

MEMORANDUM

To: Finance, Expenditures and Legal Subcommittee

Subject: FY 2009 Audit

Date: November 5, 2009

From: Carey Fry, District Accountant

Attached is the Draft FY 2009 Audit and Management Letter, prepared by Bland Associates, for your review.

The draft audit will be discussed at the November 10th FEL meeting. The audit will be brought back for action at the December 8th FEL meeting and final approval at the December 10th Board meeting.

Papio-Missouri River Natural Resources District

FINANCIAL REPORT

Management's Discussion and Analysis

**Financial Statements
with
Supplemental Information
and
Accompanying Independent Auditors' Reports**

Year ended June 30, 2009

DRAFT

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**FINANCIAL STATEMENTS
WITH
SUPPLEMENTAL INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS**

YEAR ENDED JUNE 30, 2009

DRAFT

**BLAND & ASSOCIATES, P.C.
Certified Public Accountants**

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**INDEPENDENT AUDITORS' REPORT ON FINANCIAL
STATEMENTS AND SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

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**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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), a political subdivision of the State of Nebraska, as of and for the year ended June 30, 2009, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements of the District 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 and for the year ended June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the budgetary comparison information are not a required part of the financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplemental information on pages 34 through 47 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards on page 46 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 financial statements. Such

**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October XX, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Omaha, Nebraska
October XX, 2009

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**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

EXHIBIT A

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 24,299,075	\$ 1,412,575	\$ 25,711,650
Cash on deposit with County Treasurers	322,407	-	322,407
Certificates of deposit	50,000	857,689	907,689
Taxes receivable	8,546,300	-	8,546,300
Service receivables	17,091	75,135	92,226
Assessments receivable	-	95	95
Interest receivable	125	8,699	8,824
Papillion Creek Watershed Partnership receivable	87,917	-	87,917
Due from funding agency	380,543	-	380,543
Internal balances	77,199	11,074	88,273
Inventories	-	54,037	54,037
Total current assets	<u>33,780,657</u>	<u>2,419,304</u>	<u>36,199,961</u>
NONCURRENT ASSETS			
Restricted certificates of deposit	-	513,056	513,056
Receivable from developer (\$400,000 non-interest bearing)	580,000	-	580,000
Accrued interest - receivable from developer	42,975	-	42,975
Unamortized discount - receivable from developer	(42,482)	-	(42,482)
Capital assets			
Land	26,622,317	3,000	26,625,317
Capital improvements and infrastructure	104,077,805	9,452,803	113,530,608
Buildings and improvements	4,244,434	-	4,244,434
Vehicles and equipment	4,541,581	82,289	4,623,870
Accumulated depreciation	(58,610,885)	(1,460,176)	(60,071,061)
Total capital assets	<u>80,875,252</u>	<u>8,077,916</u>	<u>88,953,168</u>
Total noncurrent assets	<u>81,455,745</u>	<u>8,590,972</u>	<u>90,046,717</u>
	<u>\$ 115,236,402</u>	<u>\$ 11,010,276</u>	<u>\$ 126,246,678</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 11,813	\$ 36,301	\$ 1,148,114
Accrued salaries and payroll withholdings	18,169	-	18,169
Accrued expenses	26,939	14,943	41,882
Internal balances	11,074	77,199	88,273
Current portion of long-term debt	-	360,790	360,790
Current portion of accrued compensated absences	262,061	-	262,061
Total current liabilities	<u>1,430,056</u>	<u>489,233</u>	<u>1,919,289</u>
LONG-TERM LIABILITIES			
Long-term debt, net of current portion	-	4,500,441	4,500,441
Accrued compensated absences, net of current portion	323,031	-	323,031
Total long-term liabilities	<u>323,031</u>	<u>4,500,441</u>	<u>4,823,472</u>
Total liabilities	<u>1,753,087</u>	<u>4,989,674</u>	<u>6,742,761</u>
COMMITMENTS AND CONTINGENCIES			
NET ASSETS			
Invested in capital assets, net of related debt	80,875,252	3,216,885	84,091,937
Restricted	-	513,056	513,056
Unrestricted	32,608,063	2,290,861	34,898,924
Total net assets	<u>113,483,315</u>	<u>6,020,602</u>	<u>119,503,917</u>
	<u>\$ 115,236,402</u>	<u>\$ 11,010,276</u>	<u>\$ 126,246,678</u>

The accompanying notes to financial statements
are an integral part of these statements

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES							
General administration	\$ 4,961,880	\$ 180,274	\$ 876,778	\$ -	\$ (3,904,828)	\$ -	\$ (3,904,828)
Information and education	274,523	-	-	-	(274,523)	-	(274,523)
Flood prevention	6,057,519	20,000	823,736	-	(5,213,783)	-	(5,213,783)
Erosion control	1,037,525	-	-	-	(1,037,525)	-	(1,037,525)
Water quality	925,810	-	53,840	-	(871,970)	-	(871,970)
Recreation	1,344,787	134,381	3,048	-	(1,207,358)	-	(1,207,358)
Forestry and wildlife	1,993,987	-	1,413,412	-	(580,575)	-	(580,575)
Capital improvements	124,627	-	-	-	(124,627)	-	(124,627)
Unallocated depreciation	206,709	-	-	-	(206,709)	-	(206,709)
	16,927,367	334,655	3,170,814	-	(13,421,898)	-	(13,421,898)
BUSINESS-TYPE ACTIVITIES							
Dakota County Rural Water	282,216	309,855	-	-	-	27,639	27,639
Thurston County Rural Water	80,909	104,410	-	-	-	23,501	23,501
Washington County Rural Water #1	327,294	366,482	-	-	-	39,198	39,198
Washington County Rural Water #2	334,549	594,967	-	-	-	260,418	260,418
Non-Major Proprietary Funds	285,808	112,458	-	-	-	(153,350)	(153,350)
	1,290,776	1,488,182	-	-	-	197,406	197,406
	\$ 18,218,143	\$ 1,822,837	\$ 3,170,814	\$ -	(13,421,898)	197,406	(13,224,492)
GENERAL REVENUES							
Property taxes					16,594,345	-	16,594,345
Assessment income					-	68,003	68,003
Interest income					-	57,265	57,265
					16,594,345	125,268	16,719,613
CHANGE IN NET ASSETS					3,172,447	322,674	3,495,121
NET ASSETS - BEGINNING OF YEAR					110,310,868	5,697,928	116,008,796
NET ASSETS - END OF YEAR					\$ 113,483,315	\$ 6,020,602	\$ 119,503,917

The accompanying notes to financial statements are an integral part of these statements

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
 June 30, 2009

ASSETS	General Fund
Cash and cash equivalents	\$ 24,299,075
Cash on deposit with County Treasurers	322,407
Certificates of deposit	50,000
Receivables	
Taxes	8,546,300
Services	17,091
Interest	125
Papillion Creek Watershed Partnership	87,917
Due from	
Funding agency	380,543
Other funds	77,199
	<u>\$ 33,780,657</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 1,111,813
Accrued salaries and payroll withholdings	18,169
Accrued expenses	289,000
Internal balances	11,074
Deferred revenue	3,854,876
Total liabilities	<u>5,284,932</u>
FUND BALANCE	
Fund balance	
Reserved	248,646
Sinking fund	59,650
Unreserved	28,187,429
Total fund balance	<u>28,495,725</u>
	<u>\$ 33,780,657</u>

The accompanying notes to financial statements
are an integral part of these statements

