

Agenda Item: 6.

Discussion of Draft FY 2013 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 AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2013

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

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November 5, 2013

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Papio-Missouri River Natural Resources District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on pages 41-52 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information on pages 41-52 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 5, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HSMC ORIZON LLC

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

YEAR ENDED JUNE 30, 2013

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, 2013. It should be read in conjunction with the District's financial statements, which follow. The discussion primarily focuses on the District's general fund, although the proprietary funds are also analyzed.

FINANCIAL HIGHLIGHTS

- Net position increased by \$8,324,575, which is a 5.6% increase in total net position.
- Total governmental activities net position are comprised of the following:
 - 1) Capital assets, net of related debt, of \$120,132,069. 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 position – \$11,530,725. 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 position of \$17,555,556. These assets are available to maintain the District's continuing obligations. Unrestricted net position includes assets reserved for specific purposes by Board resolution but not restricted by debt covenants or laws and regulations.
- During the year, the District received \$21,690,514 of property taxes and other revenues in the general fund. This is an increase from last year's receipts of \$19,391,006. Revenues on the fund financial statements totaled \$23,119,896. This is an increase of \$3,160,422 from last year's revenues of \$19,959,474.
- The net increase in capital assets was \$15,297,538 to a total of \$157,458,959.
- Total long-term debt of the District increased from \$18,338,968 to \$33,183,389 during the fiscal year. Long-term debt from business-type activities decreased by \$366,432 to \$2,806,944. The \$15,210,853 increase in long-term debt from governmental activities occurred primarily due to the issuance of 2013 Water Quality Enhancement Bonds.

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, 2013

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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 Position

The first of these government-wide statements is the Statement of Net Position. This is the District-wide statement of position presenting information that includes all of the District's assets, and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors, such as the condition of the District's capital assets, in addition to the financial information provided in this report.

Statement of Activities

The second government-wide statement is the Statement of Activities, which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by property tax collections.

Fund Financial Statements

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

The District is comprised of the governmental fund, 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, 2013

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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 position and the change in net position 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, 2013

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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 position may be observed and used to discuss the changing financial position of the District as a whole. The following table summarizes the District's net position.

Summary of Net Position

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Current and other assets	\$ 33,774,566	\$ 27,952,281	\$ 2,572,112	\$ 3,206,402
Capital assets, net of accumulated depreciation	149,411,740	134,401,562	8,047,219	7,759,859
Total assets	183,186,306	162,353,843	10,619,331	10,966,261
Long-term liabilities	28,819,687	14,072,549	1,889,424	2,806,960
Other liabilities	5,148,269	6,353,883	958,792	398,101
Total liabilities	33,967,956	20,426,432	2,848,216	3,205,061
Net position:				
Invested in capital assets, net of related debt	120,132,069	119,875,647	5,240,275	4,586,483
Restricted	11,530,725	5,001,370	240,205	239,899
Unrestricted	17,555,556	17,050,394	2,290,635	2,934,818
Total net position	\$149,218,350	\$ 141,927,411	\$ 7,771,115	\$ 7,761,200

The District reported positive balances in net position for both governmental and business-type activities. Since net position increased \$7,290,939 for governmental activities and \$9,915 for business-type activities, the District's overall financial position improved during fiscal year 2013.

The table on the next page summarizes the District's changes in net position from revenues and expenditures. The District is heavily reliant on property taxes to support governmental operations, since taxes provide approximately 78% of the District's total governmental revenues.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2013

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Summary of Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2013	% of Total	2012	2013	% of Total	2012
Revenues						
Program revenues						
Charges for services	\$ 522,511	2.3%	\$ 873,997	\$ 1,073,111	89.2%	\$ 940,498
Operating grants and contributions	3,423,578	15.0%	1,275,300	-	-	-
Capital grants	835,955	3.7%	864,338	-	-	-
General revenues						
Property taxes	17,780,798	78.0%	16,898,507	-	-	-
Assessment income	-	-	-	85,363	7.1%	79,717
Transfers	-	-	20,522	-	-	(20,522)
Gain on sale of fixed assets	206,776	0.9%	-	15,500	1.3%	-
Interest income	12,397	0.1%	23,336	29,300	2.4%	33,707
Total revenues	<u>22,782,015</u>	<u>100.0%</u>	<u>19,956,000</u>	<u>1,203,274</u>	<u>100.0%</u>	<u>1,033,400</u>
Expenses						
General administration	6,248,014	43.2%	6,261,733	-	-	-
Information and education	210,342	1.5%	244,062	-	-	-
Flood prevention	4,349,990	30.1%	4,529,515	-	-	-
Erosion control	1,572,483	11.0%	3,492,165	-	-	-
Water quality	479,502	3.3%	594,338	-	-	-
Recreation	1,288,449	8.9%	921,251	-	-	-
Forestry and wildlife	318,575	2.2%	94,859	-	-	-
Major proprietary funds	-	-	-	700,113	58.7%	593,025
Other proprietary funds	-	-	-	493,246	41.3%	415,149
Total expenses	<u>14,467,355</u>	<u>100.0%</u>	<u>16,137,923</u>	<u>1,193,359</u>	<u>100.0%</u>	<u>1,008,174</u>
Change in net position	8,314,660		3,818,077	9,915		25,226
Beginning net position (restated)	140,903,690		138,109,334	7,761,200		7,735,974
Ending net assets	<u>\$149,218,350</u>		<u>\$141,927,411</u>	<u>\$ 7,771,115</u>		<u>\$ 7,761,200</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2013

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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 increased by \$7,778,029 to \$28,725,090, this increase is primarily due to issuance of new water quality enhancement bonds of which all the proceeds have not been spent.

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 position of these funds decreased \$53,729. Net position of the non-major proprietary funds increased by \$63,644. Total proprietary fund net position increased by \$9,915.

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, 2013, was \$120,132,069 and \$5,240,275 respectively. The net investment increased 0.2% for governmental and increased 9.6% 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 \$32,086,615 in bonds, notes, and leases outstanding. \$2,806,944 of this debt is attributable to the proprietary funds for construction of the rural water distribution systems. \$27,905,000 is attributable to general obligation bonds issued for construction of flood control projects, \$1,182,897 to construction financing for the Washington County Service Center, and \$191,774 to capital leases of equipment.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
YEAR ENDED JUNE 30, 2013**

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Factors considered in preparing the District's budget for fiscal year 2014 include the following:

- Property tax receipts of \$17.6 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 years 2013 and 2014. 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 154th Street, Omaha, NE 68138.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2013

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ASSETS

		Primary Government	
	Governmental Activities	Business-type Activities	Total
CURRENT ASSETS:			
Cash and cash equivalents	\$ 7,819,841	\$ 840,205	\$ 8,660,046
Cash on deposit with County Treasurers	482,765	-	482,765
Certificates of deposit	50,000	1,067,149	1,117,149
Taxes receivable	7,758,312	-	7,758,312
Service receivables	21,917	100,214	122,131
Interest receivable	40	6,050	6,090
Current portion of installment receivable	-	339,981	339,981
Prepaid expenses	266,130	-	266,130
Intergovernmental receivables	4,503,354	-	4,503,354
Intrafund balances	412,792	(412,757)	35
Inventories	-	50,125	50,125
Land held for sale	690,000	-	690,000
Total current assets	22,005,151	1,990,967	23,996,118
NONCURRENT ASSETS:			
Restricted cash and cash equivalents	11,530,725	197,700	11,728,425
Restricted certificates of deposit	-	42,505	42,505
Installment receivable, less current portion	-	340,940	340,940
Unamortized bond issue costs	238,690	-	238,690
Capital assets			
Land	55,331,583	214,215	55,545,798
Construction in progress	32,274,947	-	32,274,947
Capital improvements and infrastructure	116,661,858	9,567,799	126,229,657
Buildings and improvements	6,651,308	-	6,651,308
Vehicles and equipment	4,187,165	122,080	4,309,245
Accumulated depreciation	(65,695,121)	(1,856,875)	(67,551,996)
Total capital assets	149,411,740	8,047,219	157,458,959
Total noncurrent assets	161,181,155	8,628,364	169,809,519
	\$ 183,186,306	\$ 10,619,331	\$ 193,805,637

