

MEMORANDUM

To: Finance, Expenditures and Legal Subcommittee

From: Carey Fry, Senior Accountant

Subject: FY 2023 Audit

Date: December 4, 2023

- **It is staff's recommendation that the FEL Subcommittee recommend to the Board of Directors that the FY2023 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

**Basic Financial Statements with
Supplemental Information and
Accompanying Independent Auditor's Reports**

June 30, 2023

Papio-Missouri River Natural Resources District
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying basic 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, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to in the first paragraph 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 Papio-Missouri River Natural Resources District as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board (GASB), 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying other supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying other supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of 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.

Bergan KDV, LLC

Omaha, Nebraska

December 7, 2023

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**Papio-Missouri River Natural Resources District
Management's Discussion and Analysis
Year Ended June 30, 2023**

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, 2023. 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 \$18,342,304, which is a 6.9% increase in total net position.
- Total governmental activities net position is comprised of the following:
 - Net investment in capital assets of \$227,363,690. Property and equipment, net of accumulated depreciation, is reduced for the outstanding debt related to the purchase or construction of capital assets.
 - Unrestricted net position of \$47,266,671. 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 \$41,031,899. This is an increase of \$5,162,319 from last year's revenues of \$35,869,580, primarily due to increased interest income and watershed fees.
- The net increase in capital assets was \$12,219,949 to a total of \$301,124,239.
- Total long-term debt, excluding compensated absences, of the District decreased from \$86,332,556 to \$81,176,026 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 statement

**Papio-Missouri River Natural Resources District
Management's Discussion and Analysis
Year Ended June 30, 2023**

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.

**Papio-Missouri River Natural Resources District
Management's Discussion and Analysis
Year Ended June 30, 2023**

Fund Financial Statements (Continued)

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.

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 custodian 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.

**Papio-Missouri River Natural Resources District
Management's Discussion and Analysis
Year Ended June 30, 2023**

Supplemental Information

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	Governmental Activities		Business-Type Activities	
	2023	2022	2023	2022
Current and other assets	\$ 68,939,134	\$ 65,704,014	\$ 2,398,976	\$ 2,290,500
Deferred outflow of resources	1,491,374	1,635,363	-	-
Capital assets, net of accumulated depreciation	288,663,110	277,868,693	12,461,129	11,035,597
Total assets and deferred outflows	<u>\$ 359,093,618</u>	<u>\$ 345,208,070</u>	<u>\$ 14,860,105</u>	<u>\$ 13,326,097</u>
Current liabilities	\$ 8,616,820	\$ 8,207,739	\$ 1,760,921	\$ 310,320
Deferred inflow of resources	357,766	544,601	-	-
Long-term liabilities	75,488,671	79,943,382	1,523,854	1,664,738
Total liabilities and deferred inflows	<u>84,463,257</u>	<u>88,695,722</u>	<u>3,284,775</u>	<u>1,975,058</u>
Net position				
Net investment in capital assets	227,363,690	215,839,200	10,781,565	9,230,354
Restricted	-	-	179,344	179,344
Unrestricted	47,266,671	40,673,148	614,421	1,941,341
Total net position	<u>\$ 274,630,361</u>	<u>\$ 256,512,348</u>	<u>\$ 11,575,330</u>	<u>\$ 11,351,039</u>

The District reported positive balances in net position for both governmental and business-type activities. Net position of governmental activities increased by \$18,118,013. Net investment in capital assets increased \$11,524,490 as progress continues on capital projects and payments are made on related debt.

Net position increased \$224,291 for business-type activities due to operating income.

**Papio-Missouri River Natural Resources District
Management's Discussion and Analysis
Year Ended June 30, 2023**

Financial Analysis of the District as a Whole (Continued)

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 74% of the District's total governmental revenues most years.

Summary of Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2023	% of Total	2022	2023	% of Total	2022
Revenues						
Program Revenues						
Charges for services	\$ 283,219	0.7%	\$ 267,311	\$ 1,763,039	95.0%	\$ 1,619,266
Operating grants and contributions	3,045,665	7.4%	3,765,777	-	-	-
Capital grants	521,039	1.3%	5,535,980	-	-	751,635
General Revenues						
Property taxes	30,360,809	73.4%	29,281,945	-	-	-
Watershed	5,601,660	13.6%	2,895,239	-	-	-
Assessment income	-	-	-	81,625	4.4%	90,942
Transfers	6,719	0.0%	(220,360)	(6,719)	-0.4%	220,360
Gain on sale of fixed assets	-	-	-	1,500	0.1%	4,500
Interest income	1,521,254	3.7%	103,765	16,263	0.9%	6,789
Total revenues	<u>41,340,365</u>	<u>100.0%</u>	<u>41,629,657</u>	<u>1,855,708</u>	<u>100.0%</u>	<u>2,693,492</u>
Expenses						
General administration	5,803,527	25.0%	5,851,898	-	-	-
Information and education	167,734	0.7%	167,638	-	-	-
Flood prevention	12,091,269	52.1%	22,667,683	-	-	-
Erosion control	444,722	1.9%	664,233	-	-	-
Water quality	701,907	3.0%	687,143	-	-	-
Recreation	1,806,379	7.8%	2,220,886	-	-	-
Forestry and wildlife	181,357	0.8%	177,114	-	-	-
Interest on long-term debt	2,025,457	8.7%	1,970,744	-	-	-
Major proprietary funds	-	-	-	1,399,878	85.8%	791,954
Other proprietary funds	-	-	-	231,539	14.2%	664,219
Total expenses	<u>23,222,352</u>	<u>100.0%</u>	<u>34,407,339</u>	<u>1,631,417</u>	<u>100.0%</u>	<u>1,456,173</u>
Change in net position	<u>\$ 18,118,013</u>		<u>\$ 7,222,318</u>	<u>\$ 224,291</u>		<u>\$ 1,237,319</u>

**Papio-Missouri River Natural Resources District
Management's Discussion and Analysis
Year Ended June 30, 2023**

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 \$2,425,223 to \$63,972,050.

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 were Washington County Rural Water System and Dakota County Rural Water. Net position of these funds increased by \$185,099 and \$15,596, respectively. Net position of the non-major proprietary funds increased by \$23,596. The total proprietary funds net position increased by \$224,291.

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 \$73,957,754, compared with the prior year budget of \$79,729,557. Most of this decrease is due to completion of long-term projects in the prior year. Actual budgetary expenditures were \$36,762,123 and \$46,327,799, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets, net of accumulated depreciation and related debt, for governmental and business-type activities as of June 30, 2023, was \$227,363,690 and \$10,781,565, respectively. This investment in capital assets includes land, infrastructure, buildings and improvements, machinery and equipment and unamortized bond issue costs. The net investment increased 5.3% for governmental and increased 16.8% for business-type activities. The District transferred approximately \$5.3 million dollars of improvements to the City of Valley, which will operate and maintain the Western Douglas County Trail. The increase for business-type activities primarily results from progress on a large main extension project in Dakota County.

Papio-Missouri River Natural Resources District

**Management's Discussion and Analysis
Year Ended June 30, 2022**

Long-term Debt

At the end of the fiscal year, the District had \$81,176,026 in bonds, notes, and leases payable. \$1,679,564 of this debt is attributable to the proprietary funds for construction of and upgrades to the rural water distribution systems. \$77,190,000 is attributable to general obligation bonds issued for construction of flood control projects, \$211,823 is attributable to capital leases for the purchase of equipment, \$83,450 is outstanding on lease contracts for office equipment, and \$26,560 is outstanding on a subscription-based IT arrangement. Also included in long-term debt is \$1,984,629 of bond premiums.

The District's authority to issue general obligation bonds, previously scheduled to expire in 2019, was extended through December 31, 2024. An additional issue of \$28,190,000 was closed in October 2021 to assist in funding priority flood control reservoirs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District adopted a budget for the 2023-2024 fiscal year with total requirements of \$119.5 million, a slight increase from the 2022-23 fiscal year budget of \$105.1 million.

