

MEMORANDUM

To: Finance, Expenditures and Legal Subcommittee

From: Carey Fry, Senior Accountant

Subject: FY 2018 Audit

Date: December 7, 2018

- **It is staff's recommendation that the FEL Subcommittee recommend to the Board of Directors that the FY2018 Audit Report, prepared by BerganKDV (formerly HSMC Orizon, LLC), be accepted and that the General Manager be directed to file an authenticated copy of the audit report with the Nebraska Auditor of Public Accounts and the Nebraska Natural Resources Commission.**

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**FINANCIAL STATEMENTS
WITH
SUPPLEMENTAL INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2018**

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

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December 7, 2018

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, 2018, 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.

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, 2018, 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

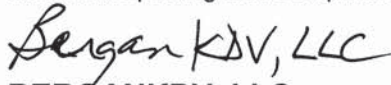
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–9 and 40–41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 42–53, 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 December 7, 2018 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.


BERGANKDV, LLC

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

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, 2018. 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 decreased by \$12,570,709, which is a 6.15% decrease in total net position.
- Total governmental activities' net position are comprised of the following:
 - 1) Net investment in capital assets of \$151,477,829. Property and equipment, net of accumulated depreciation, is reduced for the outstanding debt related to the purchase or construction of capital assets.
 - 2) Unrestricted net position of \$32,110,691. 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 \$31,658,585. This is a decrease of \$441,667 from last year's revenues of \$32,100,252.
- The net decrease in capital assets was \$12,972,513 to a total of \$225,974,136.
- Total long-term debt of the District decreased from \$66,359,177 to \$65,715,589 during the fiscal year.

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, 2018

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 two fiduciary funds. 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, 2018

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.

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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

Summary of Net Position

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Current and other assets	\$36,163,610	\$37,192,657	\$2,017,992	\$ 1,970,550
Capital assets, net of accumulated depreciation	217,398,463	230,317,537	8,575,673	8,629,112
Total assets	253,562,073	267,510,194	10,593,665	10,599,662
Current liabilities	5,518,220	7,619,276	271,549	237,752
Deferred inflow of resources	-	14,761	-	-
Long-term liabilities	64,455,333	64,147,259	1,968,270	2,107,201
Total liabilities	69,973,553	71,781,296	2,239,819	2,344,953
Net position:				
Net investment in capital assets	151,477,829	168,176,796	6,468,321	6,389,538
Restricted	-	165,919	179,344	179,126
Unrestricted	32,110,691	27,386,183	1,706,181	1,686,046
Total net position	\$183,588,520	\$195,728,898	\$ 8,353,846	\$ 8,254,710

The District reported positive balances in net position for both governmental and business-type activities. Although net position of governmental activities decreased by \$12,669,850, this was a result of the planned transfer of Prairie Queen Recreation Area from the District to the City of Papillion, which contributed to a large decrease in the District's net investment in capital assets. This transfer of a non-revenue-generating asset will have no negative effect on the District's ongoing operations or liquidity, so the decrease in net position does not indicate deterioration in the overall financial position of the District. Had the transfer not taken place, net position of governmental activities would have increased by approximately \$12 million.

Net position increased \$99,141 for business-type activities.

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 75% of the District's total governmental revenues.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

Summary of Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2018	% of Total	2017	2018	% of Total	2017
Revenues						
Program Revenues						
Charges for services	\$ 432,621	1.4%	\$ 321,361	\$ 1,376,102	93.6%	\$ 1,372,055
Operating grants and contributions	5,020,106	16.0%	5,167,271	-	-	-
Capital Grants	213,591	0.7%	1,440,370	-	0.0%	62,177
General Revenues						
Property taxes	23,529,670	75.2%	22,636,972	-	-	-
Watershed	2,066,404	6.6%	2,139,144	-	-	-
Assessment income	-	-	-	84,728	5.8%	84,294
Transfers	-	-	(110,275)	-	-	110,275
Gain on sale of fixed assets	23,253	0.1%	182,741	-	-	-
Interest income	16,499	0.1%	10,020	9,206	0.6%	7,879
Total revenues	31,302,144	100%	31,787,604	1,470,036	100.0%	1,636,680
Expenses						
General administration	11,606,289	26.4%	7,933,468	-	-	-
Information and education	138,080	0.3%	158,257	-	-	-
Flood prevention	2,516,135	5.7%	5,964,444	-	-	-
Erosion control	1,742,753	4.0%	1,810,091	-	-	-
Water quality	762,162	1.7%	1,006,191	-	-	-
Recreation	389,099	1.3%	3,546,875	-	-	-
Forestry and wildlife	808,586	1.8%	643,308	-	-	-
Transfers of property	26,008,890	59.1%				
Major proprietary funds	-	-	-	823,129	60.0%	943,633
Other proprietary funds	-	-	-	547,766	40.0%	444,218
Total expenses	43,971,994	100.0%	21,062,634	1,370,895	100.0%	1,387,851
Change in net position	\$ (12,669,850)		\$ 10,724,970	\$ 99,141		\$ 248,829

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Fund

The General Fund is the District's primary operating fund. It is used to account for all financial resources except those required to be reported in a separate fund. The fund balance of the General Fund increased by \$485,672 to \$32,627,762.

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 increased by \$58,899. Net position of the non-major proprietary funds increased by \$40,243. Total proprietary fund net position increased by \$99,141.

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 were \$61,769,747, compared with the prior year budget of \$66,213,315. This decrease is largely attributable to the scheduled completion of Papio Dam Site 15A (Flanagan Lake), a major flood control reservoir project and recreation area. Actual budgetary expenditures were \$30,962,011 and \$38,261,789, respectively. Budgeted and actual expenditures may vary due to the timing of project construction and land acquisition, which depend on both internal and external factors.

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, 2018, was \$151,477,829 and \$6,468,321, respectively. This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment and unamortized bond issue costs. The net investment decreased 7.45% for governmental and increased 0.84% for business-type activities.

In July 2017, the District transferred Prairie Queen Recreation Area, with a book value of approximately \$26 million, to the City of Papillion. Papillion will operate and maintain the recreation area going forward, while the District remains responsible for the associated flood control structure. Similarly, in fiscal year 2019, the District will transfer Flanagan Lake Recreation Area, constructed in conjunction with Dam Site 15A, to the City of Omaha.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2018

Long-term Debt

At the end of the fiscal year, the District had \$65,715,589 in bonds and notes. \$2,107,352 of this debt is attributable to the proprietary funds for construction of the rural water distribution systems. \$60,665,000 is attributable to general obligation bonds issued for construction of flood control projects.

During the fiscal year, the District completed a partial current refunding of its Series 2013 bonds, with a net present value savings of \$256,250, or 3.36%.

The District's authority to issue general obligation bonds is scheduled to expire in 2019; no additional issues are anticipated at this time.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District adopted a budget for the 2018-19 fiscal year of \$72.2 million, an increase from the 2017-18 fiscal year budget of \$66.7 million.

Factors considered in preparing the District's budget for fiscal year 2018-19 include the following:

- A total property tax assessment of \$24,823,950 on valuation of \$66.03 billion from a levy of \$0.037594 per \$100 of valuation, a decrease of 0.000203 from fiscal year 2017-18. However, the overall increase in valuation led to an increase of \$1,097,509 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 2018-2019 budget includes design and/or land acquisition 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 three structures currently under design or construction.

