

MEMORANDUM

To: Finance, Expenditures and Legal Subcommittee

From: Carey Fry, Senior Accountant

Subject: FY 2019 Audit

Date: December 6, 2019

- **It is staff's recommendation that the FEL Subcommittee recommend to the Board of Directors that the FY2019 Audit Report, prepared by BerganKDV, 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

Summary of Audit Results and Reports

June 30, 2019

- **Audit of Basic Financial Statements**
 - Unmodified opinion (pages 1–2)

- **Report on Compliance and Internal Controls over Financial Reporting**
 - No deficiencies reported on internal controls over financial reporting (pages 53-54).
 - No material matters of noncompliance identified (pages 53-54).
 - Budgetary compliance: the District expenditures were under its authorized budget (page 39).

- **Major Federal Award Programs**
 - Under \$750,000 of federal funding so no specific audit procedures required

- **Required communications to governing board**
 - Important information, but no injurious issues or findings to report.
 - We proposed three entries that were left uncorrected by management as they were considered immaterial both individually and in the aggregate to the financial statements as a whole. The entries are attached to the letter to those charged with governance.

- **Observations and Recommendations Financial Highlights**
 - The District continued to make improvements to its internal controls during the year, but further improvements could be made through increased segregation of duties.
 - We recommend the District expand its Management Discussion and Analysis section of the audit report.
 - We noted that the Western Sarpy Drainage and Elk Pigeon Creek Drainage funds over expended its budget for the year.

- **Financial Highlights**
 - Overall net position (equity on a full accrual basis) decreased by \$17.5 million.
 - Net Investment in Capital Assets decreased by \$22.2 million to a total of \$135.8 million (capital assets, less accumulated depreciation and outstanding debt).
 - Total long-term debt is \$62.2 million compared to \$65.7 million for the prior year.
 - The debt to taxable valuation decreased 10% from .00105 (\$65.7M / \$62,773M) in 2018 to .00094 (\$62.2M / \$66,031M) in 2019.
 - Fund balance for the general fund (current financial resources) increased by \$3.9 million to \$36.5 million.
 - Net unassigned fund balance increased by \$1.7 million to \$22.7 million.
 - Net position of proprietary funds increased by \$163,058 to a total of \$8,516,904.
 - Washington County Rural Water Fund had a net increase of \$101,749.
 - Other funds had a net increase of \$61,309.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

FINANCIAL STATEMENTS
WITH
SUPPLEMENTAL INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS

YEAR ENDED JUNE 30, 2019

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

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December 4, 2019

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–9 and 39-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on pages 41-52, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019 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
Omaha, Nebraska

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2019

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, 2019. 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 \$17,519,000, which is a 9.13% decrease in total net position.
- Total governmental activities' net position are comprised of the following:
 - 1) Net investment in capital assets of \$129,233,688. 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 \$36,672,774. 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 \$39,193,600. This is an increase of \$7,535,015 from last year's revenues of \$31,658,585.
- The net decrease in capital assets was \$25,857,500 to a total of \$200,116,636.
- Total long-term debt of the District decreased from \$65,715,589 to \$62,180,615 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, CONTINUED
YEAR ENDED JUNE 30, 2019

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, CONTINUED
YEAR ENDED JUNE 30, 2019

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 Saryp 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, CONTINUED
YEAR ENDED JUNE 30, 2019

Summary of Net Position

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
Current and other assets	\$ 40,477,019	\$ 36,163,610	\$ 2,056,705	\$ 2,017,992
Capital assets, net of accumulated depreciation	<u>191,306,291</u>	<u>217,398,463</u>	<u>8,810,345</u>	<u>8,575,673</u>
Total assets	<u>231,783,310</u>	<u>253,562,073</u>	<u>10,867,050</u>	<u>10,593,665</u>
Current liabilities	5,649,917	5,518,220	241,652	271,549
Long-term liabilities	<u>60,226,931</u>	<u>64,455,333</u>	<u>2,108,494</u>	<u>1,968,270</u>
Total liabilities	<u>65,876,848</u>	<u>69,973,553</u>	<u>2,350,146</u>	<u>2,239,819</u>
Net position:				
Net investment in capital assets	129,233,688	151,477,829	6,548,507	6,468,321
Restricted	-	-	179,344	179,344
Unrestricted	<u>36,672,774</u>	<u>32,110,691</u>	<u>1,789,053</u>	<u>1,706,181</u>
Total net position	<u>\$ 165,906,462</u>	<u>\$ 183,588,520</u>	<u>\$ 8,516,904</u>	<u>\$ 8,353,846</u>

The District reported positive balances in net position for both governmental and business-type activities. Although net position of governmental activities decreased by \$17,682,058, this was a result of the planned transfer of Flanagan Lake Recreation Area from the District to the City of Omaha, which contributed to a large decrease in the District's new 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 \$21 million.

Net position increased by \$163,058 for business-type activities.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2019**

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

Summary of Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2019	% of Total	2018	2019	% of Total	2018
Revenues						
Program Revenues						
Charges for services	\$ 331,942	0.8%	\$ 432,621	\$ 1,440,873	93.5%	\$ 1,376,102
Operating grants and contributions	9,789,078	24.6%	5,020,106	-	-	-
Capital Grants	51,728	0.1%	213,591	-	-	-
General Revenues						
Property taxes	25,261,541	63.6%	23,529,670	-	-	-
Watershed	4,100,204	10.3%	2,066,404	-	-	-
Assessment income	-	-	-	85,595	5.6%	84,728
Transfers	-	-	-	-	-	-
Gain on sale of fixed assets	53,837	0.1%	23,253	3,000	0.2%	-
Interest income	129,119	0.3%	16,499	11,165	0.7%	9,206
Total revenues	<u>39,717,449</u>	<u>100%</u>	<u>31,302,144</u>	<u>1,540,633</u>	<u>100%</u>	<u>1,470,036</u>
Expenses						
General administration	11,714,337	20.4%	11,606,289	-	-	-
Information and education	171,444	0.3%	138,080	-	-	-
Flood prevention	2,602,799	4.5%	2,516,135	-	-	-
Erosion control	1,065,196	1.9%	1,742,753	-	-	-
Water quality	682,519	1.2%	762,162	-	-	-
Recreation	1,135,970	2.0%	389,099	-	-	-
Forestry and wildlife	434,628	0.8%	808,586	-	-	-
Transfers of property	39,592,614	69.0%	26,008,890	-	-	-
Major proprietary funds	-	-	-	792,354	57.5%	823,129
Other proprietary funds	-	-	-	585,221	42.5%	547,766
Total expenses	<u>57,399,507</u>	<u>100%</u>	<u>43,971,994</u>	<u>1,377,575</u>	<u>100%</u>	<u>1,370,895</u>
Change in net position	<u>\$ (17,682,058)</u>		<u>\$ (12,669,850)</u>	<u>\$ 163,058</u>		<u>\$ 99,141</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2019

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 \$3,919,354 to \$36,547,116.

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 \$101,749. Net position of the non-major proprietary funds increased by \$61,309. Total proprietary fund net position increased by \$163,058.

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 \$55,390,681, compared with the prior year budget of \$57,398,122. This decrease is largely attributable to the completion of Papio Dam Site 15A (Flanagan Lake), a major flood control reservoir project and recreation area. Actual budgetary expenditures were \$33,504,270 and \$30,962,012, 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. Due to the historic March 2019 flooding of the Missouri, Platte, and Elkhorn rivers, many projects were pushed off schedule.

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, 2019, was \$129,233,688 and \$6,548,507, respectively. This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment and unamortized bond issue costs. The net investment decreased 14.68% for governmental and increased 1.24% for business-type activities.

In November 2018, the District transferred Flanagan Lake Recreation Area, with a book value of approximately \$39.6 million, to the City of Omaha. Omaha will operate and maintain the recreation area going forward, while the District remains responsible for the associated flood control structure.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2019

Long-term Debt

At the end of the fiscal year, the District had \$62,180,615 in bonds and notes. \$2,261,838 of this debt is attributable to the proprietary funds for construction of the rural water distribution systems. \$59,918,777 is attributable to general obligation bonds issued for construction of flood control projects.