Factors considered in preparing the District's budget for fiscal year 2023-24 include the following:

- A total property tax assessment of \$30,729,169 on valuation of \$98.10 billion from a levy of \$.031324 per \$100 of valuation, a decrease of 0.0034 from fiscal year 2022-23. However, the overall increase in valuation led to an increase of \$543,275 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 2023-2024 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 (WP-1, WP-4 and WP-2) currently under design or construction, and land acquisition continues for structures DS-7, DS-12 and DS-19.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

Papio-Missouri River Natural Resources District
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 5,283,066	\$ 948,470	\$ 6,231,536
Cash on deposit with county treasurers	639,856	-	639,856
Certificates of deposit	-	546,528	546,528
Investments	47,132,776	752,331	47,885,107
Property tax receivable	11,476,270	-	11,476,270
Leases receivable	357,766	-	357,766
Service receivable	-	111,234	111,234
Interest receivable	-	402	402
Due from other governments	3,482,579	-	3,482,579
Internal balances	205,353	(205,254)	99
Inventories	-	65,921	65,921
Prepaid expenses	361,468	-	361,468
Restricted certificates of deposit	-	179,344	179,344
Capital assets			
Land	78,139,668	366,391	78,506,059
Construction in progress	50,188,436	1,865,757	52,054,193
Capital assets being depreciated			
Capital improvements and infrastructure	249,587,550	13,234,144	262,821,694
Buildings and improvements	8,139,752	-	8,139,752
Vehicles and equipment	6,586,498	229,187	6,815,685
Intangible assets	138,960	41,851	180,811
Less accumulated depreciation	(104,117,754)	(3,276,201)	(107,393,955)
Total assets	<u>357,602,244</u>	<u>14,860,105</u>	<u>372,462,349</u>
Deferred outflows of resources			
Deferred outflows of resources related to refunded debt	1,491,374	-	1,491,374
Total assets and deferred outflows of resources	<u>\$ 359,093,618</u>	<u>\$ 14,860,105</u>	<u>\$ 373,953,723</u>
Liabilities			
Accounts payable	\$ 3,582,485	\$ 1,597,116	\$ 5,179,601
Due to other governments	269	-	269
Accrued payroll	184,128	-	184,128
Accrued interest payable	116,262	8,095	124,357
Bonds, notes, and leases payable			
Due within one year	4,733,676	155,710	4,889,386
Due in more than one year	74,762,786	1,523,854	76,286,640
Compensated absences	725,885	-	725,885
Total liabilities	<u>84,105,491</u>	<u>3,284,775</u>	<u>87,390,266</u>
Deferred inflows of Resources			
Deferred inflows related to lease income	357,766	-	357,766
Net Position			
Net investment in capital assets	227,363,690	10,781,565	238,145,255
Restricted for			
Debt service	-	179,344	179,344
Unrestricted	47,266,671	614,421	47,881,092
Total net position	<u>274,630,361</u>	<u>11,575,330</u>	<u>286,205,691</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 359,093,618</u>	<u>\$ 14,860,105</u>	<u>\$ 373,953,723</u>

See notes to basic financial statements.

Papio-Missouri River Natural Resources District
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General administration	\$ 5,803,527	\$ 225,939	\$ 14,070	\$ -	\$ (5,563,518)	\$ -	\$ (5,563,518)
Flood prevention	12,091,269	34,400	2,612,830	-	(9,444,039)	-	(9,444,039)
Erosion control	444,722	-	-	162,715	(282,007)	-	(282,007)
Forestry and wildlife	181,357	5,256	100,000	-	(76,101)	-	(76,101)
Water quality	701,907	1,170	309,465	-	(391,272)	-	(391,272)
Recreation	1,806,379	16,454	9,300	358,324	(1,422,301)	-	(1,422,301)
Information and education	167,734	-	-	-	(167,734)	-	(167,734)
Interest on long-term debt	2,025,457	-	-	-	(2,025,457)	-	(2,025,457)
Total governmental activities	<u>23,222,352</u>	<u>283,219</u>	<u>3,045,665</u>	<u>521,039</u>	<u>(19,372,429)</u>	<u>-</u>	<u>(19,372,429)</u>
Business-type activities							
Washington County Rural Water	989,509	1,163,810	-	-	-	174,301	174,301
Dakota Rural Water	410,369	421,079	-	-	-	10,710	10,710
Non-major proprietary funds	231,539	178,150	-	-	-	(53,389)	(53,389)
Total business-type activities	<u>1,631,417</u>	<u>1,763,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,622</u>	<u>131,622</u>
Total governmental and business-type activities	<u>\$ 24,853,769</u>	<u>\$ 2,046,258</u>	<u>\$ 3,045,665</u>	<u>\$ 521,039</u>	<u>\$ (19,372,429)</u>	<u>\$ 131,622</u>	<u>\$ (19,240,807)</u>
General revenues							
Property taxes					\$ 30,360,809	\$ -	\$ 30,360,809
Watershed					5,601,660	-	5,601,660
Assessment income					-	81,625	81,625
Gain on sale of capital assets					-	1,500	1,500
Interest income					1,521,254	16,263	1,537,517
Transfers					6,719	(6,719)	-
Total general revenues					<u>37,490,442</u>	<u>92,669</u>	<u>37,583,111</u>
Change in net position					<u>18,118,013</u>	<u>224,291</u>	<u>18,342,304</u>
Net position - beginning					<u>256,512,348</u>	<u>11,351,039</u>	<u>267,863,387</u>
Net position - ending					<u>\$ 274,630,361</u>	<u>\$ 11,575,330</u>	<u>\$ 286,205,691</u>

See notes to basic financial statements.

Papio-Missouri River Natural Resources District
Balance Sheet - Governmental Funds
June 30, 2023

Assets	
Cash and investments	\$ 5,283,066
Cash on deposit with County Treasurers	639,856
Investments	47,132,776
Receivables	
Taxes	11,476,270
Leases	357,766
Prepaid items	361,468
Due from other funds	205,353
Due from other governments	<u>3,482,579</u>
 Total assets	 <u><u>\$ 68,939,134</u></u>
Liabilities	
Accounts payable	\$ 3,582,485
Due to other governments	269
Accrued payroll	184,128
Total liabilities	<u>3,766,882</u>
Deferred Inflows of Resources	
Unavailable revenue - property taxes	842,436
Deferred lease income	357,766
Total deferred inflows of resources	<u>1,200,202</u>
Fund Balances	
Nonspendable	361,468
Restricted	14,670,593
Committed	21,458,494
Unassigned	27,481,495
Total fund balances	<u>63,972,050</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u><u>\$ 68,939,134</u></u>

**Papio-Missouri River Natural Resources District
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2023**

Total fund balances - governmental funds	\$ 63,972,050
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	392,780,864
Less accumulated depreciation	(104,117,754)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond and notes principal payable	(77,511,833)
Premium on bonds payable	(1,984,629)
Compensated absences payable	(725,885)
Property taxes that will be collected in future years, but are not available soon enough to pay for the current period's expenditures, are deferred in the funds.	
Difference in property tax revenue accrual	842,436
Deferred costs on refunded debt are not financial resources	1,491,374
Governmental funds do not report a liability for accrued interest until due and payable.	(116,262)
Total net position - governmental activities	\$ 274,630,361

**Papio-Missouri River Natural Resources District
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023**

Revenues		
General administration	\$ 31,037,597	
Flood prevention	9,314,782	
Erosion control	162,715	
Forestry and wildlife	105,294	
Water quality	311,354	
Recreation	100,157	
Total revenues	<u>41,031,899</u>	
Expenditures		
Current		
General administration	5,389,470	
Flood prevention	2,395,098	
Erosion control	444,722	
Forestry and wildlife	181,357	
Water quality	695,001	
Recreation	880,606	
Information and education	167,734	
Debt service		
Principal	5,003,297	
Interest and other charges	1,960,797	
Capital outlay	21,710,601	
Total expenditures	<u>38,828,683</u>	
Excess of revenues over expenditures	<u>2,203,216</u>	
Other Financing Sources (uses)		
Proceeds from sale of capital asset	127,577	
Financed purchase proceeds	87,711	
Transfers in	6,719	
Total other financing sources (uses)	<u>222,007</u>	
Net change in fund balances	<u>2,425,223</u>	
Fund Balances		
Beginning of year	61,213,192	
Prior period adjustment (See Note 15)	333,635	
Beginning of year, restated	<u>61,546,827</u>	
End of year	<u>\$ 63,972,050</u>	

**Papio-Missouri River Natural Resources District
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2023**

Net change in fund balances - governmental funds \$ 2,425,223

Amounts reported for Governmental Activities in the Statement of Activities are different because

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	21,994,522
Depreciation expense	(5,422,902)
Net book value of disposals and transfers	(5,777,203)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. 29,621

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.

