

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

**Papio-Missouri River Natural Resources District**

**FINANCIAL REPORT**

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**Management's Discussion and Analysis**

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

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**Year ended June 30, 2006**

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

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

**DRAFT**

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

Year ended June 30, 2006

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

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, 2006. 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 discussed.

#### FINANCIAL HIGHLIGHTS

- With the exception of the increase in Land and Infrastructure, the District's net assets remained virtually unchanged for the year. Net assets increased by \$4,758,346 which is an 11.6% increase when compared to the previous fiscal period.
- Total net assets are comprised of the following:
  - 1) Capital assets, net of related debt, of \$29,171,484. Depreciable and non-depreciable assets, net of accumulated depreciation, are reduced for the outstanding debt related to the purchase or construction of capital assets.
  - 2) Restricted and Sinking Fund net assets in the aggregate of \$1,829,906. These funds are subject to debt covenants, federal laws, and related regulations.
  - 3) Unrestricted net assets of \$17,841,051. These assets are available to maintain the District's continuing obligations.
- During the year, the District generated \$21,347,669 of property taxes and other revenues. This is an increase from last year's revenues of \$13,697,744.
- Total liabilities of the District increased by \$4,371,076 to \$5,940,018 for the fiscal year ended June 30, 2006.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

##### Government-wide Financial Statements

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Year ended June 30, 2006

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Both government-wide financial statements distinguish governmental activities of the District that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District's governmental activities include general government administration, public services such as trail and campground maintenance and educational materials, and recreation such as fishing and camping. The District's business-type activities include four rural water districts and four other trail and waterway construction and preservation projects.

**Statement of Net Assets**

This is the District-wide statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall financial 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 is the District-wide statement which reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the 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's system of internal control employs 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, aggregate presentation.

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

**TENTATIVE FOR DISCUSSION  
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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Year ended June 30, 2006

Since the government-wide focus includes the long-term view and the near term, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. These demonstrate 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, Washington #1 and #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.

#### Notes to the Financial Statements

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

#### Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental 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, 2006

Summary of Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 18,493,895	\$ 2,578,618	\$ 21,072,513
Capital assets, net of accumulated depreciation	29,259,852	7,248,103	36,507,955
Total assets	47,753,747	9,826,721	57,580,468
Long-term liabilities	193,019	5,385,944	5,578,963
Other liabilities	2,578,821	580,243	3,159,064
Total liabilities	2,771,840	5,966,187	8,738,027
Net assets:			
Invested in capital assets, net of related debt	29,171,484	-	29,171,484
Restricted	634,863	507,808	1,142,671
Unrestricted	14,488,325	3,352,726	17,841,051
Sinking Fund	687,235	-	687,235
Total net assets	\$ 44,981,907	\$ 3,860,534	\$ 48,842,441

The District reported positive balances in net assets for both governmental and business-type activities. The change net assets, an increase of \$4,758,346 for governmental activities and \$338,964 for business-type activities, was due to the respective excesses of revenues over expenditures during fiscal year 2006.

The table on the next page summarizes the District's changes in net assets from revenues and expenditures. The District is heavily reliant on property taxes to support governmental operations, since taxes provide 83% of the District's total governmental revenues.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Year ended June 30, 2006

Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>% of Total</u>	<u>2006</u>	<u>% of Total</u>	<u>2006</u>	<u>% of Total</u>
Revenues:						
Program revenues						
Charges for services	\$ 195,648	1.0%	\$ 1,340,570	91.4%	\$ 1,536,218	7.6%
Operating grants & contributions	2,881,923	15.3	-	-	2,881,923	14.2
Capital grants	-	-	-	-	-	-
General revenues						
Property taxes	15,730,261	83.7	-	-	15,730,261	77.7
Assessment income	-	-	58,341	4.0	58,341	0.2
Interest income	-	-	67,654	4.6	67,654	0.3
Total revenues	18,807,832	100.0%	1,466,565	100.0%	20,274,397	100.0%
Expenses:						
General administration	4,026,485	28.7	-	-	4,026,485	26.6
Information & education	165,012	1.2	-	-	165,012	1.1
Flood prevention	5,116,207	36.4	-	-	5,116,207	33.7
Erosion control	1,940,135	13.8	-	-	1,940,135	12.8
Water quality	667,222	4.7	-	-	667,222	4.4
Recreation	975,009	6.9	-	-	975,009	6.4
Forestry & wildlife	1,245,290	8.9	-	-	1,245,290	8.2
Capital improvements	250,070	1.8	-	-	250,070	1.7
Cost sharing						
reimbursement	(618,305)	(4.4)	-	-	(618,305)	(4.1)
Unallocated depreciation	276,618	2.0	-	-	276,618	1.8
Interest on long-term debt	5,743	0.0	-	-	5,743	0.0
Rural Water Districts	-	-	939,347	83.3	939,347	6.2
Other proprietary funds	-	-	188,254	16.7	188,254	1.2
Total expenses	14,049,486	100.0%	1,127,601	100.0%	15,177,087	100.0%
Change in net assets	4,758,346		338,964		5,097,310	
Beginning net assets	40,233,561		3,521,570		43,755,131	
Ending net assets	\$ 44,981,907		\$ 3,860,534		\$ 48,842,441	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Year ended June 30, 2006

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

**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 \$5,261,985 to \$9,519,725.

**Proprietary Funds**

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information for the current fiscal year. 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 \$377,711. The fund balance for the non-major proprietary funds decreased by \$38,746. The total net assets increase by \$338,964 to \$3,860,534.

**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, 2006, was \$29,259,852 and \$7,248,103, respectively. The total increase in this net investment was 7.5% for governmental and 29.7% for business-type activities. The table on the next page summarizes the District's capital assets net of accumulated depreciation and compares the balances at the current year-end to the previous year-end balances.



PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Year ended June 30, 2006

Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total		Total % Chg
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	
Non-Depreciable Assets:							
Land and							
Infrastructure	\$22,611,892	\$24,854,632	\$ 19,125	\$ 19,125	\$22,631,017	\$24,873,757	9.9%
Construction in							
Process	-	-	3,180,409	-	3,180,409	-	(100)
Depreciable Assets:							
Capital							
Improvements	2,055,772	2,074,977	2,968,052	7,936,638	5,023,824	10,011,615	99.3
Buildings and							
Improvements	3,872,057	3,895,893	1,755,601	1,755,601	5,627,658	5,651,494	0.4
Vehicles and							
Equipment	4,160,960	4,287,259	34,207	34,207	4,195,167	4,321,466	3.0
Depreciation	(5,469,677)	(5,852,909)	(2,369,496)	(2,497,468)	(7,839,173)	(8,350,377)	6.5
Total	<u>\$27,231,004</u>	<u>\$29,259,852</u>	<u>\$5,587,898</u>	<u>\$7,248,103</u>	<u>\$32,818,902</u>	<u>\$36,507,955</u>	<u>11.2%</u>

Long-Term Debt

At the end of the fiscal year, the District had \$5,940,018 in bonds and notes outstanding. The table below summarizes the District's outstanding debt at June 30, 2006.

Outstanding Debt at Year-end

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Notes payable	\$ 151,991	\$ 88,368	\$ 1,416,951	\$ 5,851,650	\$ 1,568,942	\$ 5,940,018
Line of Credit	-	-	2,065,000	-	2,065,000	-
Total	<u>\$ 151,991</u>	<u>\$ 88,368</u>	<u>\$ 3,481,951</u>	<u>\$ 5,851,650</u>	<u>\$ 3,633,942</u>	<u>\$ 5,940,018</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Year ended June 30, 2006

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

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.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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TENTATIVE FOR DISCUSSION  
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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

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

YEAR ENDED JUNE 30, 2006

BLAND & ASSOCIATES, P.C.  
Certified Public Accountants

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**TENTATIVE FOR DISCUSSION  
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**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Papio-Missouri River Natural Resources District (the District), a political subdivision of the State of Nebraska, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2006, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**TENTATIVE FOR DISCUSSION  
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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 30 to 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 42 and 43 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Omaha, Nebraska  
September 29, 2006