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, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOW OF RESOURCES			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 24,385,379	\$ 1,003,982	\$ 25,389,361
Cash on deposit with County Treasurers	475,456	-	475,456
Certificates of deposit	50,000	847,148	897,148
Taxes receivable	8,297,175	-	8,297,175
Service receivables	32,066	118,515	150,581
Interest receivable	28	1,188	1,216
Prepaid expenses	304,767	-	304,767
Intergovernmental receivables	1,703,542	-	1,703,542
Intrafund balances	314,851	(164,851)	150,000
Inventories	-	32,666	32,666
Total current assets	<u>35,563,264</u>	<u>1,838,648</u>	<u>37,401,912</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred costs on refunded debt	600,346	-	600,346
NONCURRENT ASSETS:			
Restricted certificates of deposit	-	179,344	179,344
Capital assets:			
Land	76,314,404	214,215	76,528,619
Construction in progress	16,137,282	20,179	16,157,461
Capital improvements and infrastructure	194,641,565	10,691,048	205,332,613
Buildings and improvements	7,283,051	-	7,283,051
Vehicles and equipment	5,038,624	136,174	5,174,798
Accumulated depreciation	<u>(82,016,463)</u>	<u>(2,485,943)</u>	<u>(84,502,406)</u>
Total capital assets	<u>217,398,463</u>	<u>8,575,673</u>	<u>225,974,136</u>
Total noncurrent assets	<u>217,398,463</u>	<u>8,755,017</u>	<u>226,153,480</u>
	<u>\$ 253,562,073</u>	<u>\$ 10,593,665</u>	<u>\$ 264,155,738</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 2,511,923	\$ 116,038	\$ 2,627,961
Accrued salaries and payroll withholdings	92,168	-	92,168
Accrued expenses	95,779	16,429	112,208
Current portion of long-term debt	2,658,736	139,082	2,797,818
Current portion of accrued compensated absences	<u>159,614</u>	<u>-</u>	<u>159,614</u>
Total current liabilities	<u>5,518,220</u>	<u>271,549</u>	<u>5,789,769</u>
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	60,949,501	1,968,270	62,917,771
Premium on bonds payable	2,912,743	-	2,912,743
Accrued compensated absences, less current portion	<u>593,089</u>	<u>-</u>	<u>593,089</u>
Total long-term liabilities	<u>64,455,333</u>	<u>1,968,270</u>	<u>66,423,603</u>
Total liabilities and deferred inflows of resources	<u>69,973,553</u>	<u>2,239,819</u>	<u>72,213,372</u>
NET POSITION:			
Net investment in capital assets	151,477,829	6,468,321	157,946,150
Restricted	-	179,344	179,344
Unrestricted	<u>32,110,691</u>	<u>1,706,181</u>	<u>33,816,872</u>
Total net position	<u>183,588,520</u>	<u>8,353,846</u>	<u>191,942,366</u>
	<u>\$ 253,562,073</u>	<u>\$ 10,593,665</u>	<u>\$ 264,155,738</u>

See Accompanying Notes to the Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

		Program Revenues			Net Revenue (Expenses) and Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General administration	\$ 11,606,289	\$ 295,337	\$ 55,117	\$ -	\$ (11,255,835)	\$ -	\$ (11,255,835)
Information and education	138,080	-	-	-	(138,080)	-	(138,080)
Flood prevention	2,516,135	115,181	2,998,751	204,483	802,280	-	802,280
Erosion control	1,742,753	-	1,094,648	9,108	(638,997)	-	(638,997)
Water quality	762,162	970	254,031	-	(507,161)	-	(507,161)
Recreation	389,099	13,343	617,559	-	241,803	-	241,803
Forestry and wildlife	808,586	7,790	-	-	(800,796)	-	(800,796)
Transfers of property	<u>26,008,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,008,890)</u>	<u>-</u>	<u>(26,008,890)</u>
	<u>43,971,994</u>	<u>432,621</u>	<u>5,020,106</u>	<u>213,591</u>	<u>(38,305,676)</u>	<u>-</u>	<u>(38,305,676)</u>
BUSINESS-TYPE ACTIVITIES:							
Washington County Rural Water	823,129	878,463	-	-	-	55,334	55,334
Non-major proprietary funds	<u>547,766</u>	<u>497,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,127)</u>	<u>(50,127)</u>
	<u>1,370,895</u>	<u>1,376,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,207</u>	<u>5,207</u>
	<u>\$ 45,342,889</u>	<u>\$ 1,808,723</u>	<u>\$ 5,020,106</u>	<u>\$ 213,591</u>	<u>(38,305,676)</u>	<u>5,207</u>	<u>(38,300,469)</u>
GENERAL REVENUES:							
Property taxes					23,529,670	-	23,529,670
Watershed					2,066,404	-	2,066,404
Assessment income					-	84,728	84,728
Gain on sale of capital assets					23,253	-	23,253
Interest income					<u>16,499</u>	<u>9,206</u>	<u>25,705</u>
Total general revenues					<u>25,635,826</u>	<u>93,934</u>	<u>25,729,760</u>
CHANGE IN NET POSITION					(12,669,850)	99,141	(12,570,709)
NET POSITION - BEGINNING OF YEAR, AS RESTATED					<u>196,258,370</u>	<u>8,254,705</u>	<u>204,513,075</u>
NET POSITION - END OF YEAR					\$ 183,588,520	\$ 8,353,846	\$ 191,942,366

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018**

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 24,385,379
Cash on deposit with County Treasurers	475,456
Certificates of deposit	50,000
Receivables:	
Taxes	8,297,175
Services	32,066
Interest	28
Prepaid expenses	304,767
Due from:	
Funding agencies - federal programs	24,496
Other governmental entities	1,679,046
Other funds	<u>314,851</u>
	<u>\$ 35,563,264</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES:	
Accounts payable	\$ 2,511,923
Accrued salaries and payroll withholdings	92,168
Accrued expenses	<u>159,916</u>
Total liabilities	<u>2,764,007</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue - property taxes	<u>171,495</u>
FUND BALANCE:	
Nonspendable	304,767
Committed	11,340,912
Assigned	50,000
Unassigned	<u>20,932,083</u>
Total fund balance	<u>32,627,762</u>
	<u>\$ 35,563,264</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, 2018**

Total Fund Balance - Governmental Fund \$ 32,627,762

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

Deferred costs on refunded debt are not financial resources. 600,346

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

Land	\$ 76,314,404	
Construction in progress	16,137,282	
Capital improvements and infrastructure	194,641,565	
Buildings and improvements	7,283,051	
Vehicles and equipment	5,038,624	
Accumulated depreciation	<u>(82,016,463)</u>	
Total capital assets		217,398,463

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

Accrued interest	(95,477)
Compensated absences	(593,089)
Bonds and notes payable	(63,608,237)
Premium on bonds payable	(2,912,743)

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. 171,495

Total Net Position of Governmental Activities \$ 183,588,520

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, 2018**

REVENUES:

General administration	\$ 24,271,049
Flood prevention	5,390,076
Erosion control	1,103,756
Forestry and wildlife	7,795
Water quality	255,007
Recreation	<u>630,902</u>
Total revenues	<u>31,658,585</u>

EXPENDITURES:

Flood prevention	17,204,403
General administration	10,470,112
Erosion control	2,111,655
Recreation	2,246,005
Forestry and wildlife	822,216
Water quality	790,807
Information and education	<u>138,080</u>
Total expenditures	<u>33,783,278</u>

