

November 3, 2003

To: FEL Subcommittee

From: Jack Lawless

It is staff's recommendation that the FEL Subcommittee recommend to the Board of Directors that barring any contingent liability discovered in the attorney's letter, the FY2003 Audit Report and management letter, prepared by Bland and Associates, be accepted and that the General Manager be directed to file an authenticated copy of the audit report with the Nebraska Auditor of Public Accounts and the Nebraska Natural Resources Commission.

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

In planning and performing our audit of Papio-Missouri River Natural Resources District's financial statements for the year ended June 30, 2003, we considered its system of internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the system of internal control. However, we noted certain matters involving the internal control system and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control system that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We believe Papio-Missouri River Natural Resources District (the District) should consider implementing the following suggestions, which will continue to improve the overall system of internal control.

Tracking of Capital Assets

With the District's implementation of GASB Statement No. 34, new requirements for tracking and reporting capital assets takes effect. To date, the District has tracked only the assets that it purchases or disposes of, and the auditor has tracked the total capital assets for reporting purposes. We recommend that the District begin tracking all capital assets.

Accounting for Grant Funding

The District does not separate the federal award monies from other monies received (the money received is recorded in the same general ledger accounts). With the substantial amounts received in federal funding, the importance of accurately matching federal funds to expenses is enhanced. We recommend, at a minimum, that the District establish separate general ledger revenue and expense accounts to monitor federal funds.

Program directors should communicate more effectively with the accounting department as to contract specifics, such as when revenue is expected, when expenses are incurred, what payment schedule will be used, and to which project the contract pertains. This will alleviate the difficulties encountered when reports are needed or compliance testing is complete.

Segregation of Duties

We noted a lack of segregation of duties within the accounting department of the District. Effective segregation of duties requires that the person responsible for reconciling bank balances to account balances not have responsibilities relating to cash receipts, cash

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disbursements, or preparing or approving vouchers for payment. We recommend that such segregation be implemented.

* * *

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control system would not necessarily disclose all matters in the system of internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We do not consider any of the foregoing reportable conditions to be material weaknesses.

We have discussed these comments and suggestions with the District personnel and would be pleased to discuss them in greater detail at your convenience.

This letter is solely for the information and use of management and the Board of Directors of Papio-Missouri River Natural Resources District and should not be used for any other purposes.

Bland & Associates, P.C.

Omaha, Nebraska
October 20, 2003

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2003

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Papio-Missouri River Natural Resources District (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2003.

The management's discussion and analysis on page 3 is not a required part of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 37 and 38 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-13, *Audits of States, Local Governments, and Non-Profit Organizations*, and also is not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Omaha, Nebraska
August 29, 2003

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To Be Prepared by Papio NRD Management

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF NET ASSETS

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June 30, 2003

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,291,772	\$ 1,178,380	\$ 5,470,152
Cash on deposit with county treasurers	195,919	348	196,267
Unrestricted investments	-	652,572	652,572
Taxes receivable	6,755,495	-	6,755,495
Service receivables	7,831	58,146	65,977
Assessments receivable	-	11,955	11,955
Interest receivable	154	3,977	4,131
Prepaid expenses	60,877	840	61,717
Inventory	-	20,889	20,889
Due from other funds	33,151	-	-
Due from funding agency	<u>58,288</u>	<u>-</u>	<u>58,288</u>
	11,403,487	1,927,107	13,297,443
NONCURRENT ASSETS			
Restricted assets			
Cash and cash equivalents	246,141	-	246,141
Investments	865,353	164,192	1,029,545
Capital assets			
Land and infrastructure	17,681,688	19,125	17,700,813
Capital improvements	2,055,772	2,968,052	5,023,824
Buildings and improvements	2,884,200	1,755,601	4,639,801
Vehicles and equipment	3,749,427	34,207	3,783,634
Accumulated depreciation	<u>(4,701,368)</u>	<u>(2,145,878)</u>	<u>(6,847,246)</u>
Total capital assets	<u>21,669,719</u>	<u>2,631,107</u>	<u>24,300,826</u>
	<u>22,781,213</u>	<u>2,795,299</u>	<u>25,576,512</u>
TOTAL ASSETS	<u>34,184,700</u>	<u>4,722,406</u>	<u>38,873,955</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	160,372	68,873	229,245
Accrued salaries & payroll withholdings	35,197	-	35,197
Accrued expenses	70,942	39,201	110,143
Due to other funds	-	33,151	33,151
Deferred revenue	180	2,856	3,036
Current portion long-term debt	500,000	118,512	618,512
Current portion compensated absences	<u>12,026</u>	<u>-</u>	<u>12,026</u>
	778,717	262,593	1,008,159
NONCURRENT LIABILITIES			
Long-term debt	500,000	1,530,946	2,030,946
Accrued compensated absences, net of current portion	<u>159,262</u>	<u>-</u>	<u>159,262</u>
	<u>659,262</u>	<u>1,530,946</u>	<u>2,190,208</u>
TOTAL LIABILITIES	<u>1,437,979</u>	<u>1,793,539</u>	<u>3,198,367</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	20,669,721	-	20,669,721
Restricted	275,022	-	275,022
Unrestricted	11,112,482	2,928,867	14,041,349
Sinking fund	<u>689,496</u>	<u>-</u>	<u>689,496</u>
TOTAL NET ASSETS	<u>\$ 32,746,721</u>	<u>\$ 2,928,867</u>	<u>\$ 35,675,588</u>

Note: Due to and due from other funds are eliminated on this statement's totals.