Principal payments on bonds payable	4,430,000
Principal payments on notes payable	458,612
Principal payments on financed purchase payable	114,685

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (29,170)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Financed purchase proceeds	(87,711)
Effects of bond premiums, discounts and related items	108,499
Amortization of deferred cost on refunded debt	(143,989)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Difference in property tax revenue accrual	17,826
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Change in net position - governmental activities \$ 18,118,013

Papio-Missouri River Natural Resources District
Statement of Net Position - Proprietary Funds
June 30, 2023

	Washington Rural County	Dakota Rural Water	Total Non- Major	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 161,797	\$ 505,705	\$ 280,968	\$ 948,470
Certificates of deposit	480,528	66,000	-	546,528
Investments	752,331	-	-	752,331
Service receivable	68,059	35,226	7,949	111,234
Interest receivable	361	4	37	402
Inventories	37,890	26,602	1,429	65,921
Total current assets	<u>1,500,966</u>	<u>633,537</u>	<u>290,383</u>	<u>2,424,886</u>
Noncurrent assets				
Restricted certificates of deposit	135,795	-	43,549	179,344
Capital assets				
Land	1,000	1,000	364,391	366,391
Capital improvements and infrastructure	7,575,739	1,837,321	3,821,084	13,234,144
Vehicles and equipment	114,276	114,911	-	229,187
Intangible assets	33,615	8,236	-	41,851
Construction in progress	-	1,865,757	-	1,865,757
Total capital assets	<u>7,724,630</u>	<u>3,827,225</u>	<u>4,185,475</u>	<u>15,737,330</u>
Less accumulated depreciation and amortization	<u>(1,834,680)</u>	<u>(869,022)</u>	<u>(572,499)</u>	<u>(3,276,201)</u>
Capital assets, net of Accumulated depreciation	<u>5,889,950</u>	<u>2,958,203</u>	<u>3,612,976</u>	<u>12,461,129</u>
Total noncurrent assets	<u>6,025,745</u>	<u>2,958,203</u>	<u>3,656,525</u>	<u>12,640,473</u>
Total assets	<u>\$ 7,526,711</u>	<u>\$ 3,591,740</u>	<u>\$ 3,946,908</u>	<u>\$ 15,065,359</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 82,153	\$ 1,507,559	\$ 7,404	\$ 1,597,116
Accrued interest payable	1,429	-	6,666	8,095
Due to other funds	31,564	34,936	138,754	205,254
Current portion of long-term debt	144,842	1,571	9,297	155,710
Total current liabilities	<u>259,988</u>	<u>1,544,066</u>	<u>162,121</u>	<u>1,966,175</u>
Long-term liabilities				
Financed purchase payable	11,963	4,221	-	16,184
Bonds payable, net	1,398,459	-	109,211	1,507,670
Total long-term liabilities	<u>1,410,422</u>	<u>4,221</u>	<u>109,211</u>	<u>1,523,854</u>
Total liabilities	<u>1,670,410</u>	<u>1,548,287</u>	<u>271,332</u>	<u>3,490,029</u>
Net position				
Net investment in capital assets	4,334,686	2,952,411	3,494,468	10,781,565
Restricted	135,795	-	43,549	179,344
Unrestricted	1,385,820	(908,958)	137,559	614,421
Total net position	<u>5,856,301</u>	<u>2,043,453</u>	<u>3,675,576</u>	<u>11,575,330</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,526,711</u>	<u>\$ 3,591,740</u>	<u>\$ 3,946,908</u>	<u>\$ 15,065,359</u>

See notes to basic financial statements.

Papio-Missouri River Natural Resources District
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2023

	Washington Rural County	Dakota Rural Water	Total Non- Major Proprietary Funds	Total
Sales and cost of sales				
Sales	\$ 994,086	\$ 393,385	\$ 163,858	\$ 1,551,329
Customer charges and hookup fees	159,392	27,575	14,228	201,195
Miscellaneous	10,332	119	64	10,515
Gross profit	<u>1,163,810</u>	<u>421,079</u>	<u>178,150</u>	<u>1,763,039</u>
Operating expenses				
Repairs and maintenance	15,455	15,551	8,601	39,607
Supplies and postage	22,207	12,617	5,972	40,796
Professional services	47,060	25,865	9,103	82,028
Personnel	144,661	174,679	39,444	358,784
Telephone, utilities and rent	20,317	3,176	10,006	33,499
Miscellaneous	4,623	349	883	5,855
Water purchase	426,180	101,621	53,404	581,205
Contract costs	118,227	19,343	3,800	141,370
Project construction and land	-	1,723	-	1,723
Project operation and maintenance	14,756	800	11,041	26,597
Depreciation and amortization	108,481	38,734	67,515	214,730
Vehicle expense	21,772	15,007	15,104	51,883
Other	2,279	704	-	2,983
Total operating expenses	<u>946,018</u>	<u>410,169</u>	<u>224,873</u>	<u>1,581,060</u>
Operating income (loss)	217,792	10,910	(46,723)	181,979
Nonoperating revenues (expenses)				
Investment income	10,798	3,386	2,079	16,263
Assessment revenue	-	-	81,625	81,625
Interest expense	(43,491)	(200)	(6,666)	(50,357)
Total nonoperating revenues (expenses)	<u>(32,693)</u>	<u>3,186</u>	<u>77,038</u>	<u>47,531</u>
Income (loss) before transfers	185,099	14,096	30,315	229,510
Gain (loss) on disposal of capital assets	-	1,500	-	1,500
Transfers out	-	-	(6,719)	(6,719)
Change in net position	185,099	15,596	23,596	224,291
Beginning of year	<u>5,671,202</u>	<u>2,027,857</u>	<u>3,651,980</u>	<u>11,351,039</u>
End of year	<u>\$ 5,856,301</u>	<u>\$ 2,043,453</u>	<u>\$ 3,675,576</u>	<u>\$ 11,575,330</u>

See notes to basic financial statements.

Papio-Missouri River Natural Resources District
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2023

	Washington Rural County	Dakota Rural Water	Non-Major Proprietary Funds	Total
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 1,163,986	\$ 418,675	\$ 178,885	\$ 1,761,546
Payments to suppliers	(738,433)	(187,825)	(117,592)	(1,043,850)
Payments to employees	(144,661)	(174,679)	(39,444)	(358,784)
Net cash flows - operating activities	<u>280,892</u>	<u>56,171</u>	<u>21,849</u>	<u>358,912</u>
Cash Flows - Noncapital Financing Activities				
Transfer to other funds	-	-	(6,719)	(6,719)
Interfund balances	(3,470)	4,849	(148,581)	(147,202)
Net cash flows - noncapital financing activities	<u>(3,470)</u>	<u>4,849</u>	<u>(155,300)</u>	<u>(153,921)</u>
Cash Flows - Capital and Related Financing Activities				
Principal paid on debt	(122,119)	(1,523)	(8,802)	(132,444)
Interest paid on debt	(43,591)	(200)	(7,161)	(50,952)
Assessments	-	-	81,625	81,625
Proceeds from disposal of capital assets	-	1,500	-	1,500
Acquisition of capital assets	(60,409)	(101,809)	-	(162,218)
Net cash flows - capital and related financing activities	<u>(226,119)</u>	<u>(102,032)</u>	<u>65,662</u>	<u>(262,489)</u>
Cash Flows - Investing Activities				
Net maturity (purchase) of investments	(752,870)	321,932	-	(430,938)
Interest and dividends received	10,763	3,537	2,079	16,379
Net cash flows - investing activities	<u>(742,107)</u>	<u>325,469</u>	<u>2,079</u>	<u>(414,559)</u>
Net change in cash and cash equivalents	(690,804)	284,457	(65,710)	(472,057)
Cash and cash equivalents				
Beginning of year	852,601	221,248	346,678	1,420,527
End of year	<u>\$ 161,797</u>	<u>\$ 505,705</u>	<u>\$ 280,968</u>	<u>\$ 948,470</u>
Noncash Capital and Related Financing Activities				
Total acquisition of capital assets	\$ (60,409)	\$ (1,579,854)	\$ -	\$ (1,640,263)
Capital assets acquired included in accounts payable	-	1,478,045	-	1,478,045
Cash paid for acquisition of capital assets	<u>\$ (60,409)</u>	<u>\$ (101,809)</u>	<u>\$ -</u>	<u>\$ (162,218)</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities				
Operating income (loss)	\$ 217,792	\$ 10,910	\$ (46,723)	\$ 181,979
Adjustments to reconcile operating income (loss) to net cash flows - operating activities				
Depreciation expense	108,481	38,734	67,515	214,730
Accounts receivable	176	(2,404)	735	(1,493)
Inventory	(7,251)	5,911	325	(1,015)
Accounts and contracts payable	(38,306)	3,020	(3)	(35,289)
Total adjustments	<u>63,100</u>	<u>45,261</u>	<u>68,572</u>	<u>176,933</u>
Net cash flows - operating activities	<u>\$ 280,892</u>	<u>\$ 56,171</u>	<u>\$ 21,849</u>	<u>\$ 358,912</u>

See notes to basic financial statements.

