

Papio-Missouri River Natural Resources District

FINANCIAL REPORT

Management's Discussion and Analysis

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

Year ended June 30, 2008

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**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2008**

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, 2008. It should be read in conjunction with the District's financial statements, which follow. The discussion primarily focuses on the District's general fund, although the proprietary funds are also analyzed.

FINANCIAL HIGHLIGHTS

- Net assets increased by \$2,139,242, which is a 2% change.
- Total general fund net assets are comprised of the following:
 - 1) Capital assets, net of related debt, of \$82,398,835. Property and equipment, net of accumulated depreciation, is reduced for the outstanding debt related to the purchase or construction of capital assets.
 - 2) Restricted net assets – none. No constraints have been imposed on net assets by debt covenants or federal laws and regulations.
 - 3) Unrestricted net assets of \$27,912,033. These assets are available to maintain the District's continuing obligations. Unrestricted net assets include assets reserved for specific purposes by Board resolution but not restricted by debt covenants or laws and regulations.
- During the year, the District generated \$20,318,329 of property taxes and other revenues. This is a decrease from last year when revenues of \$22,270,472, were generated.
- Total long-term debt of the District decreased by \$346,682 to \$5,209,006 during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2008**

Government-wide Financial Statements (Continued)

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 or camping. The District's business-type activities include four rural water systems and four other trail and waterway construction and preservation projects.

Statement of Net Assets

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

Statement of Activities

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

Fund Financial Statements

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

The District's 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 evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2008**

Fund Financial Statements (Continued)

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

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

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

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

Notes to the Financial Statements

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

Supplemental Information

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

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, 2008**

Summary of Net Assets as of June 30, 2008 and 2007

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Current and other assets	\$ 30,360,175	\$ 23,655,615	\$ 2,968,404	\$ 2,933,473
Capital assets, net of accumulated depreciation	82,398,835	87,185,157	8,074,388	8,026,206
Total assets	<u>\$112,759,010</u>	<u>\$110,840,772</u>	<u>\$11,042,792</u>	<u>\$10,959,679</u>
Current liabilities	2,203,799	2,070,266	785,434	663,787
Long-term liabilities	244,343	182,910	4,559,430	5,013,934
Total liabilities	2,448,142	2,253,176	5,344,864	5,677,721
Net assets:				
Invested in capital assets, net of related debt	82,398,835	87,163,252	2,865,382	2,470,518
Restricted	-	-	511,601	509,670
Unrestricted	27,912,033	21,424,344	2,320,945	2,301,770
Total net assets	<u>110,310,868</u>	<u>108,587,596</u>	<u>5,697,928</u>	<u>5,281,958</u>
	<u>\$112,759,010</u>	<u>\$110,840,772</u>	<u>\$11,042,792</u>	<u>\$10,959,679</u>

The District reported positive balances in net assets for both governmental and business-type activities. Since net assets increased \$1,723,272 for governmental activities and \$415,970 for business-type activities, the District's overall financial position improved during fiscal year 2008.

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 82% of the District's total governmental revenues.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2008**

Summary of Changes in Net Assets for the Years Ended June 30, 2008 and 2007

	Governmental Activities			Business-Type Activities		
	2008	% of Total	2007	2008	% of Total	2007
Revenues						
Program revenues						
Charges for services	\$ 879,474	4.9%	\$ 702,883	\$ 1,339,540	87.2%	\$ 1,610,023
Operating grants & contributions	2,844,279	15.7%	5,123,087	-		-
General revenues						
Property taxes	16,594,576	91.8%	16,444,502	-		-
Land gifts	(2,239,753)	-12.4%	-	-		-
Assessment income	-		-	72,689	4.7%	58,117
Interest income	-		-	123,654	8.1%	125,417
Total revenues	18,078,576	<u>100.0%</u>	22,270,472	1,535,883	<u>100.0%</u>	1,793,557
Expenses						
General administration	4,497,586	27.6%	4,305,642	-		-
Information & education	164,531	1.0%	137,204	-		-
Flood prevention	6,214,679	38.0%	7,268,432	-		-
Erosion control	1,297,988	7.9%	1,187,945	-		-
Water quality	966,138	5.9%	687,478	-		-
Recreation	1,885,968	11.5%	1,402,971	-		-
Forestry & wildlife	697,973	4.3%	2,821,484	-		-
Capital improvements	381,088	2.3%	396,665	-		-
Unallocated depreciation	249,353	1.5%	283,010	-		-
Interest on long-term debt	-		3,171	-		-
Rural Water Systems	-		-	1,041,114	93.0%	1,192,991
Other proprietary funds	-		-	78,798	7.0%	53,366
Total expenses	16,355,304	<u>100.0%</u>	18,494,002	1,119,912	<u>100.0%</u>	1,246,357
Change in net assets	1,723,272		3,776,470	415,971		547,200
Beginning net assets	108,587,596		41,249,950	5,281,957		3,860,534
Prior period adjustment			63,561,176			874,224
Beginning net assets restated			104,811,126			4,734,758
Ending net assets	<u>\$ 110,310,868</u>		<u>\$ 108,587,596</u>	<u>\$ 5,697,928</u>		<u>\$ 5,281,958</u>

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2008**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Fund

The General Fund is the District's primary operating fund. It is used to account for all financial resources except those required to be reported in a separate fund. The fund balance of the General Fund increased by \$7,026,381 to \$23,360,784.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The major proprietary funds for the District are the Dakota, Washington #1, Washington #2, and Thurston County Rural Water Districts. The net assets for these funds increased \$403,156. The net assets for the non-major proprietary funds increased by \$12,815. The total net assets increased by \$415,971.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2008, was \$82,398,635 and \$8,074,388, respectively. The total decrease in this net investment was 5.5% for governmental and the total increase was 0.6% for business-type activities. This investment in capital assets includes land, infrastructure, buildings and improvements, and machinery and equipment. The District elected to fully implement Governmental Accounting Standards Board Statement No. 34 during the previous fiscal year by valuing and recording the land and infrastructure assets that had not been previously recorded.

Long-Term Debt

At the end of the fiscal year, the District had \$5,209,006 in bonds, notes, and leases outstanding. This debt is attributable to the proprietary funds for construction of the rural water distribution systems.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Year Ended June 30, 2008**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Factors considered in preparing the District's budget for fiscal year 2009 include the following:

- Property tax receipts of \$16.4 million are expected. This is consistent with the previous fiscal year.
- Projects related to flood prevention and recreational trails are again anticipated to require the heaviest expenditures during fiscal year 2009. These projects will be financed by several methods, including federal and/or state funding, cost sharing agreements with other local governments, and property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

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

YEAR ENDED JUNE 30, 2008

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

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

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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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements of the District referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information on pages 32 through 45 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 page 44 is presented for purposes of additional analysis as required by U.S.