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, 2003

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Functions/Programs	Program Revenues			Net (Expense) Revenue & Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General administration	\$ 3,169,736	\$ 144,449	\$ 733,852	\$ -	\$ (2,291,435)	\$ -	\$ (2,291,435)
Information and education	118,791	-	-	-	(118,791)	-	(118,791)
Flood prevention	3,061,231	29,287	1,567,682	-	(1,464,262)	-	(1,464,262)
Erosion Control	933,202	-	-	-	(933,202)	-	(933,202)
Water quality	880,712	244,250	293,567	-	(342,895)	-	(342,895)
Recreation	1,846,134	74,201	573,389	-	(1,198,544)	-	(1,198,544)
Forestry and wildlife	950,595	-	190,737	-	(759,858)	-	(759,858)
Capital Improvements	153,822	-	-	-	(153,822)	-	153,822
Unallocated depreciation	283,084	-	-	-	(283,084)	-	(283,084)
Debt service							
Principal payments on long-term debt	500,000	-	-	-	(500,000)	-	(500,000)
Interest on long-term debt	40,405	-	-	-	(40,405)	-	(40,405)
	11,937,712	492,187	3,359,227	-	(8,086,298)	-	(8,086,298)
BUSINESS-TYPE ACTIVITIES							
Dakota County Rural Water	1,370,732	1,159,335	-	-	-	\$ (211,397)	(211,397)
Thurston County Rural Water	131,878	115,756	-	-	-	(16,122)	(16,122)
Washington County Rural Water	648,148	907,224	-	-	-	259,076	259,076
Non-major Proprietary Funds	13,388	12,510	-	-	-	(878)	(878)
	2,164,146	2,194,825	-	-	-	30,679	30,679
	\$ 14,101,858	\$ 2,687,012	\$ 3,359,227	\$ -	(8,086,298)	30,679	(8,055,619)
GENERAL REVENUES							
Property taxes					10,240,054	-	10,240,054
Assessment income					-	72,843	72,843
Interest income					-	43,542	43,542
					10,240,054	116,385	10,356,439
OTHER EXPENSES							
GASB 34 ADJUSTMENT - Conversion of General Long Term Debt Reserve					(1,159,262)		(1,159,262)
CHANGE IN NET ASSETS - Excess of Revenues over Activities					994,494	147,064	1,141,558
NET ASSETS - Beginning					26,835,844	2,781,803	29,617,647
PRIOR PERIOD ADJUSTMENT - Property Tax Revenue					4,916,383		4,916,383
NET ASSETS - Ending					32,746,721	\$ 2,928,867	\$ 35,675,588

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

COMBINED BALANCE SHEET
(All Fund Types and Account Groups)

June 30, 2003

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	Total (Memorandum Only) (Note B)	General Fund (Note A)	Proprietary Funds (Note A) (Exhibit I)	Account Groups	
				General Fixed Assets (Notes A and F)	General Long-Term Debt (Notes A and H)
ASSETS AND OTHER DEBITS					
Cash and cash equivalents (Notes A and B)	\$ 5,470,152	\$ 4,291,772	\$ 1,178,380	\$ -	\$ -
Cash on deposit with County Treasurers (Note B)	196,267	196,919	348	-	-
Receivables					
Taxes (Note A)	6,755,496	6,755,496	-	-	-
Services	65,977	7,831	58,146	-	-
Assessments	11,955	-	11,955	-	-
Interest	4,131	154	3,977	-	-
Due from					
Other funds (Note C)	33,151	33,151	-	-	-
Funding agency (Note D)	58,288	58,288	-	-	-
Inventories (Note A)	20,889	-	20,889	-	-
Deferred charges and prepaid expenses (Note E)	61,717	60,877	840	-	-
Investments (Note A)	652,572	-	652,572	-	-
Restricted Assets (Note I)					
Restricted cash and cash equivalents (Note I)	246,141	246,141	-	-	-
Restricted Investments (Note I)	1,029,545	865,353	164,192	-	-
Property and equipment, net (Notes A, F and G)	23,842,425	-	2,631,107	21,211,318	-
Amount to be provided for retirement of long-term debt	1,159,262	-	-	-	1,159,262
	<u>\$ 39,607,968</u>	<u>\$ 12,514,982</u>	<u>\$ 4,722,406</u>	<u>\$ 21,211,318</u>	<u>\$ 1,159,262</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS					
LIABILITIES					
Accounts payable	\$ 229,246	\$ 160,373	\$ 68,873	\$ -	\$ -
Accrued salaries and payroll withholdings	35,197	35,197	-	-	-
Accrued expenses (Note K)	281,431	82,968	39,201	-	159,262
Due to other funds (Note C)	33,151	-	33,151	-	-
Deferred revenue (Note A)	4,052,435	4,049,579	2,856	-	-
Accrued contingencies (Note L)	-	-	-	-	-
Notes payable and long-term debt (Note H)	2,649,458	-	1,649,458	-	1,000,000
Total liabilities	<u>7,280,918</u>	<u>4,328,117</u>	<u>1,793,539</u>	<u>-</u>	<u>1,159,262</u>
FUND EQUITY AND OTHER CREDITS					
Investment in general fixed assets	21,211,318	-	-	21,211,318	-
Contributed capital	81,700	-	81,700	-	-
Retained earnings					
Reserved	2,847,167	-	-	-	-
Unreserved	-	-	2,847,167	-	-
Fund balance					
Reserved	275,022	275,022	-	-	-
Sinking fund	689,496	689,496	-	-	-
Unreserved	7,222,347	7,222,347	-	-	-
Total fund equity and other credits	<u>32,327,050</u>	<u>8,186,865</u>	<u>2,928,867</u>	<u>21,211,318</u>	<u>-</u>
	<u>\$ 39,607,968</u>	<u>\$ 12,514,982</u>	<u>\$ 4,722,406</u>	<u>\$ 21,211,318</u>	<u>\$ 1,159,262</u>

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2003

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Total Fund Balances - Governmental Funds \$ 8,186,865

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

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

Land and infrastructure	\$ 17,681,688	
Capital improvements	2,055,772	
Buildings and improvements	2,884,200	
Vehicles and equipment	3,749,427	
Accumulated depreciation	<u>(4,701,368)</u>	
		21,669,719

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

Long-term debt	(1,000,000)
Compensated absences	(159,262)

Revenues deferred in the prior period now recognized as revenue	<u>4,049,399</u>
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Net Assets of Governmental Activities	<u><u>\$ 32,746,721</u></u>
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The accompanying notes to financial statements
are an integral part of these statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND

Year ended June 30, 2003

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REVENUES

General administration	\$ 11,985,339
Flood prevention	1,567,682
Water quality	293,567
Recreation	576,089
Forestry and wildlife	<u>190,737</u>
	14,613,414

EXPENDITURES

Current	
General administration	3,153,692
Information and education	118,791
Flood prevention	3,061,231
Erosion control	933,202
Water quality	880,712
Recreation	2,048,794
Forestry and wildlife	950,595
Unallocated depreciation	-
Indirect cost reimbursement	(102,497)
Cost sharing reimbursement	(345,038)
Capital improvements	358,920
Debt service	
Principal retirement	500,000
Interest	<u>40,405</u>
	11,598,807

Other Expenses

GASB 34 Adjustment - Removal of Gain Recognized within General Fixed Asset Group	<u>(8,071)</u>
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EXCESS OF REVENUES OVER EXPENDITURES

3,006,536

FUND BALANCE - BEGINNING

5,180,329

FUND BALANCE - ENDING

\$ 8,186,865

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

RECONCILIATION OF THE CHANGE IN FUND BALANCE SHEET TO THE CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2003

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Net Change in Fund Balances - Total Government Funds	\$ 3,006,536
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Capital outlays and capital asset expenditures	153,822
Depreciation expense	(484,073)
Removal of gain recognized within General Fixed Asset Group	8,071

