

# MEMORANDUM

To: Finance, Expenditures and Legal Subcommittee

From: Carey Fry, Senior Accountant

Subject: FY 2020 Audit

Date: December 4, 2020

- **It is staff's recommendation that the FEL Subcommittee recommend to the Board of Directors that the FY2020 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**

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

**YEAR ENDED JUNE 30, 2020**

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

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November 30, 2020

## 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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–9 and 40–41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on pages 42–52, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 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, 2020**

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, 2020. It should be read in conjunction with the District's financial statements, which follow. The discussion primarily focuses on the District's general fund, although the proprietary funds are also analyzed.

#### **FINANCIAL HIGHLIGHTS**

- Net position increased by \$56,723,945, which is a 32.52% increase in total net position.
- Total governmental activities' net position are comprised of the following:
  - 1) Net investment in capital assets of \$180,637,061. 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 \$41,707,715. 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 \$73,749,899. This is an increase of \$34,556,299 from last year's revenues of \$39,193,600.
- The net increase in capital assets was \$50,542,502 to a total of \$250,659,138.
- Total long-term debt of the District increased from \$62,180,615 to \$62,500,065 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, 2020**

**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, 2020**

**Fund Financial Statements, Continued**

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

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

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

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

The fiduciary funds are used to account for assets held in a trustee capacity. Fiduciary fund statements focus on net position and the change in net position and are accounted for on the accrual basis. The District is the administering agent of both the Papillion Creek Watershed Partnership and the Southern Sarpy Watershed Partnership. Both are comprised of local governments that have entered into interlocal agreements to fund engineering studies addressing water quantity and quality issues in their respective drainage areas.

**Notes to the Financial Statements**

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

**Supplemental Information**

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

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

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

**Summary of Net Position**

	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
Current and other assets	\$ 46,460,185	\$ 40,477,019	\$ 1,239,477	\$ 2,056,705
Deferred outflow of resources	668,376			
Capital assets, net of accumulated depreciation	<u>240,888,536</u>	<u>191,306,291</u>	<u>9,770,602</u>	<u>8,810,345</u>
Total assets	<u>288,017,097</u>	<u>231,783,310</u>	<u>11,010,079</u>	<u>10,867,050</u>
Current liabilities	7,535,568	5,649,917	253,616	241,652
Deferred inflow of resources	684,707			
Long-term liabilities	<u>57,452,046</u>	<u>60,226,931</u>	<u>1,953,928</u>	<u>2,108,494</u>
Total liabilities	<u>65,672,321</u>	<u>65,876,848</u>	<u>2,207,544</u>	<u>2,350,146</u>
Net position:				
Net investment in capital assets	180,637,061	129,233,688	6,678,790	6,548,507
Restricted			179,344	179,344
Unrestricted	<u>41,707,715</u>	<u>36,672,774</u>	<u>1,944,401</u>	<u>1,789,053</u>

The District reported positive balances in net position for both governmental and business-type activities. Net position of governmental activities increased by \$56,438,314, including a \$51,403,373 increase to investment in capital assets. Approximately \$27.75 million of this increase is attributable to repairs and improvements made to the District's levees by the US Corps of Engineers after extensive flooding on the Missouri, Platte, and Elkhorn Rivers in the spring of 2019.

Net position increased \$285,631 for business-type activities.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**YEAR ENDED JUNE 30, 2020**

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 most years.

**Summary of Changes in Net Position**

	Governmental Activities			Business-Type Activities		
	2020	% of Total	2019	2020	% of Total	2019
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 285,744	0.4%	\$ 331,942	\$ 1,461,189	87.9%	\$ 1,440,873
Operating grants and contributions	43,479,611	58.7%	9,789,078			
Capital Grants	337,470	0.5%	51,728			
General Revenues						
Property taxes	26,241,203	35.4%	25,261,541			
Watershed	3,492,988	4.7%	4,100,204			
Assessment income				81,001	4.9%	85,595
Transfers	(83,829)	-0.1%		83,829	5.0%	
Gain on sale of fixed assets	77,518	0.1%	53,837	16,183	1.0%	3,000
Interest income	245,124	0.3%	129,119	21,063	1.3%	11,165
Total revenues	<u>74,075,829</u>	<u>100%</u>	<u>39,717,449</u>	<u>1,663,265</u>	<u>100%</u>	<u>1,540,633</u>
<b>Expenses</b>						
General administration	11,370,482	64.5%	11,714,337			
Information and education	100,291	0.6%	171,444			
Flood prevention	3,114,888	17.7%	2,602,799			
Erosion control	1,052,721	6.0%	1,065,196			
Water quality	988,348	5.6%	682,519			
Recreation	417,493	2.4%	1,135,970			
Forestry and wildlife	593,292	3.4%	434,628			
Transfers of property		0.0%	39,592,614			
Major proprietary funds				841,420	61.1%	792,354
Other proprietary funds				536,214	38.9%	585,221
Total expenses	<u>17,637,515</u>	<u>100%</u>	<u>57,399,507</u>	<u>1,377,634</u>	<u>100%</u>	<u>1,377,575</u>
Change in net position	<u>\$ 56,438,314</u>		<u>\$ (17,682,058)</u>	<u>\$ 285,631</u>		<u>\$ 163,058</u>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**YEAR ENDED JUNE 30, 2020**

**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 \$5,230,435 to \$41,777,551.

**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 funds for this fiscal year include Washington County Rural Water System and the Elkhorn River Stabilization Improvement Project Area. Net position of these funds increased by \$83,605 and \$14,939 respectively. Although the Elkhorn River Project has not been classified as a major fund historically, flood-related work during this fiscal year increased the relative size of the fund. Net position of the non-major proprietary funds increased by \$187,087, and total proprietary fund net position increased by \$285,631.

**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 \$105,727,196, compared with the prior year budget of \$55,390,681. Most of this increase is attributable to a refunding bond issue of approximately \$35 million, with the remainder largely due to construction progress on the Missouri River Levee rehabilitation project. Actual budgetary expenditures were \$75,853,312 and \$33,504,270, respectively. Budgeted and actual expenditures may vary due to the timing of project construction and land acquisition, which depend on both internal and external factors.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets, net of accumulated depreciation and related debt, for governmental and business-type activities as of June 30, 2020, was \$180,637,061 and \$6,678,790, respectively. This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment and unamortized bond issue costs. The net investment increased 39.78% for governmental and increased 1.99% for business-type activities. The unusually large increase for governmental activities primarily results from work related to the 2019 flood as well as progress on the Missouri River levee improvements and Papillion Creek watershed projects.

## **PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED YEAR ENDED JUNE 30, 2020**

#### **Long-term Debt**

At the end of the fiscal year, the District had \$62,500,065 in bonds and notes. \$2,108,463 of this debt is attributable to the proprietary funds for construction of and upgrades to the rural water distribution systems. \$58,250,000 is attributable to general obligation bonds issued for construction of flood control projects, \$424,297 is attributable to capital leases for the purchase of equipment, and \$1,670,000 is attributable to seller-financed land purchases. \$47,305 is outstanding on lease contracts for office equipment.

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 2020-2021 fiscal year with total requirements of \$110.9 million, a decrease from the 2019-20 fiscal year budget of \$119.9 million, primarily attributable to a smaller projected refunding bond issue.

COVID-19 has had no direct impact on District operations at this time. The extent to which future revenues may be affected by changes in the local or state economy are uncertain.