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:			
Accounts payable	\$ 3,201,346	\$ 31,001	\$ 3,232,347
Accrued salaries and payroll withholdings	147,236	-	147,236
Accrued expenses	242,929	10,271	253,200
Current portion of long-term debt	1,397,894	917,520	2,315,414
Current portion of accrued compensated absences	158,864	-	158,864
Total current liabilities	5,148,269	958,792	6,107,061
LONG-TERM LIABILITIES:			
Long-term debt, less current portion	27,881,777	1,889,424	29,771,201
Premium on bonds payable	448,227	-	448,227
Accrued compensated absences, less current portion	489,683	-	489,683
Total long-term liabilities	28,819,687	1,889,424	30,709,111
Total liabilities	33,967,956	2,848,216	36,816,172
NET POSITION:			
Invested in capital assets, net of related debt	120,132,069	5,240,275	125,372,344
Restricted	11,530,725	240,205	11,770,930
Unrestricted	17,555,556	2,290,635	19,846,191
Total net position	149,218,350	7,771,115	156,989,465
	\$ 183,186,306	\$ 10,619,331	\$ 193,805,637

See Accompanying Notes to the Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues			Net Revenue (Expenses) and Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General administration	\$ 6,248,014	\$ 481,736	\$ 262,893	\$ -	\$ (5,503,385)	\$ -	\$ (5,503,385)
Information and education	210,342	-	-	-	(210,342)	-	(210,342)
Flood prevention	4,349,990	34,400	156,692	281,317	(3,877,581)	-	(3,877,581)
Erosion control	1,572,483	-	2,816,161	554,638	1,798,316	-	1,798,316
Water quality	479,502	730	78,879	-	(399,893)	-	(399,893)
Recreation	1,288,449	5,600	108,953	-	(1,173,896)	-	(1,173,896)
Forestry and wildlife	318,575	45	-	-	(318,530)	-	(318,530)
	<u>14,467,355</u>	<u>522,511</u>	<u>3,423,578</u>	<u>835,955</u>	<u>(9,685,311)</u>	<u>-</u>	<u>(9,685,311)</u>
BUSINESS-TYPE ACTIVITIES:							
Washington County Rural Water #2	243,766	182,593	-	-	-	(61,173)	(61,173)
Washington County Rural Water #1	456,347	429,895	-	-	-	(26,452)	(26,452)
Non-major proprietary funds	493,246	460,623	-	-	-	(32,623)	(32,623)
	<u>1,193,359</u>	<u>1,073,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,248)</u>	<u>(120,248)</u>
	<u>\$ 15,660,714</u>	<u>\$ 1,595,622</u>	<u>\$ 3,423,578</u>	<u>\$ 835,955</u>	<u>(9,685,311)</u>	<u>(120,248)</u>	<u>(9,805,559)</u>
GENERAL REVENUES:							
Property taxes					17,780,798	-	17,780,798
Assessment income					-	85,363	85,363
Gain on Sale of Fixed Assets					206,776	15,500	222,276
Interest income					12,397	29,300	41,697
Transfers					-	-	-
					<u>17,999,971</u>	<u>130,163</u>	<u>18,130,134</u>
CHANGE IN NET POSITION					<u>8,314,660</u>	<u>9,915</u>	<u>8,324,575</u>
NET POSITION - BEGINNING OF YEAR, as previously reported					141,927,411	7,761,200	149,688,611
PRIOR PERIOD ADJUSTMENT					<u>(1,023,721)</u>		<u>(1,023,721)</u>
NET POSITION - BEGINNING OF YEAR, as restated					<u>140,903,690</u>	<u>7,761,200</u>	<u>148,664,890</u>
NET POSITION - END OF YEAR					<u>\$ 149,218,350</u>	<u>\$ 7,771,115</u>	<u>\$ 156,989,465</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2013

DRAFT

General Fund

ASSETS:

Cash and cash equivalents	\$	7,819,841
Cash on deposit with County Treasurers		482,765
Certificates of deposit		50,000
Receivables:		
Taxes		7,758,312
Services		21,917
Interest		40
Prepaid expenses		266,130
Due from:		
Funding agencies - federal programs		2,256,211
Other governmental entities		2,247,143
Other funds		412,792
Restricted cash and cash equivalents		11,530,725
Land held for sale		690,000
	\$	<u>33,535,876</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$	3,201,346
Accrued salaries and payroll withholdings		147,236
Accrued expenses		159,000
Deferred revenue		1,303,204
Total liabilities		<u>4,810,786</u>

FUND BALANCE:

Nonspendable		266,130
Restricted		13,786,936
Committed		1,092,814
Assigned		50,000
Unassigned		13,529,210
Total fund balance		<u>28,725,090</u>
	\$	<u>33,535,876</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUND
JUNE 30, 2013

DRAFT

Total Fund Balance - Governmental Fund	\$	28,725,090 ^
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Amounts reported for governmental activities in the statement of net position 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	\$	55,331,583	
Construction in progress		32,274,947	
Capital improvements		116,661,858	
Buildings and improvements		6,651,308	
Vehicles and equipment		4,187,165	
Accumulated depreciation		<u>(65,695,121)</u>	
Total capital assets			149,411,740 ^

Unamortized bond issue costs, net of accumulated amortization		238,690 ^
---	--	-----------

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

Accrued interest		(242,793) ^
Compensated absences		(489,683) ^
Bonds and notes payable		(29,279,671) ^
Premium on bonds payable		(448,227) ^

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.		<u>1,303,204 ^</u>
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Total Net Position of Governmental Activities	\$	<u><u>149,218,350 ^</u></u>
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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, 2013

DRAFT

REVENUES:

General administration	\$	18,246,149
Flood prevention		1,308,744
Erosion control		3,370,799
Forestry and wildlife		42
Water quality		79,609
Recreation		114,553
Total revenues		<u>23,119,896</u>

EXPENDITURES:

Flood prevention		14,107,976
General administration		6,843,052
Erosion control		7,766,315
Recreation		1,447,010
Forestry and wildlife		326,303
Water quality		479,501
Information and education		210,339
Total expenditures		<u>31,180,496</u>

OTHER SOURCES

Proceeds from issuance of bonds payable		<u>15,838,629</u>
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EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES 7,778,029

FUND BALANCE - BEGINNING OF YEAR 20,947,061

FUND BALANCE - END OF YEAR \$ 28,725,090

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, 2013**

Net Change in Fund Balance - Total Government Fund \$ 7,778,029 ~

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	\$ 18,100,364	
Vehicles, machinery, equipment, and furniture	<u>356,828</u>	
		18,457,192 ~
Depreciation expense		(2,387,921) ~
Net book value of disposals		(35,372) ~

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

Principal payments on bonds and leases	981,201 ~
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The issuance of long term debt provides current financial resources to governmental funds. However, these payments increase long-term liabilities in the statement of net position.