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 June 30, 2009

Total Fund Balances - Governmental Funds		\$ 28,495,725
Amounts reported for governmental activities in the statement of net assets are different because:		
Other long-term assets:		
Receivable from developer - Dial Realty	\$ 580,000	
Unamortized discount - receivable from developer	(42,482)	
Accrued interest receivable	<u>42,975</u>	
		580,493
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements:		
Land and infrastructure	\$ 26,622,317	
Capital improvements	104,077,805	
Buildings and improvements	4,244,434	
Vehicles and equipment	4,541,581	
Accumulated depreciation	<u>(58,610,885)</u>	
		80,875,252
Liabilities which are not due and payable in the current period are not reported in the governmental funds:		
Compensated absences		(323,031)
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>3,854,876</u>
Net Assets of Governmental Activities		<u>\$ 113,483,315</u>

The accompanying notes to financial statements
 are an integral part of these statements

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND
Year Ended June 30, 2009

REVENUES

General administration	\$ 17,924,004
Flood prevention	823,736
Water quality	53,840
Recreation	27,943
Forestry and wildlife	1,413,412
Total revenues	<u>20,242,935</u>

EXPENDITURES

General administration	4,893,195
Information and education	274,523
Flood prevention	4,495,851
Erosion control	1,037,525
Water quality	925,810
Recreation	1,344,787
Forestry and wildlife	1,993,987
Indirect cost reimbursement	(295,611)
Cost sharing reimbursement	(20,000)
Capital improvements	457,927
Total expenditures	<u>15,107,994</u>

EXCESS OF REVENUES OVER EXPENDITURES 5,134,941

FUND BALANCE - BEGINNING OF YEAR 23,360,784

FUND BALANCE - END OF YEAR \$ 28,495,725

The accompanying notes to financial statements
are an integral part of these statements

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Net Change in Fund Balance - Total Government Fund	\$ 5,134,941
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Amortization of imputed interest discount on receivable from developer	121,870
<p>Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>	
<p>Capital outlays and capital asset expenditures:</p>	
Land additions	\$ 317,447
Building, vehicle, equipment, infrastructure, and capital improvement additions	230,722
Gain on disposal of capital assets	<u>39,955</u>
	588,124
Depreciation expense	(2,064,469)
<p>Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:</p>	
Increase in compensated absences	(323,031)
<p>Full accrual accounting records revenues when earned. Modified accrual records revenues that are measurable and available.</p>	
Difference in property tax revenue accrual	<u>(284,988)</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,172,447</u>

The accompanying notes to financial statements
 are an integral part of these statements

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
 June 30, 2009

ASSETS	Total (Memorandum Only)	MAJOR FUNDS				Non-major Proprietary Funds
		Dakota County Rural Water	Thurston County Rural Water	Washington County Rural Water #1	Washington County Rural Water #2	
CURRENT ASSETS						
Cash and cash equivalents	\$ 1,412,575	\$ 179,509	\$ 89,583	\$ 408,314	\$ 479,196	\$ 255,873
Certificates of deposit	657,669	493,322	-	364,167	-	-
Service receivables	75,135	27,709	6,991	26,379	12,056	-
Assessments receivable	95	-	-	-	-	95
Interest receivable	6,699	5,065	76	3,502	56	-
Due from other funds	11,074	-	-	11,074	-	-
Inventories	54,037	24,308	6,481	13,844	9,604	-
Total current assets	2,419,304	730,113	105,231	827,080	500,912	255,968
NONCURRENT ASSETS						
Restricted certificates of deposit	513,056	72,500	63,555	37,000	340,000	-
Capital assets						
Land	3,000	1,000	1,000	1,000	-	-
Capital improvements and infrastructure	9,452,803	1,671,217	949,000	1,664,000	4,968,586	-
Vehicles and equipment	82,289	49,910	-	32,378	-	-
Accumulated depreciation	(1,460,176)	(514,976)	-	(532,840)	(165,620)	-
Total capital assets	6,077,916	1,207,151	703,260	1,364,539	4,802,966	-
Total noncurrent assets	6,590,972	1,279,651	766,816	1,401,539	5,142,866	-
LIABILITIES AND NET ASSETS						
	\$ 11,010,276	\$ 2,009,764	\$ 872,047	\$ 2,228,619	\$ 5,643,878	\$ 255,968
CURRENT LIABILITIES						
Accounts payable	\$ 36,201	\$ 11,067	\$ 910	\$ 19,485	\$ 4,829	\$ -
Accrued expenses	14,943	3,392	851	2,319	8,381	-
Due to other funds	77,199	29,329	6,494	31,915	9,461	-
Current portion of long-term debt	360,790	76,365	20,049	39,376	225,000	-
Total current liabilities	489,233	120,153	28,304	83,105	247,671	-
LONG-TERM LIABILITIES						
Long-term debt, net of current portion	4,500,441	243,635	431,182	125,654	3,700,000	-
Total liabilities	4,989,674	363,788	459,486	218,729	3,947,671	-
NET ASSETS						
Invested in capital assets, net of related debt	3,216,685	887,151	252,029	1,199,539	877,966	-
Restricted	513,056	72,500	63,555	37,000	340,000	-
Unrestricted	2,280,861	656,325	96,976	773,351	478,241	255,968
Total net assets	6,020,602	1,616,976	412,561	2,009,890	1,696,207	255,968
	\$ 11,010,276	\$ 2,009,764	\$ 872,047	\$ 2,228,619	\$ 5,643,878	\$ 255,968

The accompanying notes to financial statements are an integral part of these statements

PAPJO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS - PROPRIETARY FUNDS
 Year Ended June 30, 2009

	MAJOR FUNDS							Non-Major Proprietary Funds
	Total (Memorandum Only)	Dakota County	Thurston County	Washington County	Washington County	Washington County	Non-Major Proprietary Funds	
		Rural Water	Rural Water	Rural Water #1	Rural Water #2	Rural Water #2		
OPERATING REVENUES								
Water sales	\$ 816,466	\$ 290,366	\$ 98,811	\$ 303,405	\$ 123,884	\$ -	\$ -	
Customer charges and hookup fees	60,596	19,279	4,063	4,795	32,459	-	-	
Sales	498,662	210	1,536	58,292	438,624	-	-	
Miscellaneous	112,458	-	-	-	-	-	112,458	
Total operating revenues	1,488,182	309,855	104,410	366,492	594,967	-	112,458	
OPERATING EXPENSES								
Repairs and maintenance	1,143	1,143	-	-	-	-	-	
Supplies and postage	11,927	6,603	629	3,531	1,164	-	-	
Professional services	44,511	7,589	1,023	19,770	5,076	-	11,053	
Personnel	294,361	124,745	22,373	82,962	31,947	-	32,334	
Telephone, utilities, and rent	17,365	5,042	4,640	7,713	-	-	-	
Miscellaneous	5,305	1,705	942	1,813	845	-	-	
Water purchase	228,645	68,607	17,357	117,903	24,778	-	-	
Contract costs	279,740	4,265	11,442	12,111	29,873	-	222,245	
Project maintenance	54,940	17,984	-	36,734	-	-	122	
Project operation	8,180	2,766	-	2,572	2,768	-	54	
Depreciation and amortization	105,630	19,792	9,490	26,662	49,686	-	-	
Vehicle expense	18,462	8,563	-	8,456	1,453	-	-	
Indirect cost	1,319	133	1,021	165	-	-	-	
Total operating expenses	1,071,428	288,951	68,887	320,392	147,390	-	265,808	
OPERATING INCOME (LOSS)	416,754	40,904	35,523	46,100	447,577	-	(153,350)	
NON-OPERATING INCOME (EXPENSE)								
Assessment revenue	68,003	-	-	-	-	-	68,003	
Interest income	57,265	18,345	2,677	26,852	5,119	-	4,272	
Interest expense	(219,348)	(13,265)	(12,022)	(6,902)	(187,159)	-	-	
Total non-operating income (expense)	(94,080)	5,080	(9,345)	19,950	(182,040)	-	72,275	
CHANGES IN NET ASSETS	322,674	45,984	26,178	66,050	265,537	-	(81,075)	
NET ASSETS - BEGINNING OF YEAR	5,697,928	1,599,992	386,383	1,943,840	1,430,670	-	337,043	
NET ASSETS - END OF YEAR	\$ 6,020,602	\$ 1,645,976	\$ 412,561	\$ 2,009,890	\$ 1,696,207	\$ -	\$ 255,968	

