668,323)
Erosion control	1,675,287	-	4,020,693	125,405	2,470,811	-	2,470,811
Water quality	795,861	1,140	436,483	-	(358,238)	-	(358,238)
Recreation	4,602,124	5,950	94,945	-	(4,501,229)	-	(4,501,229)
Forestry and wildlife	370,705	-	-	-	(370,705)	-	(370,705)
	<u>20,595,540</u>	<u>370,175</u>	<u>5,104,715</u>	<u>3,966,873</u>	<u>(11,153,777)</u>	<u>-</u>	<u>(11,153,777)</u>
BUSINESS-TYPE ACTIVITIES:							
Washington County Rural Water	837,632	727,313	-	-	-	(110,319)	(110,319)
Non-major proprietary funds	480,750	841,814	-	-	-	361,064	361,064
	<u>1,318,382</u>	<u>1,569,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,745</u>	<u>250,745</u>
	<u>\$ 21,913,922</u>	<u>\$ 1,939,302</u>	<u>\$ 5,104,715</u>	<u>\$ 3,966,873</u>	<u>(11,153,777)</u>	<u>250,745</u>	<u>(10,903,032)</u>
GENERAL REVENUES:							
Property taxes					21,786,959	-	21,786,959
Watershed					940,490	-	940,490
Assessment income					-	84,830	84,830
Gain on sale of capital assets					188,626	-	188,626
Interest income					11,666	5,337	17,003
					<u>22,927,741</u>	<u>90,167</u>	<u>23,017,908</u>
CHANGE IN NET POSITION					<u>11,773,964</u>	<u>340,912</u>	<u>12,114,876</u>
NET POSITION - BEGINNING OF YEAR					<u>173,373,532</u>	<u>7,664,968</u>	<u>181,038,500</u>
NET POSITION - END OF YEAR					<u>\$ 185,147,496</u>	<u>\$ 8,005,880</u>	<u>\$ 193,153,376</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2016**

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 16,777,152
Cash on deposit with County Treasurers	450,343
Certificates of deposit	50,000
Receivables:	
Taxes	8,906,073
Services	19,437
Interest	16
Prepaid expenses	274,366
Due from:	
Funding agencies - federal programs	838,600
Other governmental entities	8,216,739
Other funds	192,226
Restricted cash and cash equivalents	<u>9,126,332</u>
	<u>\$ 44,851,284</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES:	
Accounts payable	\$ 4,091,432
Accrued salaries and payroll withholdings	87,513
Accrued expenses	<u>153,845</u>
Total liabilities	<u>4,332,790</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue - property taxes	<u>937,400</u>
FUND BALANCE:	
Nonspendable	274,366
Restricted	9,126,332
Committed	4,074,162
Assigned	50,000
Unassigned	<u>26,056,234</u>
Total fund balance	<u>39,581,094</u>
	<u>\$ 44,851,284</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUND
JUNE 30, 2016**

Total Fund Balance - Governmental Fund \$ 39,581,094

Amounts reported for governmental activities in the statement of net position
are different because:

Deferred costs on refunded debt are not financial resources 143,569

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the fund financial statements:

Land	\$ 81,604,511	
Construction in progress	19,977,486	
Capital improvements and infrastructure	175,106,124	
Buildings and improvements	7,101,411	
Vehicles and equipment	4,571,209	
Accumulated depreciation	<u>(76,609,849)</u>	
Total capital assets		211,750,892

Liabilities which are not due and payable in the current period are not reported
in the governmental funds:

Construction payable	(50,000)
Accrued interest	(107,075)
Compensated absences	(547,050)
Bonds and notes payable	(65,200,000)
Premium on bonds payable	(1,361,334)

Property tax revenues, not collected within sixty days of the fiscal year end, are not
financial resources and, therefore, are not reported in the governmental funds. 937,400

Total Net Position of Governmental Activities \$ 185,147,496

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

REVENUES:

General administration	\$ 22,110,706
Flood prevention	5,327,877
Erosion control	4,146,098
Forestry and wildlife	2
Water quality	437,623
Recreation	<u>100,895</u>
Total revenues	<u>32,123,201</u>

EXPENDITURES:

Flood prevention	16,059,489
General administration	10,271,006
Erosion control	2,649,102
Recreation	3,323,021
Forestry and wildlife	370,705
Water quality	937,674
Information and education	<u>191,768</u>
Total expenditures	<u>33,802,765</u>

DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,679,564)</u>
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SPECIAL ITEM

Gain on sale of asset	<u>2,065,869</u>
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NET CHANGE IN FUND BALANCE	386,305
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FUND BALANCE - BEGINNING OF YEAR	<u>39,194,789</u>
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FUND BALANCE - END OF YEAR	<u>\$ 39,581,094</u>
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See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balance - Total Government Fund \$ 386,305

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlays and capital asset expenditures:		
Land, improvements and construction in progress additions	\$ 15,886,226	
Vehicles, machinery, equipment, and furniture	<u>271,882</u>	
Total		16,158,108
Depreciation expense		(5,178,823)
Net book value of disposals		(1,921,592)

Principal payments on bonds use current financial resources of governmental funds. However, these payments reduce long-term liabilities in the statement of net position.

Principal payments on bonds and leases	2,236,802
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The issuance of long term debt provides current financial resources to governmental funds. However, these payments increase long-term liabilities in the statement of net position.

Effects of bond premiums, discounts and related items	84,631
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Certain items 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 activities consist of:

Increase in long-term compensated absences	(46,543)
Increase in accrued interest payable	7,654
Decrease in deferred bond costs	(10,255)

Full accrual accounting records tax revenues when earned. Modified accrual records tax revenues that are measurable and available.

Difference in property tax revenue accrual	<u>57,677</u>
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Change in Net Position of Governmental Activities	<u>\$ 11,773,964</u>
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See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

ASSETS	Total (Memorandum Only)	Washington County Rural Water	Non-major Proprietary Funds
CURRENT ASSETS:			
Cash and cash equivalents	\$ 654,962	\$ 40,941	\$ 614,021
Certificates of deposit	1,077,191	705,907	371,284
Service receivables	117,803	73,777	44,026
Interest receivable	808	373	435
Intergovernmental receivables	42,015	-	42,015
Inventories	48,226	18,925	29,301
Total current assets	1,941,005	839,923	1,101,082
NON-CURRENT ASSETS:			
Reserved cash and cash equivalents	197,700	197,700	-
Restricted certificates of deposit	43,008	-	43,008
Capital assets :			
Land	214,215	1,000	213,215
Construction in progress	429,456	17,972	411,484
Capital improvements and infrastructure	9,621,561	6,891,569	2,729,992
Vehicles and equipment	122,080	64,621	57,459
Accumulated depreciation	(2,222,450)	(1,232,275)	(990,175)
Total capital assets	8,164,862	5,742,887	2,421,975
Total non-current assets	8,405,570	5,940,587	2,464,983
	\$ 10,346,575	\$ 6,780,510	\$ 3,566,065
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 123,796	\$ 103,414	\$ 20,382
Accrued expenses	17,136	5,004	12,132
Due to other funds	192,226	37,451	154,775
Current portion of long-term debt	578,043	551,854	26,189
Total current liabilities	911,201	697,723	213,478
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	1,429,494	1,155,000	274,494
Total liabilities	2,340,695	1,852,723	487,972
NET POSITION:			
Net investment in capital assets	6,157,325	4,036,033	2,121,292
Restricted	240,708	197,700	43,008
Unrestricted	1,607,847	694,054	913,793
Total net position	8,005,880	4,927,787	3,078,093
	\$ 10,346,575	\$ 6,780,510	\$ 3,566,065

