

MEMORANDUM

To: Finance, Expenditures and Legal Subcommittee

Subject: FY 2009 Audit

Date: December 1, 2009

From: Carey Fry, District Accountant

- **It is staff's recommendation that the FEL Subcommittee recommend to the Board of Directors that the FY2009 Audit Report and management letter, prepared by Bland and Associates, be accepted and that the General Manager be directed to file an authenticated copy of the audit report with the Nebraska Auditor of Public Accounts and the Nebraska Natural Resources Commission.**

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2009

BLAND & ASSOCIATES, P.C.
Certified Public Accountants

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

**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND
SUPPLEMENTARY 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 the 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 audits.

We conducted our audits 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 audits 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 June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 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, and grant agreements. 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 important for assessing the results of our audits.

Management's discussion and analysis and the budgetary comparison information on pages 3 through 9 and 40 through 41 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

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

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information on pages 42 through 53 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 pages 54 through 55 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 information has been subjected to the auditing procedures applied in the audits 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.

Bland + Associates, P.C.

Omaha, Nebraska
December 1, 2009

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

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2009**

This discussion and analysis of the financial performance of Papio-Missouri River Natural Resources District (the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2009. It should be read in conjunction with the District's financial statements, which follow. The discussion primarily focuses on the District's general fund, although the proprietary funds are also analyzed.

FINANCIAL HIGHLIGHTS

- Net assets increased by \$3,495,121, which is a 3% change.
- Total general fund net assets are comprised of the following:
 - 1) Capital assets, net of related debt, of \$80,875,252. Property and equipment, net of accumulated depreciation, is reduced for the outstanding debt related to the purchase or construction of capital assets.
 - 2) Restricted net assets – none. No constraints have been imposed on net assets by debt covenants or federal laws and regulations.
 - 3) Unrestricted net assets of \$32,608,063. These assets are available to maintain the District's continuing obligations. Unrestricted net assets include assets reserved for specific purposes by Board resolution but not restricted by debt covenants or laws and regulations.

During the year, the District generated \$20,699,516 of property taxes and other revenues. This is a slight increase from last year when revenues of \$20,318,329, were generated.

- Total long-term debt of the District decreased by \$347,775 to \$4,861,231 during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and the elimination or reclassification of internal activities.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by taxes and intergovernmental revenues, such as grants and from business-type activities that are intended to recover all or a significant portion of their costs

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year ended June 30, 2009**

through user fees and charges. The District's governmental activities include general government administration, flood control and water quality projects, public services such as trail and campground maintenance and educational materials, and recreation such as fishing or camping. The District's business-type activities include four rural water systems and four other trail and waterway construction and preservation projects. The two government-wide financial statements are as follows:

Statement of Net Assets

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

Statement of Activities

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

Fund Financial Statements

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

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues,

**PAPPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year ended June 30, 2009**

expenditures, and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

A budgetary comparison schedule is included in the financial statements for the general fund. This schedule demonstrates compliance with the District's adopted and final revised budget.

Proprietary funds generally report services for which the District charges customers a fee. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. The Dakota County, Washington County #1, Washington County #2, and Thurston County Rural Water Districts, as well as four waterway reconstruction projects, comprise the District's proprietary funds.

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

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

Notes to the Financial Statements

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

SUPPLEMENTAL INFORMATION

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District implemented the new financial reporting model used in this report beginning with the fiscal year ended June 30, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole. The table on the next page summarizes the District's net assets.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year ended June 30, 2009**

Summary of Net Assets

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Current and other assets	\$ 34,361,150	\$ 30,360,175	\$ 2,932,360	\$ 2,968,404
Capital assets, net of accumulated depreciation	80,875,252	82,398,835	8,077,916	8,074,388
	<u>\$ 115,236,402</u>	<u>\$ 112,759,010</u>	<u>\$ 11,010,276</u>	<u>\$ 11,042,792</u>
Long-term liabilities	\$ 323,031	\$ 244,343	\$ 4,500,441	\$ 4,559,430
Other liabilities	1,430,056	2,203,799	489,233	785,434
Total liabilities	1,753,087	2,448,142	4,989,674	5,344,864
Net assets:				
Invested in capital assets, net of related debt	80,875,252	82,398,835	3,216,685	2,865,382
Restricted	-	-	513,056	511,601
Unrestricted	32,608,063	27,912,033	2,290,861	2,320,945
Total net assets	<u>113,483,315</u>	<u>110,310,868</u>	<u>6,020,602</u>	<u>5,697,928</u>
	<u>\$ 115,236,402</u>	<u>\$ 112,759,010</u>	<u>\$ 11,010,276</u>	<u>\$ 11,042,792</u>