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	500,000
Conversion of General Long Term Debt Reserve	(1,159,262)

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

Taxes earned in the prior year	1,811,044
Taxes earned in the current year	(3,000,906)

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

Increase in compensated absences	<u>159,262</u>
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Change in Net Assets of Governmental Activities	<u>\$ 994,494</u>
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The accompanying notes to financial statements
are an integral part of these statements.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

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

Year ended June 30, 2003

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	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES			
General administration	\$ 9,238,287	\$ 12,703,779	\$ (3,465,492)
Flood prevention	1,567,682	4,356,500	(2,788,818)
Erosion control	-	30,000	(30,000)
Water quality	293,567	516,000	(222,433)
Recreation	517,801	1,126,500	(608,699)
Forestry and wildlife	190,737	1,226,500	(1,035,763)
	<u>11,808,074</u>	<u>19,959,279</u>	<u>(8,151,205)</u>
EXPENDITURES			
Current			
General administration	2,936,032	3,695,475	759,443
Information and education	118,791	125,200	6,409
Flood prevention	3,061,231	7,648,000	4,586,769
Erosion control	933,202	1,233,367	300,165
Water quality	880,712	1,040,600	159,888
Recreation	2,048,794	3,506,771	1,457,977
Forestry and wildlife	950,595	2,176,000	1,225,405
Unallocated depreciation	-	-	-
Indirect cost reimbursement	(102,497)	(110,000)	(7,503)
Cost sharing reimbursement	(345,038)	(349,000)	(3,962)
Capital improvements	358,920	421,616	62,696
Debt service			
Principal retirement	500,000	500,000	-
Interest	40,405	71,250	30,845
	<u>11,381,147</u>	<u>19,959,279</u>	<u>8,578,132</u>
EXCESS OF REVENUES (BUDGETARY BASIS) OVER EXPENDITURES AND OTHER USES	<u>426,927</u>	<u>\$ -</u>	<u>\$ 426,927</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA			
To adjust revenues for accruals	2,805,340		
To adjust expenditures for accruals	(217,660)		
OTHER EXPENSES			
GASB 34 Adjustment - Removal of Gain			
Recognized within General Fixed Asset Group	<u>(8,071)</u>		
EXCESS OF REVENUES (US GAAP BASIS) OVER EXPENDITURES AND OTHER USES	<u>3,006,536</u>		
FUND BALANCE - BEGINNING	<u>5,180,329</u>		
FUND BALANCE - ENDING	<u>\$ 8,186,865</u>		

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICTCOMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
(Proprietary Fund Types)

Year ended June 30, 2003

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	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES			
Water sales	\$ 668,220	\$ 657,500	\$ 10,720
Customer charges and hookup fees	415,183	68,275	346,908
Sales	6,020	200	5,820
Miscellaneous	10,402	132,700	(122,298)
	1,099,825	858,675	241,150
EXPENSES			
Repairs and maintenance	3,846	5,400	1,554
Supplies and postage	13,001	11,460	(1,541)
Professional services	72,501	56,850	(15,651)
Personnel	100,642	134,000	33,358
Insurance	793	1,350	557
Telephone, utilities, and rent	15,705	17,315	1,610
Miscellaneous	2,745	5,035	2,290
Water purchase	171,404	170,000	(1,404)
Contract costs	46,299	64,500	18,201
Project construction	436,039	436,100	61
Project operation and maintenance	2,788	10,000	7,212
Depreciation and amortization	112,449	-	(112,449)
Vehicle expense	3,542	21,200	17,658
Bond expenditures	-	74,850	74,850
Indirect cost	3,037	3,900	863
	984,791	1,011,960	27,169
OPERATING INCOME	115,034	(153,285)	268,319
OTHER INCOME (EXPENSE)			
Assessment revenue	72,843	44,000	28,843
Interest income	43,542	46,300	(2,758)
Interest expense	(84,355)	(87,250)	2,895
Total other income (expense)	32,030	3,050	28,980
NET INCOME	147,064	\$ (150,235)	\$ 297,299
RETAINED EARNINGS - BEGINNING	2,700,103		
RETAINED EARNINGS - ENDING	\$ 2,847,167		

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

DRAFT

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES

Year ended June 30, 2003

INCREASE IN CASH AND CASH EQUIVALENTS**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers
Other operating receipts
Cash paid to suppliers and employees

\$ 1,104,116
10,401
(895,983)

Net cash provided by operating activities

\$ 218,534

CASH FLOWS USED BY INVESTING ACTIVITIES

Investments purchased
Interest received

(19,530)
43,542

Net cash used by investing activities

24,012

CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from issuance of debt
Payments on long-term debt
Interest paid
Purchase of capital assets
Assessments received

1,095,000
(1,134,632)
(84,365)
(1,389)
72,844

Net cash used by capital and related financing activities

(52,532)

CASH FLOWS USED BY NONCAPITAL FINANCING ACTIVITIES

Change from release of restricted cash
Change in due from other funds
Change in due to other funds

-
3,967

Net cash provided by noncapital financing activities

3,967**NET INCREASE IN CASH AND CASH EQUIVALENTS**

193,981

CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED) - BEGINNING OF YEAR984,399**CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED) - END OF YEAR**\$ 1,178,380**RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATIONS****CASH FLOWS FROM OPERATING ACTIVITIES**

Operating income \$ 115,034
Adjustments to reconcile operating income to net cash provided by operating activities
Depreciation and amortization 94,655
Changes in assets and liabilities
Decrease in receivables 13,444
Decrease in inventories 1,249
(Decrease) in deferred revenue -
(Decrease) in accounts payable (28,798)
Increase in accrued expenses 22,950

Net cash provided by operating activities

\$ 218,534

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2003

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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 general-purpose financial statements. These financial statements and notes are representations of the District's management who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the government-wide and general-purpose financial statements.

District Activities

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

Government-Wide and Fund Financial Statements

Effective June 30, 2003, the District adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments," Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus," and Statement No. 38 "Certain Financial Statement Note Disclosures." These statements require the presentation of government-wide financial statements in addition to the fund financial statements previously used.

The government-wide financial statements include the statement of net assets and the statement of activities, which report financial information for the District as a whole. Individual funds are not displayed, and internal activity between or within funds is eliminated. The accrual basis of accounting and the total economic resources measurement focus are used. The statements distinguish governmental activities, which are generally supported by property taxes and grants from other governments, from business-type activities, which are generally financed with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Program revenues include:

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

The primary impact of adopting the statements includes changing the presentation of fund equity to net assets, presenting revenues and expenses under functional categories, including fixed assets and long-term debt in the statements instead of separate account groups, and presenting "Management's Discussion and Analysis."

