

DRAFT

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
FINANCIAL STATEMENTS
WITH
SUPPLEMENTAL INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2017

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	3-9
BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	10
Statement of Activities	11
<i>Governmental Fund Financial Statements</i>	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Change in Fund Balance	14
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	15
<i>Proprietary Funds Financial Statements</i>	
Statement of Net Position	16
Statement of Revenues, Expenses, and Change in Net Position	17
Statement of Cash Flows	18
<i>Fiduciary Funds Financial Statements</i>	
Statement of Fiduciary Net Position	19
Statement of Changes in Net Position	20
Notes to Financial Statements	21-38
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Change in Fund Balance – Actual and Budget (Budgetary Basis) – Governmental Fund	39
Notes to Budgetary Comparison Schedule	40
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Functional Revenues and Expenditures	41
Schedule of Revenues, Expenses, and Change in Net Position – Actual and Budget – Proprietary Funds	42
Combining Statement of Net Position – Non-major – Proprietary Funds	43
Combining Statement of Revenues, Expenses, and Changes in Net Position – Non-major – Proprietary Funds	44-46

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

TABLE OF CONTENTS, CONTINUED

	<u>Page</u>
Schedule of Certificate of Deposit – Governmental Fund	47
Schedule of Certificates of Deposit – Proprietary Funds	48
Schedule of Insurance Policies and Bonds	49
Schedule of Taxes Receivable – Governmental Fund	50
Schedule of Cash Balances Held by County Treasurers	51
Information Required by Section 2-3223, N.R.S. – 1975	52
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	53-54
Schedule of Findings and Responses	55

November 3, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2017, 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 39–40 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 41–52, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and has 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 also issued our report dated November 3, 2017 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, 2017

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, 2017. 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 \$10,989,759, which is a 5.7% increase in total net position.
- Total governmental activities net position are comprised of the following:
 - 1) Net investment in capital assets of \$163,679,976. 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 \$165,919. 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 \$31,883,003. 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 \$32,100,252. This is a decrease of \$22,949 from last year's revenues of \$32,123,201.
- The net increase in capital assets was \$19,030,895 to a total of \$238,946,649.
- Total long-term debt of the District decreased from \$67,207,537 to 66,359,177 during the fiscal year. Long-term debt from business-type activities increased by \$232,037 to \$2,239,574, due to a loan from the Nebraska Department of Environmental Quality funding a pipeline extension for Washington County Rural Water.

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017

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.

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 three 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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017

Fund Financial Statements, Continued

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.

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 funds are 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 both the Papillion Creek Watershed Partnership and the Southern Sarpy Watershed Partnership. Both are comprised of local governments that have entered into interlocal agreements to fund engineering studies addressing water quantity and quality issues in their respective drainage areas.

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 YEAR ENDED JUNE 30, 2017

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	
	2017	2016	2017	2016
Current and other assets	\$37,192,657	\$ 44,851,284	\$ 1,970,550	\$ 1,989,487
Capital assets, net of accumulated depreciation	230,317,537	211,750,892	8,629,112	8,164,862
Total assets	267,510,194	256,602,176	10,599,662	10,154,349
Current liabilities	7,619,276	6,404,865	221,792	718,975
Deferred inflow of resources	14,761	-	-	-
Long-term liabilities	64,147,259	65,193,384	2,107,201	1,429,494
Total liabilities	71,781,296	71,598,249	2,328,993	2,148,469
Net position:				
Net investment in capital assets	163,679,976	146,694,461	6,389,538	6,157,325
Restricted	165,919	9,126,332	179,126	240,708
Unrestricted	31,883,003	29,183,134	1,705,005	1,607,847
Total net position	\$195,728,898	\$185,003,927	\$ 8,270,669	\$ 8,005,880

The District reported positive balances in net position for both governmental and business-type activities. Since net position increased \$10,724,970 for governmental activities and increased \$264,789 for business-type activities, the District's overall financial position improved during fiscal year 2017.

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 71% of the District's total governmental revenues.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017

Summary of Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2017	% of Total	2016	2017	% of Total	2016
Revenues						
Program Revenues						
Charges for services	\$ 321,361	1.0%	\$ 370,175	\$ 1,372,055	83.0%	\$ 1,186,272
Operating grants and contributions	5,167,271	16.3%	5,104,715	-	-	-
Capital Grants	1,440,370	4.5%	3,966,873	62,177	3.8%	382,855
General Revenues						
Property taxes	22,636,972	71.2%	21,786,959	-	-	-
Watershed	2,139,144	6.7%	940,490	-	-	-
Assessment income	-	-	-	100,254	6.1%	84,830
Transfers	(110,275)	-	-	110,275	-	-
Gain on sale of fixed assets	182,741	0.6%	188,626	-	-	-
Interest income	10,020	0.0%	11,666	7,879	0.5%	5,337
Total revenues	<u>31,787,604</u>	<u>100.0%</u>	<u>32,369,504</u>	<u>1,652,640</u>	<u>100.0%</u>	<u>1,659,294</u>
Expenses						
General administration	7,933,468	37.7%	7,913,952	-	-	-
Information and education	158,257	0.8%	188,768	-	-	-
Flood prevention	5,964,444	28.3%	5,048,843	-	-	-
Erosion control	1,810,091	8.6%	1,675,287	-	-	-
Water quality	1,006,191	4.8%	795,861	-	-	-
Recreation	3,546,875	17.2%	4,602,124	-	-	-
Forestry and wildlife	643,308	3.1%	370,705	-	-	-
Major proprietary funds	-	-	-	943,633	68.0%	837,632
Other proprietary funds	-	-	-	444,218	32.0%	480,750
Total expenses	<u>21,062,634</u>	<u>100.0%</u>	<u>20,595,540</u>	<u>1,387,851</u>	<u>100.0%</u>	<u>1,318,382</u>
Change in net position	<u>\$ 10,724,970</u>		<u>\$ 11,773,964</u>	<u>\$ 264,789</u>		<u>\$ 340,912</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017

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 decreased by \$7,439,010 to \$32,142,084.

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 \$45,475. Net position of the non-major proprietary funds increased by \$310,264. Total proprietary fund net position increased by \$264,789.

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 \$66,213,315, compared with the prior year budget of \$68,038,177. Actual budgetary expenditures were \$38,261,789 and \$35,421,923, 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, 2017, was \$168,176,796 and \$6,389,538, respectively. The net investment increased 14.6% for governmental and 3.8% 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 \$66,359,177 in bonds and notes. \$2,239,574 of this debt is attributable to the proprietary funds for construction of the rural water distribution systems. \$62,635,000 is attributable to general obligation bonds issued for construction of flood control projects. The District's authority to issue general obligation bonds is scheduled to expire in 2019; no additional issues are anticipated at this time.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District adopted a budget for the 2017-18 fiscal year of \$66.78 million, a decrease from the 2016-17 fiscal year budget of \$70.56 million.

Factors considered in preparing the District's budget for fiscal year 2017-18 include the following:

- A total property tax assessment of \$23,726,441 on valuation of \$62.78 billion from a levy of \$0.037797 per \$100 of valuation, a decrease of 0.000237 from fiscal year 2016-17. However, the overall increase in valuation led to an increase of \$898,430 in the total property tax assessment.
- District projects are financed by several methods this year, including federal and/or state funding, cost sharing agreements with other local governments, and property taxes.
- The fiscal year 2017-2018 budget includes preliminary design costs for six of the nine remaining flood control reservoirs in the Papillion Creek Watershed Management Plan. These six are priority sites due to ongoing or planned development in the area and are estimated to cost a total of \$91.7 million, funded in part by watershed fees collected from zoning jurisdictions within the Papillion Creek Watershed Partnership. Progress will continue on the four structures currently under design or construction.

State and Federal unfunded mandates, permitting requirements, regulation compliance, and reporting continue to place stress on District resources. The District is experiencing increased costs for maintenance materials, health and liability insurance, legal fees, vendor costs, land prices and wage pressure. Increased costs for maintenance of our infrastructure continue to be costly but extremely necessary. The burden of property taxes continues to be a state wide issue and the expectation of very low or no spending growth by units of government places additional constraints on meeting basic District budgetary and programmatic needs.