EXCESS OF REVENUES OVER EXPENDITURES (2,124,693)

OTHER FINANCING SOURCES AND USES:

Issuance of note payable	2,487,890
Issuance of refunding bonds	7,705,000
Refunding bond premium	74,097
Payment to refund bonds escrow agent	<u>(7,656,616)</u>
Total other financing sources and uses	<u>2,610,371</u>

NET CHANGE IN FUND BALANCE 485,678

FUND BALANCE - BEGINNING OF YEAR 32,142,084

FUND BALANCE - END OF YEAR \$ 32,627,762

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, 2018**

Net Change in Fund Balance - Total Government Fund \$ 485,678

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

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

Capital outlays and capital asset expenditures:		
Land, improvements and construction in progress additions	\$ 15,080,712	
Vehicles, machinery, equipment, and furniture	<u>422,194</u>	
Total		15,502,906
Depreciation expense		(3,839,379)
Net book value of disposals and transfers		(26,050,807)

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	7,656,616
Principal payments on bonds payable	2,045,000
Principal payments on notes payable	1,967,992

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 notes payable	(2,487,890)
Issuance of refunding of bonds	(7,705,000)
Premium from the refunding of bonds	(74,097)
Effects of bond premiums, discounts and related items	286,849
Amortization of deferred cost on refunded debt	(33,809)

Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of:

Increase in long-term compensated absences	(48,047)
Decrease in accrued interest payable	3,832

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>(379,694)</u>
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Change in Net Position of Governmental Activities	<u>\$ (12,669,850)</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, 2018**

	Total (Memorandum Only)	Washington County Rural Water	Non-major Proprietary Funds
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,003,982	\$ 275,178	\$ 728,804
Certificates of deposit	847,148	470,285	376,863
Service receivables	118,515	80,784	37,731
Interest receivable	1,188	664	524
Inventories	<u>32,666</u>	<u>13,679</u>	<u>18,987</u>
Total current assets	<u>2,003,499</u>	<u>840,590</u>	<u>1,162,909</u>
NON-CURRENT ASSETS:			
Restricted certificates of deposit	179,344	135,795	43,549
Capital assets :			
Land	214,215	1,000	213,215
Construction in progress	20,179	14,679	5,500
Capital improvements and infrastructure	10,691,048	7,227,967	3,463,081
Vehicles and equipment	136,174	78,715	57,459
Accumulated depreciation	<u>(2,485,943)</u>	<u>(1,394,743)</u>	<u>(1,091,200)</u>
Total capital assets	<u>8,575,673</u>	<u>5,927,618</u>	<u>2,648,055</u>
Total non-current assets	<u>8,755,017</u>	<u>6,063,413</u>	<u>2,691,604</u>
	<u>\$ 10,758,516</u>	<u>\$ 6,904,003</u>	<u>\$ 3,854,513</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 116,038	\$ 52,814	\$ 63,224
Accrued expenses	16,429	5,265	11,164
Due to other funds	164,851	44,552	120,299
Current portion of long-term debt	<u>139,082</u>	<u>110,136</u>	<u>28,946</u>
Total current liabilities	436,400	212,767	223,633
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	<u>1,968,270</u>	<u>1,750,026</u>	<u>218,244</u>
Total liabilities	<u>2,404,670</u>	<u>1,962,793</u>	<u>441,877</u>
NET POSITION:			
Net investment in capital assets	6,468,321	4,067,456	2,400,865
Restricted	179,344	135,795	43,549
Unrestricted	<u>1,706,181</u>	<u>737,959</u>	<u>968,222</u>
Total net position	<u>8,353,846</u>	<u>4,941,210</u>	<u>3,412,636</u>
	<u>\$ 10,758,516</u>	<u>\$ 6,904,003</u>	<u>\$ 3,854,513</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, 2018**

	Total (Memorandum Only)	Washington County Rural Water	Non-Major Proprietary Funds
OPERATING REVENUES:			
Water sales	\$ 1,217,746	\$ 761,886	\$ 455,860
Customer charges and hookup fees	153,542	115,320	38,222
Miscellaneous	<u>4,814</u>	<u>1,257</u>	<u>3,557</u>
Total operating revenues	<u>1,376,102</u>	<u>878,463</u>	<u>497,639</u>
OPERATING EXPENSES:			
Repairs and maintenance	7,900	2,429	5,471
Supplies and postage	20,166	10,356	9,810
Professional services	27,780	16,054	11,726
Personnel	455,861	230,336	225,525
Telephone, utilities and rent	28,057	16,026	12,031
Miscellaneous	4,689	3,283	1,406
Water purchase	352,927	240,648	112,279
Contract costs	179,326	129,637	49,689
Project construction and land	920	-	920
Project operation and maintenance	75,545	32,817	42,728
Depreciation and amortization	136,166	81,404	54,762
Vehicle expense	19,453	12,713	6,740
Indirect cost	<u>508</u>	<u>208</u>	<u>300</u>
Total operating expenses	<u>1,309,298</u>	<u>775,911</u>	<u>533,387</u>
OPERATING INCOME (LOSS)	<u>66,804</u>	<u>102,552</u>	<u>(35,748)</u>
NON-OPERATING INCOME (EXPENSE):			
Assessment revenue	84,728	-	84,728
Interest income	9,206	3,564	5,642
Interest expense	<u>(61,597)</u>	<u>(47,218)</u>	<u>(14,379)</u>
Total non-operating income (expense)	<u>32,337</u>	<u>(43,654)</u>	<u>75,991</u>
CHANGE IN NET ASSETS	99,141	58,898	40,243
NET POSITION - BEGINNING OF YEAR - RESTATED	<u>8,254,705</u>	<u>4,882,312</u>	<u>3,372,393</u>
NET POSITION - END OF YEAR	<u><u>\$ 8,353,846</u></u>	<u><u>\$ 4,941,210</u></u>	<u><u>\$ 3,412,636</u></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, 2018**

	Total (Memorandum Only)	Washington Rural Water	Non-Major Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,382,800	\$ 879,927	\$ 502,873
Cash paid to employees	(455,861)	(230,336)	(225,525)
Cash paid to suppliers	(668,003)	(468,283)	(199,720)
Net cash provided by operating activities	<u>258,936</u>	<u>181,308</u>	<u>77,628</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments (purchased) proceeds	134,800	137,908	(3,108)
Interest received	9,087	3,458	5,629
Net cash provided by investing activities	<u>143,887</u>	<u>141,366</u>	<u>2,521</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on long-term debt	(132,222)	(104,838)	(27,384)
Purchases of capital assets	(82,727)	(35,949)	(46,778)
Interest paid	(61,597)	(47,218)	(14,379)
Interfund financing	(7,540)	16,045	(23,585)
Assessments received	84,728	-	84,728
Net cash used in capital and related financing activities	<u>(199,358)</u>	<u>(171,960)</u>	<u>(27,398)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	203,465	150,714	52,751
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>800,517</u>	<u>124,464</u>	<u>676,053</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,003,982</u>	<u>\$ 275,178</u>	<u>\$ 728,804</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS			
Operating income (loss)	\$ 66,804	\$ 102,552	\$ (35,748)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	136,166	81,404	54,762
Changes in assets and liabilities:			
Decrease in receivables	6,698	1,464	5,234
(Increase) decrease in inventories	22,184	(4,324)	26,508
Increase in accounts payable	28,852	1,385	27,467
Decrease in accrued expenses	(1,768)	(1,173)	(595)
Net cash provided by operating activities	<u>\$ 258,936</u>	<u>\$ 181,308</u>	<u>\$ 77,628</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	Papillion Creek Watershed Partnership	Southern Sarpy Watershed Partnership	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 492,849	\$ 772,372	\$ 1,265,221
Accounts receivable	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total assets	<u>\$ 512,849</u>	<u>\$ 772,372</u>	<u>\$ 1,285,221</u>
LIABILITIES AND NET POSITION			
LIABILITIES:			
Accounts payable	\$ 29	\$ 9,849	\$ 9,878
Due to other funds	150,000	-	150,000
Deferred revenue	<u>187,500</u>	<u>-</u>	<u>187,500</u>
Total liabilities	337,529	9,849	347,378
NET POSITION:			
Held in trust for other organizations	<u>175,320</u>	<u>762,523</u>	<u>937,843</u>
	<u>\$ 512,849</u>	<u>\$ 772,372</u>	<u>\$ 1,285,221</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, 2018**