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

Operating revenue reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Allocation of Indirect Expenses

The District is responsible for paying all employee wages and vehicle and fuel expenses of the rural water district proprietary funds. The portion of these expenses directly attributable to the proprietary funds, plus a 15 percent surcharge to cover administrative costs, is billed to and reimbursed by each rural water district. General administration services include overall District management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, investing and cash management, personnel services, and other general administration services. The actual amount of indirect cost reimbursement received by the District at June 30, 2003, was \$102,497. These reimbursements are included in the general administration expenses in the Statement of Activities.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost Sharing Reimbursements

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

Reporting Entity

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

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

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

Of these funds, the Dakota, Thurston, and Washington Rural Water Projects are major funds presented individually in the government-wide financial statements. These funds account for fees charged for rural water services provided to residents in their respective counties. The remaining non-major funds are presented in the aggregate to comply with GASB Statement No. 34. The District has no component units and is not a component unit of any other government entity.

The operations of each fund of the District are accounted for with a separate set of self-balancing accounts comprised of its assets, liabilities, fund equity, revenues, and expenditures (or expenses, as appropriate). District resources are allocated to and accounted for in an individual fund based upon the purposes for which they are spent and the means by which the spending activities are controlled. The various funds are

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

grouped in the government-wide and general-purpose financial statements of this report into generic fund types 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.

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in the governmental funds. Land, buildings, equipment, vehicles, water control structures, and other capital improvements constitute the general fixed assets in the account group.

Acquisitions of fixed assets are recorded as expenditures in the governmental funds and in the General Fixed Assets Account Group. Acquisitions of fixed assets by the Proprietary Funds are capitalized in those funds.

General Long-Term Debt Account Group

Long-term liabilities expected to be repaid from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

Proprietary Funds

Proprietary Funds are those 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, rentals, or other forms of

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The placement of a lien against property with delinquent taxes in the various counties is at the discretion of the respective county attorneys. However, the vast majority of delinquent property taxes are purchased through a transaction referred to as a tax certificate sale. 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.

Grants are recognized when received or receivable. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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

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

Budgetary Data

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

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

The statement of revenues, expenditures, and changes in fund balances-budget and actual-General Fund, reported in the financial statements, presents comparisons of legally adopted budgets to actual data prepared in accordance with the accounting basis indicated in the preceding notes.

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 BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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The statement of revenues, expenditures, and changes in fund balances-budget and actual-General Fund, reported in the financial statements, presents comparisons of legally adopted budgets to actual data prepared in accordance with the accounting basis indicated in the preceding notes.

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 BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to certain prior year notes to general-purpose financial statement disclosures to conform to current year presentation. These reclassifications have no effect on previously reported results of operations, retained earnings, or fund balance.

Inventories

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

Property and Equipment

Property, equipment, and infrastructure 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 as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation 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 property and equipment categories are as follows:

Buildings	30
Equipment	5-10
Vehicles	5
Water distribution systems	25-50
Other capital improvements	20-40

Amortization of Bond Expense

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Project Costs

In the general-purpose financial statements, structural improvements (tunnels, reservoirs, drainage systems, or any other projects) constructed by the District for any of its purposes are recorded as expenditures at the time of construction. Major land acquisitions that may have a future saleable value, associated with project costs, are reported as capital improvements; land is reported as a current period General Fund expenditure. In addition, such land acquisitions are reported in the General Fixed Asset Account Group.

The District, for financial statement purposes, capitalizes its public domain costs, infrastructure costs (such as roads, fences, and drainage systems), and similar assets.

In the government-wide financial statements, structural improvements, land acquisitions, and equipment purchases are included as assets in the Statements.

Cash and Cash Equivalents

The District classifies only actual cash as cash and cash equivalents in order to appropriately report its investment activity.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments consisted of the following at June 30, 2003:

	<u>Total</u>	<u>General Fund</u>	<u>Proprietary Funds</u>
Unrestricted cash and cash equivalents:			
Cash and cash equivalents	\$ 5,367,546	\$ 4,269,722	\$ 1,097,824
Cash on hand at County Treasurers	<u>196,267</u>	<u>195,919</u>	<u>348</u>
Total unrestricted cash and cash equivalents	5,563,813	4,465,641	1,098,172
Unrestricted investments:			
Certificates of deposit	<u>505,545</u>	<u>-</u>	<u>505,545</u>
Total unrestricted cash, cash equivalents and investments	6,069,358	4,465,641	1,603,717
Restricted cash and cash equivalents:			
Cash and cash equivalents	398,747	296,141	102,606
Restricted investments:			
Certificates of deposit	346,689	50,000	296,689
U.S. Government Money Market	<u>815,353</u>	<u>815,353</u>	<u>-</u>
Total restricted investments	<u>1,162,042</u>	<u>865,353</u>	<u>296,689</u>
Total restricted cash, cash equivalents and investments	<u>1,560,789</u>	<u>1,161,494</u>	<u>399,295</u>
Total cash and investments	<u>\$ 7,630,147</u>	<u>\$ 5,627,135</u>	<u>\$ 2,003,012</u>

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

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

At June 30, 2003, the District's deposits are fully insured by the Federal Deposit Insurance Corporation or collateralized by investments held by financial institutions. 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, 2003. 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:

	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Pooled deposits					
Pooled cash and certificates of deposit	\$ 5,872,728	\$ 200,000	\$ 5,672,728	\$ -	\$ 5,859,454
Non-pooled deposits					
General fund	50,000	50,000	-	-	50,000
Proprietary funds	<u>695,704</u>	<u>640,000</u>	<u>55,704</u>	<u>-</u>	<u>695,704</u>
 Total deposits	\$ <u>6,618,432</u>	\$ <u>890,000</u>	\$ <u>5,728,432</u>	\$ <u>-</u>	\$ <u>6,605,158</u>

Investments are stated at cost. For fiscal year 2003, the District invested only in U.S. Treasury bills, other federal obligations, or certificates of deposits within federally insured banks. The District records all interest revenue related to investment activities in the respective funds.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

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

State of Nebraska statutes authorize the District to invest any surplus funds, including monies in sinking funds, in certificates of deposit within federally insured banks, or in direct debt securities of the United States. It is the District's policy in accordance with Nebraska statutes to invest in only direct obligations of the United States, excluding certificates of deposit, and not to require collateral to be pledged to secure these investments. The District's non-pooled investments are categorized to give an indication of the level of risk assumed by the District at June 30, 2003. These categories are as follows:

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

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

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

Investments, categorized by level of risk, are:

	<u>Category</u>			<u>Carrying</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>amount</u>	
Non-pooled investments	\$ -	\$ -	\$ -	\$ -	\$ -
US Government obligations	-	-	-	-	-
Money market					
General fund	-	815,353	-	815,353	815,353
Proprietary funds	-	-	-	-	-
Total non-pooled investments	\$ -	\$ 815,353	\$ -	\$ 815,353	\$ 815,353

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

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NOTE C - 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, 2003, consisted of the following individual fund receivables and payables:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General Fund	Thurston County Rural Water	\$ 2,329
General Fund	Washington County Rural Water	9,637
General Fund	Dakota County Rural Water	<u>21,185</u>
		\$ <u>33,151</u>

NOTE D - DUE TO/DUE FROM FUNDING AGENCIES

Revenue from grants and contracts are recognized as earned when expenditures are incurred. 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, 2003, \$58,288 was due from funding agencies.