The District reported positive balances in net assets for both governmental and business-type activities. Since net assets increased \$3,172,447 for governmental activities and \$322,674 for business-type activities, the District's overall financial position improved during fiscal year 2009.

The table on the next page summarizes the District's change in net assets from revenues and expenses. The District is heavily reliant on property taxes to support governmental operations, since taxes provide 80.2% of the District's total governmental revenues.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year ended June 30, 2009**

Summary of Changes in Net Assets

	Governmental Activities			Business-Type Activities		
	2009	% of Total	2008	2009	% of Total	2008
Revenues						
Program revenues						
Charges for services	\$ 334,655	1.6%	\$ 879,474	\$ 1,488,182	92.2%	\$ 1,339,540
Operating grants & contributions	3,770,516	18.2%	2,844,279	-	-	-
Capital grants	-	-	-	-	-	-
General revenues						
Property taxes	16,594,345	80.2%	16,594,576	-	-	-
Land Gifts	-	-	(2,239,753)	-	-	-
Assessment income	-	-	-	68,003	4.2%	72,689
Interest income	-	-	-	57,265	3.6%	123,654
Total revenues	20,699,516	100.0%	18,078,576	1,613,450	100.0%	1,535,883
Expenses						
General administration	4,961,880	28.3%	4,497,586	-	-	-
Information & education	274,523	1.5%	164,531	-	-	-
Flood prevention	6,657,221	38.0%	6,214,679	-	-	-
Erosion control	1,037,525	5.9%	1,297,988	-	-	-
Water quality	925,810	5.3%	966,138	-	-	-
Recreation	1,344,787	7.7%	1,885,968	-	-	-
Forestry & wildlife	1,993,987	11.4%	697,973	-	-	-
Capital improvements	124,627	0.7%	381,088	-	-	-
Unallocated depreciation	206,709	1.2%	249,353	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Rural Water Systems	-	-	-	1,024,968	79.4%	1,041,114
Other proprietary funds	-	-	-	265,808	20.6%	78,798
Total expenses	17,527,069	100.0%	16,355,304	1,290,776	100.0%	1,119,912
Change in net assets	3,172,447		1,723,272	322,674		415,971
Beginning net assets	110,310,868		108,587,596	5,697,928		5,281,957
Ending net assets	\$113,483,315		\$110,310,868	\$ 6,020,602		\$ 5,697,928

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year ended June 30, 2009**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Fund

The General Fund is the District's primary operating fund. It is used to account for all financial resources except those required to be reported in a separate fund. The fund balance of the General Fund increased by \$5,134,941 to \$28,495,725.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The major proprietary funds for the District are the Dakota, Washington #1, Washington #2, and Thurston County Rural Water Districts. The fund balances for these funds increased \$403,749. The fund balance for the non-major proprietary funds decreased by \$81,075. The total net assets increased by \$322,674.

BUDGETARY HIGHLIGHTS

The Papio-Missouri River Natural Resources District's Board of Directors adopts a budget each fiscal year that complies with the reporting regulations imposed by the State of Nebraska. This budget can be modified during the year with the approval of the Board. Economic factors, such as property tax rates and the availability of federal and state funding, play a major role in the District's budgeting process.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2009, was \$80,875,252 and \$8,077,916, respectively. The total decrease in this net investment was 1.8% for governmental and the total increase was negligible for business-type activities. This investment in capital assets includes land, infrastructure, buildings and improvements, and machinery and equipment. The District elected to fully implement Governmental Accounting Standards Board Statement No. 34 during fiscal year 2007 by valuing and recording the land and infrastructure assets that had not been previously recorded.