Papio-Missouri River Natural Resources District
Statement of Fiduciary Net Position
June 30, 2023

	Papillion Creek Watershed Partnership	Southern Sarpy Watershed Partnership	Total
Assets			
Cash and investments	\$ 398,880	\$ 3,057,074	\$ 3,455,954
Due from other governments	-	26,000	26,000
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 398,880</u>	<u>\$ 3,083,074</u>	<u>\$ 3,481,954</u>
Liabilities			
Accounts payable	\$ 7,148	\$ 16,924	\$ 24,072
Deferred revenue	184,400	-	184,400
Due to other funds	99	-	99
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 191,647</u>	<u>\$ 16,924</u>	<u>\$ 208,571</u>
Net Position			
Held in trust	<u>\$ 207,233</u>	<u>\$ 3,066,150</u>	<u>\$ 3,273,383</u>

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	Papillion Creek Watershed Partnership	Southern Sarpy Watershed Partnership	Total
Additions			
Partnership dues	\$ 369,000	\$ 200,000	\$ 569,000
Watershed fees	-	261,019	261,019
Interest	2,442	19,622	22,064
Total additions	<u>371,442</u>	<u>480,641</u>	<u>852,083</u>
Deductions			
Contributions and cost shares	310,397	-	310,397
Professional services	12,514	260,689	273,203
Miscellaneous expenses	99	-	99
Total deductions	<u>323,010</u>	<u>260,689</u>	<u>583,699</u>
Change in net position	48,432	219,952	268,384
Net Position			
Beginning of year	<u>158,801</u>	<u>2,846,198</u>	<u>3,004,999</u>
End of year	<u>\$ 207,233</u>	<u>\$ 3,066,150</u>	<u>\$ 3,273,383</u>

See notes to basic financial statements.

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Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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.

C. 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 District'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.

D. Basic Financial Statement Information

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 basic financial statements include government-wide financial statements and fund financial statements.

E. 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.

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Government-wide Financial Statements (Continued)

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

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

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

Restricted:

- Expendable – This includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Nonexpendable – This 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.

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Government-wide Financial Statements (Continued)

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.

F. Fund Financial Statements

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

Governmental Fund:

The governmental (general) fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds:

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

Major Funds:

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

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Financial Statements (Continued)

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:

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.

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.

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.

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Financial Statements (Continued)

Fiduciary Funds (Continued):

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.

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.

G. Measurement Focus and 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.

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.

**Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Measurement Focus and Basis of Accounting (Continued)

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.

H. 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.

I. 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.

J. 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.

K. Inventories

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

L. 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.

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

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets (Continued)

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.

M. 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.

N. 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 2022-23, the taxes levied totaled \$30,185,894 at a tax levy rate of \$0.034758 per \$100 of valuation on a total valuation of \$86,846,763,094.

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.

O. 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.

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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, 2023, was \$358,783. These reimbursements are included as an offset in the general administration expenses in the Statement of Activities.

Q. 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.

R. 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.

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This represents a consumption of net assets 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 reports a separate section for deferred inflows of resources. This represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that period. The District has three items that qualify for reporting in this category: Unavailable revenue from leases that will be received in future years. They are reported as deferred flows on the governmental funds balance sheet and will be recognized in future years. 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 Basic Financial Statements

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

A. 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 30, 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, 2023, the District met all the budgetary requirements with the State of Nebraska.

NOTE 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.

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and investments consisted of the following at June 30, 2023:

	Total	Governmental Funds	Proprietary Funds
Checking accounts and petty cash	\$ 6,231,536	\$ 5,283,066	\$ 948,470
Cash on hand at County Treasurers	639,856	639,856	-
Certificates of deposit	725,872	-	725,872
Investments	47,885,107	47,132,776	752,331
 Total	 <u>\$ 55,482,371</u>	 <u>\$ 53,055,698</u>	 <u>\$ 2,426,673</u>

The carrying amount of the District's deposits, including Fiduciary funds, was \$10,413,363 and the bank balances were \$10,484,414 at June 30, 2023. Certificates of deposit have been included in the bank and book balances for cash. At June 30, 2023, the entire bank balance was covered by the Federal Deposit Insurance Corporation ("FDIC") or collateralized.

Investments are stated at cost, which at June 30, 2023, approximates fair value. The District's investments consisted of \$42,871,429 deposited in the Nebraska Public Agency Investment Trust (NPAIT) and \$5,013,858 deposited in the Nebraska Cooperative Liquid Assets Securities System (Nebraska CLASS).

NPAIT and Nebraska CLASS are public entity investment pools operated under the direction of Boards of Trustees and specifically designed for Nebraska Public Agencies. Accordingly, their portfolios at all times consists solely of instruments in which Public Agencies are permitted to invest funds under Nebraska law. All net income of the pools 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 and Nebraska CLASS 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.

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2023, are categorized as level 2 investments.

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

Custodial Credit Risk – This is 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 – This is 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 – This is for deposits and investments; interest rate risk is the risk that the value of deposits and investments will decrease as a result of a rise in interest rates.

**Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements**

NOTE 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, 2023. The following is a summary of the reservations placed on cash and investments for the year ended June 30, 2023:

General Sinking Funds

Restricted	\$ 14,670,593
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Unrestricted, but Committed Cash Accounts

Committed to Wetland Mitigation and the development of future wetlands.	5,528
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The Board of Directors, by resolution has committed funds to be spent on costs incurred for Watershed Plan Projects.	21,024,620
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The Board of Directors, by resolution and in accordance with the Interlocal Cooperation Act Agreement, has committed funds to reimburse parties to this agreement that incurred costs as a result of the removal of ice jams.	148,272
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The Board of Directors, by resolution has committed funds to be spent on costs incurred proactively controlling noxious weeds along the Lower Platte River.	280,074
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Total general fund restrictions and commitments	<u>\$ 36,129,087</u>
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Proprietary Sinking Funds:

In compliance with loan covenants for the notes described in Note 9, 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.

NOTE 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, 2023, \$3,482,579 was due from other governmental agencies, including the federal government.

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, 2023, the District had receivables due from the federal government in the amount of \$1,057,961.

**Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements**

NOTE 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, 2023, 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	\$ 4,926
General Fund	Washington County Rural Water	31,564
General Fund	Dakota County Rural Water	34,936
General Fund	Elkhorn River Stabilization	258
General Fund	Elk/Pigeon Creek Drainage	120,734
General Fund	Western Sarpy Drainage	12,836
General Fund	Papillion Creek Watershed Partnership	99
		<hr/>
Total		<u>\$ 205,353</u>

NOTE 7 – INTERFUND TRANSACTIONS

During the year ended June 30, 2023, the Elkhorn Breakout fund closed and transferred \$6,719 to the General Fund.

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 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, 2022	Additions	Transfers/ Deletions	Balance June 30, 2023
Not depreciated				
Land	\$ 69,596,954	\$ 8,678,809	\$ (136,095)	\$ 78,139,668
Construction in progress	51,198,951	12,212,672	(13,223,187)	50,188,436
	<u>120,795,905</u>	<u>20,891,481</u>	<u>(13,359,282)</u>	<u>128,328,104</u>
Depreciated				
Capital improvements and infrastructure	241,577,297	369,845	7,640,408	249,587,550
Buildings and improvements	8,034,695	105,057	-	8,139,752
Vehicles and equipment	6,273,298	540,428	(227,228)	6,586,498
Intangible assets	128,777	87,711	(77,528)	138,960
	<u>256,014,067</u>	<u>1,103,041</u>	<u>7,335,652</u>	<u>264,452,760</u>
Less accumulated depreciation and amortization	<u>(98,941,279)</u>	<u>(5,422,902)</u>	<u>246,427</u>	<u>(104,117,754)</u>
	<u>157,072,788</u>	<u>(4,319,861)</u>	<u>7,582,079</u>	<u>160,335,006</u>
 Total	 <u>\$ 277,868,693</u>	 <u>\$ 16,571,620</u>	 <u>\$ (5,777,203)</u>	 <u>\$ 288,663,110</u>

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

General administration	\$ 443,678
Flood prevention	4,046,545
Water quality	6,906
Recreation	<u>925,773</u>
 Total depreciation and amortization expense	 <u>\$ 5,422,902</u>

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 8 - CAPITAL ASSETS (CONTINUED)

