

Agenda Item: 7.

Discussion of Draft FY 2012 Audit – Carey Fry and Gene Garrelts,  
Orizon Group – There is no memorandum for this item.

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**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**FINANCIAL STATEMENTS  
WITH  
SUPPLEMENTAL INFORMATION  
AND**

**ACCOMPANYING INDEPENDENT AUDITORS' REPORTS**

**YEAR ENDED JUNE 30, 2012**

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

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October 29, 2012

INDEPENDENT AUDITOR'S REPORT

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

**DRAFT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Papio-Missouri River Natural Resources District (the "District"), as of June 30, 2012 and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America ("GAAP").

In accordance with *Government Auditing Standards*, we have issued our report dated October 29, 2012 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary information is presented for the purpose of additional analysis and are not a required part of 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.

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ORIZON CPAs LLC

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2012**

**DRAFT**

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, 2012. 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 assets increased by \$3,843,303, which is a 2.6% increase in total net assets.
- Total governmental activities net assets are comprised of the following:
  - 1) Capital assets, net of related debt, of \$119,875,647. Property and equipment, net of accumulated depreciation, is reduced for the outstanding debt related to the purchase or construction of capital assets.
  - 2) Restricted net assets – \$5,001,370. General obligation bond proceeds from special bonding authority granted by the 2009 Nebraska Legislature are restricted to providing funding for specific flood control projects.
  - 3) Unrestricted net assets of \$17,050,394. These assets are available to maintain the District's continuing obligations. Unrestricted net assets include assets reserved for specific purposes by Board resolution but not restricted by debt covenants or laws and regulations.
- During the year, the District received \$19,391,006 of property taxes and other revenues in the general fund. This is a decrease from last year's receipts of \$22,187,172.
- The net increase in capital assets was \$14,000,079 to a total of \$142,161,241.
- Total long-term debt of the District decreased from \$19,382,565 to \$18,338,968 during the fiscal year. Long-term debt from business-type activities decreased by \$365,214 to \$3,173,376. The \$678,383 decrease in long-term debt from governmental activities occurred primarily due to the first principal payments on the 2010 general obligation bond issue and principal payments on the construction loan.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis introduces the District's basic financial statements, which include the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**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.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**YEAR ENDED JUNE 30, 2012**

**DRAFT**

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 four rural water systems and four other waterway construction and preservation projects.

**Statement of Net Assets**

The first of these government-wide statements is the Statement of Net Assets. 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 assets. Over time, increases or decreases in net assets 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 assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by property tax collections.

**Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The District is comprised of the governmental fund, eight proprietary funds, and one fiduciary fund. The governmental fund encompasses essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different, with fund statements providing a distinctive view of the District's governmental fund. These statements report short-term fiscal accountability, focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

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 supplementary information to the basic financial statements for the general fund. This schedule demonstrates compliance with the District's adopted and final revised budget.



**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**YEAR ENDED JUNE 30, 2012**

**DRAFT**

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 #1, Washington County #2, 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 fund is used to account for assets held in a trustee capacity. Fiduciary fund statements focus on net assets and the change in net assets and are accounted for on the accrual basis. The District is the administering agent of the Papillion Creek Watershed Partnership (the "Partnership"). The Partnership is comprised of local governments that have entered into an inter-local agreement to fund engineering studies addressing water quantity and quality issues in the Papillion Creek drainage area.

**Notes to the Financial Statements**

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

**Supplemental Information**

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

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**YEAR ENDED JUNE 30, 2012**

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**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 assets 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 assets.

**Summary of Net Assets**

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Current and other assets	\$ 27,952,281	\$ 35,689,433	\$ 3,206,402	\$ 3,462,471
Capital assets, net of accumulated depreciation	134,401,562	120,298,111	7,759,859	7,863,231
<b>Total assets</b>	<b>162,353,843</b>	<b>155,987,544</b>	<b>10,966,261</b>	<b>11,325,702</b>
Long-term liabilities	14,072,549	14,858,414	2,806,960	3,173,214
Other liabilities	6,353,883	3,019,796	398,101	416,514
<b>Total liabilities</b>	<b>20,426,432</b>	<b>17,878,210</b>	<b>3,205,061</b>	<b>3,589,728</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	119,875,647	105,098,111	4,586,483	4,323,641
Restricted	5,001,370	9,542,876	239,899	64,661
Unrestricted	17,050,394	23,468,347	2,934,818	3,347,672
<b>Total net assets</b>	<b>\$141,927,411</b>	<b>\$ 138,109,334</b>	<b>\$ 7,761,200</b>	<b>\$ 7,735,974</b>

The District reported positive balances in net assets for both governmental and business-type activities. Since net assets increased \$3,818,077 for governmental activities and \$25,226 for business-type activities, the District's overall financial position improved during fiscal year 2012.

The table on the next page summarizes the District's changes in net assets from revenues and expenditures. The District is heavily reliant on property taxes to support governmental operations, since taxes provide approximately 85% of the District's total governmental revenues.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**YEAR ENDED JUNE 30, 2012**

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**Summary of Changes in Net Assets**

	Governmental Activities			Business-Type Activities		
	2012	% of Total	2011	2012	% of Total	2011
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 873,997	4.4%	\$ 298,205	\$ 940,498	91.0%	\$ 833,473
Operating grants and contributions	1,275,300	6.4%	1,217,620	-	-	-
Capital grants	864,338	4.3%	3,144,452	-	-	-
<b>General revenues</b>						
Property taxes	16,898,507	84.7%	16,709,219	-	-	-
Assessment income	-	-	-	79,717	7.7%	78,782
Transfers	20,522	0.1%	60,000	(20,522)	-2.0%	(60,000)
Interest income	23,336	0.1%	25,608	33,707	3.3%	93,990
<b>Total revenues</b>	<b>19,956,000</b>	<b>100.0%</b>	<b>21,455,104</b>	<b>1,033,400</b>	<b>100.0%</b>	<b>946,245</b>
<b>Expenses</b>						
General administration	6,261,733	38.8%	6,174,473	-	-	-
Information and education	244,062	1.5%	314,226	-	-	-
Flood prevention	4,529,515	28.1%	4,196,969	-	-	-
Erosion control	3,492,165	21.6%	1,715,794	-	-	-
Water quality	594,338	3.7%	942,429	-	-	-
Recreation	921,251	5.7%	645,463	-	-	-
Forestry and wildlife	94,859	0.6%	591,520	-	-	-
Major proprietary funds	-	-	-	593,025	58.8%	537,909
Other proprietary funds	-	-	-	415,149	41.2%	684,761
<b>Total expenses</b>	<b>16,137,923</b>	<b>100.0%</b>	<b>14,580,874</b>	<b>1,008,174</b>	<b>100.0%</b>	<b>1,222,670</b>
<b>Change in net assets</b>	<b>3,818,077</b>		<b>6,874,230</b>	<b>25,226</b>		<b>(276,425)</b>
<b>Beginning net assets</b>	<b>138,109,334</b>		<b>131,235,104</b>	<b>7,735,974</b>		<b>8,012,399</b>
<b>Ending net assets</b>	<b>\$ 141,927,411</b>		<b>\$ 138,109,334</b>	<b>\$ 7,761,200</b>		<b>\$ 7,735,974</b>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**YEAR ENDED JUNE 30, 2012**

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**Governmental Fund**

The General Fund is the District's primary operating fund. It is used to account for all financial resources except those required to be reported in a separate fund. The fund balance of the General Fund decreased by \$10,705,541 to \$20,947,061 due to expenditure of bond proceeds to acquire land and begin construction of specific flood control projects.

**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 #2 and Washington County Rural Water System #1. Net assets of these funds decreased \$56,973. Net assets of the non-major proprietary funds increased by \$82,199. Total proprietary fund net assets increased by \$25,226.

**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 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.

**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, 2012, was \$119,875,647 and \$4,586,483 respectively. The net investment increased 14.1% for governmental and increased 6.1% for business-type activities. This investment in capital assets includes land, infrastructure, buildings and improvements, and machinery and equipment.

**Long-term Debt**

At the end of the fiscal year, the District had \$17,699,291 in bonds, notes, and leases outstanding. \$3,173,376 of this debt is attributable to the proprietary funds for construction of the rural water distribution systems. \$12,815,000 is attributable to general obligation bonds issued for construction of flood control projects, \$1,548,861 to construction financing for the Washington County Service Center, and \$162,054 to capital leases of equipment.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

**YEAR ENDED JUNE 30, 2012**

**DRAFT**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Factors considered in preparing the District's budget for fiscal year 2013 include the following:

- Property tax receipts of \$17.2 million are expected. This is a slight increase from the previous fiscal year due to a slight increase in property valuation with the tax levy remaining constant.
- Projects related to flood prevention, erosion control, and recreational trails are anticipated to require the heaviest expenditures during fiscal year 2013. These projects will be financed by several methods, including federal and/or state funding, cost sharing agreements with other local governments, property taxes and general obligation bond proceeds from special authority granted by the 2009 Nebraska Legislature intended to provide funding of flood control projects.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF NET ASSETS  
JUNE 30, 2012