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, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOW OF RESOURCES			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 18,825,768	\$ 800,517	\$ 19,626,285
Cash on deposit with County Treasurers	472,206	-	472,206
Certificates of deposit	50,000	982,166	1,032,166
Taxes receivable	8,940,088	-	8,940,088
Service receivables	21,174	125,213	146,387
Interest receivable	28	1,069	1,097
Prepaid expenses	310,690	-	310,690
Intergovernmental receivables	7,740,134	-	7,740,134
Intrafund balances	172,391	(172,391)	-
Inventories	-	54,850	54,850
Total current assets	36,532,479	1,791,424	38,323,903
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred costs on refunded debt	494,259	-	494,259
NONCURRENT ASSETS:			
Restricted cash and cash equivalents	165,919	135,795	301,714
Restricted certificates of deposit	-	43,331	43,331
Capital assets:			
Land	87,681,835	214,215	87,896,050
Construction in progress	33,096,468	-	33,096,468
Capital improvements and infrastructure	179,289,071	10,642,595	189,931,666
Buildings and improvements	7,118,918	-	7,118,918
Vehicles and equipment	4,857,821	122,080	4,979,901
Accumulated depreciation	(81,726,576)	(2,349,778)	(84,076,354)
Total capital assets	230,317,537	8,629,112	238,946,649
Total noncurrent assets	230,483,456	8,808,238	239,291,694
	\$ 267,510,194	\$ 10,599,662	\$ 278,109,856
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 3,752,965	\$ 71,222	\$ 3,824,187
Accrued salaries and payroll withholdings	88,979	-	88,979
Accrued expenses	99,387	18,197	117,584
Current portion of long-term debt	2,045,000	132,373	2,177,373
Current portion of accrued compensated absences	148,342	-	148,342
Total current liabilities	6,134,673	221,792	6,356,465
DEFERRED INFLOWS OF RESOURCES:			
Deferred grants	14,761	-	14,761
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	62,074,603	2,107,201	64,181,804
Premium on bonds payable	3,012,217	-	3,012,217
Accrued compensated absences, less current portion	545,042	-	545,042
Total long-term liabilities	65,631,862	2,107,201	67,739,063
Total liabilities and deferred inflows of resources	71,781,296	2,328,993	74,110,289
NET POSITION:			
Net investment in capital assets	163,679,976	6,389,538	170,069,514
Restricted	165,919	179,126	345,045
Unrestricted	31,883,003	1,702,005	33,585,008
Total net position	195,728,898	8,270,669	203,999,567
	\$ 267,510,194	\$ 10,599,662	\$ 278,109,856

See Accompanying Notes to the Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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	\$ 7,933,468	\$ 270,626	\$ 23,012	\$ -	\$ (7,639,830)	\$ -	\$ (7,639,830)
Information and education	158,257	-	-	-	(158,257)	-	(158,257)
Flood prevention	5,964,444	38,274	4,566,931	1,342,465	(16,774)	-	(16,774)
Erosion control	1,810,091	-	-	97,905	(1,712,186)	-	(1,712,186)
Water quality	1,006,191	1,020	452,583	-	(552,588)	-	(552,588)
Recreation	3,546,875	5,925	124,745	-	(3,416,205)	-	(3,416,205)
Forestry and wildlife	643,308	5,516	-	-	(637,792)	-	(637,792)
	<u>21,062,634</u>	<u>321,361</u>	<u>5,167,271</u>	<u>1,440,370</u>	<u>(14,133,632)</u>	<u>-</u>	<u>(14,133,632)</u>
BUSINESS-TYPE ACTIVITIES:							
Washington County Rural Water	943,633	894,965	-	-	-	(48,668)	(48,668)
Non-major proprietary funds	<u>444,218</u>	<u>477,090</u>	<u>-</u>	<u>62,177</u>	<u>-</u>	<u>95,049</u>	<u>95,049</u>
	<u>1,387,851</u>	<u>1,372,055</u>	<u>-</u>	<u>62,177</u>	<u>-</u>	<u>46,381</u>	<u>46,381</u>
	<u>\$ 22,450,485</u>	<u>\$ 1,693,416</u>	<u>\$ 5,167,271</u>	<u>\$ 1,502,547</u>	<u>(14,133,632)</u>	<u>46,381</u>	<u>(14,087,251)</u>
GENERAL REVENUES:							
					22,636,972	-	22,636,972
					2,139,144	-	2,139,144
					-	100,254	100,254
					182,741	-	182,741
					10,020	7,879	17,899
					(110,275)	110,275	-
					<u>24,858,602</u>	<u>218,408</u>	<u>25,077,010</u>
CHANGE IN NET POSITION					10,724,970	264,789	10,989,759
NET POSITION - BEGINNING OF YEAR, AS RESTATED					<u>185,003,928</u>	<u>8,005,880</u>	<u>193,009,808</u>
NET POSITION - END OF YEAR					\$ 195,728,898	\$ 8,270,669	\$ 203,999,567

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2017**

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 18,825,768
Cash on deposit with County Treasurers	472,206
Certificates of deposit	50,000
Receivables:	
Taxes	8,940,088
Services	21,174
Interest	28
Prepaid expenses	310,690
Due from:	
Funding agencies - federal programs	224,642
Other governmental entities	7,515,492
Other funds	172,391
Restricted cash and cash equivalents	<u>165,919</u>
	<u>\$ 36,698,398</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES:	
Accounts payable	\$ 3,752,965
Accrued salaries and payroll withholdings	88,979
Accrued expenses	<u>148,420</u>
Total liabilities	<u>3,990,364</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred grants	14,761
Unavailable revenue - property taxes	<u>551,189</u>
Total deferred inflows of resources	<u>565,950</u>
FUND BALANCE:	
Nonspendable	310,690
Restricted	165,919
Committed	6,091,059
Assigned	50,000
Unassigned	<u>25,524,416</u>
Total fund balance	<u>32,142,084</u>
	<u>\$ 36,698,398</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, 2017**

Total Fund Balance - Governmental Fund		\$ 32,142,084
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred costs on refunded debt are not financial resources.		494,259
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements:		
Land	\$ 87,681,835	
Construction in progress	33,096,468	
Capital improvements and infrastructure	179,289,071	
Buildings and improvements	7,118,918	
Vehicles and equipment	4,857,821	
Accumulated depreciation	<u>(81,726,576)</u>	
Total capital assets		230,317,537
Liabilities which are not due and payable in the current period are not reported in the governmental funds:		
Accrued interest		(99,309)
Compensated absences		(545,042)
Bonds and notes payable		(64,119,603)
Premium on bonds payable		(3,012,217)
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.		
		<u>551,189</u>
Total Net Position of Governmental Activities		<u>\$ 195,728,898</u>

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, 2017**

REVENUES:

General administration	\$ 23,322,888
Flood prevention	8,090,665
Erosion control	97,905
Forestry and wildlife	5,519
Water quality	452,605
Recreation	<u>130,670</u>
Total revenues	<u>32,100,252</u>

EXPENDITURES:

Flood prevention	23,918,031
General administration	10,118,686
Erosion control	2,349,528
Recreation	2,104,277
Forestry and wildlife	651,533
Water quality	1,048,543
Information and education	<u>158,257</u>
Total expenditures	<u>40,348,855</u>

DEFICIENCY OF REVENUES OVER EXPENDITURES (8,248,603)

OTHER FINANCING SOURCES AND USES:

Transfers	(110,275)
Issuance of refunding bonds	43,530,000
Refunding bond premium	2,718,860
Payment to refund bonds escrow agent	<u>(45,654,687)</u>
Total other financing sources and uses	<u>483,898</u>

SPECIAL ITEM

Sale of asset	<u>325,695</u>
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NET CHANGE IN FUND BALANCE (7,439,010)

FUND BALANCE - BEGINNING OF YEAR 39,581,094

FUND BALANCE - END OF YEAR \$ 32,142,084

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, 2017**

Net Change in Fund Balance - Total Government Fund \$ (7,439,010)

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	\$ 22,130,341	
Vehicles, machinery, equipment, and furniture	<u>508,365</u>	
Total		22,638,706
Depreciation expense		(5,300,338)
Net book value of disposals		(256,326)

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

Payment to refund bonds escrow agent	45,654,687
Principal payments on bonds payable	1,915,000

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.