**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**
Page 2

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Omaha, Nebraska
December 8, 2008

Bland & Associates, P.C.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
GOVERNEMENT-WIDE FINANCIAL STATEMENTS

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 19,818,739	\$ 1,452,113	\$ 21,270,852
Cash on deposit with County Treasurers	480,750	-	480,750
Certificates of deposit	59,650	859,874	919,524
Taxes receivable	8,757,487	-	8,757,487
Service receivables	23,611	78,507	102,118
Assessments receivable	-	95	95
Interest receivable	202	10,843	11,045
Due from funding agency	642,842	-	642,842
Internal balances	63,651	-	63,651
Inventories	-	55,371	55,371
Total current assets	29,846,932	2,456,803	32,303,735
NONCURRENT ASSETS			
Restricted certificates of deposit	-	511,601	511,601
Receivable from developer (\$400,000 non-interest bearing)	580,000	-	580,000
Unamortized discount - receivable from developer	(66,757)	-	(66,757)
Capital assets			
Land	26,304,869	3,000	26,307,869
Capital improvements and infrastructure	104,077,805	9,373,051	113,450,856
Buildings and improvements	4,125,931	-	4,125,931
Vehicles and equipment	4,507,734	52,883	4,560,617
Accumulated depreciation	(56,617,504)	(1,354,546)	(57,972,050)
Total capital assets	82,398,835	8,074,388	90,473,223
Total noncurrent assets	82,912,078	8,585,989	91,498,067
	<u>\$ 112,759,010</u>	<u>\$ 11,042,792</u>	<u>\$ 123,801,802</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 2,150,203	\$ 46,475	\$ 2,196,678
Accrued salaries and payroll withholdings	32,693	-	32,693
Accrued expenses	5,618	25,732	31,350
Internal balances	-	63,651	63,651
Current portion of long-term debt	-	649,576	649,576
Current portion of accrued compensated absences	15,285	-	15,285
Total current liabilities	2,203,799	785,434	2,989,233
LONG-TERM LIABILITIES			
Long-term debt, net of current portion	-	4,559,430	4,559,430
Accrued compensated absences, net of current portion	244,343	-	244,343
Total long-term liabilities	244,343	4,559,430	4,803,773
Total liabilities	2,448,142	5,344,864	7,793,006
COMMITMENTS AND CONTINGENCIES			
	-	-	-
NET ASSETS			
Invested in capital assets, net of related debt	82,398,835	2,865,382	85,264,217
Restricted	-	511,601	511,601
Unrestricted	27,912,033	2,320,945	30,232,978
Total net assets	110,310,868	5,697,928	116,008,796
	<u>\$ 112,759,010</u>	<u>\$ 11,042,792</u>	<u>\$ 123,801,802</u>

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
GOVERNMENTAL ACTIVITIES						
General administration	\$ 4,497,586	\$ 180,706	\$ 1,428,586	\$ -	\$ (2,880,294)	\$ -
Information and education	164,531	-	-	-	(164,531)	-
Flood prevention	6,214,679	29,909	800,513	-	(5,384,257)	-
Erosion control	1,297,988	-	-	-	(1,297,988)	-
Water quality	966,138	608,000	69,411	-	(288,727)	-
Recreation	1,885,968	60,859	158,073	-	(1,667,036)	-
Forestry and wildlife	697,973	-	387,696	-	(310,277)	-
Capital improvements	381,088	-	-	-	(381,088)	-
Unallocated depreciation	249,353	-	-	-	(249,353)	-
Interest on long-term debt	-	-	-	-	-	-
	16,355,304	879,474	2,844,279	-	(12,631,551)	-
BUSINESS-TYPE ACTIVITIES						
Dakota County Rural Water	242,060	314,065	-	-	-	72,005
Thurston County Rural Water	99,591	113,536	-	-	-	13,945
Washington County Rural Water #1	323,066	329,586	-	-	-	6,520
Washington County Rural Water #2	376,397	580,703	-	-	-	204,306
Non-Major Proprietary Funds	78,798	1,650	-	-	-	(77,148)
	1,119,912	1,339,540	-	-	-	219,628
	\$ 17,475,216	\$ 2,219,014	\$ 2,844,279	\$ -	(12,631,551)	219,628
GENERAL REVENUES						
Property taxes					16,594,576	-
Assessment income					-	72,689
Interest income					-	123,654
SPECIAL ITEMS - Land gifts - Papillion / Omaha, net of additions					(2,239,753)	-
					14,354,823	196,343
CHANGE IN NET ASSETS						
					1,723,272	415,971
NET ASSETS - BEGINNING OF YEAR					108,587,596	5,281,957
NET ASSETS - END OF YEAR					\$ 110,310,868	\$ 5,697,928
					\$ 116,008,796	

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2008

ASSETS	General Fund
Cash and cash equivalents	\$ 19,818,739
Cash on deposit with County Treasurers	480,750
Receivables	
Taxes	8,757,487
Services	23,611
Interest	202
Certificates of deposit	59,650
Due from	
Funding agency	642,842
Other funds	63,651
	<u>\$ 29,846,932</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 2,150,203
Accrued salaries and payroll withholdings	32,693
Accrued expenses	50,378
Deferred revenue	4,252,874
	<u>6,486,148</u>
Total liabilities	6,486,148
FUND BALANCE	
Fund balance	
Reserved	248,646
Sinking fund	59,650
Unreserved	23,052,488
	<u>23,360,784</u>
Total fund balance	<u>\$ 29,846,932</u>

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 June 30, 2008

Total Fund Balances - Governmental Funds \$ 23,360,784

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

Other long-term assets:

Receivable from developer-Dial Realty	\$ 580,000	
Unamortized discount - receivable from developer	(66,757)	
Accrued interest receivable	<u>29,475</u>	
		542,718

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

Land and infrastructure	\$ 26,304,869	
Capital improvements	104,077,805	
Buildings and improvements	4,125,931	
Vehicles and equipment	4,507,734	
Accumulated depreciation	<u>(56,617,504)</u>	
		82,398,835

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

Compensated absences	(244,343)
----------------------	-----------

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

	<u>4,252,874</u>
--	------------------

Net Assets of Governmental Activities	<u><u>\$ 110,310,868</u></u>
---------------------------------------	------------------------------

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

EXHIBIT D

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
Year Ended June 30, 2008**

REVENUES

General administration	\$ 19,003,923
Flood prevention	800,513
Water quality	69,411
Recreation	161,200
Forestry and wildlife	<u>387,696</u>
 Total revenues	 20,422,743

EXPENDITURES

General administration	4,371,318
Information and education	164,531
Flood prevention	4,522,381
Erosion control	1,297,988
Water quality	966,138
Recreation	1,885,968
Forestry and wildlife	697,973
Indirect cost reimbursement	(220,131)
Cost sharing reimbursement	(692,795)
Capital improvements	381,088
Debt service	
Principal retirement	21,903
Interest	<u>-</u>
 Total expenditures	 <u>13,396,362</u>

EXCESS OF REVENUES OVER EXPENDITURES 7,026,381

FUND BALANCE - BEGINNING OF YEAR 16,334,403

FUND BALANCE - END OF YEAR \$ 23,360,784

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
June 30, 2008

Net Change in Fund Balance - Total Government Fund \$ 7,026,381

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

Amortization of imputed interest discount on receivable from developer (84,095)

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

Capital outlays and capital asset expenditures:		
Land gifts - Papillion / Omaha	\$ (4,574,451)	
Land additions	1,108,740	
Building, vehicle, equipment, infrastructure, and capital improvement additions	772,041	
Loss on disposal of capital assets	(4,707)	
Cost of land sold to developer	458,624	(2,239,753)
Depreciation expense		(2,087,933)

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 21,903

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

Decrease in accrued interest	29,475
Increase in compensated absences	(61,432)

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

Difference in property tax revenue accrual (881,274)