Long-Term Debt

At the end of the fiscal year, the District had \$4,861,231 in bonds, notes, and leases outstanding. This debt is attributable to the proprietary funds for construction of the rural water distribution systems.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year ended June 30, 2009**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Factors considered in preparing the District's budget for fiscal year 2010 include the following:

- Property tax receipts of \$16.5 million are expected. This is a slight increase from the previous fiscal year due primarily to property valuation increases.
- Projects related to flood prevention and recreational trails are again anticipated to require the heaviest expenditures during fiscal year 2010. These projects will be financed by several methods, including federal and/or state funding, cost sharing agreements with other local governments, the District's Flood Control and Water Quality Programs and Projects Reserve Fund, property taxes, and special bonding authority granted by the 2009 Nebraska Legislature intended to provide funding of flood control projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

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	33,780,657	2,419,304	36,199,961
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)	(1,480,176)	(60,071,061)
Total capital assets	80,875,252	8,077,916	88,953,168
Total noncurrent assets	81,455,745	8,590,972	90,046,717
	\$ 115,236,402	\$ 11,010,276	\$ 126,246,678
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 1,111,813	\$ 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	1,430,056	489,233	1,919,289
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	323,031	4,500,441	4,823,472
Total liabilities	1,753,087	4,989,674	6,742,761
COMMITMENTS AND CONTINGENCIES			
	-	-	-
NET ASSETS			
Invested in capital assets, net of related debt	80,875,252	3,216,685	84,091,937
Restricted	-	513,056	513,056
Unrestricted	32,608,063	2,290,861	34,898,924
Total net assets	113,483,315	6,020,602	119,503,917
	\$ 115,236,402	\$ 11,010,276	\$ 126,246,678

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	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
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	6,657,221	20,000	1,423,438	-	(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	1,993,967	-	1,413,412	-	(580,575)	-	(580,575)
Capital improvements	124,627	-	-	-	(124,627)	-	(124,627)
Unallocated depreciation	206,709	-	-	-	(206,709)	-	(206,709)
	<u>17,527,069</u>	<u>334,655</u>	<u>3,770,516</u>	<u>-</u>	<u>(13,421,898)</u>	<u>-</u>	<u>(13,421,898)</u>
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	366,492	-	-	-	39,198	39,198
Washington County Rural Water #2	334,549	584,967	-	-	-	260,418	260,418
Non-Major Proprietary Funds	265,608	112,458	-	-	-	(153,350)	(153,350)
	<u>1,290,776</u>	<u>1,488,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,406</u>	<u>197,406</u>
	<u>\$ 16,817,845</u>	<u>\$ 1,822,837</u>	<u>\$ 3,770,516</u>	<u>\$ -</u>	<u>(13,421,898)</u>	<u>187,406</u>	<u>(13,224,492)</u>
GENERAL REVENUES							
Property taxes					16,594,345	-	16,594,345
Assessment income					-	68,003	68,003
Interest income					-	57,265	57,265
					<u>16,594,345</u>	<u>125,268</u>	<u>16,719,613</u>
CHANGE IN NET ASSETS					<u>3,172,447</u>	<u>322,674</u>	<u>3,495,121</u>
NET ASSETS - BEGINNING OF YEAR					<u>110,310,868</u>	<u>5,697,928</u>	<u>116,008,796</u>
NET ASSETS - END OF YEAR					<u>\$ 113,483,315</u>	<u>\$ 6,020,602</u>	<u>\$ 119,503,917</u>

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
	\$ 33,780,657
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	5,284,932
FUND BALANCE	
Fund balance	
Reserved	13,166,322
Unreserved	15,329,403
Total fund balance	28,495,725
	\$ 33,780,657

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

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

Total Fund Balance - Governmental Fund		\$ 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	
Accrued interest receivable	42,975	
Unamortized discount - receivable from developer	<u>(42,482)</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>
Total 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	833,736
Water quality	643,542
Recreation	27,943
Forestry and wildlife	1,413,412
Total revenues	<u>20,842,637</u>