Issuance of refunding of bonds	(43,530,000)
Premium from the refunding of bonds	(2,718,860)
Effects of bond premiums, discounts and related items	88,763
Amortization of deferred cost on refunded debt	(1,215)

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:

Decrease in construction payable	50,000
Decrease in long-term compensated absences	2,008
Decrease in accrued interest payable	7,766

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>(386,211)</u>
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Change in Net Position of Governmental Activities	<u>\$ 10,724,970</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, 2017**

	Total (Memorandum Only)	Washington County Rural Water	Non-major Proprietary Funds
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 800,517	\$ 124,464	\$ 676,053
Certificates of deposit	982,166	608,193	373,973
Service receivables	125,213	82,248	42,965
Interest receivable	1,069	558	511
Inventories	<u>54,850</u>	<u>9,355</u>	<u>45,495</u>
Total current assets	<u>1,963,815</u>	<u>824,818</u>	<u>1,138,997</u>
NON-CURRENT ASSETS:			
Reserved cash and cash equivalents	135,795	135,795	-
Restricted certificates of deposit	43,331	-	43,331
Capital assets :			
Land	214,215	1,000	213,215
Capital improvements and infrastructure	10,642,595	7,220,792	3,421,803
Vehicles and equipment	122,080	64,621	57,459
Accumulated depreciation	<u>(2,349,778)</u>	<u>(1,313,340)</u>	<u>(1,036,438)</u>
Total capital assets	<u>8,629,112</u>	<u>5,973,073</u>	<u>2,656,039</u>
Total non-current assets	<u>8,808,238</u>	<u>6,108,868</u>	<u>2,699,370</u>
	<u>\$ 10,772,053</u>	<u>\$ 6,933,686</u>	<u>\$ 3,838,367</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 71,222	\$ 51,429	\$ 19,793
Accrued expenses	18,197	6,438	11,759
Due to other funds	172,391	28,507	143,884
Current portion of long-term debt	<u>132,373</u>	<u>104,838</u>	<u>27,535</u>
Total current liabilities	394,183	191,212	202,971
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	<u>2,107,201</u>	<u>1,860,162</u>	<u>247,039</u>
Total liabilities	<u>2,501,384</u>	<u>2,051,374</u>	<u>450,010</u>
NET POSITION:			
Net investment in capital assets	6,389,538	4,008,073	2,381,465
Restricted	179,126	135,795	43,331
Unrestricted	<u>1,702,005</u>	<u>738,444</u>	<u>963,561</u>
Total net position	<u>8,270,669</u>	<u>4,882,312</u>	<u>3,388,357</u>
	<u>\$ 10,772,053</u>	<u>\$ 6,933,686</u>	<u>\$ 3,838,367</u>

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, 2017**

	Total (Memorandum Only)	Washington County Rural Water	Non-Major Proprietary Funds
OPERATING REVENUES:			
Water sales	\$ 1,094,105	\$ 651,878	\$ 442,227
Customer charges and hookup fees	137,623	104,073	33,550
Miscellaneous	<u>140,327</u>	<u>139,014</u>	<u>1,313</u>
Total operating revenues	<u>1,372,055</u>	<u>894,965</u>	<u>477,090</u>
OPERATING EXPENSES:			
Repairs and maintenance	15,162	6,925	8,237
Supplies and postage	17,392	8,605	8,787
Professional services	45,683	37,333	8,350
Personnel	389,580	190,662	198,918
Telephone, utilities and rent	24,545	11,757	12,788
Miscellaneous	1,056	424	632
Water purchase	290,497	199,108	91,389
Contract costs	322,609	283,963	38,646
Project construction and land	1,423	256	1,167
Project operation and maintenance	34,462	25,539	8,923
Depreciation and amortization	127,327	81,064	46,263
Vehicle expense	4,410	-	4,410
Bond expenditures	<u>38,575</u>	<u>38,575</u>	<u>-</u>
Total operating expenses	<u>1,312,721</u>	<u>884,211</u>	<u>428,510</u>
OPERATING INCOME	59,334	10,754	48,580
NON-OPERATING INCOME (EXPENSE):			
Assessment revenue	100,254	-	100,254
Capital facility fees	62,177	-	62,177
Interest income	7,879	3,193	4,686
Interest expense	(75,130)	(59,422)	(15,708)
Transfers in (out)	<u>110,275</u>	<u>-</u>	<u>110,275</u>
Total non-operating income (expense)	<u>205,455</u>	<u>(56,229)</u>	<u>261,684</u>
CHANGE IN NET ASSETS	264,789	(45,475)	310,264
NET POSITION - BEGINNING OF YEAR	<u>8,005,880</u>	<u>4,927,787</u>	<u>3,078,093</u>
NET POSITION - END OF YEAR	<u>\$ 8,270,669</u>	<u>\$ 4,882,312</u>	<u>\$ 3,388,357</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, 2017**

	Total (Memorandum Only)	Washington Rural Water	Non-Major Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,406,660	\$ 886,494	\$ 520,166
Cash paid to employees	(389,580)	(190,662)	(198,918)
Cash paid to suppliers	(815,376)	(614,891)	(200,485)
Net cash provided by operating activities	<u>201,704</u>	<u>80,941</u>	<u>120,763</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments (purchased) proceeds	94,702	97,714	(3,012)
Interest received	7,618	3,008	4,610
Net cash provided by investing activities	<u>102,320</u>	<u>100,722</u>	<u>1,598</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfer from other funds	<u>110,275</u>	<u>-</u>	<u>110,275</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on long-term debt	(182,566)	(156,457)	(26,109)
Proceeds from long-term debt	350,000	350,000	-
Purchases of capital assets	(591,577)	(311,250)	(280,327)
Payments received from capital assets sold	-	-	-
Interest paid	(49,102)	(33,394)	(15,708)
Interfund financing	(19,835)	(8,944)	(10,891)
Assessments received	100,254	-	100,254
Capital facility fees	62,177	-	62,177
Net cash used in capital and related financing activities	<u>(330,649)</u>	<u>(160,045)</u>	<u>(170,604)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>83,650</u>	<u>21,618</u>	<u>62,032</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>852,662</u>	<u>238,641</u>	<u>614,021</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 936,312</u>	<u>\$ 260,259</u>	<u>\$ 676,053</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS			
Operating income	\$ 59,334	\$ 10,754	\$ 48,580
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	127,327	81,064	46,263
Bond issue cost paid with refunding	38,575	38,575	-
Changes in assets and liabilities:			
(Increase) decrease in receivables	(7,410)	(8,471)	1,061
Decrease in due from other entities	42,015	-	42,015
(Increase) decrease in inventories	(6,624)	9,570	(16,194)
Decrease in accounts payable	(52,574)	(51,985)	(589)
Increase (decrease) in accrued expenses	1,061	1,434	(373)
Net cash provided by operating activities	<u>\$ 201,704</u>	<u>\$ 80,941</u>	<u>\$ 120,763</u>
Noncash capital and financing activities.			
Issuance of bonds		\$ 1,705,000	
Payment of bonds from refunding bond issue		<u>\$ 1,640,397</u>	