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ASSETS

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 9,867,292	\$ 808,658	\$ 10,675,950
Cash on deposit with County Treasurers	562,197	-	562,197
Certificates of deposit	50,000	1,071,706	1,121,706
Taxes receivable	7,989,331	-	7,989,331
Service receivables	28,734	105,120	133,854
Interest receivable	40	5,904	5,944
Current portion of installment receivable	-	355,054	355,054
Prepaid expenses	279,087	-	279,087
Intergovernmental receivables	2,490,456	-	2,490,456
Intrafund balances	111,919	(111,919)	-
Inventories	-	51,059	51,059
Land held for sale	785,000	-	785,000
<b>Total current assets</b>	<b>22,164,056</b>	<b>2,285,582</b>	<b>24,449,638</b>
<b>NONCURRENT ASSETS:</b>			
Restricted cash and cash equivalents	5,001,370	197,700	5,199,070
Restricted certificates of deposit	-	42,199	42,199
Installment receivable, less current portion	-	680,921	680,921
Intergovernmental receivables	786,855	-	786,855
<b>Capital assets</b>			
Land	53,119,547	3,000	53,122,547
Construction in progress	20,330,697	-	20,330,697
Capital improvements and infrastructure	113,799,860	9,458,024	123,257,884
Buildings and improvements	6,637,949	-	6,637,949
Vehicles and equipment	3,989,912	66,401	4,056,313
Accumulated depreciation	(63,476,403)	(1,767,566)	(65,243,969)
<b>Total capital assets</b>	<b>134,401,562</b>	<b>7,759,859</b>	<b>142,161,421</b>
<b>Total noncurrent assets</b>	<b>140,189,787</b>	<b>8,680,679</b>	<b>148,870,466</b>
	<b>\$ 162,353,843</b>	<b>\$ 10,966,261</b>	<b>\$ 173,320,104</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 5,062,743	\$ 24,324	\$ 5,087,067
Accrued salaries and payroll withholdings	148,731	-	148,731
Accrued expenses	49,366	7,361	56,727
Current portion of long-term debt	931,536	366,416	1,297,952
Current portion of accrued compensated absences	161,507	-	161,507
<b>Total current liabilities</b>	<b>6,353,883</b>	<b>398,101</b>	<b>6,751,984</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt, less current portion	13,594,379	2,806,960	16,401,339
Accrued compensated absences, less current portion	478,170	-	478,170
<b>Total long-term liabilities</b>	<b>14,072,549</b>	<b>2,806,960</b>	<b>16,879,509</b>
<b>Total liabilities</b>	<b>20,426,432</b>	<b>3,205,061</b>	<b>23,631,493</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	119,875,647	4,586,483	124,462,130
Restricted	5,001,370	239,899	5,241,269
Unrestricted	17,050,394	2,934,818	19,985,212
<b>Total net assets</b>	<b>141,927,411</b>	<b>7,761,200</b>	<b>149,688,611</b>
	<b>\$ 162,353,843</b>	<b>\$ 10,966,261</b>	<b>\$ 173,320,104</b>

See Accompanying Notes to the Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

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STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues			Net Revenue (Expenses) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>GOVERNMENTAL ACTIVITIES:</b>						
General administration	\$ 6,261,733	\$ 814,320	\$ 9,826	\$ -	\$ (5,437,587)	\$ (5,437,587)
Information and education	244,062	-	-	-	(244,062)	(244,062)
Flood prevention	4,529,515	34,400	679,108	751,838	(3,064,169)	(3,064,169)
Erosion control	3,492,165	-	473,561	112,500	(2,906,104)	(2,906,104)
Water quality	594,338	570	102,541	-	(491,227)	(491,227)
Recreation	921,251	24,573	10,264	-	(886,414)	(886,414)
Forestry and wildlife	94,859	134	-	-	(94,725)	(94,725)
	<u>16,137,923</u>	<u>873,997</u>	<u>1,275,300</u>	<u>864,338</u>	<u>(13,124,288)</u>	<u>(13,124,288)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Washington County Rural Water #2	243,527	157,665	-	-	(85,862)	(85,862)
Washington County Rural Water #1	349,498	350,418	-	-	920	920
Non-major proprietary funds	415,149	432,415	-	-	17,266	17,266
	<u>1,008,174</u>	<u>940,498</u>	<u>-</u>	<u>-</u>	<u>(67,676)</u>	<u>(67,676)</u>
	<u>\$ 17,146,097</u>	<u>\$ 1,814,495</u>	<u>\$ 1,275,300</u>	<u>\$ 864,338</u>	<u>(13,124,288)</u>	<u>(13,191,964)</u>
<b>GENERAL REVENUES:</b>						
Property taxes					16,898,507	16,898,507
Assessment income					-	79,717
Interest income					23,336	33,707
Transfers					20,522	(20,522)
					<u>16,942,365</u>	<u>17,035,267</u>
<b>CHANGE IN NET ASSETS</b>					<u>3,818,077</u>	<u>3,843,303</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>					<u>138,109,334</u>	<u>145,845,308</u>
<b>NET ASSETS - END OF YEAR</b>					<u>\$ 141,927,411</u>	<u>\$ 149,688,611</u>

See Accompanying Notes to Basic Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2012**

**DRAFT**

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 9,867,292
Cash on deposit with County Treasurers	562,197
Certificates of deposit	50,000
Receivables:	
Taxes	7,989,331
Services	28,734
Interest	42
Prepaid expenses	279,085
Due from:	
Funding agencies - federal programs	1,060,955
Other governmental entities	2,216,356
Other funds	111,919
Restricted cash and cash equivalents	5,001,370
Land held for sale	<u>785,000</u>
	<u><u>\$ 27,952,281</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES:</b>	
Accounts payable	\$ 5,062,743
Accrued salaries and payroll withholdings	148,731
Accrued expenses	210,873
Deferred revenue	1,582,873
Total liabilities	<u>7,005,220</u>
 <b>FUND BALANCE:</b>	
Nonspendable	279,085
Restricted	6,062,325
Committed	398,344
Assigned	50,000
Unassigned	14,157,307
Total fund balance	<u>20,947,061</u>
	<u><u>\$ 27,952,281</u></u>

See Accompanying Notes to Basic Financial Statements.



PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUND  
JUNE 30, 2012

**DRAFT**

Total Fund Balance - Governmental Fund \$ 20,947,061

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

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

Land and infrastructure	\$ 53,119,547	
Construction in progress	20,330,697	
Capital improvements	113,799,860	
Buildings and improvements	6,637,949	
Vehicles and equipment	3,989,912	
Accumulated depreciation	<u>(63,476,403)</u>	134,401,562

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

Compensated absences	(478,170)
Bonds and notes payable	(14,525,915)

Property tax revenues, not collected within 60 days of the fiscal year end, are not  
financial resources and, therefore, are not reported in the governmental funds.

1,582,873

Total Net Assets of Governmental Activities

\$ 141,927,411

See Accompanying Notes to Basic Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

**DRAFT**

REVENUES:

General administration	\$ 17,769,677
Flood prevention	1,465,643
Erosion control	586,061
Forestry and wildlife	145
Water quality	103,111
Recreation	34,837
Total revenues	<u>19,959,474</u>

EXPENDITURES:

Flood prevention	5,681,766
General administration	8,024,551
Erosion control	11,929,945
Recreation	3,399,277
Forestry and wildlife	811,598
Water quality	594,338
Information and education	244,062
Total expenditures	<u>30,685,537</u>

OTHER SOURCES

Transfers	<u>20,522</u>
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EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES (10,705,541)

FUND BALANCE - BEGINNING OF YEAR 31,652,602

FUND BALANCE - END OF YEAR \$ 20,947,061

See Accompanying Notes to Basic Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

**DRAFT**

Net Change in Fund Balance - Total Government Fund \$ (10,705,541)

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

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

Capital outlays and capital asset expenditures:		
Land, improvements and construction in progress additions	\$ 15,659,927	
Vehicles, machinery, equipment, and furniture	<u>740,843</u>	
		16,400,770
Depreciation expense		(2,262,048)
Net book value of disposals		<u>(35,271)</u>

Principal payments on bonds use current financial resources of governmental funds. However, these payments reduce long-term liabilities in the statement of net assets.

Principal payments on bonds and leases		908,747
Proceed from issuance of capital leases		<u>(234,662)</u>

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

Decrease in long-term compensated absences		18,832
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Full accrual accounting records tax revenues when earned. Modified accrual records tax revenues that are measurable and available.

Difference in property tax revenue accrual		<u>(272,750)</u>
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Change in Net Assets of Governmental Activities \$ 3,818,077

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2012

**DRAFT**

ASSETS	Total (Memorandum Only)	Washington County Rural Water #2	Washington County Rural Water #1	Non-major Proprietary Funds
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 808,658	\$ 89,098	\$ 191,793	\$ 527,767
Certificates of deposit	1,071,706	198,395	500,000	373,311
Service receivables	105,120	19,808	38,506	46,806
Interest receivable	5,904	3,683	820	1,421
Due from other funds	1,093	-	-	1,093
Current portion of installment receivable	355,054	355,054	-	-
Inventories	51,059	10,795	12,421	27,843
Total current assets	<u>2,398,594</u>	<u>676,813</u>	<u>743,540</u>	<u>978,241</u>
<b>NON-CURRENT ASSETS:</b>				
Reserved cash and cash equivalents	197,700	197,700	-	-
Restricted certificates of deposit	42,199	-	-	42,199
Installment receivable, less current portion	680,921	680,921	-	-
Capital assets				
Land	3,000	-	1,000	2,000
Capital improvements and infrastructure	9,458,024	4,973,807	1,864,000	2,620,217
Vehicles and equipment	66,401	-	35,675	30,726
Accumulated depreciation	(1,767,566)	(316,383)	(614,624)	(836,559)
Total capital assets	<u>7,759,859</u>	<u>4,657,424</u>	<u>1,286,051</u>	<u>1,816,384</u>
Total non-current assets	<u>8,680,679</u>	<u>5,536,045</u>	<u>1,286,051</u>	<u>1,858,583</u>
	<u>\$ 11,079,273</u>	<u>\$ 6,212,858</u>	<u>\$ 2,029,591</u>	<u>\$ 2,836,824</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 24,324	\$ 1,654	\$ 7,218	\$ 15,452
Accrued expenses	7,361	3,477	1,295	2,589
Due to other funds	113,012	22,952	32,051	58,009
Current portion of long-term debt	366,416	345,000	-	21,416
Total current liabilities	<u>511,113</u>	<u>373,083</u>	<u>40,564</u>	<u>97,466</u>
<b>LONG-TERM LIABILITIES</b>				
Long-term debt, less current portion	<u>2,808,960</u>	<u>2,435,000</u>	<u>-</u>	<u>371,960</u>
Total liabilities	<u>3,318,073</u>	<u>2,808,083</u>	<u>40,564</u>	<u>469,426</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	4,586,483	1,877,424	1,286,051	1,423,008
Restricted	239,899	197,700	-	42,199
Unrestricted	2,934,818	1,329,651	702,976	902,191
Total net assets	<u>7,761,200</u>	<u>3,404,775</u>	<u>1,989,027</u>	<u>2,367,398</u>
	<u>\$ 11,079,273</u>	<u>\$ 6,212,858</u>	<u>\$ 2,029,591</u>	<u>\$ 2,836,824</u>