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

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STATEMENT OF NET ASSETS

June 30, 2006

TENTATIVE FOR DISCUSSION  
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ASSETS	Governmental Activities	Business-Type Activities	Total
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Notes A and B)	\$ 7,575,085	\$ 1,093,114	\$ 8,668,199
Cash on deposit with County Treasurers (Note B)	284,009	348	284,357
Unrestricted investments (Notes A and B)	-	862,512	862,512
Taxes receivable (Note A)	9,111,446	-	9,111,446
Service receivables	14,934	97,937	112,871
Assessments receivable	-	11,955	11,955
Interest receivable	317	2,202	2,519
Due from funding agency (Note D)	139,674	-	139,674
Internal balances (Note C)	46,332	(46,332)	-
Inventories (Note A)	-	49,074	49,074
	17,171,797	2,070,810	19,242,607
<b>NONCURRENT ASSETS</b>			
Restricted assets (Note I)			
Cash and cash equivalents (Note I)	634,863	-	634,863
Investments (Note I)	687,235	507,808	1,195,043
Capital assets (Notes A, F and G)			
Land and infrastructure	24,854,632	19,125	24,873,757
Capital improvements	2,074,977	7,936,638	10,011,615
Buildings and improvements	3,895,893	1,755,601	5,651,494
Vehicles and equipment	4,287,259	34,207	4,321,466
Accumulated depreciation	(5,852,909)	(2,497,468)	(8,350,377)
Total capital assets	29,259,852	7,248,103	36,507,955
	30,581,950	7,755,911	38,337,861
	\$ 47,753,747	\$ 9,826,721	\$ 57,580,468
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 2,424,459	\$ 55,528	\$ 2,479,987
Accrued salaries and payroll withholdings	31,510	-	31,510
Accrued expenses	35,839	56,153	91,992
Deferred revenue (Note A)	-	2,856	2,856
Current portion of long-term debt (Note H)	66,680	465,706	532,386
Current portion of accrued compensated absences (Note K)	20,333	-	20,333
	2,578,821	580,243	3,159,064
<b>NONCURRENT LIABILITIES</b>			
Long-term debt, net of current portion (Note H)	21,688	5,385,944	5,407,632
Accrued compensated absences, net of current portion (Note K)	171,331	-	171,331
	193,019	5,385,944	5,578,963
	2,771,840	5,966,187	8,738,027
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	29,171,484	-	29,171,484
Restricted	634,863	507,808	1,142,671
Unrestricted	14,488,325	3,352,726	17,841,051
Sinking fund	687,235	-	687,235
	44,981,907	3,860,534	48,842,441
	\$ 47,753,747	\$ 9,826,721	\$ 57,580,468

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

## PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions		Net (Expense) Revenue & Change in Net Assets		
		Charges for Services	Operating Grants and Contributions			Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>								
General administration	\$ 4,026,485	\$ 194,223	\$ 1,104,988	\$ -	\$ -	\$ (2,727,264)	\$ -	\$ (2,727,264)
Information and education	165,012	-	-	-	-	(165,012)	-	(165,012)
Flood prevention	5,116,207	29,543	1,117,929	-	-	(3,968,735)	-	(3,968,735)
Erosion control	1,940,135	201,262	-	-	-	(1,738,873)	-	(1,738,873)
Water quality	667,222	387,500	1,754,200	-	-	(204,302)	-	(204,302)
Recreation	975,009	1,425	329,088	-	-	(644,496)	-	(644,496)
Forestry and wildlife	1,245,290	-	254,488	-	-	(990,802)	-	(990,802)
Capital improvements	250,070	-	-	-	-	(250,070)	-	(250,070)
Unallocated depreciation	276,618	-	-	-	-	(276,618)	-	(276,618)
Interest on long-term debt	5,743	-	-	-	-	(5,743)	-	(5,743)
	14,667,791	813,953	2,881,923	-	-	(10,971,915)	-	(10,971,915)
<b>BUSINESS-TYPE ACTIVITIES</b>								
Dakota County Rural Water	267,449	377,442	-	-	-	-	89,993	89,993
Thurston County Rural Water	122,858	101,728	-	-	-	-	(21,130)	(21,130)
Washington County Rural Water #1	305,874	380,334	-	-	-	-	74,660	74,660
Washington County Rural Water #2	223,366	402,063	-	-	-	-	178,697	178,697
Non-major Proprietary Funds	188,254	79,003	-	-	-	-	(109,251)	(109,251)
	1,127,801	1,340,570	-	-	-	-	212,969	212,969
	\$ 15,795,392	\$ 2,154,523	\$ 2,881,923	\$ -	\$ -	(10,971,915)	212,969	(10,758,946)
<b>GENERAL REVENUES</b>								
Property taxes						15,730,261	-	15,730,261
Assessment income						-	58,341	58,341
Interest income						-	67,654	67,654
						15,730,261	125,995	15,856,256
<b>CHANGE IN NET ASSETS</b>								
						4,758,346	338,964	5,097,310
<b>NET ASSETS - Beginning</b>						40,223,561	3,521,570	43,745,131
<b>NET ASSETS - Ending</b>						\$ 44,981,907	\$ 3,860,534	\$ 48,842,441

TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

Note: Unallocated depreciation does not include depreciation attributable to specific functions.

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

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
FUND FINANCIAL STATEMENTS**

**DRAFT**

EXHIBIT C

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

BALANCE SHEET - GENERAL FUND

June 30, 2006

	General Fund (Note A)
<u>ASSETS AND OTHER DEBITS</u>	
Cash and cash equivalents (Notes A and B)	\$ 7,575,085
Cash on deposit with County Treasurers (Note B)	284,009
Receivables	
Taxes (Note A)	9,111,446
Services	14,934
Interest	317
Due from	
Funding agency (Note D)	139,674
Other funds (Note C)	46,332
Prepaid expenses (Note E)	-
Restricted assets (Note I)	
Cash and cash equivalents (Note I)	634,863
Investments (Note I)	687,235
	<u>\$ 18,493,895</u>
<u>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</u>	
LIABILITIES	
Accounts payable	\$ 2,424,459
Accrued salaries and payroll withholdings	31,510
Accrued expenses (Note K)	56,172
Deferred revenue (Note A)	6,380,659
	<u>8,892,800</u>
FUND EQUITY AND OTHER CREDITS	
Fund balance	
Reserved	634,863
Sinking fund	687,235
Unreserved	8,278,997
	<u>9,601,095</u>
	<u>\$ 18,493,895</u>

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

**TENTATIVE FOR DISCUSSION**  
**PURPOSES ONLY**  
PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

EXHIBIT C-1

June 30, 2006

Total Fund Balances - Governmental Funds \$ 9,601,095

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

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

Land and infrastructure	\$	24,854,632	
Capital improvements		2,074,977	
Buildings and improvements		3,895,893	
Vehicles and equipment		4,287,259	
Accumulated depreciation		<u>(5,852,909)</u>	
			29,259,852

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

Long-term debt		(88,368)	
Compensated absences		(171,331)	

Revenues deferred in the prior period now recognized as revenue 6,380,659

Net Assets of Governmental Activities \$ 44,981,907

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

TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GENERAL FUND

REVENUES	Year ended June 30, 2006	
General administration		\$ 19,569,319
Flood prevention		1,117,929
Water quality		75,420
Recreation		330,513
Forestry and wildlife		254,488
		<hr/>
		21,347,669
EXPENDITURES		
Current		
General administration		4,069,883
Information and education		165,012
Flood prevention		5,199,750
Erosion control		3,845,462
Water quality		667,222
Recreation		890,873
Forestry and wildlife		1,518,364
Indirect cost reimbursement		(158,835)
Cost sharing reimbursement		(618,306)
Capital improvements		436,893
Debt service		
Principal retirement		63,623
Interest		5,743
		<hr/>
		16,085,684
EXCESS OF REVENUES OVER EXPENDITURES		5,261,985
FUND BALANCE - BEGINNING		<hr/>
		4,257,740
FUND BALANCE - ENDING		<hr/>
		\$ 9,519,725

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
RECONCILIATION OF THE CHANGE IN FUND BALANCE - GENERAL FUND  
TO THE CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2006

Net Change in Fund Balances - Total Government Funds \$ 5,261,985

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

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

Capital outlays and capital asset expenditures	2,520,631
Depreciation expense	(499,056)

Repayment of long-term debt is reported as an expenditure in governmental funds. In the statement of net assets, the repayment reduces long-term liabilities.

Repayments	63,623
------------	--------

Full accrual accounting records revenues when earned. Modified accrual records revenues that are measurable and available.