The District's authority to issue general obligation bonds, previously scheduled to expire in 2019, was extended through December 31, 2024. An additional issue is tentatively planned for fiscal year 2022 to assist in funding priority flood control reservoirs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District adopted a budget for the 2019-20 fiscal year of \$119.9 million, an increase from the 2018-19 fiscal year budget of \$72.2 million. \$35 million of this increase was attributable to a refunding bond issue scheduled for September 2019. Additionally, approximately \$5 million was budgeted for repairs and cleanup related to the March 2019 flooding.

Factors considered in preparing the District's budget for fiscal year 2019-20 include the following:

- A total property tax assessment of \$26,379,013 on valuation of \$70.56 billion from a levy of \$0.037384 per \$100 of valuation, a decrease of 0.000210 from fiscal year 2018-19. However, the overall increase in valuation led to an increase of \$1,555,063 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 2019-2020 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 Senior Accountant at 8901 South 154th Street, Omaha, NE 68138.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS AND DEFERRED OUTFLOW OF RESOURCES			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 14,215,974	\$ 1,071,792	\$ 15,287,766
Cash on deposit with County Treasurers	483,572	-	483,572
Certificates of deposit	50,000	849,417	899,417
Investments	10,093,878	-	10,093,878
Taxes receivable	9,611,634	-	9,611,634
Service receivables	-	104,876	104,876
Interest receivable	28	1,568	1,596
Prepaid expenses	289,463	-	289,463
Intergovernmental receivables	4,987,468	-	4,987,468
Intrafund balances	183,128	(183,128)	-
Inventories	-	32,836	32,836
Total current assets	39,915,145	1,877,361	41,792,506
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred costs on refunded debt	561,874	-	561,874
NONCURRENT ASSETS:			
Restricted certificates of deposit	-	179,344	179,344
Capital assets:			
Land	58,939,281	214,215	59,153,496
Construction in progress	24,951,539	-	24,951,539
Capital improvements and infrastructure	180,018,585	11,053,050	191,071,635
Buildings and improvements	7,627,015	-	7,627,015
Vehicles and equipment	5,533,881	153,597	5,687,478
Accumulated depreciation	(85,764,010)	(2,610,517)	(88,374,527)
Total capital assets	191,306,291	8,810,345	200,116,636
Total noncurrent assets	191,306,291	8,989,689	200,295,980
	\$ 231,783,310	\$ 10,867,050	\$ 242,650,360
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 2,305,687	\$ 72,625	\$ 2,378,312
Accrued salaries and payroll withholdings	86,059	-	86,059
Accrued expenses	97,072	15,683	112,755
Current portion of long-term debt	2,829,596	153,344	2,982,940
Current portion of accrued compensated absences	331,503	-	331,503
Total current liabilities	5,649,917	241,652	5,891,569
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	57,089,181	2,108,494	59,197,675
Premium on bonds payable	2,715,700	-	2,715,700
Accrued compensated absences, less current portion	422,050	-	422,050
Total long-term liabilities	60,226,931	2,108,494	62,335,425
Total liabilities	65,876,848	2,350,146	68,226,994
NET POSITION:			
Net investment in capital assets	129,233,688	6,548,507	135,782,195
Restricted	-	179,344	179,344
Unrestricted	36,672,774	1,789,053	38,461,827
Total net position	165,906,462	8,516,904	174,423,366
	\$ 231,783,310	\$ 10,867,050	\$ 242,650,360

See Accompanying Notes to the Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expenses) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
GOVERNMENTAL ACTIVITIES:							
General administration	\$ 11,714,337	\$ 285,374	\$ 13,080	\$ -	\$ (11,415,883)	\$ -	\$ (11,415,883)
Information and education	171,444	-	-	-	(171,444)	-	(171,444)
Flood prevention	2,602,799	34,430	8,288,012	1,846	5,721,489	-	5,721,489
Erosion control	1,065,196	-	-	49,882	(1,015,314)	-	(1,015,314)
Water quality	682,519	980	261,591	-	(419,948)	-	(419,948)
Recreation	1,135,970	7,770	594,395	-	(533,805)	-	(533,805)
Forestry and wildlife	434,628	3,388	632,000	-	200,760	-	200,760
Transfers of property	39,592,614	-	-	-	(39,592,614)	-	(39,592,614)
	<u>57,399,507</u>	<u>331,942</u>	<u>9,789,078</u>	<u>51,728</u>	<u>(47,226,759)</u>	<u>-</u>	<u>(47,226,759)</u>
BUSINESS-TYPE ACTIVITIES:							
Washington County Rural Water	792,354	885,215	-	-	-	92,861	92,861
Non-major proprietary funds	585,221	555,658	-	-	-	(29,563)	(29,563)
	<u>1,377,575</u>	<u>1,440,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,298</u>	<u>63,298</u>
	<u>\$ 58,777,082</u>	<u>\$ 1,772,815</u>	<u>\$ 9,789,078</u>	<u>\$ 51,728</u>	<u>(47,226,759)</u>	<u>63,298</u>	<u>(47,163,461)</u>
GENERAL REVENUES:							
					25,261,541	-	25,261,541
					4,100,204	-	4,100,204
					-	85,595	85,595
					53,837	3,000	56,837
					129,119	11,165	140,284
					<u>29,544,701</u>	<u>99,760</u>	<u>29,644,461</u>
CHANGE IN NET POSITION					(17,682,058)	163,058	(17,519,000)
NET POSITION - BEGINNING OF YEAR					<u>183,588,520</u>	<u>8,353,846</u>	<u>191,942,366</u>
NET POSITION - END OF YEAR					<u>\$ 165,906,462</u>	<u>\$ 8,516,904</u>	<u>\$ 174,423,366</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2019**

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 14,215,974
Cash on deposit with County Treasurers	483,572
Certificates of deposit	50,000
Investments	10,093,878
Receivables:	
Taxes	9,611,634
Interest	28
Prepaid expenses	289,463
Due from:	
Funding agencies - federal programs	282,854
Other governmental entities	4,704,614
Other funds	<u>183,128</u>
	<u>\$ 39,915,145</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES:	
Accounts payable	\$ 2,305,687
Accrued salaries and payroll withholdings	86,059
Accrued expenses	<u>331,638</u>
Total liabilities	<u>2,723,384</u>
 DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue - property taxes	<u>644,645</u>
Total deferred inflows of resources	<u>644,645</u>
 FUND BALANCE:	
Nonspendable	289,463
Committed	13,539,459
Assigned	50,000
Unassigned	<u>22,668,194</u>
Total fund balance	<u>36,547,116</u>
	 <u>\$ 39,915,145</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, 2019**

Total Fund Balance - Governmental Fund		\$ 36,547,116
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred costs on refunded debt are not financial resources.		561,874
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements:		
Land	\$ 58,939,281	
Construction in progress	24,951,539	
Capital improvements and infrastructure	180,018,585	
Buildings and improvements	7,627,015	
Vehicles and equipment	5,533,881	
Accumulated depreciation	<u>(85,764,010)</u>	
Total capital assets		191,306,291
Liabilities which are not due and payable in the current period are not reported in the governmental funds:		
Accrued interest		(96,937)
Compensated absences		(422,050)
Bonds and notes payable		(59,918,777)
Premium on bonds payable		(2,715,700)
Property tax revenues, not collected within sixty days of the fiscal year end, are not financial resources and, therefore, are not reported in the governmental funds.		<u>644,645</u>
Total Net Position of Governmental Activities		<u>\$ 165,906,462</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES:	
General administration	\$ 25,157,733
Flood prevention	12,485,754
Erosion control	49,882
Forestry and wildlife	635,398
Water quality	262,668
Recreation	<u>602,165</u>
Total revenues	<u>39,193,600</u>
EXPENDITURES:	
Flood prevention	19,420,195
General administration	10,917,045
Erosion control	1,221,747
Recreation	3,111,643
Forestry and wildlife	1,229,504
Water quality	684,472
Information and education	<u>171,444</u>
Total expenditures	<u>36,756,050</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,437,550</u>
OTHER FINANCING SOURCES AND USES:	
Issuance of note payable	<u>1,481,804</u>
NET CHANGE IN FUND BALANCE	3,919,354
FUND BALANCE - BEGINNING OF YEAR	<u>32,627,762</u>
FUND BALANCE - END OF YEAR	<u>\$ 36,547,116</u>