See Accompanying Notes to Basic Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**DRAFT**

	Total (Memorandum Only)	Washington County Rural Water #2	Washington County Rural Water #1	Non-Major Proprietary Funds
<b>OPERATING REVENUES:</b>				
Water sales	\$ 850,238	\$ 141,098	\$ 301,968	\$ 407,172
Customer charges and hookup fees	70,373	15,582	35,242	19,549
Miscellaneous	19,887	985	13,208	5,694
Total operating revenues	<u>940,498</u>	<u>157,665</u>	<u>350,418</u>	<u>432,415</u>
<b>OPERATING EXPENSES:</b>				
Repairs and maintenance	26,236	10,607	12,741	2,888
Supplies and postage	11,025	218	2,640	8,167
Professional services	12,814	5,442	2,819	4,553
Personnel	312,920	26,416	110,601	175,903
Telephone, utilities, and rent	20,754	-	11,123	9,631
Miscellaneous	4,652	1,667	1,314	1,671
Water purchase	226,953	22,644	106,624	97,685
Contract costs	144,626	18,795	72,938	52,893
Project construction and land	725	-	-	725
Project operation and maintenance	-	-	-	-
Depreciation and amortization	109,702	50,474	27,843	31,385
Vehicle expense	6,959	-	-	6,959
Bond expenditures	-	-	-	-
Indirect cost	1,493	-	855	638
Total operating expenses	<u>878,859</u>	<u>136,263</u>	<u>349,498</u>	<u>393,098</u>
OPERATING INCOME	61,639	21,402	920	39,317
<b>NON-OPERATING INCOME (EXPENSE):</b>				
Assessment revenue	79,717	-	-	79,717
Interest income	33,707	24,823	3,146	5,738
Interest expense	(129,315)	(107,264)	-	(22,051)
Transfer to other funds	(20,522)	-	-	(20,522)
Total non-operating income (expense)	<u>(36,413)</u>	<u>(82,441)</u>	<u>3,146</u>	<u>42,882</u>
CHANGE IN NET ASSETS	25,226	(61,039)	4,066	82,199
NET ASSETS - BEGINNING OF YEAR	<u>7,735,974</u>	<u>3,465,814</u>	<u>1,984,961</u>	<u>2,285,199</u>
NET ASSETS - END OF YEAR	<u>\$ 7,761,200</u>	<u>\$ 3,404,775</u>	<u>\$ 1,989,027</u>	<u>\$ 2,367,398</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

**DRAFT**

	Total (Memorandum Only)	Washington Rural Water #2	Washington Rural Water #1	Non-Major Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 916,149	\$ 149,796	\$ 345,314	\$ 421,039
Cash paid to employees	(312,922)	(26,418)	(110,601)	(175,903)
Cash paid to suppliers	(462,485)	(52,704)	(226,954)	(182,827)
Net cash provided by operating activities	<u>140,742</u>	<u>70,674</u>	<u>7,759</u>	<u>62,309</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investments (purchased) proceeds	(202,293)	(198,395)	(124,922)	121,024
Payments from installment receivable	322,175	322,175	-	-
Interest received	35,231	27,078	3,082	5,071
Net cash provided (used) by investing activities	<u>155,113</u>	<u>150,858</u>	<u>(121,840)</u>	<u>126,095</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfer to other funds	<u>(20,522)</u>	<u>-</u>	<u>-</u>	<u>(20,522)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Payments on long-term debt	(365,214)	(345,000)	-	(20,214)
Purchases of capital assets	(6,330)	-	(6,330)	-
Interest paid	(129,315)	(107,264)	-	(22,051)
Assessments received	79,717	-	-	79,717
Net cash provided (used) by capital and related financing activities	<u>(421,142)</u>	<u>(452,264)</u>	<u>(6,330)</u>	<u>37,452</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(145,809)</u>	<u>(230,732)</u>	<u>(120,411)</u>	<u>205,334</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,152,167</u>	<u>517,530</u>	<u>312,204</u>	<u>322,433</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,006,358</u>	<u>\$ 286,798</u>	<u>\$ 191,793</u>	<u>\$ 527,767</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS</b>				
Operating income	\$ 61,639	\$ 21,402	\$ 920	\$ 39,317
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	109,702	50,474	27,843	31,385
Changes in assets and liabilities				
(Increase) decrease in receivables	(24,349)	(7,869)	(5,104)	(11,376)
(Increase) decrease in due from other funds	1,332	-	2,425	(1,093)
(Increase) decrease in inventories	2,733	4,245	-	(1,512)
Increase (decrease) in accounts payable	(19,551)	30	(18,190)	(1,391)
Increase (decrease) in accrued expenses	98	(436)	271	263
Increase (decrease) in due to other funds	9,138	2,828	(406)	6,716
Net cash provided by operating activities	<u>\$ 140,742</u>	<u>\$ 70,674</u>	<u>\$ 7,759</u>	<u>\$ 62,309</u>

See Accompanying Notes to Basic Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**STATEMENT OF NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012**

**DRAFT**

**ASSETS**

Cash and cash equivalents	<u>\$ 354,654</u>
	<u>\$ 354,654</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>	
Accounts payable	\$ 18,000
Deferred revenue	187,500
Total liabilities	<u>205,500</u>
<b>NET ASSETS</b>	
Held in trust for other organizations	<u>149,154</u>
	<u>\$ 354,654</u>

See Accompanying Notes to Basic Financial Statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**STATEMENT OF CHANGE IN NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

**DRAFT**

<b>ADDITIONS</b>	
Partnership dues	\$ 369,000
Interest	634
Total additions	<u>369,634</u>
<b>DEDUCTIONS</b>	
Reimbursement to Omaha	310,397
Administration fees	15,279
Miscellaneous expenses	138
Total deductions	<u>325,814</u>
<b>CHANGE IN NET ASSETS</b>	43,820
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>105,334</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 149,154</u>

See Accompanying Notes to the Basic Financial Statements.



# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**DRAFT**

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Introduction

This summary of significant accounting policies of Papio-Missouri River Natural Resources District (the "District") is presented to assist in understanding the District's government-wide and fund financial statements. These financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

#### Organization and Principal Activity

The District is one of 23 natural resource districts organized under the laws of the State of Nebraska to aid in the conservation, protection, development, and management of the natural resources of the State. Furthermore, the District participates in jointly funded governmental improvement projects. These projects are cost-sharing arrangements, as the District does not necessarily retain an ongoing financial interest in or responsibility for the projects.

#### Reporting Entity

The District follows the standards promulgated by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, that define the financial reporting entity as the one consisting of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements include the transactions of the District's primary government and one fiduciary fund. The primary government has a separately elected governing body, is legally separate, and is fiscally independent of other governments. The District has no component units and is not a component unit of any other governmental entity.

#### Financial Statement Presentation

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP") applicable to governmental organizations in the United States. Such principles are prescribed by Government Accounting Standards Board ("GASB"), which is the standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. In accordance with these principles, the financial statements include government-wide financial statements and fund financial statements.

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

**DRAFT**

#### Government-wide Financial Statements

The government-wide financial statements (the statement of net assets and statement of activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which are normally supported by taxes and grants from other governments, are reported separately from business-type activities, which rely to a significant extent on fees and charges to support its operations.

In the government-wide statement of net assets, 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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in four categories:

Investment in capital assets, net of related debt 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.

Restricted net assets – expendable include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purposes of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets consist of net assets that do not meet the definition of the three preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. These revenues are subject to externally imposed restrictions to these program uses. Program revenues include charges for services, which report fees and other charges to users of the District's services, operating grants and contributions which finance annual operating activities including restricted investment income, and capital grants and contributions, which fund the acquisition, construction or rehabilitation of capital assets. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

**DRAFT**

#### 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 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 Assets.

The District reports the Washington County Rural Water System #2 and the Washington County Rural Water System #1 as major proprietary funds presented individually in the financial statements. These funds account for fees charged for rural water services provided to residents in the respective counties. The remaining non-major funds are presented in accordance with the criteria set forth by GASB.

#### Fiduciary Fund

The fiduciary fund is used to account for assets held in a trustee capacity. The District is the administering agent of the Papillion Creek Watershed Partnership (the "Partnership"). The Partnership is comprised of local governments that are wholly or partially in the Papillion Creek Watershed that have combined resources to fund engineering studies.