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	Papillion Creek Watershed Partnership	Southern Sarpy Watershed Partnership	Total
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 729,882	\$ 751,687	\$ 1,481,569
Dues receivable	-	16,000	16,000
Total assets	<u>\$ 729,882</u>	<u>\$ 767,687</u>	<u>\$ 1,497,569</u>
LIABILITIES AND NET POSITION			
LIABILITIES:			
Accounts payable	\$ 275,997	\$ 18,934	\$ 294,931
Deferred revenue	187,500	-	187,500
Total liabilities	463,497	18,934	482,431
NET POSITION:			
Held in trust for other organizations	<u>266,385</u>	<u>748,753</u>	<u>1,015,138</u>
	<u>\$ 729,882</u>	<u>\$ 767,687</u>	<u>\$ 1,497,569</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Papillion Creek Watershed Partnership	Southern Sarpy Watershed Partnership	Total
ADDITIONS:			
Partnership dues	\$ 369,000	\$ 200,000	\$ 569,000
Watershed fees	-	617,191	617,191
Interest	224	5	229
Total additions	<u>369,224</u>	<u>817,196</u>	<u>1,186,420</u>
DEDUCTIONS:			
Reimbursement to Omaha	310,397	-	310,397
Professional services	-	68,443	68,443
Miscellaneous expenses	17	-	17
Total deductions	<u>310,414</u>	<u>68,443</u>	<u>378,857</u>
CHANGE IN NET POSITION	58,810	748,753	807,563
NET POSITION - BEGINNING OF YEAR	<u>207,575</u>	<u>-</u>	<u>207,575</u>
NET POSITION - END OF YEAR	<u>\$ 266,385</u>	<u>\$ 748,753</u>	<u>\$ 1,015,138</u>

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 two fiduciary funds. 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 Governmental 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 are those 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 Funds

Fiduciary funds are used to account for assets held in a trustee capacity. The District is the administering agent of the Papillion Creek Watershed Partnership and the Southern Sarpy Watershed Partnership (the "Partnerships"). The Partnerships are comprised of local governments that are wholly or partially in the Papillion Creek Watershed and Southern Sarpy 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

Measurement 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 2016-17, the taxes levied totaled \$22,828,011 at a tax levy rate of \$0.038034 per \$100 of valuation on a total valuation of \$60,019,729,361.

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 10% 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, 2017, was \$423,313. 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 a 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 a future period and will not be recognized as an inflow of resources (revenue) until that period. The District has two items that qualify 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. Advanced receipt of reimbursement grants that have not been expended or billed as the year ended June 30, 2017.

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 must approve certain accounts that 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, 2017, the District met all the budgetary requirements with the State of Nebraska. However, the general fund expenditures exceeded its authorized amount due to the bond refunding that was not included in the District's budget.

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, 2017:

	<u>Total</u>	<u>General Fund</u>	<u>Proprietary Funds</u>
Checking accounts and petty cash	\$ 19,927,999	\$ 18,991,687	\$ 936,312
Cash on hand at County Treasurers	472,206	472,206	-
Certificates of deposit	<u>1,075,497</u>	<u>50,000</u>	<u>1,025,497</u>
Total	<u>\$ 21,475,702</u>	<u>\$ 19,513,893</u>	<u>\$ 1,961,809</u>

The carrying amount of the District's deposits, including fiduciary funds, was \$22,485,014 and the bank balances were \$22,705,815 at June 30, 2017. Certificates of deposit have been included in the bank and book balances for cash. At June 30, 2017, 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, 2017 approximates cost. For fiscal year 2017, 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 investments consisted of certificates of deposits at June 30, 2017.

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, 2017. The following is a summary of the reservations placed on cash and investments for the year ended June 30, 2017:

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.	5,449
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The Board of Directors, by resolution has reserved funds to be spent on costs incurred for Watershed Plan Projects .	5,905,578
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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.	148,082
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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.	31,950
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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 WP-5 and Dam Site 15-A.	<u>165,919</u>
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Total general fund reserves	<u>\$ 6,306,978</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 \$179,126. Thurston County has restricted a certificate of deposit in the amount of \$43,331 and Washington County Rural Water has restricted cash in the amount of \$135,795.

5. 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, 2017, \$7,515,492 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, 2017, the District had receivables due from the federal government in the amount of \$224,642.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. 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, 2017, 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	\$ 7,890
General Fund	Washington Co. Rural Water	28,507
General Fund	Dakota County Rural Water	24,673
General Fund	Elkhorn River Stabilization	413
General Fund	Elk/Pigeon Creek Drainage	83,835
General Fund	Western Sarpy Drainage	27,073
		<u>\$ 172,391</u>

7. INTERFUND TRANSACTIONS

The District had the following transfers between funds during the year.

<u>Purpose</u>	<u>Funds received by</u>	<u>Funds paid by</u>	<u>Amount</u>
Transfer to fund Elk/Pigeon Creek dredging project	Elk/Pigeon Creek Drainage Fund	General fund	\$110,275

8. 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 June 30, 2016</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2017</u>
Not depreciated				
Land	\$ 81,604,511	\$ 6,295,507	\$ (218,183)	\$ 87,681,835
Construction in progress	<u>19,977,486</u>	<u>16,594,538</u>	<u>(3,475,556)</u>	<u>33,096,468</u>
	<u>101,581,997</u>	<u>22,890,045</u>	<u>(3,693,739)</u>	<u>120,778,303</u>
Depreciated				
Capital improvements and infrastructure	175,106,124	4,182,947	-	179,289,071
Buildings and improvements	7,101,411	17,507	-	7,118,918
Vehicles and equipment	<u>4,571,209</u>	<u>508,365</u>	<u>(221,753)</u>	<u>4,857,821</u>
	<u>186,778,744</u>	<u>4,708,819</u>	<u>(221,753)</u>	<u>191,265,810</u>
Less accumulated depreciation	<u>(76,609,849)</u>	<u>(5,300,338)</u>	<u>183,611</u>	<u>(81,726,576)</u>
	<u>110,168,895</u>	<u>(591,519)</u>	<u>(38,142)</u>	<u>109,539,234</u>
	<u>\$ 211,750,892</u>	<u>\$ 22,298,526</u>	<u>\$ (3,731,881)</u>	<u>\$ 230,317,537</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. CAPITAL ASSETS, CONTINUED

During the year, the District sold surplus land related to the Papio Dam Site 15A project for \$325,695. The proceeds from this sale are recorded as a special item on the statement of revenue, expenditures, and change in fund balance government fund.

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

General administration	\$ 320,321
Flood control	2,958,277
Recreation	<u>2,021,740</u>
Total depreciation expense	<u>\$ 5,300,338</u>

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

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2017</u>
Not depreciated				
Land	\$ 214,215	\$ -	\$ -	\$ 214,215
Construction in Progress	<u>429,456</u>	<u>59,776</u>	<u>(489,232)</u>	<u>-</u>
	<u>643,671</u>	<u>59,776</u>	<u>(489,232)</u>	<u>214,215</u>
Depreciated				
Capital improvements and infrastructure	9,621,561	1,021,034	-	10,642,595
Vehicles and equipment	<u>122,080</u>	<u>-</u>	<u>-</u>	<u>122,080</u>
	9,743,641	1,021,034	-	10,764,675
Less accumulated depreciation	<u>(2,222,450)</u>	<u>(127,328)</u>	<u>-</u>	<u>(2,349,778)</u>
	<u>7,521,191</u>	<u>893,706</u>	<u>-</u>	<u>8,414,897</u>
	<u>\$ 8,164,862</u>	<u>\$ 953,482</u>	<u>\$ (489,232)</u>	<u>\$ 8,629,112</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. LONG-TERM LIABILITIES

General Fund Long-Term Debt:

The following is a summary of the long-term debt for the year ended June 30, 2017. 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>Series</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Interest Rates</u>	<u>Principal Balance</u>
General	2013	December 2032	Annually	2.0% to 3.0%	\$ 8,415,000
General	2013B	December 2017	Semi-Annual	4.00%	830,000
General	2015	December 2030	Semi-Annual	1.1% to 4.0%	9,860,000
General	2017	December 2033	Semi-Annual	3.0% to 5.0%	43,530,000
General	Note payable	July 18, 2016	Annual	0.0%	<u>1,484,603</u>
					<u>\$ 64,119,603</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	\$ 14,010,000	\$ -	\$ (5,595,000)	\$ 8,415,000	\$ 635,000
Flood Protection and Water Quality Enhancement Bonds - 2013B	40,750,000	-	(39,920,000)	830,000	830,000
Flood Protection and Water Quality Enhancement Refunding Bonds - 2015	10,440,000	-	(580,000)	9,860,000	580,000
Flood Protection and Water Quality Enhancement Refunding Bonds - 2017	-	43,530,000	-	43,530,000	-
Note payable	-	<u>4,465,963</u>	<u>(2,981,360)</u>	<u>1,484,603</u>	-
Total	<u>\$ 65,200,000</u>	<u>\$ 47,995,963</u>	<u>\$ (49,076,360)</u>	<u>\$ 64,119,603</u>	<u>\$ 2,045,000</u>

On July 18, 2016, the District entered into a note payable for the purchase of land. The note required three installments to be paid annually beginning on the day of the closing.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. LONG-TERM LIABILITIES, CONTINUED

On June 15, 2017, the District issued \$43,530,000 in refunding bonds with an average interest rate of approximately 3.91 percent for a partial advance refunding of \$44,180,000 of the outstanding bonds from the 2013 and 2013B Series bonds with an average combined interest rate of 4.30 percent. As a result of this refunding, the District decreased its total debt service payments over the next 17 years by approximately \$2,753,288, and obtained an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$2,173,617. These bonds were issued at a premium of \$2,718,860 and bond issue costs of \$590,758. The District received \$3,416 and deposited \$45,654,687 of the net proceeds into an escrow account to pay the principal and interest on the refunded bond on the allowed call dates. In accordance with financial reporting standards, the funds held in the escrow account are not reflected in the financial statements and the defeased bonds are not reported above.