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, 2019**

Net Change in Fund Balance - Total Government Fund	\$	3,919,354
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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:</p>		
Capital outlays and capital asset expenditures:		
Land, improvements and construction in progress additions	\$ 16,892,920	
Vehicles, machinery, equipment, and furniture	<u>653,062</u>	
Total		17,545,982
Depreciation expense		(3,990,740)
Net book value of disposals and transfers		(39,647,415)
<p>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.</p>		
Principal payments on bonds payable		2,190,000
Principal payments on notes payable		2,981,264
<p>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.</p>		
Issuance of notes payable		(1,481,803)
Effects of bond premiums, discounts and related items		197,043
Amortization of deferred cost on refunded debt		(38,472)
<p>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:</p>		
Increase in long-term compensated absences		171,039
Decrease in accrued interest payable		(1,460)
<p>Full accrual accounting records tax revenues when earned. Modified accrual records tax revenues that are measurable and available.</p>		
Difference in property tax revenue accrual		<u>473,150</u>
Change in Net Position of Governmental Activities	\$	<u>(17,682,058)</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

	Total (Memorandum Only)	Washington County Rural Water	Non-major Proprietary Funds
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,071,792	\$ 337,766	\$ 734,026
Certificates of deposit	849,417	472,554	376,863
Service receivables	104,876	65,452	39,424
Interest receivable	1,568	1,044	524
Inventories	<u>32,836</u>	<u>15,554</u>	<u>17,282</u>
Total current assets	<u>2,060,489</u>	<u>892,370</u>	<u>1,168,119</u>
NON-CURRENT ASSETS:			
Restricted certificates of deposit	179,344	135,795	43,549
Capital assets :			
Land	214,215	1,000	213,215
Capital improvements and infrastructure	11,053,050	7,537,043	3,516,007
Vehicles and equipment	153,597	89,674	63,923
Accumulated depreciation	<u>(2,610,517)</u>	<u>(1,466,071)</u>	<u>(1,144,446)</u>
Total capital assets	<u>8,810,345</u>	<u>6,161,646</u>	<u>2,648,699</u>
Total non-current assets	<u>8,989,689</u>	<u>6,297,441</u>	<u>2,692,248</u>
	<u>\$ 11,050,178</u>	<u>\$ 7,189,811</u>	<u>\$ 3,860,367</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 72,625	\$ 54,446	\$ 18,179
Accrued expenses	15,683	4,944	10,739
Due to other funds	183,128	43,770	139,358
Current portion of long-term debt	<u>153,344</u>	<u>122,902</u>	<u>30,442</u>
Total current liabilities	424,780	226,062	198,718
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	<u>2,108,494</u>	<u>1,920,790</u>	<u>187,704</u>
Total liabilities	<u>2,533,274</u>	<u>2,146,852</u>	<u>386,422</u>
NET POSITION:			
Net investment in capital assets	6,548,507	4,117,954	2,430,553
Restricted	179,344	135,795	43,549
Unrestricted	<u>1,789,053</u>	<u>789,210</u>	<u>999,843</u>
Total net position	<u>8,516,904</u>	<u>5,042,959</u>	<u>3,473,945</u>
	<u>\$ 11,050,178</u>	<u>\$ 7,189,811</u>	<u>\$ 3,860,367</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Total (Memorandum Only)	Washington County Rural Water	Non-Major Proprietary Funds
OPERATING REVENUES:			
Water sales	\$ 1,185,066	\$ 725,583	\$ 459,483
Customer charges and hookup fees	254,391	159,117	95,274
Miscellaneous	<u>1,416</u>	<u>515</u>	<u>901</u>
Total operating revenues	<u>1,440,873</u>	<u>885,215</u>	<u>555,658</u>
OPERATING EXPENSES:			
Repairs and maintenance	7,751	1,051	6,700
Supplies and postage	23,973	12,686	11,287
Professional services	31,321	18,414	12,907
Personnel	490,630	216,361	274,269
Telephone, utilities and rent	29,546	15,636	13,910
Miscellaneous	4,343	3,438	905
Water purchase	345,023	212,281	132,742
Contract costs	156,022	125,350	30,672
Project construction and land	1,177	-	1,177
Project operation and maintenance	68,244	46,228	22,016
Depreciation and amortization	138,276	85,031	53,245
Vehicle expense	19,343	7,175	12,168
Other	<u>300</u>	<u>-</u>	<u>300</u>
Total operating expenses	<u>1,315,949</u>	<u>743,651</u>	<u>572,298</u>
OPERATING INCOME (LOSS)	<u>124,924</u>	<u>141,564</u>	<u>(16,640)</u>
NON-OPERATING INCOME (EXPENSE):			
Assessment revenue	85,595	-	85,595
Gain on sale of fixed assets	3,000	3,000	-
Interest income	11,165	5,888	5,277
Interest expense	<u>(61,626)</u>	<u>(48,703)</u>	<u>(12,923)</u>
Total non-operating income (expense)	<u>38,134</u>	<u>(39,815)</u>	<u>77,949</u>
CHANGE IN NET ASSETS	163,058	101,749	61,309
NET POSITION - BEGINNING OF YEAR	<u>8,353,846</u>	<u>4,941,210</u>	<u>3,412,636</u>
NET POSITION - END OF YEAR	<u>\$ 8,516,904</u>	<u>\$ 5,042,959</u>	<u>\$ 3,473,945</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, 2019**

	Total (Memorandum Only)	Washington Rural Water	Non-Major Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,454,512	\$ 900,547	\$ 553,965
Cash paid to employees	(490,630)	(216,361)	(274,269)
Cash paid to suppliers	(731,372)	(442,823)	(288,549)
Net cash provided by (used in) operating activities	<u>232,510</u>	<u>241,363</u>	<u>(8,853)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments purchased	(2,269)	(2,269)	-
Interest received	10,785	5,508	5,277
Net cash provided by investing activities	<u>8,516</u>	<u>3,239</u>	<u>5,277</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on long-term debt	(145,514)	(116,470)	(29,044)
Proceeds from long-term debt	300,000	300,000	-
Purchases of capital assets	(372,948)	(319,059)	(53,889)
Gain on sale of capital assets sold	3,000	3,000	-
Interest paid	(61,626)	(48,703)	(12,923)
Interfund financing	18,277	(782)	19,059
Assessments received	85,595	-	85,595
Net cash provided by (used in) capital and related financing activities	<u>(173,216)</u>	<u>(182,014)</u>	<u>8,798</u>
INCREASE IN CASH AND CASH EQUIVALENTS	67,810	62,588	5,222
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,003,982</u>	<u>275,178</u>	<u>728,804</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,071,792</u>	<u>\$ 337,766</u>	<u>\$ 734,026</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATIONS			
Operating income (loss)	\$ 124,924	\$ 141,564	\$ (16,640)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	138,276	85,031	53,245
Changes in assets and liabilities:			
(Increase) decrease in receivables	13,639	15,332	(1,693)
(Increase) decrease in inventories	(170)	(1,875)	1,705
Increase (decrease) in accounts payable	(43,413)	1,632	(45,045)
Decrease in accrued expenses	(746)	(321)	(425)
Net cash provided by (used in) operating activities	<u>\$ 232,510</u>	<u>\$ 241,363</u>	<u>\$ (8,853)</u>
Noncash capital and financing activities			
Total additions to capital assets	\$ 393,127	\$ 333,738	\$ 59,389
Less: construction in progress transfers	(20,179)	(14,679)	(5,500)
Net purchase of capital assets	<u>\$ 372,948</u>	<u>\$ 319,059</u>	<u>\$ 53,889</u>

See Accompanying Notes to Basic Financial Statements.

PAPPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

	Papillion Creek Watershed Partnership	Southern Sarpy Watershed Partnership	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 316,100	\$ 1,472,630	\$ 1,788,730
Accounts receivable	<u>26,000</u>	<u>16,000</u>	<u>42,000</u>
Total assets	<u>\$ 342,100</u>	<u>\$ 1,488,630</u>	<u>\$ 1,830,730</u>
LIABILITIES AND NET POSITION			
LIABILITIES:			
Accounts payable	<u>\$ 275,997</u>	<u>\$ 9,957</u>	<u>\$ 285,954</u>
NET POSITION:			
Held in trust for other organizations	<u>66,103</u>	<u>1,478,673</u>	<u>1,544,776</u>
	<u>\$ 342,100</u>	<u>\$ 1,488,630</u>	<u>\$ 1,830,730</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, 2019**

	Papillion Creek Watershed Partnership	Southern Sarpy Watershed Partnership	Total
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Partnership dues	\$ 369,000	\$ 200,000	\$ 569,000
Watershed fees	-	682,712	682,712
Interest	<u>592</u>	<u>1,247</u>	<u>1,839</u>
Total additions	<u>369,592</u>	<u>883,959</u>	<u>1,253,551</u>
DEDUCTIONS:			
Contributions and cost shares	360,397	-	360,397
Professional services	118,295	167,794	286,089
Miscellaneous expenses	<u>117</u>	<u>15</u>	<u>132</u>
Total deductions	<u>478,809</u>	<u>167,809</u>	<u>646,618</u>
CHANGE IN NET POSITION	(109,217)	716,150	606,933
NET POSITION - BEGINNING OF YEAR	<u>175,320</u>	<u>762,523</u>	<u>937,843</u>
NET POSITION - END OF YEAR	<u>\$ 66,103</u>	<u>\$ 1,478,673</u>	<u>\$ 1,544,776</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.

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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government-wide Financial Statements, Continued

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.

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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Financial Statements, Continued

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.
- 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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Financial Statements, Continued

- 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.

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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus/Basis of Accounting, Continued

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.

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 not capitalized and are not included in the historical cost of the asset.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets, Continued

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 2018-19, the taxes levied totaled \$24,823,950 at a tax levy rate of \$0.037594 per \$100 of valuation on a total valuation of \$66,031,331,569.

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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2019, was \$461,072. 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.

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, 2019.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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, 2019, the District met all the budgetary requirements with the State of Nebraska.

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, 2019:

	<u>Total</u>	<u>General Funds</u>	<u>Proprietary Funds</u>
Checking accounts and petty cash	\$ 15,287,766	\$ 14,215,974	\$ 1,071,792
Cash on hand at County Treasurers	483,572	483,572	-
Certificates of deposit	1,078,761	50,000	1,028,761
Investments	10,093,878	10,093,878	-
Total	<u>\$ 26,943,977</u>	<u>\$ 24,843,424</u>	<u>\$ 2,100,553</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. DEPOSITS AND INVESTMENTS, CONTINUED

The carrying amount of the District's deposits, including fiduciary funds, was \$18,155,256 and the bank balances were \$18,522,681 at June 30, 2019. Certificates of deposit have been included in the bank and book balances for cash. At June 30, 2019, \$5,291 of the District's deposits were not 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 cost, which at June 30, 2019 approximates fair value. For fiscal year 2019, the District's investments consisted of \$1,078,761 of certificates of deposit and \$10,093,878 deposited in the Nebraska Public Agency Investment Trust (NPAIT).

NPAIT is a public entity investment pool operated under the direction of a Board of Trustees and specifically designed for Nebraska Public Agencies. Accordingly, its portfolio at all times consists solely of instruments in which Public Agencies are permitted to invest funds under Nebraska law. All net income of the trust is determined as of the close of business on each banking day and is credited thereafter pro rata to each participant's account. Net income which has accrued to each participant is converted as of the close of business of each calendar month into additional units which thereafter are held in each participant's trust account. Since net income of the funds is allocated among participant's each time net income is determined, the net asset value remains at \$1.00 per unit. Securities held by NPAIT are not held in the District's name.

The District records all interest revenue related to investment activities in the respective funds.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets.

Assets and liabilities are classified into one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. All of the District's investments, as of June 30, 2019 are categorized as level 2 investments.

The District mitigates the following types of deposit and investment risks through compliance with the State Statutes 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/DESIGNATED FUNDS

The Board of Directors, by resolution, has established a sinking fund and reserved cash accounts for various purposes. All of the accounts are fully funded at their required levels at June 30, 2019. The following is a summary of the reservations placed on cash and investments for the year ended June 30, 2019:

General Sinking Funds:

Unrestricted, but Reserved Certificate of Deposit	\$	50,000
Unrestricted, but Reserved Cash Accounts:		
Reserved for Wetland Mitigation and the development of future wetlands.		5,464
The Board of Directors, by resolution has reserved funds to be spent on costs incurred for Watershed Plan Projects.		5,335,565
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.		113,238
The Board of Directors, by resolution has reserved funds to be spent on costs incurred proactively controlling noxious weeds along the Lower Platte River.		64,880
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>8,020,312</u>
Total general fund reserves	\$	<u>13,589,459</u>

The District does not have any restricted cash accounts as of June 30, 2019.

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, 2019, \$4,704,614 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, 2019, the District had receivables due from the federal government in the amount of \$282,854.

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, 2019 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	\$ 5,238
General Fund	Washington County Rural Water	43,770
General Fund	Dakota County Rural Water	29,063
General Fund	Elkhorn River Stabilization	726
General Fund	Elk/Pigeon Creek Drainage	40,718
General Fund	Western Sarpy Drainage	<u>63,613</u>
Total		<u>\$ 183,128</u>

7. INTERFUND TRANSACTIONS

The District did not have any interfund transfers for the year ended June 30, 2019.

8. CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Not depreciated				
Land	\$ 76,314,404	\$ 6,024,018	\$ (23,399,141)	\$ 58,939,281
Construction in progress	<u>16,137,282</u>	<u>10,635,835</u>	<u>(1,821,578)</u>	<u>24,951,539</u>
	<u>92,451,686</u>	<u>16,659,853</u>	<u>(25,220,719)</u>	<u>83,890,820</u>
Depreciated				
Capital improvements and infrastructure	194,641,567	143,351	(14,766,333)	180,018,585
Buildings and improvements	7,283,051	89,717	254,247	7,627,015
Vehicles and equipment	<u>5,038,624</u>	<u>653,062</u>	<u>(157,805)</u>	<u>5,533,881</u>
	206,963,242	886,130	(14,669,891)	193,179,481
Less accumulated depreciation	<u>(82,016,463)</u>	<u>(3,990,740)</u>	<u>243,193</u>	<u>(85,764,010)</u>
	<u>124,946,779</u>	<u>(3,104,610)</u>	<u>(14,426,698)</u>	<u>107,415,471</u>
	<u>\$ 217,398,465</u>	<u>\$ 13,555,243</u>	<u>\$ (39,647,417)</u>	<u>\$ 191,306,291</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. CAPITAL ASSETS, CONTINUED

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

General administration	\$ 361,658
Flood control	2,921,692
Water quality	5,730
Recreation	<u>701,660</u>
Total depreciation expense	<u>\$ 3,990,740</u>