Governmental fund equity is reported as fund balance. For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- a. Nonspendable - This fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**DRAFT**

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

- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Board of Directors to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.
- c. Committed - This fund balance classification includes amounts that can only be used for the specific purposes imposed by formal action (resolution) of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Directors, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by the Board of Directors or the General Manager delegated that authority by the Board of Directors.
- e. Unassigned - This fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The District complies with the accounting principles generally accepted in the United States of America. The District applies all relevant GASB Pronouncements. Proprietary funds apply Financial Accounting Standards Board (“FASB”) Pronouncements and Accounting Principles Board (“APB”) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements, in which case GASB prevails.

#### Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from property taxes are recognized in the period levied, regardless of when the cash is collected. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DRAFT

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

#### Measuring Focus/Basis of Accounting, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures, such as principal and interest on general long-term debt, and claims and judgments, are recognized under the modified accrual basis of accounting when the related liability is due.

The proprietary and fiduciary fund financial statements are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

#### Cash and Cash Equivalents

For financial reporting purposes, the District classifies all highly-liquid investments with original maturities of three months or less as cash equivalents.

#### Investments

Investments are recorded at fair value which approximates cost. The District's investment policy allows investment in U.S. government obligations and short-term interest bearing investments consisting of certificates of deposit and other income producing securities. It is also the District's policy to report interest earned but not received in a separate account from the principal.

#### Taxes Receivable

Delinquent taxes are considered fully-collectible so no allowance for uncollectible taxes is considered necessary. Tax amounts not received within sixty days are considered deferred revenue in the governmental fund financial statements.

#### Inventories

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

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

DRAFT

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

#### Capital Assets

Capital assets are recorded at cost. Expenditures for major additions and improvements over \$5,000 are capitalized and minor replacements, maintenance, and repairs are charged to expense accounts as incurred. Interest costs incurred on funds used to construct property, plant, and equipment are capitalized and recorded as part of the asset to which it relates and are amortized over the asset's useful life.

When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation of the individual asset are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant capital asset categories are as follows:

	<u>Years</u>
Capital improvements and infrastructure	7-100
Buildings and improvements	20-30
Vehicles and equipment	3-10
Water distribution systems	25-50

In the governmental fund financial statements, structural improvements (reservoirs, drainage systems, or any other projects) constructed by the District for any of its purposes are recorded as expenditures at the time of construction. In addition, major acquisitions of land that may have a future saleable value associated with project costs are reported as capital improvements and are recorded as a current period governmental fund expenditure.

In the government-wide financial statements, structural improvements, land acquisitions, equipment purchases, public domain costs, infrastructure costs (such as dams, levees, reservoirs and drainage systems), and similar assets are included as capital assets. The District records proposed infrastructure at the historical cost of the land until the actual infrastructure construction costs are incurred and capitalized.

#### Compensated Absences

The District's employees are granted annual leave and sick pay in varying amounts based on length of service and actual hours worked. Annual leave and unused sick pay may be carried over at year-end up to 53 days and 180 days, respectively. After one year of service, employees are entitled to all accrued vacation leave and 25% of accrued sick leave, upon termination.

#### Property Taxes

Property taxes are levied by the counties on December 31 and are delinquent if not paid by March or April 1 and August or September 1 following the levy date. The seven counties located within the District collect the taxes levied by the District. The portion of the property taxes levied by the District is remitted from the counties as the taxes are collected, less a one percent commission. For fiscal year 2012, the taxes levied totaled \$17,011,250 at a tax levy rate of \$0.032753 per \$100 of valuation.

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**DRAFT**

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

#### Property Taxes, Continued

The placement of a lien against property with delinquent taxes in the various counties is at the discretion of the respective county attorneys. However, the vast majority of delinquent property taxes are purchased through transactions called tax certificate sales. In the event the property owner does not pay the property taxes to the County Treasurer within three years, the holder of the tax certificate has the right to take ownership of the property.

#### Use of Estimates

Preparing the District's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Allocation of Indirect Expenses/Interfund Activity

The District is responsible for paying all employee wages and vehicle and fuel expenses of the rural water district proprietary funds. The portion of these expenses directly attributable to the proprietary funds, plus a 15% 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, 2012, was \$336,042. These reimbursements are included as an offset in the general administration expenses in the Statement of Activities.

#### Cost Sharing Reimbursements

The District participates in multiple cost sharing agreements with various other governmental entities, such as the City of Omaha or other area natural resource districts, on a regular basis. These agreements provide funding for recreational trails, water drainage systems, and other improvements that benefit the general public. The District's share of the cost is stated in each of the cost sharing agreements, most often as a maximum amount to be paid. The District normally does not retain an interest in the projects, with the city or other governmental entities providing the routine maintenance as necessary.

#### Economic Dependency

The District receives the majority of its revenues from property tax rates subject to legislative change and from various grants funded by federal, state, and local governments.

# PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**DRAFT**

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

#### Other Assets

In the prior year, the District agreed to accept the deed to nine residential lots subject to special assessments payable in exchange for a \$580,000 note plus accrued interest of \$39,168 from a developer that was in default. On November 30, 2010, the District received a professional appraiser's report stating that the aggregate retail value of the nine lots, if sold separately, was \$785,000. The lots had accrued special assessments and accrued interest of \$258,977, which were paid in September 2011. The lots are reported in the financial statements at fair value as land held for sale. Management believes the value of these lots has not changed from the appraisal date and is in the process of listing and selling the lots.

### 2. COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

An annual budget is adopted each fiscal year for the General and Proprietary Funds on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("GAAP") as required by statute. The District follows these procedures in establishing the budgetary data reflected in the required supplementary information in accordance with the statutory requirements of the Nebraska Budget Act:

On or before August 1, District management prepares and transmits a budget for each District fund showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property tax and amount to be raised by property taxation. At least one public hearing must be held by the District's Board of Directors.

On or before September 20, the budget is adopted by the Board of Directors and the amounts provided therein are appropriated. Once approved by the Board of Directors, the legally adopted budget can be modified only with the approval of the Board. No supplemental appropriations or modifications were made from the original budget.

All appropriations lapse at the end of the budget year.

The District Board is authorized to transfer budgeted amounts between departments within any fund through resolution. The Board may allow certain accounts to 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.



**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**DRAFT**

**3. DEPOSITS AND INVESTMENTS**

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

Deposits and investments consisted of the following at June 30, 2012:

	<u>Total</u>	<u>General Fund</u>	<u>Proprietary Funds</u>
<b>UNRESTRICTED AND UNRESERVED:</b>			
Checking accounts and petty cash	\$ 10,277,606	\$ 9,468,948	\$ 808,658
Cash on hand at County Treasurers	562,197	562,197	-
Certificates of deposit	<u>1,071,706</u>	<u>-</u>	<u>1,071,706</u>
Total unrestricted and unreserved cash, cash equivalents and certificates of deposit	<u>11,911,509</u>	<u>10,031,145</u>	<u>1,880,364</u>
<b>UNRESTRICTED BUT RESERVED:</b>			
Checking accounts	398,344	398,344	-
Certificates of deposit	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total unrestricted but reserved cash, cash equivalents and certificates of deposit	<u>448,344</u>	<u>448,344</u>	<u>-</u>
<b>RESTRICTED:</b>			
Money markets and checking accounts	197,700	-	197,700
Money market fund	5,001,370	5,001,370	-
Certificates of deposit	<u>42,199</u>	<u>-</u>	<u>42,199</u>
Total restricted cash, cash equivalents and certificates of deposit	<u>5,241,269</u>	<u>5,001,370</u>	<u>239,899</u>
<b>Total deposits and investments</b>	<u>\$ 17,601,122</u>	<u>\$ 15,480,859</u>	<u>\$ 2,120,263</u>

The carrying amount of the District's deposits, including fiduciary funds, was \$12,392,209 and the bank balances were \$12,426,043 at June 30, 2012. Certificates of deposit have been included in the bank and book balances for cash. At June 30, 2012, the entire balance was covered by federal depository insurance coverage, the full faith and credit of the United States government or collateral held by the District's agent in the District's name.

Investments are stated at fair value, which at June 30, 2012 approximates cost. For fiscal year 2012, the District invested only in U.S. Treasury bills, other federal obligations, or certificates of deposits within federally insured banks and money market funds investing in these securities. As of June 30, 2012, the District had \$5,001,370 invested in a government money market fund. Due to the liquidity and nature of this fund, it is considered a cash equivalent for financial reporting purposes. The District records all interest revenue related to investment activities in the respective funds.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**DRAFT**

**3. DEPOSITS AND INVESTMENTS, CONTINUED**

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

- Custodial Credit Risk – for deposits and investments, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the District will not be able to recover the value of its deposits or investments or collateral securities in the possession of a third-party.
- Credit Risk – for deposits and investments, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits and investments, interest rate risk is the risk that the value of deposits and investments will decrease as a result of a rise in interest rates.