Proceed from issuance of bonds and capital leases	(15,838,629) ~
Bond issue costs and bond premiums	(348,658) ~

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	(11,513) ~
--	------------

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>(279,669) ~</u>
--	--------------------

Change in Net Position of Governmental Activities	<u><u>\$ 8,314,660 ~</u></u>
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See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

DRAFT

ASSETS	Total (Memorandum Only)	Washington County Rural Water #2	Washington County Rural Water #1	Non-major Proprietary Funds
CURRENT ASSETS:				
Cash and cash equivalents	\$ 840,205	\$ 121,853	\$ 218,174	\$ 500,178
Certificates of deposit	1,067,149	199,837	501,168	366,144
Service receivables	100,214	24,807	34,276	41,131
Interest receivable	6,050	3,663	965	1,422
Current portion of installment receivable	339,981	339,981	-	-
Inventories	50,125	6,054	7,953	36,118
Total current assets	<u>2,403,724</u>	<u>696,195</u>	<u>762,536</u>	<u>944,993</u>
NON-CURRENT ASSETS:				
Reserved cash and cash equivalents	197,700	197,700	-	-
Restricted certificates of deposit	42,505	-	-	42,505
Installment receivable, less current portion	340,940	340,940	-	-
Capital assets				
Land	214,215	-	1,000	213,215
Capital improvements and infrastructure	9,567,799	4,973,807	1,864,000	2,729,992
Vehicles and equipment	122,080	-	64,621	57,459
Accumulated depreciation	(1,856,875)	(366,856)	(628,299)	(861,720)
Total capital assets	<u>8,047,219</u>	<u>4,606,951</u>	<u>1,301,322</u>	<u>2,138,946</u>
Total non-current assets	<u>8,628,364</u>	<u>5,145,591</u>	<u>1,301,322</u>	<u>2,181,451</u>
	<u>\$ 11,032,088</u>	<u>\$ 5,841,786</u>	<u>\$ 2,063,858</u>	<u>\$ 3,126,444</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable	\$ 31,001	\$ 2,961	\$ 5,115	\$ 22,925
Accrued expenses	10,271	6,408	1,306	2,557
Due to other funds	412,757	30,065	84,716	297,976
Current portion of long-term debt	917,520	895,000	-	22,520
Total current liabilities	<u>1,371,549</u>	<u>934,434</u>	<u>91,137</u>	<u>345,978</u>
LONG-TERM LIABILITIES				
Long-term debt, less current portion	<u>1,889,424</u>	<u>1,540,000</u>	<u>-</u>	<u>349,424</u>
Total liabilities	<u>3,260,973</u>	<u>2,474,434</u>	<u>91,137</u>	<u>695,402</u>
NET POSITION:				
Invested in capital assets, net of related debt	5,240,275	2,171,951	1,301,322	1,767,002
Restricted	240,205	197,700	-	42,505
Unrestricted	2,290,635	997,701	671,399	621,535
Total net position	<u>7,771,115</u>	<u>3,367,352</u>	<u>1,972,721</u>	<u>2,431,042</u>
	<u>\$ 11,032,088</u>	<u>\$ 5,841,786</u>	<u>\$ 2,063,858</u>	<u>\$ 3,126,444</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

DRAFT

	Total (Memorandum Only)	Washington County Rural Water #2	Washington County Rural Water #1	Non-Major Proprietary Funds
OPERATING REVENUES:				
Water sales	\$ 957,378	\$ 159,247	\$ 370,863	\$ 427,268
Customer charges and hookup fees	107,437	22,947	58,284	26,206
Miscellaneous	8,296	399	748	7,149
Total operating revenues	<u>1,073,111</u>	<u>182,593</u>	<u>429,895</u>	<u>460,623</u>
OPERATING EXPENSES:				
Repairs and maintenance	22,634	5,580	12,188	4,866
Supplies and postage	11,178	1,938	1,739	7,501
Professional services	30,859	8,343	6,153	16,363
Personnel	384,000	31,999	146,807	205,194
Telephone, utilities, and rent	24,600	-	12,941	11,659
Miscellaneous	1,665	-	283	1,382
Water purchase	292,236	19,513	164,749	107,974
Contract costs	172,595	23,337	82,050	67,208
Project construction and land	797	-	-	797
Depreciation and amortization	119,975	50,474	29,318	40,183
Vehicle expense	9,320	-	-	9,320
Indirect cost	214	-	119	95
Total operating expenses	<u>1,070,073</u>	<u>141,184</u>	<u>456,347</u>	<u>472,542</u>
OPERATING INCOME	3,038	41,409	(26,452)	(11,919)
NON-OPERATING INCOME (EXPENSE):				
Assessment revenue	85,363	-	-	85,363
Gain on Sale of Fixed Assets	15,500	-	7,750	7,750
Interest income	29,300	23,750	2,396	3,154
Interest expense	(123,286)	(102,582)	-	(20,704)
Total non-operating income (expense)	<u>6,877</u>	<u>(78,832)</u>	<u>10,146</u>	<u>75,563</u>
CHANGE IN NET ASSETS	9,915	(37,423)	(16,306)	63,644
NET POSITION - BEGINNING OF YEAR	<u>7,761,200</u>	<u>3,404,775</u>	<u>1,989,027</u>	<u>2,367,398</u>
NET POSITION - END OF YEAR	<u>\$ 7,771,115</u>	<u>\$ 3,367,352</u>	<u>\$ 1,972,721</u>	<u>\$ 2,431,042</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, 2013

DRAFT

	Total (Memorandum Only)	Washington Rural Water #2	Washington Rural Water #1	Non-Major Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,078,017	\$ 177,593	\$ 434,125	\$ 466,299
Cash paid to employees	(384,000)	(31,999)	(146,807)	(205,194)
Cash paid to suppliers	(554,484)	(49,732)	(277,846)	(226,906)
Net cash provided by operating activities	139,533	95,862	9,472	34,199
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments (purchased) proceeds	4,251	(1,442)	(1,168)	6,861
Payments from installment receivable	355,054	355,054	-	-
Interest received	29,153	23,750	2,250	3,153
Net cash provided by investing activities	388,458	377,362	1,082	10,014
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments on long-term debt	(366,432)	(345,000)	-	(21,432)
Purchases of capital assets	(407,334)	-	(44,588)	(362,746)
Payments received from capital assets sold	15,500	-	7,750	7,750
Interest paid	(123,286)	(102,582)	-	(20,704)
Interfund financing	299,745	7,113	52,665	239,967
Assessments received	85,363	-	-	85,363
Net cash provided (used) by capital and related financing activities	(496,444)	(440,469)	15,827	(71,802)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,547	32,755	26,381	(27,589)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,006,358	286,798	191,793	527,767
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,037,905</u>	<u>\$ 319,553</u>	<u>\$ 218,174</u>	<u>\$ 500,178</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS				
Operating income (loss)	\$ 3,038	\$ 41,409	\$ (26,452)	\$ (11,919)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	119,975	50,473	29,318	40,184
Changes in assets and liabilities				
(Increase) decrease in receivables	4,906	(4,999)	4,230	5,675
(Increase) decrease in due from other funds	5,561	-	4,468	1,093
(Increase) decrease in inventories	(3,534)	4,741	-	(8,275)
Increase (decrease) in accounts payable	6,677	1,307	(2,103)	7,473
Increase (decrease) in accrued expenses	2,910	2,931	11	(32)
Increase (decrease) in due to other funds	-	-	-	-
Net cash provided by operating activities	<u>\$ 139,533</u>	<u>\$ 95,862</u>	<u>\$ 9,472</u>	<u>\$ 34,199</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

DRAFT

ASSETS

Cash and cash equivalents	\$ 656,412
	<u>\$ 656,412</u>

LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable	\$ 275,995
Due to other funds	35
Deferred revenue	<u>187,500</u>
Total liabilities	463,530

NET POSITION

Held in trust for other organizations	<u>192,882</u>
	<u>\$ 656,412</u>

See Accompanying Notes to Basic Financial Statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

DRAFT

ADDITIONS	
Partnership dues	\$ 369,000
Interest	437
Total additions	<u>369,437</u>
DEDUCTIONS	
Reimbursement to Omaha	310,397
Administration fees	15,279
Miscellaneous expenses	33
Total deductions	<u>325,709</u>
CHANGE IN NET POSITION	43,728
NET POSITION - BEGINNING OF YEAR	<u>149,154</u>
NET POSITION - END OF YEAR	<u>\$ 192,882</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, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government-wide Financial Statements

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

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

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

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

- Expendable include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Nonexpendable consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purposes of producing present and future income, which may either be expended or added to principal.