The accompanying notes to financial statements are an integral part of these statements

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 Year Ended June 30, 2009

	Total (Memorandum Only)	MAJOR FUNDS				Washington Rural Water #2	Non-Major Proprietary Funds
		Dakota Rural Water	Thurston Rural Water	Washington Rural Water #1	Washington Rural Water #2		
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 672,838	\$ 312,360	\$ 102,145	\$ 303,117	\$ 155,166	\$ -	
Other operating receipts	611,120	210	1,526	56,282	438,624	112,458	
Cash paid to employees	(294,381)	(124,745)	(22,373)	(82,862)	(31,947)	(32,314)	
Cash paid to suppliers	(678,850)	(113,283)	(54,454)	(214,588)	(63,041)	(233,474)	
Net cash provided (used) by operating activities	510,747	74,572	20,854	63,849	498,822	(153,350)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investments (purchased) proceeds	730	12,911	(1,455)	(10,726)	-	-	
Interest received	57,265	16,345	2,672	26,852	5,119	4,272	
Net cash provided by investing activities	57,995	31,236	1,217	16,126	5,119	4,272	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of capital assets	(105,158)	(65,455)	-	(13,703)	-	-	
Payments on long-term debt	(347,775)	(70,000)	(17,775)	(55,000)	(225,000)	-	
Interest paid	(219,348)	(13,265)	(12,022)	(6,992)	(167,159)	-	
Assessments received	68,003	-	-	-	-	68,003	
Net cash provided (used) by capital and related financing activities	(606,278)	(178,720)	(29,797)	(55,605)	(412,159)	68,003	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(39,536)	(72,892)	(1,721)	24,370	91,782	(81,075)	
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,452,111	252,401	81,404	383,944	387,414	336,948	
CASH AND CASH EQUIVALENTS - END OF YEAR	1,412,575	179,509	85,683	408,314	479,196	255,873	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS							
Operating income (loss)	\$ 416,754	\$ 40,804	\$ 35,523	\$ 46,100	\$ 447,577	\$ (153,350)	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	105,850	19,782	9,480	26,662	49,666	-	
Depreciation and amortization	5,516	(2,072)	210	5,124	2,254	-	
(Increase) decrease in receivables	(11,074)	-	-	(11,074)	-	-	
(Increase) decrease in due from other funds	1,334	4,817	(938)	867	(3,411)	-	
Increase (decrease) in inventories	(10,172)	1,986	(7,649)	(6,848)	1,729	-	
Increase (decrease) in accounts payable	(10,780)	503	(12,081)	836	(47)	-	
Increase (decrease) in due to other funds	13,548	8,632	1,700	2,182	1,034	-	
Net cash provided (used) by operating activities	\$ 510,747	\$ 74,572	\$ 26,854	\$ 63,849	\$ 498,822	\$ (153,350)	

The accompanying notes to financial statements are an integral part of these statements

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2009

ASSETS

Cash and cash equivalents	\$	317,652
Dues receivable		65,500
		65,500
	\$	383,152

LIABILITIES AND NET ASSETS

LIABILITIES

Reimbursement to City of Omaha	\$	275,997
Reimbursement to general fund		87,917
Total liabilities		363,914

NET ASSETS

Restricted		19,238
		19,238
	\$	383,152

DRAFT

The accompanying notes to financial statements
 are an integral part of these statements

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year Ended June 30, 2009

ADDITIONS	
Partnership dues	\$ 222,500
Interest	4,293
Total additions	<u>226,793</u>
DEDUCTIONS	
Engineering studies	<u>143,517</u>
Total deductions	<u>143,517</u>
CHANGE IN NET ASSETS	83,276
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>(64,038)</u>
NET ASSETS - END OF YEAR	<u><u>\$ 19,238</u></u>

The accompanying notes to financial statements
 are an integral part of these statements

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
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Year Ended June 30, 2009**

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 governmental 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 District has no component units and is not a component unit of any other governmental entity.

Primary Government

The primary government has a separately elected governing body, is legally separate, and is fiscally independent of other governments. The primary government of the District consists of all the organizations that comprise the legal entity.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Financial Statements

The financial statements of the District include the government-wide and the fund financial statements. Prior to implementation of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the financial statements emphasized fund types and account groups. In the GASB Statement No. 34 reporting model, the focus is on the District as a whole in the government-wide financial statements, while reporting additional and detailed information about the District's major governmental funds in the fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements (the statement of net assets and statement of activities) report information on all the non-fiduciary activities of the primary government. Governmental activities are normally supported by taxes and grants from other governments.

Internal activities have been eliminated in the government-wide statement of net assets.

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

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (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 government-wide and fund financial statements of this report as follows:

General Fund

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

Proprietary Funds

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

The District reports the Dakota County Rural Water Project, the Thurston County Rural Water Project, and the Washington County Rural Water Projects #1 and #2 as major proprietary funds presented individually in the financial statements. These funds account for fees charged for rural water services provided to residents in their respective counties. The remaining non-major funds are presented in the aggregate to comply with GASB Statement No. 34.

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 grouped together to fund engineering studies.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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. 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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are recorded at fair value which approximates cost. The District's investment policy allows investment in U.S. government obligations and short-term interest bearing investments consisting of certificates of deposit and other income producing securities. It is also the District's policy to report interest earned but not received in a separate account from the principal.

Taxes Receivable

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

Inventories

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

Capital Assets

Capital assets are recorded at cost. Expenditures for major additions and improvements over \$5,000 are capitalized and minor replacements, maintenance, and repairs are charged to expense accounts as incurred. Interest costs incurred on funds used to construct property, plant, and equipment are 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:

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	<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. Major acquisitions of land that may have a future saleable value associated with project costs are reported as capital improvements; land is reported as a current period governmental fund expenditure.

The District, for financial statement purposes, capitalizes its public domain costs, infrastructure costs (such as dams, levees, reservoirs and drainage systems), and similar assets. It is the District's policy to record proposed infrastructure at the historical cost of the land until the actual infrastructure construction costs are incurred and capitalized. In the government-wide financial statements, structural improvements, land acquisitions, and equipment purchases are included as capital assets in the financial statements.

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 30 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.

Net Assets

Invested in capital assets, net of related debt – This component of net assets consists of capital assets net of accumulated depreciation and net of outstanding balances of any debts used to finance those assets.

Restricted net assets – This component of net assets may be used only to finance specific types of transactions. The governmental fund had no restricted net assets at June 30, 2009.

Unrestricted net assets – This component of net assets does not meet the definition of either net assets invested in capital assets, net of related debt or restricted net assets.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Governmental fund equity is classified as fund balance. Fund balances can be reserved, unreserved-designated, and unreserved-undesignated. The portion of the fund balance that has been committed for identified purposes is reserved fund balance.

Property Taxes

Property taxes are levied by the counties on September 20 and are delinquent if not paid by April 1 and August 22. The seven counties located within the District collect the taxes. 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 2009, the taxes levied totaled \$16,594,345 at a tax levy rate of 3.3753%.

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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

Income Taxes

The District qualifies as a tax-exempt organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is required.

Budgetary Data

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds.
- b. The budget is based on the reporting requirements of the State of Nebraska, which prescribe the cash basis method of reporting. The budget caption, general administration, includes the District's cash and investments of the preceding year-end.
- c. All annual appropriations lapse at year-end.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

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.