Change in Net Assets of Governmental Activities \$ 1,723,272

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2008

ASSETS		Total (Memorandum Only)		Dakota County		Thurston County		Washington County		Washington County		Non-major Proprietary Funds (Exhibit L)	
				Rural Water		Rural Water		Rural Water #1		Rural Water #2			
CURRENT ASSETS													
Cash and cash equivalents	\$	1,452,113	\$	252,403	\$	91,404	\$	383,944	\$	387,414	\$	336,948	
Unrestricted investments		859,874		506,433		-		353,441		-		-	
Receivables													
Services		78,507		28,739		9,162		26,539		14,067		-	
Assessments		95		-		-		-		-		95	
Interest		10,843		1,963		115		8,466		299		-	
Inventories		55,371		29,125		5,542		14,511		6,193		-	
Total current assets		2,456,803		818,563		106,223		786,901		407,973		337,043	
NONCURRENT ASSETS													
Restricted investments		511,601		72,500		62,101		37,000		340,000		-	
Capital assets													
Land		3,000		1,000		1,000		1,000		-		-	
Capital improvements and infrastructure		9,373,051		1,591,465		949,000		1,864,000		4,968,586		-	
Vehicles and equipment		52,883		34,207		-		18,676		-		-	
Accumulated depreciation		(1,354,546)		(495,184)		(237,250)		(506,178)		(115,934)		-	
Total capital assets		8,074,388		1,131,488		712,750		1,377,498		4,852,652		-	
Total noncurrent assets		8,585,989		1,203,988		774,851		1,414,498		5,192,652		-	
	\$	11,042,792	\$	2,022,651	\$	881,074	\$	2,201,399	\$	5,600,625	\$	337,043	
LIABILITIES AND NET ASSETS													
CURRENT LIABILITIES													
Accounts payable	\$	46,475	\$	9,073	\$	7,959	\$	26,343	\$	3,100	\$	-	
Accrued expenses		25,732		2,889		12,932		1,483		8,428		-	
Due to other funds		63,651		20,697		4,794		29,733		8,427		-	
Current portion of long-term debt		649,576		72,930		14,932		37,399		524,315		-	
Total current liabilities		785,434		105,589		40,617		94,958		544,270		-	
LONG-TERM LIABILITIES													
Long-term debt, net of current portion		4,559,430		317,070		454,074		162,601		3,625,685		-	
Total liabilities		5,344,864		422,659		494,691		257,559		4,169,955		-	
NET ASSETS													
Invested in capital assets, net of related debt		2,865,382		741,488		243,744		1,177,498		702,652		-	
Restricted		511,601		72,500		62,101		37,000		340,000		-	
Unrestricted		2,320,945		786,004		80,538		729,342		388,018		337,043	
Total net assets		5,697,928		1,599,992		386,383		1,943,840		1,430,670		337,043	
	\$	11,042,792	\$	2,022,651	\$	881,074	\$	2,201,399	\$	5,600,625	\$	337,043	

The accompanying notes to 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, 2008

	Total (Memorandum Only)	Dakota County Rural Water	Thurston County Rural Water	Washington County Rural Water #1	Washington County Rural Water #2	Non-Major Proprietary Funds (Exhibit M)
OPERATING REVENUES						
Water sales	\$ 811,508	\$ 294,545	\$ 110,317	\$ 299,795	\$ 106,851	\$ -
Customer charges and hookup fees	72,262	18,688	2,733	28,677	22,164	-
Sales	453,493	205	486	1,114	451,688	-
Miscellaneous	2,277	627	-	-	-	1,650
Total operating revenues	1,339,540	314,065	113,536	329,586	580,703	1,650
OPERATING EXPENSES						
Repairs and maintenance	4,672	2,041	1,600	1,031	-	-
Supplies and postage	10,065	6,708	1,215	2,142	-	-
Professional services	77,391	5,525	922	35,832	2,165	32,947
Personnel	189,551	95,371	3,611	63,049	27,520	-
Telephone, utilities, and rent	20,976	6,733	6,561	7,682	-	-
Miscellaneous	12,566	731	383	1,310	10,030	112
Water purchase	226,290	66,087	36,051	104,840	19,312	-
Contract costs	119,662	2,248	731	8,911	67,687	40,085
Project maintenance	70,534	11,953	-	57,873	17	691
Project operation	14,947	4,603	-	3,019	2,362	4,963
Depreciation and amortization	95,494	17,060	9,490	19,258	49,686	-
Vehicle expense	16,589	6,776	-	9,719	94	-
Indirect cost	1,143	79	929	135	-	-
Total operating expenses	859,880	225,915	61,493	314,801	178,873	78,798
OPERATING INCOME (LOSS)	479,660	88,150	52,043	14,785	401,830	(77,148)
NONOPERATING INCOME (EXPENSE)						
Assessment revenue	72,689	-	-	-	-	72,689
Interest income	123,654	30,047	5,705	40,523	30,105	17,274
Interest expense	(260,032)	(16,145)	(38,098)	(8,265)	(197,524)	-
CHANGES IN NET ASSETS	(63,689)	13,902	(32,393)	32,258	(167,419)	89,963
TOTAL NET ASSETS - BEGINNING OF YEAR	415,971	102,052	19,650	47,043	234,411	12,815
TOTAL NET ASSETS - END OF YEAR	5,697,928	1,497,940	366,793	1,896,797	1,196,259	324,228
	\$ 5,697,928	\$ 1,599,992	\$ 386,383	\$ 1,943,840	\$ 1,430,670	\$ 337,043

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2008

	TOTAL (Memorandum only)	MAJOR FUNDS				NON-MAJOR FUNDS
		Dakota Rural Water	Thurston Rural Water	Washington Rural Water #1	Washington Rural Water #2	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 895,675	\$ 315,825	\$ 114,670	\$ 339,145	\$ 125,357	\$ 438
Other operating receipts	455,770	832	486	1,114	451,688	1,650
Cash paid to employees	(189,551)	(95,371)	(3,611)	(63,049)	(27,520)	-
Cash paid to suppliers	(624,653)	(160,115)	(49,148)	(231,378)	(105,224)	(78,796)
Net cash provided (used) by operating activities	537,231	61,171	62,597	45,832	444,341	(76,710)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investments purchased	(16,787)	(4,368)	(1,931)	(10,486)	-	-
Interest received	123,654	30,047	5,705	40,523	30,105	17,274
Net cash provided (used) by investing activities	106,867	25,679	3,774	30,035	30,105	17,274
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(143,676)	-	-	(143,676)	-	-
Payments on long-term debt	(346,682)	(70,000)	(16,663)	(35,000)	(224,959)	-
Interest paid	(260,032)	(16,145)	(36,039)	(8,265)	(197,524)	-
Assessments received	72,689	-	-	-	-	72,689
Net cash provided (used) by capital and related financing activities	(677,701)	(86,145)	(54,761)	(186,941)	(422,523)	72,689
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Change in due to other funds	2,044	(8,933)	(944)	9,642	2,279	-
Net cash provided (used) by noncapital financing activities	2,044	(8,933)	(944)	9,642	2,279	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	(31,559)	(8,228)	10,646	(101,432)	54,202	13,253
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,483,672	260,631	80,759	485,376	333,212	323,695
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,452,113</u>	<u>\$ 252,403</u>	<u>\$ 91,404</u>	<u>\$ 383,944</u>	<u>\$ 387,414</u>	<u>\$ 336,948</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS						
Operating income (loss)	\$ 479,660	\$ 89,150	\$ 52,043	\$ 14,785	\$ 401,830	\$ (77,148)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization	95,494	17,060	9,490	19,258	46,686	-
Changes in assets and liabilities						
(Increase) decrease in cash on deposit	347	-	-	-	-	347
(Increase) decrease in receivables	14,305	8,015	2,519	7,568	(3,908)	91
(Increase) decrease in inventories	(2,747)	(5,423)	(699)	3,065	290	-
Increase (decrease) in accounts payable	(45,533)	(45,443)	229	1,951	(2,270)	-
Increase (decrease) in accrued expenses	(4,295)	(1,188)	(965)	(835)	(1,267)	-
Net cash provided (used) by operating activities	<u>\$ 537,231</u>	<u>\$ 61,171</u>	<u>\$ 62,597</u>	<u>\$ 45,832</u>	<u>\$ 444,341</u>	<u>\$ (76,710)</u>

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS TABLE OF CONTENTS
Year Ended June 30, 2008**

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization and Principal Activity

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

Reporting Entity

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

The accompanying financial statements include the transactions of the District's primary government. The District has no fiduciary funds or component units and is not a component unit of any other governmental entity.