	Papillion Creek Watershed Partnership	Southern Sarpy Watershed Partnership	Total
ADDITIONS:			
Partnership dues	\$ 369,000	\$ 200,000	\$ 569,000
Watershed fees	-	3,000	3,000
Interest	423	63	486
Total additions	<u>369,423</u>	<u>203,063</u>	<u>572,486</u>
DEDUCTIONS:			
Contributions and cost shares	460,397	-	460,397
Professional services	-	189,273	189,273
Miscellaneous expenses	91	20	111
Total deductions	<u>460,488</u>	<u>189,293</u>	<u>649,781</u>
CHANGE IN NET POSITION	(91,065)	13,770	(77,295)
NET POSITION - BEGINNING OF YEAR	<u>266,385</u>	<u>748,753</u>	<u>1,015,138</u>
NET POSITION - END OF YEAR	<u>\$ 175,320</u>	<u>\$ 762,523</u>	<u>\$ 937,843</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.

PAPPIO-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 2017-18, the taxes levied totaled \$23,726,441 at a tax levy rate of \$0.037797 per \$100 of valuation on a total valuation of \$62,772,761,403.

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, 2018, was \$423,538. 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, 2018.

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, 2018, the District met all the budgetary requirements with the State of Nebraska.

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, 2018:

	Total	General Funds	Proprietary Funds
Checking accounts and petty cash	\$ 25,389,361	\$ 24,385,379	\$ 1,003,982
Cash on hand at County Treasurers	475,456	475,456	-
Certificates of deposit	1,076,492	50,000	1,026,492
Total	<u>\$ 26,941,309</u>	<u>\$ 24,910,835</u>	<u>\$ 2,030,474</u>

The carrying amount of the District's deposits, including fiduciary funds, was \$27,731,074 and the bank balances were \$27,919,579 at June 30, 2018. Certificates of deposit have been included in the bank and book balances for cash. At June 30, 2018, 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, 2018 approximates cost. For fiscal year 2018, 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, 2018.

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, 2018. The following is a summary of the reservations placed on cash and investments for the year ended June 30, 2018:

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.	5,454
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The Board of Directors, by resolution has reserved funds to be spent on costs incurred for Watershed Plan Projects .	4,426,136
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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.	145,379
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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.	28,465
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The Board of Directors, by resolution has reserved funds to be spent on costs incurred for flood protection from high flows on the Missouri River.	<u>6,735,478</u>
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Total general fund reserves	<u>\$ 11,390,912</u>
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The District does not have any restricted cash accounts as of June 30, 2018.

Proprietary Sinking Funds:

In compliance with loan covenants for the notes described in Note 8, the Proprietary Funds have restricted \$179,344. Thurston County has restricted a certificate of deposit in the amount of \$43,549 and Washington County Rural Water has a restricted certificate of deposit 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, 2018, \$1,679,046 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, 2018, the District had receivables due from the federal government in the amount of \$24,496.

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, 2018, 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	\$ 6,917
General Fund	Washington County Rural Water	44,552
General Fund	Dakota County Rural Water	31,307
General Fund	Elkhorn River Stabilization	110
General Fund	Elk/Pigeon Creek Drainage	75,788
General Fund	Western Sarpy Drainage	6,177
General Fund	Papillion Creek Watershed Partnership	150,000
Total		<u>\$ 314,851</u>

7. INTERFUND TRANSACTIONS

The District did not have any interfund transfers for the year ended June 30, 2018.

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>Restated Balance June 30, 2017</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2018</u>
Not depreciated				
Land	\$ 88,620,571	\$ 4,108,837	\$ (16,415,004)	\$ 76,314,404
Construction in progress	33,096,468	10,700,948	(27,660,134)	16,137,282
	<u>121,717,039</u>	<u>14,809,785</u>	<u>(44,075,138)</u>	<u>92,451,686</u>
Depreciated				
Capital improvements and infrastructure	179,289,071	27,761,834	(12,409,340)	194,641,565
Buildings and improvements	7,118,918	164,133	-	7,283,051
Vehicles and equipment	4,857,821	422,194	(241,391)	5,038,624
	<u>191,265,810</u>	<u>28,348,161</u>	<u>(12,650,731)</u>	<u>206,963,240</u>
Less accumulated depreciation	<u>(81,197,104)</u>	<u>(3,839,379)</u>	<u>3,020,020</u>	<u>(82,016,463)</u>
	<u>110,068,706</u>	<u>24,508,782</u>	<u>(9,630,711)</u>	<u>124,946,777</u>
	<u>\$ 231,785,745</u>	<u>\$ 39,318,567</u>	<u>\$ (53,705,849)</u>	<u>\$ 217,398,463</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. CAPITAL ASSETS, CONTINUED

In July 2017, the District transferred Prairie Queen Recreation Area, with a book value of approximately \$26,008,890, to the City of Papillion. Papillion will operate and maintain the recreation area going forward, while the District remains responsible for the associated flood control structure.

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

General administration	\$ 321,327
Flood control	2,898,901
Water quality	5,730
Recreation	<u>613,421</u>
Total depreciation expense	<u><u>\$ 3,839,379</u></u>

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

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Not depreciated				
Land	\$ 214,215	\$ -	\$ -	\$ 214,215
Construction in progress	<u>-</u>	<u>20,179</u>	<u>-</u>	<u>20,179</u>
	<u>214,215</u>	<u>20,179</u>	<u>-</u>	<u>234,394</u>
Depreciated				
Capital improvements and infrastructure	10,642,595	48,453	-	10,691,048
Vehicles and equipment	122,080	14,094	-	136,174
	<u>10,764,675</u>	<u>62,547</u>	<u>-</u>	<u>10,827,222</u>
Less accumulated depreciation	<u>(2,349,778)</u>	<u>(136,165)</u>	<u>-</u>	<u>(2,485,943)</u>
	<u>8,414,897</u>	<u>(73,618)</u>	<u>-</u>	<u>8,341,279</u>
	<u><u>\$ 8,629,112</u></u>	<u><u>\$ (53,439)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,575,673</u></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, 2018. 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%	\$ 150,000
General	2015	December 2030	Semi-Annual	1.1% to 4.0%	9,280,000
General	2017	December 2033	Semi-Annual	3.00% to 5.0%	43,530,000
General	2018	December 2032	Semi-Annual	1.4% to 3.25%	7,705,000
General	Note payable	July 18, 2016	Annual	0.0%	468,736
General	Note payable	January 4, 2018	Annual	0.0%	1,839,864
General	Note payable	January 4, 2018	Annual	0.0%	<u>634,637</u>
					<u>\$ 63,608,237</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. LONG-TERM LIABILITIES, CONTINUED