Once approved by the Board of Directors, the legally adopted budget can be modified only with the approval of the Board.

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 percent 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, 2009, was \$295,611. 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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE B – DEPOSITS AND INVESTMENTS

Deposits and investments consisted of the following at June 30, 2009:

	Total	General Fund	Proprietary Funds
UNRESTRICTED AND UNRESERVED:			
Cash and cash equivalents	\$12,853,624	\$11,441,049	\$1,412,575
Cash on hand at County Treasurers	322,407	322,407	-
	<u>13,176,031</u>	11,763,456	1,412,575
Investments:			
Certificates of deposit	857,689	-	857,689
Total unrestricted and unreserved cash, cash equivalents and investments	14,033,720	11,763,456	2,270,264
UNRESTRICTED BUT RESERVED:			
Cash and cash equivalents	12,858,026	12,858,026	-
Investments:			
Certificates of deposit	50,000	50,000	-
	<u>50,000</u>	50,000	-
Total unrestricted but reserved cash, cash equivalents and investments	12,908,026	12,908,026	-
RESTRICTED:			
Investments	513,056	-	513,056
Total cash and investments	<u>\$27,454,802</u>	<u>\$24,671,482</u>	<u>\$2,783,320</u>

Pooled deposits, consisting of cash and certificates of deposit, as categorized for level of risk, cannot be reasonably apportioned between the General Fund and the Proprietary Funds.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2009, the District's deposits at all financial institutions are fully insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by investments held by these financial institutions. The FDIC insures accounts up to \$250,000.

The District's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the District at June 30, 2009. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uncollateralized

Deposits, categorized by level of risk, are:

	Bank Balance	Category			Carrying Amount
		1	2	3	
Pooled deposits					
Pooled cash and certificates of deposit	\$26,036,598	\$ 250,000	\$25,786,598	\$ -	\$25,984,114
Non-pooled deposits					
General fund	50,000	50,000	-	-	50,000
Proprietary funds	1,098,065	1,075,810	22,255	-	1,097,814
Total deposits	<u>\$27,184,663</u>	<u>\$1,375,810</u>	<u>\$25,808,853</u>	<u>\$ -</u>	<u>\$27,131,928</u>

Investments are stated at fair value. For fiscal year 2009, the District invested only in U.S. Treasury bills, other federal obligations, or certificates of deposits within federally insured banks. The District records all interest revenue related to investment activities in the respective funds.

NOTE C – RESERVED/RESTRICTED FUNDS

The Board of Directors, by resolution, has established a sinking fund and reserved cash accounts for various purposes. All of the accounts are fully funded at their required levels at June 30, 2009. The following is a summary of the reservations placed on cash and investments for the year ended June 30, 2009:

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 Year Ended June 30, 2009**

NOTE C – RESERVED/RESTRICTED FUNDS (Continued)

Sinking fund:

Reserved Certificates of Deposit	\$ 50,000
Unrestricted But Reserved Cash Accounts:	
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.	109,707
The Board of Directors, by resolution, has established the Flood Control and Water Quality Projects and Practices Special Reserve Fund for the purpose of accumulating general funds to finance future establishment, construction, operations and maintenance of flood control and water quality projects and practices.	12,748,319
Total reserves	12,908,026
Less unrestricted but reserved cash	<u>(12,858,026)</u>
Total general fund unrestricted but reserved investments	<u>\$ 50,000</u>

NOTE D – 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." In terfund balances at June 30, 2009, consisted of the following individual fund receivables and payables:

Due to	Due from	Amount
General Fund	Thurston County Rural Water	\$ 6,494
General Fund	Washington Co. Rural Water #1	31,915
General Fund	Dakota County Rural Water	29,329
General Fund	Washington Co. Rural Water #2	<u>9,461</u>
		<u>\$ 77,199</u>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE E – DUE TO/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, 2009, \$372,021 was due from funding agencies.

Interest on these funds is reported as District earnings, with earnings on the reserved cash accounts attributed to specific projects.

Proprietary Sinking Funds:

In compliance with loan covenants for the notes described in Note G, the Proprietary Funds have restricted \$513,056 for the issues listed below:

Issue	Amount
Washington County Rural Water #1	\$ 37,000
Thurston County Rural Water	48,431
Dakota County Rural Water	72,500
Washington County Rural Water #2	<u>340,000</u>
Total reserve requirement	<u>\$ 497,931</u>

NOTE F – RECEIVABLE FROM DEVELOPER

The District entered into an agreement with a property developer whereby the District sold approximately 4 acres of land to the developer for \$604,000 in March of 2006. Terms of the agreement called for a cash down payment of \$24,000, a 7.5% interest bearing note in the amount of \$140,000 due, with accrued interest, in March 2011, and a non-interest bearing note in the amount of \$400,000 also due in March 2011. Accounting principles generally accepted in the United States of America require the imputation of interest when a long-term note bears no interest. Accordingly, the non-interest bearing note has been discounted to its present value in the accompanying financial statements.

NOTE G – CAPITAL ASSETS

The following is a summary of the capital assets of the General Fund under the full accrual basis of accounting. In the government-wide financial statements, these amounts are included in the Statement of Net Assets. These amounts are not reported in the governmental fund financial statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE G – CAPITAL ASSETS (Continued)

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Not Depreciated				
Land	\$ 26,304,869	\$ 317,448	\$ -	\$ 26,622,317
Depreciated				
Capital improvements and infrastructure	104,077,805	-	-	104,077,805
Buildings and improvements	4,125,931	118,503	-	4,244,434
Vehicles and equipment	4,507,734	112,219	(78,371)	4,541,582
	<u>112,711,470</u>	<u>230,722</u>	<u>(78,371)</u>	<u>112,863,821</u>
Less accumulated depreciation	<u>(56,617,504)</u>	<u>(2,064,469)</u>	<u>71,088</u>	<u>(58,610,885)</u>
	<u>56,093,966</u>	<u>(1,833,748)</u>	<u>(7,282)</u>	<u>54,252,935</u>
	<u>\$ 82,398,885</u>	<u>\$ (1,516,030)</u>	<u>\$ (7,282)</u>	<u>\$ 80,875,252</u>

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

General administration	\$ 159,768
Recreation	232,739
Flood control	1,465,253
Unallocated depreciation	<u>206,709</u>
Total depreciation expense	<u>\$ 2,064,469</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE G – CAPITAL ASSETS (Continued)

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Not Depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Depreciated				
Capital improvements and infrastructure	9,373,051	79,752	-	9,452,803
Vehicles and equipment	52,883	29,406	-	82,289
	9,425,934	109,158	-	9,538,092
Less accumulated depreciation	(1,354,546)	(105,630)	-	(1,460,176)
	8,071,388	3,528	-	8,074,916
	<u>\$ 8,074,388</u>	<u>\$ 3,528</u>	<u>\$ -</u>	<u>\$ 8,077,916</u>

NOTE H – LONG-TERM LIABILITIES

Long-Term Debt

The following is a summary of the long-term debt for the year ended June 30, 2009. In the government-wide financial statements, this amount is included in the Statement of Net Assets. This amount is not reported in the governmental fund statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE H – LONG-TERM LIABILITIES (Continued)

Proprietary Fund Long-Term Debt:

<u>Fund</u>	<u>Series</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Payment Ranges</u>	<u>Interest Rates</u>	<u>Principal Balance</u>
Washington Rural Water #1	2003	April, 2013	Annual	\$35,000 to \$45,000	3.36%	\$ 165,000
Washington Rural Water #2	2006	June, 2022	Semi-Annual	\$70,000 to \$148,000	4.25%	2,775,000
Washington Rural Water #2	2006	June, 2011	Semi-Annual	\$104,000 to \$126,000	4.65%	1,150,000
Dakota Rural Water	2003	April, 2013	Annual	\$65,000 to \$85,000	3.36%	320,000
Thurston Rural Water	1982	Dec, 2022	Annual	\$11,000 to \$24,000	5.00%	244,495
Thurston Rural Water	1993	Feb, 2033	Annual	\$3,000 to \$15,000	5.63%	<u>206,736</u>
Total Long-Term Debt						4,861,231
Less portion due within one year						<u>360,790</u>
Long-term portion						<u>\$ 4,500,441</u>