Difference in property tax revenue accrual	(2,588,837)
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Change in Net Assets of Governmental Activities	\$ 4,758,346
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## PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2006

TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

	Total (Memo Only)	Dakota County Rural Water	Thurston County Rural Water	Washington County Rural Water #1	Washington County Rural Water #2	Non-major Proprietary Funds (Exhibit K)
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes A and B)	\$ 1,093,114	\$ 143,757	\$ 74,560	\$ 450,242	\$ 152,086	\$ 272,468
Cash on deposit with County Treasurers (Note B)	348	-	-	-	-	348
Unrestricted investments (Note A)	862,512	498,958	-	383,557	-	-
Receivables						
Services	97,937	36,726	9,535	38,553	13,123	-
Assessments	11,955	-	-	-	-	11,955
Interest	2,202	813	517	355	517	-
Due from other funds (Note C)	-	-	-	-	-	-
Inventories (Note A)	49,074	28,735	4,757	8,056	7,527	-
Prepaid expenses (Note E)	-	-	-	-	-	-
	2,117,142	708,987	89,369	860,763	173,253	284,771
<b>NONCURRENT ASSETS</b>						
Restricted investments (Note I)	507,808	72,500	58,308	37,000	340,000	-
Capital assets (Notes A, F and G)						
Land and infrastructure	19,125	18,125	1,000	-	-	-
Construction in progress	-	-	-	-	-	-
Capital improvements	7,936,636	-	1,365,030	1,603,022	4,968,586	-
Buildings and improvements	1,755,601	1,755,601	-	-	-	-
Vehicles and equipment	34,207	34,207	-	-	-	-
Accumulated depreciation	(2,497,468)	(916,222)	(564,473)	(1,000,211)	(16,562)	-
Total capital assets	7,248,103	891,711	801,557	602,811	4,952,024	-
	7,755,911	964,211	859,865	639,811	5,292,024	-
	\$ 9,873,053	\$ 1,673,198	\$ 949,234	\$ 1,500,574	\$ 5,465,277	\$ 284,771
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 55,528	\$ 16,513	\$ 9,547	\$ 23,240	\$ 6,229	\$ -
Accrued expenses	56,153	5,911	26,076	3,215	20,951	-
Due to other funds (Note C)	46,332	25,234	5,255	14,552	1,290	-
Deferred revenue	2,856	-	-	-	-	2,856
Construction note payable	-	-	-	-	-	-
Current portion of long-term debt (Note H)	465,706	70,000	12,905	35,000	347,802	-
	626,575	117,658	53,783	76,007	376,272	2,856
<b>NONCURRENT LIABILITIES</b>						
Long-term debt, net of current portion (Note H)	5,385,944	460,000	488,746	235,000	4,202,198	-
<b>TOTAL LIABILITIES</b>	6,012,519	577,658	542,529	311,007	4,578,470	2,856
<b>NET ASSETS</b>						
Restricted	507,808	72,500	58,308	37,000	340,000	-
Unrestricted	3,352,726	1,023,040	348,397	1,152,567	546,807	281,915
	3,860,534	1,095,540	406,705	1,189,567	886,807	281,915
	\$ 9,873,053	\$ 1,673,198	\$ 949,234	\$ 1,500,574	\$ 5,465,277	\$ 284,771

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



PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS

Year ended June 30, 2006

	Total (Memorandum Only)			Dakota Rural Water			Thurston Rural Water		
	Actual	Original	Final	Actual	Original	Final	Actual	Original	Final
<b>OPERATING REVENUES</b>									
Water sales	\$ 790,644	\$ 781,000	\$ 781,000	\$ 347,595	\$ 340,000	\$ 340,000	\$ 97,443	\$ 136,000	\$ 136,000
Customer charges and hookup fees	154,304	104,375	104,375	28,249	30,200	30,200	3,278	3,175	3,175
Sales	160	150	150	160	150	150	-	-	-
Miscellaneous	395,462	2,628,500	2,628,500	1,438	500	500	1,007	1,200	1,200
	<u>1,340,570</u>	<u>3,514,025</u>	<u>3,514,025</u>	<u>377,442</u>	<u>370,850</u>	<u>370,850</u>	<u>101,728</u>	<u>140,375</u>	<u>140,375</u>
<b>OPERATING EXPENSES</b>									
Repairs and maintenance	3,099	5,700	5,700	2,856	5,000	5,000	443	200	200
Supplies and postage	11,540	14,980	14,980	6,329	8,200	8,200	2,183	3,980	3,980
Professional services	169,484	265,650	265,650	9,409	11,700	11,700	954	5,750	5,750
Personnel	161,987	188,075	188,075	92,918	95,000	95,000	19,240	23,000	23,000
Insurance	1,567	1,950	1,950	878	900	900	172	250	250
Telephone, utilities, and rent	16,626	17,300	17,300	4,558	5,900	5,900	5,268	4,900	4,900
Miscellaneous	7,484	4,575	4,575	1,978	1,150	1,150	1,017	575	575
Water purchase	192,267	209,000	209,000	86,251	80,000	80,000	19,384	52,000	52,000
Contract costs	233,089	274,500	274,500	8,904	25,000	25,000	14,951	9,500	9,500
Project construction and land	67,333	2,310,700	2,310,700	4,040	20,500	20,500	-	-	-
Project operation and maintenance	5,671	8,800	8,800	3,647	4,800	4,800	-	-	-
Depreciation and amortization	128,124	-	-	40,677	-	-	29,719	-	-
Vehicle expense	11,540	6,650	6,650	6,131	5,050	5,050	-	-	-
Bond expenditures	45,761	110,000	110,000	-	65,000	65,000	-	10,000	10,000
Indirect cost	3,004	1,650	1,650	355	500	500	2,535	1,000	1,000
	<u>1,058,576</u>	<u>3,419,530</u>	<u>3,419,530</u>	<u>268,729</u>	<u>328,700</u>	<u>328,700</u>	<u>95,866</u>	<u>111,155</u>	<u>111,155</u>
<b>OPERATING INCOME (LOSS)</b>	<u>281,994</u>	<u>94,495</u>	<u>94,495</u>	<u>108,713</u>	<u>42,150</u>	<u>42,150</u>	<u>5,862</u>	<u>29,220</u>	<u>29,220</u>
<b>NONOPERATING INCOME (EXPENSE)</b>									
Assessment revenue	58,341	44,000	44,000	-	-	-	-	-	-
Interest income	67,654	27,850	27,850	20,865	12,000	12,000	5,807	1,350	1,350
Interest expense	(69,025)	(153,720)	(153,720)	(18,720)	(18,720)	(18,720)	(26,992)	(26,000)	(26,000)
	<u>56,970</u>	<u>(61,870)</u>	<u>(61,870)</u>	<u>2,145</u>	<u>(6,720)</u>	<u>(6,720)</u>	<u>(21,185)</u>	<u>(24,650)</u>	<u>(24,650)</u>
<b>CHANGE IN NET ASSETS</b>	<u>338,964</u>	<u>\$ 12,625</u>	<u>\$ 12,625</u>	<u>110,658</u>	<u>\$ 35,430</u>	<u>\$ 35,430</u>	<u>(15,323)</u>	<u>\$ 4,570</u>	<u>\$ 4,570</u>
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>3,521,570</u>			<u>984,682</u>			<u>422,028</u>		
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 3,860,534</u>			<u>\$ 1,095,540</u>			<u>\$ 406,705</u>		