Factors considered in preparing the District's budget for fiscal year 2020-21 include the following:

- A total property tax assessment of \$27,566,060 on valuation of \$75.54 billion from a levy of \$0.036490 per \$100 of valuation, a decrease of 0.000894 from fiscal year 2019-20. However, the overall increase in valuation led to an increase of \$1,187,048 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 2020-2021 budget includes design, construction, 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 154<sup>th</sup> Street, Omaha, NE 68138.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

		Primary Government	
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>			
Current assets:			
Cash and cash equivalents	\$ 16,355,351	\$ 894,040	\$ 17,249,391
Cash on deposit with County Treasurers	614,617		614,617
Certificates of deposit	50,000	860,006	910,006
Investments	13,296,625		13,296,625
Taxes receivable	9,901,075		9,901,075
Service receivables		84,267	84,267
Lease receivables	684,707		684,707
Interest receivable	12	2,142	2,154
Prepaid expenses	290,862		290,862
Intergovernmental receivables	4,433,559	11,328	4,444,887
Intrafund balances	833,377	(833,218)	159
Inventories		41,568	41,568
Total current assets	<u>46,460,185</u>	<u>1,060,133</u>	<u>47,520,318</u>
Deferred outflows of resources			
Deferred costs on refunded debt	668,376		668,376
Noncurrent assets:			
Restricted certificates of deposit		179,344	179,344
Capital assets:			
Land	60,776,220	214,215	60,990,435
Construction in progress	51,295,496	83,829	51,379,325
Capital improvements and infrastructure	204,775,760	12,036,387	216,812,147
Buildings and improvements	7,668,701		7,668,701
Vehicles and equipment	5,799,642	169,505	5,969,147
Intangible assets	77,528	18,719	96,247
Accumulated depreciation and amortization	(89,504,811)	(2,752,053)	(92,256,864)
Total capital assets	<u>240,888,536</u>	<u>9,770,602</u>	<u>250,659,138</u>
Total noncurrent assets	<u>240,888,536</u>	<u>9,949,946</u>	<u>250,838,482</u>
	<u>\$ 288,017,097</u>	<u>\$ 11,010,079</u>	<u>\$ 299,027,176</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
Current liabilities:			
Accounts payable	\$ 3,062,816	\$ 78,414	\$ 3,141,230
Accrued salaries and payroll withholdings	118,755		118,755
Accrued expenses	76,828	16,390	93,218
Current portion of long-term debt	3,934,793	158,812	4,093,605
Current portion of accrued compensated absences	342,376		342,376
Total current liabilities	<u>7,535,568</u>	<u>253,616</u>	<u>7,789,184</u>
Deferred inflows of resources			
Deferred lease income	684,707		684,707
Long-term liabilities:			
Long-term debt, less current portion	56,452,532	1,953,928	58,406,460
Premium on bonds payable	532,526		532,526
Accrued compensated absences, less current portion	466,988		466,988
Total long-term liabilities	<u>57,452,046</u>	<u>1,953,928</u>	<u>59,405,974</u>
Total liabilities	<u>65,672,321</u>	<u>2,207,544</u>	<u>67,879,865</u>
Net position:			
Net investment in capital assets	180,637,061	6,678,790	187,315,851
Restricted		179,344	179,344
Unrestricted	41,707,715	1,944,401	43,652,116
Total net position	<u>222,344,776</u>	<u>8,802,535</u>	<u>231,147,311</u>
	<u>\$ 288,017,097</u>	<u>\$ 11,010,079</u>	<u>\$ 299,027,176</u>

See Accompanying Notes to Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

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	\$ 11,370,482	\$ 237,850	\$ 58,703	\$	\$ (11,073,929)	\$	\$ (11,073,929)
Information and education	100,291				(100,291)		(100,291)
Flood prevention	3,114,888	34,400	42,278,533		39,198,045		39,198,045
Erosion control	1,052,721		75,000	337,470	(640,251)		(640,251)
Water quality	988,348	930	358,681		(628,737)		(628,737)
Recreation	417,493	4,788	708,694		295,989		295,989
Forestry and wildlife	593,292	7,776			(585,516)		(585,516)
	<u>17,637,515</u>	<u>285,744</u>	<u>43,479,611</u>	<u>337,470</u>	<u>26,465,310</u>		<u>26,465,310</u>
BUSINESS-TYPE ACTIVITIES:							
Washington County Rural Water	836,454	910,793				74,339	74,339
Elkhorn River Stabilization	4,966	-				(4,966)	(4,966)
Non-major proprietary funds	536,214	550,396				14,182	14,182
	<u>1,377,634</u>	<u>1,461,189</u>				<u>83,555</u>	<u>83,555</u>
	<u>\$ 19,015,149</u>	<u>\$ 1,746,933</u>	<u>\$ 43,479,611</u>	<u>\$ 337,470</u>	<u>26,465,310</u>	<u>83,555</u>	<u>26,548,865</u>
GENERAL REVENUES:							
Property taxes					26,241,203		26,241,203
Watershed					3,492,988		3,492,988
Assessment income						81,001	81,001
Gain on sale of capital assets					77,518	16,183	93,701
Interest income					245,124	21,063	266,187
Transfers					(83,829)	83,829	-
Total general revenues					<u>29,973,004</u>	<u>202,076</u>	<u>30,175,080</u>
CHANGE IN NET POSITION					56,438,314	285,631	56,723,945
NET POSITION - BEGINNING OF YEAR					<u>165,906,462</u>	<u>8,516,904</u>	<u>174,423,366</u>
NET POSITION - END OF YEAR					<u>\$ 222,344,776</u>	<u>\$ 8,802,535</u>	<u>\$ 231,147,311</u>

See Accompanying Notes to Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2020**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 16,355,351
Cash on deposit with County Treasurers	614,617
Certificates of deposit	50,000
Investments	13,296,625
Receivables	
Taxes	9,901,075
Leases	684,707
Interest	12
Prepaid expenses	290,862
Due from	
Funding agencies - federal programs	596,690
Other governmental entities	3,836,869
Other funds	<u>833,377</u>
	<u>\$ 46,460,185</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 3,062,816
Accrued salaries and payroll withholdings	118,755
Accrued expenses	<u>342,564</u>
Total liabilities	<u>3,524,135</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred lease income	684,707
Unavailable revenue - property taxes	<u>473,792</u>
Total deferred inflows of resources	<u>1,158,499</u>
FUND BALANCE	
Nonspendable	290,862
Committed	20,896,831
Assigned	50,000
Unassigned	<u>20,539,858</u>
Total fund balance	<u>41,777,551</u>
	<u>\$ 46,460,185</u>

See Accompanying Notes to Financial Statements.



**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUND  
JUNE 30, 2020**

Total Fund Balance - Governmental Fund		\$ 41,777,551
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred costs on refunded debt are not financial resources		668,376
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements		
Land	\$ 60,776,220	
Construction in progress	51,295,496	
Capital improvements and infrastructure	204,775,760	
Buildings and improvements	7,668,701	
Vehicles and equipment	5,799,642	
Intangible assets	77,528	
Accumulated depreciation and amortization	<u>(89,504,811)</u>	
Total capital assets		240,888,536
Liabilities which are not due and payable in the current period are not reported in the governmental funds		
Accrued interest		(76,640)
Compensated absences		(466,988)
Bonds and notes payable		(60,387,325)
Premium on bonds payable		(532,526)
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>473,792</u>
Total Net Position of Governmental Activities		<u>\$ 222,344,776</u>

See Accompanying Notes to 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, 2020**

REVENUES

General administration	\$ 26,849,103
Flood prevention	45,407,308
Erosion control	412,470
Forestry and wildlife	7,785
Water quality	359,751
Recreation	<u>713,482</u>
Total revenues	<u>73,749,899</u>

EXPENDITURES

Flood prevention	54,878,186
General administration	10,966,233
Erosion control	1,104,256
Recreation	2,290,263
Forestry and wildlife	820,687
Water quality	1,021,741
Information and education	<u>100,291</u>
Total expenditures	<u>71,181,657</u>

EXCESS OF REVENUES OVER EXPENDITURES	<u>2,568,242</u>
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OTHER FINANCING SOURCES AND USES