The change in long-term liabilities for the year ended June 30, 2009 was as follows:

<u>Governmental-type Activity:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 262,061</u>	<u>\$ 323,031</u>	<u>\$ -</u>	<u>\$ 585,092</u>	<u>\$ 262,061</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE H – LONG-TERM LIABILITIES (Continued)

Business-type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable:					
Ameritas Investments	\$ 390,000	\$ -	\$ 70,000	\$ 320,000	\$ 76,365
Ameritas Investments	200,000	-	35,000	165,000	39,375
Fremont National Bank	3,000,000	-	225,000	2,775,000	225,000
Fremont National Bank	1,150,000	-	-	1,150,000	-
Capmark Finance Rural Economic and Community Development	257,949	-	13,453	244,496	11,205
	<u>211,057</u>	<u>-</u>	<u>74,322</u>	<u>206,735</u>	<u>8,845</u>
Business-type Activities Long-Term Liabilities	<u>\$5,209,006</u>	<u>\$ -</u>	<u>\$ 347,775</u>	<u>\$4,861,231</u>	<u>\$ 360,790</u>

The annual principal and interest requirements to maturity for long-term debt as of June 30, 2009 are as follows:

Year(s) ending June 30,	General Fund		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ -	\$ -	\$ 360,790	\$ 213,515	\$ 360,790	\$ 213,515
2011	-	-	1,510,088	204,924	1,510,088	204,924
2011	-	-	380,000	136,704	380,000	136,704
2013	-	-	380,097	121,646	380,097	121,646
2014	-	-	263,804	106,137	263,804	106,137
2015-2019	-	-	1,035,061	374,784	1,035,061	374,784
2020-2024	-	-	823,119	121,238	823,119	121,238
2025-2029	-	-	53,367	25,457	53,367	25,457
2030-2033	-	-	54,905	8,153	54,905	8,153
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,861,231</u>	<u>\$1,312,558</u>	<u>\$ 4,861,231</u>	<u>\$1,312,558</u>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE I – ACCUMULATED UNPAID ANNUAL LEAVE AND SICK PAY

The estimated current portion of the liability for vested vacation benefits and sick leave is \$211,472 and \$50,589 at June 30, 2009, 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 \$73,438 and \$249,593, respectively, at June 30, 2009. These amounts are recorded as non-current liabilities in the government-wide Statement of Net Assets and are not recorded in the governmental fund financial statements. The amount of unvested sick leave benefits payable amounts to \$900,546 at June 30, 2009, and is not reported as an expenditure or liability in any of the District's June 30, 2009, financial statements.

NOTE J – OPERATING LEASE

The District entered into a leasing agreement for two copy machines in February 2007. The District pays \$705 per month plus applicable taxes for the 60-month lease, as well as a charge per copy that is paid quarterly. During fiscal year 2009, the District's operating lease expense was \$8,458. Following is a schedule of the future minimum lease payments.

Year ending June 30,	Amount
2010	\$ 8,458
2011	8,458
2012	5,636
Future minimum lease payments	\$ 22,552

NOTE K – 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, 2009, were \$147,535, the required contribution.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE L – COMMITMENTS AND CONTINGENCIES

The District has committed future funds to several ongoing and new projects and cost share agreements. 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, 2009.

The District participates in various federal and state assisted grant and contract programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any revision or disallowance resulting from a federal or state audit may become a liability of the District. The District's management believes such revisions or disallowances, if any, will not be material to the accompanying financial statements.

Certain conditions may exist as of the date of the financial statements which may result in a loss to the District, but which will only be resolved when one or more future events occur or fail to occur. The District's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the District or unasserted claims that may result in such proceedings, the District's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. At June 30, 2009, a reasonable estimate could not be determined for any potential loss contingencies.

NOTE M – TOTAL COLUMNS ON COMBINED AND COMBINING STATEMENTS

The governmental fund total columns on the combined and combining statements, Exhibits E, F, G, K, and L, are captioned "memo only" or "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data on the fund financial statements, but have been made on the government-wide financial statements.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE N – FIDUCIARY FUND: PAPIILLION 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.

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION

DRAFT

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - ACTUAL AND BUDGET
 (BUDGETARY BASIS) - GOVERNMENTAL FUND
 Year Ended June 30, 2009

	Actual	Budget		Variance Favorable (Unfavorable)
		Original	Final	
REVENUES				
General administration	\$ 13,129,644	\$ 17,412,048	\$ 17,412,048	\$ (4,282,404)
Flood prevention	633,370	6,623,989	6,623,989	(5,990,619)
Water quality	53,840	300,000	300,000	(246,160)
Recreation	27,943	3,979,750	3,979,750	(3,951,807)
Forestry and wildlife	1,413,412	1,056,000	1,056,000	357,412
Total revenues	<u>15,258,209</u>	<u>29,371,787</u>	<u>29,371,787</u>	<u>(14,113,578)</u>
EXPENDITURES				
General administration	3,451,364	4,608,014	4,608,014	1,156,650
Information and education	274,523	177,174	177,174	(97,349)
Flood prevention	4,495,851	12,801,253	12,801,253	8,305,402
Erosion control	1,037,525	1,170,535	1,170,535	133,010
Water quality	925,810	974,298	974,298	48,488
Recreation	1,344,787	1,574,170	1,574,170	229,383
Forestry and wildlife	1,993,987	1,314,922	1,314,922	(679,065)
Indirect cost reimbursement	(295,611)	(213,500)	(213,500)	82,111
Cost sharing reimbursement	(20,000)	(220,000)	(220,000)	(200,000)
Capital improvements	457,927	4,380,745	4,380,745	3,922,818
Total expenditures	<u>13,666,163</u>	<u>26,567,611</u>	<u>26,567,611</u>	<u>12,901,448</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS) AND OTHER SOURCES				
	1,592,046	\$ 2,804,176	\$ 2,804,176	\$ (1,212,130)
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To adjust revenues for accruals	4,984,726			
To adjust expenditures for accruals	(1,441,831)			
(US GAAP BASIS) AND OTHER SOURCES	5,134,941			
FUND BALANCE - BEGINNING OF YEAR				
	23,360,784			
FUND BALANCE - END OF YEAR				
	\$ 28,495,725			

The accompanying notes to budgetary comparison schedule
is an integral part of this statement.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009**

NOTE A – BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the required supplemental 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.

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.

NOTE B – BASIS OF ACCOUNTING

The accompanying budgetary comparison schedule is presented on the cash basis of accounting.