EXPENDITURES

General administration	4,893,195
Information and education	274,523
Flood prevention	5,095,553
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>15,707,696</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
Amounts reported for governmental activities in the statement of activities are different because:	
Amortization of imputed interest discount on receivable from developer	121,870
Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlays and capital asset expenditures:	
Land 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)
Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of:	
Increase in compensated absences	(323,031)
Full accrual accounting records revenues when earned. Modified accrual records revenues that are measurable and available.	
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	MAJOR FUNDS								
	Total (Memorandum Only)	Dakota County		Thurston County		Washington County		Non-major Proprietary Funds	
		Rural Water	Rural Water	Rural Water	Rural Water #1	Rural Water #2			
CURRENT ASSETS									
Cash and cash equivalents	\$ 1,412,575	\$ 179,509	\$ 89,683	\$ 408,314	\$ 479,196	\$ 255,673			
Certificates of deposit	857,689	493,522	-	364,167	-	-			
Service receivables	75,135	27,709	9,991	26,379	12,056	-			
Assessments receivable	95	-	-	-	-	95			
Interest receivable	8,699	5,065	76	3,502	66	-			
Due from other funds	11,074	-	-	11,074	-	-			
Inventories	54,037	24,308	6,481	13,644	9,504	-			
Total current assets	2,419,304	730,113	105,231	827,080	500,912	255,668			
NONCURRENT ASSETS									
Restricted certificates of deposit	513,056	72,500	63,556	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	1,864,000	4,868,586	-			
Vehicles and equipment	82,289	49,910	-	32,379	-	-			
Accumulated depreciation	(1,460,176)	(514,976)	(246,740)	(532,840)	(165,620)	-			
Total capital assets	8,077,916	1,207,151	703,260	1,364,539	4,802,966	-			
Total noncurrent assets	8,590,972	1,279,651	766,816	1,401,539	5,142,966	-			
LIABILITIES AND NET ASSETS									
	\$ 11,010,276	\$ 2,009,764	\$ 872,047	\$ 2,228,619	\$ 5,643,878	\$ 255,668			
CURRENT LIABILITIES									
Accounts payable	\$ 36,301	\$ 11,067	\$ 910	\$ 19,495	\$ 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	76,395	20,049	39,376	225,000	-			
Total current liabilities	489,233	120,183	28,304	93,105	247,671	-			
LONG-TERM LIABILITIES									
Long-term debt, net of current portion	4,500,441	243,635	431,182	125,624	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	867,151	252,029	1,199,639	877,985	-			
Restricted	513,056	72,500	63,556	37,000	340,000	-			
Unrestricted	2,269,661	686,325	96,976	773,351	478,241	255,668			
Total net assets	5,999,402	1,645,976	412,561	2,009,990	1,696,227	255,668			
	\$ 11,010,276	\$ 2,009,764	\$ 872,047	\$ 2,228,619	\$ 5,643,878	\$ 255,668			

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

PAPIO-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	Rural Water #2	
		Rural Water	Rural Water	Rural Water #1	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	584,967	-	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	11,053
Personnel	294,361	124,745	22,373	82,962	31,947	32,334	32,334
Telephone, utilities, and rent	17,365	5,042	4,610	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	4,269	11,442	12,111	29,673	222,245	222,245
Project maintenance	54,840	17,984	-	36,734	-	122	122
Project operation	8,180	2,786	-	2,572	2,768	54	54
Depreciation and amortization	105,630	19,792	9,490	26,662	49,686	-	-
Vehicle expense	18,462	8,553	-	8,456	1,453	-	-
Indirect cost	1,319	133	1,021	165	-	-	-
Total operating expenses	1,071,428	268,951	68,887	320,392	147,390	265,808	265,808
OPERATING INCOME (LOSS)	416,754	40,904	35,523	46,100	447,577	(163,350)	(163,350)
NON-OPERATING INCOME (EXPENSE)							
Assessment revenue	68,003	-	-	-	-	-	68,003
Interest income	57,265	18,345	2,677	26,852	5,119	4,272	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	72,275
CHANGE IN NET ASSETS	322,674	45,984	26,178	66,050	265,537	(81,075)	(81,075)
NET ASSETS - BEGINNING OF YEAR	5,697,928	1,599,992	386,383	1,943,840	1,430,670	337,043	337,043
NET ASSETS - END OF YEAR	\$ 6,020,602	\$ 1,645,976	\$ 412,561	\$ 2,009,890	\$ 1,696,207	\$ 255,968	\$ 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