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Total (Memorandum Only)	Washington County Rural Water	Non-Major Proprietary Funds
OPERATING REVENUES:			
Water sales	\$ 1,017,857	\$ 584,519	\$ 433,338
Customer charges and hookup fees	157,356	142,096	15,260
Miscellaneous	<u>393,914</u>	<u>698</u>	<u>393,216</u>
Total operating revenues	<u>1,569,127</u>	<u>727,313</u>	<u>841,814</u>
OPERATING EXPENSES:			
Repairs and maintenance	9,797	6,779	3,018
Supplies and postage	19,341	9,302	10,039
Professional services	94,748	86,926	7,822
Personnel	412,940	206,840	206,100
Telephone, utilities and rent	24,089	12,071	12,018
Miscellaneous	2,503	774	1,729
Water purchase	250,801	161,939	88,862
Contract costs	208,560	124,059	84,501
Project construction and land	973	89	884
Depreciation and amortization	120,884	78,588	42,296
Vehicle expense	6,340	-	6,340
Negotiated settlement	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total operating expenses	<u>1,225,976</u>	<u>762,367</u>	<u>463,609</u>
OPERATING INCOME	343,151	(35,054)	378,205
NON-OPERATING INCOME (EXPENSE):			
Assessment revenue	84,830	-	84,830
Interest income	5,337	2,296	3,041
Interest expense	<u>(92,406)</u>	<u>(75,265)</u>	<u>(17,141)</u>
Total non-operating income (expense)	<u>(2,239)</u>	<u>(72,969)</u>	<u>70,730</u>
CHANGE IN NET ASSETS	340,912	(108,023)	448,935
NET POSITION - BEGINNING OF YEAR	<u>7,664,968</u>	<u>5,035,810</u>	<u>2,629,158</u>
NET POSITION - END OF YEAR	<u>\$ 8,005,880</u>	<u>\$ 4,927,787</u>	<u>\$ 3,078,093</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Total (Memorandum Only)	Washington Rural Water	Non-Major Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,504,896	\$ 701,755	\$ 803,141
Cash paid to employees	(412,940)	(206,840)	(206,100)
Cash paid to suppliers	(650,403)	(423,946)	(226,457)
Net cash provided by operating activities	<u>441,553</u>	<u>70,969</u>	<u>370,584</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments (purchased) proceeds	(3,304)	(1,474)	(1,830)
Interest received	<u>5,281</u>	<u>2,252</u>	<u>3,029</u>
Net cash provided by investing activities	<u>1,977</u>	<u>778</u>	<u>1,199</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on long-term debt	(91,391)	(66,475)	(24,916)
Purchases of capital assets	(438,416)	(71,734)	(366,682)
Interest paid	(92,406)	(75,265)	(17,141)
Interfund financing	84,365	10,713	73,652
Assessments received	<u>84,830</u>	<u>-</u>	<u>84,830</u>
Net cash used in capital and related financing activities	<u>(453,018)</u>	<u>(202,761)</u>	<u>(250,257)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(9,488)</u>	<u>(131,014)</u>	<u>121,526</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>862,150</u>	<u>369,655</u>	<u>492,495</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 852,662</u>	<u>\$ 238,641</u>	<u>\$ 614,021</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS			
Operating income (loss)	\$ 343,151	\$ (35,054)	\$ 378,205
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	120,883	78,588	42,295
Changes in assets and liabilities:			
(Increase) decrease in receivables	(22,217)	(25,558)	3,341
(Increase) decrease in due from other entities	(42,015)	-	(42,015)
(Increase) decrease in inventories	750	(2,488)	3,238
Increase (decrease) in accounts payable	40,440	54,850	(14,410)
Increase (decrease) in accrued expenses	<u>561</u>	<u>631</u>	<u>(70)</u>
Net cash provided by operating activities	<u>\$ 441,553</u>	<u>\$ 70,969</u>	<u>\$ 370,584</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2016**

ASSETS

ASSETS:

Cash and cash equivalents	\$ 395,075
Total assets	<u>\$ 395,075</u>

LIABILITIES AND NET POSITION

LIABILITIES:

Deferred revenue	<u>187,500</u>
Total liabilities	187,500

NET POSITION:

Held in trust for other organizations	<u>207,575</u>
	<u>\$ 395,075</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

ADDITIONS:

Partnership dues	\$ 369,000
Interest	<u>176</u>
Total additions	<u>369,176</u>

DEDUCTIONS:

Reimbursement to Omaha	345,397
Miscellaneous expenses	<u>62</u>
Total deductions	<u>345,459</u>

CHANGE IN NET POSITION 23,717

NET POSITION - BEGINNING OF YEAR 183,858

NET POSITION - END OF YEAR \$ 207,575

See Accompanying Notes to the Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This summary of significant accounting policies of Papio-Missouri River Natural Resources District (the "District") is presented to assist in understanding the District's government-wide and fund financial statements. These financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization and Principal Activity

The District is one of twenty-three natural resource districts organized under the laws of the State of Nebraska to aid in the conservation, protection, development, and management of the natural resources of the State. Furthermore, the District participates in jointly funded governmental improvement projects. These projects are cost-sharing arrangements, as the District does not necessarily retain an ongoing financial interest in or responsibility for the projects.

Reporting Entity

The District follows the standards promulgated by Governmental Accounting Standards Board ("GASB"), that define the financial reporting entity as the one consisting of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements include the transactions of the District's primary government and one fiduciary fund. The primary government has a separately elected governing body, is legally separate, and is fiscally independent of other governments. The District has no component units and is not a component unit of any other governmental entity.

Financial Statement Presentation

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP") applicable to governmental organizations in the United States. Such principles are prescribed by Government Accounting Standards Board ("GASB"), which is the standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. In accordance with these principles, the financial statements include government-wide financial statements and fund financial statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and statement of activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which are normally supported by taxes and grants from other governments, are reported separately from business-type activities, which rely to a significant extent on fees and charges to support its operations.

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column (individual funds are not presented). Because of the economic resource measurement focus and accrual basis of accounting, all financial and capital resources of the District, including long-term assets as well as long-term debt, are reported. Liabilities with maturities greater than one year are reported in two components: the amount due within one year and that due in more than one year.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in four categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources that are attributable to the acquisition, construction and improvement of those assets and related debt are also included in this component of net position.

Restricted:

- Expendable include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Nonexpendable consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purposes of producing present and future income, which may either be expended or added to principal.

Unrestricted amounts that do not meet the definition of the three preceding categories. These amounts often are designated, to indicate that management does not consider them to be available for general operations and often have constraints on resources that are imposed by management, but can be removed or modified.

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. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. These revenues are subject to externally imposed restrictions to these program uses. Program revenues include charges for services, which report fees and other charges to users of the District's services, operating grants and contributions which finance annual operating activities including restricted investment income, and capital grants and contributions, which fund the acquisition, construction or rehabilitation of capital assets. Taxes and other items not properly included among program revenues are reported instead as general revenues.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. District resources are allocated to and accounted for in an individual fund based upon the purposes for which they are spent and the means by which the spending activities are controlled. The various funds are grouped into generic fund types in the fund financial statements of this report as follows:

Governmental Fund

The governmental (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.

Proprietary Funds

Proprietary funds are used to account for the operation of the District's activities that are financed and operated in a manner similar to those found in private business enterprises. Generally, the intent of the governing body is that the cost and expense of providing goods or services to others on a continuing basis be financed or recovered primarily through sales or other forms of user charges. All proprietary funds are accounted for on an economic resources measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their Statement of Net Position.

The District reports the Washington County Rural Water System as a major proprietary fund presented individually in the financial statements. This fund accounts for fees charged for rural water services provided to residents in the respective counties. The remaining non-major funds are presented as a combined total in accordance with the criteria set forth by GASB.

Fiduciary Fund

The fiduciary fund is used to account for assets held in a trustee capacity. The District is the administering agent of the Papillion Creek Watershed Partnership (the "Partnership"). The Partnership is comprised of local governments that are wholly or partially in the Papillion Creek Watershed that have combined resources to fund engineering studies.

Governmental fund equity is reported as fund balance. For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- a. Nonspendable - This fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Board of Directors to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.
- c. Committed - This fund balance classification includes amounts that can only be used for the specific purposes imposed by formal action (resolution) of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Directors, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by the Board of Directors or the General Manager delegated that authority by the Board of Directors.
- e. Unassigned - This fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from property taxes are recognized in the period levied, regardless of when the cash is collected. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measuring Focus/Basis of Accounting, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures, such as principal and interest on general long-term debt, and claims and judgments, are recognized under the modified accrual basis of accounting when the related liability is due.