Governmental	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Activities</u>					
Flood Protection and Water Quality Enhancement Bonds - 2013	\$ 8,415,000	\$ -	\$ (8,265,000)	\$ 150,000	\$ 150,000
Flood Protection and Water Quality Enhancement Bonds - 2013B	830,000	-	(830,000)	-	-
Flood Protection and Water Quality Enhancement Refunding Bonds - 2015	9,860,000	-	(580,000)	9,280,000	600,000
Flood Protection and Water Quality Enhancement Refunding Bonds - 2017	43,530,000	-	-	43,530,000	1,410,000
Flood Protection and Water Quality Enhancement Refunding Bonds - 2018		7,705,000	-	7,705,000	30,000
Note payable	1,484,603	-	(1,484,603)	-	-
Note payable	938,736	-	(470,000)	468,736	468,736
Note payable	-	1,846,902	(7,038)	1,839,864	-
Note payable	-	640,988	(6,351)	634,637	-
Total	<u>\$ 65,058,339</u>	<u>\$ 10,192,890</u>	<u>\$ (11,642,992)</u>	<u>\$ 63,608,237</u>	<u>\$ 2,658,736</u>

On January 4, 2018, the District entered into two notes payable for the purchase of land. Both notes are due on or before July 1, 2019.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. LONG-TERM LIABILITIES, CONTINUED

On January 5 2018, the District issued \$7,705,000 in refunding bonds with an average interest rate of approximately 2.72 percent for a partial advance refunding of \$7,630,000 of the outstanding bonds from the 2013 Series bonds with an average interest rate of 3.125 percent. As a result of this refunding, the District decreased its total debt service payments over the next 15 years by approximately \$289,565, and obtained an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$256,250. These bonds were issued at a premium of \$74,097 and bond issue costs of \$120,089. The District received \$2,392 and deposited \$7,656,616 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%	\$ 1,525,000
Washington Rural Water	2016	December 2036	Semi-Annual	\$3,422 to \$12,195	2.00%	335,162
Thurston Rural Water	1982	December 2022	Annual	Based on water fees	5.00%	89,117
Thurston Rural Water	1993	February 2033	Annual	Based on water fees	5.63%	158,073
Total long-term debt						<u>\$ 2,107,352</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>
Bond Payable:					
Water Project Refunding Reveue Bonds-2016	\$ 1,615,000	\$ -	\$ (90,000)	\$ 1,525,000	\$ 95,000
Notes Payable:					
NDEQ-SRF Loan	350,000	-	(14,838)	335,162	15,136
Capmark Finance	109,806	-	(20,689)	89,117	21,875
Rural Economic and Community Development	<u>164,768</u>	<u>-</u>	<u>(6,695)</u>	<u>158,073</u>	<u>7,071</u>
Business-type Activities Long-term Liabilities	<u>\$ 2,239,574</u>	<u>\$ -</u>	<u>\$ (132,222)</u>	<u>\$ 2,107,352</u>	<u>\$ 139,082</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. LONG-TERM LIABILITIES, CONTINUED

The annual principal and interest requirement to maturity for long-term debt as of June 30, 2018 follows:

Year(s) ending June 30	General Funds		Proprietary Funds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,658,736	\$ 2,262,042	\$ 139,082	\$ 58,854	\$ 2,797,818	\$ 2,320,896
2020	4,774,501	2,193,855	140,879	55,490	4,915,380	2,249,345
2021	2,470,000	2,111,865	142,758	52,044	2,612,758	2,163,909
2022	2,640,000	2,019,971	144,554	48,228	2,784,554	2,068,199
2023	2,845,000	1,903,453	130,192	44,380	2,975,192	1,947,833
2024-2028	17,930,000	7,278,065	679,044	172,261	18,609,044	7,450,326
2029-2033	24,530,000	3,225,089	657,625	64,991	25,187,625	3,290,080
2034-2038	5,760,000	93,600	73,218	2,958	5,833,218	96,558
	<u>\$ 63,608,237</u>	<u>\$ 21,087,940</u>	<u>\$ 2,107,352</u>	<u>\$ 499,206</u>	<u>\$ 65,715,589</u>	<u>\$ 21,587,146</u>

The estimated current portion of the liability for vested vacation benefits and sick leave is \$131,147 and \$28,467 at June 30, 2018, 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 \$246,057 and \$347,032, respectively, at June 30, 2018. 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 \$1,126,494 at June 30, 2018, and is not reported as an expenditure or liability in any of the District's June 30, 2018 financial statements.

The change in compensated absences for the year ended June 30, 2018 was as follows:

Governmental-type Activity:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ <u>693,384</u>	\$ <u>59,319</u>	\$ <u>-</u>	\$ <u>752,703</u>	\$ <u>159,614</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

10. 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, 2018 as follows:

Nonspendable		
Prepaid expenses	\$	304,767
Committed		
Wetland mitigation	\$	5,454
Watershed fees		4,426,136
Ice jam		145,379
Lower Platte weed		28,465
Missouri River levee		<u>6,735,478</u>
Total committed		11,340,912
Assigned		
Uninsured liability		50,000
Unassigned		<u>20,932,083</u>
Total fund balance	\$	<u>32,627,762</u>

11. 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 2016. 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.

The District entered into a leasing agreement for a postage meter in January 2018. The District pays \$188 per month for the 60-month lease with payments made on a quarterly basis.

During fiscal year 2018, the District's general fund and proprietary funds had operating lease expense of \$9,288 and \$2,340 related to these leases, respectively. Following is a schedule of the future minimum lease payments.

Year ending June 30:	Amount
2019	\$ 12,756
2020	6,636
2021	3,816
2022	2,256
2023	1,128

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

12. EMPLOYEES' RETIREMENT PLAN

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

All employees who are employed for a minimum of six months, are regularly scheduled to work at least thirty-seven and one-half hours per week, and are age nineteen or older are eligible to participate in the 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, 2018 were \$198,620, which were the required contributions. Plan forfeitures, if any, are allocated to the other active participants in the plan.

13. COMMITMENTS AND CONTINGENCIES

The District has committed future funds to several ongoing and new projects and cost share agreements. The total commitments under signed contracts at year-end were approximately \$10,712,667. 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, 2018.

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, 2018, a reasonable estimate could not be determined for any potential loss contingencies.

PAPPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

14. 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.

15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. These risks are transferred to independent insurance carriers and no self-insurance program is maintained by the District. District management believes adequate coverage exists for potential exposures as of June 30, 2018. The District did not pay any settlement amounts, which exceeded its insurance coverage for the years ending June 30, 2018, 2017, or 2016.

16. PRIOR PERIOD ADJUSTMENT

During the year, the District identified and corrected errors from the prior year on the government-wide financial statements relating to capitalization of assets and related depreciation and debt. The District corrected the allocation of design costs from an expense to a capital asset on a dam structure. In addition to the reallocation, the District corrected the useful life of the dam structure from 25 years to 50 years to conform to the District capitalization policy. The net effect of these corrections was to capital assets and net investment in capital assets by \$529,472. The District also recorded long-term debt for an installment agreement for a purchase of land that was not reported on the prior year financial statements. This correction increased capital assets and long-term debt by \$938,736.