NOTE E - DEFERRED CHARGES

It is the District's policy to capitalize loan fees and amortize them over the term of the respective loans.

Washington Rural Water Project has prepaid loan fees of \$840 net of accumulated amortization as of June 30, 2003. These fees are being amortized over 20 years. Amortization expense for the year ended June 30, 2003, was \$343.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE F – GENERAL FUND – CAPITAL ASSETS

The following is a summary of the capital assets of the General Fund under the modified accrual basis of accounting. In the general-purpose fund financial statements, the amounts shown are reported in the General Fixed Asset Account Group. In the government-wide financial statements, these amounts plus additional assets originally expensed by the District are capitalized and included in the Statement of Net Assets on the full accrual basis of accounting.

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Not Depreciated				
Land	\$ 17,206,625	\$ -	\$ -	\$ 17,206,625
Water control structures	<u>475,063</u>	<u>-</u>	<u>-</u>	<u>475,063</u>
	17,681,688	-	-	17,681,688
Depreciated				
Buildings	2,884,201	-	-	2,884,201
Machinery and equipment	2,003,913	127,059	-	2,130,972
Office equipment	1,007,671	46,235	-	1,053,906
Vehicles	559,047	45,054	39,552	564,549
Other capital improvements	<u>1,770,664</u>	<u>285,108</u>	<u>-</u>	<u>2,055,772</u>
	8,225,496	503,456	39,552	8,689,400
Less accumulated depreciation	<u>(4,251,668)</u>	<u>(484,073)</u>	<u>(34,373)</u>	<u>(4,701,368)</u>
	<u>3,973,828</u>	<u>19,383</u>	<u>5,179</u>	<u>3,988,032</u>
	\$ <u>21,655,516</u>	\$ <u>19,383</u>	\$ <u>5,179</u>	\$ <u>21,669,720</u>

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

General administration	\$ 118,541
Recreation	82,448
Unallocated depreciation	<u>283,084</u>
Total depreciation expense	\$ <u>484,073</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE G - PROPRIETARY FUNDS – CAPITAL ASSETS

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

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Land	\$ 19,125	\$ -	\$ -	\$ 19,125
Buildings	67,097	-	-	67,097
Office equipment	15,368	2,191	-	17,559
Vehicles	17,450	16,648	17,450	16,648
Water distribution system	<u>4,656,556</u>	<u>-</u>	<u>-</u>	<u>4,656,556</u>
	4,775,596	18,839	17,450	4,776,985
Less accumulated depreciation	<u>(2,051,223)</u>	<u>(112,105)</u>	<u>(17,450)</u>	<u>(2,145,878)</u>
Capital assets, net	\$ <u>2,724,373</u>	\$ <u>(93,266)</u>	\$ <u>-</u>	\$ <u>2,631,107</u>

The Proprietary Funds recorded depreciation expense of \$112,105 for the year ended June 30, 2003.

NOTE H - NOTES PAYABLE AND LONG-TERM DEBT

The following is a summary of the long-term debt of the General Fund. In the government-wide financial statements, these amounts are included in the Statement of Net Assets. In the general-purpose fund financial statements, these amounts are reported in the General Long-Term Debt Account Group.

Principal additions of debt and principal retirement expenditures for the General Fund for the year ended June 30, 2003, were:

	<u>Principal additions</u>	<u>Principal retirements</u>
Ameritas note payable	\$ 1,000,000	\$ 1,500,000
Notes Payable-Caterpillar	-	57,603
Lease Payable	<u>-</u>	<u>2,094</u>
	\$ <u>-</u>	\$ <u>1,559,697</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE H - NOTES PAYABLE AND LONG-TERM DEBT (Continued)

Proprietary Fund Bonds Payable:

<u>Fund</u>	<u>Series</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Payment Ranges</u>	<u>Interest Rates</u>	<u>Principal Balance</u>
Washington Rural Water	2003	April, 2013	Annual	\$30,000 to \$45,000	3.36%	\$ 370,000
Dakota Rural Water	2003	April, 2013	Annual	\$65,000 to \$85,000	3.36%	725,000
Thurston Rural Water	1982	Nov, 2022	Annual	\$26,330	5.00%	325,991
Thurston Rural Water	1993	Feb, 2033	Annual	\$15,963	5.625%	<u>228,467</u>
						<u>\$ 1,649,458</u>

Principal additions of debt and principal retirement expenditures for the Proprietary Funds for the year ended June 30, 2003, were:

<u>Proprietary Funds</u>	<u>Principal additions</u>	<u>Principal Retirement</u>
Thurston Rural Water	\$ -	\$ 2,946
	\$ -	\$ <u>2,946</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE H - NOTES PAYABLE AND LONG-TERM DEBT (Continued)

The annual principal requirements to maturity for long-term debt as of June 30, 2003 are as follows:

<u>Year ending June 30,</u>	<u>General Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
2004	\$ 500,000	\$ 118,512	\$ 618,512
2005	500,000	114,337	614,337
2006	-	115,075	115,175
2007	-	120,850	120,850
2008	-	121,665	121,665
Thereafter	-	1,059,019	1,059,019
Total	\$ <u>1,000,000</u>	\$ <u>1,649,458</u>	\$ <u>2,649,458</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE I - RESTRICTED FUNDS

Several sinking funds have been established for the District for various purposes. The following is a summary of restrictions placed on cash and investments for the year ended June 30, 2003:

The Board of Directors, by resolution, has established sinking funds for the purpose of providing the District with emergency funds. All of the sinking funds are fully funded at their required levels at June 30, 2003. The sinking funds and amounts are as follows:

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

The Board of Directors, by resolution and in accordance with the Interlocal Cooperation Act Agreement, has reserved funds for the purpose of reimbursing the parties to this agreement that incurred costs as a result of the removal of ice jams pursuant to the foregoing agreement.		110,896
--	--	---------

The Board of Directors, by resolution, has reserved funds for the purpose of covering the costs of monitoring programs and studies along the Missouri River.		11,447
--	--	--------