	MAJOR FUNDS						Non-Major Proprietary Funds
	Total (Memorandum Only)	Dakota Rural Water	Thurston Rural Water	Washington Rural Water #1	Washington Rural Water #2		
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 872,838	\$ 312,390	\$ 102,145	\$ 303,117	\$ 155,166	\$ -	
Other operating receipts	611,120	210	1,536	56,292	438,624	112,458	
Cash paid to employees	(294,361)	(124,745)	(22,373)	(62,862)	(31,947)	(32,334)	
Cash paid to suppliers	(678,850)	(113,283)	(54,454)	(214,598)	(63,041)	(233,474)	
Net cash provided (used) by operating activities	510,747	74,572	26,854	63,849	498,822	(153,350)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investments (purchases) proceeds	730	12,911	(1,455)	(10,726)	-	-	
Interest received	57,265	18,345	2,877	26,652	5,119	4,272	
Net cash provided by investing activities	57,995	31,256	1,222	16,126	5,119	4,272	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of capital assets	(109,158)	-	-	(13,703)	-	-	
Payments on long-term debt	(347,775)	(70,000)	(17,775)	(35,000)	(225,000)	-	
Interest paid	(219,348)	(13,265)	(12,022)	(5,802)	(167,159)	-	
Assessments received	68,003	-	-	-	-	-	
Net cash provided (used) by capital and related financing activities	(608,278)	(178,720)	(28,787)	(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	363,944	387,414	336,948	
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,412,575	\$ 179,509	\$ 88,683	\$ 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	105,830	18,782	9,490	25,662	49,686	-	
Depreciation and amortization	5,516	(2,072)	210	5,124	2,254	-	
Changes in assets and liabilities	(1,074)	-	-	(11,074)	-	-	
(Increase) decrease in receivables	1,334	4,817	(938)	867	(3,411)	-	
(Increase) decrease in due from other funds	(10,172)	1,986	(7,048)	(6,948)	1,729	-	
Increase (decrease) in inventories	(10,789)	503	(12,081)	838	(47)	-	
Increase (decrease) in accounts payable	13,548	8,532	1,700	2,182	1,034	-	
Increase (decrease) in due to other funds							
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
	\$	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
	\$	383,152

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(64,038)**NET ASSETS - END OF YEAR**\$ 19,238

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

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 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 53 days and 180 days, respectively. After one year of service, employees are entitled to all accrued vacation leave and 25% of accrued sick leave upon termination.

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	-
	13,176,031	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	-
	50,000	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	\$27,454,802	\$24,671,482	\$2,783,320

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
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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
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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
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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>
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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." Interfund 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, \$380,543 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 H, 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	340,000
Total reserve requirement	\$ 497,931

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	(78,372)	4,541,581
	112,711,470	230,722	(78,371)	112,863,820
Less accumulated depreciation	(56,617,504)	(2,064,469)	71,088	(58,610,885)
	56,093,966	(1,833,748)	(7,284)	54,252,935
	<u>\$ 82,398,835</u>	<u>\$ (1,516,030)</u>	<u>\$ (7,284)</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:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Not Depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Depreciated				
Capital improvements and infrastructure	9,373,051	79,752	-	9,452,803
Vehicles and equipment	<u>52,883</u>	<u>29,406</u>	<u>-</u>	<u>82,289</u>
	9,425,934	109,158	-	9,535,092
Less accumulated depreciation	<u>(1,354,546)</u>	<u>(105,630)</u>	<u>-</u>	<u>(1,460,176)</u>
	<u>8,071,388</u>	<u>3,528</u>	<u>-</u>	<u>8,074,916</u>
	<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%	206,736
Total Long-Term Debt						4,861,231
Less portion due within one year						360,790
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	\$ 262,061	\$ 323,031	\$ -	\$ 585,092	\$ 262,061

**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	257,949	-	13,453	244,496	11,205
Rural Economic and Community Development	<u>211,057</u>	<u>-</u>	<u>4,322</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	<u>-</u>	<u>-</u>	<u>54,905</u>	<u>8,153</u>	<u>54,905</u>	<u>8,153</u>
	<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.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