NOTE C – 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
SUPPLEMENTAL INFORMATION**

DRAFT

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF FUNCTIONAL REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2009

REVENUES	
Property tax	\$ 16,879,336
State and agency grants	1,818,142
Federal grants	1,405,282
Sales	5,025
Rental income	175,999
Interest income	259,332
Miscellaneous	299,521
Total revenues	<u>20,842,637</u>
EXPENDITURES	
Project construction and land	3,447,966
Personnel	2,622,373
Special projects	1,863,162
Professional services	2,062,322
Conservation assistance program	724,780
Employee benefits	862,808
Contract works	1,832,155
Repairs and maintenance	426,665
Payroll taxes	199,425
Project operation and maintenance	155,184
Fees	179,306
Project legal costs	244,665
Insurance	146,387
Telephone, utilities, and rent	136,735
Vehicle expense	131,224
Information and education	191,170
Printing and publications	117,074
Board of directors	65,697
Supplies and postage	47,999
Travel	99,714
Bonds and amortization	2,248
Miscellaneous	187,445
Indirect cost reimbursement	(295,611)
Cost sharing reimbursement	(20,000)
Capital improvements	
Machinery and equipment	233,930
Vehicles	42,873
Total expenditures	<u>15,707,696</u>
EXCESS OF REVENUES OVER EXPENDITURES	5,134,941
FUND BALANCE - BEGINNING OF YEAR	<u>23,360,784</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 28,495,725</u></u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS - ACTUAL AND BUDGET - PROPRIETARY FUNDS
 Year Ended June 30, 2009

	Total (Memorandum Only)			Dajala Rural Water			Thurston Rural Water		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES									
Water sales	\$ 616,466	\$ 823,000	\$ 823,000	\$ 290,366	\$ 320,000	\$ 320,000	\$ 98,811	\$ 113,000	\$ 113,000
Customer charges and hookup fees	60,596	87,575	87,575	19,279	29,700	29,700	4,063	3,475	3,475
Sales	488,662	439,461	439,461	210	200	200	1,536	500	500
Miscellaneous	112,456	150,500	150,500	-	500	500	-	-	-
Total operating revenues	1,486,162	1,500,536	1,500,536	309,865	350,400	350,400	104,410	116,975	116,975
OPERATING EXPENSES									
Repairs and maintenance	1,143	2,550	2,550	1,143	2,000	2,000	-	250	250
Supplies and postage	11,927	11,750	11,750	6,603	7,500	7,500	629	1,650	1,650
Professional services	44,511	52,150	52,150	7,566	13,200	13,200	1,023	6,960	6,960
Personnel	294,361	267,700	267,700	124,745	109,200	109,200	22,373	25,800	25,800
Insurance	-	3,050	3,050	-	1,200	1,200	-	250	250
Telephone, utilities, and rent	17,365	21,450	21,450	5,042	6,500	6,500	4,610	6,650	6,650
Miscellaneous	5,305	26,650	26,650	1,705	2,200	2,200	942	800	800
Water purchase	228,645	233,000	233,000	86,607	78,000	75,000	17,357	38,000	38,000
Contract costs	278,740	310,250	310,250	4,269	25,000	25,000	11,442	37,250	37,250
Project construction and land	54,840	257,625	257,625	17,964	142,700	142,700	-	25	25
Project operation and maintenance	8,180	22,500	22,500	1,766	5,100	5,100	-	-	-
Depreciation and amortization	105,630	-	-	19,192	-	-	9,490	-	-
Vehicle expense	18,462	38,000	38,000	6,353	28,000	28,000	-	-	-
Bond expenditures	-	345,000	345,000	-	70,000	70,000	-	15,000	15,000
Indirect cost	1,319	1,800	1,800	183	500	500	1,021	1,000	1,000
Total operating expense	1,071,428	1,593,875	1,469,875	266,951	488,100	488,100	68,887	132,775	132,775
OPERATING INCOME (LOSS)	416,734	(93,339)	(93,339)	40,904	(137,700)	(137,700)	35,523	(15,800)	(15,800)
NON-OPERATING INCOME (EXPENSE)									
Assessment revenue	66,003	59,000	59,000	-	-	-	-	-	-
Interest income	57,265	112,600	112,600	18,345	20,000	20,000	2,677	3,400	3,400
Interest expense	(219,349)	(236,335)	(236,335)	(13,265)	(13,915)	(13,915)	(12,023)	(26,500)	(26,500)
Total non-operating income (expense)	(84,080)	(82,735)	(84,735)	5,080	6,085	6,085	(9,345)	(23,100)	(23,100)
CHANGE IN NET ASSETS	322,674	(186,074)	(158,074)	45,984	(131,615)	(131,615)	26,178	(38,900)	(38,900)
NET ASSETS - BEGINNING OF YEAR	5,597,958			1,595,992			386,383		
NET ASSETS - END OF YEAR	\$ 6,020,602			\$ 1,645,976			\$ 412,561		

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS - ACTUAL AND BUDGET - PROPRIETARY FUNDS (Continued)
 Year Ended June 30, 2009

	Washington Rural Water #1		Washington Rural Water #2		Non-Major Proprietary Funds	
	Actual	Budget	Actual	Budget	Actual	Budget
OPERATING REVENUES						
Water sales	\$ 303,405	\$ 295,000	\$ 123,084	\$ 95,000	\$ -	\$ -
Customer charges and hookup fees	4,795	29,400	32,459	25,000	-	-
Sales	58,292	-	438,624	438,761	-	-
Miscellaneous	-	65,000	-	-	-	-
Total operating revenues	366,492	389,400	594,967	568,761	112,458	85,000
OPERATING EXPENSES						
Repairs and maintenance	300	300	-	-	-	-
Supplies and postage	3,531	2,150	1,164	400	-	50
Professional services	19,770	17,400	5,076	5,100	11,053	9,550
Personnel	82,962	90,000	31,947	30,000	32,334	13,500
Insurance	1,000	1,000	-	600	-	-
Telephone, utilities, and rent	7,713	8,300	-	-	-	-
Miscellaneous	1,813	22,850	845	700	-	100
Water purchase	117,903	100,000	24,778	20,000	-	-
Contract costs	12,111	30,000	29,673	40,000	222,245	178,000
Project construction and land	36,734	107,875	25	25	122	7,000
Project operation and maintenance	2,572	3,500	2,768	2,300	54	12,000
Depreciation and amortization	26,662	-	48,580	-	-	-
Vehicle expense	8,456	7,000	1,463	3,000	-	-
Bond expenditures	-	35,000	-	225,000	-	-
Indirect cost	165	300	-	-	-	-
Total operating expense	320,392	425,675	147,300	327,125	265,898	220,200
OPERATING INCOME (LOSS)	46,100	(36,275)	447,577	231,636	(153,350)	(135,200)
NON-OPERATING INCOME (EXPENSE)						
Assessment revenue	-	-	-	-	68,003	59,000
Interest income	26,852	25,000	5,119	22,000	4,272	14,200
Interest expense	(6,902)	(8,110)	(187,159)	(187,810)	-	-
Total non-operating income (expense)	19,950	16,890	(182,040)	(165,810)	72,275	73,200
CHANGE IN NET ASSETS	66,050	(19,385)	265,537	65,826	(81,075)	(62,000)
NET ASSETS - BEGINNING OF YEAR	1,943,840		1,430,670		337,043	
NET ASSETS - END OF YEAR	\$ 2,009,890		\$ 1,696,207		\$ 255,968	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 STATEMENT OF NET ASSETS - NON-MAJOR - PROPRIETARY FUNDS
 June 30, 2009

ASSETS	Total (Memorandum Only)	Elkhorn River Stabilization	Elkhorn Breakout	Elk/Pigeon Creek Drainage	Western Sarpy Drainage
CURRENT ASSETS					
Cash and cash equivalents	\$ 255,873	\$ 99,138	\$ 6,697	\$ 28,414	\$ 121,624
Certificates of deposit	-	-	-	-	-
Service receivables	-	-	-	-	-
Assessments receivable	95	-	95	-	-
Interest receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories	-	-	-	-	-
Total current assets	255,968	99,138	6,792	28,414	121,624
NONCURRENT ASSETS					
Restricted certificates of deposit	-	-	-	-	-
Capital assets	-	-	-	-	-
Land	-	-	-	-	-
Capital improvements and infrastructure	-	-	-	-	-
Vehicles and equipment	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Total capital assets	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-
	\$ 255,968	\$ 99,138	\$ 6,792	\$ 28,414	\$ 121,624
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	-	-	-	-	-
Accrued expenses	-	-	-	-	-
Due to other funds	-	-	-	-	-
Current portion of long-term debt	-	-	-	-	-
Total current liabilities	-	-	-	-	-
NONCURRENT LIABILITIES					
Long-term debt, net of current portion	-	-	-	-	-
Total liabilities	-	-	-	-	-
NET ASSETS					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted	-	-	-	-	-
Unrestricted	255,968	99,138	6,792	28,414	121,624
Total net assets	255,968	99,138	6,792	28,414	121,624
	\$ 255,968	\$ 99,138	\$ 6,792	\$ 28,414	\$ 121,624