During the year, the District corrected an error from the prior year on the Elk/Pigeon Creek Drainage proprietary fund. The District received tax collections from the county in the prior year that were not the District's. The correction of this error decreased unrestricted net position and increased accounts payable by \$15,964.

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, 2018**

	Actual	Budget		Variance Favorable (Unfavorable)
		Original	Final	
REVENUES:				
General administration	\$ 24,269,432	\$ 23,791,070	\$ 23,791,070	\$ 478,362
Watershed	6,645,987	9,689,500	9,689,500	(3,043,513)
Information and education	8,095	15,000	15,000	(6,905)
Flood control	3,386,198	8,145,954	8,145,954	(4,759,756)
Erosion control	2,922,682	1,153,885	1,153,885	1,768,797
Water quality	288,934	263,405	263,405	25,529
Recreation	92,804	911,000	911,000	(818,196)
Forestry and wildlife	7,795	1,602,005	1,602,005	(1,594,210)
Total revenues	<u>37,621,927</u>	<u>45,571,819</u>	<u>45,571,819</u>	<u>(7,949,892)</u>
EXPENDITURES:				
General administration	10,071,338	11,485,701	11,485,701	1,414,363
Watershed	10,911,769	18,363,198	18,363,198	7,451,429
Information and education	137,479	248,000	248,000	110,521
Flood control	3,834,369	19,317,905	19,317,905	15,483,536
Erosion control	2,079,833	3,468,765	3,468,765	1,388,932
Water quality	837,369	1,213,715	1,213,715	376,346
Recreation	2,268,574	4,932,963	4,932,963	2,664,389
Forestry and wildlife	821,281	2,739,500	2,739,500	1,918,219
Total expenditures	<u>30,962,012</u>	<u>61,769,747</u>	<u>61,769,747</u>	<u>30,807,735</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,659,915</u>	<u>(16,197,928)</u>	<u>(16,197,928)</u>	<u>22,857,843</u>
OTHER FINANCING SOURCES AND USES:				
Issuance of notes payable	2,487,890	-	-	2,487,890
Issuance of refunding bonds	7,705,000	-	-	7,705,000
Refunding bond premium	74,097	-	-	74,097
Payment to refund bonds escrow agent	(7,656,616)	-	-	(7,656,616)
Total other financing sources and uses	<u>2,610,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,610,371</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:				
To adjust revenues for accruals	(5,963,342)			
To adjust expenditures for accruals and prepaids	<u>(2,821,266)</u>			
MODIFIED ACCRUAL BASIS INCREASE IN FUND BALANCE	<u>\$ 485,678</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, 2018**

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – BUDGET LAW

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF FUNCTIONAL REVENUES AND EXPENDITURES

GOVERNMENTAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

REVENUES:

Federal grants	\$ 32,288
Interest income	16,499
Local agency grants	5,520,610
Miscellaneous income	118,715
Property tax	23,909,364
Rental income	232,016
State grants	1,827,984
It reimbursements	1,109
Issuance of notes payable	2,487,890
Issuance of refunding bonds	<u>7,779,097</u>
Total revenues	<u>41,925,572</u>

EXPENDITURES:

Board of directors	53,791
Contract work	1,390,804
Cost-sharing and conservation assistance	3,586,445
Debt issue costs	120,089
Debt principal payments	2,045,000
Employee benefits	933,995
Fees	247,784
Indirect personnel cost reimbursement	(423,538)
Information and education	49,656
Insurance	329,061
Interest expense	2,326,121
Machinery and equipment	361,579
Miscellaneous	1,272
Payment to refund bonds	7,656,616
Payroll taxes	256,990
Personnel	3,473,132
Printing and publications	39,325
Professional services	6,164,478
Project construction and land	10,887,475
Project legal costs	298,876
Project operation and maintenance	278,915
Repairs and maintenance	323,546
Special projects	225,776
Supplies and postage	152,200
Telephone, utilities, and rent	186,514
Travel	49,087
Uncollectible grants	101,273
Vehicle expense	<u>323,632</u>
Total expenditures	<u>41,439,894</u>

REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ 485,678</u>
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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
ACTUAL AND BUDGET
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Total (Memorandum Only)			Washington Rural Water			Non-Major Proprietary Funds		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES:									
Water sales	\$ 1,217,746	\$ 1,142,000	\$ 1,142,000	\$ 761,886	\$ 705,000	\$ 705,000	\$ 455,860	\$ 437,000	\$ 437,000
Customer charges and hookup fees	153,542	92,950	92,950	115,320	76,500	76,500	38,222	16,450	16,450
Miscellaneous	4,814	100	100	1,257	100	100	3,557	-	-
Total operating revenues	<u>1,376,102</u>	<u>1,235,050</u>	<u>1,235,050</u>	<u>878,463</u>	<u>781,600</u>	<u>781,600</u>	<u>497,639</u>	<u>453,450</u>	<u>453,450</u>
OPERATING EXPENSES:									
Repairs and maintenance	7,900	14,700	14,700	2,429	7,500	7,500	5,471	7,200	7,200
Supplies and postage	20,166	37,950	37,950	10,356	18,050	18,050	9,810	19,900	19,900
Professional services	27,780	46,000	46,000	16,054	23,000	23,000	11,726	23,000	23,000
Personnel	455,861	474,000	474,000	230,336	215,000	215,000	225,525	259,000	259,000
Telephone, utilities and rent	28,057	22,500	22,500	16,026	9,800	9,800	12,031	12,700	12,700
Miscellaneous	4,689	9,300	9,300	3,283	5,200	5,200	1,406	4,100	4,100
Water purchase	352,927	314,000	314,000	240,648	220,000	220,000	112,279	94,000	94,000
Contract costs	179,326	178,250	178,250	129,637	103,000	103,000	49,689	75,250	75,250
Project construction and land	920	1,500	1,500	-	200	200	920	1,300	1,300
Project operation and maintenance	75,545	46,000	46,000	32,817	30,000	30,000	42,728	16,000	16,000
Depreciation and amortization	136,166	-	-	81,404	-	-	54,762	-	-
Vehicle expense	19,453	14,200	14,200	12,713	8,000	8,000	6,740	6,200	6,200
Bond expenditures	-	139,838	139,838	-	104,838	104,838	-	35,000	35,000
Other	508	1,300	1,300	208	500	500	300	800	800
Total operating expense	<u>1,309,298</u>	<u>1,299,538</u>	<u>1,299,538</u>	<u>775,911</u>	<u>745,088</u>	<u>745,088</u>	<u>533,387</u>	<u>554,450</u>	<u>554,450</u>
OPERATING INCOME (LOSS)	<u>66,804</u>	<u>(64,488)</u>	<u>(64,488)</u>	<u>102,552</u>	<u>36,512</u>	<u>36,512</u>	<u>(35,748)</u>	<u>(101,000)</u>	<u>(101,000)</u>
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	84,728	81,000	81,000	-	-	-	84,728	81,000	81,000
Interest income	9,206	2,182	2,182	3,564	900	900	5,642	1,282	1,282
Interest expense	(61,597)	(55,291)	(55,291)	(47,218)	(47,291)	(47,291)	(14,379)	(8,000)	(8,000)
Transfers	-	(31,510)	(31,510)	-	-	-	-	(31,510)	(31,510)
Total non-operating income (expense)	<u>32,337</u>	<u>(3,619)</u>	<u>(3,619)</u>	<u>(43,654)</u>	<u>(46,391)</u>	<u>(46,391)</u>	<u>75,991</u>	<u>42,772</u>	<u>42,772</u>
CHANGE IN NET POSITION	<u>99,141</u>	<u>\$ (68,107)</u>	<u>\$ (68,107)</u>	<u>58,898</u>	<u>\$ (9,879)</u>	<u>\$ (9,879)</u>	<u>40,243</u>	<u>\$ (58,228)</u>	<u>\$ (58,228)</u>
NET POSITION - BEGINNING OF YEAR - RESTATED	<u>8,254,705</u>			<u>4,882,312</u>			<u>3,372,393</u>		
NET POSITION - END OF YEAR	<u>\$ 8,353,846</u>			<u>\$ 4,941,210</u>			<u>\$ 3,412,636</u>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**COMBINING STATEMENT OF NET POSITION
NON-MAJOR - PROPRIETARY FUNDS
JUNE 30, 2018**