The Board of Directors, by resolution, has reserved funds for the purpose of covering the costs of Papio Creek Watershed project.		173,798
---	--	---------

The Board of Directors, by resolution, has reserved funds for the purpose of paying the United States Corps of Engineers upon completion of two projects.		<u>815,353</u>
---	--	----------------

Total reserves		1,161,494
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Less restricted cash		<u>(296,141)</u>
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Total general fund restricted investments	\$	<u><u>865,353</u></u>
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Restricted investments have decreased during fiscal year 2003 due to projects being paid off as they near completion.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE I - RESTRICTED FUNDS (Continued)

In compliance with loan covenants for the notes and bonds described in Note H, the Proprietary Funds have reserved \$164,192 for the amounts listed below:

Issue	Amount
Washington county water project	\$ 37,000
Thurston county water project	48,431
Dakota county water project	<u>72,500</u>
Total reserve requirement	157,931
Less restricted cash	<u>-</u>
Total proprietary funds restricted investments	\$ <u>157,931</u>

NOTE J - 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 six months, are regularly scheduled to work thirty-seven and one-half or more hours per week, and are age nineteen or older are eligible to participate in the retirement plan. The District further requires all full-time employees to participate in the retirement plan and prohibits part-time employee participation. Participants become fully vested after five years, which is applicable only to the employer's contribution.

Plan members are required to contribute 4.6% of their compensation each pay period, and the District is required to contribute 5.1% of the employee's compensation for each pay period. The District's contributions for the year ended June 30, 2003, were \$93,417, and equaled the required contribution.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE K - ACCUMULATED UNPAID ANNUAL LEAVE AND SICK PAY

The District's employees are granted annual leave and sick pay in varying amounts based on length of service and actual hours worked. Annual leave and unused sick pay may be carried over at year-end up to 30 days and 180 days, respectively. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination, but not accrued sick leave. The estimated current portion of the liability for vested vacation benefits of \$12,026 at June 30, 2003, is recorded as an expenditure and liability in the General Fund. The long-term portion of \$159,262 at June 30, 2003, is recorded in the government-wide Statement of Net Assets and the general-purpose fund General Long-Term Debt Account Group. The amount of unvested sick leave benefits payable amounts to \$171,288 at June 30, 2003, and is not reported as an expenditure or liability in any of the District's June 30, 2003, basic financial statements.

NOTE L - COMMITMENTS AND CONTINGENCIES

The District has committed future funds to several ongoing and new projects and cost share agreements. Since the future expenditures will be included in the District's future budgets and are part of the District's function, these commitments have not been recorded in the District's financial statements.

The District engages in land development projects and occasionally invokes eminent domain to acquire the required land to undertake the project. The value of the land acquired by the District when eminent domain is invoked is determined by either the board of appraisers in the affected county, or through the judiciary. The amount of any payments that may be required for land, if any, is unknown at June 30, 2003.

The District participates in various federally 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, 2003, a reasonable estimate could not be determined for any potential loss contingencies.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2003

DRAFT

NOTE M – CHANGE IN ACCOUNTING PRINCIPLE / PRIOR PERIOD ADJUSTMENT

By implementing GASB Statement No. 34 for the fiscal year ended June 30, 2003, the District has converted from the modified accrual basis to the full accrual basis of accounting for government-wide financial statement purposes. This represents a change in accounting principle, which requires a prior period adjustment to recognize tax revenues that were previously deferred. The beginning net assets on the Statement of Activities are adjusted by \$4,916,383 to recognize the property taxes levied by the counties during fiscal year 2002 but not collected until fiscal year 2003.

NOTE N – COMPLIANCE

The District had total expenditures of federal awards in the amount of \$789,155 for the fiscal year ended June 30, 2003. The determination was made that one major award program existed for the year then ended. Compliance testing was performed on the Big Papio Trail project, and no findings were noted.

NOTE O - TOTAL COLUMNS ON COMBINED AND COMBINING STATEMENTS

The governmental fund total columns on the combined and combining statements are captioned "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 general-purpose fund financial statements, but have been made on the government-wide financial statements.

SUPPLEMENTARY INFORMATION

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF FUNCTIONAL REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND

DRAFT

Year ended June 30, 2003

REVENUES

Property tax	\$ 11,107,038
State and agency grants	2,548,070
Federal grants	-
Sales	15,987
Rental income	139,233
Interest income	36,759
Miscellaneous	<u>766,327</u>

14,613,414

EXPENDITURES

Current

Personnel	2,010,903
Employee benefits	384,324
Travel	42,728
Repairs and maintenance	191,528
Conservation assistance program	586,087
Supplies and postage	52,908
Printing and publications	71,083
Professional services	529,557
Insurance	120,799
Telephone, utilities, and rent	121,148
Special projects	1,378,266
Dues and memberships	34,217
Information and education	57,498
Project construction and land	4,660,161
Project legal costs	211,337
Project operation and maintenance	158,949
Contract works	268,317
Fees	6,081
Vehicle expense	99,471
Board of directors	47,243
Bonds and amortization	800
Payroll taxes	145,404
Indirect cost reimbursement	(102,497)
Cost sharing reimbursement	(345,038)
Miscellaneous	12
Capital improvements	
Office equipment	102,847
Machinery and equipment	224,269
Debt service	
Principal retirement	500,000
Interest	<u>40,405</u>

11,598,807

OTHER EXPENSES

GASB 34 Adjustment - Removal of gain recognized within General Fixed Asset Group	<u>(8,071)</u>
--	----------------