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	2016	June 2032	Annual	\$2,721 to \$91,485	1.20%-3.30%	\$ 1,615,000
Washington Rural Water	2016	December 2036	Semi-Annual	\$3,422 to \$12,195	2.00%	350,000
Thurston Rural Water	1982	December 2022	Annual	Based on water fees	5.00%	109,806
Thurston Rural Water	1993	February 2033	Annual	Based on water fees	5.63%	164,768
Total long-term debt						<u>\$ 2,239,574</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	\$ 1,200,000	\$ -	\$ (1,200,000)	\$ -	\$ -
Water Project Refunding Revenue Bonds-2014	506,854	-	(506,854)	-	-
Water Project Refunding Revenue Bonds-2016	-	1,705,000	(90,000)	1,615,000	90,000
Notes Payable					
NDEQ- SRF Loan	-	350,000	-	350,000	14,838
Capmark Finance	129,578	-	(19,772)	109,806	20,834
Rural Economic and Community Development	<u>171,105</u>	<u>-</u>	<u>(6,337)</u>	<u>164,768</u>	<u>6,701</u>
Business-type Activities Long-term Liabilities	<u>\$ 2,007,537</u>	<u>\$ 2,055,000</u>	<u>\$ (1,822,963)</u>	<u>\$ 2,239,574</u>	<u>\$ 132,373</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. LONG-TERM LIABILITIES, CONTINUED

On November 10, 2016, the District issued \$1,705,000 in refunding bonds with an average interest rate of approximately 2.77 percent, and used a portion of those proceeds for a refunding of \$1,200,000 of the outstanding bonds from the 2011A Series bonds with an average combined interest rate of approximately 4.68 percent. As a result of this refunding, the District decreased its total debt service payments over the next 17 years by approximately \$360,512, and obtained an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$163,520. As part of the November 10, 2016 issue the District used \$497,774 of the bond proceeds to pay off the 2014 Series bonds and bond issue costs of \$38,075. The District received \$5,030 and deposited \$1,226,208 of the net proceeds into an escrow account to pay the principal and interest on the refunding date. In accordance with financial reporting standards, the funds held in the escrow account are not reflected in the financial statements and the defeased bonds are not reported above.

On November 11, 2016, the District received a SRF loan from the Nebraska Department of Environmental Quality for \$350,000. Principal, interest at 2%, and administrative fees at 0.75% are payable each June 15 and December 15 with a final maturity date of December 15, 2036.

The annual principal and interest requirement to maturity for long-term debt as of June 30, 2017 follows:

Year(s) ending June 30,	General Fund		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 3,529,603	\$ 2,360,223	\$ 132,373	\$ 62,055	\$ 3,661,976	\$ 2,422,278
2019	2,160,000	2,306,832	139,083	58,854	2,299,083	2,365,686
2020	2,300,000	2,240,530	140,879	55,490	2,440,879	2,296,020
2021	2,470,000	2,158,127	142,758	52,044	2,612,758	2,210,171
2022	2,640,000	2,069,737	144,408	48,178	2,784,408	2,117,915
2023-2027	16,640,000	8,326,391	669,559	189,661	17,309,559	8,516,052
2028-2032	23,135,000	4,273,847	763,984	89,457	23,898,984	4,363,304
2033-2037	11,245,000	369,269	106,530	5,472	11,351,530	374,741
	<u>\$ 64,119,603</u>	<u>\$ 24,104,956</u>	<u>\$ 2,239,574</u>	<u>\$ 561,211</u>	<u>\$ 66,359,177</u>	<u>\$ 24,666,167</u>

10. ACCUMULATED UNPAID ANNUAL LEAVE AND SICK PAY

The estimated current portion of the liability for vested vacation benefits and sick leave is \$121,698 and \$26,644 at June 30, 2017, 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 \$222,517 and \$322,525, respectively, at June 30, 2017. 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 \$1,047,509 at June 30, 2017, and is not reported as an expenditure or liability in any of the District's June 30, 2017 financial statements.

The change in compensated absences for the year ended June 30, 2017 was as follows:

Governmental-type Activity:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 700,423</u>	<u>\$ -</u>	<u>\$ 7,039</u>	<u>\$ 693,384</u>	<u>\$ 148,342</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

11. 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, 2017 as follows:

Nonspendable		
Prepaid expenses		\$ 310,690
Restricted		
Bond escrow		165,919
Committed		
Wetland mitigation	\$ 5,449	
Watershed fees	5,905,578	
Ice jam	148,082	
Lower Platte weed	<u>31,950</u>	
Total committed		6,091,059
Assigned		
Uninsured liability		50,000
Unassigned		<u>25,524,416</u>
Total fund balance		<u>\$ 32,142,084</u>

12. OPERATING LEASES

The District entered into a leasing agreement for copy machines in June 2014. 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.

The District entered into a leasing agreement for copy machines in March 2017. The District pays \$195 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 2017, the District's general fund and proprietary funds had operating lease expense of \$8,160 and \$2,340 related to these leases, respectively. Following is a schedule of the future minimum lease payments.

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 10,500
2019	10,500
2020	4,380
2021	1,560

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

13. 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, 2017 were \$192,287, which were the required contributions. Plan forfeitures, if any, are allocated to the other active participants in the plan.

14. 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 \$9,470,000. 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, 2017.

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.

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, 2017, a reasonable estimate could not be determined for any potential loss contingencies.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

15. FIDUCIARY FUNDS

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.

Southern Sarpy Watershed Partnership

The Southern Sarpy Watershed Partnership ("SSWP") was created in 2016 through an inter-local agreement to address issues related to surface water quality and storm water quantity in the Watershed by establishing and implementing regionally common goals and standards for the development of the Watershed. The Southern Sarpy Watershed consists of the land area that conveys water to the Platte River. The SSWP is comprised of 6 local governments that are wholly or partially in the Southern Sarpy Watershed. These local governments fund engineering studies, but do not do any actual construction projects. The District is the administering agent.

16. 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, 2017. The District did not pay any settlement amounts, which exceeded its insurance coverage for the years ending June 30, 2017, 2016 or 2015.

17. PRIOR PERIOD ADJUSTMENT

The District has restated its beginning of year net position of the governmental activities by \$143,569 to report bond issue costs in accordance with GASB 65. Previously, these costs were capitalized and amortized over the life of the bond. According to current requirements, bond issue costs are to be expensed as a period cost when incurred. This reporting change has no effect to the fund financial statements.