Transfers	(83,829)
Issuance of note payable	1,885,669
Issuance of refunding bonds	31,160,000
Refunding bond premium	2,685,000
Payment to refund bonds escrow agent	<u>(33,417,222)</u>
Total other financing sources and uses	<u>2,229,618</u>

SPECIAL ITEM

Sale of capital assets	<u>432,575</u>
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NET CHANGE IN FUND BALANCE	5,230,435
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FUND BALANCE - BEGINNING OF YEAR	<u>36,547,116</u>
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FUND BALANCE - END OF YEAR	<u>\$ 41,777,551</u>
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See Accompanying Notes to 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, 2020**

Net Change in Fund Balance - Total Government Fund	\$	5,230,435
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Amounts reported for governmental activities in the statement of activities are different because

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

Capital outlays and capital asset expenditures		
Land, improvements and construction in progress additions	\$ 53,452,151	
Vehicles, machinery, equipment, and furniture	727,931	
Total		54,180,082
Depreciation and amortization expense		(4,026,989)
Net book value of disposals and transfers		(629,253)

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

Payment to refund bonds escrow agent	33,417,222
Principal payments on bonds payable	2,910,000
Principal payments on notes payable	1,235,149
Principal payments on leases payable	15,375

The issuance of long-term debt provides current financial resources to governmental funds. However, these payments increase long-term liabilities in the statement of net position

Issuance of notes payable	(1,885,669)
Issuance of refunding of bonds	(31,160,000)
Premium from the refunding of bonds	(2,685,000)
Effects of bond premiums, discounts and related items	79,394
Amortization of deferred cost on refunded debt	(46,938)

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

Increase in long-term compensated absences	(44,938)
Decrease in accrued interest payable	20,297

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

Difference in property tax revenue accrual	<u>(170,853)</u>
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Change in Net Position of Governmental Activities	\$ <u>56,438,314</u>
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See Accompanying Notes to Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020**

	Total (Memorandum Only)	Washington County Rural Water	Elkhorn River Stabilization	Non-Major Proprietary Funds
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 894,040	\$ 395,608	\$ 4,017	\$ 494,415
Certificates of deposit	860,006	477,217		382,789
Service receivables	84,267	40,435		43,832
Interest receivable	2,142	1,262		880
Due from other entities	11,328	11,328		
Inventories	<u>41,568</u>	<u>14,635</u>		<u>26,933</u>
Total current assets	<u>1,893,351</u>	<u>940,485</u>	<u>4,017</u>	<u>948,849</u>
<b>NON-CURRENT ASSETS</b>				
Restricted certificates of deposit	179,344	135,795		43,549
Capital assets				
Land	214,215	1,000		213,215
Construction in progress	83,829			83,829
Capital improvements and infrastructure	12,036,387	7,537,043	983,337	3,516,007
Vehicles and equipment	169,505	89,674		79,831
Intangible assets	18,719	10,120		8,599
Accumulated depreciation and amortization	<u>(2,752,053)</u>	<u>(1,568,165)</u>	<u>(1,639)</u>	<u>(1,182,249)</u>
Total capital assets	<u>9,770,602</u>	<u>6,069,672</u>	<u>981,698</u>	<u>2,719,232</u>
Total non-current assets	<u>9,949,946</u>	<u>6,205,467</u>	<u>981,698</u>	<u>2,762,781</u>
	<u>\$ 11,843,297</u>	<u>\$ 7,145,952</u>	<u>\$ 985,715</u>	<u>\$ 3,711,630</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 78,414	\$ 51,749	\$	\$ 26,665
Accrued expenses	16,390	5,359		11,031
Due to other funds	833,218	39,838	735,635	57,745
Current portion of long-term debt	<u>158,812</u>	<u>125,114</u>		<u>33,698</u>
Total current liabilities	1,086,834	222,060	735,635	129,139
<b>LONG-TERM LIABILITIES</b>				
Long-term debt, less current portion	<u>1,953,928</u>	<u>1,797,328</u>		<u>156,600</u>
Total liabilities	<u>3,040,762</u>	<u>2,019,388</u>	<u>735,635</u>	<u>285,739</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,678,790	4,147,230		2,531,560
Restricted	179,344	135,795		43,549
Unrestricted	<u>1,944,401</u>	<u>843,539</u>	<u>250,080</u>	<u>850,782</u>
Total net position	<u>8,802,535</u>	<u>5,126,564</u>	<u>250,080</u>	<u>3,425,891</u>
	<u>\$ 11,843,297</u>	<u>\$ 7,145,952</u>	<u>\$ 985,715</u>	<u>\$ 3,711,630</u>

See Accompanying Notes to 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, 2020**

	Total (Memorandum Only)	Washington County Rural Water	Elkhorn River Stabilization	Non-Major Proprietary Funds
<b>OPERATING REVENUES</b>				
Water sales	\$ 1,315,594	\$ 811,539	\$	\$ 504,055
Customer charges and hookup fees	144,246	98,430		45,816
Miscellaneous	<u>1,349</u>	<u>824</u>		<u>525</u>
Total operating revenues	<u>1,461,189</u>	<u>910,793</u>		<u>550,396</u>
<b>OPERATING EXPENSES</b>				
Repairs and maintenance	19,107	1,111		17,996
Supplies and postage	31,375	18,176		13,199
Professional services	26,831	12,043	100	14,688
Personnel	441,245	217,063	3,227	220,955
Telephone, utilities and rent	32,942	19,775		13,167
Miscellaneous	3,069	2,041		1,028
Water purchase	397,715	276,557		121,158
Contract costs	127,222	93,970		33,252
Project construction and land	1,455			1,455
Project operation and maintenance	62,651	42,910		19,741
Depreciation and amortization	154,081	95,685	1,639	56,757
Vehicle expense	18,561	7,586		10,975
Other	<u>390</u>	<u>65</u>		<u>325</u>
Total operating expenses	<u>1,316,644</u>	<u>786,982</u>	<u>4,966</u>	<u>524,696</u>
<b>OPERATING INCOME (LOSS)</b>	<u>144,545</u>	<u>123,811</u>	<u>(4,966)</u>	<u>25,700</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Assessment revenue	81,001		19,680	61,321
Gain on sale of fixed assets	16,183			16,183
Interest income	21,063	9,266	225	11,572
Interest expense	(60,990)	(49,472)		(11,518)
Transfers in (out)	<u>83,829</u>			<u>83,829</u>
Total non-operating income (expense)	<u>141,086</u>	<u>(40,206)</u>	<u>19,905</u>	<u>161,387</u>
<b>CHANGE IN NET ASSETS</b>	285,631	83,605	14,939	187,087
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>8,516,904</u>	<u>5,042,959</u>	<u>235,141</u>	<u>3,238,804</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 8,802,535</u>	<u>\$ 5,126,564</u>	<u>\$ 250,080</u>	<u>\$ 3,425,891</u>