Primary Government

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

General Fund

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

Proprietary Funds

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

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

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from property taxes are recognized in the period levied, regardless of when the cash is collected.

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

The proprietary fund financial statements are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services.

Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

Cash and Cash Equivalents

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Taxes Receivable

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

Inventories

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

Capital Assets

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

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

	<u>Years</u>
Buildings	20-30
Equipment	3-10
Vehicles	4-10
Water distribution systems	25-50
Other capital improvements and infrastructure	7-100

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

Compensated Absences

The District's employees are granted annual leave and sick pay in varying amounts based on length of service and actual hours worked. Annual leave and unused sick pay may be carried over at year-end up to 30 days and 180 days, respectively. After one year of service, employees are entitled to all accrued vacation leave upon termination, but not accrued sick leave.

Net Assets

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

Restricted net assets – This component of net assets may be used only to finance specific types of transactions. The governmental fund had no restricted net assets at June 30, 2008.

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

Fund Balance

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied by the counties on September 20 and are delinquent if not paid by April 1 and August 22. The seven counties located within the District collect the taxes. The portion of the property taxes levied by the District is remitted from the counties as the taxes are collected, less a one percent commission. For fiscal year 2008, the taxes levied totaled \$16,444,502 at a tax levy rate of 3.4848%.

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

Encumbrances

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

Income Taxes

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

Budgetary Data

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

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Actual and Budget (Budgetary Basis) - Governmental Fund presents comparisons of legally adopted budgets to actual data prepared in accordance with the accounting basis indicated above.

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Allocation of Indirect Expenses/Interfund Activity

The District is responsible for paying all employee wages and vehicle and fuel expenses of the rural water district proprietary funds. The portion of these expenses directly attributable to the proprietary funds, plus a 15 percent surcharge to cover administrative costs, is billed to and reimbursed by each rural water district. General administration services include overall District management, centralized budgetary formulation and oversight, accounting, payroll, investing and cash management, personnel services, and other general administration services. Services provided are treated as revenues and expenses in the respective funds. The actual amount of indirect cost reimbursement received by the District at June 30, 2008, was \$220,131. These reimbursements are included as an offset in the general administration expenses in the Statement of Activities.

Cost Sharing Reimbursements

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

Economic Dependency

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE B – DEPOSITS AND INVESTMENTS

Deposits and investments consisted of the following at June 30, 2008:

	<u>Total</u>	<u>General Fund</u>	<u>Proprietary Funds</u>
UNRESTRICTED AND UNRESERVED:			
Cash and cash equivalents	\$12,405,452	\$10,953,339	\$1,452,113
Cash on hand at County Treasurers	480,750	480,750	-
	12,886,202	11,434,089	1,452,113
Investments:			
Certificates of deposit	859,874	-	859,874
Total unrestricted and unreserved cash, cash equivalents and investments	13,746,076	11,434,089	2,311,987
UNRESTRICTED BUT RESERVED:			
Cash and cash equivalents	8,865,400	8,865,400	-
Investments:			
Certificates of deposit	50,000	50,000	-
U.S. Government Money Market	9,650	9,650	-
	59,650	59,650	-
Total unrestricted but reserved cash, cash equivalents and investments	8,925,050	8,925,050	-
RESTRICTED:			
Investments	511,601	-	511,601
Total cash and investments	<u>\$23,182,727</u>	<u>\$20,359,139</u>	<u>\$2,823,588</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.

At June 30, 2008, the District's deposits at all financial institutions, except one, are fully insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by investments held by these financial institutions. The amount not fully collateralized is immaterial at June 30, 2008, subsequent to June 30, 2008, the FDIC increased insurable limits to \$250,000.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

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, 2008. 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	\$22,163,785	\$100,000	\$22,063,785	\$ -	\$21,463,647
Non-pooled deposits					
General fund	50,000	50,000	-	-	50,000
Proprietary funds	1,179,689	841,078	338,589	22	1,178,585
Total deposits	<u>\$23,393,474</u>	<u>\$991,078</u>	<u>\$22,402,374</u>	<u>\$ 22</u>	<u>\$22,692,232</u>

Investments are stated at fair value. For fiscal year 2008, 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.

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, 2008. 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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

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	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Money market					
General fund	-	9,650	-	9,650	9,650
Proprietary funds	-	-	-	-	-
Total non-pooled investments	<u>\$ -</u>	<u>\$ 9,650</u>	<u>\$ -</u>	<u>\$ 9,650</u>	<u>\$ 9,650</u>

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, 2008, consisted of the following individual fund receivables and payables:

Due to	Due from	Amount
General Fund	Thurston County Rural Water	\$ 4,794
General Fund	Washington Co. Rural Water #1	29,734
General Fund	Dakota County Rural Water	20,696
General Fund	Washington Co. Rural Water #2	8,427
		<u>\$ 63,651</u>

NOTE D – DUE TO/FROM FUNDING AGENCIES

Revenue from governmental grants and contracts are recognized as earned when all applicable eligibility requirements are met. Funds received from the various agencies less than or greater than the expenditures of the program are recorded as assets or liabilities, respectively. At June 30, 2008, \$642,842 was due from funding agencies.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE E – 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 June 30, 2007	Additions	Deletions	Balance June 30, 2008
Not Depreciated				
Land	\$ 29,770,580	\$ 1,108,740	\$(4,574,451)	\$ 26,304,869
Depreciated				
Buildings and improvements	3,895,893	230,038	-	4,125,931
Vehicles and equipment	4,344,846	231,454	(68,566)	4,507,734
Capital improvements and infrastructure	103,767,256	310,549	-	104,077,805
	112,007,995	772,041	(68,566)	112,711,470
Less accumulated depreciation	(54,593,430)	(2,087,933)	63,859	(56,617,504)
	57,414,565	(1,315,892)	(4,707)	56,093,966
	<u>\$ 87,185,145</u>	<u>\$ (207,152)</u>	<u>\$(4,579,158)</u>	<u>\$ 82,398,835</u>

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

General administration	\$ 146,282
Recreation	232,739
Flood control	1,424,105
Unallocated depreciation	284,807
Total depreciation expense	<u>\$ 2,087,933</u>

During the fiscal year, the district gifted land and improvements to the cities of Papillion, Nebraska and Omaha, Nebraska in the amount of \$4,574,451.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE E – CAPITAL ASSETS (Continued)

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

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Not Depreciated				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Depreciated				
Office equipment	17,559	-	-	17,559
Vehicles	16,648	18,676	-	35,324
Water distribution systems	9,248,051	125,000	-	9,373,051
	9,282,258	143,676	-	9,425,934
Less accumulated depreciation	(1,259,052)	(95,494)	-	(1,354,546)
	8,023,206	48,182	-	8,071,388
	<u>\$ 8,026,206</u>	<u>\$ 48,182</u>	<u>\$ -</u>	<u>\$ 8,074,388</u>

The Proprietary Funds recorded depreciation expense of \$95,494 for the year ended June 30, 2008.

NOTE F – OPERATING LEASE

The District entered into a leasing agreement for two copy machines in February 2007. The District pays \$705 per month plus applicable taxes for the 60-month lease, as well as a charge per copy that is paid quarterly. During fiscal year 2008, the District's operating lease expense was \$8,458. Following is a schedule of the future minimum lease payments.

Year ending June 30,	Amount
2009	\$ 8,458
2010	8,458
2011	8,458
2012	5,636
Future minimum lease payments	<u>\$ 31,010</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE G – LONG-TERM LIABILITIES

Long-Term Debt

The following is a summary of the long-term debt for the year ended June 30, 2008. In the government-wide financial statements, this amount is included in the Statement of Net Assets. This amount is not reported in the governmental fund statements.