The proprietary and fiduciary fund financial statements are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Cash and Cash Equivalents

For financial reporting purposes, the District classifies all highly-liquid investments with original maturities of three months or less as cash equivalents.

Investments

Investments are recorded at fair value which approximates cost. The District's investment policy allows investment in U.S. government obligations and short-term interest bearing investments consisting of certificates of deposit and other income producing securities. It is also the District's policy to report interest earned but not received in a separate account from the principal.

Taxes Receivable

Delinquent taxes are considered fully-collectible so no allowance for uncollectible taxes is considered necessary. Tax amounts not received within sixty days are considered deferred revenue in the governmental fund financial statements.

Inventories

The proprietary funds' inventories, consisting primarily of maintenance supplies, are stated at cost. Cost is determined using the first-in, first-out method.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets

Capital assets are recorded at cost. Expenditures for major additions and improvements over \$5,000 are capitalized and minor replacements, maintenance, and repairs are charged to expense accounts as incurred. Interest costs incurred on funds used to construct property, plant, and equipment are capitalized and recorded as part of the asset to which it relates and are amortized over the asset's useful life.

When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation of the individual asset are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. 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 asset categories are as follows:

	<u>Years</u>
Capital improvements and infrastructure	7-100
Buildings and improvements	20-30
Vehicles and equipment	3-10
Water distribution systems	25-50

In the governmental fund financial statements, structural improvements (reservoirs, drainage systems, or any other projects) constructed by the District for any of its purposes are recorded as expenditures at the time of construction. In addition, major acquisitions of land that may have a future saleable value associated with project costs are reported as capital improvements and are recorded as a current period governmental fund expenditure.

In the government-wide financial statements, structural improvements, land acquisitions, equipment purchases, public domain costs, infrastructure costs (such as dams, levees, reservoirs and drainage systems), and similar assets are included as capital assets. The District records proposed infrastructure at the historical cost of the land until the actual infrastructure construction costs are incurred and capitalized.

Compensated Absences

The District's employees are granted annual leave and sick pay in varying amounts based on length of service and actual hours worked. Annual leave and unused sick pay may be carried over at year-end up to 53 days and 180 days, respectively. After one year of service, employees are entitled to all accrued vacation leave and 25% of accrued sick leave, upon termination.

Property Taxes

Property taxes are levied by the counties on December 31 and are delinquent if not paid by March or April 1 and August or September 1 following the levy date. The seven counties located within the District collect the taxes levied by the District. The portion of the property taxes levied by the District is remitted from the counties as the taxes are collected, less a one percent commission. For fiscal year 2015-16, the taxes levied totaled \$21,975,704 at a tax levy rate of \$0.038034 per \$100 of valuation on a total valuation of \$57,779,011,332.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property Taxes, Continued

The placement of a lien against property with delinquent taxes in the various counties is at the discretion of the respective county attorneys. However, the vast majority of delinquent property taxes are purchased through transactions called tax certificate sales. In the event the property owner does not pay the property taxes to the County Treasurer within three years, the holder of the tax certificate has the right to take ownership of the property.

Use of Estimates

Preparing the District's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Indirect Expenses/Interfund Activity

The District is responsible for paying all employee wages and vehicle and fuel expenses of the rural water district proprietary funds. The portion of these expenses directly attributable to the proprietary funds, plus a 15% surcharge to cover administrative costs, is billed to and reimbursed by each rural water district. General administration services include overall District management, centralized budgetary formulation and oversight, accounting, payroll, investing and cash management, personnel services, and other general administration services. Services provided are treated as revenues and expenses in the respective funds. The actual amount of indirect cost reimbursement received by the District at June 30, 2016, was \$418,094. These reimbursements are included as an offset in the general administration expenses in the Statement of Activities.

Cost Sharing Reimbursements

The District participates in multiple cost sharing agreements with various other governmental entities, such as the City of Omaha or other area natural resource districts, on a regular basis. These agreements provide funding for recreational trails, water drainage systems, and other improvements that benefit the general public. The District's share of the cost is stated in each of the cost sharing agreements, most often as a maximum amount to be paid. The District normally does not retain an interest in the projects, with the city or other governmental entities providing the routine maintenance as necessary.

Economic Dependency

The District receives the majority of its revenues from property tax rates subject to legislative change and from various grants funded by federal, state, and local governments.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The District has one item that qualifies for reporting in this category and is reported in the government-wide statement of net position. A deferred charge on a bond refunding results from the difference in the carrying value of refunded debt from its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding bonds.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deferred Outflows/Inflows of Resources, Continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to future period and will not be recognized as an inflow of resources (revenue) until that period. The District has one item that qualifies for reporting in this category: Unavailable revenue received after the availability period. This includes property taxes plus other local taxes and fees received after 60 days. They are reported as deferred inflows on the governmental funds balance sheet and will be recognized next year.

2. COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted each fiscal year for the General and Proprietary Funds on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("GAAP") as required by statute. The District follows these procedures in establishing the budgetary data reflected in the required supplementary information in accordance with the statutory requirements of the Nebraska Budget Act:

On or before August 1, District management prepares and transmits a budget for each District fund showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property tax and amount to be raised by property taxation. At least one public hearing must be held by the District's Board of Directors.

On or before September 20, the budget is adopted by the Board of Directors and the amounts provided therein are appropriated. Once approved by the Board of Directors, the legally adopted budget can be modified only with the approval of the Board. No supplemental appropriations or modifications were made from the original budget.

All appropriations lapse at the end of the budget year.

The District Board is authorized to transfer budgeted amounts between departments within any fund through resolution. The Board may allow certain accounts to exceed 110% of their budgeted amount if District personnel provide reasonable justification for doing so before the expenditures occur.

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget (Budgetary Basis) – Governmental Fund presents comparisons of legally adopted budgets to actual data prepared in accordance with the accounting basis indicated above.

For the year ended June 30, 2016, The District met all the budgetary requirements with the State of Nebraska. However, expenditures exceeded appropriations in the Washington Rural Water Fund and the Elk/Pigeon Creek Drainage Fund.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. DEPOSITS AND INVESTMENTS

Statutes authorize the District to invest excess cash in deposits at banks designated as depositories of the District, certificates of deposit, time deposits and in any securities in which the State investment officer is authorized to invest and as provided in the investment guidelines of the Nebraska Investment Council.

Deposits and investments consisted of the following at June 30, 2016:

	<u>Total</u>	<u>General Fund</u>	<u>Proprietary Funds</u>
Checking accounts and petty cash	\$ 26,756,146	\$ 25,903,484	\$ 852,662
Cash on hand at County Treasurers	450,343	450,343	-
Certificates of deposit	<u>1,170,199</u>	<u>50,000</u>	<u>1,120,199</u>
Total	<u>\$ 28,376,688</u>	<u>\$ 26,403,827</u>	<u>\$ 1,972,861</u>

The carrying amount of the District's deposits, including fiduciary funds, was \$28,321,297 and the bank balances were \$28,380,860 at June 30, 2016. Certificates of deposit have been included in the bank and book balances for cash. At June 30, 2016, the entire balance was covered by federal depository insurance coverage, the full faith and credit of the United States government or pledged securities held by the bank in the District's name.

Investments are stated at fair value, which at June 30, 2016 approximates cost. For fiscal year 2016, the District invested only in U.S. Treasury Bills, other federal obligations, or certificates of deposits within federally insured banks and money market funds investing in these securities. The District records all interest revenue related to investment activities in the respective funds. The District had no investments at June 30, 2016.