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Not depreciated				
Land	\$ 214,215	\$ -	\$ -	\$ 214,215
Construction in progress	<u>20,179</u>	<u>-</u>	<u>(20,179)</u>	<u>-</u>
	<u>234,394</u>	<u>-</u>	<u>(20,179)</u>	<u>214,215</u>
Depreciated				
Capital improvements and infrastructure	10,691,048	341,823	20,179	11,053,050
Vehicles and equipment	<u>136,174</u>	<u>31,126</u>	<u>(13,703)</u>	<u>153,597</u>
	10,827,222	372,949	6,476	11,206,647
Less accumulated depreciation	<u>(2,485,943)</u>	<u>(138,277)</u>	<u>13,703</u>	<u>(2,610,517)</u>
	<u>8,341,279</u>	<u>234,672</u>	<u>20,179</u>	<u>8,596,130</u>
	<u>\$ 8,575,673</u>	<u>\$ 234,672</u>	<u>\$ -</u>	<u>\$ 8,810,345</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, 2019. 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	2015	December 2030	Semi-Annually	1.10% to 4.00%	\$ 8,680,000
General	2017	December 2033	Semi-Annually	3.00% to 5.00%	42,120,000
General	2018	December 2032	Semi-Annually	1.40% to 3.25%	7,675,000
General	Note payable	September 7, 2021	Annually	0.00%	1,010,000
General	Note payable	July 1, 2020	Annually	0.00%	203,322
General	Capital lease	April 10, 2020	Annually	4.70%	156,930
General	Capital lease	October 1, 2020	Annually	4.00%	73,525
					<u>\$ 59,918,777</u>

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Flood Protection and Water Quality Enhancement Bonds - 2013	\$ 150,000	\$ -	\$ (150,000)	\$ -	\$ -
Flood Protection and Water Quality Enhancement Refunding Bonds - 2015	9,280,000	-	(600,000)	8,680,000	605,000
Flood Protection and Water Quality Enhancement Refunding Bonds - 2017	43,530,000	-	(1,410,000)	42,120,000	1,695,000
Flood Protection and Water Quality Enhancement Refunding Bonds - 2018	7,705,000	-	(30,000)	7,675,000	-
Note payable - Individual	468,736	-	(468,736)	-	-
Note payable - Private Company	1,839,864	-	(1,839,864)	-	-
Note payable - Private Company	634,637	-	(634,637)	-	-
Note payable - Private Company	-	1,010,000	-	1,010,000	336,667
Note payable - Private Company	-	203,322	-	203,322	-
Capital lease	-	156,930	-	156,930	156,930
Capital lease	-	111,552	(38,027)	73,525	35,999
Total	<u>\$ 63,608,237</u>	<u>\$ 1,481,804</u>	<u>\$ (5,171,264)</u>	<u>\$ 59,918,777</u>	<u>\$ 2,829,596</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. LONG-TERM LIABILITIES, CONTINUED

Proprietary Funds Long-term Debt:

<u>Fund</u>	<u>Series</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Interest Rates</u>	<u>Principal Balance</u>
Washington Rural Water	2016	June 2032	Annually	1.20% to 3.30%	\$ 1,430,000
Washington Rural Water	2016	December 2036	Semi-Annually	2.00%	320,025
Washington Rural Water	2018	December 2038	Semi-Annually	2.00%	293,667
Thurston Rural Water	1982	December 2022	Annually	5.00%	67,144
Thurston Rural Water	1993	February 2033	Annually	5.63%	151,002
					\$ 2,261,838

<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	\$ 1,525,000	\$ -	\$ (95,000)	\$ 1,430,000	\$ 95,000
Notes Payable:					
NDEQ-SRF Loan	335,162	-	(15,137)	320,025	15,440
NDEQ-SRF Loan	-	300,000	(6,333)	293,667	12,462
Capmark Finance	89,117	-	(21,973)	67,144	22,973
Rural Economic and Community Development	158,073	-	(7,071)	151,002	7,469
Total	\$ 2,107,352	\$ 300,000	\$ (145,514)	\$ 2,261,838	\$ 153,344

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. LONG-TERM LIABILITIES, CONTINUED

Proprietary Funds Long-term Debt:

The annual principal and interest requirement to maturity for long-term debt as of June 30, 2019 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>
2020	\$ 2,829,596	\$ 2,203,851	\$ 153,344	\$ 61,302	\$ 2,982,940	\$ 2,265,153
2021	3,047,515	2,113,456	155,470	57,605	3,202,985	2,171,061
2022	2,976,666	2,019,971	157,424	53,533	3,134,090	2,073,504
2023	2,845,000	1,903,453	143,420	49,425	2,988,420	1,952,878
2024	3,080,000	1,761,953	144,510	46,234	3,224,510	1,808,187
2025-2029	19,195,000	6,512,510	770,372	173,351	19,965,372	6,685,861
2030-2034	25,945,000	2,322,291	606,482	55,741	26,551,482	2,378,032
2035-2039	-	-	130,816	5,535	130,816	5,535
	<u>\$ 59,918,777</u>	<u>\$ 18,837,485</u>	<u>\$ 2,261,838</u>	<u>\$ 502,726</u>	<u>\$ 62,180,615</u>	<u>\$ 19,340,211</u>

The estimated current portion of the liability for vested vacation benefits and sick leave is \$273,201 and \$58,302 at June 30, 2019, 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 \$106,339 and \$315,711, respectively, at June 30, 2019. 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 \$1,122,039 at June 30, 2019, and is not reported as an expenditure or liability in any of the District's June 30, 2019 financial statements.

The change in compensated absences for the year ended June 30, 2019 was as follows:

Governmental-type Activity:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 752,703</u>	<u>\$ 46,622</u>	<u>\$ (45,771)</u>	<u>\$ 753,553</u>	<u>\$ 331,503</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, 2019 as follows:

Nonspendable		
Prepaid expenses	\$	289,463
Committed		
Wetland mitigation	\$	5,464
Watershed fees		5,335,565
Ice jam		113,238
Lower Platte weed		64,880
Missouri River levee		<u>8,020,312</u>
Total committed		13,539,459
Assigned		
Uninsured liability		50,000
Unassigned		<u>22,668,194</u>
Total fund balance	\$	<u>36,547,116</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.

The District entered into a leasing agreement for a copy machine in May 2019. The District pays \$135 per month plus applicable taxes for the 48-month copier lease as well as a charge per copy that is paid quarterly.

During fiscal year 2019, the District's general fund and proprietary funds had operating lease expense of \$10,685 and \$2,340 related to these leases, respectively. Following is a schedule of the future minimum lease payments.

Year ending June 30:	Amount
2020	\$ 8,251
2021	5,431
2022	3,871
2023	2,474

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, 2019 were \$211,876 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 \$47,336,151. 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, 2019.

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, 2019, a reasonable estimate could not be determined for any potential loss contingencies.

PAPIO-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 nine 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 six 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, 2019. The District did not pay any settlement amounts, which exceeded its insurance coverage for the years ending June 30, 2019, 2018, or 2017.

16. SUBSEQUENT EVENTS

On September 26, 2019, the District issued \$33,845,000 in refunding bonds with an average interest rate of approximately 2.54 percent for a partial advance refunding of \$6,985,000 of the outstanding bond from the 2015 series and \$24,175,000 of the outstanding bonds from the 2017 series with an average interest rate of 4.18 percent. As a result of this refunding, the District decreased its total debt service payment over the next 13 years by approximately \$1,794,299, and obtained an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$1,518,483. These bonds were issued at par value and bond issue costs of \$423,718. The District received \$4,060 and deposited \$33,417,222 of net proceeds into an escrow account to pay the principal and interest on the refunded bond on the allowed call dates.