**4. RESERVED/RESTRICTED FUNDS**

The Board of Directors, by resolution, has established a sinking fund and reserved/restricted cash accounts for various purposes. All of the accounts are fully funded at their required levels at June 30, 2012. The following is a summary of the reservations placed on cash and investments for the year ended June 30, 2012:

General Sinking Funds:

Unrestricted, but Reserved Certificate of Deposit \$ 50,000

Unrestricted, but Reserved Cash Accounts:

Reserved for Wetland Mitigation and the development of future wetlands. 5,428

The Board of Directors, by resolution has reserved funds to be spent on costs incurred for Watershed Projects (WPRB-5, DS-15A, and Zorinsky Basin 1). 249,970

The Board of Directors, by resolution and in accordance with the Interlocal Cooperation Act Agreement, has reserved funds to reimburse parties to this agreement that incurred costs as a result of the removal of ice jams. 142,946

Restricted Cash Accounts:

The Board of Directors, by resolution, has established a bond escrow which shall be restricted for use on the specific projects including Pigeon Jones, Western Sarpy Clear Creek, Waterloo Levee, WPRB-5, Dam Site 15-A, and Zorinsky Basin 1. 5,001,370

Total general fund reserves \$ 5,449,714

Proprietary Sinking Funds:

In compliance with loan covenants for the notes described in Note 9, the Proprietary Funds have restricted \$239,899. Thurston County has restricted a certificate of deposit in the amount of \$42,199 and Washington County Rural Water #2 has restricted cash in the amount of \$197,700.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**DRAFT**

**5. 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, 2012, 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	\$ 13,384
General Fund	Washington Co. Rural Water #1	32,051
General Fund	Dakota County Rural Water	36,936
General Fund	Washington Co. Rural Water #2	22,952
General Fund	Other Proprietary Funds	<u>6,596</u>
		<u>\$ 111,919</u>

**6. 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, 2012, \$2,216,356 was due from other governmental agencies.

The District has entered into several construction agreements that involve reimbursement from the federal government for a portion of the District's expenses associated with those construction projects. At June 30, 2012, the District had receivables due from the federal government in the amount of \$1,060,955.

**7. INSTALLMENT RECEIVABLES**

**Proprietary Funds Receivable:**

Installment receivables due under interlocal agreements bear interest at rates ranging from 2.85% to 3.5%. Installment receivables were reduced for unearned finance charges of \$51,811 at June 30, 2012. Unearned finance charges are amortized to interest income using a method that approximates the interest method. Included in the amount on the balance sheet is \$15,996 of interest due in the current year, but received after year-end.

A summary of installment receivables at June 30, 2012 are as follows:

2013	\$ 361,424
2014	357,632
2015	<u>352,734</u>
Gross installment receivables	1,071,790
Less: unearned finance charges	<u>(51,811)</u>
Installment receivables, net	<u>\$ 1,019,979</u>
Current balance	\$ 339,058
Long-term balance	<u>680,921</u>
	<u>\$ 1,019,979</u>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**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 Assets. These amounts are not reported in the governmental fund financial statements.

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Not depreciated				
Land	\$ 45,370,814	\$ 7,748,733	\$ -	\$ 53,119,547
Construction in progress	<u>18,592,133</u>	<u>6,966,420</u>	<u>(5,227,856)</u>	<u>20,330,697</u>
	<u>63,962,947</u>	<u>14,715,153</u>	<u>(5,227,856)</u>	<u>73,450,244</u>
Depreciated				
Capital improvements and infrastructure	109,792,431	4,007,429	-	113,799,860
Buildings and improvements	4,472,748	2,165,201	-	6,637,949
Vehicles and equipment	<u>3,557,441</u>	<u>740,843</u>	<u>(308,372)</u>	<u>3,989,912</u>
	117,822,620	6,913,473	(308,372)	124,427,721
Less accumulated depreciation	<u>(61,487,456)</u>	<u>(2,262,048)</u>	<u>273,101</u>	<u>(63,476,403)</u>
	<u>56,335,164</u>	<u>4,651,425</u>	<u>(35,271)</u>	<u>60,951,318</u>
	<u>\$ 120,298,111</u>	<u>\$ 19,366,578</u>	<u>\$ (5,263,127)</u>	<u>\$ 134,401,562</u>

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

General administration	\$ 338,457
Recreation	279,909
Flood control	<u>1,643,682</u>
Total depreciation expense	<u>\$ 2,262,048</u>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**DRAFT**

**8. CAPITAL ASSETS, CONTINUED**

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

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Not depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Depreciated				
Capital improvements and infrastructure	9,458,024	-	-	9,458,024
Vehicles and equipment	<u>60,071</u>	<u>6,330</u>	-	<u>66,401</u>
	9,518,095	6,330	-	9,524,425
Less accumulated depreciation	<u>(1,657,864)</u>	<u>(109,702)</u>	-	<u>(1,767,566)</u>
	<u>7,860,231</u>	<u>(103,372)</u>	-	<u>7,756,859</u>
	<u>\$ 7,863,231</u>	<u>\$ (103,372)</u>	<u>\$ -</u>	<u>\$ 7,759,859</u>

**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, 2012. In the government-wide financial statements, this amount is included in the Statement of Net Assets. This amount is not reported in the governmental fund statements.

<u>Fund</u>	<u>Series</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Payment Ranges</u>	<u>Interest Rates</u>	<u>Principal Balance</u>
General	2011	December 2030	Semi-Annual	\$ 485,000 to \$ 905,000	1.146% to 6.032%	\$12,815,000
General		March 2016	Semi-Annual	\$352,000 to \$408,000	3.69%	1,548,861
General		December 2013	Monthly		5.80% to 5.96%	36,775
General		August 2016	Annually		3.20%	<u>125,279</u>
						<u>\$14,525,915</u>

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

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

**General Fund Long-term Debt, Continued:**

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Flood Protection and Water Quality Enhancement Bonds	\$13,300,000	\$ -	\$ (485,000)	\$ 12,815,000	\$ 510,000
Note Payable American National Bank	1,900,000	-	(351,139)	1,548,861	365,694
Capital Lease Dell Financial		75,518	(38,743)	36,775	25,986
CAT Financial		<u>159,144</u>	<u>(33,865)</u>	<u>125,279</u>	<u>29,856</u>
<b>Total</b>	<b><u>\$15,200,000</u></b>	<b><u>\$ 234,662</u></b>	<b><u>\$ (908,747)</u></b>	<b><u>\$ 14,525,915</u></b>	<b><u>\$ 931,536</u></b>

**Proprietary Funds Long-term Debt:**

<u>Fund</u>	<u>Series</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Payment Ranges</u>	<u>Interest Rates</u>	<u>Principal Balance</u>
Washington Rural Water #2	2011A	June 2032	Annual	\$45,000 to \$295,000	1.00%- 5.00%	\$ 2,130,000
Washington Rural Water #2	2011B	June 2014	Annual	\$50,000 to \$600,000	5.25%	650,000
Thurston Rural Water	1982	December 2022	Annual	Based on water fees	5.00%	200,117
Thurston Rural Water	1993	February 2033	Annual	Based on water fees	5.63%	<u>193,259</u>
<b>Total long-term debt</b>						<b>3,173,376</b>
<b>Less portion due within one year</b>						<b><u>366,416</u></b>
<b>Long-term portion</b>						<b><u>\$ 2,806,960</u></b>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**DRAFT**

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

**Proprietary Funds Long-term Debt, Continued:**

Business-type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Bonds Payable:</b>					
Water Project Refunding Revenue Bonds-2011A	\$ 2,425,000	\$ -	\$ 295,000	\$ 2,130,000	\$ 295,000
Water Project Refunding Revenue Bonds-2011B	700,000	-	50,000	650,000	50,000
<b>Notes Payable</b>					
Capmark Finance	215,510	-	15,393	200,117	16,595
Rural Economic and Community Development	<u>198,080</u>	<u>-</u>	<u>4,821</u>	<u>193,259</u>	<u>4,821</u>
<b>Business-type Activities Long-term Liabilities</b>	<b><u>\$ 3,538,590</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 365,214</u></b>	<b><u>\$ 3,173,376</u></b>	<b><u>\$ 366,416</u></b>

The annual principal and interest requirements to maturity for long-term debt as of June 30, 2012 are as follows:

Year(s) ending June 30,	General Fund		Proprietary Funds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 931,536	\$ 675,289	\$ 366,416	\$ 122,158	\$ 1,297,952	\$ 797,447
2014	952,467	654,434	917,233	114,905	1,869,700	769,339
2015	960,923	625,702	318,376	77,690	1,279,299	703,392
2016	1,025,988	593,449	69,578	71,030	1,095,566	664,479
2017	560,001	560,397	70,843	68,505	630,844	628,902
2018-2022	3,065,000	2,385,904	405,108	298,970	3,470,108	2,684,874
2023-2027	3,615,000	1,541,786	356,624	219,361	3,971,624	1,761,147
2028-2032	3,415,000	422,089	646,297	127,668	4,061,297	549,757
2033-2036	<u>-</u>	<u>-</u>	<u>22,901</u>	<u>2,308</u>	<u>22,901</u>	<u>2,308</u>
	<b><u>\$ 14,525,915</u></b>	<b><u>\$ 7,459,050</u></b>	<b><u>\$ 3,173,376</u></b>	<b><u>\$ 1,102,595</u></b>	<b><u>\$17,699,291</u></b>	<b><u>\$ 8,561,645</u></b>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**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, 2012 as follows:

Nonspendable			
Prepaid expenses		\$	279,085
Restricted			
Bond escrow	\$ 5,001,370		
Federal programs	<u>1,060,995</u>		
Total restricted			6,062,325
Committed			
Wetland mitigation	\$ 5,428		
Watershed fees	249,970		
Ice jam	<u>142,946</u>		
Total committed			398,344
Assigned			
Uninsured liability			50,000
Unassigned			
			<u>14,157,307</u>
Total fund balance			<u>\$ 20,674,061</u>

**11. ACCUMULATED UNPAID ANNUAL LEAVE AND SICK PAY**

The estimated current portion of the liability for vested vacation benefits and sick leave is \$136,428 and \$25,079 at June 30, 2012, respectively. These amounts are recorded as expenditures and liabilities in the General Fund in both the government-wide and fund financial statements. The long-term portion is \$182,459 and \$295,711, respectively, at June 30, 2012. These amounts are recorded as non-current liabilities in the government-wide Statement of Net Assets and are not recorded in the governmental fund financial statements. The amount of unvested sick leave benefits payable amounts to \$925,051 at June 30, 2012, and is not reported as an expenditure or liability in any of the District's June 30, 2012 financial statements.