Proprietary Fund Long-Term Debt:

<u>Fund</u>	<u>Series</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Payment Ranges</u>	<u>Interest Rates</u>	<u>Principal Balance</u>
Washington Rural Water #1	2003	April, 2013	Annual	\$35,000 to \$45,000	3.36%	\$ 200,000
Washington Rural Water #2	2006	June, 2022	Semi-Annual	\$70,000 to \$148,000	4.50%	3,000,000
Washington Rural Water #2	2006	June, 2011	Semi-Annual	\$104,000 to \$126,000	4.50%	1,150,000
Dakota Rural Water	2003	April, 2013	Annual	\$65,000 to \$85,000	3.36%	390,000
Thurston Rural Water	1982	Dec, 2022	Annual	\$11,000 to \$24,000	5.00%	257,950
Thurston Rural Water	1993	Feb, 2033	Annual	\$3,000 to \$15,000	5.63%	<u>211,056</u>
Total Long-Term Debt						5,209,006
Less portion due within one year						<u>649,576</u>
Long-term portion						<u>\$ 4,559,430</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE G – LONG-TERM LIABILITIES (Continued)

The change in long-term obligations for the year ended June 30, 2008 was as follows:

Governmental-type Activity:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable:					
Case Credit	\$ 21,903	\$ -	\$ 21,903	\$ -	\$ -
Compensated Absences	<u>198,196</u>	<u>61,432</u>	<u>-</u>	<u>259,628</u>	<u>15,285</u>
Governmental-type Activity Long-Term Liabilities	<u>\$ 220,099</u>	<u>\$ 61,432</u>	<u>\$ 21,903</u>	<u>\$ 259,628</u>	<u>\$ 15,285</u>
Business-type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable:					
Ameritas Investments	\$ 460,000	\$ -	\$ 70,000	\$ 390,000	\$ 72,930
Ameritas Investments	235,000	-	35,000	200,000	37,398
Fremont National Bank	3,225,000	-	225,000	3,000,000	157,908
Fremont National Bank	1,150,000	-	-	1,150,000	366,407
Capmark Finance	270,760	-	12,810	257,950	10,878
Rural Economic and Community Development	<u>214,930</u>	<u>-</u>	<u>3,872</u>	<u>211,056</u>	<u>4,055</u>
Business-type Activities Long-Term Liabilities	<u>\$ 5,555,690</u>	<u>\$ -</u>	<u>\$ 346,682</u>	<u>\$ 5,209,006</u>	<u>\$ 649,576</u>

The annual principal and interest requirements to maturity for long-term debt as of June 30, 2008 are as follows:

Year(s) ending June 30,	General Fund		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ -	\$ -	\$ 649,576	\$ 225,519	\$ 649,576	\$ 225,519
2010	-	-	677,917	197,179	677,917	197,179
2011	-	-	707,507	167,588	707,507	167,588
2012	-	-	319,665	141,350	319,665	141,350
2013	-	-	332,871	128,144	332,871	128,144
2014-2018	-	-	1,186,781	467,486	1,186,781	467,486
2019-2023	-	-	1,215,354	171,537	1,215,354	171,537
2024-2028	-	-	51,554	28,079	51,554	28,079
2029-2033	-	-	67,781	11,854	67,781	11,854
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,209,006</u>	<u>\$ 1,538,736</u>	<u>\$ 5,209,006</u>	<u>\$ 1,538,736</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE H – RESERVED/RESTRICTED FUNDS

The Board of Directors, by resolution, has established a sinking fund and reserved cash accounts for various purposes. All of the accounts are fully funded at their required levels at June 30, 2008. The following is a summary of the reservations placed on cash and investments for the year ended June 30, 2008:

Sinking fund:

Uninsured Liabilities Fund	\$ 50,000
----------------------------	-----------

Unrestricted But Reserved Cash Accounts:

The Board of Directors, by resolution and in accordance with the Interlocal Cooperation Act Agreement, has reserved funds to reimburse parties to this agreement that incurred costs as a result of the removal of ice jams.	112,305
--	---------

The Board of Directors, by resolution, has established the Flood Control and Water Quality Projects and Practices Special Reserve Fund for the purpose of accumulating general funds to finance future establishment, construction, operations and maintenance of flood control and water quality projects and practices.	8,000,030
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The Board of Directors administers reserved funds for the Papillion Creek Watershed Partnership.	753,065
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Escrow Account:

The Board of Directors, by resolution, has escrowed funds for paying the United States Corps of Engineers upon completion of a project.	9,650
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Total reserves	8,925,050
Less unrestricted but reserved cash	(8,865,400)

Total general fund unrestricted but reserved investments	\$ 59,650
--	-----------

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

Proprietary Sinking Funds:

In compliance with loan covenants for the notes described in Note G, the Proprietary Funds have restricted \$511,601 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
	<hr/>
Total reserve requirement	\$ 497,931

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

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 5.5% of their compensation each pay period, and the District is required to contribute 6.0% of the employee's compensation for each pay period. The District's contributions for the year ended June 30, 2008, were \$142,541, the required contribution.

NOTE J – ACCUMULATED UNPAID ANNUAL LEAVE AND SICK PAY

The estimated current portion of the liability for vested vacation benefits, \$15,285 at June 30, 2008, is recorded as an expenditure and liability in the General Fund in both the government-wide and fund financial statements. The long-term portion, \$244,343 at June 30, 2008, 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 \$1,178,940 at June 30, 2008, and is not reported as an expenditure or liability in any of the District's June 30, 2008, 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 payments that may be required for land, if any, is unknown at June 30, 2008.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008

NOTE K – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2008, a reasonable estimate could not be determined for any potential loss contingencies.

NOTE L – RECEIVABLE FROM DEVELOPER

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

NOTE M – TOTAL COLUMNS ON COMBINED AND COMBINING STATEMENTS

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
(BUDGETARY BASIS) - GOVERNMENTAL FUND
Year Ended June 30, 2008

	Actual	Budget		Variance Favorable (Unfavorable)
		Original	Final	
REVENUES				
General administration	\$ 14,411,847	\$ 17,248,541	\$ 17,248,541	\$ (2,836,694)
Flood prevention	157,671	7,368,150	7,368,150	(7,210,479)
Erosion control	-	-	-	-
Water quality	69,411	127,500	127,500	(58,089)
Recreation	161,200	3,727,000	3,727,000	(3,565,800)
Forestry and wildlife	387,696	1,560,000	1,560,000	(1,172,304)
	15,187,825	30,031,191	30,031,191	(14,843,366)
EXPENDITURES				
General administration	1,893,702	4,757,700	4,757,700	2,863,998
Information and education	164,531	174,300	174,300	9,769
Flood prevention	4,522,381	13,576,500	13,576,500	9,054,119
Erosion control	1,297,988	5,561,577	5,561,577	4,263,589
Water quality	966,138	1,916,050	1,916,050	949,912
Recreation	1,885,968	9,094,669	9,094,669	7,208,701
Forestry and wildlife	697,973	4,174,500	4,174,500	3,476,527
Indirect cost reimbursement	(220,131)	(200,000)	(200,000)	20,131
Cost sharing reimbursement	(692,795)	(712,900)	(712,900)	(20,105)
Capital improvements	381,086	654,084	654,084	272,996
Debt service				
Principal	21,903	-	-	(21,903)
Interest	-	-	-	-
	10,918,746	38,996,480	38,996,480	28,077,734
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (BUDGETARY BASIS) AND OTHER SOURCES	4,269,079	\$ (8,965,289)	\$ (8,965,289)	\$ 13,234,368
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To adjust revenues for accruals	5,234,919			
To adjust expenditures for accruals	(2,477,617)			
EXCESS OF REVENUES OVER EXPENDITURES (US GAAP BASIS) AND OTHER SOURCES	7,026,381			
FUND BALANCE - BEGINNING OF YEAR	16,334,403			
FUND BALANCE - END OF YEAR	\$ 23,360,784			

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2008**

NOTE A – BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the required supplemental information in accordance with the statutory requirements of the Nebraska Budget Act:

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

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

The District Board is authorized to transfer budgeted amounts between departments within any fund through resolution. The Board may allow certain accounts to exceed 110% of their budgeted amount if District personnel provide reasonable justification for doing so before the expenditures occur.