The District mitigates the following types of deposit and investment risks through compliance with the State Statutes referred to above and through compliance with its investment policies. However, the District has not adopted a policy to manage interest rate risk. The three types of deposit and investment risks are the following:

- Custodial Credit Risk – for deposits and investments, 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 investments or collateral securities in the possession of a third-party.
- Credit Risk – for deposits and investments, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits and investments, interest rate risk is the risk that the value of deposits and investments will decrease as a result of a rise in interest rates.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. RESERVED/RESTRICTED FUNDS

The Board of Directors, by resolution, has established a sinking fund and reserved/restricted cash accounts for various purposes. All of the accounts are fully funded at their required levels at June 30, 2016. The following is a summary of the reservations placed on cash and investments for the year ended June 30, 2016:

General Sinking Funds:

Unrestricted, but Reserved Certificate of Deposit	\$ 50,000
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Unrestricted, but Reserved Cash Accounts:

Reserved for Wetland Mitigation and the development of future wetlands.	5,446
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The Board of Directors, by resolution has reserved funds to be spent on costs incurred for Watershed Plan Projects (WPRB-5, WPRB-6, WPRB-7, DS-15A, and Zorinsky Basin 2).	3,943,929
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The Board of Directors, by resolution and in accordance with the Interlocal Cooperation Act Agreement, has reserved funds to reimburse parties to this agreement that incurred costs as a result of the removal of ice jams.	117,531
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The Board of Directors, by resolution has reserved funds to be spent on costs incurred proactively controlling noxious weeds along the Lower Platte River.	7,256
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Restricted Cash Accounts:

The Board of Directors, by resolution, has established a bond escrow which shall be restricted for use on the specific projects including WPRB-5 and Dam Site 15-A.	<u>9,126,332</u>
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Total general fund reserves	<u>\$ 13,250,494</u>
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Proprietary Sinking Funds:

In compliance with loan covenants for the notes described in Note 8, the Proprietary Funds have restricted \$240,708. Thurston County has restricted a certificate of deposit in the amount of \$43,008 and Washington County Rural Water #2 has restricted cash in the amount of \$197,700.

5. INTERNAL BALANCES/INTERFUND PAYABLES AND RECEIVABLES

Outstanding balances between funds reported as "due to/due from other funds" include outstanding charges by one fund to another for services, goods, or other miscellaneous receivables/payables between funds. Balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Interfund balances at June 30, 2016, consisted of the following individual fund receivables and payables:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General Fund	Thurston County Rural Water	\$ 48,419
General Fund	Washington Co. Rural Water	37,451
General Fund	Dakota County Rural Water	27,826
General Fund	Elkhorn River Stabilization	2,447
General Fund	Elk/Pigeon Creek Drainage	56,537
General Fund	Western Sarpy Drainage	19,546
		<u>\$ 192,226</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. DUE FROM FUNDING AGENCIES

Revenue from governmental grants and contracts are recognized as earned when all applicable eligibility requirements are met. Funds received from the various agencies less than or greater than the expenditures of the program are recorded as assets or liabilities, respectively. At June 30, 2016, \$8,216,739 was due from other governmental agencies.

The District has entered into several construction agreements that involve reimbursement from the federal government for a portion of the District's expenses associated with those construction projects. At June 30, 2016, the District had receivables due from the federal government in the amount of \$838,600.

7. CAPITAL ASSETS

The following is a summary of the capital assets of the governmental funds. In the government-wide financial statements, these amounts are included in the Statement of Net Position. These amounts are not reported in the governmental fund financial statements.

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Not depreciated				
Land	\$ 81,196,776	\$ 2,292,361	\$ (1,884,626)	\$ 81,604,511
Construction in progress	<u>18,738,545</u>	<u>13,149,895</u>	<u>(11,910,954)</u>	<u>19,977,486</u>
	<u>99,935,321</u>	<u>15,442,256</u>	<u>(13,795,580)</u>	<u>101,581,997</u>
Depreciated				
Capital improvements and infrastructure	162,886,848	12,219,276	-	175,106,124
Buildings and improvements	6,915,764	185,647	-	7,101,411
Vehicles and equipment	<u>4,446,142</u>	<u>271,883</u>	<u>(146,816)</u>	<u>4,571,209</u>
	174,248,754	12,676,806	(146,816)	186,778,744
Less accumulated depreciation	<u>(71,540,876)</u>	<u>(5,178,823)</u>	<u>109,850</u>	<u>(76,609,849)</u>
	<u>102,707,878</u>	<u>7,497,983</u>	<u>(36,966)</u>	<u>110,168,895</u>
	<u>\$ 202,643,199</u>	<u>\$ 22,940,238</u>	<u>\$ (13,832,546)</u>	<u>\$ 211,750,892</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

7. CAPITAL ASSETS, CONTINUED

The governmental funds allocated depreciation expense in the government-wide financial statements to the primary government functions as follows:

General administration	\$ 323,695
Flood control	2,921,395
Recreation	<u>1,933,733</u>
Total depreciation expense	<u>\$ 5,178,823</u>

The following is a summary of the capital assets of the Proprietary Funds:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Not depreciated				
Land	\$ 214,215	\$ -	\$ -	\$ 214,215
Construction in Progress	<u>44,801</u>	<u>384,655</u>	<u>-</u>	<u>429,456</u>
	<u>259,016</u>	<u>384,655</u>	<u>-</u>	<u>643,671</u>
Depreciated				
Capital improvements and infrastructure	9,567,799	53,762	-	9,621,561
Vehicles and equipment	<u>122,080</u>	<u>-</u>	<u>-</u>	<u>122,080</u>
	9,689,879	53,762	-	9,743,641
Less accumulated depreciation	<u>(2,101,566)</u>	<u>(120,884)</u>	<u>-</u>	<u>(2,222,450)</u>
	<u>7,588,313</u>	<u>(67,122)</u>	<u>-</u>	<u>7,521,191</u>
	<u>\$ 7,847,329</u>	<u>\$ 299,562</u>	<u>\$ -</u>	<u>\$ 8,164,862</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. LONG-TERM LIABILITIES

General Fund Long-Term Debt:

The following is a summary of the long-term debt for the year ended June 30, 2016. In the government-wide financial statements, this amount is included in the Statement of Net Position. This amount is not reported in the governmental fund statements.

<u>Fund</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Interest Rates</u>	<u>Principal Balance</u>
General	December 2032	Annually	2.00% to 4.00%	\$ 14,010,000
General	December 2033	Semi-Annual	2.50% to 5.00%	40,750,000
General	June 2031	Semi-Annual	0.045% to 4.8%	<u>10,440,000</u>
				<u>\$ 65,200,000</u>

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Flood Protection and Water Quality Enhancement Bonds - 2013	14,610,000	-	(600,000)	14,010,000	615,000
Flood Protection and Water Quality Enhancement Bonds - 2013	41,330,000	-	(580,000)	40,750,000	720,000
Flood Protection and Water Quality Enhancement Refunding Bonds - 2015	11,055,000	-	(615,000)	10,440,000	580,000
Note Payable American National Bank	406,233	-	(406,233)	-	-
CAT Financial	<u>35,569</u>	<u>-</u>	<u>(35,569)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 67,436,802</u>	<u>\$ -</u>	<u>\$ (2,236,802)</u>	<u>\$ 65,200,000</u>	<u>\$1,915,000</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. LONG-TERM LIABILITIES, CONTINUED

Proprietary Funds Long-term Debt:

<u>Fund</u>	<u>Series</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Payment Ranges</u>	<u>Interest Rates</u>	<u>Principal Balance</u>
Washington Rural Water	2011A	June 2032	Annual	\$45,000 to \$295,000	2.80%-5.00%	\$ 1,200,000
Washington Rural Water	2013	June 2017	Monthly	\$19,000 to \$506,000	4.12%	506,854
Thurston Rural Water	1982	December 2022	Annual	Based on water fees	5.00%	129,578
Thurston Rural Water	1993	February 2033	Annual	Based on water fees	5.63%	171,105
Total long-term debt						<u>\$ 2,007,537</u>

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable:					
Water Project Refunding Revenue Bonds-2011A	\$ 1,245,000	\$ -	\$ (45,000)	\$ 1,200,000	\$ 45,000
Water Project Refunding Revenue Bonds-2014	528,329	-	(121,475)	506,854	506,854
Notes Payable					
Capmark Finance	148,492	-	(18,914)	129,578	19,842
Rural Economic and Community Development	<u>177,107</u>	<u>-</u>	<u>(6,002)</u>	<u>171,105</u>	<u>6,338</u>
Business-type Activities Long-term Liabilities	<u>\$ 2,098,928</u>	<u>\$ -</u>	<u>\$ (91,391)</u>	<u>\$ 2,007,537</u>	<u>\$ 578,034</u>