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS - NON-MAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2009

	Total (Memorandum Only)		Elkhorn River Stabilization		Elkhorn Breakout	
	Actual	Budget	Actual	Budget	Actual	Budget
OPERATING REVENUES						
Water sales	-	-	-	-	-	-
Customer charges and hookup fees	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Miscellaneous	112,458	85,000	-	-	-	-
Total operating revenues	112,458	85,000	-	-	-	-
OPERATING EXPENSES						
Repairs and maintenance	-	-	-	-	-	-
Supplies and postage	50	50	50	50	50	50
Professional services	11,053	9,550	9,550	50	50	50
Personnel	32,334	13,500	13,500	500	500	500
Insurance	-	-	966	-	-	-
Telephone, utilities, and rent	-	-	-	-	-	-
Miscellaneous	-	100	-	-	-	-
Water purchase	-	-	-	-	-	-
Contract costs	222,245	178,000	178,000	-	-	-
Project construction and land	122	7,000	7,000	-	-	-
Project operation and maintenance	54	12,000	12,000	5,000	5,000	5,000
Depreciation and amortization	-	-	-	-	-	-
Vehicle expense	-	-	-	-	-	-
Bond expenditures	-	-	-	-	-	-
Indirect cost	-	-	-	-	-	-
Total operating expenses	265,808	220,200	966	5,600	-	-
OPERATING LOSS	(153,350)	(135,200)	(966)	(5,600)	-	-
NON-OPERATING INCOME (EXPENSE)						
Assessment revenue	68,003	59,000	-	-	-	-
Interest income	4,272	14,200	1,244	5,000	83	700
Interest expense	-	-	-	-	-	-
Total non-operating income (expense)	72,275	73,200	1,244	5,000	83	700
CHANGE IN NET ASSETS	(81,075)	(62,000)	278	(600)	83	700
NET ASSETS - BEGINNING OF YEAR	337,043		98,860		6,709	
NET ASSETS - END OF YEAR	\$ 255,968		\$ 99,138		\$ 6,792	

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS - NON-MAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2009

	Elk/Pigeon Creek Drainage		Western Sarpy Drainage	
	Actual	Budget	Actual	Budget
OPERATING REVENUES				
Water sales	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	-	-	-	-
Sales	-	-	-	-
Miscellaneous	112,458	85,000	-	-
Total operating revenues	112,458	85,000	-	-
OPERATING EXPENSES				
Repairs and maintenance	-	-	-	-
Supplies and postage	-	-	-	-
Professional services	11,053	8,500	-	1,000
Personnel	9,572	3,000	21,796	10,000
Insurance	-	-	-	-
Telephone, utilities, and rent	-	-	-	-
Miscellaneous	-	100	-	-
Water purchase	-	-	-	-
Contract costs	219,245	170,000	3,000	8,000
Project construction and land	-	5,000	722	2,000
Project operation and maintenance	-	5,000	54	2,000
Depreciation and amortization	-	-	-	-
Vehicle expense	-	-	-	-
Bond expenditures	-	-	-	-
Indirect cost	-	-	-	-
Total operating expenses	239,870	191,600	24,972	23,000
OPERATING LOSS	(127,412)	(106,600)	(24,972)	(23,000)
NON-OPERATING INCOME (EXPENSE)				
Assessment revenue	49,362	45,000	18,641	14,000
Interest income	1,312	3,500	1,633	5,000
Interest expense	-	-	-	-
Total non-operating income (expense)	50,674	48,500	20,274	19,000
CHANGE IN NET ASSETS	(76,738)	(58,100)	(4,698)	(4,000)
NET ASSETS - BEGINNING OF YEAR	105,152		126,322	
NET ASSETS - END OF YEAR	\$ 28,414		\$ 121,624	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF INVESTMENTS - GOVERNMENTAL FUND
June 30, 2009

	<u>Cost</u>	<u>Interest Rate</u>
General fund		
Certificates of deposit		
Great Western Bank	\$ 50,000	1.55%
General fund - unrestricted but reserved investments	<u>\$ 50,000</u>	

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF INVESTMENTS - PROPRIETARY FUNDS
June 30, 2009

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary funds		
Certificates of deposit		
Dakota County		
American National Bank	\$ 100,000	0.64%
Bank of the West	100,000	2.46%
Northwest Bank	100,000	1.75%
Nebraska-Iowa State Bank	66,000	2.50%
Siouxland National Bank	100,000	2.48%
TierOne Bank	100,022	2.25%
	<u>566,022</u>	
Washington County #1		
American National Bank	113,699	1.88%
Centennial Bank	100,000	1.99%
Team Bank	75,079	2.20%
Wells Fargo	112,389	1.37%
	<u>401,167</u>	
Washington County #2		
Wells Fargo	340,000	0.60%
	<u>340,000</u>	
Thurston County		
American National Bank	7,439	2.12%
American National Bank	51,117	2.22%
Centennial Bank	5,000	1.59%
	<u>63,556</u>	
	1,370,745	
Less unrestricted portion	<u>(857,689)</u>	
Proprietary funds - restricted certificates of deposit	<u><u>\$ 513,056</u></u>	

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF INSURANCE POLICIES AND BONDS
June 30, 2009**

SCHEDULED PROPERTY FLOATER AND EQUIPMENT

Covering property, vehicle, and equipment; total limit \$10,918,572; deductible/\$5,000; Flood coverage/\$1,000,000 with deductible/\$5,000; Earthquake and earth movement limit/\$1,000,000 with deductible/\$5,000.

GENERAL LIABILITY

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

COMMERCIAL AUTOMOBILE

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

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 UMBRELLA POLICY

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF TAXES RECEIVABLE - GOVERNMENTAL FUND
June 30, 2009

COUNTY

Douglas	\$ 4,854,703
Sarpy	2,830,293
Washington	408,894
Dakota	356,162
Burt	53,385
Thurston	42,477
Dodge	<u>386</u>
	<u>\$ 8,546,300</u>

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF CASH ON DEPOSIT WITH COUNTY TREASURERS
June 30, 2009

GENERAL FUND

Douglas	\$	238,900
Sarpy		58,942
Washington		12,181
Dakota		4,759
Burt		6,253
Thurston		355
Dodge		<u>1,017</u>
	\$	<u><u>322,407</u></u>

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EXHIBIT U

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 INFORMATION REQUIRED BY SECTION 2-3223, N.R.S - 1943
 Year Ended June 30, 2009

Gross income from all sources	<u>\$ 21,440,139</u>
Amount expended for	
Maintenance	\$ 485,325
Improvements and other such programs	<u>2,237,942</u>
	<u>\$ 2,723,267</u>
Amount of depreciation on property during previous year	<u>\$ 2,183,427</u>
Number of employees as of June 30, 2009	<u>58</u>
Gross salaries	\$ 3,146,686
Less amount reimbursed by projects	<u>(295,611)</u>
Net salaries paid to employees	<u>\$ 2,851,075</u>

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**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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EXHIBIT V

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2009

Program	Pass-Through Grantor's Number	Federal CFDA Number	Contract Amount	Expenditures
U.S. Department of Agriculture - Natural Resource Conservation Service				
Papio Creek Watershed Structures: rehabilitation on three existing Dam sites (S-27, S-31 and S-32) **	69-6526-6-278	10.904	\$ 975,000	\$ 272,228
Turtle Creek 2 Rehabilitation **	69-6526-6-478	10.904	329,813	181,655
U.S. Department of Federal Emergency Management Assistance				
Floodway Mapping: floodplain mapping of Dakota County, Nebraska	EMK-2007-CA-7007	97.045	138,000	32,732
Floodway Mapping: floodplain mapping of Douglas, Sappo, Washington, and Dakota County	EMK-2006-CA-6009	97.045	169,100	128,256
Pass-thru program to the State of Nebraska Union Dike Tree Cleanup	FEMA-1779-DR-NE 000U61AK-00		26,692	26,692
Totals			\$ 641,563	\$ 641,563

** Major program

The accompanying Note to Schedule of Expenditures of Federal Awards is an integral part of this statement

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

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.