NOTE B – BASIS OF ACCOUNTING

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

NOTE C – BUDGET LAW

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SUPPLEMENTAL INFORMATION

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF FUNCTIONAL REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2008**

REVENUES

Property tax	\$ 17,475,880
State and agency grants	1,074,027
Federal grants	283,331
Sales	5,465
Rental income	178,368
Interest income	633,640
Miscellaneous	772,032
	<hr/>
	20,422,743

EXPENDITURES

Project construction and land	3,216,330
Personnel	2,479,976
Special projects	2,002,250
Professional services	1,558,300
Conservation assistance program	603,016
Employee benefits	629,667
Contract works	1,351,994
Repairs and maintenance	503,337
Payroll taxes	188,853
Project operation and maintenance	158,291
Fees	158,454
Project legal costs	232,126
Insurance	151,306
Telephone, utilities, and rent	127,162
Vehicle expense	153,459
Information and education	102,843
Printing and publications	82,457
Board of directors	64,428
Supplies and postage	45,709
Travel	93,766
Dues and memberships	-
Bonds and amortization	361
Miscellaneous	2,362
Indirect cost reimbursement	(220,131)
Cost sharing reimbursement	(692,795)
Capital improvements	
Machinery and equipment	365,296
Vehicles	15,642
Buildings	-
Debt service	
Principal	21,903
Interest	-
	<hr/>
	13,396,362

EXCESS OF REVENUES OVER EXPENDITURES

7,026,381

FUND BALANCE - BEGINNING

16,334,403

FUND BALANCE - ENDING\$ 23,360,784

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - ACTUAL AND BUDGET - PROPRIETARY FUNDS
Year Ended June 30, 2008

	Total (Memorandum Only)				Dakota Rural Water				Thurston Rural Water			
	Actual	Budget		Final	Actual	Budget		Final	Actual	Budget		Final
		Original	Final			Original	Final			Original	Final	
OPERATING REVENUES												
Water sales	\$ 811,508	\$ 820,000	\$ 820,000	\$ 820,000	\$ 294,545	\$ 335,000	\$ 335,000	\$ 335,000	\$ 110,317	\$ 110,000	\$ 110,000	\$ 110,000
Customer charges and hookup fees	72,282	91,525	91,525	91,525	18,688	30,200	30,200	30,200	2,733	3,275	3,275	3,275
Sales	453,493	451,750	451,750	451,750	205	150	150	150	486	-	-	-
Miscellaneous	2,277	185,500	185,500	185,500	627	500	500	500	-	35,000	35,000	35,000
	1,339,540	1,548,775	1,548,775	1,548,775	314,065	385,850	385,850	385,850	113,536	148,275	148,275	148,275
OPERATING EXPENSES												
Repairs and maintenance	4,672	3,000	3,000	3,000	2,041	2,500	2,500	2,500	1,600	250	250	250
Supplies and postage	10,065	13,630	13,630	13,630	6,708	7,200	7,200	7,200	1,215	3,280	3,280	3,280
Professional services	77,391	85,850	85,850	85,850	5,525	16,500	16,500	16,500	922	11,900	11,900	11,900
Personnel	189,551	264,000	264,000	264,000	95,371	105,000	105,000	105,000	3,611	24,500	24,500	24,500
Insurance	-	3,050	3,050	3,050	-	1,200	1,200	1,200	-	250	250	250
Telephone, utilities, and rent	20,976	18,775	18,775	18,775	6,733	5,900	5,900	5,900	6,561	5,100	5,100	5,100
Miscellaneous	12,566	26,050	26,050	26,050	731	2,100	2,100	2,100	383	625	625	625
Water purchase	226,280	216,000	216,000	216,000	66,087	79,000	79,000	79,000	36,051	35,000	35,000	35,000
Contract costs	119,662	350,250	350,250	350,250	2,248	55,000	55,000	55,000	731	45,250	45,250	45,250
Project construction and land	70,534	384,850	384,850	384,850	11,953	142,700	142,700	142,700	-	25	25	25
Project operation and maintenance	14,947	20,600	20,600	20,600	4,603	5,100	5,100	5,100	-	-	-	-
Depreciation and amortization	95,484	-	-	-	17,060	-	-	-	9,490	-	-	-
Vehicle expense	16,589	340,000	340,000	340,000	6,776	70,000	70,000	70,000	-	10,000	10,000	10,000
Bond expenditures	-	1,800	1,800	1,800	-	500	500	500	929	1,000	1,000	1,000
Indirect cost	1,143	1,741,855	1,741,855	1,741,855	79	500	500	500	-	-	-	-
	659,880	1,741,855	1,741,855	1,741,855	225,915	499,700	499,700	499,700	61,453	137,180	137,180	137,180
OPERATING INCOME (LOSS)	479,660	(193,080)	(193,080)	(193,080)	88,150	(133,850)	(133,850)	(133,850)	52,043	11,095	11,095	11,095
NONOPERATING INCOME (EXPENSE)												
Assessment revenue	72,689	57,682	57,682	57,682	-	-	-	-	-	-	-	-
Interest income	123,654	115,250	115,250	115,250	30,047	22,000	22,000	22,000	5,795	4,400	4,400	4,400
Interest expense	(260,032)	(247,950)	(247,950)	(247,950)	(16,145)	(15,840)	(15,840)	(15,840)	(38,098)	(26,000)	(26,000)	(26,000)
	(63,689)	(75,018)	(75,018)	(75,018)	13,902	6,160	6,160	6,160	(32,353)	(21,600)	(21,600)	(21,600)
CHANGE IN NET ASSETS	415,971	\$ (268,098)	\$ (268,098)	\$ (268,098)	102,052	\$ (127,690)	\$ (127,690)	\$ (127,690)	19,650	\$ (10,505)	\$ (10,505)	\$ (10,505)
TOTAL NET ASSETS - BEGINNING OF YEAR	5,281,957				1,497,940				366,733			
TOTAL NET ASSETS - END OF YEAR	\$ 5,697,928				\$ 1,599,992				\$ 386,383			

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - ACTUAL AND BUDGET - PROPRIETARY FUNDS (Continued)
Year Ended June 30, 2008