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
		Original	Final	Favorable (Unfavorable)
REVENUES				
General administration	\$ 13,129,644	\$ 17,412,048	\$ 17,412,048	\$ (4,282,404)
Flood prevention	643,370	6,623,989	6,623,989	(5,980,619)
Water quality	643,542	300,000	300,000	343,542
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>15,857,911</u>	<u>29,371,787</u>	<u>29,371,787</u>	<u>(13,513,876)</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	5,095,553	12,801,253	12,801,253	7,705,700
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>14,265,865</u>	<u>26,567,611</u>	<u>26,567,611</u>	<u>12,301,746</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS) AND OTHER SOURCES	1,592,046	<u>\$ 2,804,176</u>	<u>\$ 2,804,176</u>	<u>\$ (1,212,130)</u>
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	<u>(1,441,831)</u>			
(US GAAP BASIS) AND OTHER SOURCES	5,134,941			
FUND BALANCE - BEGINNING OF YEAR	<u>23,360,784</u>			
FUND BALANCE - END OF YEAR	<u>\$ 28,495,725</u>			

The accompanying notes to budgetary comparison schedule
are 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 supplementary information in accordance with the statutory requirements of the Nebraska Budget Act:

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

On or before September 20, the budget is adopted by the Board of Directors and the amounts provided therein are appropriated. Once approved by the Board of Directors, the legally adopted budget can be modified only with the approval of the Board.

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
SUPPLEMENTARY INFORMATION

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 23,360,784

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

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)				Dakota Rural Water				Thurston Rural Water			
	Actual	Budget		Final	Actual	Budget		Final	Actual	Budget		Final
		Original	Final			Original	Final			Original	Final	
OPERATING REVENUES												
Water sales	\$ 816,466	\$ 823,000	\$ 823,000	\$ 823,000	\$ 290,366	\$ 320,000	\$ 320,000	\$ 320,000	\$ 98,811	\$ 113,000	\$ 113,000	\$ 113,000
Customer charges and hookup fees	60,595	87,575	87,575	87,575	19,279	29,700	29,700	29,700	4,063	3,475	3,475	3,475
Sales	488,662	439,461	439,461	439,461	210	200	200	200	1,536	500	500	500
Miscellaneous	112,458	150,500	150,500	150,500	-	500	500	500	-	-	-	-
Total operating revenues	1,488,182	1,500,536	1,500,536	1,500,536	309,855	350,400	350,400	350,400	104,410	116,975	116,975	116,975
OPERATING EXPENSES												
Repairs and maintenance	1,143	2,550	2,550	2,550	1,143	2,000	2,000	2,000	-	250	250	250
Supplies and postage	11,927	11,750	11,750	11,750	6,603	7,500	7,500	7,500	629	1,650	1,650	1,650
Professional services	44,511	52,150	52,150	52,150	7,589	13,200	13,200	13,200	1,023	6,800	6,800	6,800
Personnel	294,351	267,700	267,700	267,700	124,745	109,200	109,200	109,200	22,373	25,000	25,000	25,000
Insurance	-	3,050	3,050	3,050	-	1,200	1,200	1,200	-	250	250	250
Telephone, utilities, and rent	17,365	21,450	21,450	21,450	5,042	6,500	6,500	6,500	4,610	6,650	6,650	6,650
Miscellaneous	5,305	26,650	26,650	26,650	1,705	2,200	2,200	2,200	942	800	800	800
Water purchase	228,645	233,000	233,000	233,000	68,607	75,000	75,000	75,000	17,357	38,000	38,000	38,000
Contract costs	279,740	310,250	310,250	310,250	4,269	25,000	25,000	25,000	11,442	37,250	37,250	37,250
Project construction and land	8,180	22,900	22,900	22,900	2,786	5,100	5,100	5,100	-	25	25	25
Project operation and maintenance	105,630	-	-	-	19,792	-	-	-	9,480	-	-	-
Depreciation and amortization	18,462	38,000	38,000	38,000	6,553	28,000	28,000	28,000	-	-	-	-
Vehicle expense	-	345,000	345,000	345,000	-	70,000	70,000	70,000	-	15,000	15,000	15,000
Bond expenditures	-	1,800	1,800	1,800	-	500	500	500	-	1,000	1,000	1,000
Indirect cost	1,319	1,593,875	1,593,875	1,593,875	133	1,800	1,800	1,800	1,021	1,000	1,000	1,000
Total operating expense	1,071,428	1,593,875	1,593,875	1,593,875	258,951	488,100	488,100	488,100	68,887	132,775	132,775	132,775
OPERATING INCOME (LOSS)	416,754	(93,339)	(93,339)	(93,339)	40,904	(137,700)	(137,700)	(137,700)	35,523	(15,800)	(15,800)	(15,800)
NON-OPERATING INCOME (EXPENSE)												
Assessment revenue	68,003	59,000	59,000	59,000	-	-	-	-	-	-	-	-
Interest income	57,265	84,600	112,600	112,600	18,345	20,000	20,000	20,000	2,677	3,400	3,400	3,400
Interest expense	(218,348)	(236,335)	(236,335)	(236,335)	(13,265)	(13,915)	(13,915)	(13,915)	(12,022)	(26,500)	(26,500)	(26,500)
Total non-operating income (expense)	(64,080)	(92,735)	(92,735)	(92,735)	5,080	6,085	6,085	6,085	(9,345)	(23,100)	(23,100)	(23,100)
CHANGE IN NET ASSETS	372,674	(186,074)	(186,074)	(186,074)	45,984	(131,615)	(131,615)	(131,615)	26,178	(38,800)	(38,800)	(38,800)
NET ASSETS - BEGINNING OF YEAR	5,697,926				1,599,932				386,383			
NET ASSETS - END OF YEAR	\$ 6,030,602				\$ 1,645,976				\$ 412,561			