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

	Balance June 30, 2022	Additions	Transfers/ Deletions	Balance June 30, 2023
Not depreciated				
Land	\$ 366,391	\$ -	\$ -	\$ 366,391
Construction in progress	301,085	1,564,672	-	1,865,757
	<u>667,476</u>	<u>1,564,672</u>	<u>-</u>	<u>2,232,148</u>
Depreciated				
Capital improvements and infrastructure	13,195,448	38,696	-	13,234,144
Vehicles and equipment	214,005	15,182	-	229,187
Intangible assets	20,138	21,713	-	41,851
	<u>13,429,591</u>	<u>75,591</u>	<u>-</u>	<u>13,505,182</u>
Less accumulated depreciation and amortization	(3,061,470)	(214,731)	-	(3,276,201)
	<u>10,368,121</u>	<u>(139,140)</u>	<u>-</u>	<u>10,228,981</u>
Total	<u>\$ 11,035,597</u>	<u>\$ 1,425,532</u>	<u>\$ -</u>	<u>\$ 12,461,129</u>

NOTE 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, 2023. 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	2019	December 2031	Semi-Annually	2.09% to 2.79%	\$ 31,255,000
General	2020	December 2033	Semi-Annually	0.34% to 1.77%	18,750,000
General	2021	December 2041	Semi-Annually	2.00% to 4.00%	27,185,000
General	Equipment lease	October 1, 2024	Annually	3.49%	103,691
General	Equipment lease	February 1, 2026	Annually	2.99%	108,132
General	Subscription	December 2024	Monthly	4.00%	26,560
General	Equipment lease	March 2028	Monthly	5.00%	12,602
General	Equipment lease	June 2028	Monthly	5.00%	70,848
Total					<u>\$ 77,511,833</u>

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Flood Protection and Water Quality Enhancement Refunding Bonds - 2019	\$ 32,300,000	\$ -	\$ (1,045,000)	\$ 31,255,000	\$ 3,435,000
Flood Protection and Water Quality Enhancement Refunding Bonds - 2020	21,130,000	-	(2,380,000)	18,750,000	135,000
Limited Tax General Obligation Bonds, Series 2021	28,190,000	-	(1,005,000)	27,185,000	1,045,000
Bond Premium	2,093,128	-	(108,499)	1,984,629	-
Note payable - Private Company	458,612	-	(458,612)	-	-
Equipment lease	152,929	-	(49,238)	103,691	50,956
Equipment lease	142,104	-	(33,972)	108,132	34,987
Subscription	43,402	-	(16,842)	26,560	17,530
Equipment lease	1,115	-	(1,115)	-	-
Equipment lease	7,806	-	(7,806)	-	-
Equipment lease	1,452	-	(1,452)	-	-
Equipment lease	-	13,763	(1,161)	12,602	2,411
Equipment lease	-	73,948	(3,100)	70,848	12,792
Total	<u>\$ 84,520,548</u>	<u>\$ 87,711</u>	<u>\$ (5,111,797)</u>	<u>\$ 79,496,462</u>	<u>\$ 4,733,676</u>

Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements

NOTE 9 – LONG-TERM LIABILITIES (CONTINUED)

Proprietary Funds Long-term Debt

Fund	Series	Due Date	Principal Payable	Interest Rates	Principal Balance
Washington Rural Water	2016	June 2032	Annually	2.0% to 3.30%	\$ 1,035,000
Washington Rural Water	2016	December 2036	Semi-Annually	2.00%	256,377
Washington Rural Water	2018	December 2038	Semi-Annually	2.00%	242,296
Washington Rural Water	Subscription	September 2024	Annually	5.00%	14,825
Washington Rural Water	Equipment lease	November 2025	Monthly	3.00%	6,766
Thurston Rural Water	1993	February 2033	Annually	5.63%	118,508
Dakota Rural Water	Equipment lease	November 2025	Quarterly	3.00%	1,380
Dakota Rural Water	Equipment lease	July 2027	Monthly	3.00%	4,412
Total					<u>\$ 1,679,564</u>

The annual principal and interest requirement to maturity for long-term debt as of June 30, 2023, follows:

Year Ending June 30,	General Funds		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 4,733,676	\$ 1,867,559	\$ 50,710	\$ 17,554	\$ 4,784,386	\$ 1,885,113
2025	4,928,779	1,746,380	157,322	44,427	5,086,101	1,790,807
2026	5,108,909	1,624,658	150,093	40,234	5,259,002	1,664,892
2027	5,292,658	1,500,603	154,157	36,378	5,446,815	1,536,981
2028	5,517,811	1,371,733	154,385	32,208	5,672,196	1,403,941
2029-2033	31,390,000	4,640,260	845,214	88,233	32,235,214	4,728,493
2034-2038	13,440,000	1,710,766	158,923	8,618	13,598,923	1,719,384
2039-2042	7,100,000	433,950	8,760	88	7,108,760	434,038
Total	<u>\$ 77,511,833</u>	<u>\$ 14,895,909</u>	<u>\$ 1,679,564</u>	<u>\$ 267,740</u>	<u>\$ 79,191,397</u>	<u>\$ 15,163,649</u>

Compensated Absences

The liability for vested vacation benefits and sick leave is \$376,896 and \$348,989 at June 30, 2023, respectively. 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 \$1,046,997 at June 30, 2023, and is not reported as an expenditure or liability in any of the District's June 30, 2023, financial statements.

The change in compensated absences for the year ended June 30, 2023, was as follows:

Governmental-type Activity	Beginning Balance	Additions	Reductions	Ending Balance
Compensated Absences	\$ 755,506	\$ 696,264	\$ (725,885)	\$ 725,885

**Papio-Missouri River Natural Resources District
Notes to Basic Financial Statements**

NOTE 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, 2023, as follows:

Nonspendable			
Prepaid expenses		\$	361,468
Restricted			
Bond proceeds - NPAIT			14,670,593
Committed			
Wetland mitigation	\$	5,528	
Watershed fees		21,024,620	
Ice jam		148,272	
Lower Platte weed		<u>280,074</u>	
Total committed			21,458,494
Unassigned			<u>27,481,495</u>
Total fund balance			<u>\$ 63,972,050</u>

NOTE 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, 2023, were \$208,958, which were the required contributions. Plan forfeitures, if any, are allocated to the other active participants in the plan.

NOTE 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 \$32,933,677. 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 Basic Financial Statements

NOTE 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, 2023.

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, 2023, a reasonable estimate could not be determined for any potential loss contingencies.

NOTE 13 – FIDUCIARY FUNDS

A. 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.

B. 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 Basic Financial Statements

NOTE 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, 2023. The District did not pay any settlement amounts, which exceeded its insurance coverage for the years ending June 30, 2023.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

During 2023, the District identified and corrected errors related to prior years and recorded a prior period adjustment modifying fund balance on the fund financial statements. This adjustment was to remove accrued Compensated Absences from the fund financial statements. The table below shows the impact of this.

	<u>General Fund</u>
Fund balance, June 30, 2022, as previously reported	\$ 61,213,192
Elimination of reporting Compensated Absences	<u>333,635</u>
Fund balance, June 30, 2022, as restated	<u><u>\$ 61,546,827</u></u>

NOTE 16 – SUBSEQUENT EVENT

Management has evaluated subsequent events through December 7, 2023, the date which these basic financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Papio-Missouri River Natural Resources District
Schedule of Revenues, Expenditures, and Change in Fund Balance
Actual and Budget (Budgetary Basis) - Governmental Fund
Year Ended June 30, 2023

	Actual	Original Budget	Final Budget	Variance Favorable (Unfavorable)
Revenues				
General administration	\$ 29,726,993	\$ 30,306,881	\$ 30,306,881	\$ (579,888)
Watershed fund	9,887,910	8,033,600	8,033,600	1,854,310
Flood control	865,405	3,765,256	3,765,256	(2,899,851)
Erosion control	289,783	877,200	877,200	(587,417)
Forestry and wildlife	105,294	2,553,010	2,553,010	(2,447,716)
Water quality	284,435	813,700	813,700	(529,265)
Recreation	16,538	640,185	640,185	(623,647)
Total revenues	<u>41,176,358</u>	<u>46,989,832</u>	<u>46,989,832</u>	<u>(5,813,474)</u>
Expenditures				
Current				
General administration	12,579,706	12,905,169	12,905,169	325,463
Information and Education	169,600	226,500	226,500	56,900
Watershed fund	10,020,789	24,965,000	24,965,000	14,944,211
Flood control	9,737,263	18,565,392	18,565,392	8,828,129
Erosion control	782,559	4,864,769	4,864,769	4,082,210
Recreation	1,212,034	5,057,174	5,057,174	3,845,140
Forestry and wildlife	1,562,422	5,842,500	5,842,500	4,280,078
Water quality	697,750	1,531,250	1,531,250	833,500
Total expenditures	<u>36,762,123</u>	<u>73,957,754</u>	<u>73,957,754</u>	<u>37,195,631</u>
Excess of revenues over (under) expenditures	4,414,235	(26,967,922)	(26,967,922)	31,382,157
Other financing sources (uses)				
Proceeds from sale of capital asset	127,577	-	-	127,577
Lease proceeds	87,711	-	-	87,711
Transfers in	6,719	-	-	6,719
Total other financing sources (uses)	<u>222,007</u>	<u>-</u>	<u>-</u>	<u>222,007</u>
Net change in fund balances	4,636,242	<u>\$ (26,967,922)</u>	<u>\$ (26,967,922)</u>	<u>\$ 31,604,164</u>
Adjustments Required Under Accounting Principles Generally Accepted in the United States of America				
To adjust revenues for accruals	(144,459)			
To adjust expenditures for accruals and prepaids	<u>(1,732,925)</u>			
Excess of revenues over expenditures Modified accrual basis increase in fund balance	2,758,858			
Beginning of year	<u>61,213,192</u>			
End of year	<u>\$ 63,972,050</u>			

Papio-Missouri River Natural Resources District
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2023

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.