EXCESS OF REVENUES OVER EXPENDITURES

3,006,536

FUND BALANCE - BEGINNING5,180,329**FUND BALANCE - ENDING**\$ 8,186,865

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

BALANCE SHEET - MAJOR PROPRIETARY FUND TYPES

June 30, 2003

DRAFT

	Total (Memorandum Only)	Dakota County Rural Water	Thurston County Rural Water	Washington County Rural Water	Non-major Proprietary Funds (Exhibit K)
ASSETS					
Cash and cash equivalents	\$ 1,178,380	\$ 150,754	\$ 102,606	\$ 673,267	\$ 251,753
Cash on deposit with County Treasurers	348	-	-	-	348
Receivables					
Services	58,146	23,784	9,905	24,457	-
Assessments	11,955	-	-	-	11,955
Interest	3,977	1,371	2	2,604	-
Due from other funds	-	-	-	-	-
Inventory	20,889	9,231	4,237	7,421	-
Prepaid expenses	840	-	-	840	-
Investments					
Unrestricted	652,572	400,506	-	252,066	-
Restricted	164,192	72,500	54,692	37,000	-
Restricted cash and cash equivalents	-	-	-	-	-
Property and equipment	4,776,985	1,807,933	1,366,030	1,603,022	-
Less accumulated depreciation	(2,145,878)	(793,391)	(475,314)	(877,173)	-
	<u>\$ 4,722,406</u>	<u>\$ 1,672,688</u>	<u>\$ 1,062,158</u>	<u>\$ 1,723,504</u>	<u>\$ 264,056</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 68,873	\$ 8,898	\$ 28,765	\$ 31,209	\$ 1
Accrued expenses	39,201	6,423	29,390	3,388	-
Due to other funds	33,151	21,185	2,329	9,637	-
Deferred revenue	2,856	-	-	-	2,856
Notes and bonds payable	<u>1,649,458</u>	<u>725,000</u>	<u>554,458</u>	<u>370,000</u>	<u>-</u>
	1,793,539	761,506	614,942	414,234	2,857
FUND EQUITY					
Contributed capital	81,700	81,700	-	-	-
Retained earnings					
Reserved	-	-	-	-	-
Unreserved (deficit)	<u>2,847,167</u>	<u>829,482</u>	<u>447,216</u>	<u>1,309,270</u>	<u>261,199</u>
	<u>2,928,867</u>	<u>911,182</u>	<u>447,216</u>	<u>1,309,270</u>	<u>261,199</u>
	<u>\$ 4,722,406</u>	<u>\$ 1,672,688</u>	<u>\$ 1,062,158</u>	<u>\$ 1,723,504</u>	<u>\$ 264,056</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS-
MAJOR PROPRIETARY FUND TYPES

DRAFT

Year ended June 30, 2003

	Total (Memorandum Only)		Dakota Rural Water		Washington Rural Water		Thurston Rural Water	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
REVENUES								
Water sales	\$ 668,220	\$ 657,500	\$ 302,295	\$ 305,000	\$ 255,068	\$ 245,000	\$ 110,857	\$ 107,500
Customer charges and hookup fees	415,183	68,275	129,803	35,500	282,444	29,000	2,936	3,775
Sales	6,020	200	6,020	200	-	-	-	-
Miscellaneous	1,105,402	132,700	721,217	75,000	369,712	2,000	1,963	200
Total revenues	2,194,825	858,675	1,159,335	415,700	907,224	276,000	115,756	111,475
EXPENSES								
Repairs and maintenance	3,846	5,400	3,602	5,000	-	200	244	200
Supplies and postage	13,001	11,460	6,157	6,400	2,007	2,250	4,837	2,810
Professional services	72,501	56,850	53,207	40,500	15,147	4,200	4,007	5,650
Personnel	100,642	134,000	55,385	64,000	29,109	40,000	15,076	18,000
Insurance	793	1,350	137	500	519	600	137	250
Telephone, utilities, and rent	15,705	17,315	6,489	7,000	3,898	5,240	5,318	5,075
Miscellaneous	2,745	5,035	2,077	2,250	385	1,900	267	885
Water purchase	171,404	170,000	61,926	70,000	82,639	76,500	26,839	23,500
Contract costs	46,299	64,500	1,807	15,000	17,795	21,000	15,572	18,500
Project construction and land	436,039	436,100	371,887	396,000	64,152	40,050	-	50
Project operation and maintenance	2,788	10,000	341	4,500	1,412	4,000	-	-
Depreciation and amortization	112,449	-	41,373	-	41,357	-	29,719	-
Vehicle expense	3,542	21,200	2,952	19,200	590	2,000	-	-
Bond expenditures	1,095,000	74,850	725,000	28,800	370,000	33,050	-	13,000
Indirect cost	3,037	3,900	2,091	2,000	155	200	791	1,700
Total expenditures	2,079,791	1,011,960	1,334,431	661,150	629,155	231,190	102,807	89,620
OPERATING INCOME (EXPENSE)	115,034	(153,285)	(175,096)	(245,450)	278,059	44,810	12,949	21,855
OTHER INCOME (EXPENSE)								
Assessment revenue	72,843	44,000	-	-	-	-	-	-
Interest income	43,542	46,300	24,228	20,000	14,707	22,000	1,518	2,800
Interest expense	(84,355)	(87,250)	(36,301)	(37,000)	(18,983)	(21,250)	(29,071)	(29,000)
Total other income (expense)	32,030	3,050	(12,073)	(17,000)	(4,276)	750	(27,553)	(26,200)
NET INCOME (LOSS)	147,064	\$ (150,235)	(187,169)	\$ (262,450)	273,783	\$ 45,560	(14,604)	\$ (4,345)
RETAINED EARNINGS (DEFICIT) - BEGINNING	2,700,103		1,016,651		1,035,487		461,820	
RETAINED EARNINGS (DEFICIT) - ENDING	\$ 2,847,167		\$ 829,482		\$ 1,309,270		\$ 447,216	

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PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS - PROPRIETARY FUND TYPES

Year ended June 30, 2003

	Non-Major Proprietary Funds	
	Actual	Budget
REVENUES		
Water sales	\$ -	\$ -
Customer charges and hookup fees	-	-
Sales	-	-
Miscellaneous	12,510	55,500
Total revenues	12,510	55,500
EXPENSES		
Repairs and maintenance	-	-
Supplies and postage	-	-
Professional services	140	6,500
Personnel	1,072	12,000
Insurance	-	-
Telephone, utilities, and rent	-	-
Miscellaneous	16	-
Water purchase	-	-
Contract costs	11,125	10,000
Project construction and land	-	-
Project operation and maintenance	1,035	1,500
Depreciation and amortization	-	-
Vehicle expense	-	-
Bond expenditures	-	-
Indirect cost	-	-
Total expenditures	13,388	30,000
OPERATING INCOME (EXPENSE)	(878)	25,500
OTHER INCOME (EXPENSE)		
Assessment revenue	72,843	44,000
Interest income	3,089	1,500
Interest expense	-	-
Total other income (expense)	75,932	45,500
NET INCOME (LOSS)	75,054	\$ 71,000
RETAINED EARNINGS (DEFICIT) - BEGINNING	186,145	
RETAINED EARNINGS (DEFICIT) - ENDING	\$ 261,199	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS-
NON-MAJOR PROPRIETARY FUND TYPES