See Accompanying Notes to Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Total (Memorandum Only)	Washington Rural Water	Elkhorn River Stabilization	Non-Major Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,481,798	\$ 935,810	\$	\$ 545,988
Cash paid to employees	(441,245)	(217,063)	(3,227)	(220,955)
Cash paid to suppliers	(707,371)	(475,597)	(100)	(231,674)
Net cash provided by (used in) operating activities	<u>333,182</u>	<u>243,150</u>	<u>(3,327)</u>	<u>93,359</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investments purchased	(10,589)	(4,663)		(5,926)
Payments from installment receivable	(11,328)	(11,328)		
Interest received	20,489	9,048	225	11,216
Net cash provided by (used in) investing activities	<u>(1,428)</u>	<u>(6,943)</u>	<u>225</u>	<u>5,290</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Payments on long-term debt	(149,098)	(121,250)		(27,848)
Purchases of capital assets	(1,030,509)	(3,711)	(983,337)	(43,461)
Interest paid	(60,990)	(49,472)		(11,518)
Interfund financing	650,090	(3,932)	734,909	(80,887)
Assessments received	81,001		19,680	61,321
Net cash used in capital and related financing activities	<u>(509,506)</u>	<u>(178,365)</u>	<u>(228,748)</u>	<u>(102,393)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(177,752)</u>	<u>57,842</u>	<u>(231,850)</u>	<u>(3,744)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,071,792</u>	<u>337,766</u>	<u>235,867</u>	<u>498,159</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 894,040</u>	<u>\$ 395,608</u>	<u>\$ 4,017</u>	<u>\$ 494,415</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATIONS</b>				
Operating income (loss)	\$ 144,545	\$ 123,811	\$ (4,966)	\$ 25,700
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	154,081	95,685	1,639	56,757
Gain on sale of fixed assets	16,183			16,183
Changes in assets and liabilities:				
(Increase) decrease in receivables	20,609	25,017		(4,408)
(Increase) decrease in inventories	(8,732)	919		(9,651)
Increase (decrease) in accounts payable	5,789	(2,697)		8,486
Increase in accrued expenses	707	415		292
Net cash provided by (used in) operating activities	<u>\$ 333,182</u>	<u>\$ 243,150</u>	<u>\$ (3,327)</u>	<u>\$ 93,359</u>
<b>Noncash capital and financing activities</b>				
Total additions to capital assets		\$ 10,120		\$ 131,498
Less: construction in progress transfers				(83,829)
Less: prior year's accumulated depreciation		(6,409)		(4,208)
Net addition to capital assets		\$ 3,711		\$ 43,461
Total payments on long-term debt		\$ 125,026		\$ 32,289
Plus: payments on long-term debt from prior years		6,344		4,158
Less: issuance of long-term debt from prior year		(10,120)		(8,599)
Net payments on long-term debt		\$ 121,250		\$ 27,848

See Accompanying Notes to Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

	<u>Papillion Creek Watershed Partnership</u>	<u>Southern Sarpy Watershed Partnership</u>	<u>Total</u>
<b>ASSETS</b>			
ASSETS			
Cash and cash equivalents	\$ 271,349	\$ 1,716,963	\$ 1,988,312
Accounts receivable	<u>28,950</u>	<u>30,000</u>	<u>58,950</u>
Total assets	<u>\$ 300,299</u>	<u>\$ 1,746,963</u>	<u>\$ 2,047,262</u>
<b>LIABILITIES AND NET POSITION</b>			
LIABILITIES			
Accounts payable	\$ 6,215	\$ 33,510	\$ 39,725
Due to other funds		159	159
Deferred revenue	<u>184,400</u>	<u></u>	<u>184,400</u>
Total liabilities	190,615	33,669	224,284
NET POSITION			
Held in trust for other organizations	<u>109,684</u>	<u>1,713,294</u>	<u>1,822,978</u>
	<u>\$ 300,299</u>	<u>\$ 1,746,963</u>	<u>\$ 2,047,262</u>

See Accompanying Notes to Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Papillion Creek Watershed Partnership	Southern Sarpy Watershed Partnership	Total
ADDITIONS			
Partnership dues	\$ 369,000	\$ 200,000	\$ 569,000
Watershed fees		312,307	312,307
Interest	307	2,445	2,752
Total additions	<u>369,307</u>	<u>514,752</u>	<u>884,059</u>
DEDUCTIONS			
Contributions and cost shares	310,397		310,397
Professional services	13,271	279,972	293,243
Miscellaneous expenses	<u>2,058</u>	<u>159</u>	<u>2,217</u>
Total deductions	<u>325,726</u>	<u>280,131</u>	<u>605,857</u>
CHANGE IN NET POSITION	43,581	234,621	278,202
NET POSITION - BEGINNING OF YEAR	<u>66,103</u>	<u>1,478,673</u>	<u>1,544,776</u>
NET POSITION - END OF YEAR	<u>\$ 109,684</u>	<u>\$ 1,713,294</u>	<u>\$ 1,822,978</u>

See Accompanying Notes to 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 includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Nonexpendable consists 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 and the Elkhorn River Stabilization as major proprietary funds presented individually in the financial statements. The Washington County Rural Water System fund accounts for fees charged for rural water services provided to residents in the respective counties. The Elkhorn River Stabilization fund accounts for a special assessment levy collected for the operation and maintenance of the Elkhorn Riverbed Stabilization project. 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 2019-20, the taxes levied totaled \$26,379,013 at a tax levy rate of \$0.037384 per \$100 of valuation on a total valuation of \$70,562,081,104.

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, 2020, was \$463,354. 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.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Accounting Changes

In June 2017, the Government Accounting Standards Board ("GASB") issued Statement No. 87, Leases, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions.

The District adopted this standard in the current year and has not applied the cumulative effect as a restatement of the beginning net position as prior periods are not presented and the impact is immaterial.

The impact of adoption on the Financial Statements includes the recognition of lease receivable and a deferred inflow of resources related to lease income and an intangible right of use asset and lease liability for equipment leases.

See Notes 8 and 9 for additional information related to our lease arrangements.

**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, 2020, the District met all the budgetary requirements with the State of Nebraska.



# **PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS, CONTINUED**

### **3. DEPOSITS AND INVESTMENTS**

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

Deposits and investments consisted of the following at June 30, 2020:

	<u>Total</u>	<u>General Funds</u>	<u>Proprietary Funds</u>
Checking accounts and petty cash	\$ 17,249,391	\$ 16,355,351	\$ 894,040
Cash on hand at County Treasurers	614,617	614,617	
Certificates of deposit	1,089,350	50,000	1,039,350
Investments	<u>13,296,625</u>	<u>13,296,625</u>	
Total	<u>\$ 32,249,983</u>	<u>\$ 30,316,593</u>	<u>\$ 1,933,390</u>

The carrying amount of the District's deposits, including Fiduciary funds, was \$20,327,053 and the bank balances were \$20,404,871 at June 30, 2020. Certificates of deposit have been included in the bank and book balances for cash. At June 30, 2020, \$1,425,982 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, 2020 approximates fair value. For fiscal year 2020, the District's investments consisted of \$1,089,350 of certificates of deposit and \$13,296,625 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, 2020 are categorized as level 2 investments.

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### 3. DEPOSITS AND INVESTMENTS, CONTINUED

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.

### 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, 2020. The following is a summary of the reservations placed on cash and investments for the year ended June 30, 2020:

#### General Sinking Funds:

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

Reserved for Wetland Mitigation and the development of future wetlands.	5,473
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The Board of Directors, by resolution has reserved funds to be spent on costs incurred for Watershed Plan Projects.	9,112,474
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The Board of Directors, by resolution and in accordance with the Interlocal Cooperation Act Agreement, has reserved funds to reimburse parties to this agreement that incurred costs as a result of the removal of ice jams.	140,225
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The Board of Directors, by resolution has reserved funds to be spent on costs incurred proactively controlling noxious weeds along the Lower Platte River.	106,141
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The Board of Directors, by resolution has reserved funds to be spent on costs incurred for flood protection from high flows on the Missouri River.	11,532,518
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Total general fund reserves	<u>\$ 20,946,831</u>
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The District does not have any restricted cash accounts as of June 30, 2020.

#### 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.

## PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

### NOTES TO FINANCIAL STATEMENTS, CONTINUED

#### 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, 2020, \$3,836,869 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, 2020, the District had receivables due from the federal government in the amount of \$596,690.