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

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

## PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS

Year ended June 30, 2006

	Washington Rural Water #1			Washington Rural Water #2			Non-Major Proprietary Funds (Exhibit L)		
	Actual	Original	Budget	Actual	Original	Budget	Actual	Original	Budget
<b>OPERATING REVENUES</b>									
Water sales	\$ 291,513	\$ 265,000	\$ 265,000	\$ 54,093	\$ 40,000	\$ 40,000	\$ -	\$ -	\$ -
Customer charges and hookup fees	64,879	35,600	35,600	57,898	35,400	35,400	-	-	-
Sales	-	-	-	-	-	-	-	-	-
Miscellaneous	23,942	500	500	290,072	2,515,000	2,515,000	79,003	111,300	111,300
	380,334	301,100	301,100	402,063	2,590,400	2,590,400	79,003	111,300	111,300
<b>OPERATING EXPENSES</b>									
Repairs and maintenance	-	500	500	-	-	-	-	-	-
Supplies and postage	2,415	2,300	2,300	613	500	500	-	-	-
Professional services	12,656	16,800	16,800	128,725	226,400	226,400	17,740	6,500	6,500
Personnel	49,829	65,000	65,000	-	75	75	-	5,000	5,000
Insurance	517	800	800	-	-	-	-	-	-
Telephone, utilities, and rent	6,800	6,300	6,300	-	-	-	-	-	-
Miscellaneous	2,222	1,750	1,750	2,250	1,000	1,000	19	100	100
Water purchase	80,008	77,000	77,000	6,624	-	-	-	-	-
Contract costs	33,222	20,000	20,000	16,386	-	-	169,626	220,000	220,000
Project construction and land	62,548	40,075	40,075	70	2,250,100	2,250,100	675	-	-
Project operation and maintenance	1,830	1,500	1,500	-	1,000	1,000	194	1,500	1,500
Depreciation and amortization	41,166	-	-	16,562	-	-	-	-	-
Vehicle expense	2,757	1,800	1,800	2,652	-	-	-	-	-
Bond expenditures	-	35,000	35,000	45,761	-	-	-	-	-
Indirect cost	114	150	150	-	-	-	-	-	-
	296,084	268,975	268,975	209,643	2,479,075	2,479,075	188,254	233,100	233,100
<b>OPERATING INCOME (LOSS)</b>	84,250	32,125	32,125	192,420	111,325	111,325	(109,251)	(121,800)	(121,800)
<b>NONOPERATING INCOME (EXPENSE)</b>									
Assessment revenue	-	-	-	-	-	-	58,341	44,000	44,000
Interest income	24,747	13,000	13,000	4,072	1,500	1,500	12,163	-	-
Interest expense	(9,590)	(9,000)	(9,000)	(13,723)	(100,000)	(100,000)	-	-	-
	15,157	4,000	4,000	(9,651)	(98,500)	(98,500)	70,504	44,000	44,000
<b>CHANGE IN NET ASSETS</b>	99,407	\$ 36,125	\$ 36,125	182,769	\$ 12,825	\$ 12,825	(38,746)	\$ (77,800)	\$ (77,800)
<b>TOTAL NET ASSETS - BEGINNING</b>	1,090,160			704,038			320,651		
<b>TOTAL NET ASSETS - ENDING</b>	\$ 1,189,567			\$ 886,807			\$ 281,915		

TENTATIVE FOR DISCUSSION  
PURPOSES ONLYThe accompanying notes to basic financial statements  
are an integral part of these statements

EXHIBIT G  
**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2006

	MAJOR FUNDS					NONMAJOR FUNDS
	TOTAL (Memo only)	Dakota Rural Water	Thurston Rural Water	Washington Rural Water #1	Washington Rural Water #2	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 910,048	\$ 362,614	\$ 97,930	\$ 358,680	\$ 90,824	\$ -
Other operating receipts (disbursements)	395,622	1,598	1,007	23,942	290,072	79,003
Cash paid to suppliers and employees	(1,323,185)	(229,741)	(62,303)	(257,633)	(585,254)	(188,254)
Net cash provided (used) by operating activities	(17,515)	134,471	36,634	124,989	(204,358)	(109,251)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Investments purchased	(349,174)	(1,940)	(1,657)	(5,577)	(340,000)	-
Interest received	67,655	20,865	5,807	24,747	4,072	12,164
Net cash provided (used) by investing activities	(281,519)	18,925	4,150	19,170	(335,928)	12,164
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from issuance of debt	2,485,000	-	-	-	2,485,000	-
Payments on long-term debt	(115,300)	(65,000)	(15,300)	(35,000)	-	-
Interest paid	(69,025)	(18,720)	(26,992)	(9,590)	(13,723)	-
Construction in progress	3,180,409	-	-	-	3,180,409	-
Capital improvements	(4,968,586)	-	-	-	(4,968,586)	-
Assessments received	58,341	-	-	-	-	58,341
Net cash provided (used) by capital and related financing activities	570,839	(83,720)	(42,292)	(44,590)	683,100	58,341
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Change in due to (from) other funds	565	(710)	1,483	5,806	(6,014)	-
Net cash provided (used) by noncapital financing activities	565	(710)	1,483	5,806	(6,014)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	272,370	68,966	(25)	105,375	136,800	(38,746)
<b>CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED) - BEGINNING OF YEAR</b>	820,739	74,791	74,581	344,867	15,286	311,214
<b>CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED) - END OF YEAR</b>	\$ 1,093,109	\$ 143,757	\$ 74,556	\$ 450,242	\$ 152,086	\$ 272,468
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS</b>						
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 281,994	\$ 108,713	\$ 5,862	\$ 84,250	\$ 192,420	\$ (109,251)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization	128,124	40,877	29,719	41,166	16,562	-
Changes in assets and liabilities						
(Increase) decrease in receivables	(15,254)	(4,156)	(1,916)	4,458	(13,640)	-
(Increase) decrease in inventories	(19,642)	(9,074)	(871)	(2,170)	(7,527)	-
Increase (decrease) in accounts payable	(410,144)	(3,436)	3,393	(3,795)	(406,306)	-
Increase (decrease) in accrued expenses	17,407	1,747	447	1,080	14,133	-
Net cash provided (used) by operating activities	\$ (17,515)	\$ 134,471	\$ 36,634	\$ 124,989	\$ (204,358)	\$ (109,251)

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

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**DRAFT**

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

NOTES TO BASIC FINANCIAL STATEMENTS  
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Year ended June 30, 2006

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2006

TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

District Activities

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 retain an ongoing financial interest in or responsibility for the projects.

Reporting Entity

The District, for financial reporting purposes, includes all funds relevant to the operations of the District. The financial statements of the District include those entities that are separately administered organizations controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and legislative intent.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying government-wide and fund financial statements:

- Dakota County Rural Water Project
- Elkhorn River Bank Stabilization Project
- Thurston County Rural Water Project
- Washington County Rural Water Project #1
- Washington County Rural Water Project #2
- Elkhorn Breakout
- Elk/Pigeon Creek Drainage
- Western Sarpy Drainage Project

Of these funds, the Dakota, Thurston, and Washington County #1 and #2 Rural Water Projects are major funds presented individually in the government-wide 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 Government Accounting Standards Board (GASB) Statement No. 34. The District has no component units and is not a component unit of any other government entity.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

The operations of each fund of the District are accounted for with a separate set of self-balancing accounts comprised of its assets, liabilities, fund equity, revenues, and expenditures (or expenses), as appropriate. 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 Proprietary Funds apply all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities, which report financial information for the District as a whole. Individual funds are not displayed nor are internal activity between or within funds eliminated. The accrual basis of accounting and the total economic resources measurement focus are used. The statements distinguish governmental activities, which are generally supported by property taxes and grants from other governments, from business-type activities, which are generally financed with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Program revenues include:

1. Charges for services, which report fees and other charges to users of the District's services,
2. Operating grants and contributions, which finance annual operating activities including restricted investment income, and
3. Capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred.

Operating revenue reported in the 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.

Allocation of Indirect Expenses

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. The actual amount of indirect cost reimbursement received by the District at June 30, 2006, was \$158,835. These reimbursements are included in the general administration expenses in the Statement of Activities.



PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost Sharing Reimbursements

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

Economic Dependency

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

Basis of Accounting

Basis of accounting refers to the timing of the recognition of revenues and expenditures, or expenses, in the accounts and the financial statements.

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 2006, the taxes levied totaled \$15,730,261 at a tax levy rate of 3.9094%.

In the government-wide financial statements, Exhibits A and B, the governmental funds are accounted for using the accrual basis of accounting. On the accrual basis, all revenue from property taxes is recognized in the period it was levied, regardless of when the cash is collected.

In the fund financial statements, the governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Property tax revenues not collected within 60 days after year-end are recorded as deferred revenues. Delinquent taxes are considered fully collectible, so no allowance for uncollectible taxes is considered necessary.

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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

TEMPORARY  
FOR DISCUSSION  
PURPOSES ONLY

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Grants are recognized when the funds are received or receivable. Expenditures are recognized on the modified accrual basis of accounting as the related expenditures are incurred.

Proprietary Funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred.

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.

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.

The statement of revenues, expenditures, and changes in fund balances-budget and actual-General Fund presents comparisons of legally adopted budgets to actual data prepared in accordance with the accounting bases 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 basic 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.