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

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

PAPPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

DRAFT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Financial Statements

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

Governmental Fund

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

Proprietary Funds

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

The District reports the Washington County Rural Water System #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, CONTINUED

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, CONTINUED

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, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets

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

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

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

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

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

Compensated Absences

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

Property Taxes

Property taxes are levied by the counties on December 31 and are delinquent if not paid by March or April 1 and August or September 1 following the levy date. The seven counties located within the District collect the taxes levied by the District. The portion of the property taxes levied by the District is remitted from the counties as the taxes are collected, less a one percent commission. For fiscal year 2013, the taxes levied totaled \$17,227,389 at a tax levy rate of \$0.032753 per \$100 of valuation.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property Taxes, Continued

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

Use of Estimates

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

Allocation of Indirect Expenses/Interfund Activity

The District is responsible for paying all employee wages and vehicle and fuel expenses of the rural water district proprietary funds. The portion of these expenses directly attributable to the proprietary funds, plus a 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, 2013, was \$374,112. 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, CONTINUED

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Other Assets

In fiscal year 2010, 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 June 25, 2013 the District received a professional appraiser's report stating that the aggregate retail value of the nine lots, if sold separately, was \$690,000. 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 continues the process of selling the lots at reasonable values.

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, CONTINUED

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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, 2013:

	<u>Total</u>	<u>General Fund</u>	<u>Proprietary Funds</u>
UNRESTRICTED AND UNRESERVED:			
Checking accounts and petty cash	\$ 7,567,232	\$ 6,727,027	\$ 840,205
Cash on hand at County Treasurers	482,765	482,765	-
Certificates of deposit	<u>1,067,149</u>	<u>-</u>	<u>1,067,149</u>
Total unrestricted and unreserved cash, cash equivalents and certificates of deposit	<u>9,117,146</u>	<u>7,209,792</u>	<u>1,907,354</u>
UNRESTRICTED BUT RESERVED:			
Checking accounts	1,092,814	1,092,814	-
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>1,142,814</u>	<u>1,142,814</u>	<u>-</u>
RESTRICTED:			
Money markets and checking accounts	10,816,397	10,618,697	197,700
Money market fund	912,028	912,028	-
Certificates of deposit	<u>42,505</u>	<u>-</u>	<u>42,505</u>
Total restricted cash, cash equivalents and certificates of deposit	<u>11,770,930</u>	<u>11,530,725</u>	<u>240,205</u>
Total deposits and investments	<u>\$ 22,030,890</u>	<u>\$ 19,883,331</u>	<u>\$ 2,147,559</u>

The carrying amount of the District's deposits, including fiduciary funds, was \$21,292,393 and the bank balances were \$21,456,044 at June 30, 2013. Certificates of deposit have been included in the bank and book balances for cash. At June 30, 2013, the entire balance was covered by federal depository insurance coverage, the full faith and credit of the United States government or pledged securities held by the bank in the District's name.

Investments are stated at fair value, which at June 30, 2013 approximates cost. For fiscal year 2013, 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, 2013, the District had \$912,028 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, CONTINUED

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, 2013. The following is a summary of the reservations placed on cash and investments for the year ended June 30, 2013:

General Sinking Funds:

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

Reserved for Wetland Mitigation and the development of future wetlands.	5,435
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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).	942,151
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The Board of Directors, by resolution and in accordance with the Interlocal Cooperation Act Agreement, has reserved funds to reimburse parties to this agreement that incurred costs as a result of the removal of ice jams.	145,228
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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.	<u>11,530,725</u>
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Total general fund reserves	<u>\$ 12,673,539</u>
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Proprietary Sinking Funds:

In compliance with loan covenants for the notes described in Note 9, the Proprietary Funds have restricted \$240,205. Thurston County has restricted a certificate of deposit in the amount of \$42,505 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, CONTINUED

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, 2013, 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	\$ 22,523
General Fund	Washington Co. Rural Water #1	84,715
General Fund	Dakota County Rural Water	90,272
General Fund	Washington Co. Rural Water #2	30,065
General Fund	Elkhorn River Stabilization	2,186
General Fund	Elk/Pigeon Creek Drainage	179,284
General Fund	Western Sarpy Drainage	3,712
General Fund	Fiduciary Fund	35
		<u>\$ 412,792</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, 2013, \$2,247,143 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, 2013, the District had receivables due from the federal government in the amount of \$2,256,211.

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 \$29,445 at June 30, 2013. 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, 2013 are as follows:

2014	\$ 357,632
2015	<u>352,734</u>
Gross installment receivables	710,366
Less: unearned finance charges	<u>(29,445)</u>
Installment receivables, net	<u>\$ 680,921</u>
Current balance	\$ 339,981
Long-term balance	<u>340,940</u>
	<u>\$ 680,921</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 Position. These amounts are not reported in the governmental fund financial statements.

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2013</u>
Not depreciated				
Land	\$ 53,119,547	\$ 2,212,036	\$ -	\$ 55,331,583
Construction in progress	<u>20,330,697</u>	<u>18,042,005</u>	<u>(6,097,755)</u>	<u>32,274,947</u>
	<u>73,450,244</u>	<u>20,254,041</u>	<u>(6,097,755)</u>	<u>87,606,530</u>
Depreciated				
Capital improvements and infrastructure	113,799,860	2,861,998	-	116,661,858
Buildings and improvements	6,637,949	58,359	(45,000)	6,651,308
Vehicles and equipment	<u>3,989,912</u>	<u>356,828</u>	<u>(159,575)</u>	<u>4,187,165</u>
	124,427,721	3,277,185	(204,575)	127,500,331
Less accumulated depreciation	<u>(63,476,403)</u>	<u>(2,387,921)</u>	<u>169,203</u>	<u>(65,695,121)</u>
	<u>60,951,318</u>	<u>889,264</u>	<u>(35,372)</u>	<u>61,805,210</u>
	<u>\$ 134,401,562</u>	<u>\$ 21,143,305</u>	<u>\$ (6,133,127)</u>	<u>\$ 149,411,740</u>

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

General administration	\$ 340,586
Recreation	290,383
Flood control	<u>1,756,952</u>
Total depreciation expense	<u>\$ 2,387,921</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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8. CAPITAL ASSETS, CONTINUED

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

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Not depreciated				
Land	\$ 3,000	\$ 211,215	\$ -	\$ 214,215
Depreciated				
Capital improvements and infrastructure	9,458,024	109,775	-	9,567,799
Vehicles and equipment	66,401	86,345	(30,665)	122,081
	9,524,425	196,120	(30,665)	9,689,880
Less accumulated depreciation	(1,767,566)	(119,974)	30,665	(1,856,875)
	7,756,859	76,146	-	7,833,005
	\$ 7,759,859	\$ 287,361	\$ -	\$ 8,047,220

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, 2013. In the government-wide financial statements, this amount is included in the Statement of Net Position. This amount is not reported in the governmental fund statements.