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, 2017**

	Actual	Budget		Variance Favorable (Unfavorable)
		Original	Final	
REVENUES:				
General administration	\$ 22,652,536	\$ 22,771,420	\$ 22,771,420	\$ (118,884)
Watershed	3,084,436	7,573,832	7,573,832	(4,489,396)
Information and education	7,725	15,000	15,000	(7,275)
Flood control	4,389,710	9,635,983	9,635,983	(5,246,273)
Erosion control	2,406,601	2,590,798	2,590,798	(184,197)
Water quality	623,970	696,310	696,310	(72,340)
Recreation	5,925	187,000	187,000	(181,075)
Forestry and wildlife	5,519	1,602,002	1,602,002	(1,596,483)
Total revenues	<u>33,176,422</u>	<u>45,072,345</u>	<u>45,072,345</u>	<u>(11,895,923)</u>
EXPENDITURES:				
General administration	10,066,836	10,943,200	10,943,200	876,364
Watershed	14,428,101	23,591,194	23,591,194	9,163,093
Information and education	158,520	253,500	253,500	94,980
Flood control	7,741,068	18,574,105	18,574,105	10,833,037
Erosion control	2,420,332	\$3,401,688	3,401,688	981,356
Water quality	1,078,219	1,346,342	1,346,342	268,123
Recreation	2,185,890	4,337,438	4,337,438	2,151,548
Forestry and wildlife	666,721	3,765,848	3,765,848	3,099,127
Total expenditures	<u>38,745,687</u>	<u>66,213,315</u>	<u>66,213,315</u>	<u>27,467,628</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,569,265)</u>	<u>(21,140,970)</u>	<u>(21,140,970)</u>	<u>15,571,705</u>
OTHER FINANCING SOURCES AND USES:				
Transfers	(110,275)	-	-	(110,275)
Issuance of refunding bonds	46,248,860	-	-	46,248,860
Payment to refund outstanding bonds	(45,654,687)	-	-	(45,654,687)
Total other financing sources and uses	<u>483,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483,898</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:				
To adjust revenues for accruals	(750,475)			
To adjust expenditures for accruals and prepaids	<u>(1,603,168)</u>			
MODIFIED ACCRUAL BASIS INCREASE IN FUND BALANCE	<u>\$ (7,439,010)</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, 2017

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.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District expenditures for the general fund were in excess of its budget by \$18,297,334 due to the bond refunding reported in the other financing sources and uses that was not budgeted.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF FUNCTIONAL REVENUES AND EXPENDITURES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

REVENUES:

Federal grants	\$ 161,905
Interest income	9,920
Local agency grants	6,768,644
Miscellaneous income	97,269
Property tax	23,023,183
Rental income	224,093
State grants	1,815,238
Sale of asset	325,695
Issuance of refunding bonds	46,248,860
Total revenues	<u>78,674,807</u>

EXPENDITURES:

Board of directors	61,015
Contract work	4,289,627
Cost-sharing and conservation assistance	4,440,339
Debt principal payments	1,915,000
Employee benefits	934,651
Fees	347,039
Indirect cost reimbursement	(423,313)
Information and education	88,660
Insurance	264,129
Interest expense	2,544,004
Machinery and equipment	349,178
Miscellaneous	527
Payroll taxes	249,501
Personnel	3,342,026
Printing and publications	41,108
Professional services	5,340,017
Project construction and land	14,177,798
Project legal costs	353,233
Project operation and maintenance	290,788
Repairs and maintenance	359,482
Special projects	147,399
Supplies and postage	135,707
Telephone, utilities, and rent	177,457
Travel	110,275
Uncollectible grants	49,040
Vehicle expense	283,685
Payment to refund bonds	45,654,687
Debt issue costs	590,758
Total expenditures	<u>86,113,817</u>

REVENUES AND OTHER SOURCES OVER EXPENDITURES

\$ (7,439,010)

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, 2017**

	Total (Memorandum Only)			Washington Rural Water			Non-Major Proprietary Funds		
	Budget			Budget			Budget		
	Actual	Original	Final	Actual	Original	Final	Actual	Original	Final
OPERATING REVENUES:									
Water sales	\$ 1,094,105	\$ 1,082,500	\$ 1,082,500	\$ 651,878	\$ 637,500	\$ 637,500	\$ 442,227	\$ 445,000	\$ 445,000
Customer charges and hookup fees	137,623	80,200	80,200	104,073	66,500	66,500	33,550	13,700	13,700
Miscellaneous	140,327	131,500	131,500	139,014	131,000	131,000	1,313	500	500
Total operating revenues	<u>1,372,055</u>	<u>1,294,200</u>	<u>1,294,200</u>	<u>894,965</u>	<u>835,000</u>	<u>835,000</u>	<u>477,090</u>	<u>459,200</u>	<u>459,200</u>
OPERATING EXPENSES:									
Repairs and maintenance	15,162	10,950	10,950	6,925	2,000	2,000	8,237	8,950	8,950
Supplies and postage	17,392	22,700	22,700	8,605	11,050	11,050	8,787	11,650	11,650
Professional services	45,683	48,500	48,500	37,333	24,000	24,000	8,350	24,500	24,500
Personnel	389,580	480,339	480,339	190,662	210,500	210,500	198,918	269,839	269,839
Telephone, utilities and rent	24,545	51,639	51,639	11,757	10,500	10,500	12,788	41,139	41,139
Miscellaneous	1,056	7,250	7,250	424	5,400	5,400	632	1,850	1,850
Water purchase	290,497	297,000	297,000	199,108	199,000	199,000	91,389	98,000	98,000
Contract costs	322,609	153,250	153,250	283,963	79,750	79,750	38,646	73,500	73,500
Project construction and land	1,423	2,200	2,200	256	200	200	1,167	2,000	2,000
Project operation and maintenance	34,462	274,000	274,000	25,539	253,000	253,000	8,923	21,000	21,000
Depreciation and amortization	127,327	-	-	81,064	-	-	46,263	-	-
Vehicle expense	4,410	15,000	15,000	-	9,000	9,000	4,410	6,000	6,000
Bond expenditures	38,575	101,759	101,759	38,575	66,759	66,759	-	35,000	35,000
Negotiated settlement	-	-	-	-	-	-	-	-	-
Other	-	1,550	1,550	-	750	750	-	800	800
Total operating expense	<u>1,312,721</u>	<u>1,466,137</u>	<u>1,466,137</u>	<u>884,211</u>	<u>871,909</u>	<u>871,909</u>	<u>428,510</u>	<u>594,228</u>	<u>594,228</u>
OPERATING INCOME (LOSS)	<u>59,334</u>	<u>(171,937)</u>	<u>(171,937)</u>	<u>10,754</u>	<u>(36,909)</u>	<u>(36,909)</u>	<u>48,580</u>	<u>(135,028)</u>	<u>(135,028)</u>
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	100,254	80,000	80,000	-	-	-	100,254	80,000	80,000
Capital facility fees	62,177	-	-	-	-	-	62,177	-	-
Interest income	7,879	2,855	2,855	3,193	1,750	1,750	4,686	1,105	1,105
Interest expense	(75,130)	(81,773)	(81,773)	(59,422)	(73,773)	(73,773)	(15,708)	(8,000)	(8,000)
Transfers	110,275	11,959	11,959	-	-	-	110,275	11,959	11,959
Total non-operating income (expense)	<u>205,455</u>	<u>13,041</u>	<u>13,041</u>	<u>(56,229)</u>	<u>(72,023)</u>	<u>(72,023)</u>	<u>261,684</u>	<u>85,064</u>	<u>85,064</u>
CHANGE IN NET POSITION	<u>264,789</u>	<u>\$ (158,896)</u>	<u>\$ (158,896)</u>	<u>(45,475)</u>	<u>\$ (108,932)</u>	<u>\$ (108,932)</u>	<u>310,264</u>	<u>\$ (49,964)</u>	<u>\$ (49,964)</u>
NET POSITION - BEGINNING OF YEAR	<u>8,005,880</u>			<u>4,927,787</u>			<u>3,078,093</u>		
NET POSITION - END OF YEAR	<u>\$ 8,270,669</u>			<u>\$ 4,882,312</u>			<u>\$ 3,388,357</u>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**COMBINING STATEMENT OF NET POSITION
NON-MAJOR - PROPRIETARY FUNDS
JUNE 30, 2017**