#### 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, 2020 consisted of the following individual fund receivables and payables:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General Fund	Thurston County Rural Water	\$ 7,672
General Fund	Washington County Rural Water	39,838
General Fund	Dakota County Rural Water	33,507
General Fund	Elkhorn River Stabilization	735,635
General Fund	Elk/Pigeon Creek Drainage	5,434
General Fund	Western Sarpy Drainage	11,132
General Fund	Southern Sarpy Watershed Partnership	159
Total		<u>\$ 833,377</u>

#### 7. INTERFUND TRANSACTIONS

The District had interfund transfers of \$83,829 from the General fund to the Dakota County Rural Water fund for the year ended June 30, 2020. The general fund is contributing part of the cost for Dakota County Rural Water to construct a water main extension, as there will be a benefit to the District's Danish Alps Recreation Area campground, currently relying on poor quality well water.

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### 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.

	Balance June 30, 2019	Additions	Transfers/ Deletions	Balance June 30, 2020
Not depreciated				
Land	\$ 58,939,281	\$ 2,274,782	\$ (437,843)	\$ 60,776,220
Construction in progress	24,951,539	30,699,436	(4,355,479)	51,295,496
	<u>83,890,820</u>	<u>32,974,218</u>	<u>(4,793,322)</u>	<u>112,071,716</u>
Depreciated				
Capital improvements and infrastructure	180,018,585	20,437,696	4,319,479	204,775,760
Buildings and improvements	7,627,015	41,686		7,668,701
Vehicles and equipment	5,533,881	727,931	(462,170)	5,799,642
Intangible assets	77,528			77,528
	<u>193,257,009</u>	<u>21,207,313</u>	<u>3,857,309</u>	<u>218,321,631</u>
Less accumulated depreciation and amortization	<u>(85,784,581)</u>	<u>(4,026,989)</u>	<u>306,759</u>	<u>(89,504,811)</u>
	<u>107,472,428</u>	<u>17,180,324</u>	<u>4,164,068</u>	<u>128,816,820</u>
	<u>\$ 191,363,248</u>	<u>\$ 50,154,542</u>	<u>\$ (629,254)</u>	<u>\$ 240,888,536</u>

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

General administration	\$ 415,977
Flood control	2,974,731
Water quality	6,120
Recreation	630,161
Total depreciation and amortization expense	<u>\$ 4,026,989</u>

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

	Balance June 30, 2019	Additions	Transfers/ Deletions	Balance June 30, 2020
Not depreciated				
Land	\$ 214,215	\$	\$	\$ 214,215
Construction in progress		83,829		83,829
	<u>214,215</u>	<u>83,829</u>		<u>298,044</u>
Depreciated				
Capital improvements and infrastructure	11,053,050	983,337		12,036,387
Vehicles and equipment	153,596	39,070	(23,161)	169,505
Intangible assets	18,719			18,719
	<u>11,225,365</u>	<u>1,022,407</u>	<u>(23,161)</u>	<u>12,224,611</u>
Less accumulated depreciation and amortization	<u>(2,621,135)</u>	<u>(154,079)</u>	<u>23,161</u>	<u>(2,752,053)</u>
	<u>8,604,230</u>	<u>868,328</u>		<u>9,472,558</u>
	<u>\$ 8,818,445</u>	<u>\$ 952,157</u>	<u>\$</u>	<u>\$ 9,770,602</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, 2020. 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.

Fund	Series	Due Date	Principal Payable	Interest Rates	Principal Balance
General	2015	December 2030	Semi-Annually	1.10% to 4.00%	\$ 1,090,000
General	2017	December 2033	Semi-Annually	3.00% to 5.00%	16,250,000
General	2018	December 2032	Semi-Annually	1.40% to 3.25%	7,675,000
General	2019	December 2031	Semi-Annually	2.10% to 2.80%	33,235,000
General	Note payable	September 7, 2021	Annually	0.00%	673,333
General	Note payable	December 31, 2021	Annually	0.00%	996,667
General	Capital lease	October 1, 2020	Annually	4.00%	37,526
General	Capital lease	October 1, 2020	Annually	3.35%	52,227
General	Capital lease	October 1, 2020	Annually	3.35%	88,065
General	Capital lease	October 1, 2024	Annually	3.49%	246,479
General	Equipment lease	December 2022	Monthly	4.00%	5,360
General	Equipment lease	January 2023	Monthly	4.00%	33,228
General	Equipment lease	May 2023	Monthly	4.00%	4,440
					<u>\$ 60,387,325</u>

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### 9. LONG-TERM LIABILITIES, CONTINUED

#### General Fund Long-Term Debt, Continued:

Governmental Activities	Beginning Balance	Additions	Reductions	Refundings	Ending Balance	Due Within One Year
Flood Protection and Water Quality Enhancement Refunding Bonds - 2015	\$ 8,680,000	\$	\$ (605,000)	\$ (6,985,000)	\$ 1,090,000	\$ 615,000
Flood Protection and Water Quality Enhancement Refunding Bonds - 2017	42,120,000		(1,695,000)	(24,175,000)	16,250,000	1,855,000
Flood Protection and Water Quality Enhancement Refunding Bonds - 2018	7,675,000				7,675,000	
Flood Protection and Water Quality Enhancement Refunding Bonds - 2019			(610,000)	33,845,000	33,235,000	390,000
Note payable - Private Company	1,010,000		(336,667)		673,333	336,667
Note payable - Private Company	203,322		(203,322)			
Note payable - Private Company		1,498,898	(502,231)		996,667	498,333
Capital lease	156,930		(156,930)			
Capital lease	73,525		(35,999)		37,526	37,526
Capital lease		52,227			52,227	52,227
Capital lease		88,065			88,065	88,065
Capital lease		246,479			246,479	45,973
Equipment lease	7,357		(1,997)		5,360	2,080
Equipment lease	45,198		(11,970)		33,228	12,458
Equipment lease	5,847		(1,407)		4,440	1,464
Total	<u>\$ 59,977,179</u>	<u>\$ 1,885,669</u>	<u>\$ (4,160,523)</u>	<u>\$ 2,685,000</u>	<u>\$ 60,387,325</u>	<u>\$ 3,934,793</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%	\$ 1,335,000
Washington Rural Water	2016	December 2036	Semi-Annually	2.00%	304,585
Washington Rural Water	2018	December 2038	Semi-Annually	2.00%	281,205
Washington Rural Water	Equipment lease	March 2021	Monthly	4.00%	1,650
Thurston Rural Water	1982	December 2022	Annually	5.00%	44,140
Thurston Rural Water	1993	February 2033	Annually	5.63%	143,533
Dakota Rural Water	Equipment lease	April 2022	Monthly	4.00%	2,029
Dakota Rural Water	Equipment lease	February 2021	Monthly	4.00%	598
					<u>\$ 2,112,740</u>

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond Payable:					
Water Project Refunding Revenue Bonds-2016	\$ 1,430,000	\$	\$ (95,000)	\$ 1,335,000	\$ 95,000
Notes Payable:					
NDEQ-SRF Loan	320,025		(15,440)	304,585	15,751
NDEQ-SRF Loan	293,667		(12,462)	281,205	12,713
Capmark Finance	67,144		(23,004)	44,140	24,123
Rural Economic and Community Development	151,002		(7,469)	143,533	7,889
Equipment Lease:					
Konica Minolta	3,774		(2,124)	1,650	1,650
LEAF	3,073		(1,044)	2,029	1,088
Pitney Bowes	1,369		(771)	598	598
Total	<u>\$ 2,270,054</u>	<u>\$</u>	<u>\$ (157,314)</u>	<u>\$ 2,112,740</u>	<u>\$ 158,812</u>

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

**9. LONG-TERM LIABILITIES, CONTINUED**

The annual principal and interest requirement to maturity for long-term debt as of June 30, 2020 follows:

Year(s) ending June 30	General Funds		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 3,934,793	\$ 1,601,196	\$ 158,812	\$ 57,605	\$ 4,093,605	\$ 1,658,801
2022	3,934,231	1,494,645	158,325	53,483	4,092,556	1,548,128
2023	3,299,610	1,375,867	143,421	49,425	3,443,031	1,425,292
2024	3,485,956	1,272,502	144,511	46,234	3,630,467	1,318,736
2025	3,647,735	1,197,330	145,642	42,584	3,793,377	1,239,914
2026-2030	20,920,000	4,450,455	791,687	152,186	21,711,687	4,602,641
2031-2035	21,165,000	1,384,907	477,134	36,752	21,642,134	1,421,659
2036-2040			93,208	3,106	93,208	3,106
	<u>\$ 60,387,325</u>	<u>\$ 12,776,902</u>	<u>\$ 2,112,740</u>	<u>\$ 441,375</u>	<u>\$ 62,500,065</u>	<u>\$ 13,218,277</u>

**Compensated Absences:**

The estimated current portion of the liability for vested vacation benefits and sick leave is \$281,579 and \$60,797 at June 30, 2020, 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 \$132,675 and \$334,313, respectively, at June 30, 2020. 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 \$1,185,330 at June 30, 2020, and is not reported as an expenditure or liability in any of the District's June 30, 2020 financial statements.