The annual principal and interest requirements to maturity for long-term debt as of June 30, 2016 follows:

<u>Year(s) ending June 30.</u>	<u>General Fund</u>		<u>Proprietary Funds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,915,000	\$ 2,544,004	\$ 578,034	\$ 88,900	\$ 2,493,034	\$ 2,632,904
2018	2,045,000	2,489,639	77,529	65,559	2,122,529	2,555,198
2019	2,195,000	2,426,611	78,947	62,741	2,273,947	2,489,352
2020	2,340,000	2,354,309	80,439	59,599	2,420,439	2,413,908
2021	2,500,000	2,279,284	87,007	56,381	2,587,007	2,335,665
2022-2026	15,605,000	9,593,246	361,562	232,377	15,966,562	9,825,623
2027-2031	21,895,000	5,664,741	431,297	145,467	22,326,297	5,810,208
2032-2036	<u>16,705,000</u>	<u>1,068,250</u>	<u>312,722</u>	<u>16,558</u>	<u>17,017,722</u>	<u>1,084,808</u>
	<u>\$ 65,200,000</u>	<u>\$ 28,420,084</u>	<u>\$ 2,007,537</u>	<u>\$ 727,582</u>	<u>\$ 67,207,537</u>	<u>\$ 29,147,666</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The District has identified fund balances on the Balance Sheet-Governmental Fund as of June 30, 2016 as follows:

Nonspendable		
Prepaid expenses		\$ 274,366
Restricted		
Bond escrow		9,126,332
Committed		
Wetland mitigation	\$ 5,446	
Watershed fees	3,943,929	
Ice jam	117,531	
Lower Platte weed	<u>7,256</u>	
Total committed		4,074,162
Assigned		
Uninsured liability		50,000
Unassigned		<u>26,056,234</u>
Total fund balance		<u>\$ 39,581,094</u>

10. ACCUMULATED UNPAID ANNUAL LEAVE AND SICK PAY

The estimated current portion of the liability for vested vacation benefits and sick leave is \$125,136 and \$28,237 at June 30, 2016, respectively. These amounts are recorded as expenditures and liabilities in the General Fund in both the government-wide and fund financial statements. The long-term portion is \$230,678 and \$316,372, respectively, at June 30, 2016. These amounts are recorded as non-current liabilities in the government-wide Statement of Net Position and are not recorded in the governmental fund financial statements. The amount of unvested sick leave benefits payable amounts to \$1,033,825 at June 30, 2016, and is not reported as an expenditure or liability in any of the District's June 30, 2016 financial statements.

The change in compensated absences for the year ended June 30, 2016 was as follows:

Governmental-type Activity:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 658,273</u>	<u>\$ 42,150</u>	<u>\$ -</u>	<u>\$ 700,423</u>	<u>\$ 153,373</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

11. OPERATING LEASE

The District entered into a leasing agreement for copy machines in September 2011. The District pays \$680 per month plus applicable taxes for the 60-month copier lease as well as a charge per copy that is paid quarterly. During fiscal year 2016, the District's operating lease expense was \$8,160. Following is a schedule of the future minimum lease payments.

<u>Year ending June 30,:</u>	<u>Amount</u>
2017	8,160
2018	8,160
2019	8,160
2020	2,040

12. EMPLOYEES' RETIREMENT PLAN

All of the District's eligible employees participate in the Nebraska Association of Resources Districts Employees' Governmental Retirement Plan, a statewide multiple-employer retirement system covering all eligible employees of Natural Resources Districts within the State of Nebraska. The plan is a qualified defined contribution plan under applicable IRS and DOL regulations.

All employees who are employed for a minimum of six months, are regularly scheduled to work at least thirty-seven and one-half hours per week, and are age nineteen or older are eligible to participate in the State retirement plan. The District requires all full-time employees to participate. Participants become fully vested after five years, which is applicable only to the employer's contribution, at a rate of 20% at the end of each year.

Plan participants are required to contribute 5.5% of their compensation each pay period, and the District is required to contribute 6.0% of the employee's compensation for each pay period. The District's contributions for the year ended June 30, 2016 were \$185,607, which were the required contributions. Plan forfeitures, if any, are allocated to the other active participants in the plan.

13. COMMITMENTS AND CONTINGENCIES

The District has committed future funds to several ongoing and new projects and cost share agreements. The total commitments under signed contracts at year-end were approximately \$18,400,000. Since the future expenditures will be included in the District's future budgets and are part of the District's function, these commitments have not been recorded in the District's financial statements.

The District engages in land development projects and occasionally invokes eminent domain to acquire the required land to undertake the project. The value of the land acquired by the District when eminent domain is invoked is determined by either a board of appraisers in the affected county, or through the judiciary. The amount of payments that may be required for land, if any, is unknown at June 30, 2016.

The District participates in various federal and state assisted grant and contract programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any revision or disallowance resulting from a federal or state audit may become a liability of the District. The District's management believes such revisions or disallowances, if any, will not be material to the accompanying financial statements.

PAPPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

13. COMMITMENTS AND CONTINGENCIES, CONTINUED

Certain conditions may exist as of the date of the financial statements which may result in a loss to the District, but which will only be resolved when one or more future events occur or fail to occur. The District's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the District or unasserted claims that may result in such proceedings, the District's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. At June 30, 2016, a reasonable estimate could not be determined for any potential loss contingencies.

14. FIDUCIARY FUND: PAPILLION CREEK WATERSHED PARTNERSHIP

The Papillion Creek Watershed Partnership ("PCWP") was created in 2001 through an inter-local agreement to proactively deal with the demands on the Papillion Creek drainage area and to develop an implementation plan that addresses solutions to water quantity and quality problems. The Papillion Creek Watershed consists of the land area that conveys water to the Missouri River. The PCWP is comprised of 9 local governments that are wholly or partially in the Papillion Creek Watershed. These local governments fund engineering studies, but do not do any actual construction projects. The District is the administering agent.

15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. These risks are transferred to independent insurance carriers and no self-insurance program is maintained by the District. District management believes adequate coverage exists for potential exposures as of June 30, 2016. The District did not pay any settlement amounts, which exceeded its insurance coverage for the year ending June 30, 2016, 2015 or 2014.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
ACTUAL AND BUDGET (BUDGETARY BASIS)
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Actual	Budget		Variance
		Original	Final	Favorable (Unfavorable)
REVENUES:				
General administration	\$ 20,708,667	\$ 21,969,461	\$ 21,969,461	\$ (1,260,794)
Watershed	3,686,613	4,700,500	4,700,500	(1,013,887)
Information and education	7,580	7,000	7,000	580
Flood control	1,276,951	8,166,755	8,166,755	(6,889,804)
Erosion control	3,417,987	3,659,849	3,659,849	(241,862)
Water quality	210,653	411,200	411,200	(200,547)
Recreation	182,355	307,000	307,000	(124,645)
Forestry and wildlife	2	1,602,005	1,602,005	(1,602,003)
Total revenues	<u>29,490,808</u>	<u>40,823,770</u>	<u>40,823,770</u>	<u>(11,332,962)</u>
EXPENDITURES:				
General administration	10,071,780	11,213,947	11,213,947	1,142,167
Watershed	12,493,431	28,302,778	28,302,778	15,809,347
Information and education	196,422	253,800	253,800	57,378
Flood control	5,491,790	15,066,379	15,066,379	9,574,589
Erosion control	2,649,914	\$3,422,212	3,422,212	772,298
Water quality	933,364	1,089,791	1,089,791	156,427
Recreation	3,229,705	6,301,770	6,301,770	3,072,065
Forestry and wildlife	355,517	2,387,500	2,387,500	2,031,983
Total expenditures	<u>35,421,923</u>	<u>68,038,177</u>	<u>68,038,177</u>	<u>32,616,254</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS) AND OTHER SOURCES	<u>\$ (5,931,115)</u>	<u>\$ (27,214,407)</u>	<u>\$ (27,214,407)</u>	<u>\$ 21,283,292</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:				
To adjust revenues for accruals	\$ 4,607,572			
To adjust expenditures for accruals and prepaids	<u>1,709,848</u>			
MODIFIED ACCRUAL BASIS INCREASE IN FUND BALANCE	<u>\$ 386,305</u>			

See Accompanying Notes to Budgetary Comparison Schedule.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – BASIS OF ACCOUNTING

The accompanying budgetary comparison schedule is presented on the modified cash basis of accounting accepted or approved by the State of Nebraska. Under this basis of accounting, encumbered cash is considered an expenditure and is reported as a disbursement in the year the cash is encumbered.