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, 2019**

	Actual	Budget		Variance
		Original	Final	Favorable (Unfavorable)
REVENUES:				
General administration	\$ 24,121,145	\$ 24,862,360	\$ 24,862,360	\$ (741,215)
Watershed	4,401,884	5,337,434	5,337,434	(935,550)
Information and education	-	7,000	7,000	(7,000)
Flood control	3,551,517	11,377,158	11,377,158	(7,825,641)
Erosion control	15,125	403,401	403,401	(388,276)
Water quality	316,932	367,880	367,880	(50,948)
Recreation	587,036	863,000	863,000	(275,964)
Forestry and wildlife	635,303	634,004	634,004	1,299
Total revenues	<u>33,628,942</u>	<u>43,852,237</u>	<u>43,852,237</u>	<u>(10,223,295)</u>
EXPENDITURES:				
General administration	10,214,520	10,901,783	10,901,783	687,263
Watershed	9,538,499	14,211,000	14,211,000	4,672,501
Information and education	171,504	257,000	257,000	85,496
Flood control	7,353,958	17,117,781	17,117,781	9,763,823
Erosion control	1,203,359	2,703,352	2,703,352	1,499,993
Water quality	702,546	1,302,201	1,302,201	599,655
Recreation	3,089,444	4,904,064	4,904,064	1,814,620
Forestry and wildlife	1,230,440	3,993,500	3,993,500	2,763,060
Total expenditures	<u>33,504,270</u>	<u>55,390,681</u>	<u>55,390,681</u>	<u>21,886,411</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>124,672</u>	<u>(11,538,444)</u>	<u>(11,538,444)</u>	<u>11,663,116</u>
OTHER FINANCING SOURCES AND USES:				
Issuance of notes payable	<u>1,481,804</u>	<u>-</u>	<u>-</u>	<u>1,481,804</u>
Net Change in Fund Balance	<u>1,606,476</u>	<u>\$ (11,538,444)</u>	<u>\$ (11,538,444)</u>	<u>\$ 13,144,920</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:				
To adjust revenues for accruals	5,564,658			
To adjust expenditures for accruals and prepaids	<u>(3,251,780)</u>			
EXCESS OF REVENUES OVER EXPENDITURES MODIFIED ACCRUAL BASIS INCREASE IN FUND BALANCE	<u>\$ 3,919,354</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, 2019

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, 2019

REVENUES:

Federal grants	\$	1,470,485
Interest income		129,120
Local agency grants		7,253,588
Miscellaneous income		124,774
Property tax		24,788,391
Rental income		210,305
State grants		5,216,937
Issuance of notes payable		<u>1,481,804</u>
Total revenues		<u>40,675,404</u>

EXPENDITURES:

Board of directors		53,802
Contract work		2,514,388
Cost-sharing and conservation assistance		3,490,917
Debt principal payments		2,190,000
Employee benefits		1,172,217
Fees		254,484
Indirect personnel cost reimbursement		(461,072)
Information and education		40,265
Insurance		305,829
Interest expense		2,262,018
Machinery and equipment		613,314
Miscellaneous		1,274
Payroll taxes		269,193
Personnel		3,587,924
Printing and publications		32,948
Professional services		3,058,958
Project construction and land		15,154,705
Project legal costs		314,602
Project operation and maintenance		657,262
Repairs and maintenance		306,405
Special projects		127,446
Supplies and postage		146,391
Telephone, utilities, and rent		192,173
Travel		35,282
Uncollectible grants		85,885
Vehicle expense		<u>349,440</u>
Total expenditures		<u>36,756,050</u>

REVENUES AND OTHER SOURCES OVER EXPENDITURES	\$	<u>3,919,354</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, 2019**

	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	\$ 1,185,066	\$ 1,219,060	\$ 1,219,060	\$ 725,583	\$ 769,060	\$ 769,060	\$ 459,483	\$ 450,000	\$ 450,000
Customer charges and hookup fees	254,391	184,625	184,625	159,117	111,500	111,500	95,274	73,125	73,125
Miscellaneous	1,416	100	100	515	100	100	901	-	-
Total operating revenues	<u>1,440,873</u>	<u>1,403,785</u>	<u>1,403,785</u>	<u>885,215</u>	<u>880,660</u>	<u>880,660</u>	<u>555,658</u>	<u>523,125</u>	<u>523,125</u>
OPERATING EXPENSES:									
Repairs and maintenance	7,751	7,200	7,200	1,051	2,000	2,000	6,700	5,200	5,200
Supplies and postage	23,973	24,400	24,400	12,686	9,100	9,100	11,287	15,300	15,300
Professional services	31,321	52,000	52,000	18,414	26,000	26,000	12,907	26,000	26,000
Personnel	490,630	502,000	502,000	216,361	230,000	230,000	274,269	272,000	272,000
Telephone, utilities and rent	29,546	31,150	31,150	15,636	16,950	16,950	13,910	14,200	14,200
Miscellaneous	4,343	5,950	5,950	3,438	2,550	2,550	905	3,400	3,400
Water purchase	345,023	377,000	377,000	212,281	250,000	250,000	132,742	127,000	127,000
Contract costs	156,022	156,575	156,575	125,350	125,575	125,575	30,672	31,000	31,000
Project construction and land	1,177	1,200	1,200	-	200	200	1,177	1,000	1,000
Project operation and maintenance	68,244	343,000	343,000	46,228	290,000	290,000	22,016	53,000	53,000
Depreciation and amortization	138,276	-	-	85,031	-	-	53,245	-	-
Vehicle expense	19,343	42,500	42,500	7,175	34,000	34,000	12,168	8,500	8,500
Bond expenditures	-	152,500	152,500	-	117,500	117,500	-	35,000	35,000
Other	300	1,300	1,300	-	500	500	300	800	800
Total operating expense	<u>1,315,949</u>	<u>1,696,775</u>	<u>1,696,775</u>	<u>743,651</u>	<u>1,104,375</u>	<u>1,104,375</u>	<u>572,298</u>	<u>592,400</u>	<u>592,400</u>
OPERATING INCOME (LOSS)	<u>124,924</u>	<u>(292,990)</u>	<u>(292,990)</u>	<u>141,564</u>	<u>(223,715)</u>	<u>(223,715)</u>	<u>(16,640)</u>	<u>(69,275)</u>	<u>(69,275)</u>
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	85,595	81,000	81,000	-	-	-	85,595	81,000	81,000
Loan proceeds	-	-	-	-	300,000	300,000	-	-	-
Gain on sale of fixed asset	3,000	-	-	3,000	-	-	-	-	-
Interest income	11,165	2,617	2,617	5,888	700	700	5,277	1,917	1,917
Interest expense	(61,626)	(56,541)	(56,541)	(48,703)	(47,291)	(47,291)	(12,923)	(9,250)	(9,250)
Transfers	-	(28,401)	(28,401)	-	-	-	-	(28,401)	(28,401)
Total non-operating income (expense)	<u>38,134</u>	<u>(1,325)</u>	<u>(1,325)</u>	<u>(39,815)</u>	<u>253,409</u>	<u>253,409</u>	<u>77,949</u>	<u>45,266</u>	<u>45,266</u>
CHANGE IN NET POSITION	<u>163,058</u>	<u>\$ (294,315)</u>	<u>\$ (294,315)</u>	<u>101,749</u>	<u>\$ 29,694</u>	<u>\$ 29,694</u>	<u>61,309</u>	<u>\$ (24,009)</u>	<u>\$ (24,009)</u>
NET POSITION - BEGINNING OF YEAR	<u>8,353,846</u>			<u>4,941,210</u>			<u>3,412,636</u>		
NET POSITION - END OF YEAR	<u>\$ 8,516,904</u>			<u>\$ 5,042,959</u>			<u>\$ 3,473,945</u>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**COMBINING STATEMENT OF NET POSITION
NON-MAJOR - PROPRIETARY FUNDS
JUNE 30, 2019**