For the year ended June 30, 2009, the District exceeded the \$500,000 expenditure threshold, which requires additional audit procedures and reporting in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

DRAFT

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Papio-Missouri River Natural Resources District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's financial statements as listed in the table of contents, and have issued our report thereon dated October XX, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 that are required to be reported under Government Auditing Standards.

We noted other matters involving the internal control over financial reporting that we have reported to the District's management in a separate letter dated October XX, 2009.

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

Omaha, Nebraska
October XX, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

DRAFT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Papio-Missouri River Natural Resources District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. The District's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal and state program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with these requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR
A-133 (Continued)**

the purpose of expressing our opinion on compliance, 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 control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

We noted matters involving the system of internal control and its operation that we have reported to the management of the Papio-Missouri River Natural Resources District in a separate letter dated October XX, 2009.

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

Omaha, Nebraska
October XX, 2009

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND
SCHEDULE OF PRIOR YEAR FINDINGS

DRAFT

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

A. SUMMARY OF AUDIT FINDINGS

1. The Independent Auditors' Report on Financial Statements and Supplemental Schedule of Expenditures of Federal Awards dated October XX, 2009, expresses an unqualified opinion on the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Papio-Missouri River Natural Resources District.
2. No significant deficiencies were found during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit in accordance with *Governmental Auditing Standards*.
4. No significant deficiencies in internal control over major programs were disclosed during the audit of major federal awards.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 for the District expressed an unqualified opinion.
6. No audit findings related to the major Federal awards program of the Papio-Missouri River Natural Resources District were found.
7. The only program tested for compliance was the Papio Reservoirs project (CFDA No. 10.904) which is funded through the U.S. Department of Agriculture – Natural Resource Conservation Service.
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. Papio-Missouri River Natural Resources District was considered to be a low-risk auditee.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2009**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

No significant deficiencies were found during the financial statement audit:

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

OMB Circular A-133 requires that compliance with requirements applicable to major programs and internal control over compliance be audited when federal expenditures exceed the \$500,000 threshold. The District's federal expenditures exceeded this amount for the year ended June 30, 2009. The Papio Reservoirs project, whose granting agency is the U.S. Department of Agriculture – Natural Resource Conservation Service, qualified as a major program and was therefore tested. No significant deficiencies were noted during the audit.

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2009

FINANCIAL STATEMENT AUDIT

One significant deficiency was found during the prior year financial statement audit. The condition and status is summarized below.

Condition 1: Effective segregation of duties is not in place, since the person reconciling bank balances to account balances also has responsibilities relating to cash receipts, cash disbursements, and preparing or approving vouchers for payment.

Status: Papio-Missouri River Natural Resources District hired another accounting staff during the 2009 fiscal year. This position has alleviated the segregation issues and provides general assistance to the District Accountant.

MAJOR FEDERAL AWARD PROGRAM AUDIT

No significant deficiencies were noted during the prior year.

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

In planning and performing our audit of the financial statements of Papio-Missouri River Natural Resources District (the District) for the year ended June 30, 2009, we considered its system of internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the system of internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October XX, 2009 on the financial statements of Papio-Missouri River Natural Resources District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Tracking of Federal Expenditures

During the year the District hired an additional accounting employee to help alleviate the segregation of duties issues as well as track the District's federal expended dollars. Previously, the District did not have a formal system in place to track federal expenditures or reimbursements. While this process has improved greatly during the year, we still experienced difficulties when determining actual federal expenditures. This in part is due to the lack of the new employee's presence in the prior year. However, currently the District uses a single general ledger cost center for the numerous sources of federal funding. This practice adds to our difficulties in determining the funds expended for each of the separate grants and contracts. This control deficiency could impact OMB Circular A-133 Compliance, the District's Schedule of Expenditures of Federal Awards, and the information contained on the Data Collection Form. The District has already made steps towards the implementation of separate cost centers for each of the federal funding sources. We believe these cost centers will clearly reflect activity on a grant-by-grant basis. This practice will facilitate the reporting requirements for grants and contracts.

Journal Entries

During the audit, it was noted that some of the journal entries were not reviewed and the General Journal Entry Form was not being used for all entries. Journal entry testing is an important test of management's ability to override controls. We recommend that management use the General Journal Entry form for all entries. Barb or Carey's initials should be present for every entry made. In addition, journal entries should always be supported by appropriate documentation and approval. Good documentation serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

Investment Recommendations

The District has a large holding of investments that consist of various certificates of deposit. It is a priority to safeguard these assets by continuously monitoring interest fluctuations, market changes, and current events in the national economy. The investing market is highly volatile and even certificates of deposit with commercial banks require research to attain a level of assurance about the security of the investment. We strongly feel the District and its management would greatly benefit if a professional investment counselor handled the burden of investment transactions, decisions, and custodianship. This counselor would handle the complications involved with investing and maintaining large sums of money. The best approach to this may be for the District to communicate the established criteria and other parameters regarding the invested funds to the investment counselor and thereby restrict the type of investment that may be made or the percentage relationship to total invested funds. Such a restriction allows the District to be assured that the funds are earning their best return and yet are invested in safe and secure investments.

Papillion Creek Watershed Partnership (PCWP) Reimbursement Policy

Since the various cities in the interlocal agreement pay their dues at various times throughout the year, there may not be enough cash in the PCWP account to cover expenses at any given time. Currently, the District pays for any PCWP expenses directly out of the general fund throughout the year. At year end, the general fund account is then reimbursed from the PCWP account. The tracking of expenses and transfers between the two accounts can become a nuisance and cause unnecessary stress. This reimbursement policy should be avoided if possible. We recommend that the District attempt to get all dues up front and draw all expenses directly from the PCWP account. The District should consider setting a strict deadline for all dues (i.e. July 1).

Board of Directors
Papio-Missouri River Natural Resources District
Omaha, Nebraska
Page 3 of 3

Fixed Asset Software Tracking

Currently, records are maintained by Bland & Associates, P.C. for all fixed assets. The District has shown interest in converting to a computerized system designed to accumulate asset cost and calculate depreciation expense. We believe these types of fixed asset accounting systems have been refined over the years and now can be purchased at a very reasonable cost. This will make operations more efficient and provide more accurate information with which to make business decisions regarding fixed assets.

Long Range Plan and Disaster Recovery Plan

Currently, the District has well defined, written disaster recovery procedures. However, these involve backing up the system files and sending them home with an employee of the District during off hours. Giving the system files to an employee could create issues should the employee's allegiance to the District go awry. We recommend the District make arrangements for such back up with an independent third party, computer vendor, or service center. The agreement should be in writing.

The District has made strides in addressing the foregoing subsequent to year-end. This letter is solely for the information and use of the Board of Directors and management of Papio-Missouri River Natural Resources District and should not be used for any other purposes.

Omaha, Nebraska
October XX, 2009

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