	Washington Rural Water #1			Washington Rural Water #2			Non-Major Proprietary Funds (Exhibit M)		
	Actual	Original	Budget	Actual	Original	Budget	Actual	Original	Budget
OPERATING REVENUES									
Water sales	\$ 299,795	\$ 285,000	\$ 285,000	\$ 106,851	\$ 90,000	\$ 90,000	\$ -	\$ -	\$ -
Customer charges and hookup fees	26,677	29,200	29,200	22,164	28,850	28,850	-	-	-
Sales	1,114	-	-	451,688	451,600	451,600	-	-	-
Miscellaneous	-	65,000	65,000	-	-	-	1,650	85,000	85,000
	328,586	379,200	379,200	580,703	570,450	570,450	1,650	85,000	85,000
OPERATING EXPENSES									
Repairs and maintenance	1,031	250	250	-	-	-	-	-	-
Supplies and postage	2,142	2,650	2,650	-	450	450	-	50	50
Professional services	35,832	48,300	48,300	2,185	5,100	5,100	32,947	3,050	3,050
Personnel	63,048	100,000	100,000	27,520	25,000	25,000	-	9,500	9,500
Insurance	-	1,080	1,080	-	600	600	-	-	-
Telephone, utilities, and rent	7,682	7,775	7,775	-	-	-	-	-	-
Miscellaneous	1,310	22,700	22,700	10,030	525	525	112	100	100
Water purchase	104,840	85,000	85,000	19,312	17,000	17,000	-	-	-
Contract costs	8,911	30,000	30,000	67,687	40,000	40,000	40,085	180,000	180,000
Project construction and land	57,873	240,075	240,075	17	50	50	691	2,000	2,000
Project operation and maintenance	3,019	4,500	4,500	2,362	2,500	2,500	4,963	8,500	8,500
Depreciation and amortization	19,258	-	-	49,686	-	-	-	-	-
Vehicle expense	9,719	5,000	5,000	94	2,000	2,000	-	-	-
Bond expenditures	-	35,000	35,000	-	225,000	225,000	-	-	-
Indirect cost	135	300	300	-	-	-	-	-	-
	314,801	583,550	583,550	178,873	318,225	318,225	78,798	203,200	203,200
OPERATING INCOME (LOSS)	14,785	(204,350)	(204,350)	401,830	252,225	252,225	(77,148)	(118,200)	(118,200)
NONOPERATING INCOME (EXPENSE)									
Assessment revenue	-	-	-	-	-	-	72,669	57,682	57,682
Interest income	40,523	53,000	53,000	30,105	22,000	22,000	17,274	13,850	13,850
Interest expense	(8,265)	(8,110)	(8,110)	(197,524)	(198,000)	(198,000)	-	-	-
	32,258	44,890	44,890	(167,419)	(176,000)	(176,000)	89,963	71,532	71,532
CHANGE IN NET ASSETS	47,043	\$ (159,460)	\$ (159,460)	234,411	\$ 76,225	\$ 76,225	12,615	\$ (46,668)	\$ (46,668)
TOTAL NET ASSETS - BEGINNING OF YEAR	1,886,797			1,196,259			324,238		
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,933,840</u>			<u>\$ 1,430,670</u>			<u>\$ 337,043</u>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF NET ASSETS - NON-MAJOR - PROPRIETARY FUNDS
Year Ended June 30, 2008

ASSETS	Total (Memorandum Only)	Elkhorn River Stabilization	Elkhorn Breakout	Elk/Pigeon Creek Drainage	Western Saryp Drainage
CURRENT ASSETS					
Cash and cash equivalents	\$ 336,948	\$ 98,860	\$ 6,614	\$ 105,152	\$ 126,322
Cash on deposit with County Treasurers	-	-	-	-	-
Receivables	-	-	-	-	-
Services	-	-	-	-	-
Assessments	95	-	95	-	-
Interest	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories	-	-	-	-	-
Unrestricted investments	-	-	-	-	-
	<u>337,043</u>	<u>98,860</u>	<u>6,709</u>	<u>105,152</u>	<u>126,322</u>
NONCURRENT ASSETS					
Restricted investments	-	-	-	-	-
Capital assets	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
	<u>\$ 337,043</u>	<u>\$ 98,860</u>	<u>\$ 6,709</u>	<u>\$ 105,152</u>	<u>\$ 126,322</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NONCURRENT LIABILITIES					
Notes and bonds payable	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS					
Restricted	-	-	-	-	-
Unrestricted	<u>337,043</u>	<u>98,860</u>	<u>6,709</u>	<u>105,152</u>	<u>126,322</u>
	<u>\$ 337,043</u>	<u>\$ 98,860</u>	<u>\$ 6,709</u>	<u>\$ 105,152</u>	<u>\$ 126,322</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2008

	Total (Memorandum Only)			Elkhorn River Stabilization			Elkhorn Breakout		
	Actual	Budget		Actual	Budget		Actual	Budget	
		Original	Final		Original	Final		Original	Final
OPERATING REVENUES									
Water sales	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-
Miscellaneous	1,650	85,000	85,000	-	-	-	-	-	-
	<u>1,650</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES									
Repairs and maintenance	-	-	-	-	-	-	-	-	-
Supplies and postage	-	50	50	-	50	50	-	-	-
Professional services	32,947	3,050	3,050	-	50	50	-	-	-
Personnel	-	9,500	9,500	-	500	500	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Telephone, utilities, and rent	-	-	-	-	-	-	-	-	-
Miscellaneous	112	100	100	-	-	-	-	-	-
Water purchase	-	-	-	-	-	-	-	-	-
Contract costs	40,085	180,000	180,000	-	-	-	-	-	-
Project construction and land	691	2,000	2,000	-	-	-	-	-	-
Project operation and maintenance	4,953	8,500	8,500	-	5,000	5,000	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-
Vehicle expense	-	-	-	-	-	-	-	-	-
Bond expenditures	-	-	-	-	-	-	-	-	-
Indirect cost	-	-	-	-	-	-	-	-	-
	<u>78,799</u>	<u>203,200</u>	<u>203,200</u>	<u>-</u>	<u>5,600</u>	<u>5,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(77,148)	(118,200)	(118,200)	-	(5,600)	(5,600)	-	-	-
OPERATING LOSS									
NONOPERATING INCOME (EXPENSE)									
Assessment revenue	72,689	57,682	57,682	-	-	-	-	-	-
Interest income	17,274	13,850	13,850	3,410	5,000	5,000	141	350	350
Interest expense	-	-	-	-	-	-	-	-	-
	<u>89,963</u>	<u>71,532</u>	<u>71,532</u>	<u>3,410</u>	<u>5,000</u>	<u>5,000</u>	<u>141</u>	<u>350</u>	<u>350</u>
CHANGE IN NET ASSETS	12,815	\$ (46,668)	\$ (46,668)	3,410	\$ (600)	\$ (600)	141	\$ 350	\$ 350
	<u>324,228</u>			<u>95,450</u>			<u>6,568</u>		
TOTAL NET ASSETS - BEGINNING OF YEAR									
TOTAL NET ASSETS - END OF YEAR	<u>\$ 337,043</u>			<u>\$ 98,860</u>			<u>\$ 6,709</u>		

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2008

	Elk/Pigeon Creek Drainage			Western Sarpy Drainage		
	Actual	Original	Final	Actual	Original	Final
OPERATING REVENUES						
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Miscellaneous	1,650	85,000	85,000	-	-	-
	<u>1,650</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES						
Repairs and maintenance	-	-	-	-	-	-
Supplies and postage	-	1,500	1,500	32,947	1,500	1,500
Professional services	-	3,000	3,000	-	6,000	6,000
Personnel	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Telephone, utilities, and rent	-	-	-	-	-	-
Miscellaneous	112	100	100	-	-	-
Water purchase	-	-	-	-	-	-
Contract costs	40,085	170,000	170,000	-	10,000	10,000
Project construction and land	-	-	-	691	2,000	2,000
Project operation and maintenance	4,738	1,500	1,500	225	2,000	2,000
Depreciation and amortization	-	-	-	-	-	-
Vehicle expense	-	-	-	-	-	-
Bond expenditures	-	-	-	-	-	-
Indirect cost	-	-	-	-	-	-
	<u>44,935</u>	<u>176,100</u>	<u>176,100</u>	<u>33,863</u>	<u>21,500</u>	<u>21,500</u>
	(43,285)	(91,100)	(91,100)	(33,863)	(21,500)	(21,500)
NONOPERATING INCOME (EXPENSE)						
Assessment revenue	59,839	45,000	45,000	12,850	12,682	12,682
Interest income	8,206	2,500	2,500	5,517	6,000	6,000
Interest expense	-	-	-	-	-	-
	<u>68,045</u>	<u>47,500</u>	<u>47,500</u>	<u>18,367</u>	<u>18,682</u>	<u>18,682</u>
CHANGE IN NET ASSETS						
	<u>24,760</u>	<u>\$ (43,600)</u>	<u>\$ (43,600)</u>	<u>(15,496)</u>	<u>\$ (2,818)</u>	<u>\$ (2,818)</u>
TOTAL NET ASSETS - BEGINNING OF YEAR	80,392			141,818		
TOTAL NET ASSETS - END OF YEAR	<u>\$ 105,152</u>			<u>\$ 126,322</u>		