NOTE 2 – BUDGET LAW

The District is required by state law to hold public hearings and adopt annual budgets for all funds on the cash basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. Any revisions to the adopted budget of total expenditures to any fund require a public hearing.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF FUNCTIONAL REVENUES AND EXPENDITURES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES:

Federal grants	\$ 1,357,488
Interest income	11,667
Local agency grants	4,468,140
Miscellaneous income	149,092
Property tax	21,729,283
Rental income	221,081
State grants	4,186,449
Sale of asset	2,065,869
Total revenues	<u>34,189,070</u>

EXPENDITURES:

Board of directors	57,714
Contract work	1,054,311
Cost-sharing and conservation assistance	5,224,314
Debt principal payments	2,203,987
Employee benefits	835,646
Fees	259,416
Indirect cost reimbursement	(418,094)
Information and education	75,935
Insurance	286,315
Interest expense	2,597,234
Machinery and equipment	208,997
Miscellaneous	1,417
Payroll taxes	244,807
Personnel	3,304,368
Printing and publications	56,292
Professional services	3,596,492
Project construction and land	12,246,156
Project legal costs	274,134
Project operation and maintenance	261,886
Repairs and maintenance	400,666
Special projects	299,303
Supplies and postage	170,581
Telephone, utilities, and rent	171,388
Travel	43,424
Uncollectible grants	28,763
Vehicle expense	317,312
Total expenditures	<u>33,802,765</u>

REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u><u>\$ 386,305</u></u>
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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
ACTUAL AND BUDGET
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Total (Memorandum Only)			Washington Rural Water			Non-Major Proprietary Funds		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES:									
Water sales	\$ 1,017,857	\$ 975,000	\$ 975,000	\$ 584,519	\$ 555,000	\$ 555,000	\$ 433,338	\$ 420,000	\$ 420,000
Customer charges and hookup fees	157,356	84,050	84,050	142,096	66,750	66,750	15,260	17,300	17,300
Miscellaneous	393,914	1,700	1,700	698	1,200	1,200	393,216	500	500
Total operating revenues	<u>1,569,127</u>	<u>1,060,750</u>	<u>1,060,750</u>	<u>727,313</u>	<u>622,950</u>	<u>622,950</u>	<u>841,814</u>	<u>437,800</u>	<u>437,800</u>
OPERATING EXPENSES:									
Repairs and maintenance	9,797	12,200	12,200	6,779	2,500	2,500	3,018	9,700	9,700
Supplies and postage	19,341	16,250	16,250	9,302	7,400	7,400	10,039	8,850	8,850
Professional services	94,748	63,000	58,000	86,926	37,500	37,500	7,822	25,500	20,500
Personnel	412,940	471,500	471,500	206,840	217,000	217,000	206,100	254,500	254,500
Telephone, utilities and rent	24,089	22,050	21,750	12,071	9,500	9,200	12,018	12,550	12,550
Miscellaneous	2,503	9,985	9,985	774	7,675	7,675	1,729	2,310	2,310
Water purchase	250,801	257,000	257,000	161,939	169,500	169,500	88,862	87,500	87,500
Contract costs	208,560	192,500	192,500	124,059	99,500	99,500	84,501	93,000	93,000
Project construction and land	973	2,200	2,200	89	200	200	884	2,000	2,000
Project operation and maintenance	-	6,000	6,000	-	-	-	-	6,000	6,000
Depreciation and amortization	120,884	-	-	78,588	-	-	42,296	-	-
Vehicle expense	6,340	18,000	18,000	-	10,500	10,500	6,340	7,500	7,500
Bond expenditures	-	100,759	100,759	-	66,759	66,759	-	34,000	34,000
Negotiated settlement	75,000	-	-	75,000	-	-	-	-	-
Other	-	1,400	1,400	-	600	600	-	800	800
Total operating expense	<u>1,225,976</u>	<u>1,172,844</u>	<u>1,167,544</u>	<u>762,367</u>	<u>628,634</u>	<u>628,334</u>	<u>463,609</u>	<u>544,210</u>	<u>539,210</u>
OPERATING INCOME (LOSS)	<u>343,151</u>	<u>(112,094)</u>	<u>(106,794)</u>	<u>(35,054)</u>	<u>(5,684)</u>	<u>(5,384)</u>	<u>378,205</u>	<u>(106,410)</u>	<u>(101,410)</u>
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	84,830	80,000	80,000	-	-	-	84,830	80,000	80,000
Interest income	5,337	2,065	2,065	2,296	850	850	3,041	1,215	1,215
Interest expense	(92,406)	(84,233)	(84,233)	(75,265)	(75,033)	(75,033)	(17,141)	(9,200)	(9,200)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income (expense)	<u>(2,239)</u>	<u>(2,168)</u>	<u>(2,168)</u>	<u>(72,969)</u>	<u>(74,183)</u>	<u>(74,183)</u>	<u>70,730</u>	<u>72,015</u>	<u>72,015</u>
CHANGE IN NET POSITION	<u>340,912</u>	<u>\$ (114,262)</u>	<u>\$ (108,962)</u>	<u>(108,023)</u>	<u>\$ (79,867)</u>	<u>\$ (79,567)</u>	<u>448,935</u>	<u>\$ (34,395)</u>	<u>\$ (29,395)</u>
NET POSITION - BEGINNING OF YEAR	<u>7,664,968</u>			<u>5,035,810</u>			<u>2,629,158</u>		
NET POSITION - END OF YEAR	<u>\$ 8,005,880</u>			<u>\$ 4,927,787</u>			<u>\$ 3,078,093</u>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**COMBINING STATEMENT OF NET POSITION
NON-MAJOR - PROPRIETARY FUNDS
JUNE 30, 2016**