The change in compensated absences for the year ended June 30, 2012 was as follows:

Governmental-type <u>Activity:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 643,975</u>	<u>\$ -</u>	<u>\$ 4,298</u>	<u>\$ 639,677</u>	<u>\$ 161,507</u>



**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**DRAFT**

**12. OPERATING LEASE**

The District entered into a leasing agreement for copy machines in September 2011, and a leasing agreement for a desktop copier in December 2011. The District pays \$620 per month plus applicable taxes for the 60-month copier lease, and \$42 per month plus applicable taxes for the desktop copier lease, as well as a charge per copy that is paid quarterly. During fiscal year 2012, the District's operating lease expense was \$5,832. Following is a schedule of the future minimum lease payments.

<u>Year ending June 30.:</u>	<u>Amount</u>
2013	\$ 7,944
2014	7,944
2015	7,692
2016	7,440
2017	1,860

**13. EMPLOYEES' RETIREMENT PLAN**

All of the District's eligible employees participate in the Nebraska Association of Resources Districts Employees' Governmental Retirement Plan, a statewide multiple-employer retirement system covering all eligible employees of Natural Resources Districts within the State of Nebraska.

All employees who are employed for a minimum of six months, are regularly scheduled to work at least thirty-seven and one-half hours per week, and are age nineteen or older are eligible to participate in the State retirement plan. The District requires all full-time employees to participate. Participants become fully vested after five years, which is applicable only to the employer's contribution.

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, 2012 were \$180,909, which were the required contributions.

**14. COMMITMENTS AND CONTINGENCIES**

The District has committed future funds to several ongoing and new projects and cost share agreements. The total commitments under signed contracts at year-end were approximately \$9,527,300. Since the future expenditures will be included in the District's future budgets and are part of the District's function, these commitments have not been recorded in the District's financial statements.

The District engages in land development projects and occasionally invokes eminent domain to acquire the required land to undertake the project. The value of the land acquired by the District when eminent domain is invoked is determined by either a board of appraisers in the affected county, or through the judiciary. The amount of payments that may be required for land, if any, is unknown at June 30, 2012.

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.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**DRAFT**

**14. COMMITMENTS AND CONTINGENCIES, CONTINUED**

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, 2012, a reasonable estimate could not be determined for any potential loss contingencies.

**15. FIDUCIARY FUND: PAPILLION CREEK WATERSHED PARTNERSHIP**

The Papillion Creek Watershed Partnership ("PCWP") was created in 2001 through an inter-local agreement to proactively deal with the demands on the Papillion Creek drainage area and to develop an implementation plan that addresses solutions to water quantity and quality problems. The Papillion Creek Watershed consists of the land area that conveys water to the Missouri River. The PCWP is comprised of 9 local governments that are wholly or partially in the Papillion Creek Watershed. These local governments fund engineering studies, but do not do any actual construction projects. The District is the administering agent.

**16. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. These risks are transferred to independent insurance carriers and no self-insurance program is maintained by the District. District management believes adequate coverage exists for potential exposures as of June 30, 2012. The District did not pay any settlement amounts, which exceeded its insurance coverage for the year ending June 30, 2012, 2011 or 2010.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 ACTUAL AND BUDGET (BUDGETARY BASIS)  
 GOVERNMENTAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

**DRAFT**

	Actual	Budget		Variance Favorable (Unfavorable)
		Original	Final	
<b>REVENUES</b>				
General administration	\$ 17,441,188	\$ 18,074,951	\$ 18,074,951	\$ (633,763)
Watershed	34,237	29,572,339	29,572,339	(29,538,102)
Information and education	17,801	19,500	19,500	(1,699)
Flood control	1,637,826	4,056,064	4,056,064	(2,418,238)
Erosion control	133,022	2,357,018	2,357,018	(2,223,996)
Water quality	63,112	105,400	105,400	(42,288)
Recreation	24,573	2,728,100	2,728,100	(2,703,527)
Forestry and wildlife	39,247	12,414	12,414	26,833
Total revenues	<u>19,391,006</u>	<u>56,925,786</u>	<u>56,925,786</u>	<u>(37,534,780)</u>
<b>EXPENDITURES</b>				
General administration	7,815,872	8,787,398	8,787,398	971,526
Watershed	402,218	33,370,000	33,370,000	32,967,782
Information and education	257,681	317,800	317,800	60,119
Flood control	5,679,684	13,145,684	13,145,684	7,466,000
Erosion control	11,896,296	13,634,838	13,634,838	1,738,542
Water quality	629,337	863,754	863,754	234,417
Recreation	2,689,829	6,680,303	6,680,303	3,990,474
Forestry and wildlife	144,222	1,492,500	1,492,500	1,348,278
Total expenditures	<u>29,515,139</u>	<u>78,292,277</u>	<u>78,292,277</u>	<u>48,777,138</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS) AND OTHER SOURCES</b>	(10,124,133)	<u>\$ (21,366,491)</u>	<u>\$ (21,366,491)</u>	<u>\$ 11,242,358</u>
<b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA</b>				
To adjust revenues for accruals	354,803			
To adjust expenditures for accruals and prepaids	<u>(936,211)</u>			
<b>(US GAAP BASIS) AND OTHER SOURCES</b>	<u>\$ (10,705,541)</u>			

See Accompanying Notes to Budgetary Comparison Schedule.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

**DRAFT**

**NOTE 1 – BASIS OF ACCOUNTING**

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

**NOTE 2 – BUDGET LAW**

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF FUNCTIONAL REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 GOVERNMENTAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

DRAFT

<b>REVENUES</b>	
Property tax	\$ 17,158,033
State grants	535,255
Federal grants	1,370,099
Local agency grants	247,507
Miscellaneous	391,093
Rental income	234,152
Interest income	23,335
Total revenues	<u>19,959,474</u>
<b>EXPENDITURES</b>	
Project construction and land	12,385,222
Special projects	57,578
Personnel	3,198,938
Professional services	2,256,954
Contract works	1,595,195
Cost-sharing and conservation assistance program	5,496,406
Employee benefits	801,390
Repairs and maintenance	381,530
Fees	176,746
Project legal costs	113,155
Information and education	93,622
Payroll taxes	239,975
Machinery and equipment	202,968
Insurance	258,596
Interest expense	695,120
Project operation and maintenance	785,691
Telephone, utilities, and rent	153,383
Miscellaneous	6,180
Vehicle expense	293,268
Vehicles	75,643
Travel	59,050
Printing and publications	69,360
Board of directors	64,764
Supplies and postage	150,880
Buildings	573,826
Indirect cost reimbursement	(336,042)
Debt service	836,139
Total expenditures	<u>30,685,537</u>
<b>OTHER SOURCES AND USES</b>	
Transfers	<u>20,522</u>
<b>DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	(10,705,541)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>31,652,602</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 20,947,061</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS  
ACTUAL AND BUDGET  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

DRAFT

	Total (Memorandum Only)			Washington Rural Water #2			Washington Rural Water #1			Non-Major Proprietary Funds		
	Actual	Budget		Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final		Original	Final
<b>OPERATING REVENUES:</b>												
Water sales	\$ 850,238	\$ 533,000	\$ 533,000	\$ 141,098	\$ 127,000	\$ 127,000	\$ 301,968	\$ 290,000	\$ 290,000	\$ 407,172	\$ 406,000	\$ 406,000
Customer charges and hookup fees	70,373	46,825	46,825	15,582	22,750	22,750	35,242	65,000	65,000	19,549	24,075	24,075
Miscellaneous	19,887	1,500	1,500	985	-	-	13,208	500	500	5,694	1,500	1,500
Total operating revenues	940,498	581,325	581,325	157,665	149,750	149,750	350,418	355,500	355,500	432,415	431,575	431,575
<b>OPERATING EXPENSES:</b>												
Repairs and maintenance	26,236	14,200	14,200	10,607	6,200	6,200	12,741	15,000	15,000	2,888	8,000	8,000
Supplies and postage	11,025	10,040	10,040	218	1,340	1,340	2,640	1,350	1,350	8,167	8,700	8,700
Professional services	12,814	37,050	37,050	5,442	5,500	5,500	2,819	28,250	28,250	4,553	31,550	31,550
Personnel	312,920	236,250	236,250	26,416	39,000	39,000	110,601	122,000	122,000	175,903	197,250	197,250
Insurance	-	3,000	3,000	-	-	-	-	1,000	1,000	-	3,000	3,000
Telephone, utilities, and rent	20,754	10,750	10,750	-	-	-	11,123	11,500	11,500	9,631	10,750	10,750
Miscellaneous	4,652	4,225	4,225	1,667	1,700	1,700	1,314	13,500	13,500	1,671	2,525	2,525
Water purchase	226,953	135,000	135,000	22,644	25,000	25,000	106,624	101,000	101,000	97,685	110,000	110,000
Contract costs	144,626	97,500	97,500	18,795	35,000	35,000	72,938	125,000	125,000	52,893	62,500	62,500
Project construction and land	725	1,800	1,800	-	50	50	-	100	100	725	1,750	1,750
Project operation and maintenance	-	6,500	6,500	-	-	-	-	-	-	-	6,500	6,500
Depreciation and amortization	109,702	-	-	50,474	-	-	27,843	-	-	31,385	-	-
Vehicle expense	6,959	11,500	11,500	-	3,000	3,000	-	-	-	6,959	8,500	8,500
Bond expenditures	-	-	-	-	-	-	-	-	-	-	-	-
Indirect cost	1,493	1,300	1,300	-	100	100	855	350	350	638	1,200	1,200
Total operating expense	878,859	569,115	569,115	136,263	116,890	116,890	349,498	419,050	419,050	393,098	452,225	452,225
<b>OPERATING INCOME (LOSS)</b>	61,639	12,210	12,210	21,402	32,860	32,860	920	(63,550)	(63,550)	39,317	(20,650)	(20,650)
<b>NON-OPERATING INCOME (EXPENSE):</b>												
Assessment revenue	79,717	78,500	78,500	-	-	-	-	-	-	79,717	78,500	78,500
Interest income	33,707	8,920	8,920	24,823	3,000	3,000	3,146	3,500	3,500	5,738	5,920	5,920
Interest expense	(129,315)	(119,055)	(119,055)	(107,264)	(107,555)	(107,555)	(22,051)	-	-	(22,051)	(11,500)	(11,500)
Transfers	(20,522)	(35,000)	(35,000)	-	-	-	-	-	-	(20,522)	(35,000)	(35,000)
Total non-operating income (expense)	(36,413)	(66,635)	(66,635)	(82,441)	(104,555)	(104,555)	3,146	3,500	3,500	42,882	37,920	37,920
<b>CHANGE IN NET ASSETS</b>	25,226	\$ (54,425)	\$ (54,425)	(61,039)	\$ (71,695)	\$ (71,695)	4,066	\$ (60,050)	\$ (60,050)	82,199	\$ 17,270	\$ 17,270
<b>NET ASSETS - BEGINNING OF YEAR</b>	7,735,974			3,485,814			1,984,961			2,285,199		
<b>NET ASSETS - END OF YEAR</b>	\$ 7,761,200			\$ 3,404,775			\$ 1,989,027			\$ 2,367,398		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