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OTHER SUPPLEMENTARY INFORMATION

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Papio-Missouri River Natural Resources District
Schedule of Functional Revenues and Expenditures
Governmental Fund
Year Ended June 30, 2023

Revenues	
Federal grants	\$ 546,780
Interest income	1,521,254
Local agency grants	8,212,854
Miscellaneous income	99,381
Property tax	30,342,983
Rental income	183,838
State grants	124,809
Sale of assets	127,577
Issuance of leases payable	87,711
Total revenues	<u>41,247,187</u>
Expenditures	
Board of directors	67,034
Contract work	4,677,653
Cost-sharing and conservation assistance	1,305,683
Debt principal payments	5,003,297
Employee benefits	894,535
Fees	277,875
Indirect personnel reimbursement	(363,303)
Information and education	64,741
Insurance	339,098
Interest expense	1,960,797
Machinery and equipment	510,839
Miscellaneous	129
Payroll taxes	284,009
Personnel	3,651,929
Printing and publications	36,084
Professional services	2,844,987
Project construction and land	14,781,701
Project legal costs	217,970
Project operation and maintenance	454,659
Repairs and maintenance	318,999
Special projects	265,627
Supplies and postage	303,425
Telephone, utilities, and rent	230,649
Travel	32,520
Transfer to other fund	(6,719)
Vehicle expense	334,111
Total expenditures	<u>38,488,329</u>
Revenues and other sources over Expenditures and other uses	<u>2,758,858</u>
Beginning of year	<u>61,213,192</u>
End of year	<u>\$ 63,972,050</u>

Papio-Missouri River Natural Resources District
Schedule of Revenues, Expenses, and Changes
in Fund Net Position - Actual and Budget - Proprietary Funds
Year Ended June 30, 2023

	Washington Rural County		
	Actual	Budget	
		Original	Final
Sales and cost of sales			
Sales	\$ 994,086	\$ 850,000	\$ 850,000
Customer charges and hookup fees	159,392	96,000	96,000
Miscellaneous	10,332	250	250
Gross profit	<u>1,163,810</u>	<u>946,250</u>	<u>946,250</u>
Operating expenses			
Repairs and maintenance	15,455	24,000	24,000
Supplies and postage	22,207	20,700	20,700
Professional services	47,060	25,500	25,500
Personnel	144,661	200,000	200,000
Telephone, utilities and rent	20,317	26,300	26,300
Miscellaneous	4,623	3,900	3,900
Water purchase	426,180	325,000	325,000
Contract costs	118,227	290,000	290,000
Project construction and land	-	150	150
Project operation and maintenance	14,756	15,000	15,000
Depreciation and amortization	108,481	-	-
Vehicle expense	21,772	-	-
Bond expenditures	-	134,620	134,620
Other	2,279	-	-
Total operating expenses	<u>946,018</u>	<u>1,065,170</u>	<u>1,065,170</u>
Operating income (loss)	217,792	(118,920)	(118,920)
Nonoperating revenues (expenses)			
Investment income	10,798	3,400	3,400
Assessment revenue	-	-	-
Federal grants	-	-	-
Interest expense	(43,491)	(45,540)	(45,540)
Total nonoperating revenues (expenses)	<u>(32,693)</u>	<u>(42,140)</u>	<u>(42,140)</u>
Income (loss) before transfers	185,099	(161,060)	(161,060)
Loan proceeds	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	185,099	(161,060)	(161,060)
Beginning of year	<u>5,671,202</u>		
End of year	<u>\$ 5,856,301</u>		

Dakota Rural Water			Non-Major proprietary funds		
Actual	Budget		Actual	Budget	
	Original	Final		Original	Final
\$ 393,385	\$ 360,000	\$ 360,000	\$ 163,858	\$ 150,000	\$ 150,000
27,575	19,500	19,500	14,228	16,300	16,300
119	250	250	64	100	100
<u>421,079</u>	<u>379,750</u>	<u>379,750</u>	<u>178,150</u>	<u>166,400</u>	<u>166,400</u>
15,551	1,500	1,500	8,601	5,000	5,000
12,617	12,000	12,000	5,972	4,400	4,400
25,865	7,000	7,000	9,103	3,750	3,750
174,679	210,000	210,000	39,444	51,500	51,500
3,176	5,900	5,900	10,006	9,900	9,900
349	1,000	1,000	883	1,600	1,600
101,621	95,000	95,000	53,404	50,000	50,000
19,343	3,633,558	3,633,558	3,800	53,000	53,000
1,723	1,500	1,500	-	-	-
800	15,000	15,000	11,041	2,000	2,000
38,734	-	-	67,515	-	-
15,007	30,200	30,200	15,104	-	-
-	-	-	-	9,300	9,300
704	600	600	-	300	300
<u>410,169</u>	<u>4,013,258</u>	<u>4,013,258</u>	<u>224,873</u>	<u>190,750</u>	<u>190,750</u>
10,910	(3,633,508)	(3,633,508)	(46,723)	(24,350)	(24,350)
3,386	1,200	1,200	2,079	600	600
-	-	-	81,625	80,000	80,000
-	1,762,000	1,762,000	-	-	-
<u>(200)</u>	<u>-</u>	<u>-</u>	<u>(6,666)</u>	<u>(6,663)</u>	<u>(6,663)</u>
<u>3,186</u>	<u>1,763,200</u>	<u>1,763,200</u>	<u>77,038</u>	<u>73,937</u>	<u>73,937</u>
14,096	(1,870,308)	(1,870,308)	30,315	49,587	49,587
-	1,954,000	1,954,000	-	-	-
1,500	-	-	-	-	-
-	50,000	50,000	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,719)</u>	<u>(43,000)</u>	<u>(43,000)</u>
15,596	133,692	133,692	23,596	6,587	6,587
<u>2,027,857</u>			<u>3,651,980</u>		
<u>\$ 2,043,453</u>			<u>\$ 3,675,576</u>		

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Papio-Missouri River Natural Resources District
Schedule of Revenues, Expenses, and Changes
in Fund Net Position - Actual and Budget - Proprietary Funds
Year Ended June 30, 2023

	Total		
	Actual	Budget	
	Original	Final	
Sales and cost of sales			
Sales	\$ 1,551,329	\$ 1,013,858	\$ 1,013,858
Customer charges and hookup fees	201,195	112,300	112,300
Miscellaneous	10,515	350	350
Gross profit	<u>1,763,039</u>	<u>1,126,508</u>	<u>1,126,508</u>
Operating expenses			
Repairs and maintenance	39,607	29,000	29,000
Supplies and postage	40,796	25,100	25,100
Professional services	82,028	29,250	29,250
Personnel	358,784	251,500	251,500
Telephone, utilities and rent	33,499	36,200	36,200
Miscellaneous	5,855	5,500	5,500
Water purchase	581,205	375,000	375,000
Contract costs	141,370	343,000	343,000
Project construction and land	1,723	150	150
Project operation and maintenance	26,597	17,000	17,000
Depreciation and amortization	214,730	-	-
Vehicle expense	51,883	-	-
Bond expenditures	-	143,920	143,920
Other	2,983	300	300
Total operating expenses	<u>1,581,060</u>	<u>1,255,920</u>	<u>1,255,920</u>
Operating income (loss)	181,979	(129,412)	(129,412)
Nonoperating revenues (expenses)			
Investment income	16,263	4,000	4,000
Assessment revenue	81,625	80,000	80,000
Federal grants	-	-	-
Interest expense	(50,357)	(52,203)	(52,203)
Total nonoperating revenues (expenses)	<u>47,531</u>	<u>31,797</u>	<u>31,797</u>
Income (loss) before transfers	229,510	(97,615)	(97,615)
Loan proceeds	-	-	-
Gain (loss) on disposal of capital assets	1,500	-	-
Transfers in	-	-	-
Transfers out	(6,719)	(43,000)	(43,000)
Change in net position	224,291	(140,615)	(140,615)
Beginning of year	<u>11,351,039</u>		
End of year	<u>\$ 11,575,330</u>		