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	\$ 676,053	\$ 195,860	\$ 21,023	\$ 118,796	\$ 6,626	\$ 236,304	\$ 97,444
Certificates of deposit	373,973	-	-	-	-	373,973	-
Service receivables	42,965	-	-	-	95	28,628	14,242
Interest receivable	511	-	-	-	-	420	91
Inventories	45,495	-	-	-	-	45,419	76
Total current assets	<u>1,138,997</u>	<u>195,860</u>	<u>21,023</u>	<u>118,796</u>	<u>6,721</u>	<u>684,744</u>	<u>111,853</u>
NON-CURRENT ASSETS:							
Restricted certificates of deposit	43,331	-	-	-	-	-	43,331
Capital assets							
Land	213,215	-	211,215	-	-	1,000	1,000
Capital improvements and infrastructure	3,421,803	-	220,551	-	-	1,771,117	1,430,135
Vehicles and equipment	57,459	-	-	-	-	57,459	-
Accumulated depreciation	(1,036,438)	-	-	-	-	(708,967)	(327,471)
Total capital assets	<u>2,656,039</u>	<u>-</u>	<u>431,766</u>	<u>-</u>	<u>-</u>	<u>1,120,609</u>	<u>1,103,664</u>
Total non-current assets	<u>2,699,370</u>	<u>-</u>	<u>431,766</u>	<u>-</u>	<u>-</u>	<u>1,120,609</u>	<u>1,146,995</u>
	<u>\$ 3,838,367</u>	<u>\$ 195,860</u>	<u>\$ 452,789</u>	<u>\$ 118,796</u>	<u>\$ 6,721</u>	<u>\$ 1,805,353</u>	<u>\$ 1,258,848</u>
LIABILITIES AND NET POSITION							
CURRENT LIABILITIES:							
Accounts payable	\$ 19,793	\$ -	\$ -	\$ 258	\$ -	\$ 13,161	\$ 6,374
Accrued expenses	11,759	-	-	-	-	1,763	9,996
Due to other funds	143,884	413	83,835	27,073	-	24,673	7,890
Current portion of long-term debt	27,535	-	-	-	-	-	27,535
Total current liabilities	<u>202,971</u>	<u>413</u>	<u>83,835</u>	<u>27,331</u>	<u>-</u>	<u>39,597</u>	<u>51,795</u>
NON-CURRENT LIABILITIES:							
Long-term debt, less current portion	247,039	-	-	-	-	-	247,039
Total liabilities	<u>450,010</u>	<u>413</u>	<u>83,835</u>	<u>27,331</u>	<u>-</u>	<u>39,597</u>	<u>298,834</u>
NET POSITION:							
Invested in capital assets, net of related debt	2,381,465	-	431,766	-	-	1,120,609	829,090
Restricted	43,331	-	-	-	-	-	43,331
Unrestricted (deficit)	963,561	195,447	(62,812)	91,465	6,721	645,147	87,593
Total net position	<u>3,388,357</u>	<u>195,447</u>	<u>368,954</u>	<u>91,465</u>	<u>6,721</u>	<u>1,765,756</u>	<u>960,014</u>
	<u>\$ 3,838,367</u>	<u>\$ 195,860</u>	<u>\$ 452,789</u>	<u>\$ 118,796</u>	<u>\$ 6,721</u>	<u>\$ 1,805,353</u>	<u>\$ 1,258,848</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, 2017**

	Total			Elkhorn River Stabilization			Elk/Pigeon Creek Drainage		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES:									
Water sales	\$ 442,227	\$ 445,000	\$ 445,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	33,550	13,700	13,700	-	-	-	-	-	-
Miscellaneous	1,313	500	500	-	-	-	-	-	-
Total operating revenues	<u>477,090</u>	<u>459,200</u>	<u>459,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES:									
Repairs and maintenance	8,237	8,950	8,950	-	-	-	-	-	-
Supplies and postage	8,787	11,650	11,650	-	-	-	-	-	-
Professional services	8,350	24,500	24,500	-	5,000	5,000	-	1,500	1,500
Personnel	198,918	269,839	269,839	413	7,000	7,000	-	27,839	27,839
Telephone, utilities and rent	12,788	41,139	41,139	-	-	-	-	27,839	27,839
Miscellaneous	632	1,850	1,850	-	-	-	-	-	-
Water purchase	91,389	98,000	98,000	-	-	-	-	-	-
Contract costs	38,646	73,500	73,500	-	-	-	-	-	-
Project construction and land	1,167	2,000	2,000	-	-	-	-	-	-
Project operation and maintenance	8,923	21,000	21,000	-	5,000	5,000	-	-	-
Depreciation and amortization	46,263	-	-	-	-	-	-	-	-
Vehicle expense	4,410	6,000	6,000	-	-	-	-	-	-
Bond expenditures	-	35,000	35,000	-	-	-	-	-	-
Other	-	800	800	-	-	-	-	-	-
Total operating expenses	<u>428,510</u>	<u>594,228</u>	<u>594,228</u>	<u>413</u>	<u>17,000</u>	<u>17,000</u>	<u>-</u>	<u>57,178</u>	<u>57,178</u>
OPERATING INCOME (LOSS)	<u>48,580</u>	<u>(135,028)</u>	<u>(135,028)</u>	<u>(413)</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>-</u>	<u>(57,178)</u>	<u>(57,178)</u>
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	100,254	80,000	80,000	20,001	20,000	20,000	62,332	45,000	45,000
Capital facility fees	62,177	-	-	-	-	-	-	-	-
Interest income	4,686	1,105	1,105	94	100	100	12	5	5
Interest expense	(15,708)	(8,000)	(8,000)	-	-	-	-	-	-
Transfers	110,275	11,959	11,959	-	-	-	110,275	11,959	11,959
Total non-operating income	<u>261,684</u>	<u>85,064</u>	<u>85,064</u>	<u>20,095</u>	<u>20,100</u>	<u>20,100</u>	<u>172,619</u>	<u>56,964</u>	<u>56,964</u>
CHANGE IN NET POSITION	<u>310,264</u>	<u>\$ (49,964)</u>	<u>\$ (49,964)</u>	<u>19,682</u>	<u>\$ 3,100</u>	<u>\$ 3,100</u>	<u>172,619</u>	<u>\$ (214)</u>	<u>\$ (214)</u>
NET POSITION - BEGINNING OF YEAR	<u>3,078,093</u>			<u>175,765</u>			<u>196,335</u>		
NET POSITION - END OF YEAR	<u>\$ 3,388,357</u>			<u>\$ 195,447</u>			<u>\$ 368,954</u>		

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, 2017**

	Western Sarpy Drainage			Elkhorn Breakout			Dakota Rural Water		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES:									
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307,232	\$ 300,000	\$ 300,000
Customer charges and hookup fees	-	-	-	-	-	-	24,776	12,200	12,200
Miscellaneous	-	-	-	-	-	-	301	-	-
Total operating revenues	-	-	-	-	-	-	<u>332,309</u>	<u>312,200</u>	<u>312,200</u>
OPERATING EXPENSES:									
Repairs and maintenance	-	-	-	-	-	-	8,129	8,500	8,500
Supplies and postage	-	-	-	-	-	-	7,784	10,500	10,500
Professional services	3,430	10,000	10,000	-	-	-	3,764	6,500	6,500
Personnel	27,074	40,000	40,000	-	-	-	136,152	160,000	160,000
Telephone, utilities and rent	-	-	-	-	-	-	4,704	4,350	4,350
Miscellaneous	-	-	-	-	-	-	472	1,150	1,150
Water purchase	-	-	-	-	-	-	61,777	58,000	58,000
Contract costs	4,275	10,000	10,000	-	-	-	31,474	47,500	47,500
Project construction and land	-	1,000	1,000	-	-	-	1,167	1,000	1,000
Project operation and maintenance	1,243	1,000	1,000	-	-	-	7,680	15,000	15,000
Depreciation and amortization	-	-	-	-	-	-	32,640	-	-
Vehicle expense	-	-	-	-	-	-	4,410	6,000	6,000
Other	-	-	-	-	-	-	-	500	500
Total operating expenses	<u>36,022</u>	<u>62,000</u>	<u>62,000</u>	-	-	-	<u>300,153</u>	<u>319,000</u>	<u>319,000</u>
OPERATING INCOME (LOSS)	<u>(36,022)</u>	<u>(62,000)</u>	<u>(62,000)</u>	-	-	-	<u>32,156</u>	<u>(6,800)</u>	<u>(6,800)</u>
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	17,921	15,000	15,000	-	-	-	-	-	-
Interest income	61	50	50	3	-	-	4,096	900	900
Total non-operating income (expense)	<u>17,982</u>	<u>15,050</u>	<u>15,050</u>	<u>3</u>	-	-	<u>4,096</u>	<u>900</u>	<u>900</u>
CHANGE IN NET POSITION	<u>(18,040)</u>	<u>\$ (46,950)</u>	<u>\$ (46,950)</u>	<u>3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>36,252</u>	<u>\$ (5,900)</u>	<u>\$ (5,900)</u>
NET POSITION - BEGINNING OF YEAR	<u>109,505</u>			<u>6,718</u>			<u>1,729,504</u>		
NET POSITION - END OF YEAR	<u>\$ 91,465</u>			<u>\$ 6,721</u>			<u>\$ 1,765,756</u>		