DRAFT

COMBINING STATEMENT OF NET ASSETS  
NON-MAJOR - PROPRIETARY FUNDS  
JUNE 30, 2012

ASSETS	Total	Elkhorn River Stabilization	Elk/Pigeon Creek Drainage	Western Sarpy Drainage	Elkhorn Breakout	Dakota Rural Water	Thurston County Rural Water
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 527,767	\$ 103,467	\$ 25,623	\$ 119,658	\$ 6,601	\$ 227,078	\$ 45,340
Certificates of deposit	373,311	-	-	-	-	373,311	-
Service receivables	46,806	-	-	-	95	35,205	11,506
Interest receivable	1,421	-	-	-	-	1,360	61
Due from other funds	1,093	-	-	1,093	-	-	-
Current portion of installment receivable	-	-	-	-	-	-	-
Inventories	27,843	-	-	-	-	19,373	8,470
<b>Total current assets</b>	<b>978,241</b>	<b>103,467</b>	<b>25,623</b>	<b>120,751</b>	<b>6,696</b>	<b>656,327</b>	<b>65,377</b>
<b>NONCURRENT ASSETS</b>							
Restricted certificates of deposit	42,199	-	-	-	-	-	42,199
Capital assets							
Land	2,000	-	-	-	-	1,000	1,000
Capital improvements and infrastructure	2,620,217	-	-	-	-	1,671,217	949,000
Vehicles and equipment	30,726	-	-	-	-	30,726	-
Accumulated depreciation	(836,559)	-	-	-	-	(561,284)	(275,275)
<b>Total capital assets</b>	<b>1,816,384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,141,659</b>	<b>674,725</b>
<b>Total noncurrent assets</b>	<b>1,858,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,141,659</b>	<b>716,924</b>
<b>Total</b>	<b>\$ 2,836,824</b>	<b>\$ 103,467</b>	<b>\$ 25,623</b>	<b>\$ 120,751</b>	<b>\$ 6,696</b>	<b>\$ 1,797,986</b>	<b>\$ 782,301</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 15,452	-	698	-	-	11,517	3,237
Accrued expenses	2,589	-	-	-	-	1,710	879
Due to other funds	58,008	6,387	1,302	-	-	36,936	13,384
Current portion of long-term debt	21,416	-	-	-	-	-	21,416
<b>Total current liabilities</b>	<b>97,465</b>	<b>6,387</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>50,163</b>	<b>38,916</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term debt, less current portion	371,960	-	-	-	-	-	371,960
<b>Total liabilities</b>	<b>469,425</b>	<b>6,387</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>50,163</b>	<b>410,876</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	1,423,008	-	-	-	-	1,141,659	281,349
Restricted	42,199	-	-	-	-	-	42,199
Unrestricted	902,191	97,080	23,623	120,751	6,696	606,164	47,877
<b>Total net assets</b>	<b>2,367,398</b>	<b>97,080</b>	<b>23,623</b>	<b>120,751</b>	<b>6,696</b>	<b>1,747,823</b>	<b>371,425</b>
<b>Total</b>	<b>\$ 2,836,824</b>	<b>\$ 103,467</b>	<b>\$ 25,623</b>	<b>\$ 120,751</b>	<b>\$ 6,696</b>	<b>\$ 1,797,986</b>	<b>\$ 782,301</b>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS  
 NON-MAJOR - PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

DRAFT

	Total		Elkhorn River Stabilization		Elk/Pigeon Creek Drainage	
	Actual	Budget	Actual	Budget	Actual	Budget
<b>OPERATING REVENUES</b>						
Water sales	\$ 407,172	\$ 406,000	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	19,549	24,075	-	-	-	-
Sales	-	-	-	-	-	-
Miscellaneous	5,694	1,500	-	-	-	-
Total operating revenues	432,415	431,575	-	-	-	-
<b>OPERATING EXPENSES</b>						
Repairs and maintenance	2,888	8,000	-	-	-	-
Supplies and postage	8,167	8,700	-	-	-	-
Professional services	4,553	31,550	7,006	5,000	4,392	6,050
Personnel	175,903	197,250	-	200	-	-
Insurance	-	3,000	-	-	-	-
Telephone, utilities, and rent	9,631	10,750	-	-	-	-
Miscellaneous	1,671	2,525	-	-	19	-
Water purchase	97,685	110,000	-	-	-	-
Contract costs	52,893	62,500	-	-	14,988	10,000
Project construction and land	725	1,750	-	-	-	-
Project operation and maintenance	-	6,500	-	5,000	-	500
Depreciation and amortization	31,385	-	-	-	-	-
Vehicle expense	6,959	8,500	-	-	-	-
Bond expenditures	-	-	-	-	-	-
Indirect cost	638	1,200	-	-	-	-
Total operating expenses	393,098	452,225	7,006	10,200	19,399	16,550
<b>OPERATING INCOME (LOSS)</b>	39,317	(20,650)	(7,006)	(10,200)	(19,399)	(16,550)
<b>NON-OPERATING INCOME (EXPENSE)</b>						
Assessment revenue	79,717	78,500	12,836	15,000	47,737	45,000
Interest income	5,738	5,920	190	200	44	50
Interest expense	(22,051)	(11,500)	-	-	-	-
Transfers	(20,522)	(35,000)	-	-	(20,522)	(35,000)
Total non-operating income (expense)	42,882	37,920	13,026	15,200	27,259	10,050
<b>CHANGE IN NET ASSETS</b>	82,199	\$ 17,270	6,020	\$ 5,000	7,860	\$ (6,500)
<b>NET ASSETS - BEGINNING OF YEAR</b>	2,285,199		91,060		15,763	
<b>NET ASSETS - END OF YEAR</b>	\$ 2,367,398		\$ 97,080		\$ 23,623	



PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS  
 NON-MAJOR - PROPRIETARY FUNDS, CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2012

DRAFT

	Western Sarpy Drainage			Elkhorn Breakout			Dakota Rural Water		
	Actual	Original	Final	Actual	Original	Final	Actual	Original	Final
<b>OPERATING REVENUES</b>									
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 299,785	\$ 295,000	\$ 295,000
Customer charges and hookup fees	-	-	-	-	-	-	14,270	21,000	21,000
Miscellaneous	-	-	-	-	-	-	582	1,000	1,000
Total operating revenues	-	-	-	-	-	-	314,637	317,000	317,000
<b>OPERATING EXPENSES</b>									
Repairs and maintenance	-	-	-	-	-	-	2,683	6,500	6,500
Supplies and postage	-	-	-	-	-	-	6,378	7,900	7,900
Professional services	-	5,000	5,000	-	-	-	2,791	12,800	12,800
Personnel	1,575	30,000	30,000	-	-	-	136,801	127,000	127,000
Insurance	-	-	-	-	-	-	-	2,000	2,000
Telephone, utilities, and rent	-	-	-	-	-	-	4,296	5,000	5,000
Miscellaneous	-	-	-	-	-	-	957	1,900	1,900
Water purchase	-	-	-	-	-	-	72,487	75,000	75,000
Contract costs	3,098	6,000	6,000	-	-	-	28,197	37,000	37,000
Project construction and land	-	1,000	1,000	-	-	-	725	750	750
Project operation and maintenance	-	1,000	1,000	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	21,830	-	-
Vehicle expense	-	-	-	-	-	-	6,959	8,500	8,500
Bond expenditures	-	-	-	-	-	-	-	-	-
Indirect cost	-	-	-	-	-	-	94	500	500
Total operating expenses	4,673	43,000	43,000	-	-	-	284,198	284,850	284,850
<b>OPERATING INCOME (LOSS)</b>	(4,673)	(43,000)	(43,000)	-	-	-	30,439	32,150	32,150
<b>NON-OPERATING INCOME (EXPENSE)</b>									
Assessment revenue	19,144	18,500	18,500	-	-	-	-	-	-
Interest income	231	300	300	14	20	20	5,003	5,000	5,000
Interest expense	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Total non-operating income (expense)	19,375	18,800	18,800	14	20	20	5,003	5,000	5,000
<b>CHANGE IN NET ASSETS</b>	14,702	\$ (24,200)	\$ (24,200)	14	\$ 20	\$ 20	35,442	\$ 37,150	\$ 37,150
<b>NET ASSETS - BEGINNING OF YEAR</b>	106,049			6,682			1,712,381		
<b>NET ASSETS - END OF YEAR</b>	\$ 120,751			\$ 6,696			\$ 1,747,823		