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	\$ 734,026	\$ 235,867	\$ 25,696	\$ 110,726	\$ 6,644	\$ 252,703	\$ 102,390
Certificates of deposit	376,863	-	-	-	-	376,863	-
Service receivables	39,424	-	-	-	95	24,239	15,090
Interest receivable	524	-	-	-	-	418	106
Inventories	17,282	-	-	-	-	14,650	2,632
Total current assets	<u>1,168,119</u>	<u>235,867</u>	<u>25,696</u>	<u>110,726</u>	<u>6,739</u>	<u>668,873</u>	<u>120,218</u>
NON-CURRENT ASSETS:							
Restricted certificates of deposit	43,549	-	-	-	-	-	43,549
Capital assets							
Land	213,215	-	211,215	-	-	1,000	1,000
Capital improvements and infrastructure	3,516,007	-	220,551	-	-	1,837,321	1,458,135
Vehicles and equipment	63,923	-	-	-	-	63,923	-
Accumulated depreciation	(1,144,446)	-	(17,644)	-	-	(767,931)	(358,871)
Total capital assets	<u>2,648,699</u>	<u>-</u>	<u>414,122</u>	<u>-</u>	<u>-</u>	<u>1,134,313</u>	<u>1,100,264</u>
Total non-current assets	<u>2,692,248</u>	<u>-</u>	<u>414,122</u>	<u>-</u>	<u>-</u>	<u>1,134,313</u>	<u>1,143,813</u>
	<u>\$ 3,860,367</u>	<u>\$ 235,867</u>	<u>\$ 439,818</u>	<u>\$ 110,726</u>	<u>\$ 6,739</u>	<u>\$ 1,803,186</u>	<u>\$ 1,264,031</u>
LIABILITIES AND NET POSITION							
CURRENT LIABILITIES:							
Accounts payable	\$ 18,179	\$ -	\$ 655	\$ 527	\$ -	\$ 11,331	\$ 5,666
Accrued expenses	10,739	-	-	-	-	1,582	9,157
Due to other funds	139,358	726	40,718	63,613	-	29,063	5,238
Current portion of long-term debt	30,442	-	-	-	-	-	30,442
Total current liabilities	<u>198,718</u>	<u>726</u>	<u>41,373</u>	<u>64,140</u>	<u>-</u>	<u>41,976</u>	<u>50,503</u>
NON-CURRENT LIABILITIES:							
Long-term debt, less current portion	187,704	-	-	-	-	-	187,704
Total liabilities	<u>386,422</u>	<u>726</u>	<u>41,373</u>	<u>64,140</u>	<u>-</u>	<u>41,976</u>	<u>238,207</u>
NET POSITION:							
Invested in capital assets, net of related debt	2,430,553	-	414,122	-	-	1,134,313	882,118
Restricted	43,549	-	-	-	-	-	43,549
Unrestricted (deficit)	999,843	235,141	(15,677)	46,586	6,739	626,897	100,157
Total net position	<u>3,473,945</u>	<u>235,141</u>	<u>398,445</u>	<u>46,586</u>	<u>6,739</u>	<u>1,761,210</u>	<u>1,025,824</u>
	<u>\$ 3,860,367</u>	<u>\$ 235,867</u>	<u>\$ 439,818</u>	<u>\$ 110,726</u>	<u>\$ 6,739</u>	<u>\$ 1,803,186</u>	<u>\$ 1,264,031</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, 2019

	Total			Elkhorn River Stabilization			Elk/Pigeon Creek Drainage		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES:									
Water sales	\$ 459,483	\$ 450,000	\$ 450,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	95,274	73,125	73,125	-	-	-	-	-	-
Miscellaneous	901	-	-	-	-	-	-	-	-
Total operating revenues	555,658	523,125	523,125	-	-	-	-	-	-
OPERATING EXPENSES:									
Repairs and maintenance	6,700	5,200	5,200	-	-	-	-	-	-
Supplies and postage	11,287	15,300	15,300	-	-	-	-	-	-
Professional services	12,907	26,000	26,000	-	5,000	5,000	-	-	-
Personnel	274,269	272,000	272,000	726	7,000	7,000	8,915	5,000	5,000
Telephone, utilities and rent	13,910	14,200	14,200	-	-	-	-	500	500
Miscellaneous	905	3,400	3,400	-	-	-	-	-	-
Water purchase	132,742	127,000	127,000	-	-	-	-	-	-
Contract costs	30,672	31,000	31,000	-	-	-	-	1,000	1,000
Project construction and land	1,177	1,000	1,000	-	-	-	-	-	-
Project operation and maintenance	22,016	53,000	53,000	-	5,000	5,000	4,255	-	-
Depreciation and amortization	53,245	-	-	-	-	-	8,822	-	-
Vehicle expense	12,168	8,500	8,500	-	-	-	-	-	-
Bond expenditures	-	35,000	35,000	-	-	-	-	-	-
Other	300	800	800	-	-	-	-	-	-
Total operating expenses	572,298	592,400	592,400	726	17,000	17,000	21,992	6,500	6,500
OPERATING INCOME (LOSS)	(16,640)	(69,275)	(69,275)	(726)	(17,000)	(17,000)	(21,992)	(6,500)	(6,500)
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	85,595	81,000	81,000	20,270	20,000	20,000	47,559	45,000	45,000
Interest income	5,277	1,917	1,917	393	180	180	28	10	10
Interest expense	(12,923)	(9,250)	(9,250)	-	-	-	-	-	-
Transfers	-	(28,401)	(28,401)	-	-	-	-	(28,401)	(28,401)
Total non-operating income	77,949	45,266	45,266	20,663	20,180	20,180	47,587	16,609	16,609
CHANGE IN NET POSITION	61,309	\$ (24,009)	\$ (24,009)	19,937	\$ 3,180	\$ 3,180	25,595	\$ 10,109	\$ 10,109
NET POSITION - BEGINNING OF YEAR	3,412,636			215,204			372,850		
NET POSITION - END OF YEAR	\$ 3,473,945			\$ 235,141			\$ 398,445		

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, 2019**

	Western Sarpy Drainage			Elkhorn Breakout			Dakota Rural Water		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES:									
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 304,517	\$ 310,000	\$ 310,000
Customer charges and hookup fees	-	-	-	-	-	-	91,069	69,500	69,500
Miscellaneous	-	-	-	-	-	-	387	-	-
Total operating revenues	-	-	-	-	-	-	<u>395,973</u>	<u>379,500</u>	<u>379,500</u>
OPERATING EXPENSES:									
Repairs and maintenance	-	-	-	-	-	-	6,168	4,500	4,500
Supplies and postage	-	-	-	-	-	-	9,196	14,000	14,000
Professional services	7,846	5,000	5,000	-	-	-	4,097	15,000	15,000
Personnel	63,613	50,000	50,000	-	-	-	173,982	175,000	175,000
Telephone, utilities and rent	-	-	-	-	-	-	5,254	5,300	5,300
Miscellaneous	-	-	-	-	-	-	525	2,600	2,600
Water purchase	-	-	-	-	-	-	83,948	90,000	90,000
Contract costs	-	5,000	5,000	-	-	-	21,930	10,000	10,000
Project construction and land	-	-	-	-	-	-	1,177	1,000	1,000
Project operation and maintenance	143	3,000	3,000	-	-	-	11,974	45,000	45,000
Depreciation and amortization	-	-	-	-	-	-	28,607	-	-
Vehicle expense	-	-	-	-	-	-	12,168	8,500	8,500
Other	-	-	-	-	-	-	300	500	500
Total operating expenses	<u>71,602</u>	<u>63,000</u>	<u>63,000</u>	-	-	-	<u>359,326</u>	<u>371,400</u>	<u>371,400</u>
OPERATING INCOME (LOSS)	<u>(71,602)</u>	<u>(63,000)</u>	<u>(63,000)</u>	-	-	-	<u>36,647</u>	<u>8,100</u>	<u>8,100</u>
NON-OPERATING INCOME:									
Assessment revenue	17,766	16,000	16,000	-	-	-	-	-	-
Interest income	194	70	70	12	7	7	4,100	1,500	1,500
Total non-operating income	<u>17,960</u>	<u>16,070</u>	<u>16,070</u>	<u>12</u>	<u>7</u>	<u>7</u>	<u>4,100</u>	<u>1,500</u>	<u>1,500</u>
CHANGE IN NET POSITION	<u>(53,642)</u>	<u>\$ (46,930)</u>	<u>\$ (46,930)</u>	<u>12</u>	<u>\$ 7</u>	<u>\$ 7</u>	<u>40,747</u>	<u>\$ 9,600</u>	<u>\$ 9,600</u>
NET POSITION - BEGINNING OF YEAR	<u>100,228</u>			<u>6,727</u>			<u>1,720,463</u>		
NET POSITION - END OF YEAR	<u>\$ 46,586</u>			<u>\$ 6,739</u>			<u>\$ 1,761,210</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, 2019**