Amortization of Bond Expense

The cost of issuing bonds is amortized on the straight-line method over the life of the bonds.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets are recorded at cost. Expenditures for major additions and improvements over \$5,000 are capitalized and minor replacements, maintenance, and repairs are charged to expense accounts as incurred. Interest costs incurred on funds used to construct property, plant, and equipment are capitalized and recorded as part of the asset to which it relates and are amortized over the asset's useful life. The interest cost incurred and capitalized at June 30, 2006 was \$162,520 for Washington County Rural Water #2.

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

	<u>Years</u>
Buildings	30
Equipment	5-10
Vehicles	5
Water distribution systems	25-50
Other capital improvements	20-40

**Inventories**

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

**Project Costs**

In the governmental fund financial statements, structural improvements (tunnels, 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 General 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 infrastructure at the historical cost of the land. In the government-wide financial statements, structural improvements, land acquisitions, and equipment purchases are included as capital assets in the financial statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

TENTATIVE FOR DISCUSSION  
NOT FOR PURPOSES ONLY

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The District classifies only actual cash as cash and cash equivalents.

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments consisted of the following at June 30, 2006:

	<u>Total</u>	<u>General Fund</u>	<u>Proprietary Funds</u>
UNRESTRICTED:			
Cash and cash equivalents	\$ 8,668,199	\$ 7,575,085	\$ 1,093,114
Cash on hand at County Treasurers	<u>284,357</u>	<u>284,009</u>	<u>348</u>
	8,952,556	7,859,094	1,093,462
Investments:			
Certificates of deposit	<u>862,512</u>	<u>-</u>	<u>862,512</u>
Total unrestricted cash, cash equivalents and investments	9,820,068	7,859,094	1,955,974
RESTRICTED:			
Cash and cash equivalents	634,863	634,863	-
Investments:			
Certificates of deposit	557,808	50,000	507,808
U.S. Government Money Market	<u>637,235</u>	<u>637,235</u>	<u>-</u>
	<u>1,195,043</u>	<u>687,235</u>	<u>507,808</u>
Total restricted cash, cash equivalents and investments	<u>1,829,906</u>	<u>1,332,098</u>	<u>507,808</u>
Total cash and investments	<u>\$ 11,644,974</u>	<u>\$ 9,181,192</u>	<u>\$ 2,463,782</u>

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2006, the District's deposits at all financial institutions, except two, are fully insured by the Federal Deposit Insurance Corporation or collateralized by investments held by these financial institutions. The amount not fully collateralized is \$343, which is due to interest earned on a certificate of deposit added to the principal instead of paid out to the District.

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, 2006. 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	\$ 9,701,563	\$ 100,000	\$ 9,601,563	\$ -	\$ 9,596,570
Non-pooled deposits					
General fund	50,000	50,000	-	-	50,000
Proprietary funds	<u>1,069,820</u>	<u>841,078</u>	<u>228,399</u>	<u>343</u>	<u>1,069,820</u>
Total deposits	\$ <u>10,821,384</u>	\$ <u>991,078</u>	\$ <u>9,829,962</u>	\$ <u>343</u>	\$ <u>10,716,390</u>

Investments are stated at cost. For fiscal year 2006, 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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

State of Nebraska statutes authorize the District to invest any surplus funds, including monies in sinking funds, in certificates of deposit within federally insured banks, or in direct debt securities of the United States. It is the District's policy, in accordance with Nebraska statutes, to invest in only direct obligations of the United States, excluding certificates of deposit, and not to require collateral to be pledged to secure these investments. The District's non-pooled investments are categorized to give an indication of the level of risk assumed by the District at June 30, 2006. These categories are as follows:

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

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name.

Investments, categorized by level of risk are:

	Category			Carrying	Fair
	1	2	3	amount	Value
Non-pooled investments	\$ -	\$ -	\$ -	\$ -	\$ -
US Government					
Money market					
General fund	-	637,235	-	637,235	637,235
Proprietary funds	-	-	-	-	-
Total non-pooled investments	\$ -	\$ 637,235	\$ -	\$ 637,235	\$ 637,235

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

NOTE C – 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, 2006, consisted of the following individual fund receivables and payables:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General Fund	Thurston County Rural Water	\$ 5,255
General Fund	Washington Co. Rural Water #1	14,552
General Fund	Dakota County Rural Water	25,235
General Fund	Washington Co. Rural Water #2	<u>1,290</u>
		\$ <u>46,332</u>

NOTE D - DUE TO/DUE FROM FUNDING AGENCIES

Revenue from governmental grants and contracts are recognized as earned when all applicable eligibility requirements are met. Funds received from the various agencies less than or greater than the expenditures of the program are recorded as assets or liabilities, respectively. At June 30, 2006, \$139,674 was due from funding agencies.

NOTE E - DEFERRED CHARGES

It is the District's policy to capitalize loan fees and amortize them over the term of the respective loans. Washington County Rural Water #1 had prepaid loan fees that were being amortized over 20 years. As of June 30, 2006 amortization expense for these fees was \$153 and the prepaid loan fees are fully amortized.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

NOTE F – 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.

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<b>Not Depreciated</b>				
Land and infrastructure	\$ 22,136,829	\$ 2,242,740	\$ -	\$ 24,379,569
Water control structures	<u>475,063</u>	<u>-</u>	<u>-</u>	<u>475,063</u>
	22,611,892	2,242,740	-	24,854,632
<b>Depreciated</b>				
Buildings	3,872,057	23,836	-	3,895,893
Machinery and equipment	<u>2,525,596</u>	<u>90,355</u>	<u>-</u>	<u>2,615,951</u>
Office equipment	<u>1,078,675</u>	<u>69,214</u>	<u>-</u>	<u>1,147,889</u>
Vehicles	<u>556,689</u>	<u>82,554</u>	<u>115,824</u>	<u>523,419</u>
Other capital and infrastructure improvements	<u>2,055,772</u>	<u>19,205</u>	<u>-</u>	<u>2,074,977</u>
	10,088,789	285,164	115,824	10,258,129
Less accumulated depreciation	<u>(5,469,677)</u>	<u>(499,056)</u>	<u>(115,824)</u>	<u>(5,852,909)</u>
	<u>4,619,112</u>	<u>(213,892)</u>	<u>-</u>	<u>4,405,220</u>
	\$ <u>27,231,004</u>	\$ <u>2,028,848</u>	\$ <u>-</u>	\$ <u>29,259,852</u>

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

General administration	\$ 138,302
Recreation	84,136
Unallocated depreciation	<u>276,618</u>
Total depreciation expense	\$ <u>499,056</u>



PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

**NOTE F – CAPITAL ASSETS (Continued)**

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

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Land	\$ 19,125	\$ -	\$ -	\$ 19,125
Construction in progress	3,180,409	-	3,180,409	-
Buildings	67,097	-	-	67,097
Office equipment	17,559	-	-	17,559
Vehicles	16,648	-	-	16,648
Water distribution system	<u>4,656,556</u>	<u>4,968,586</u>	-	<u>9,625,142</u>
	7,957,394	4,968,586	3,180,409	9,745,571
Less accumulated depreciation	<u>(2,369,496)</u>	<u>(127,972)</u>	-	<u>(2,497,468)</u>
	<u>\$ 5,587,898</u>	<u>\$ 4,840,614</u>	<u>\$ 3,180,409</u>	<u>\$ 7,248,103</u>

The construction in progress represents the water tower and water distribution system built by WCRW #2. Construction was started during fiscal year 2005 and was completed during fiscal year 2006. The actual construction costs and the interest on the construction note payable were capitalized as of June 30, 2006. The related line of credit was converted to bonds and is shown as long-term debt on the Statement of Net Assets (Exhibits A and E). The Proprietary Funds recorded depreciation expense of \$127,972 for the year ended June 30, 2006.

**NOTE G - LONG-TERM DEBT**

The following is a summary of the long-term debt of the General Fund for the year ended June 30, 2006. In the government-wide financial statements, these amounts are included in the Statement of Net Assets. These amounts are not reported in the governmental fund financial statements.

<u>Financial Institution</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Principal Balance</u>
Case Credit	Dec, 2007	Annual	\$ 21,800	5.5%	\$ 42,664
Road Builders Machinery Co.	Mar, 2007	Annual	\$ 45,704	4%	<u>45,704</u>
					<u>\$ 88,368</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

NOTE G - LONG-TERM DEBT (Continued)

Principal additions of debt and principal retirement expenditures for the General Fund for the year ended June 30, 2006, are shown on the following schedule.