Papio-Missouri River Natural Resources District
Combining Statement of Net Position - Non-Major Proprietary Funds
June 30, 2023

	<u>Elk/Pigeon Creek Drainage</u>	<u>Elkhorn River Stabilization</u>	<u>Western Sarpy Drainage</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 6,007	\$ 58,850	\$ 19,275
Certificates of deposit	-	-	-
Accounts receivable	-	-	-
Interest receivable	-	-	-
Due from other governments	-	-	-
Inventories	-	-	-
Total current assets	<u>6,007</u>	<u>58,850</u>	<u>19,275</u>
Noncurrent assets			
Restricted certificates of deposit	-	-	-
Capital assets			
Land	363,391	-	-
Infrastructure	1,379,612	983,337	-
Equipment	-	-	-
Intangibles	-	-	-
Construction in progress	-	-	-
Total capital assets	<u>1,743,003</u>	<u>983,337</u>	<u>-</u>
Less accumulated depreciation	<u>(89,636)</u>	<u>(60,639)</u>	<u>-</u>
Capital assets, net of Accumulated depreciation	<u>1,653,367</u>	<u>922,698</u>	<u>-</u>
Total noncurrent assets	<u>1,653,367</u>	<u>922,698</u>	<u>-</u>
Total assets	<u><u>1,659,374</u></u>	<u><u>\$ 981,548</u></u>	<u><u>19,275</u></u>
Liabilities			
Current liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-
Due to other funds	120,734	258	12,836
Current portion of long-term debt	-	-	-
Total current liabilities	<u>120,734</u>	<u>258</u>	<u>12,836</u>
Long-term liabilities			
Financed purchase payable	-	-	-
Bonds payable, net	-	-	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>120,734</u>	<u>258</u>	<u>12,836</u>
Net position			
Net investment in capital assets	1,653,367	922,698	-
Restricted	-	-	-
Unrestricted	<u>(114,727)</u>	<u>58,592</u>	<u>6,439</u>
Total net position	<u>1,538,640</u>	<u>981,290</u>	<u>6,439</u>
Total liabilities and net position	<u><u>\$ 1,659,374</u></u>	<u><u>\$ 981,548</u></u>	<u><u>\$ 19,275</u></u>

Elkhorn Breakout	Thurston Rural Water	Total
\$ -	\$ 196,836	\$ 280,968
-	-	-
-	7,949	7,949
-	37	37
-	-	-
-	1,429	1,429
-	206,251	290,383
-	43,549	43,549
-	1,000	364,391
-	1,458,135	3,821,084
-	-	-
-	-	-
-	1,459,135	4,185,475
-	(422,224)	(572,499)
-	1,036,911	3,612,976
-	1,080,460	3,656,525
-	1,286,711	3,946,908
\$ -	\$ 7,404	\$ 7,404
-	6,666	6,666
-	4,926	138,754
-	9,297	9,297
-	28,293	162,121
-	-	-
-	109,211	109,211
-	109,211	109,211
-	137,504	271,332
-	918,403	3,494,468
-	43,549	43,549
-	187,255	137,559
-	1,149,207	3,675,576
<u>\$ -</u>	<u>\$ 1,286,711</u>	<u>\$ 3,946,908</u>

Papio-Missouri River Natural Resources District
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position Non-Major - Proprietary Funds
Year Ended June 30, 2023

	Elk/Pigeon Creek Drainage		
	Actual	Budget	
	Original	Final	
Operating revenues			
Sales	\$ -	\$ -	\$ -
Customer charges and hookup fees	-	-	-
Miscellaneous	-	-	-
Gross profit	-	-	-
Operating expenses			
Repairs and maintenance	-	-	-
Supplies and postage	-	-	-
Professional services	-	-	-
Personnel	6,445	5,000	5,000
Telephone, utilities and rent	-	500	500
Miscellaneous	-	-	-
Water purchase	-	-	-
Contract costs	3,800	1,000	1,000
Project construction and land	-	-	-
Project operation and maintenance	-	-	-
Depreciation and amortization	32,003	-	-
Vehicle expense	-	-	-
Bond expenditures	-	-	-
Other	-	-	-
Total operating expenses	42,248	6,500	6,500
Operating income (loss)	(42,248)	(6,500)	(6,500)
Nonoperating revenues (expenses)			
Investment income	224	40	40
Assessment revenue	44,850	45,000	45,000
Federal grants	-	-	-
Interest expense	-	-	-
Total nonoperating revenues (expenses)	45,074	45,040	45,040
Income (loss) before transfers	2,826	38,540	38,540
Loan proceeds	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	-	(43,000)	(43,000)
Change in net position	2,826	(4,460)	(4,460)
Beginning of year	1,535,814		
End of year	\$ 1,538,640		

Elkhorn River Stabilization			Western Sarpy Drainage		
Budget			Budget		
Actual	Original	Final	Actual	Original	Final
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
258	5,000	5,000	9,100	7,500	7,500
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,666	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,924	5,000	5,000	9,100	7,500	7,500
(19,924)	(5,000)	(5,000)	(9,100)	(7,500)	(7,500)
309	30	30	71	20	20
18,572	20,000	20,000	18,203	15,000	15,000
-	-	-	-	-	-
-	-	-	-	-	-
18,881	20,030	20,030	18,274	15,020	15,020
(1,043)	15,030	15,030	9,174	7,520	7,520
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,043)	15,030	15,030	9,174	7,520	7,520
982,333			(2,735)		
<u>\$ 981,290</u>			<u>\$ 6,439</u>		

Papio-Missouri River Natural Resources District
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position Non-Major - Proprietary Funds (Continued)
Year Ended June 30, 2023

	Elkhorn Breakout		
	Actual	Budget	
		Original	Final
Operating revenues			
Sales	\$ -	\$ -	\$ -
Customer charges and hookup fees	-	-	-
Miscellaneous	-	-	-
Gross profit	-	-	-
Operating expenses			
Repairs and maintenance	-	-	-
Supplies and postage	-	-	-
Professional services	-	-	-
Personnel	-	-	-
Telephone, utilities and rent	-	-	-
Miscellaneous	95	-	-
Water purchase	-	-	-
Contract costs	-	-	-
Project construction and land	-	-	-
Project operation and maintenance	-	-	-
Depreciation and amortization	-	-	-
Vehicle expense	-	-	-
Bond expenditures	-	-	-
Other	-	-	-
Total operating expenses	95	-	-
Operating income (loss)	(95)	-	-
Nonoperating revenues (expenses)			
Investment income	43	10	10
Assessment revenue	-	-	-
Federal grants	-	-	-
Interest expense	-	-	-
Total nonoperating revenues (expenses)	43	10	10
Income (loss) before transfers	(52)	10	10
Loan proceeds	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(6,719)	-	-
Change in net position	(6,771)	10	10
Beginning of year	6,771		
End of year	\$ -		

Thurston Rural Water			Total		
Actual	Budget		Actual	Budget	
	Original	Final		Original	Final
\$ 163,858	\$ 150,000	\$ 150,000	\$ 163,858	\$ 150,000	\$ 150,000
14,228	16,300	16,300	14,228	16,300	16,300
64	100	100	64	100	100
<u>178,150</u>	<u>166,400</u>	<u>166,400</u>	<u>178,150</u>	<u>166,400</u>	<u>166,400</u>
8,601	5,000	5,000	8,601	5,000	5,000
5,972	4,400	4,400	5,972	4,400	4,400
9,103	3,750	3,750	9,103	3,750	3,750
23,641	34,000	34,000	39,444	51,500	51,500
10,006	9,400	9,400	10,006	9,900	9,900
788	1,600	1,600	883	1,600	1,600
53,404	50,000	50,000	53,404	50,000	50,000
-	52,000	52,000	3,800	53,000	53,000
-	-	-	-	-	-
11,041	2,000	2,000	11,041	2,000	2,000
15,846	-	-	67,515	-	-
15,104	-	-	15,104	-	-
-	9,300	9,300	-	9,300	9,300
-	300	300	-	300	300
<u>153,506</u>	<u>171,750</u>	<u>171,750</u>	<u>224,873</u>	<u>190,750</u>	<u>190,750</u>
24,644	(5,350)	(5,350)	(46,723)	(24,350)	(24,350)
1,432	500	500	2,079	600	600
-	-	-	81,625	80,000	80,000
-	-	-	-	-	-
<u>(6,666)</u>	<u>(6,663)</u>	<u>(6,663)</u>	<u>(6,666)</u>	<u>(6,663)</u>	<u>(6,663)</u>
<u>(5,234)</u>	<u>(6,163)</u>	<u>(6,163)</u>	<u>77,038</u>	<u>73,937</u>	<u>73,937</u>
19,410	(11,513)	(11,513)	30,315	49,587	49,587
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(6,719)	(43,000)	(43,000)
19,410	(11,513)	(11,513)	23,596	6,587	6,587
<u>1,129,797</u>			<u>3,651,980</u>		
<u>\$ 1,149,207</u>			<u>\$ 3,675,576</u>		