<u>Fund</u>	<u>Series</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>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%	\$12,305,000
General		March 2016	Semi-Annual	\$352,000 to \$408,000	3.69%	1,182,897
General		December 2032	Annually	\$45,000 to \$295,000	2.00% to 4.00%	15,600,000
General		December 2013	Monthly		5.80% to 5.96%	11,872
General		December 2014	Annually		5.90%	84,477
General		August 2016	Annually		3.20%	95,425
						<u>\$29,279,671</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:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Flood Protection and Water Quality Enhancement Bonds	\$12,815,000	\$ -	\$ (510,000)	\$ 12,305,000	\$ 530,000
Flood Protection and Water Quality Enhancement Bonds		15,600,000		15,600,000	400,000
Note Payable American National Bank	1,548,861	-	(365,964)	1,182,897	379,784
Capital Lease Dell Financial	36,775	-	(24,903)	11,872	11,872
CAT Financial	125,279	-	(29,854)	95,425	30,811
Wise Truck	-	134,957	(50,480)	84,477	45,427
Total	<u>\$14,525,915</u>	<u>\$15,734,957</u>	<u>\$ (981,201)</u>	<u>\$ 29,279,671</u>	<u>\$1,397,894</u>

During the 2013 fiscal year the District approved the issuance of \$42,600,000 of Flood Control and Water Quality Enhancement Bonds for the Papio Dam Site 15A project. The bonds will be issued subsequent to year end.

Proprietary Funds Long-term Debt:

Fund	Series	Due Date	Principal Payable	Payment Ranges	Interest Rates	Principal Balance
Washington Rural Water #2	2011A	June 2032	Annual	\$45,000 to \$295,000	1.00%- 5.00%	\$ 1,835,000
Washington Rural Water #2	2011B	June 2014	Annual	\$50,000 to \$600,000	5.25%	600,000
Thurston Rural Water	1982	December 2022	Annual	Based on water fees	5.00%	183,793
Thurston Rural Water	1993	February 2033	Annual	Based on water fees	5.63%	188,151
Total long-term debt						2,806,944
Less portion due within one year						917,520
Long-term portion						<u>\$ 1,889,424</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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9. LONG-TERM LIABILITIES, CONTINUED

Proprietary Funds Long-term Debt, Continued:

Business-type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Water Project Refunding Revenue Bonds-2011A	\$ 2,130,000	\$ -	\$ 295,000	\$ 1,835,000	\$ 295,000
Water Project Refunding Revenue Bonds-2011B	650,000	-	50,000	600,000	600,000
Notes Payable					
Capmark Finance	200,117	-	16,324	183,793	17,140
Rural Economic and Community Development	<u>193,259</u>	<u>-</u>	<u>5,108</u>	<u>188,151</u>	<u>5,380</u>
Business-type Activities Long-term Liabilities	<u>\$ 3,173,376</u>	<u>\$ -</u>	<u>\$ 366,432</u>	<u>\$ 2,806,944</u>	<u>\$ 917,520</u>

The annual principal and interest requirements to maturity for long-term debt as of June 30, 2013 are as follows:

Year(s) ending June 30,	General Fund		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,397,894	\$ 1,332,517	\$ 917,520	\$ 114,619	\$ 2,315,414	\$ 1,447,136
2015	1,589,974	1,118,531	318,679	77,387	1,908,653	1,195,918
2016	1,626,802	1,072,072	69,898	70,710	1,696,700	1,142,782
2017	1,175,001	1,023,827	71,180	68,168	1,246,181	1,091,995
2018	1,210,000	979,746	77,529	65,559	1,287,529	1,045,305
2019-2023	6,680,000	3,890,411	393,647	280,602	7,073,647	4,171,013
2024-2028	8,005,000	2,475,801	377,017	200,843	8,382,017	2,676,644
2029-2033	<u>7,595,000</u>	<u>639,672</u>	<u>581,474</u>	<u>91,678</u>	<u>8,176,474</u>	<u>731,350</u>
	<u>\$ 29,279,671</u>	<u>\$ 12,532,577</u>	<u>\$ 2,806,944</u>	<u>\$ 969,566</u>	<u>\$ 32,086,615</u>	<u>\$ 13,502,143</u>

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, 2013 as follows:

Nonspendable			
Prepaid expenses		\$	266,130
Restricted			
Bond escrow	\$ 11,530,725		
Federal programs	<u>2,256,211</u>		
Total restricted			13,786,936
Committed			
Wetland mitigation	\$ 5,435		
Watershed fees	942,151		
Ice jam	<u>145,228</u>		
Total committed			1,092,814
Assigned			
Uninsured liability			50,000
Unassigned			<u>13,529,210</u>
Total fund balance		\$	<u>28,725,090</u>

11. ACCUMULATED UNPAID ANNUAL LEAVE AND SICK PAY

The estimated current portion of the liability for vested vacation benefits and sick leave is \$130,283 and \$28,581 at June 30, 2013, 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 \$205,746 and \$283,937, respectively, at June 30, 2013. These amounts are recorded as non-current liabilities in the government-wide Statement of Net Position and are not recorded in the governmental fund financial statements. The amount of unvested sick leave benefits payable amounts to \$925,051 at June 30, 2013, and is not reported as an expenditure or liability in any of the District's June 30, 2013 financial statements.

The change in compensated absences for the year ended June 30, 2013 was as follows:

Governmental-type Activity:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 639,677	\$ 8,870	\$ -	\$ 648,547	\$ 158,864

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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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 2013, 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>
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, 2013 were \$184,757, 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 \$16,429,700. 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, 2013.

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

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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, 2013, 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, 2013. The District did not pay any settlement amounts, which exceeded its insurance coverage for the year ending June 30, 2013, 2012 or 2011.

17. LINE OF CREDIT

On February 28, 2013 the District entered into a line of credit agreement in the amount of \$3,000,000 with a local bank, which expires on March 15, 2014. The note is collateralized by all District assets. The line bears interest at a rate in line with the U.S. prime index. At June 30, 2013 the District had an outstanding amount of \$0 on the line of credit.

18. PRIOR PERIOD ADJUSTMENT

The District has made a prior period adjustment on its government wide financial statements for \$1,023,721 to reduce construction in progress for amounts contributed to construction of the South Omaha Trail, which will be owned and maintained by the City of Omaha and not the District. On the prior year financial statements this amount was recorded as construction in progress on the Statement of Net Assets. This adjustment had no impact on the fund financial statements.