	<u>Principal additions</u>	<u>Principal payments</u>
Case Credit	\$ -	\$ 19,680
Road Builders Machinery Co.	-	43,943
	<u>\$ -</u>	<u>\$ 63,623</u>

Proprietary Fund Notes Payable:

<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%	\$ 270,000
Washington Rural Water #2	2006	Dec, 2022	Semi- Annual	\$70,000 to \$148,000	4.65%	3,400,000
Washington Rural Water #2	2006	Dec, 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%	530,000
Thurston Rural Water	1982	Jul, 2021	Annual	\$11,000 to \$24,000	5.00%	283,054
Thurston Rural Water	1993	Jul, 2032	Annual	\$3,000 to \$15,000	5.63%	<u>218,596</u>
						<u>\$ 5,851,650</u>

The District established a line of credit during fiscal year 2005 for the construction of the water system for Washington County Rural Water #2. Revenue bonds were issued in March 2006 which retired the line of credit.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

NOTE G – LONG-TERM DEBT (Continued)

The annual principal and interest requirements to maturity for long-term debt as of June 30, 2006 are as follows:

Year(s) ending June 30,	General Fund		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 66,465	\$ 4,171	\$ 468,646	\$ 273,361	\$ 535,111	\$ 277,532
2008	21,903	1,205	495,091	245,016	516,994	246,221
2009	-	-	513,688	223,952	513,688	223,952
2010	-	-	543,171	201,581	543,171	201,581
2011	-	-	568,584	177,913	568,584	177,913
2012-2016	-	-	1,381,728	629,074	1,381,728	629,074
2017-2021	-	-	1,430,058	307,284	1,430,058	307,284
2022-2026	-	-	361,668	44,625	361,668	44,625
2027-2031	-	-	61,326	18,514	61,326	18,514
2032-2036	-	-	27,691	1,558	27,691	1,558
	<u>\$ 88,368</u>	<u>\$ 5,376</u>	<u>\$ 5,851,651</u>	<u>\$ 2,122,878</u>	<u>\$ 5,940,019</u>	<u>\$ 2,128,254</u>

NOTE H - RESTRICTED FUNDS

The Board of Directors, by resolution, has established a sinking fund, escrow accounts, and restricted cash accounts for various purposes. All of the accounts are fully funded at their required levels at June 30, 2006. The following is a summary of the restrictions placed on cash and investments for the year ended June 30, 2006:

Sinking fund:

Uninsured Liabilities Fund	\$ 50,000
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Restricted 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.	113,498
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The Board of Directors, by resolution, has reserved funds for the purpose of covering the costs of Papio Creek Watershed project.	521,366
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Escrow Accounts:

The Board of Directors, by resolution, has escrowed funds for paying the United States Corps of Engineers upon completion of two projects.	<u>637,235</u>
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Total reserves	1,322,099
Less restricted cash	<u>(634,863)</u>

Total general fund restricted investments	\$ <u>687,235</u>
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Interest on these funds is reported as District earnings, with earnings on the restricted cash accounts and escrow accounts attributed to specific projects.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

NOTE H - RESTRICTED FUNDS (Continued)

Proprietary Sinking Funds:

In compliance with loan covenants for the notes described in Note G, the Proprietary Funds have reserved \$507,808 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
Less restricted cash	-
Total proprietary funds restricted investments	\$ 497,931

NOTE I - 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 5.0% of their compensation each pay period, and the District is required to contribute 5.5% of the employee's compensation for each pay period. The District's contributions for the year ended June 30, 2006, were \$112,085, the required contribution.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

**NOTE J - ACCUMULATED UNPAID ANNUAL LEAVE AND SICK PAY**

The District's employees are granted annual leave and sick pay in varying amounts based on length of service and actual hours worked. Annual leave and unused sick pay may be carried over at year-end up to 30 days and 180 days, respectively. After one year of service, employees are entitled to all accrued vacation leave upon termination, but not accrued sick leave. The estimated current portion of the liability for vested vacation benefits, \$20,333 at June 30, 2006, is recorded as an expenditure and liability in the General Fund in both the government-wide and fund financial statements. The long-term portion, \$171,331 at June 30, 2006, is recorded as a non-current liability in the government-wide Statement of Net Assets and is not recorded in the governmental fund financial statements. The amount of unvested sick leave benefits payable amounts to \$1,100,319 at June 30, 2006, and is not reported as an expenditure or liability in any of the District's June 30, 2006, basic financial statements.

**NOTE K - 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 any payments that may be required for land, if any, is unknown at June 30, 2006.

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, 2006, a reasonable estimate could not be determined for any potential loss contingencies.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2006

NOTE L – 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.

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TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**SUPPLEMENTAL INFORMATION**

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EXHIBIT H  
**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET (BUDGETARY BASIS) - GENERAL FUND

Year ended June 30, 2006

	Actual	Budget		Variance Favorable (Unfavorable)
		Original	Final	
<b>REVENUES</b>				
General administration	\$ 16,776,952	\$ 19,842,472	\$ 19,842,472	\$ (3,065,520)
Flood prevention	1,117,929	2,778,170	2,778,170	(1,660,241)
Erosion control	-	-	-	-
Water quality	75,420	268,500	268,500	(193,080)
Recreation	190,838	783,500	783,500	(592,662)
Forestry and wildlife	254,488	1,618,500	1,618,500	(1,364,012)
	18,415,627	25,291,142	25,291,142	(6,875,515)
<b>EXPENDITURES</b>				
Current				
General administration	1,388,062	4,565,300	4,565,300	3,177,238
Information and education	165,012	167,500	167,500	2,488
Flood prevention	5,199,750	9,634,500	9,634,500	4,434,750
Erosion control	3,845,462	4,504,919	4,504,919	659,457
Water quality	667,222	915,500	915,500	248,278
Recreation	890,873	2,892,001	2,892,001	2,001,128
Forestry and wildlife	1,518,364	2,803,792	2,803,792	1,285,428
Unallocated depreciation	-	-	-	-
Indirect cost reimbursement	(158,835)	(200,000)	(200,000)	(41,165)
Cost sharing reimbursement	(618,306)	(849,800)	(849,800)	(231,494)
Capital improvements	436,893	493,263	493,263	56,370
Debt service	-	-	-	-
Principal	63,623	-	-	(63,623)
Interest	4,093	-	-	(4,093)
	13,402,213	24,926,975	24,926,975	11,524,762
<b>EXCESS OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS) AND OTHER SOURCES</b>	5,013,414	<u>\$ 364,167</u>	<u>\$ 364,167</u>	<u>\$ 4,649,247</u>
<b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA</b>				
To adjust revenues for accruals	2,932,043			
To adjust expenditures for accruals	<u>(2,683,472)</u>			
<b>EXCESS OF EXPENDITURES OVER REVENUES (US GAAP BASIS) AND OTHER USES</b>	5,261,985			
<b>FUND BALANCE - BEGINNING</b>	<u>4,257,740</u>			
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 9,519,725</u></u>			



PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
ACTUAL AND BUDGET - PROPRIETARY FUNDS

Year ended June 30, 2006

	Actual	Budget		Variance Favorable (Unfavorable)
		Original	Final	
REVENUES				
Water sales	\$ 790,644	\$ 781,000	\$ 781,000	\$ 9,644
Customer charges and hookup fees	154,304	104,375	104,375	49,929
Sales	160	150	150	10
Miscellaneous	395,462	2,628,500	2,628,500	(2,233,038)
	1,340,570	3,514,025	3,514,025	(2,173,455)
EXPENSES				
Repairs and maintenance	3,099	5,700	5,700	(2,601)
Supplies and postage	11,540	14,980	14,980	(3,440)
Professional services	169,484	265,650	265,650	(96,166)
Personnel	161,987	188,075	188,075	(26,088)
Insurance	1,567	1,950	1,950	(383)
Telephone, utilities, and rent	16,626	17,300	17,300	(674)
Miscellaneous	7,484	4,575	4,575	2,909
Water purchase	192,267	209,000	209,000	(16,733)
Contract costs	233,089	274,500	274,500	(41,411)
Project construction	67,333	2,310,700	2,310,700	(2,243,367)
Project operation and maintenance	5,671	8,800	8,800	(3,129)
Depreciation and amortization	128,124	-	-	128,124
Vehicle expense	11,540	6,650	6,650	4,890
Bond expenditures	45,761	110,000	110,000	(64,239)
Indirect cost	3,004	1,650	1,650	1,354
	1,058,576	3,419,530	3,419,530	(2,360,954)
OPERATING INCOME	281,994	94,495	94,495	187,499
OTHER INCOME (EXPENSE)				
Assessment revenue	58,341	44,000	44,000	14,341
Interest income	67,654	27,850	27,850	39,804
Interest expense	(69,025)	(153,720)	(153,720)	84,695
	56,970	(81,870)	(81,870)	138,840
NET INCOME	338,964	\$ 12,625	\$ 12,625	\$ 326,339
RETAINED EARNINGS - BEGINNING	3,521,570			
RETAINED EARNINGS - ENDING	\$ 3,860,534			