The change in compensated absences for the year ended June 30, 2020 was as follows:

Governmental-type Activity:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 753,553</u>	<u>\$316,147</u>	<u>\$(260,337)</u>	<u>\$ 809,363</u>	<u>\$ 342,376</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, 2020 as follows:

Nonspendable		
Prepaid expenses	\$	290,862
Committed		
Wetland mitigation	\$	5,473
Watershed fees		9,112,474
Ice jam		140,225
Lower Platte weed		106,141
Missouri River levee		<u>11,532,518</u>
Total committed		20,896,831
Assigned		
Uninsured liability		50,000
Unassigned		<u>20,539,858</u>
Total fund balance	\$	<u>41,777,551</u>

### **11. 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, 2020 were \$209,393, which were the required contributions. Plan forfeitures, if any, are allocated to the other active participants in the plan.

### **12. COMMITMENTS AND CONTINGENCIES**

The District has committed future funds to several ongoing and new projects and cost share agreements. The total commitments undersigned contracts at year-end were approximately \$31,653,335. 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.

# **PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS, CONTINUED**

### **12. COMMITMENTS AND CONTINGENCIES, CONTINUED**

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, 2020.

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, 2020, a reasonable estimate could not be determined for any potential loss contingencies.

### **13. 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.

# **PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS, CONTINUED**

### **14. 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, 2020. The District did not pay any settlement amounts, which exceeded its insurance coverage for the years ending June 30, 2020, 2019, or 2018.

### **15. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 30, 2020, the date which these financial statements were available to be issued. The outbreak of COVID-19 (the coronavirus) in early 2020, has caused operational disruptions to many organizations around the world. The extent of the impact may be both direct and indirect and will vary based on the duration of the outbreak, the organization's location, industry, and customer and supplier diversification. An estimate of the effect the outbreak may have on the District's financial statements cannot be determined at this time.

On September 15, 2020, the District issued \$21,685,000 in refunding bonds with an average interest rate of approximately 1.68 percent for a partial advance refunding of \$12,380,000 of the outstanding bond from the 2017 series and \$7,675,000 of the outstanding bond from the 2018 series with an average interest rate of 3.12 percent. As a result of this refunding, the District decreased its total debt service payment over the next 14 years by approximately \$1,352,367, and obtained an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$1,200,894. These bonds were issued at par value and had bond issue costs of \$280,377. The District received \$3,696 and deposited \$21,400,927 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, 2020**

	Actual	Budget		Variance Favorable (Unfavorable)
		Original	Final	
<b>REVENUES</b>				
General administration	\$ 24,199,941	\$ 61,448,585	\$ 61,448,585	\$ (37,248,644)
Watershed	9,325,126	11,970,804	11,970,804	(2,645,678)
Information and education		7,000	7,000	(7,000)
Flood control	9,704,976	15,352,977	15,352,977	(5,648,001)
Erosion control	91,678	576,678	576,678	(485,000)
Water quality	427,067	537,500	537,500	(110,433)
Recreation	595,573	1,191,250	1,191,250	(595,677)
Forestry and wildlife	7,843	2,010	2,010	5,833
Total revenues	<u>44,352,204</u>	<u>91,086,804</u>	<u>91,086,804</u>	<u>(46,734,600)</u>
<b>EXPENDITURES</b>				
General administration	10,084,015	45,851,024	45,851,024	35,767,009
Watershed	9,709,116	19,697,000	19,697,000	9,987,884
Information and education	100,670	257,000	257,000	156,330
Flood control	17,608,821	28,521,999	28,521,999	10,913,178
Erosion control	1,246,007	2,828,486	2,828,486	1,582,479
Water quality	1,045,223	1,521,198	1,521,198	475,975
Recreation	1,739,530	4,694,039	4,694,039	2,954,509
Forestry and wildlife	818,879	2,356,450	2,356,450	1,537,571
Total expenditures	<u>42,352,261</u>	<u>105,727,196</u>	<u>105,727,196</u>	<u>63,374,935</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,999,943</u>	<u>(14,640,392)</u>	<u>(14,640,392)</u>	<u>16,640,335</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfers	(83,829)			(83,829)
Issuance of notes payable	1,885,669			1,885,669
Issuance of refunding bonds	31,160,000			31,160,000
Refunding bond premium	2,685,000			2,685,000
Payment to refund bonds escrow agent	(33,417,222)			(33,417,222)
Sale of capital assets	432,575			432,575
Total other financing sources and uses	<u>2,662,193</u>			<u>2,662,193</u>
<b>Net Change in Fund Balance</b>	4,662,136	<u>\$ (14,640,392)</u>	<u>\$ (14,640,392)</u>	<u>\$ 19,302,528</u>
<b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA</b>				
To adjust revenues for accruals	29,011,785			
To adjust expenditures for accruals and prepaids	<u>(28,443,486)</u>			
<b>EXCESS OF REVENUES OVER EXPENDITURES MODIFIED ACCRUAL BASIS INCREASE IN FUND BALANCE</b>	\$ 5,230,435			
<b>BALANCE - BEGINNING OF YEAR</b>	<u>36,547,116</u>			
<b>BALANCE - END OF YEAR</b>	<u>\$ 41,777,551</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, 2020**

### **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, 2020**

**REVENUES:**

Federal grants	\$ 28,890,611
Interest income	245,124
Local agency grants	7,290,446
Miscellaneous income	104,848
Property tax	26,412,056
Rental income	180,894
State grants	11,129,012
Sale of asset	432,575
Issuance of notes payable	1,499,759
Issuance of leases payable	385,910
Issuance of refunding bonds	33,845,000
Total revenues	<u>110,416,235</u>

**EXPENDITURES:**

Board of directors	55,330
Contract work	33,774,136
Cost-sharing and conservation assistance	3,659,661
Debt principal payments	3,413,092
Employee benefits	995,418
Fees	264,354
Indirect personnel reimbursement	(463,354)
Information and education	39,449
Insurance	309,056
Interest expense	1,449,430
Machinery and equipment	675,489
Miscellaneous	993
Payroll taxes	266,290
Personnel	3,627,812
Printing and publications	24,031
Professional services	3,430,721
Project construction and land	17,794,716
Project legal costs	263,589
Project operation and maintenance	553,206
Repairs and maintenance	220,474
Special projects	231,757
Supplies and postage	161,475
Telephone, utilities, and rent	183,780
Travel	31,671
Transfer to other fund	83,829
Vehicle expense	298,456
Payment to refund bonds	33,417,222
Debt issuance costs	423,717
Total expenditures	<u>105,185,800</u>

REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$ 5,230,435</u>
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FUND BALANCE - BEGINNING OF YEAR	<u>36,547,116</u>
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FUND BALANCE - END OF YEAR	<u>\$ 41,777,551</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, 2020**