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	\$ 728,804	\$ 215,314	\$ 56,013	\$ 106,405	\$ 6,632	\$ 252,300	\$ 92,140
Certificates of deposit	376,863	-	-	-	-	376,863	-
Service receivables	37,731	-	-	-	95	25,108	12,528
Interest receivable	524	-	-	-	-	418	106
Inventories	18,987	-	-	-	-	17,887	1,100
Total current assets	<u>1,162,909</u>	<u>215,314</u>	<u>56,013</u>	<u>106,405</u>	<u>6,727</u>	<u>672,576</u>	<u>105,874</u>
NON-CURRENT ASSETS:							
Restricted certificates of deposit	43,549	-	-	-	-	-	43,549
Capital assets							
Land	213,215	-	211,215	-	-	1,000	1,000
Construction in progress	5,500	-	-	-	-	5,500	-
Capital improvements and infrastructure	3,463,081	-	220,551	-	-	1,784,395	1,458,135
Vehicles and equipment	57,459	-	-	-	-	57,459	-
Accumulated depreciation	<u>(1,091,200)</u>	<u>-</u>	<u>(8,822)</u>	<u>-</u>	<u>-</u>	<u>(739,324)</u>	<u>(343,054)</u>
Total capital assets	<u>2,648,055</u>	<u>-</u>	<u>422,944</u>	<u>-</u>	<u>-</u>	<u>1,109,030</u>	<u>1,116,081</u>
Total non-current assets	<u>2,691,604</u>	<u>-</u>	<u>422,944</u>	<u>-</u>	<u>-</u>	<u>1,109,030</u>	<u>1,159,630</u>
	<u>\$ 3,854,513</u>	<u>\$ 215,314</u>	<u>\$ 478,957</u>	<u>\$ 106,405</u>	<u>\$ 6,727</u>	<u>\$ 1,781,606</u>	<u>\$ 1,265,504</u>
LIABILITIES AND NET POSITION							
CURRENT LIABILITIES:							
Accounts payable	\$ 63,224	\$ -	\$ 30,319	\$ -	\$ -	\$ 28,172	\$ 4,733
Accrued expenses	11,164	-	-	-	-	1,664	9,500
Due to other funds	120,299	110	75,788	6,177	-	31,307	6,917
Current portion of long-term debt	<u>28,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,946</u>
Total current liabilities	223,633	110	106,107	6,177	-	61,143	50,096
NON-CURRENT LIABILITIES:							
Long-term debt, less current portion	<u>218,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,244</u>
Total liabilities	<u>441,877</u>	<u>110</u>	<u>106,107</u>	<u>6,177</u>	<u>-</u>	<u>61,143</u>	<u>268,340</u>
NET POSITION:							
Invested in capital assets, net of related debt	2,400,865	-	422,944	-	-	1,109,030	868,891
Restricted	43,549	-	-	-	-	-	43,549
Unrestricted (deficit)	<u>968,222</u>	<u>215,204</u>	<u>(50,094)</u>	<u>100,228</u>	<u>6,727</u>	<u>611,433</u>	<u>84,724</u>
Total net position	<u>3,412,636</u>	<u>215,204</u>	<u>372,850</u>	<u>100,228</u>	<u>6,727</u>	<u>1,720,463</u>	<u>997,164</u>
	<u>\$ 3,854,513</u>	<u>\$ 215,314</u>	<u>\$ 478,957</u>	<u>\$ 106,405</u>	<u>\$ 6,727</u>	<u>\$ 1,781,606</u>	<u>\$ 1,265,504</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, 2018**

	Total			Elkhorn River Stabilization			Elk/Pigeon Creek Drainage		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES:									
Water sales	\$ 455,860	\$ 437,000	\$ 437,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	38,222	16,450	16,450	-	-	-	-	-	-
Miscellaneous	3,557	-	-	-	-	-	1,875	-	-
Total operating revenues	497,639	453,450	453,450	-	-	-	1,875	-	-
OPERATING EXPENSES:									
Repairs and maintenance	5,471	7,200	7,200	-	-	-	-	-	-
Supplies and postage	9,810	19,900	19,900	-	-	-	-	-	-
Professional services	11,726	23,000	23,000	-	5,000	5,000	-	1,000	1,000
Personnel	225,525	259,000	259,000	109	7,000	7,000	12,476	7,500	7,500
Telephone, utilities and rent	12,031	12,700	12,700	-	-	-	-	-	-
Miscellaneous	1,406	4,100	4,100	-	-	-	-	-	-
Water purchase	112,279	94,000	94,000	-	-	-	-	-	-
Contract costs	49,689	75,250	75,250	-	-	-	-	5,000	5,000
Project construction and land	920	1,300	1,300	-	-	-	-	-	-
Project operation and maintenance	42,728	16,000	16,000	-	5,000	5,000	7,118	-	-
Depreciation and amortization	54,762	-	-	-	-	-	8,822	-	-
Vehicle expense	6,740	6,200	6,200	-	-	-	-	-	-
Bond expenditures	-	35,000	35,000	-	-	-	-	-	-
Other	300	800	800	-	-	-	-	-	-
Total operating expenses	533,387	554,450	554,450	109	17,000	17,000	28,416	13,500	13,500
OPERATING INCOME (LOSS)	(35,748)	(101,000)	(101,000)	(109)	(17,000)	(17,000)	(26,541)	(13,500)	(13,500)
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	84,728	81,000	81,000	19,683	20,000	20,000	46,383	45,000	45,000
Interest income	5,642	1,282	1,282	183	80	80	18	10	10
Interest expense	(14,379)	(8,000)	(8,000)	-	-	-	-	-	-
Transfers	-	(31,510)	(31,510)	-	-	-	-	(31,510)	(31,510)
Total non-operating income	75,991	42,772	42,772	19,866	20,080	20,080	46,401	13,500	13,500
CHANGE IN NET POSITION	40,243	\$ (58,228)	\$ (58,228)	19,757	\$ 3,080	\$ 3,080	19,860	\$ -	\$ -
NET POSITION - BEGINNING OF YEAR - RESTATED	3,372,393			195,447			352,990		
NET POSITION - END OF YEAR	\$ 3,412,636			\$ 215,204			\$ 372,850		