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, 2017**

	Thurston County Rural Water		
	Actual	Budget	
		Original	Final
OPERATING REVENUES:			
Water sales	\$ 134,995	\$ 145,000	\$ 145,000
Customer charges and hookup fees	8,774	1,500	1,500
Miscellaneous	1,012	500	500
Total operating revenues	<u>144,781</u>	<u>147,000</u>	<u>147,000</u>
OPERATING EXPENSES:			
Repairs and maintenance	108	450	450
Supplies and postage	1,003	1,150	1,150
Professional services	1,156	1,500	1,500
Personnel	35,279	35,000	35,000
Telephone, utilities and rent	8,084	8,950	8,950
Miscellaneous	160	700	700
Water purchase	29,612	40,000	40,000
Contract costs	2,897	16,000	16,000
Depreciation and amortization	13,623	-	-
Bond expenditures	-	35,000	35,000
Other	-	300	300
Total operating expenses	<u>91,922</u>	<u>139,050</u>	<u>139,050</u>
OPERATING INCOME (LOSS)	<u>52,859</u>	<u>7,950</u>	<u>7,950</u>
NON-OPERATING INCOME (EXPENSE):			
Capital facility fees	62,177	-	-
Interest income	420	50	50
Interest expense	(15,708)	(8,000)	(8,000)
Total non-operating income (expense)	<u>46,889</u>	<u>(7,950)</u>	<u>(7,950)</u>
CHANGE IN NET POSITION	99,748	\$ -	\$ -
NET POSITION - BEGINNING OF YEAR	<u>860,266</u>		
NET POSITION - END OF YEAR	<u>\$ 960,014</u>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF CERTIFICATE OF DEPOSIT
GOVERNMENTAL FUND
JUNE 30, 2017**

	<u>Cost</u>	<u>Interest Rate</u>
General fund		
Certificate of deposit		
Great Western Bank	\$ <u>50,000</u>	0.35%
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, 2017**

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary funds		
Certificates of deposit		
Dakota County		
Access Bank	\$ 103,836	1.04%
Access Bank	104,153	1.39%
Nebraska-Iowa State Bank	65,984	0.35%
Siouxland National Bank	<u>100,000</u>	0.50%
	<u>373,973</u>	
Washington County		
American National Bank	200,000	0.10%
Core Bank	-	0.40%
United Republic Bank	101,768	0.25%
United Republic Bank	102,705	0.50%
Premier Bank	<u>203,720</u>	1.00%
	<u>608,193</u>	
Thurston County		
Premier Bank	<u>43,331</u>	1.00%
	<u>43,331</u>	
 Total	 <u>\$ 1,025,497</u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF INSURANCE POLICIES AND BONDS

JUNE 30, 2017

REAL AND PERSONAL PROPERTY

Real & Personal property; total limit \$18,895,371; deductible/\$5,000; Equipment Floater/\$184,708 on Miscellaneous Equipment with \$10,000 max on any one item; Scheduled Equipment \$2,524,000 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; Drone physical damage/\$25,000 and drone general liability/\$1,000,000 plus excess of \$1,000,000.

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; Fraudulent impersonation coverage/\$250,000.

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, 2017**

COUNTY

Douglas	\$ 4,823,505
Sarpy	2,937,329
Washington	539,889
Dakota	463,382
Burt	97,405
Thurston	78,203
Dodge	<u>375</u>
	<u>\$ 8,940,088</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF CASH BALANCES HELD BY COUNTY TREASURERS
JUNE 30, 2017**

GENERAL FUND

Douglas	\$	350,214
Sarpy		99,614
Washington		11,250
Dakota		6,261
Burt		2,522
Thurston		870
Dodge		<u>1,475</u>
	\$	<u>472,206</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**INFORMATION REQUIRED BY SECTION 2-3223, N.R.S - 1975
FOR THE YEAR ENDED JUNE 30, 2017**

Gross income from all sources	\$ <u>34,626,673</u>
Amount expended for	
Maintenance	\$ 2,794,861
Improvements and other such programs	<u>24,206,522</u>
Total maintenance and improvements	\$ <u>27,001,383</u>
Amount of depreciation on property during previous year	\$ <u>5,427,666</u>
Number of employees as of June 30, 2017	<u>56</u>
Gross salaries	\$ 3,420,714
Less amount reimbursed by projects	<u>(356,662)</u>
Net salaries paid to employees	\$ <u>3,064,052</u>

November 3, 2017

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, 2017, 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 3, 2017.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-001.

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.

HSMC ORIZON LLC

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2017

COMPLIANCE AND OTHER MATTERS

2017-001 EXCESS BUDGET EXPENDITURES

Condition: The District issued refunding bonds during the year and used the proceeds to pay off outstanding bonds. Several transactions resulting from these bond issuances were not included in the authorized budgeted. As a result, actual expenditures exceeded budgeted expenditures for the year. The District did not amend its budget for these excess expenditures.

Recommendation: We recommend that procedures be established to ensure that when it is determined that actual expenditures for the year will exceed the authorized budget, the District adopt an amended budget.

Response: The District recognizes that this instance of noncompliance resulted from transactions that were not anticipated when the original budget was adopted, but were approved by the board. The District is now aware of the need to adopt an amended budget when unanticipated expenditures, including bond refundings and refinancing transactions, are necessary but will result in an excess of total actual expenditures for the year over those included in the original budget.

November 3, 2017

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

We have audited the 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") for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 15, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements are related to the useful lives of depreciable assets and allowance on accounts receivable.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to risks associated with deposits and investments; capital assets; due from funding agencies; and long-term liabilities.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The significant entries identified and posted are included on the attached schedule.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary schedules, which are Required Supplementary Information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Board of Directors
Papio-Missouri River Natural Resources District
November 3, 2017
Page Three

We were not engaged to report on the other supplementary information schedules, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

DRAFT
HSMC ORIZON LLC

Adjusting Journal Entries

Account	Description	Debit	Credit
Adjustment JE # 1			
Record bond refunding for modified accrual statements.			
02-01-000-4280	Payment to refunded bond escrow agent	45,654,687.00	
02-01-000-4396	Debt issue costs	590,758.00	
01-01-000-4395	Bank and trust fees	3,415.00	
02-01-554-3060	Bond revenue		46,248,860.00
Total		46,248,860.00	46,248,860.00
Adjustment JE #2			
Expense debt issue costs on refunding bonds on the government-wide statements.			
02-01-000-4396	Debt issue costs	590,758.00	
01-01-000-2023	Deferred costs, refunded debt		573,383.00
01-01-000-4396	Debt issuance costs		17,375.00
Total		590,758.00	590,758.00
Adjustment JE # 3			
Expense prior years debt issue costs on the government-wide statements.			
01-01-000-2760	Invested in fixed assets, net	143,568.00	
01-01-000-2023	Deferred costs, refunded debt		133,313.00
01-01-000-4396	Debt issuance costs		10,255.00
Total		143,568.00	143,568.00
Adjustment JE # 4			
Expense bond issue costs for Washington Rural Water bond refunding.			
13-01-000-4396.1	Debt issuance costs	25,518.00	
13-01-000-2023	Deferred costs, refunded debt		25,151.00
13-01-000-4396.2	Debt issuance costs		367.00
Total		25,518.00	25,518.00