	Total (Memorandum Only)			Washington Rural Water			Elkhorn River Stabilization			Non-Major Proprietary Funds		
	Actual	Budget		Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final		Original	Final
<b>OPERATING REVENUES</b>												
Water sales	\$ 1,315,594	\$ 1,240,000	\$ 1,240,000	\$ 811,539	\$ 750,000	\$ 750,000	\$	\$	\$	\$ 504,055	\$ 490,000	\$ 490,000
Customer charges and hookup fees	144,246	122,525	122,525	98,430	99,900	99,900				45,816	22,625	22,625
Miscellaneous	1,349	175	175	824	175	175				525		
Total operating revenues	<u>1,461,189</u>	<u>1,362,700</u>	<u>1,362,700</u>	<u>910,793</u>	<u>850,075</u>	<u>850,075</u>				<u>550,396</u>	<u>512,625</u>	<u>512,625</u>
<b>OPERATING EXPENSES</b>												
Repairs and maintenance	19,107	9,500	9,500	1,111	9,500	9,500				17,996		
Supplies and postage	31,375	23,800	23,800	18,176	12,200	12,200				13,199	11,600	11,600
Professional services	26,831	83,000	83,000	12,043	21,000	21,000	100	50,000	50,000	14,688	12,000	12,000
Personnel	441,245	481,800	481,800	217,063	227,000	227,000	3,227	7,000	7,000	220,955	247,800	247,800
Telephone, utilities and rent	32,942	32,900	32,900	19,775	17,100	17,100				13,167	15,800	15,800
Miscellaneous	3,069	3,800	3,800	2,041	2,100	2,100				1,028	1,700	1,700
Water purchase	397,715	363,000	363,000	276,557	235,000	235,000				121,158	128,000	128,000
Contract costs	127,222	427,500	427,500	93,970	131,500	131,500		250,000	250,000	33,252	46,000	46,000
Project construction and land	1,455	2,300	2,300		1,100	1,100				1,455	1,200	1,200
Project operation and maintenance	62,651	14,800	14,800	42,910	2,000	2,000		5,000	5,000	19,741	7,800	7,800
Depreciation and amortization	154,081			95,685			1,639			56,757	-	-
Vehicle expense	18,561	45,000	45,000	7,586						10,975	45,000	45,000
Bond expenditures		152,552	152,552		122,862	122,862				-	29,690	29,690
Other	390	500	500	65	300	300				325	200	200
Total operating expense	<u>1,316,644</u>	<u>1,640,452</u>	<u>1,640,452</u>	<u>786,982</u>	<u>781,662</u>	<u>781,662</u>	<u>4,966</u>	<u>312,000</u>	<u>312,000</u>	<u>524,696</u>	<u>546,790</u>	<u>546,790</u>
<b>OPERATING INCOME (LOSS)</b>	<u>144,545</u>	<u>(277,752)</u>	<u>(277,752)</u>	<u>123,811</u>	<u>68,413</u>	<u>68,413</u>	<u>(4,966)</u>	<u>(312,000)</u>	<u>(312,000)</u>	<u>25,700</u>	<u>(34,165)</u>	<u>(34,165)</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>												
Assessment revenue	81,001	79,000	79,000				19,680	20,000	20,000	61,321	59,000	59,000
Federal grants and funds		225,000	225,000					225,000	225,000			
Gain on sale of fixed asset	16,183									16,183		
Interest income	21,063	7,730.00	7,730.00	9,266.00	2,700	2,700	225	330	330	11,572	4,700	4,700
Interest expense	(60,990)	(65,912)	(65,912)	(49,472)	(53,272)	(53,272)				(11,518)	(12,640)	(12,640)
Transfers	83,829	(16,678)	(16,678)							83,829	(16,678)	(16,678)
Total non-operating income (expense)	<u>141,086</u>	<u>229,140</u>	<u>229,140</u>	<u>(40,206)</u>	<u>(50,572)</u>	<u>(50,572)</u>	<u>19,905</u>	<u>245,330</u>	<u>245,330</u>	<u>161,387</u>	<u>34,382</u>	<u>34,382</u>
<b>CHANGE IN NET POSITION</b>	<u>285,631</u>	<u>\$ (48,612)</u>	<u>\$ (48,612)</u>	<u>83,605</u>	<u>\$ 17,841</u>	<u>\$ 17,841</u>	<u>14,939</u>	<u>\$ (66,670)</u>	<u>\$ (66,670)</u>	<u>187,087</u>	<u>\$ 217</u>	<u>\$ 217</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>8,516,904</u>			<u>5,042,959</u>			<u>235,141</u>			<u>3,238,804</u>		
<b>NET POSITION - END OF YEAR</b>	<u>\$ 8,802,535</u>			<u>\$ 5,126,564</u>			<u>\$ 250,080</u>			<u>\$ 3,425,891</u>		

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**COMBINING STATEMENT OF NET POSITION  
NON-MAJOR - PROPRIETARY FUNDS  
JUNE 30, 2020**

ASSETS	Total	Elk/Pigeon Creek Drainage	Western Sarpy Drainage	Elkhorn Breakout	Dakota Rural Water	Thurston County Rural Water
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 494,415	\$ 29,878	\$ 52,566	\$ 6,655	\$ 283,266	\$ 122,050
Certificates of deposit	382,789				382,789	
Service receivables	43,832			95	37,334	6,403
Interest receivable	880				719	161
Inventories	26,933				23,382	3,551
Total current assets	<u>948,849</u>	<u>29,878</u>	<u>52,566</u>	<u>6,750</u>	<u>727,490</u>	<u>132,165</u>
<b>NON-CURRENT ASSETS</b>						
Restricted certificates of deposit	43,549					43,549
Capital assets						
Land	213,215	211,215			1,000	1,000
Construction in progress	83,829				83,829	-
Capital improvements and infrastructure	3,516,007	220,551			1,837,321	1,458,135
Vehicles and equipment	79,831				79,831	-
Intangible assets	8,599				8,599	-
Accumulated depreciation and amortization	(1,182,249)	(26,466)			(781,096)	(374,687)
Total capital assets	<u>2,719,232</u>	<u>405,300</u>			<u>1,229,484</u>	<u>1,084,448</u>
Total non-current assets	<u>2,762,781</u>	<u>405,300</u>			<u>1,229,484</u>	<u>1,127,997</u>
	<u>\$ 3,711,630</u>	<u>\$ 435,178</u>	<u>\$ 52,566</u>	<u>\$ 6,750</u>	<u>\$ 1,956,974</u>	<u>\$ 1,260,162</u>
<b>LIABILITIES AND NET POSITION</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 26,665	\$	\$ 418	\$	\$ 19,636	\$ 6,611
Accrued expenses	11,031				2,238	8,793
Due to other funds	57,745	5,434	11,132		33,507	7,672
Current portion of long-term debt	33,698				1,686	32,012
Total current liabilities	<u>129,139</u>	<u>5,434</u>	<u>11,550</u>		<u>57,067</u>	<u>55,088</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term debt, less current portion	156,600				940	155,660
Total liabilities	<u>285,739</u>	<u>5,434</u>	<u>11,550</u>		<u>58,007</u>	<u>210,748</u>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	2,531,560	405,300			1,229,484	896,776
Restricted	43,549					43,549
Unrestricted	850,782	24,444	41,016	6,750	669,483	109,089
Total net position	<u>3,425,891</u>	<u>429,744</u>	<u>41,016</u>	<u>6,750</u>	<u>1,898,967</u>	<u>1,049,414</u>
	<u>\$ 3,711,630</u>	<u>\$ 435,178</u>	<u>\$ 52,566</u>	<u>\$ 6,750</u>	<u>\$ 1,956,974</u>	<u>\$ 1,260,162</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, 2020