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, 2018**

	Western Sarpy Drainage			Elkhorn Breakout			Dakota Rural Water		
	Budget			Budget			Budget		
	Actual	Original	Final	Actual	Original	Final	Actual	Original	Final
OPERATING REVENUES:									
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,749	\$ 305,000	\$ 305,000
Customer charges and hookup fees	-	-	-	-	-	-	20,299	11,700	11,700
Miscellaneous	-	-	-	-	-	-	1,540	-	-
Total operating revenues	-	-	-	-	-	-	332,588	316,700	316,700
OPERATING EXPENSES:									
Repairs and maintenance	-	-	-	-	-	-	5,320	6,500	6,500
Supplies and postage	-	-	-	-	-	-	8,632	18,750	18,750
Professional services	97	5,000	5,000	-	-	-	10,946	10,000	10,000
Personnel	6,177	58,000	58,000	-	-	-	167,953	155,000	155,000
Telephone, utilities and rent	-	-	-	-	-	-	4,906	5,100	5,100
Miscellaneous	-	-	-	-	-	-	790	3,300	3,300
Water purchase	-	-	-	-	-	-	82,009	62,000	62,000
Contract costs	-	5,000	5,000	-	-	-	40,788	30,000	30,000
Project construction and land	-	-	-	-	-	-	920	1,300	1,300
Project operation and maintenance	3,719	1,000	1,000	-	-	-	23,115	10,000	10,000
Depreciation and amortization	-	-	-	-	-	-	30,357	-	-
Vehicle expense	-	-	-	-	-	-	6,740	6,200	6,200
Other	-	-	-	-	-	-	300	500	500
Total operating expenses	9,993	69,000	69,000	-	-	-	382,776	308,650	308,650
OPERATING INCOME (LOSS)	<u>(9,993)</u>	<u>(69,000)</u>	<u>(69,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,188)</u>	<u>8,050</u>	<u>8,050</u>
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	18,662	16,000	16,000	-	-	-	-	-	-
Interest income	94	40	40	6	2	2	4,895	1,100	1,100
Total non-operating income (expense)	18,756	16,040	16,040	6	2	2	4,895	1,100	1,100
CHANGE IN NET POSITION	8,763	<u>\$ (52,960)</u>	<u>\$ (52,960)</u>	6	<u>\$ 2</u>	<u>\$ 2</u>	(45,293)	<u>\$ 9,150</u>	<u>\$ 9,150</u>
NET POSITION - BEGINNING OF YEAR	<u>91,465</u>			<u>6,721</u>			<u>1,765,756</u>		
NET POSITION - END OF YEAR	<u>\$ 100,228</u>			<u>\$ 6,727</u>			<u>\$ 1,720,463</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, 2018**

	Thurston County Rural Water		
	Actual	Budget	
		Original	Final
OPERATING REVENUES:			
Water sales	\$ 145,111	\$ 132,000	\$ 132,000
Customer charges and hookup fees	17,923	4,750	4,750
Miscellaneous	142	-	-
Total operating revenues	<u>163,176</u>	<u>136,750</u>	<u>136,750</u>
OPERATING EXPENSES:			
Repairs and maintenance	151	700	700
Supplies and postage	1,178	1,150	1,150
Professional services	683	2,000	2,000
Personnel	38,810	31,500	31,500
Telephone, utilities and rent	7,125	7,600	7,600
Miscellaneous	616	800	800
Water purchase	30,270	32,000	32,000
Contract costs	8,901	35,250	35,250
Project operation and maintenance	8,776	-	-
Depreciation and amortization	15,583	-	-
Bond expenditures	-	35,000	35,000
Other	-	300	300
Total operating expenses	<u>112,093</u>	<u>146,300</u>	<u>146,300</u>
OPERATING INCOME (LOSS)	<u>51,083</u>	<u>(9,550)</u>	<u>(9,550)</u>
NON-OPERATING INCOME (EXPENSE):			
Capital facility fees	-	-	-
Interest income	446	50	50
Interest expense	(14,379)	(8,000)	(8,000)
Total non-operating income (expense)	<u>(13,933)</u>	<u>(7,950)</u>	<u>(7,950)</u>
CHANGE IN NET POSITION	37,150	<u>\$ (17,500)</u>	<u>\$ (17,500)</u>
NET POSITION - BEGINNING OF YEAR	<u>960,014</u>		
NET POSITION - END OF YEAR	<u>\$ 997,164</u>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF CERTIFICATE OF DEPOSIT
GOVERNMENTAL FUND
JUNE 30, 2018**

	<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><u>\$ 50,000</u></u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF CERTIFICATES OF DEPOSIT
PROPRIETARY FUNDS
JUNE 30, 2018**

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary funds		
Certificates of deposit		
Dakota County		
Access Bank	\$ 105,063	1.05%
Access Bank	105,800	1.40%
Nebraska-Iowa State Bank	66,000	0.35%
Siouxland National Bank	<u>100,000</u>	0.50%
	<u>376,863</u>	
Washington County		
American National Bank	200,000	0.10%
United Republic Bank	102,023	1.49%
United Republic Bank	103,262	0.50%
Premier Bank	135,795	1.15%
Premier Bank	<u>65,000</u>	1.15%
	<u>606,080</u>	
Thurston County		
Premier Bank	<u>43,549</u>	1.15%
	<u>43,549</u>	
 Total	 <u>\$ 1,026,492</u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF INSURANCE POLICIES AND BONDS JUNE 30, 2018

REAL AND PERSONAL PROPERTY

Real & Personal property; total limit \$17,858,802; deductible/\$5,000; Equipment Floater/\$192,592 on Miscellaneous Equipment with \$10,000 max on any one item; Scheduled Equipment \$2,271,966 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.

CRIME COVERAGE

Employee theft including faithful performance/\$250,000 with deductible/\$500; Forgery or alteration/\$250,000, with deductible/\$500; Inside the premises – theft of money and securities/\$250,000, with deductible/\$500; Inside the premises – robbery/safe burglary/\$100,000, with deductible/\$500; Outside the premises/\$250,000, with deductible/\$500; Computer and funds transfer fraud/\$250,000, with deductible/\$500; Money orders/\$250,000, with deductible/\$500; Fraudulent impersonation/\$250,000, with deductible/\$500.

BONDS

Public employees/\$100,000, with the exception of one \$15,000 Notary Bond.

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, 2018**

COUNTY

Douglas	\$ 4,315,460
Sarpy	2,885,657
Washington	502,448
Dakota	429,663
Burt	89,368
Thurston	74,319
Dodge	<u>260</u>
	<u>\$ 8,297,175</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF CASH BALANCES HELD BY COUNTY TREASURERS
JUNE 30, 2018**

GENERAL FUND

Douglas	\$	361,826
Sarpy		89,588
Washington		9,076
Dakota		7,866
Burt		3,072
Thurston		2,530
Dodge		<u>1,498</u>
	\$	<u>475,456</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
INFORMATION REQUIRED BY SECTION 2-3223, N.R.S - 1975
FOR THE YEAR ENDED JUNE 30, 2018

Gross income from all sources	<u>\$ 33,343,555</u>
Amount expended for	
Maintenance	\$ 2,472,391
Improvements and other such programs	<u>16,088,080</u>
Total maintenance and improvements	<u>\$ 18,560,471</u>
Amount of depreciation on property during previous year	<u>\$ 3,961,613</u>
Number of employees as of June 30, 2018	<u>53</u>
Gross salaries	\$ 3,506,914
Less amount reimbursed by projects	<u>(416,126)</u>
Net salaries paid to employees	<u>\$ 3,090,788</u>

December 7, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2018.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

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

Bergan KDV, LLC
BERGANKDV, LLC