ASSETS	Total	Elkhorn River Stabilization	Elk/Pigeon Creek Drainage	Western Sarpy Drainage	Elkhorn Breakout	Dakota Rural Water	Thurston County Rural Water
CURRENT ASSETS:							
Cash and cash equivalents	\$ 614,021	\$ 178,212	\$ 41,658	\$ 129,918	\$ 6,623	\$ 190,565	\$ 67,045
Certificates of deposit	371,284	-	-	-	-	371,284	-
Service receivables	44,026	-	-	-	95	32,133	11,798
Interest receivable	435	-	-	-	-	390	45
Intergovernmental receivables	42,015	-	-	-	-	-	42,015
Inventories	29,301	-	-	-	-	26,854	2,447
Total current assets	<u>1,101,082</u>	<u>178,212</u>	<u>41,658</u>	<u>129,918</u>	<u>6,718</u>	<u>621,226</u>	<u>123,350</u>
NON-CURRENT ASSETS:							
Restricted certificates of deposit	43,008	-	-	-	-	-	43,008
Capital assets							
Land	213,215	-	211,215	-	-	1,000	1,000
Construction in progress	411,484	-	-	-	-	-	411,484
Capital improvements and infrastructure	2,729,992	-	-	-	-	1,771,117	958,875
Vehicles and equipment	57,459	-	-	-	-	57,459	-
Accumulated depreciation	(990,175)	-	-	-	-	(676,327)	(313,848)
Total capital assets	<u>2,421,975</u>	<u>-</u>	<u>211,215</u>	<u>-</u>	<u>-</u>	<u>1,153,249</u>	<u>1,057,511</u>
Total non-current assets	<u>2,464,983</u>	<u>-</u>	<u>211,215</u>	<u>-</u>	<u>-</u>	<u>1,153,249</u>	<u>1,100,519</u>
	<u>\$ 3,566,065</u>	<u>\$ 178,212</u>	<u>\$ 252,873</u>	<u>\$ 129,918</u>	<u>\$ 6,718</u>	<u>\$ 1,774,475</u>	<u>\$ 1,223,869</u>
LIABILITIES AND NET POSITION							
CURRENT LIABILITIES:							
Accounts payable	\$ 20,382	\$ -	\$ -	\$ 868	\$ -	\$ 15,460	\$ 4,054
Accrued expenses	12,132	-	-	-	-	1,685	10,447
Due to other funds	154,775	2,447	56,538	19,545	-	27,826	48,419
Current portion of long-term debt	26,189	-	-	-	-	-	26,189
Total current liabilities	<u>213,478</u>	<u>2,447</u>	<u>56,538</u>	<u>20,413</u>	<u>-</u>	<u>44,971</u>	<u>89,109</u>
NON-CURRENT LIABILITIES:							
Long-term debt, less current portion	<u>274,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,494</u>
Total liabilities	<u>487,972</u>	<u>2,447</u>	<u>56,538</u>	<u>20,413</u>	<u>-</u>	<u>44,971</u>	<u>363,603</u>
NET POSITION:							
Invested in capital assets, net of related debt	2,121,292	-	211,215	-	-	1,153,249	756,828
Restricted	43,008	-	-	-	-	-	43,008
Unrestricted (deficit)	913,793	175,765	(14,880)	109,505	6,718	576,255	60,430
Total net position	<u>3,078,093</u>	<u>175,765</u>	<u>196,335</u>	<u>109,505</u>	<u>6,718</u>	<u>1,729,504</u>	<u>860,266</u>
	<u>\$ 3,566,065</u>	<u>\$ 178,212</u>	<u>\$ 252,873</u>	<u>\$ 129,918</u>	<u>\$ 6,718</u>	<u>\$ 1,774,475</u>	<u>\$ 1,223,869</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
NON-MAJOR - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Total			Elkhorn River Stabilization			Elk/Pigeon Creek Drainage		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES:									
Water sales	\$ 433,338	\$ 420,000	\$ 420,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	15,260	17,300	17,300	-	-	-	-	-	-
Miscellaneous	393,216	500	500	-	-	-	-	-	-
Total operating revenues	841,814	437,800	437,800	-	-	-	-	-	-
OPERATING EXPENSES:									
Repairs and maintenance	3,018	9,700	9,700	-	-	-	-	-	-
Supplies and postage	10,039	8,850	8,850	-	-	-	-	-	-
Professional services	7,822	25,500	20,500	-	5,000	5,000	-	-	-
Personnel	206,100	254,500	254,500	272	7,000	7,000	2,166	2,500	2,500
Telephone, utilities and rent	12,018	12,550	12,550	-	-	-	-	-	-
Miscellaneous	1,729	2,310	2,310	-	-	-	-	-	-
Water purchase	88,862	87,500	87,500	-	-	-	-	-	-
Contract costs	84,501	93,000	93,000	-	-	-	5,300	2,500	2,500
Project construction and land	884	2,000	2,000	-	-	-	-	-	-
Project operation and maintenance	-	6,000	6,000	-	5,000	5,000	-	-	-
Depreciation and amortization	42,296	-	-	-	-	-	-	-	-
Vehicle expense	6,340	7,500	7,500	-	-	-	-	-	-
Other	-	800	800	-	-	-	-	-	-
Total operating expenses	463,609	544,210	539,210	272	17,000	17,000	7,466	5,000	5,000
OPERATING INCOME (LOSS)	378,205	(106,410)	(101,410)	(272)	(17,000)	(17,000)	(7,466)	(5,000)	(5,000)
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	84,830	80,000	80,000	19,834	20,000	20,000	46,452	45,000	45,000
Interest income	3,041	1,215	1,215	73	100	100	7	15	15
Interest expense	(17,141)	(9,200)	(9,200)	-	-	-	-	-	-
Total non-operating income	70,730	72,015	72,015	19,907	20,100	20,100	46,459	45,015	45,015
CHANGE IN NET POSITION	448,935	\$ (34,395)	\$ (29,395)	19,635	\$ 3,100	\$ 3,100	38,993	\$ 40,015	\$ 40,015
NET POSITION - BEGINNING OF YEAR	2,629,158			156,130			157,342		
NET POSITION - END OF YEAR	\$ 3,078,093			\$ 175,765			\$ 196,335		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
NON-MAJOR - PROPRIETARY FUNDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

	Western Sarpy Drainage			Elkhorn Breakout			Dakota Rural Water		
	Budget			Budget			Budget		
	Actual	Original	Final	Actual	Original	Final	Actual	Original	Final
OPERATING REVENUES:									
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,213	\$ 300,000	\$ 300,000
Customer charges and hookup fees	-	-	-	-	-	-	12,624	15,800	15,800
Miscellaneous	-	-	-	-	-	-	481	500	500
Total operating revenues	-	-	-	-	-	-	307,318	316,300	316,300
OPERATING EXPENSES:									
Repairs and maintenance	-	-	-	-	-	-	2,977	9,000	9,000
Supplies and postage	-	-	-	-	-	-	8,415	7,750	7,750
Professional services	4,559	10,000	5,000	-	-	-	2,171	9,000	9,000
Personnel	19,546	30,000	30,000	-	-	-	148,613	175,000	175,000
Telephone, utilities and rent	-	-	-	-	-	-	4,059	4,850	4,850
Miscellaneous	-	-	-	-	-	-	1,249	1,800	1,800
Water purchase	-	-	-	-	-	-	55,864	60,000	60,000
Contract costs	7,600	10,000	10,000	-	-	-	60,575	65,000	65,000
Project construction and land	-	1,000	1,000	-	-	-	884	1,000	1,000
Project operation and maintenance	-	1,000	1,000	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	32,640	-	-
Vehicle expense	-	-	-	-	-	-	6,340	7,500	7,500
Other	-	-	-	-	-	-	-	500	500
Total operating expenses	31,705	52,000	47,000	-	-	-	323,787	341,400	341,400
OPERATING INCOME (LOSS)	(31,705)	(52,000)	(47,000)	-	-	-	(16,469)	(25,100)	(25,100)
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	18,544	15,000	15,000	-	-	-	-	-	-
Interest income	58	150	150	3	-	-	2,718	900	900
Total non-operating income (expense)	18,602	15,150	15,150	3	-	-	2,718	900	900
CHANGE IN NET POSITION	(13,103)	\$ (36,850)	\$ (31,850)	3	\$ -	\$ -	(13,751)	\$ (24,200)	\$ (24,200)
NET POSITION - BEGINNING OF YEAR	122,608			6,715			1,743,255		
NET POSITION - END OF YEAR	\$ 109,505			\$ 6,718			\$ 1,729,504		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN
NET POSITION NON-MAJOR - PROPRIETARY FUNDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

	Thurston County Rural Water		
	Actual	Budget	
		Original	Final
OPERATING REVENUES:			
Water sales	\$ 139,125	\$ 120,000	\$ 120,000
Customer charges and hookup fees	2,636	1,500	1,500
Miscellaneous	392,735	-	-
Total operating revenues	<u>534,496</u>	<u>121,500</u>	<u>121,500</u>
OPERATING EXPENSES:			
Repairs and maintenance	41	700	700
Supplies and postage	1,624	1,100	1,100
Professional services	1,092	1,500	1,500
Personnel	35,503	40,000	40,000
Telephone, utilities and rent	7,959	7,700	7,700
Miscellaneous	480	510	510
Water purchase	32,998	27,500	27,500
Contract costs	11,026	15,500	15,500
Depreciation and amortization	9,656	-	-
Bond expenditures	-	34,000	34,000
Other	-	300	300
Total operating expenses	<u>100,379</u>	<u>128,810</u>	<u>128,810</u>
OPERATING INCOME (LOSS)	<u>434,117</u>	<u>(7,310)</u>	<u>(7,310)</u>
NON-OPERATING INCOME (EXPENSE):			
Interest income	182	50	50
Interest expense	(17,141)	(9,200)	(9,200)
Total non-operating income (expense)	<u>(16,959)</u>	<u>(9,150)</u>	<u>(9,150)</u>
CHANGE IN NET POSITION	417,158	\$ (16,460)	\$ (16,460)
NET POSITION - BEGINNING OF YEAR	<u>443,108</u>		
NET POSITION - END OF YEAR	<u>\$ 860,266</u>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF CERTIFICATE OF DEPOSIT
GOVERNMENTAL FUND
JUNE 30, 2016**