Papio-Missouri River Natural Resources District
Schedule of Certificates of Deposit
Proprietary Funds
June 30, 2023

	Cost	Interest Rate
General Fund		
Certificate of deposit		
Dakota County		
Bank First	\$ 66,000	0.79%
Washington County		
American National Bank	200,000	0.85%
United Republic Bank	108,008	0.40%
United Republic Bank	107,520	0.75%
Premier Bank	135,795	0.40%
Premier Bank	65,000	0.40%
	616,323	
Thurston County		
Premier Bank	43,549	0.40%
Total	\$ 725,872	

Papio-Missouri River Natural Resources District
Schedule of Insurance Policies and Bonds
June 30, 2023

Real and Personal Property

Real & Personal property; total limit \$19,666,197; deductible/\$5,000; Equipment Floater/\$250,000 on Miscellaneous Equipment with \$10,000 max on any one item; Outdoor Property \$2,065,663; Scheduled Equipment \$3,357,192 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; Pollution liability/\$1,000,000; 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; Pollution liability/\$1,000,000; 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.

Cyber Liability

Cyber liability each event limit/\$1,000,000 and aggregate limit/\$1,000,000; Privacy crisis management expense limit/\$50,000; Cyber extortion expense limit/\$20,000 and aggregate limit/\$50,000.

Papio-Missouri River Natural Resources District
Schedule of Taxes Receivable
Governmental Fund
June 30, 2023

County	
Douglas	\$ 7,786,331
Sarpy	2,849,519
Washington	462,665
Dakota	246,795
Burt	87,635
Thurston	42,985
Dodge	<u>340</u>
Total	11,476,270
Net taxes collected within 60 days after year end	<u>10,633,834</u>
Unavailable revenue	<u><u>\$ 842,436</u></u>

Papio-Missouri River Natural Resources District
Schedule of Cash Held by County Treasurers
Governmental Fund
June 30, 2023

County	
Douglas	\$ 438,799
Sarpy	136,936
Washington	50,438
Dakota	8,351
Burt	2,958
Thurston	918
Dodge	<u>1,456</u>
Total	<u><u>\$ 639,856</u></u>

**Papio-Missouri River Natural Resources District
Information Required by Section 2-3223, N.R.S - 1975
For the Year Ended June 30, 2023**

Gross income from all sources	\$ 38,517,185
Amount expended for	
Maintenance	2,766,547
Improvement and other such programs	<u>22,676,194</u>
Total maintenance and improvements	25,442,741
Amount of depreciation on property during previous year	5,502,842
Number of employees as of June 30, 2023	<u>52</u>
Gross salaries	3,819,458
Less amount reimbursed by projects	<u>(358,783)</u>
Net salaries paid to employees	<u><u>\$ 3,460,675</u></u>

Papio-Missouri River Natural Resources District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal Agency/Pass Through Agency/Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
U.S. Department of Homeland Security			
Federal Emergency Management Agency Passed through the Nebraska Emergency Management Agency			
Hazard Mitigation Grant Program	DR-4420-NE-0009	97.039	\$ (7,566)
Hazard Mitigation Grant Program	DR-4420-NE-0008	97.039	104,529
Hazard Mitigation Grant Program	DR-4420-NE-0007	97.039	<u>92</u>
Total U.S. Department of Homeland Security			\$ 97,055
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities		10.760	1,564,671
Watershed Protection and Flood Prevention		10.904	8,177
Regional Conservation Partnership Program		10.932	<u>9,223</u>
Total U.S. Department of Agriculture			1,582,071
U.S. Environmental Protection Agency			
Passed through the Nebraska Department of Environment and Energy			
Nonpoint Source Implementation Grants	2020-101999823	66.460	123,261
Nonpoint Source Implementation Grants	2022-127024210	66.460	<u>31,276</u>
Total U.S. Environmental Protection Agency			<u>154,537</u>
Total Expenditures of Federal Awards			<u>\$ 1,833,663</u>

**Papio-Missouri River Natural Resources District
Notes to the Schedule of Expenditures of Federal Awards**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where in certain types of expenditures may or may not be allowable or may be limited to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed by under the Uniform Guidance.

NOTE 4 – MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE 5 – FEDERAL LOANS OUTSTANDING

The District has outstanding loans through the Nebraska Department of Health and Human Services and Department of Environment and Energy's State Revolving Fund Loan Program. Undertaken to finance necessary improvements and upgrades to the District's rural water systems. This program is partially funded though the United States Environmental Protection Agency; however, the Federal government does not impose continuing compliance requirements other than repayment of the loans. The balance of loans outstanding at June 30, 2023, consist of:

<u>Assistance Listing Number</u>	<u>Program/Cluster Name</u>	<u>Outstanding Balance at June 30, 2023</u>
66.468	Caplitalization Grants for Safe Drinking Water State Revolving Fund	\$498,673

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Basic Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

We have audited, 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, the basic 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 ending June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's basic 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 a material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 basic financial statements. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bergan KDV, LLC

Omaha, Nebraska
December 7, 2023

**Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Papio-Missouri River Natural Resources District with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

In our opinion, Papio-Missouri River Natural Resources District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Papio-Missouri River Natural Resources District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Papio-Missouri River Natural Resources District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Papio-Missouri River Natural Resources District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Papio-Missouri River Natural Resources District's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Papio-Missouri River Natural Resources District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Papio-Missouri River Natural Resources District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Papio-Missouri River Natural Resources District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Papio-Missouri River Natural Resources District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Bergan KDV, LLC

Omaha, Nebraska
December 7, 2023

**Papio-Missouri River Natural Resources District
 Schedule of Findings and Questioned Costs in
 Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statement noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs

Assistance Listing No:	10.760
Name of Federal Program or Cluster	Water and Waste Disposal for Rural Communities
Auditee qualified as low risk auditee?	No

**Papio-Missouri River Natural Resources District
Schedule of Findings and Questioned Costs in
Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Required Communication

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

We have audited the basic 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, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance).

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 19, 2023, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the District's 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 basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Papio-Missouri River Natural Resources District Required Communication

Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

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

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm firms have complied with relevant ethical requirements regarding independence.

Significant Risks Identified

We have considered the following significant risks when developing our audit approach:

- Management Override of Control – Oversight of the District results in errors or fraud that may occur through journal entries or access to underlying data.
- Improper Timing of Revenue Recognition

Qualitative Aspects of the District's Significant Accounting Policies

Significant Accounting Policies

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 basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2023. We noted no transactions entered into by the District 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.

Papio-Missouri River Natural Resources District Required Communication

Qualitative Aspects of the District's Significant Accounting Policies (Continued)

Significant Accounting Estimates

Accounting estimates are an integral part of the basic 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 basic 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 basic financial statements taken as a whole.

Financial Statement Disclosures

Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the basic 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.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures.

Identified or Suspected Fraud

We have not identified or have obtained information that indicates fraud may have occurred.

Significant Difficulties Encountered During our Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements as a whole.

We identified the following uncorrected misstatement of the basic financial statements. Management has determined their effect is immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole and each opinion unit.

- A prepaid expense and related accounts payable for insurance in the amount of \$361,468 was recorded prior to the amount being paid and the expense incurred. There is no effect on the change in fund balance or net position.

Papio-Missouri River Natural Resources District Required Communication

Uncorrected and Corrected Misstatements (Continued)

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements that we identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's basic financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. No such circumstances arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated December 7, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the District, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

**Papio-Missouri River Natural Resources District
Required Communication**

Other Information Included in Annual Reports (Continued)

We were engaged to report on schedule of expenditures of federal awards, which accompany the basic financial statements but is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting described in Note 1 of the basic financial statements, the method of preparing this schedule has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other supplementary information accompanying the basic financial statements. Such information 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 it.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Restriction on Use

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.

Bergan KDV, LLC

Omaha, Nebraska
December 7, 2023