EXHIBIT N

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF INVESTMENTS - GOVERNMENTAL FUNDS
June 30, 2008

	<u>Cost</u>	<u>Interest Rate</u>
General fund		
Certificates of deposit		
Great Western Bank	\$ 50,000	2.25%
Escrow accounts		
Wells Fargo	<u>9,650</u>	variable
General fund - unrestricted but reserved investments	<u><u>\$ 59,650</u></u>	

EXHIBIT O

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF INVESTMENTS - PROPRIETARY FUNDS
June 30, 2008

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary funds		
Certificates of deposit		
Dakota County		
American National Bank	\$ 112,911	1.98%
Bank of the West	100,000	2.46%
Gateway Community Bank	100,000	4.90%
Nebraska State Bank	66,000	4.43%
Siouxland National Bank	100,000	5.05%
TierOne Bank	100,022	2.25%
	<u>578,933</u>	
Washington County #1		
American National Bank	110,121	5.04%
Centennial Bank	100,000	3.70%
Team Bank	75,078	2.78%
Wells Fargo	105,242	5.25%
	<u>390,441</u>	
Washington County #2		
Wells Fargo	340,000	3.26%
	<u>340,000</u>	
Thurston County		
American National Bank	7,259	3.40%
American National Bank	49,842	3.44%
Centennial Bank	5,000	5.00%
	<u>62,101</u>	
	1,371,475	
Less unrestricted portion	<u>(859,874)</u>	
Proprietary funds - restricted certificates of deposit	<u><u>\$ 511,601</u></u>	

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF INSURANCE POLICIES AND BONDS
June 30, 2008**

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 Q

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF TAXES RECEIVABLE - GOVERNMENTAL FUND
June 30, 2008

COUNTY

Douglas	\$ 5,068,600
Sarpy	2,823,404
Washington	409,114
Dakota	360,687
Burt	52,453
Thurston	42,669
Dodge	<u>560</u>
	<u><u>\$ 8,757,487</u></u>

EXHIBIT R

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF CASH ON DEPOSIT WITH COUNTY TREASURERS
June 30, 2008

GENERAL FUND

Douglas	\$	394,056
Sarpy		58,679
Washington		20,136
Dakota		4,527
Burt		2,290
Thurston		296
Dodge		<u>766</u>
	\$	<u><u>480,750</u></u>

EXHIBIT S

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
INFORMATION REQUIRED BY SECTION 2-3223, N.R.S - 1943
Year Ended June 30, 2008

Gross income from all sources	<u>\$ 22,195,635</u>
Amount expended for	
Maintenance	\$ 562,076
Improvements and other such programs	<u>2,556,841</u>
	<u>\$ 3,118,917</u>
Amount of depreciation on property	<u>\$ (55,801,816)</u>
Number of employees as of June 30, 2008	<u>58</u>
Gross salaries	\$ 2,917,022
Less amount reimbursed by projects	<u>(220,131)</u>
Net salaries paid to employees	<u>\$ 2,696,891</u>

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2008

Program	Pass-Through Grantor's Number	Federal CFDA Number	Contract Amount	Due From/(To) Funding Agency July 1, 2007	Grant Receipts	Grant Revenues	Other Revenue	Expenditures	Due From/(To) Funding Agency June 30, 2008
U.S. Department of Transportation Passthrough from Nebraska Department of Roads Highway Planning and Construction - Recreational Trails									
West Douglas County Trails	STPB-28 (87)	20.205	\$ 500,000	\$ -	\$ 111,022	\$ 111,022	\$ -	\$ -	\$ -
U.S. Department of Agriculture - Natural Resource Conservation Service									
Papio Reservoirs: rehabilitation on three existing Quail Creek Dam sites (S-27, S-31 and S-32)	69-6526-6-210	10.904	1,140,100	137,558	137,558	137,558	-	-	-
**Papio Reservoirs: design and construction of the Midland Lake Dam (S-30)	69-6526-6-278	10.904	975,000	-	-	-	-	556,952	556,952
U.S. Department of Federal Emergency Management Assistance									
Floodway Mapping: floodplain mapping of Dakota County, Nebraska	EMK-2007-CA-7007	97.045	138,000	-	-	-	-	85,890	85,890
Floodway Mapping: floodplain mapping of Douglas, Sarpy, Washington, and Dakota County	EMK-2006-CA-5009	97.045	392,500	49,567	49,567	-	-	-	-
Totals				\$ 187,125	\$ 298,147	\$ 248,580	\$ -	\$ 642,842	\$ 642,842

** Major program

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

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

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.

For the year ended June 30, 2008, the District exceeded the \$500,000 expenditure threshold, which requires additional audit procedures and reporting in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Papio-Missouri River Natural Resources District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one control deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency that the District does not have an effective segregation of duties in place in the accounting department to be a significant deficiency in internal control over financial reporting.

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

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

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 December 8, 2008.

Compliance and Other Matters

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

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

Omaha, Nebraska
December 8, 2008

Blund & Associates, P.C.

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

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

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

Compliance

We have audited the compliance of the Papio-Missouri River Natural Resources District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The District's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal and state program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

We noted matters involving the system of internal control and its operation that we have reported to the management of the Papio-Missouri River Natural Resources District in a separate letter dated December 8, 2008.

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

Omaha, Nebraska
December 8, 2008

Bland & Associates, P.C.

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

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

A. SUMMARY OF AUDIT FINDINGS

1. The Independent Auditors' Report on Basic Financial Statements and Supplemental Schedule of Expenditures of Federal Awards dated December 8, 2008, expresses an unqualified opinion on the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Papio-Missouri River Natural Resources District.
2. One significant deficiency was found during the audit of the basic financial statements, as detailed below. We do not consider the significant deficiency to be a material weakness.
3. No instances of noncompliance material to the financial statements were disclosed during the audit in accordance with *Governmental Auditing Standards*.
4. No significant deficiencies in internal control over major programs were disclosed during the audit of major federal awards.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 for the District expressed an unqualified opinion.
6. No audit findings related to the major Federal awards program of the Papio-Missouri River Natural Resources District were found.
7. The only program tested for compliance was the Papio Reservoirs project (CFDA No. 10.904) which is funded through the U.S. Department of Agriculture – Natural Resource Conservation Service.
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. Papio-Missouri River Natural Resources District was considered to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

The following significant deficiency was found during the financial statement audit:

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

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2008**

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

OMB Circular A-133 requires that compliance with requirements applicable to major programs and internal control over compliance be audited when federal expenditures exceed the \$500,000 threshold. The District's federal expenditures exceeded this amount for the year ended June 30, 2008. The Papio Reservoirs project, whose granting agency is the U.S. Department of Agriculture – Natural Resource Conservation Service, qualified as a major program and was therefore tested. No significant deficiencies were noted during the audit.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2008**

FINANCIAL STATEMENT AUDIT

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

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

Status: 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. The General Manager and Board of Directors have actively investigated the possibility of hiring another accounting staff to alleviate some of the segregation issues and provide general assistance to the District Accountant.

MAJOR FEDERAL AWARD PROGRAM AUDIT

No significance deficiencies were noted during the prior year.