	Thurston County Rural Water		
		Budget	
	Actual	Original	Final
OPERATING REVENUES:			
Water sales	\$ 154,966	\$ 140,000	\$ 140,000
Customer charges and hookup fees	4,205	3,625	3,625
Miscellaneous	514	-	-
Total operating revenues	159,685	143,625	143,625
OPERATING EXPENSES:			
Repairs and maintenance	532	700	700
Supplies and postage	2,091	1,300	1,300
Professional services	964	1,000	1,000
Personnel	27,033	35,000	35,000
Telephone, utilities and rent	8,656	8,400	8,400
Miscellaneous	380	800	800
Water purchase	48,794	37,000	37,000
Contract costs	8,742	15,000	15,000
Project operation and maintenance	5,644	-	-
Depreciation and amortization	15,816	-	-
Bond expenditures	-	35,000	35,000
Other	-	300	300
Total operating expenses	118,652	134,500	134,500
OPERATING INCOME	41,033	9,125	9,125
NON-OPERATING INCOME (EXPENSE):			
Interest income	550	150	150
Interest expense	(12,923)	(9,250)	(9,250)
Total non-operating expense	(12,373)	(9,100)	(9,100)
CHANGE IN NET POSITION	28,660	\$ 25	\$ 25
NET POSITION - BEGINNING OF YEAR	997,164		
NET POSITION - END OF YEAR	\$ 1,025,824		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF CERTIFICATE OF DEPOSIT
GOVERNMENTAL FUND
JUNE 30, 2019**

	<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, 2019**

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary funds		
Certificates of deposit		
Dakota County		
Access Bank	\$ 105,062	1.74%
Access Bank	105,800	1.74%
Bank First	66,000	1.10%
Siouxland National Bank	<u>100,000</u>	1.25%
	<u>376,862</u>	
Washington County		
American National Bank	200,000	0.39%
United Republic Bank	103,818	2.00%
United Republic Bank	103,737	2.00%
Premier Bank	135,795	1.15%
Premier Bank	<u>65,000</u>	1.15%
	<u>608,350</u>	
Thurston County		
Premier Bank	<u>43,549</u>	1.15%
	<u>43,549</u>	
Total	<u>\$ 1,028,761</u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF INSURANCE POLICIES AND BONDS JUNE 30, 2019

REAL AND PERSONAL PROPERTY

Real & Personal property; total limit \$18,478,823; deductible/\$5,000; Equipment Floater/\$195,942 on Miscellaneous Equipment with \$10,000 max on any one item; Scheduled Equipment \$2,476,685 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, 2019**

COUNTY

Douglas	\$	5,219,497
Sarpy		3,226,824
Washington		534,999
Dakota		465,511
Burt		88,517
Thurston		75,590
Dodge		<u>696</u>
		9,611,634
Net taxes collected within 60 days after year end		<u>8,966,989</u>
Deferred revenue	\$	<u>644,645</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF CASH BALANCES HELD BY COUNTY TREASURERS
JUNE 30, 2019

GENERAL FUND

Douglas	\$ 353,323
Sarpy	99,151
Washington	14,606
Dakota	10,416
Burt	3,236
Thurston	1,498
Dodge	<u>1,342</u>
	<u>\$ 483,572</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
INFORMATION REQUIRED BY SECTION 2-3223, N.R.S - 1975
FOR THE YEAR ENDED JUNE 30, 2019

Gross income from all sources	<u>\$ 41,258,082</u>
Amount expended for	
Maintenance	\$ 2,309,752
Improvements and other such programs	<u>17,204,147</u>
Total maintenance and improvements	<u>\$ 19,513,899</u>
Amount of depreciation on property during previous year	<u>\$ 4,129,017</u>
Number of employees as of June 30, 2019	<u>54</u>
Gross salaries	\$ 3,658,172
Less amount reimbursed by projects	<u>(452,687)</u>
Net salaries paid to employees	<u>\$ 3,205,485</u>

December 4, 2019

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, 2019, 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 4, 2019.

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.

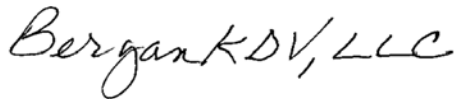
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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.

A handwritten signature in black ink that reads "BerganKDV, LLC". The script is cursive and fluid.

BerganKDV, LLC
Omaha, Nebraska

December 4, 2019

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Papio-Missouri River Natural Resources District (the "District") for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements are related to tax receivable, the useful lives of depreciable assets and allowances on accounts receivable. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The second attached schedule summarizes the material misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Proper internal accounting controls require segregation of duties so that no one individual has access to both the accounting records and cash items, or handles a transition from inception to completion. To combat this risk the District has placed monitoring controls in place to review reconciliations and financial statements. We recommend that District continue to monitor these activities and make sure segregation of duties is achieved.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary schedules, which are Required Supplementary Information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

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

BerganKDV, LLC

BerganKDV, LLC
Omaha, Nebraska

Proposed Journal Entries

Account	Description	Debit	Credit
Proposed JE # 1			
Entry to record an estimated allowance for potential unallowed reimbursements.			
01-01-000-4900	UNCOLLECTIBLE GRANT REVENUE	151,956.00	
02-01-000-1055	DUE FROM OTHER ENTITIES		151,956.00
Total		151,956.00	151,956.00
Proposed JE #2			
Entry to record a prior period adjustment to taxes receivable for the correction of an error related to prior years.			
01-01-000-1080	TAXES RECEIVABLE	558,424.00	
01-01-000-2700	UNASSIGNED FUND BALANCE		558,424.00
Total		558,424.00	558,424.00
Proposed JE # 3			
Reclass of a prepayment received from the City of Omaha for Big Papio Culvers			
01-01-000-1050	ACCOUNTS RECEIVABLE	148,616.00	
01-01-000-2150	DEFERRED REVENUE		148,616.00
		148,616.00	148,616.00

Adjusting Journal Entries

Account	Description	Debit	Credit
Adjustment JE # 1 - Modified Accrual			
Record land and equipment purchases with installment notes for the modified accrual statements.			
01-01-000-4802	MACHINERY & EQUIPMENT	156,930.00	
01-01-000-4802	MACHINERY & EQUIPMENT	111,551.86	
02-01-563-4430	LAND RIGHTS	203,322.00	
02-01-565-4430	LAND RIGHTS	1,010,000.00	
01-01-000-3100	LOAN PROCEEDS		1,010,000.00
01-01-000-3100	LOAN PROCEEDS		203,322.00
01-01-000-3100	LOAN PROCEEDS		156,930.00
01-01-000-3100	LOAN PROCEEDS		111,551.86
Total		<u>1,481,803.86</u>	<u>1,481,803.86</u>

Adjustment JE #2 - Full Accrual			
Entry to reverse recording of land and equipment to get balances to full accrual.			
01-01-000-3100	LOAN PROCEEDS	111,551.86	
01-01-000-3100	LOAN PROCEEDS	156,930.00	
01-01-000-3100	LOAN PROCEEDS	203,322.00	
01-01-000-3100	LOAN PROCEEDS	1,010,000.00	
01-01-000-4802	MACHINERY & EQUIPMENT		111,551.86
01-01-000-4802	MACHINERY & EQUIPMENT		156,930.00
02-01-563-4430	LAND RIGHTS		203,322.00
02-01-565-4430	LAND RIGHTS		1,010,000.00
Total		<u>1,481,803.86</u>	<u>1,481,803.86</u>