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF FUNCTIONAL REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GENERAL FUND

Year ended June 30, 2005

REVENUES

Property tax	\$ 18,319,098
State and agency grants	1,605,119
Federal grants	229,062
Sales	3,341
Rental income	192,307
Interest income	263,151
Miscellaneous	735,591

21,347,669

EXPENDITURES

Current

Personnel	2,358,380
Employee benefits	552,869
Travel	56,709
Repairs and maintenance	581,987
Conservation assistance program	1,456,833
Supplies and postage	46,573
Printing and publications	86,909
Professional services	1,614,107
Insurance	151,712
Telephone, utilities, and rent	143,103
Special projects	1,702,668
Dues and memberships	35,935
Information and education	101,438
Project construction and land	6,056,334
Project legal costs	209,019
Project operation and maintenance	119,190
Contract works	554,962
Fees	157,446
Vehicle expense	125,890
Board of directors	60,097
Bonds and amortization	963
Payroll taxes	180,963
Indirect cost reimbursement	(158,835)
Cost sharing reimbursement	(618,306)
Miscellaneous	2,480

Capital improvements

Machinery and equipment	377,744
Vehicles	59,148
Buildings	-

Debt service

Principal	63,623
Interest	5,743

16,085,684

EXCESS OF REVENUES OVER EXPENDITURES

5,261,985

FUND BALANCE - BEGINNING

4,257,740

FUND BALANCE - ENDING

\$ 9,519,725

## PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

## STATEMENT OF NET ASSETS - NON-MAJOR PROPRIETARY FUNDS

June 30, 2006

ASSETS		Total (Memorandum Only)	Elkhorn River Stabilization	Elkhorn Breakout	Elk/Pigeon Creek Drainage	Western Saryp Drainage
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes A and B)	\$	272,468	\$ 90,262	\$ 6,039	\$ 46,488	\$ 129,679
Cash on deposit with County Treasurers (Note B)		348	143	205	-	-
Receivables						
Services			-	-	-	-
Assessments		11,955	10,181	1,774	-	-
Interest		-	-	-	-	-
Due from other funds (Note C)		-	-	-	-	-
Inventories (Note A)		-	-	-	-	-
Prepaid expenses (Note E)		-	-	-	-	-
Unrestricted investments (Note A)		-	-	-	-	-
		284,771	100,586	8,018	46,488	129,679
<b>NONCURRENT ASSETS</b>						
Restricted investments (Note I)		-	-	-	-	-
Capital assets (Notes A, F and G)		-	-	-	-	-
Accumulated depreciation		-	-	-	-	-
		284,771	100,586	8,018	46,488	129,679
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable		-	-	-	-	-
Accrued expenses		-	-	-	-	-
Due to other funds (Note C)		-	-	-	-	-
Deferred revenue		2,856	1,082	1,774	-	-
		2,856	1,082	1,774	-	-
<b>NONCURRENT LIABILITIES</b>						
Notes and bonds payable (Note H)		-	-	-	-	-
		2,856	1,082	1,774	-	-
<b>NET ASSETS</b>						
Restricted		-	-	-	-	-
Unrestricted		281,915	99,504	6,244	46,488	129,679
		281,915	99,504	6,244	46,488	129,679
		284,771	100,586	8,018	46,488	129,679

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS

Year ended June 30, 2006

	Total (Memorandum Only)			Elkhorn River			Elkhorn Breakout		
	Actual	Original	Final	Actual	Original	Budget	Actual	Original	Budget
<b>OPERATING REVENUES</b>									
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-
Miscellaneous	79,003	111,300	111,300	-	-	-	-	-	-
	<u>79,003</u>	<u>111,300</u>	<u>111,300</u>	-	-	-	-	-	-
<b>OPERATING EXPENSES</b>									
Repairs and maintenance	-	-	-	-	-	-	-	-	-
Supplies and postage	-	-	-	-	-	-	-	-	-
Professional services	17,740	6,500	6,500	-	-	-	-	-	-
Personnel	-	5,000	5,000	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Telephone, utilities, and rent	-	-	-	-	-	-	-	-	-
Miscellaneous	19	100	100	-	-	-	-	-	-
Water purchase	-	-	-	-	-	-	-	-	-
Contract costs	169,626	220,000	220,000	-	-	-	-	-	-
Project construction and land	675	-	-	-	-	-	-	-	-
Project operation and maintenance	194	1,500	1,500	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-
Vehicle expense	-	-	-	-	-	-	-	-	-
Bond expenditures	-	-	-	-	-	-	-	-	-
Indirect cost	-	-	-	-	-	-	-	-	-
	<u>188,254</u>	<u>233,100</u>	<u>233,100</u>	-	-	-	-	-	-
<b>OPERATING INCOME (LOSS)</b>	<u>(109,251)</u>	<u>(121,800)</u>	<u>(121,800)</u>	-	-	-	-	-	-
<b>NONOPERATING INCOME (EXPENSE)</b>									
Assessment revenue	58,341	44,000	44,000	-	-	-	-	-	-
Interest income	12,163	-	-	3,683	-	-	247	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Fund transfer (Note C)	-	-	-	-	-	-	-	-	-
	<u>70,504</u>	<u>44,000</u>	<u>44,000</u>	<u>3,683</u>	-	-	<u>247</u>	-	-
<b>CHANGE IN NET ASSETS</b>	<u>(38,746)</u>	<u>\$ (77,800)</u>	<u>\$ (77,800)</u>	<u>3,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>247</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL NET ASSETS - BEGINNING</b>	320,661			95,821			5,997		
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 281,915</u>			<u>\$ 99,504</u>			<u>\$ 6,244</u>		

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TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

## PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS

Year ended June 30, 2006

	Elk/Pigeon Creek Drainage			Western Sarpy Drainage		
	Actual	Original	Budget Final	Actual	Original	Budget Final
<b>OPERATING REVENUES</b>						
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Miscellaneous	79,003	111,300	111,300	-	-	-
	<u>79,003</u>	<u>111,300</u>	<u>111,300</u>			
<b>OPERATING EXPENSES</b>						
Repairs and maintenance	-	-	-	-	-	-
Supplies and postage	-	-	-	-	-	-
Professional services	17,740	6,500	6,500	-	-	-
Personnel	-	5,000	5,000	-	-	-
Insurance	-	-	-	-	-	-
Telephone, utilities, and rent	-	-	-	-	-	-
Miscellaneous	19	100	100	-	-	-
Water purchase	-	-	-	-	-	-
Contract costs	169,626	220,000	220,000	-	-	-
Project construction and land	-	-	-	-	-	-
Project operation and maintenance	-	1,500	1,500	675	-	-
Depreciation and amortization	-	-	-	194	-	-
Vehicle expense	-	-	-	-	-	-
Bond expenditures	-	-	-	-	-	-
Indirect cost	-	-	-	-	-	-
	<u>187,385</u>	<u>233,100</u>	<u>233,100</u>	<u>869</u>		
<b>OPERATING INCOME (LOSS)</b>	<u>(108,382)</u>	<u>(121,800)</u>	<u>(121,800)</u>	<u>869</u>		
<b>NONOPERATING INCOME (EXPENSE)</b>						
Assessment revenue	39,955	44,000	44,000	18,386	-	-
Interest income	3,307	-	-	4,926	-	-
Interest expense	-	-	-	-	-	-
Fund transfer (Note C)	-	-	-	-	-	-
	<u>43,262</u>	<u>44,000</u>	<u>44,000</u>	<u>23,312</u>		
<b>CHANGE IN NET ASSETS</b>	<u>(65,120)</u>	<u>\$ (77,800)</u>	<u>\$ (77,800)</u>	<u>22,444</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>111,608</u>			<u>107,235</u>		
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 46,488</u>			<u>\$ 129,679</u>		

TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF INVESTMENTS - GENERAL FUND

June 30, 2006

	<u>Cost</u>	<u>Interest Rate</u>
General fund		
Certificates of deposit		
Great Western Bank	\$ 50,000	3.92%
Escrow accounts		
Wells Fargo	637,235	variable
	687,235	
Less unrestricted portion	-	
General fund - restricted investments	<u>\$ 687,235</u>	

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF INVESTMENTS - PROPRIETARY FUNDS

	June 30, 2006	Cost	Interest Rate
Proprietary funds			
Certificates of deposit			
Dakota County			
American National Bank	\$	105,113	3.98%
Bank of the West		100,321	3.80%
Gateway Community Bank		100,000	3.75%
Nebraska State Bank		66,000	2.72%
Siouxland National Bank		100,000	3.23%
TierOne Bank		100,022	4.50%
		<u>571,456</u>	
Washington County #1			
American National Bank		121,068	2.52%
Bank of the West		100,000	4.18%
Team Bank		75,078	3.18%
Wells Fargo		104,410	5.12%
		<u>400,556</u>	
Washington County #2			
Wells Fargo		340,000	5.40%
		<u>340,000</u>	
Thurston County			
American National Bank		6,781	3.45%
American National Bank		46,527	3.45%
Bank of the West		5,000	3.70%
		<u>58,308</u>	
		1,370,320	
Less unrestricted portion		<u>(862,512)</u>	
Proprietary funds - restricted investments	\$	<u>507,808</u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICTSCHEDULE OF INSURANCE POLICIES AND BONDSINITIATIVE FOR DISCUSSION  
PURPOSES ONLY

June 30, 2006

## SCHEDULED PROPERTY FLOATER AND EQUIPMENT

Covering property, vehicle, and equipment; total limit \$9,328,000; deductible/\$5,000 except for boiler and machinery/\$25 per horsepower; Flood coverage/\$1,000,000 with deductible/\$25,000; Earthquake and earth movement limit/\$1,000,000 with deductible/\$25,000.

## 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.

## 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/\$200,000; deductible/\$500.

Forgery/\$200,000 with deductible/\$500; Computer fraud/\$50,000 with deductible/\$500; Theft, disappearance, and destruction/ \$100,000 with deductible/\$500.

## COMMERCIAL UMBRELLA POLICY

Combined bodily injury and property damage/\$1,000,000 with property damage deductible/\$10,000.

## COVERAGE EXTENSIONS

Arson and crime reward/\$10,000; Bridges/\$100,000; Fire department service charge/\$25,000; Personal effects of insureds, patients, and fire victims/\$50,000; Pollutant clean-up and removal/\$250,000; Recertification of equipment/\$50,000; Trees, shrubs, and landscape plantings/\$50,000.



EXHIBIT P

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF TAXES RECEIVABLE - GENERAL FUND

**TENTATIVE FOR DISCUSSION  
PROPOSES ONLY**

June 30, 2006

County

Douglas	\$ 5,350,043
Sarpy	2,799,434
Washington	456,517
Dakota	393,411
Burt	65,669
Thurston	45,669
Dodge	<u>703</u>
	<u><u>\$ 9,111,446</u></u>

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TENTATIVE FOR EXHIBIT Q  
DISCUSSION  
PURPOSES ONLY

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF CASH BALANCES HELD BY COUNTY TREASURERS

June 30, 2006

General Fund

Douglas	\$	186,796
Sarpy		43,214
Washington		7,006
Dakota		43,543
Burt		2,165
Thurston		536
Dodge		749

284,009

Proprietary Funds

Elkhorn Breakout		205
Elkhorn River Stabilization Project		143
		348
	\$	284,357

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT  
INFORMATION REQUIRED BY SECTION 2-3223, N.R.S - 1943

EXHIBIT R  
TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

Year ended June 30, 2006

Gross income from all sources	\$ 23,580,210
Amount expended for	
Maintenance	\$ 578,265
Improvements and other such programs	3,159,501
	\$ 3,737,766
Amount of depreciation on property	\$ 627,027
Number of employees as of June 30, 2006	59
Gross salaries	\$ 2,789,845
Less amount reimbursed by projects	(158,835)
Net salaries paid to employees	\$ 2,631,010

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TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Year ended June 30, 2006

Program	Pass-Through Grantor's Number	Federal CFDA Number	Contract Amount	Due From/(To) Funding Agency July 1, 2005	Grant Receipts	Grant Revenues	Other Revenue	Expenditures	Due From/(To) Funding Agency June 30, 2006
U.S. Department of Transportation Passthrough from Nebraska Department of Roads Highway Planning and Construction - Recreational Trails									
Big Papio Trail - Center to Blondo Street	STPB-28 (74)	20.205	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
West Papio Trail - Bellevue to Papillion	STPB-77 (46)	20.205	500,000	-	-	-	-	-	-
MoPac Trail - Springfield to Platte River	STPB-77 (43)	20.205	500,000	43,724	47,521	-	3,797	-	-
Missouri River Trail	STPB-28 (85)	20.205	500,000	-	200,468	340,162	-	340,162	139,674
U.S. Department of Federal Emergency Management Assistance Floodway Mapping	N/A	97.045	392,500	10,698	96,287	85,589	-	85,589	-
<b>Total Expenditures of Federal Awards</b>				<b>\$ 54,422</b>	<b>\$ 344,296</b>	<b>\$ 425,751</b>	<b>\$ 3,797</b>	<b>\$ 425,751</b>	<b>\$ 139,674</b>

**TENTATIVE FOR DISCUSSION  
PURPOSES ONLY**

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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, 2006

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 basic financial statements.

The District did not exceed 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*. No OMB Circular A-133 compliance audit procedures were therefore performed.

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TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND 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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND 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 Papio-Missouri River Natural Resources District (the District) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, 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 September 29, 2006.



Independent Auditors' Report on Compliance and 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)  
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TENTATIVE FOR DISCUSSION  
PURPOSES ONLY

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

Omaha, Nebraska  
September 29, 2006

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INITIATIVE FOR DISCUSSION  
PURPOSES ONLY

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**SCHEDULES OF FINDINGS**

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2006

A. SUMMARY OF AUDIT FINDINGS

1. The Independent Auditors' Report dated September 29, 2006, expressed an unqualified opinion on the basic financial statements of Papio-Missouri River Natural Resources District.
2. Two reportable conditions were found during the audit of the basic financial statements, as detailed below.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. The District's federal expenditures did not exceed the \$500,000 threshold set by OMB Circular A-133. No testing of compliance requirements applicable to major programs or of internal control over compliance was therefore performed.
5. The Papio-Missouri River Natural Resources District was considered to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

The following reportable conditions were found during the financial statement audit:

1. The District tracks only the assets that it purchases or disposes of, but does not internally track the total capital assets for reporting purposes.
2. 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.

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

OMB Circular A-133 requires that compliance with requirements applicable to major programs and internal control over compliance be audited when federal expenditures exceed the \$500,000 threshold. A major federal award program audit was not performed because the District expended less than \$500,000 of federal grant monies.

SCHEDULE OF PRIOR YEAR FINDINGS

Year ended June 30, 2006

FINANCIAL STATEMENT AUDIT

Three reportable conditions were found during the prior year financial statement audit. These conditions and their status are summarized below.

**Condition 1:** The District tracks only the assets that it purchases or disposes of, but does not internally track the total capital assets for reporting purposes.

Status: The District began inventorying its machinery and equipment during fiscal year 2006, but it does not yet maintain a complete list of owned capital assets and their valuations.

**Condition 2:** The District does not separate the federal award monies from other monies received.

Status: The District now records federal award monies for specific projects in separate accounts within the general ledger.

**Condition 3:** 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: The District Accountant performs virtually all functions mentioned above for the District. However, due to the small size of the organization, the General Manager and the Board of Directors maintain direct oversight of the District Accountant.

MAJOR FEDERAL AWARD PROGRAM AUDIT

One reportable condition was noted during the prior year major federal award program audit of the Federal Emergency Management Agency (FEMA) Floodway Mapping project, whose granting agency is the U.S. Department of Homeland Security.

Condition: The contract with FEMA required the District to provide quarterly performance reports due within 30 days of the end of each quarter. The District did not file the April 1, 2005 to June 30, 2005 report on time.

Status: The District has filed all subsequent quarterly reports on time.