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 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	Original	Final	Actual	Original	Final	Actual	Original	Final
		Budget	Budget		Budget	Budget		Budget	Budget
OPERATING REVENUES									
Water sales	\$ 303,405	\$ 285,000	\$ 285,000	\$ 123,884	\$ 95,000	\$ 95,000	\$ -	\$ -	\$ -
Customer charges and hookup fees	4,795	29,400	29,400	32,459	25,000	26,000	-	-	-
Sales	58,292	-	-	438,524	438,761	438,761	-	-	-
Miscellaneous	-	65,000	65,000	-	-	-	-	-	-
Total operating revenues	366,492	389,400	389,400	594,867	568,761	568,761	112,459	85,000	85,000
OPERATING EXPENSES									
Repairs and maintenance	-	300	300	-	-	-	-	-	-
Supplies and postage	3,531	2,150	2,150	1,164	400	400	-	50	50
Professional services	19,770	17,400	17,400	5,075	5,100	5,100	11,053	9,550	9,550
Personnel	82,962	90,000	90,000	31,947	30,000	30,000	32,334	13,500	13,500
Insurance	-	1,000	1,000	-	600	600	-	-	-
Telephone, utilities, and rent	7,713	8,300	8,300	-	-	-	-	-	-
Miscellaneous	1,813	22,850	22,850	845	700	700	-	100	100
Water purchase	117,903	100,000	100,000	24,778	20,000	20,000	-	-	-
Contract costs	12,111	30,000	30,000	29,673	40,000	40,000	222,245	178,000	178,000
Project construction and land	36,734	107,875	107,875	-	25	25	122	7,000	7,000
Project operation and maintenance	2,572	3,500	3,500	2,788	2,300	2,300	54	12,000	12,000
Depreciation and amortization	26,692	-	-	48,686	-	-	-	-	-
Vehicle expense	8,456	7,000	7,000	1,453	3,000	3,000	-	-	-
Bond expenditures	-	35,000	35,000	-	225,000	225,000	-	-	-
Indirect cost	165	300	300	-	-	-	-	-	-
Total operating expense	320,392	425,675	425,675	147,390	327,125	327,125	285,908	220,200	220,200
OPERATING INCOME (LOSS)	46,100	(36,275)	(36,275)	447,577	231,636	231,636	(153,350)	(135,200)	(135,200)
NON-OPERATING INCOME (EXPENSE)									
Assessment revenue	-	-	-	-	-	-	68,000	59,000	59,000
Interest income	26,852	25,000	53,000	5,119	22,000	22,000	4,272	14,200	14,200
Interest expense	(6,902)	(8,110)	(8,110)	(187,159)	(187,910)	(187,910)	-	-	-
Total non-operating income (expense)	19,950	16,890	44,890	(182,040)	(165,910)	(165,910)	72,272	73,200	73,200
CHANGE IN NET ASSETS	66,050	(19,385)	8,615	265,537	65,026	65,826	(81,075)	(62,000)	(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	\$ 6,687	\$ 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	255,968	99,138	6,792	28,414	121,624
Unrestricted	255,968	99,138	6,792	28,414	121,624
Total net assets	\$ 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			
	Budget		Budget		Budget		Budget			
	Actual	Original	Final	Actual	Original	Final	Actual	Original	Final	
OPERATING REVENUES										
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	-	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-	-
Miscellaneous	112,458	85,000	85,000	-	-	-	-	-	-	-
Total operating revenues	112,458	85,000	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	50	-
Personnel	32,334	13,500	13,500	966	500	500	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-
Telephone, utilities, and rent	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	100	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	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-
Vehicle expense	-	-	-	-	-	-	-	-	-	-
Bond expenditures	-	-	-	-	-	-	-	-	-	-
Indirect cost	-	-	-	-	-	-	-	-	-	-
Total operating expenses	265,608	220,200	220,200	966	5,600	5,600	-	-	-	-
OPERATING LOSS	(153,350)	(135,200)	(135,200)	(966)	(5,600)	(5,600)	-	-	-	-
NON-OPERATING INCOME (EXPENSE)										
Assessment revenue	68,003	59,000	59,000	-	-	-	-	-	-	-
Interest income	4,272	14,200	14,200	1,244	5,000	5,000	83	700	700	700
Interest expense	-	-	-	-	-	-	-	-	-	-
Total non-operating income (expense)	72,275	73,200	73,200	1,244	5,000	5,000	83	700	700	700
CHANGE IN NET ASSETS	(81,075)	\$ (62,000)	\$ (62,000)	278	\$ (600)	\$ (600)	83	\$ 700	\$ 700	\$ 700
NET ASSETS - BEGINNING OF YEAR	337,043			98,860			6,709			
NET ASSETS - END OF YEAR	\$ 255,968			\$ 99,138			\$ 6,792			