	Total			Elk/Pigeon Creek Drainage			Thurston County Rural Water		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES:									
Water sales	\$ 504,055	\$ 490,000	\$ 490,000	\$	\$	\$	\$ 146,590	\$ 150,000	\$ 150,000
Customer charges and hookup fees	45,816	22,625	22,625				14,499	3,625	3,625
Miscellaneous	525						361		
Total operating revenues	550,396	512,625	512,625				161,450	153,625	153,625
OPERATING EXPENSES:									
Repairs and maintenance	17,996						345		
Supplies and postage	13,199	11,600	11,600				1,994	2,100	2,100
Professional services	14,688	12,000	12,000				1,729	1,000	1,000
Personnel	220,955	247,800	247,800	5,435	5,000	5,000	33,936	32,300	32,300
Telephone, utilities and rent	13,167	15,800	15,800		500	500	7,601	8,400	8,400
Miscellaneous	1,028	1,700	1,700				317	700	700
Water purchase	121,158	128,000	128,000				35,388	43,000	43,000
Contract costs	33,252	46,000	46,000		1,000	1,000	20,895	15,000	15,000
Project construction and land	1,455	1,200	1,200						
Project operation and maintenance	19,741	7,800	7,800				9,333	800	800
Depreciation and amortization	56,757			8,823			15,816		
Vehicle expense	10,975	45,000	45,000						
Bond expenditures	-	29,690	29,690					29,690	29,690
Other	325	200	200					100	100
Total operating expenses	524,696	546,790	546,790	14,258	6,500	6,500	127,354	133,090	133,090
OPERATING INCOME (LOSS)	25,700	(34,165)	(34,165)	(14,258)	(6,500)	(6,500)	34,096	20,535	20,535
NON-OPERATING INCOME (EXPENSE):									
Assessment revenue	61,321	59,000	59,000	45,529	45,000	45,000			
Gain on sale of fixed asset	16,183								
Interest income	11,572	4,700	4,700	28	25	25	865	525	525
Interest expense	(11,518)	(12,640)	(12,640)				(11,371)	(12,640)	(12,640)
Transfers	83,829	(16,678)	(16,678)		(16,678)	(16,678)			
Total non-operating income	161,387	34,382	34,382	45,557	28,347	28,347	(10,506)	(12,115)	(12,115)
CHANGE IN NET POSITION	187,087	\$ 217	\$ 217	31,299	\$ 21,847	\$ 21,847	23,590	\$ 8,420	\$ 8,420
NET POSITION - BEGINNING OF YEAR	3,238,804			398,445			1,025,824		
NET POSITION - END OF YEAR	\$ 3,425,891			\$ 429,744			\$ 1,049,414		

**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, 2020**

	Western Sarpy Drainage			Elkhorn Breakout			Dakota Rural Water		
	Budget			Budget			Budget		
	Actual	Original	Final	Actual	Original	Final	Actual	Original	Final
OPERATING REVENUES:									
Water sales	\$	\$	\$	\$	\$	\$	\$ 357,465	\$ 340,000	\$ 340,000
Customer charges and hookup fees							31,317	19,000	19,000
Miscellaneous							164		
Total operating revenues							388,946	359,000	359,000
OPERATING EXPENSES:									
Repairs and maintenance							17,651		
Supplies and postage							11,205	9,500	9,500
Professional services	5,645	5,000	5,000				7,314	6,000	6,000
Personnel	11,132	30,000	30,000				170,452	180,500	180,500
Telephone, utilities and rent							5,566	6,900	6,900
Miscellaneous							711	1,000	1,000
Water purchase							85,770	85,000	85,000
Contract costs	4,600	5,000	5,000				7,757	25,000	25,000
Project construction and land							1,455	1,200	1,200
Project operation and maintenance	72	3,000	3,000				10,336	4,000	4,000
Depreciation and amortization							32,118		
Vehicle expense							10,975	45,000	45,000
Other							325	100	100
Total operating expenses	21,449	43,000	43,000				361,635	364,200	364,200
OPERATING INCOME (LOSS)	(21,449)	(43,000)	(43,000)				27,311	(5,200)	(5,200)
NON-OPERATING INCOME:									
Assessment revenue	15,792	14,000	14,000						
Gain on sale of fixed asset							16,183		
Interest income	87	150	150	11			10,581	4,000	4,000
Interest expense							(147)		
Transfers							83,829		
Total non-operating income	15,879	14,150	14,150	11			110,446	4,000	4,000
CHANGE IN NET POSITION	(5,570)	\$ (28,850)	\$ (28,850)	11	\$	\$	137,757	\$ (1,200)	\$ (1,200)
NET POSITION - BEGINNING OF YEAR	46,586			6,739			1,761,210		
NET POSITION - END OF YEAR	\$ 41,016			\$ 6,750			\$ 1,898,967		

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**SCHEDULE OF CERTIFICATE OF DEPOSIT  
GOVERNMENTAL FUND  
JUNE 30, 2020**

	<u>Cost</u>	<u>Interest Rate</u>
General fund		
Certificate of deposit		
Great Western Bank	<u>\$          50,000</u>	0.15%
 General fund - unrestricted, but assigned investments	 <u><u>\$          50,000</u></u>	

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**SCHEDULE OF CERTIFICATES OF DEPOSIT  
PROPRIETARY FUNDS  
JUNE 30, 2020**

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary funds		
Certificates of deposit		
Dakota County		
Access Bank	\$ 108,067	1.75%
Access Bank	109,062	1.75%
Bank First	65,660	1.10%
Siouxland National Bank	<u>100,000</u>	1.25%
	<u>382,789</u>	
Washington County		
American National Bank	200,000	0.39%
United Republic Bank	106,250	0.90%
United Republic Bank	105,967	2.00%
Premier Bank	135,795	1.75%
Premier Bank	<u>65,000</u>	1.75%
	<u>613,012</u>	
Thurston County		
Premier Bank	<u>43,549</u>	1.75%
	<u>43,549</u>	
Total	<u>\$ 1,039,350</u>	

# **PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

## **SCHEDULE OF INSURANCE POLICIES AND BONDS JUNE 30, 2020**

### **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, 2020**

COUNTY

Douglas	\$ 5,389,853
Sarpy	3,348,043
Washington	538,930
Dakota	468,393
Burt	78,538
Thurston	76,664
Dodge	<u>654</u>
	9,901,075
Net taxes collected within 60 days after year end	<u>9,427,283</u>
Deferred revenue	<u>\$ 473,792</u>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**SCHEDULE OF CASH BALANCES HELD BY COUNTY TREASURERS  
JUNE 30, 2020**

GENERAL FUND

Douglas	\$	453,888
Sarpy		129,693
Washington		16,235
Dakota		9,125
Burt		2,893
Thurston		1,307
Dodge		<u>1,476</u>
	\$	<u>614,617</u>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**INFORMATION REQUIRED BY SECTION 2-3223, N.R.S - 1975**

**FOR THE YEAR ENDED JUNE 30, 2020**

Gross income from all sources	<u>\$ 75,739,094</u>
Amount expended for	
Maintenance	\$ 2,443,951
Improvements and other such programs	<u>54,520,765</u>
Total maintenance and improvements	<u>\$ 56,964,716</u>
Amount of depreciation on property during previous year	<u>\$ 4,161,521</u>
Number of employees as of June 30, 2020	<u>54</u>
Gross salaries	\$ 3,672,157
Less amount reimbursed by projects	<u>(402,931)</u>
Net salaries paid to employees	<u>\$ 3,269,226</u>



November 30, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2020.

**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, with the letters connected.

**BerganKDV, LLC**

Omaha, Nebraska

November 30, 2020

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, 2020. 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 April 16, 2020. 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. No such misstatements were identified.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 30, 2020.

### *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.

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

**BerganKDV, LLC**  
Omaha, Nebraska