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, 2013

	Actual	Budget		Variance Favorable (Unfavorable)
		Original	Final	
REVENUES				
General administration	\$ 18,012,932	\$ 19,103,864	\$ 19,103,864	\$ (1,090,932)
Watershed	16,535,328	39,253,991	39,253,991	(22,718,663)
Information and education	8,130	18,000	18,000	(9,870)
Flood control	897,942	3,753,639	3,753,639	(2,855,697)
Erosion control	1,870,281	7,083,423	7,083,423	(5,213,142)
Water quality	79,670	81,415	81,415	(1,745)
Recreation	124,817	2,661,853	2,661,853	(2,537,036)
Forestry and wildlife	43	22,015	22,015	(21,972)
Total revenues	<u>37,529,143</u>	<u>71,978,200</u>	<u>71,978,200</u>	<u>(34,449,057)</u>
EXPENDITURES				
General administration	6,474,780	7,908,915	7,908,915	1,434,135
Watershed	10,426,570	42,902,000	42,902,000	32,475,430
Information and education	199,531	295,800	295,800	96,269
Flood control	3,506,351	8,280,759	8,280,759	4,774,408
Erosion control	7,989,135	12,329,972	12,329,972	4,340,837
Water quality	469,475	776,300	776,300	306,825
Recreation	2,084,156	8,961,312	8,961,312	6,877,156
Forestry and wildlife	334,084	1,765,500	1,765,500	1,431,416
Total expenditures	<u>31,484,082</u>	<u>83,220,558</u>	<u>83,220,558</u>	<u>51,736,476</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS) AND OTHER SOURCES	6,045,061	<u>\$ (11,242,358)</u>	<u>\$ (11,242,358)</u>	<u>\$ 17,287,419</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To adjust revenues for accruals	1,568,650			
To adjust expenditures for accruals and prepaids	<u>164,318</u>			
(US GAAP BASIS) AND OTHER SOURCES	<u>\$ 7,778,029</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, 2013**

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NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – BUDGET LAW

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF FUNCTIONAL REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	
Property tax	\$ 17,376,433
State grants	2,499,530
Federal grants	1,265,462
Local agency grants	1,178,575
Bond proceeds	15,838,629
Miscellaneous	576,555
Rental income	210,944
Interest income	12,397
Total revenues	<u>38,958,525</u>
EXPENDITURES	
Project construction and land	16,199,084
Special projects	84,656
Personnel	3,250,968
Professional services	2,796,163
Contract works	650,757
Cost-sharing and conservation assistance program	3,530,471
Employee benefits	856,848
Repairs and maintenance	234,290
Fees	230,542
Project legal costs	142,061
Information and education	101,758
Payroll taxes	246,769
Machinery and equipment	250,946
Insurance	276,733
Interest expense	624,421
Project operation and maintenance	305,206
Telephone, utilities, and rent	172,529
Miscellaneous	7,985
Vehicle expense	290,155
Vehicles	16,411
Travel	44,266
Printing and publications	52,184
Board of directors	63,284
Supplies and postage	155,157
Write down of assets held for sale	95,000
Indirect cost reimbursement	(374,112)
Debt service	875,964
Total expenditures	<u>31,180,496</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	7,778,029
FUND BALANCE - BEGINNING OF YEAR	<u>20,947,061</u>
FUND BALANCE - END OF YEAR	<u>\$ 28,725,090</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
ACTUAL AND BUDGET
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Total (Memorandum Only)			Washington Rural Water #2			Washington Rural Water #1			Non-Major Proprietary Funds		
	Budget			Budget			Budget			Budget		
	Actual	Original	Final	Actual	Original	Final	Actual	Original	Final	Actual	Original	Final
OPERATING REVENUES:												
Water sales	\$ 957,378	\$ 559,000	\$ 559,000	\$ 159,247	\$ 129,000	\$ 129,000	\$ 370,863	\$ 315,000	\$ 315,000	\$ 427,268	\$ 430,000	\$ 430,000
Customer charges and hookup fees	107,437	41,475	41,475	22,947	19,250	19,250	58,284	32,500	32,500	26,206	22,225	22,225
Miscellaneous	8,296	1,700	1,700	399	200	200	748	500	500	7,149	1,500	1,500
Total operating revenues	1,073,111	602,175	602,175	182,593	148,450	148,450	429,895	348,000	348,000	460,623	453,725	453,725
OPERATING EXPENSES:												
Repairs and maintenance	22,634	14,100	14,100	5,580	6,900	6,900	12,188	14,000	14,000	4,866	7,200	7,200
Supplies and postage	11,178	10,190	10,190	1,938	1,140	1,140	1,739	3,700	3,700	7,501	9,050	9,050
Professional services	30,859	37,300	37,300	8,343	5,500	5,500	6,153	15,500	15,500	16,363	31,800	31,800
Personnel	384,000	252,000	252,000	31,999	35,000	35,000	146,807	127,000	127,000	205,194	217,000	217,000
Insurance	-	-	-	-	-	-	-	-	-	-	-	-
Telephone, utilities, and rent	24,600	10,700	10,700	-	-	-	12,941	12,400	12,400	11,659	10,700	10,700
Miscellaneous	1,665	5,775	5,775	-	2,850	2,850	283	5,850	5,850	1,382	2,925	2,925
Water purchase	292,236	131,000	131,000	19,513	23,000	23,000	164,749	115,000	115,000	107,974	108,000	108,000
Contract costs	172,595	212,500	212,500	23,337	27,000	27,000	82,050	115,000	115,000	67,208	185,500	185,500
Project construction and land	797	1,850	1,850	-	50	50	-	100	100	797	1,800	1,800
Project operation and maintenance	-	6,500	6,500	-	-	-	-	-	-	-	6,500	6,500
Depreciation and amortization	119,975	-	-	50,474	-	-	29,318	-	-	40,183	-	-
Vehicle expense	9,320	8,500	8,500	-	-	-	-	-	-	9,320	8,500	8,500
Bond expenditures	-	-	-	-	-	-	-	-	-	-	-	-
Indirect cost	214	1,250	1,250	-	100	100	119	900	900	95	1,150	1,150
Total operating expense	1,070,073	691,665	691,665	141,184	101,540	101,540	456,347	409,450	409,450	472,542	590,125	590,125
OPERATING INCOME (LOSS)	3,038	(89,490)	(89,490)	41,409	46,910	46,910	(26,452)	(61,450)	(61,450)	(11,919)	(136,400)	(136,400)
NON-OPERATING INCOME (EXPENSE):												
Assessment revenue	85,363	78,500	78,500	-	-	-	-	-	-	85,363	78,500	78,500
Gain on sale of fixed asset	15,500	-	-	-	-	-	7,750	-	-	7,750	-	-
Interest income	29,300	6,870	6,870	23,750	1,500	1,500	2,396	2,500	2,500	3,154	5,370	5,370
Interest expense	(123,286)	(112,510)	(112,510)	(102,582)	(101,010)	(101,010)	-	-	-	(20,704)	(11,500)	(11,500)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Total non-operating income (expense)	6,877	(27,140)	(27,140)	(78,832)	(99,510)	(99,510)	10,146	2,500	2,500	75,563	72,370	72,370
CHANGE IN NET POSITION	9,915	<u>\$ (116,630)</u>	<u>\$ (116,630)</u>	(37,423)	<u>\$ (52,600)</u>	<u>\$ (52,600)</u>	(16,306)	<u>\$ (58,950)</u>	<u>\$ (58,950)</u>	63,644	<u>\$ (64,030)</u>	<u>\$ (64,030)</u>
NET POSITION - BEGINNING OF YEAR	7,761,200			3,404,775			1,989,027			2,367,398		
NET POSITION - END OF YEAR	<u>\$ 7,771,115</u>			<u>\$ 3,367,352</u>			<u>\$ 1,972,721</u>			<u>\$ 2,431,042</u>		