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**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS  
NON-MAJOR - PROPRIETARY FUNDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

	Thurston County Rural Water		
	Actual	Original Budget	Final
<b>OPERATING REVENUES</b>			
Water sales	\$ 107,387	\$ 111,000	\$ 111,000
Customer charges and hookup fees	5,279	3,075	3,075
Miscellaneous	5,142	500	500
<b>Total operating revenues</b>	<b>117,778</b>	<b>114,575</b>	<b>114,575</b>
<b>OPERATING EXPENSES</b>			
Repairs and maintenance	205	1,500	1,500
Supplies and postage	1,789	800	800
Professional services	1,762	8,750	8,750
Personnel	26,129	34,000	34,000
Insurance	-	1,000	1,000
Telephone, utilities, and rent	5,335	5,750	5,750
Miscellaneous	695	625	625
Water purchase	25,198	35,000	35,000
Contract costs	6,610	9,500	9,500
Depreciation and amortization	9,555	-	-
Indirect cost	544	700	700
<b>Total operating expenses</b>	<b>77,822</b>	<b>97,625</b>	<b>97,625</b>
<b>OPERATING INCOME (LOSS)</b>	<b>39,956</b>	<b>16,950</b>	<b>16,950</b>
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Assessment revenue	-	-	-
Interest income	256	350	350
Interest expense	(22,051)	(11,500)	(11,500)
Transfers	-	-	-
<b>Total non-operating income (expense)</b>	<b>(21,795)</b>	<b>(11,150)</b>	<b>(11,150)</b>
<b>CHANGE IN NET ASSETS</b>	<b>18,161</b>	<b>\$ 5,800</b>	<b>\$ 5,800</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>353,264</b>		
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 371,425</b>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF CERTIFICATE OF DEPOSIT  
GOVERNMENTAL FUND  
JUNE 30, 2012

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	<u>Cost</u>	<u>Interest Rate</u>
General fund		
Certificate of deposit		
Great Western Bank	<u>\$ 50,000</u>	0.50%
General fund - unrestricted but reserved investments	<u>\$ 50,000</u>	

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**SCHEDULE OF CERTIFICATES OF DEPOSIT  
 PROPRIETARY FUNDS  
 JUNE 30, 2012**

**DRAFT**

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary funds		
Certificates of deposit		
Dakota County		
Northwest Bank	\$ 107,289	1.05%
Nebraska-Iowa State Bank	66,000	0.45%
Siouxland National Bank	100,000	1.10%
Great Western Bank	<u>100,022</u>	0.35%
	<u>373,311</u>	
Washington County #1		
American National Bank	200,000	0.24%
Centennial Bank	100,000	0.40%
United Republic Bank	100,000	0.60%
United Republic Bank	<u>100,000</u>	0.75%
	<u>500,000</u>	
Thurston County		
Premier Bank	<u>42,199</u>	0.70%
	<u>42,199</u>	
Washington County #2		
Premier Bank	<u>198,395</u>	0.70%
	<u>198,395</u>	
Total	<u>\$ 1,113,905</u>	

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**SCHEDULE OF INSURANCE POLICIES AND BONDS**

**JUNE 30, 2012**

**DRAFT**

**REAL AND PERSONAL PROPERTY**

Real & Personal property; total limit \$14,700,697; deductible/\$5,000; Equipment Floater/\$184,708 on Miscellaneous Equipment with \$10,000 max on any one item; Scheduled Equipment \$1,514,040 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 aggregate.

**COMMERCIAL AUTOMOBILE**

Each accident/\$1,000,000; Medical payments/\$5,000; Uninsured and underinsured motorists/\$1,000,000; Collision deductible/\$500.

**AIRCRAFT**

Single limit, including passengers/\$10,000,000.

**WORKERS' COMPENSATION**

Bodily injury by accident/\$500,000; Bodily injury by disease/\$500,000.

**EMPLOYEE DISHONESTY BONDS**

Public employees/\$100,000; with the exception of one \$15,000 Notary Bond. Forgery/\$250,000 with deductible/\$500; Computer fraud/\$100,000 with deductible/\$500; Theft, disappearance, and destruction/\$250,000 with deductible/\$500.

**COMMERCIAL EXCESS COVERAGE**

Combined bodily injury and property damage/\$10,000,000.

**PUBLIC OFFICIAL**

Wrongful acts / \$1,000,000 each; \$3,000,000 aggregate; \$10,000 deductible.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF TAXES RECEIVABLE  
GOVERNMENTAL FUND  
JUNE 30, 2012

DRAFT

COUNTY

Douglas	\$ 4,396,039
Sarpy	2,676,917
Washington	455,145
Dakota	358,000
Burt	54,732
Thurston	48,267
Dodge	<u>231</u>
	<u>\$ 7,989,331</u>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**  
**SCHEDULE OF CASH BALANCES HELD BY COUNTY TREASURERS**  
**JUNE 30, 2012**

**DRAFT**

GENERAL FUND

Douglas	\$ 482,041
Sarpy	66,418
Washington	6,357
Dakota	3,992
Burt	2,221
Thurston	237
Dodge	<u>931</u>
	<u>\$ 562,197</u>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**INFORMATION REQUIRED BY SECTION 2-3223, N.R.S - 1943  
FOR THE YEAR ENDED JUNE 30, 2012**

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Gross income from all sources	<u>\$ 20,989,400</u>
Amount expended for	
Maintenance	\$ 2,667,816
Improvements and other such programs	<u>8,652,037</u>
Total maintenance and improvements	<u>\$ 11,319,853</u>
Amount of depreciation on property during previous year	<u>\$ 2,371,750</u>
Number of employees as of June 30, 2012	<u>58</u>
Gross salaries	\$ 3,180,106
Less amount reimbursed by projects	<u>(334,269)</u>
Net salaries paid to employees	<u>\$ 2,845,837</u>



**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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Program	Pass-through Grantor's Number	Federal CFDA Number	Contract Amount	Expenditures
U.S. Department of Agriculture - Natural Resource Conservation Service				
ARRA - Watershed Rehabilitation Program		10,916	\$ 785,001	\$ 193,876
U.S. Department of Homeland Security				
Passed through the Nebraska Energy Management Agency				
Hazard Mitigation Grants	DR-1674-NE-0079	97,039	675,200	22,508
Disaster Grants-Public Assistance**	FEMA-1924-DR-NE	97,036	1,313,358	1,023,770
U.S. Environmental Protection Agency				
Passed through the Nebraska Department of Environmental Quality				
ARRA - Capitalization Grants for Clean Water State Revolving Funds	56-0989	66,458	112,500	112,500
Total			\$ 1,352,654	\$ 1,352,654

\*\* Major program

See Notes to the Schedule of Expenditures of Federal Awards.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2012**

**DRAFT**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Papio-Missouri River Natural Resources District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**DRAFT**

October 29, 2012

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Papio-Missouri River Natural Resources District (the "District") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Papio-Missouri River Natural Resources District's internal control over financial reporting.

*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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

ORIZON CPAs LLC  
ORIZON CPAs LLC

**DRAFT**

October 29, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited Papio-Missouri River Natural Resources District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

**Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 misstatements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

*Original*  
*ORIZON CPAs LLC*  
**ORIZON CPAs LLC**

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**SECTION 1. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unqualified  
Internal control over financial reporting:

Material weakness(es) identified: Yes \_\_\_\_\_ No X

Significant deficiency(ies) identified that are not considered to be a material weakness(es): Yes \_\_\_\_\_ No X

Noncompliance material to the financial statements noted: Yes \_\_\_\_\_ No X

**MAJOR FEDERAL AWARD PROGRAM AUDIT**

Internal control over major programs:

Material weakness(es) identified: Yes \_\_\_\_\_ No X

Significant deficiency(ies) identified that are not considered to be a material weakness(es): Yes \_\_\_\_\_ No X

Type of auditor's report issued on compliance for major programs: Unqualified

Audit findings disclosed that are required to be reported in accordance with 510(a) OMB Circular A-133: Yes \_\_\_\_\_ No X

The major program tested for compliance was Disaster Grants – Public Assistance (CFDA No. 97.036).

Threshold used for distinguishing between Type A and B programs: \$300,000

Is the Papio-Missouri River Natural Resources District considered to be a low-risk auditee: Yes X No \_\_\_\_\_

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**SECTION 2. FINDINGS – FINANCIAL STATEMENT AUDIT**

**DRAFT**

None reported.

**SECTION 3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.



**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

**DRAFT**

**FINANCIAL STATEMENT AUDIT**

Significant Deficiency

2011-1      Planned corrective action was completed this fiscal year.

**MAJOR FEDERAL AWARD PROGRAM AUDIT**

No material weaknesses or findings and questioned costs were noted during the prior year.