	<u>Cost</u>	<u>Interest Rate</u>
General fund		
Certificate of deposit		
Great Western Bank	\$ <u>50,000</u>	0.20%
General fund - unrestricted, but reserved investments	\$ <u>50,000</u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF CERTIFICATES OF DEPOSIT
PROPRIETARY FUNDS
JUNE 30, 2016**

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary funds		
Certificates of deposit		
Dakota County		
Access Bank	\$ 102,830	1.00%
Access Bank	102,471	1.24%
Nebraska-Iowa State Bank	65,983	0.35%
Siouxland National Bank	<u>100,000</u>	0.50%
	<u>371,284</u>	
Washington County		
American National Bank	200,000	0.10%
Core Bank	100,000	0.40%
United Republic Bank	101,513	0.25%
United Republic Bank	102,193	0.50%
Premier Bank	<u>202,201</u>	0.50%
	<u>705,907</u>	
Thurston County		
Premier Bank	<u>43,008</u>	0.50%
	<u>43,008</u>	
Total	<u>\$ 1,120,199</u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF INSURANCE POLICIES AND BONDS JUNE 30, 2016

REAL AND PERSONAL PROPERTY

Real & Personal property; total limit \$16,780,930; deductible/\$5,000; Equipment Floater/\$184,708 on Miscellaneous Equipment with \$10,000 max on any one item; Scheduled Equipment \$2,394,275 with deductible/\$5,000; Flood coverage/\$1,000,000 with deductible/\$5,000; Earthquake and earth movement limit/\$1,000,000 with deductible/\$5,000.

GENERAL LIABILITY

Medical payments/\$10,000; Personal injury and advertising injury/\$1,000,000; Wrongful acts/\$1,000,000 with deductible/\$10,000; Employee benefits liability/\$1,000,000; Professional liability/\$1,000,000; Employment-related practices injury/\$1,000,000 with deductible/\$10,000; Damage to premises rented to you/\$1,000,000; bodily injury and property damage \$1,000,000 per occurrence, \$3,000,000 general aggregate.

COMMERCIAL AUTOMOBILE

Each accident/\$1,000,000; Medical payments/\$5,000; Uninsured and underinsured motorists/\$1,000,000; Collision deductible/\$500.

AIRCRAFT

Single limit, including passengers/\$10,000,000.

WORKERS' COMPENSATION

Bodily injury by accident/\$500,000; Bodily injury by disease/\$500,000.

EMPLOYEE DISHONESTY BONDS

Public employees/\$100,000; with the exception of one \$15,000 Notary Bond. Forgery/\$250,000 with deductible/\$500; Computer fraud/\$100,000 with deductible/\$500; Theft, disappearance, and destruction/\$250,000 with deductible/\$500.

COMMERCIAL EXCESS COVERAGE

Combined bodily injury and property damage/\$10,000,000.

PUBLIC OFFICIAL

Wrongful acts / \$1,000,000 each; \$3,000,000 aggregate; \$10,000 deductible.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF TAXES RECEIVABLE
GOVERNMENTAL FUND
JUNE 30, 2016**

COUNTY

Douglas	\$ 4,867,132
Sarpy	2,913,612
Washington	520,819
Dakota	425,011
Burt	99,817
Thurston	79,358
Dodge	<u>324</u>
	<u>\$ 8,906,073</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF CASH BALANCES HELD BY COUNTY TREASURERS
JUNE 30, 2016

GENERAL FUND

Douglas	\$	346,851
Sarpy		84,920
Washington		8,259
Dakota		5,734
Burt		2,085
Thurston		1,048
Dodge		<u>1,446</u>
	\$	<u>450,343</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**INFORMATION REQUIRED BY SECTION 2-3223, N.R.S - 1975
FOR THE YEAR ENDED JUNE 30, 2016**

Gross income from all sources	<u>\$ 34,397,974</u>
Amount expended for	
Maintenance	\$ 4,217,161
Improvements and other such programs	<u>14,436,254</u>
Total maintenance and improvements	<u>\$ 18,653,416</u>
Amount of depreciation on property during previous year	<u>\$ 5,299,707</u>
Number of employees as of June 30, 2016	<u>54</u>
Gross salaries	\$ 3,329,789
Less amount reimbursed by projects	<u>(377,189)</u>
Net salaries paid to employees	<u>\$ 2,932,751</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Program</u>	<u>Pass-through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Contract Amount</u>	<u>Expenditures</u>
U.S. Department of Agriculture				
Passed through Natural Resources Conservation Service Watershed Protection and Flood Prevention Act	69-8526-4-866	10.916	\$ 59,250	\$ 55,996
U.S. Department of Homeland Security				
Passed through the Nebraska Emergency Management Agency				
Disaster Grants - Public Assistance	DR-4013-NE-0032	97.039	2,030,480	220,150
Disaster Grants - Public Assistance	DR-1924-NE-0036	97.039	1,428,076	156,994
Pre-Disaster Mitigation	PDM-C - 0006	97.047	112,500	75,192
U.S. Environmental Protection Agency				
Passed through the Nebraska Department of Environmental Quality				
Nonpoint Source Implementation Grants 319 Program**	56-1281	66.460	278,400	125,405
Nonpoint Source Implementation Grants 319 Program**	2015-43352679	66.460	190,000	<u>128,765</u>
Total				<u>\$ 762,502</u>

** Major Program

See Notes to the Schedule of Expenditures of Federal Awards.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Papio-Missouri River Natural Resources District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE B – PASS-THROUGH AWARDS

The District receives certain federal awards in the form of pass-through awards from the State of Nebraska and other various agencies. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

NOTE C – CONTINGENCIES

The District receives funds under various federal grant programs and such assistance is to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies, which may impose sanctions in the event of non-compliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

November 4, 2016

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

Board of Directors
Papio-Missouri River Natural Resources District
Omaha, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Papio-Missouri River Natural Resources District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

DRAFT
HSMC ORIZON LLC

November 4, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

Board of Directors
Papio-Missouri River Natural Resources District
Omaha, Nebraska

Report on Compliance for Each Major Federal Program

We have audited Papio-Missouri River Natural Resources District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal award applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DRAFT
HSMC ORIZON LLC

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION 1. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: Yes _____ No X

Significant deficiency(ies) identified that are not considered to be a material weakness(es): None Reported

Noncompliance material to the financial statements noted: Yes _____ No X

MAJOR FEDERAL AWARD PROGRAM AUDIT

Internal control over major programs:

Material weakness(es) identified: Yes _____ No X

Significant deficiency(ies) identified that are not considered to be a material weakness(es): None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Audit findings disclosed that are required to be reported in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Section 2 CFR 200.516(a)*: Yes _____ No X

The major program tested for compliance was the Nonpoint Source Implementation Grants 319 Program (CFDA No. 66.460)

Threshold used for distinguishing between Type A and B program: \$750,000

Is the Papio-Missouri River Natural Resources District considered to be a low-risk auditee: Yes X No _____

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

SECTION 2. FINDINGS – FINANCIAL STATEMENT AUDIT

None reported.

SECTION 3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENT AUDIT

No material weaknesses or findings and questioned costs were noted during the prior year.

MAJOR FEDERAL AWARD PROGRAM AUDIT

No material weaknesses or findings and questioned costs were noted during the prior year.