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

COMBINING STATEMENT OF NET POSITION
NON-MAJOR - PROPRIETARY FUNDS
JUNE 30, 2013

ASSETS	Total	Elkhorn River Stabilization	Elk/Pigeon Creek Drainage	Western Sarpy Drainage	Elkhorn Breakout	Dakota Rural Water	Thurston County Rural Water
CURRENT ASSETS							
Cash and cash equivalents	\$ 500,178	\$ 119,877	\$ 30,069	\$ 139,119	\$ 6,609	\$ 159,714	\$ 44,790
Certificates of deposit	366,144	-	-	-	-	366,144	-
Service receivables	41,131	-	-	-	95	30,232	10,804
Interest receivable	1,422	-	-	-	-	1,360	62
Due from other funds	-	-	-	-	-	-	-
Current portion of installment receivable	-	-	-	-	-	-	-
Inventories	36,118	-	-	-	-	31,157	4,961
Total current assets	944,993	119,877	30,069	139,119	6,704	588,607	60,617
NONCURRENT ASSETS							
Reserved cash and cash equivalents	-	-	-	-	-	-	-
Restricted certificates of deposit	42,505	-	-	-	-	-	42,505
Installment receivable, less current portion	-	-	-	-	-	-	-
Capital assets	-	-	-	-	-	-	-
Land	213,215	-	211,215	-	-	1,000	1,000
Capital improvements and infrastructure	2,729,992	-	-	-	-	1,771,117	958,875
Vehicles and equipment	57,459	-	-	-	-	57,459	-
Accumulated depreciation	(861,720)	-	-	-	-	(576,839)	(284,881)
Total capital assets	2,138,946	-	211,215	-	-	1,252,737	674,994
Total noncurrent assets	2,181,451	-	211,215	-	-	1,252,737	717,499
	<u>\$ 3,126,444</u>	<u>\$ 119,877</u>	<u>\$ 241,284</u>	<u>\$ 139,119</u>	<u>\$ 6,704</u>	<u>\$ 1,841,344</u>	<u>\$ 778,116</u>
LIABILITIES AND NET POSITION							
CURRENT LIABILITIES							
Accounts payable	\$ 22,925	\$ -	\$ -	\$ -	\$ -	\$ 19,529	\$ 3,396
Accrued expenses	2,557	-	-	-	-	1,590	967
Due to other funds	297,976	2,187	179,282	3,712	-	90,272	22,523
Current portion of long-term debt	22,520	-	-	-	-	-	22,520
Total current liabilities	345,978	2,187	179,282	3,712	-	111,391	49,406
NONCURRENT LIABILITIES							
Long-term debt, less current portion	349,424	-	-	-	-	-	349,424
Total liabilities	695,402	2,187	179,282	3,712	-	111,391	398,830
NET POSITION							
Invested in capital assets, net of related debt	1,767,002	-	211,215	-	-	1,252,737	303,050
Restricted	42,505	-	-	-	-	-	42,505
Unrestricted	621,535	117,690	(149,213)	135,407	6,704	477,216	33,731
Total net position	2,431,042	117,690	62,002	135,407	6,704	1,729,953	379,286
	<u>\$ 3,126,444</u>	<u>\$ 119,877</u>	<u>\$ 241,284</u>	<u>\$ 139,119</u>	<u>\$ 6,704</u>	<u>\$ 1,841,344</u>	<u>\$ 778,116</u>

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
NON-MAJOR - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Total			Elkhorn River Stabilization			Elk/Pigeon Creek Drainage		
	Actual	Budget Original	Budget Final	Actual	Budget Original	Budget Final	Actual	Budget Original	Budget Final
OPERATING REVENUES									
Water sales	\$ 427,268	\$ 430,000	\$ 430,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	26,206	22,225	22,225	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-
Miscellaneous	7,149	1,500	1,500	-	-	-	-	-	-
Total operating revenues	460,623	453,725	453,725	-	-	-	-	-	-
OPERATING EXPENSES									
Repairs and maintenance	4,866	7,200	7,200	-	-	-	-	-	-
Supplies and postage	7,501	9,050	9,050	-	-	-	-	-	-
Professional services	16,363	31,800	31,800	-	5,000	5,000	-	-	-
Personnel	205,194	217,000	217,000	2,187	7,000	7,000	6,128	6,000	6,000
Insurance	-	-	-	-	-	-	-	-	-
Telephone, utilities, and rent	11,659	10,700	10,700	-	-	-	-	-	-
Miscellaneous	1,382	2,925	2,925	-	-	-	-	-	-
Water purchase	107,974	108,000	108,000	-	-	-	-	-	-
Contract costs	67,208	185,500	185,500	-	-	-	-	8,000	8,000
Project construction and land	797	1,800	1,800	-	-	-	-	-	-
Project operation and maintenance	-	6,500	6,500	-	5,000	5,000	-	500	500
Depreciation and amortization	40,183	-	-	-	-	-	-	-	-
Vehicle expense	9,320	8,500	8,500	-	-	-	-	-	-
Bond expenditures	-	-	-	-	-	-	-	-	-
Indirect cost	95	1,150	1,150	-	-	-	-	-	-
Total operating expenses	472,542	590,125	590,125	2,187	17,000	17,000	6,128	14,500	14,500
OPERATING INCOME (LOSS)	(11,919)	(136,400)	(136,400)	(2,187)	(17,000)	(17,000)	(6,128)	(14,500)	(14,500)
NON-OPERATING INCOME (EXPENSE)									
Assessment revenue	85,363	78,500	78,500	22,676	15,000	15,000	44,469	45,000	45,000
Gain on sale of fixed asset	7,750	-	-	-	-	-	-	-	-
Interest income	3,154	5,370	5,370	121	500	500	38	50	50
Interest expense	(20,704)	(11,500)	(11,500)	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Total non-operating income (expense)	75,563	72,370	72,370	22,797	15,500	15,500	44,507	45,050	45,050
CHANGE IN NET POSITION	63,644	\$ (64,030)	\$ (64,030)	20,610	\$ (1,500)	\$ (1,500)	38,379	\$ 30,550	\$ 30,550
NET POSITION - BEGINNING OF YEAR	2,367,398			97,080			23,623		
NET POSITION - END OF YEAR	\$ 2,431,042			\$ 117,690			\$ 62,002		

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
NON-MAJOR - PROPRIETARY FUNDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

	Western Sarpy Drainage			Elkhorn Breakout			Dakota Rural Water		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES									
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318,613	\$ 315,000	\$ 315,000
Customer charges and hookup fees	-	-	-	-	-	-	14,380	18,900	18,900
Miscellaneous	-	-	-	-	-	-	1,332	1,000	1,000
Total operating revenues	-	-	-	-	-	-	334,325	334,900	334,900
OPERATING EXPENSES									
Repairs and maintenance	-	-	-	-	-	-	4,717	6,000	6,000
Supplies and postage	-	-	-	-	-	-	6,270	8,000	8,000
Professional services	-	5,000	5,000	-	-	-	12,430	16,000	16,000
Personnel	3,712	30,000	30,000	-	-	-	165,166	140,000	140,000
Insurance	-	-	-	-	-	-	-	-	-
Telephone, utilities, and rent	-	-	-	-	-	-	4,738	4,750	4,750
Miscellaneous	-	-	-	-	-	-	1,186	1,950	1,950
Water purchase	-	-	-	-	-	-	73,867	78,000	78,000
Contract costs	-	6,000	6,000	-	-	-	53,558	162,000	162,000
Project construction and land	-	1,000	1,000	-	-	-	797	800	800
Project operation and maintenance	-	1,000	1,000	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	30,578	-	-
Vehicle expense	-	-	-	-	-	-	9,320	8,500	8,500
Bond expenditures	-	-	-	-	-	-	-	-	-
Indirect cost	-	-	-	-	-	-	95	650	650
Total operating expenses	3,712	43,000	43,000	-	-	-	362,722	426,650	426,650
OPERATING INCOME (LOSS)	(3,712)	(43,000)	(43,000)	-	-	-	(28,397)	(91,750)	(91,750)
NON-OPERATING INCOME (EXPENSE)									
Assessment revenue	18,218	18,500	18,500	-	-	-	-	-	-
Gain on Sale of Fixed Asset	-	-	-	-	-	-	7,750	-	-
Interest income	150	300	300	8	20	20	2,777	4,000	4,000
Interest expense	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Total non-operating income (expense)	18,368	18,800	18,800	8	20	20	10,527	4,000	4,000
CHANGE IN NET POSITION	14,656	<u>\$ (24,200)</u>	<u>\$ (24,200)</u>	8	<u>\$ 20</u>	<u>\$ 20</u>	(17,870)	<u>\$ (87,750)</u>	<u>\$ (87,750)</u>
NET POSITION - BEGINNING OF YEAR	120,751			6,696			1,747,823		
NET POSITION - END OF YEAR	<u>\$ 135,407</u>			<u>\$ 6,704</u>			<u>\$ 1,729,953</u>		