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

	Elk/Pigeon Creek Drainage		Western Saryp Drainage	
	Actual	Budget	Actual	Budget
OPERATING REVENUES				
Water sales	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	-	-	-	-
Sales	-	-	-	-
Miscellaneous	112,458	85,000	85,000	-
Total operating revenues	112,458	85,000	85,000	-
OPERATING EXPENSES				
Repairs and maintenance	-	-	-	-
Supplies and postage	11,053	8,500	8,500	1,000
Professional services	9,572	3,000	21,796	10,000
Personnel	-	-	-	-
Insurance	-	-	-	-
Telephone, utilities, and rent	-	-	-	-
Miscellaneous	-	100	100	-
Water purchase	-	-	-	-
Contract costs	219,245	170,000	3,000	8,000
Project construction and land	-	5,000	122	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%
	<u>\$ 50,000</u>	
General fund - unrestricted but reserved investments	<u>\$ 50,000</u>	

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%
Great Southern 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.

EXHIBIT S

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><u>8,546,300</u></u>

EXHIBIT T

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF CASH BALANCES HELD BY 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>

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>

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

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, Sarpy, 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	<u>26,692</u>
Total				<u>\$ 641,563</u>

** 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*.

**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***

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 December 1, 2009. We conducted our audits 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 audits, 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 generally accepted accounting principles 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 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 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 or other matters 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 December 1, 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. .

Bland + Associates, P.C.

Omaha, Nebraska
December 1, 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**

**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 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 program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion. Our audits do 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 programs. In planning and performing our audits, 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 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

**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)**

A *control deficiency* in an entity'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 entity'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.

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
December 1, 2009

Bland + Associates, P.C.

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

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

A. SUMMARY OF AUDIT FINDINGS

Financial Statements:

1. The Independent Auditors' Report on Financial Statements and Supplemental Schedule of Expenditures of Federal Awards dated December 1, 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 material weaknesses or 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*.

Federal Awards:

4. No material weaknesses or 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 or material weaknesses were found during the financial statement audit.

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

No significant deficiencies or material weaknesses were noted during the major federal awards program audit.

**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 significance deficiencies were noted during the prior year.