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
NON-MAJOR - PROPRIETARY FUNDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

	Thurston County Rural Water		
	Actual	Budget	
		Original	Final
OPERATING REVENUES			
Water sales	\$ 108,655	\$ 115,000	\$ 115,000
Customer charges and hookup fees	11,826	3,325	3,325
Miscellaneous	5,817	500	500
Total operating revenues	<u>126,298</u>	<u>118,825</u>	<u>118,825</u>
OPERATING EXPENSES			
Repairs and maintenance	149	1,200	1,200
Supplies and Postage	1,231	1,050	1,050
Professional services	3,933	5,800	5,800
Personnel	28,001	34,000	34,000
Telephone, utilities, and rent	6,921	5,950	5,950
Miscellaneous	196	975	975
Water purchase	34,107	30,000	30,000
Contract costs	13,650	9,500	9,500
Project construction and land	-	-	-
Project operation and maintenance	-	-	-
Depreciation and amortization	9,605	-	-
Vehicle expense	-	-	-
Bond expenditures	-	-	-
Indirect cost	-	500	500
Total operating expenses	<u>97,793</u>	<u>88,975</u>	<u>88,975</u>
OPERATING INCOME (LOSS)	<u>28,505</u>	<u>29,850</u>	<u>29,850</u>
NON-OPERATING INCOME (EXPENSE)			
Assessment revenue	-	-	-
Interest income	60	500	500
Interest expense	(20,704)	(11,500)	(11,500)
Transfers	-	-	-
Total non-operating income (expense)	<u>(20,644)</u>	<u>(11,000)</u>	<u>(11,000)</u>
CHANGE IN NET POSITION	7,861	<u>\$ 18,850</u>	<u>\$ 18,850</u>
NET POSITION - BEGINNING OF YEAR	<u>371,425</u>		
NET POSITION - END OF YEAR	<u>\$ 379,286</u>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF CERTIFICATE OF DEPOSIT
GOVERNMENTAL FUND
JUNE 30, 2013

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	<u>Cost</u>	<u>Interest Rate</u>
General fund		
Certificate of deposit		
Great Western Bank	<u>\$ 50,000</u>	0.25%
General fund - unrestricted, but reserved investments	<u><u>\$ 50,000</u></u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF CERTIFICATES OF DEPOSIT
PROPRIETARY FUNDS
JUNE 30, 2013**

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary funds		
Certificates of deposit		
Dakota County		
Access Bank	\$ 100,122	0.50%
Nebraska-Iowa State Bank	66,000	0.35%
Siouxland National Bank	100,000	0.60%
Great Western Bank	100,022	0.15%
	<u>366,144</u>	
Washington County #1		
American National Bank	200,000	0.24%
Centennial Bank	100,000	0.40%
United Republic Bank	100,603	0.40%
United Republic Bank	100,565	0.75%
	<u>501,168</u>	
Thurston County		
Premier Bank	42,505	0.50%
	<u>42,505</u>	
Washington County #2		
Premier Bank	199,837	0.50%
	<u>199,837</u>	
Total	<u>\$ 1,109,654</u>	

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**SCHEDULE OF INSURANCE POLICIES AND BONDS
JUNE 30, 2013**

REAL AND PERSONAL PROPERTY

Real & Personal property; total limit \$15,288,732; deductible/\$5,000; Equipment Floater/\$184,708 on Miscellaneous Equipment with \$10,000 max on any one item; Scheduled Equipment \$1,583,190 with deductible/\$5,000; Flood coverage/\$1,000,000 with deductible/\$5,000; Earthquake and earth movement limit/\$1,000,000 with deductible/\$5,000.

GENERAL LIABILITY

Medical payments/\$10,000; Personal injury and advertising injury/\$1,000,000; Wrongful acts/\$1,000,000 with deductible/\$10,000; Employee benefits liability/\$1,000,000; Professional liability/\$1,000,000; Employment-related practices injury/\$1,000,000 with deductible/\$10,000; Damage to premises rented to you/\$1,000,000; bodily injury and property damage \$1,000,000 per occurrence, \$3,000,000 general aggregate.

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, 2013

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COUNTY

Douglas	\$ 4,202,810
Sarpy	2,635,262
Washington	452,555
Dakota	359,525
Burt	57,642
Thurston	50,334
Dodge	<u>184</u>
	<u>\$ 7,758,312</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF CASH BALANCES HELD BY COUNTY TREASURERS
JUNE 30, 2013

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GENERAL FUND

Douglas	\$	367,557
Sarpy		98,519
Washington		9,360
Dakota		3,825
Burt		1,893
Thurston		549
Dodge		<u>1,062</u>
	\$	<u><u>482,765</u></u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

INFORMATION REQUIRED BY SECTION 2-3223, N.R.S - 1943

FOR THE YEAR ENDED JUNE 30, 2013

Gross income from all sources	<u><u>\$ 23,985,289</u></u>
Amount expended for	
Maintenance	\$ 2,653,355
Improvements and other such programs	<u>17,840,806</u>
Total maintenance and improvements	<u><u>\$ 20,494,161</u></u>
Amount of depreciation on property during previous year	<u><u>\$ 2,507,895</u></u>
Number of employees as of June 30, 2013	<u><u>58</u></u>
Gross salaries	\$ 3,250,968
Less amount reimbursed by projects	<u>(383,973)</u>
Net salaries paid to employees	<u><u>\$ 2,866,995</u></u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Program	Pass-through Grantor's Number	Federal CFDA Number	Contract Amount	Expenditures
U.S. Department of Agriculture - Natural Resource Conservation Service				
Watershed Protection and Flood Prevention	69-6526-2-811	10.904	\$ 53,559	\$ 53,559
Emergency Watershed Protection Program	69-6526-2-812	10.923	865,000	61,423
U.S. Department of Homeland Security				
Passed through the Nebraska Energy Management Agency				
Disaster Grants-Public Assistance**	FEMA-1924-DR-NE	97.036	607,234	223,446
U.S. Environmental Protection Agency				
Passed through the Nebraska Department of Environmental Quality				
Nonpoint Source Implementation Grants 319 Program	56-1084	66.46	120,000	104,217
Passed through the Nebraska Game and Parks				
Sport Fish Restoration Program	F-194-DB-1	15.605	825,000	809,000
Sport Fish Restoration Program	F-186-B-1	15.605	500,000	140,428
Total				<u>\$ 1,392,073</u>

** Major program

See Notes to the Schedule of Expenditures of Federal Awards.

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

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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.

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November 5, 2013

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Papio-Missouri River Natural Resources District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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


HSMC ORIZON LLC

CONFIDENTIAL

November 5, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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 District's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HSMC ORIZON LLC

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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): None Reported

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): None Reported

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 Sport Fish Restoration Program (CFDA No. 15.605).
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, 2013

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SECTION 2. FINDINGS – FINANCIAL STATEMENT AUDIT

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, 2013**

FINANCIAL STATEMENT AUDIT

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

MAJOR FEDERAL AWARD PROGRAM AUDIT

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