Year ended June 30, 2003

DRAFT

	Total (Memorandum Only)		Elkhorn River		Elkhorn Breakout		Elk/Pigeon Creek Drainage		Western Sarpy Drainage	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
REVENUES										
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	-	-	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-	-	-
Miscellaneous	12,510	55,500	-	-	-	-	12,510	55,500	-	-
Total revenues	12,510	55,500	-	-	-	-	12,510	55,500	-	-
EXPENSES										
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-
Supplies and postage	-	-	-	-	-	-	-	-	-	-
Professional services	140	6,500	-	-	-	-	140	6,500	-	-
Personnel	1,072	12,000	-	-	-	-	1,072	12,000	-	-
Insurance	-	-	-	-	-	-	-	-	-	-
Telephone, utilities, and rent	-	-	-	-	-	-	-	-	-	-
Miscellaneous	16	-	7	-	9	-	-	-	-	-
Water purchase	-	-	-	-	-	-	-	-	-	-
Contract costs	11,125	10,000	-	-	-	-	11,125	10,000	-	-
Project construction and land	-	-	-	-	-	-	-	-	-	-
Project operation and maintenance	1,035	1,500	-	-	920	-	115	1,500	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-
Vehicle expense	-	-	-	-	-	-	-	-	-	-
Bond expenditures	-	-	-	-	-	-	-	-	-	-
Indirect cost	-	-	-	-	-	-	-	-	-	-
Total expenditures	13,388	30,000	7	-	929	-	12,452	30,000	-	-
OPERATING INCOME (EXPENSE)	(878)	25,500	(7)	-	(929)	-	58	25,500	-	-
OTHER INCOME (EXPENSE)										
Assessment revenue	72,843	44,000	2,858	-	1,374	-	50,401	44,000	18,210	-
Interest income	3,089	1,500	1,154	-	214	-	908	1,500	813	-
Interest expense	-	-	-	-	-	-	-	-	-	-
Total other income (expense)	75,932	45,500	4,012	-	1,588	-	51,309	45,500	19,023	-
NET INCOME (LOSS)	75,054	\$ 71,000	4,005	\$ -	659	\$ -	51,367	\$ 71,000	19,023	\$ -
RETAINED EARNINGS (DEFICIT) - BEGINNING	188,145		88,611		5,080		43,107		49,347	
RETAINED EARNINGS (DEFICIT) - ENDING	\$ 261,199		\$ 92,616		\$ 5,739		\$ 94,474		\$ 68,370	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICTSCHEDULE OF INVESTMENTS - GENERAL FUND

June 30, 2003

DRAFT

	<u>Cost</u>	<u>Interest Rate</u>
General Fund		
Certificates of Deposit		
Great Western Bank	\$ 50,000	3.25%
Escrow accounts		
Wells Fargo	<u>815,353</u>	
	865,353	
Less unrestricted portion	<u>-</u>	
Total General Fund - restricted investments	<u>\$ 865,353</u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF INVESTMENTS - PROPRIETARY FUND TYPES

June 30, 2003

DRAFT

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary Funds		
Certificates of Deposit		
Dakota County		
American National Bank	\$ 100,000	4.93%
Commercial Federal	60,000	4.20%
Commerical Federal	40,000	2.18%
Gateway Community Bank	100,000	3.25%
Nebraska State Bank	66,000	4.14%
Siouxland National Bank	14,000	1.49%
Siouxland National Bank	25,000	1.49%
Siouxland National Bank	<u>60,000</u>	2.25%
	465,000	
Washington County		
American National Bank	109,295	3.70%
Team Bank	75,000	2.13%
Centennial Bank	<u>100,000</u>	4.19%
	284,295	
Thurston County		
American National Bank	41,823	3.63%
American National Bank	6,116	3.63%
Centennial Bank	<u>5,000</u>	1.75%
	<u>52,939</u>	
Total	802,234	
Less unrestricted portion	<u>(505,545)</u>	
Total Proprietary Funds - Restricted Investments	<u>\$ 296,689</u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF INSURANCE POLICIES AND BONDS

June 30, 2003

DRAFT

SCHEDULED PROPERTY FLOATER AND EQUIPMENT

Covering property, vehicle, and equipment; blanket limit \$8,703,253; deductible/\$500 except for boiler and machinery/\$25 per horsepower.

GENERAL LIABILITY

Medical payments/\$10,000; Personal injury and advertising injury/\$10,000,000; Wrongful acts/\$10,000,000 with deductible/\$1,000; Employee benefits liability/ \$10,000,000; Employment-related practices injury/\$1,000,000 with deductible/\$1,000; Damage to premises rented to you/\$1,000,000.

COMMERCIAL AUTOMOBILE

Each accident/\$10,000,000; Medical payments/\$5,000; Uninsured and underinsured motorists/\$1,000,000; Collision deductible/\$500.

WORKERS' COMPENSATION

Bodily injury by accident/\$100,000; Bodily injury by disease/\$100,000.

EMPLOYEE DISHONESTY BONDS

Public employees \$100,000; deductible/\$500.

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

PUBLIC OFFICIALS ERRORS AND OMISSIONS

Liability limit/\$10,000,000.

COMMERCIAL UMBRELLA POLICY

Combined bodily injury and property damage/\$10,000,000 with property damage deductible/\$500.

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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICTSCHEDULE OF TAXES RECEIVABLE - GENERAL FUND

June 30, 2003

DRAFT

County

Douglas	\$ 3,621,384
Sarpy	2,479,199
Washington	409,374
Dakota	356,438
Burt	50,565
Thurston	33,258
Dodge	<u>1,197</u>
	<u>\$ 6,951,415</u>

RECONCILIATION TO BALANCE SHEET

Cash on hand with county treasurers	\$ 195,919
Taxes receivable, including deferred revenues	<u>6,755,496</u>
	<u>\$ 6,951,415</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICTSCHEDULE OF CASH BALANCES HELD BY COUNTY TREASURERS

June 30, 2003

DRAFT

General Fund

Douglas	\$ 146,410
Sarpy	37,531
Washington	5,718
Dakota	3,785
Burt	1,735
Thurston	217
Dodge	<u>523</u>
	195,919

Proprietary Funds

Elkhorn Breakout	205
Elkhorn River Stabilization Project	<u>143</u>
	<u>348</u>
	<u>\$ 196,267</u>

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

Year ended June 30, 2003

DRAFT

Gross income from all sources		\$ <u>17,370,586</u>
Amount expended for		
Maintenance		\$ 340,684
Improvements and other such programs		<u>1,964,353</u>
		\$ <u>2,305,037</u>
Amount of depreciation on property		\$ <u>112,105</u>
Number of employees as of June 30, 2003		<u>58</u>
Gross salaries	\$ 2,272,721	
Less amount reimbursed by projects	<u>161,176</u>	
Net salaries paid to employees		\$ <u>2,111,545</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Year ended June 30, 2003

DRAFT

Program	Pass-Through Grantor's Number	Federal CFDA Number	Contract Amount	Due From/(To) Funding Agency July 1, 2002	Grant Receipts	Grant Revenues	Other Revenue	Expenditures	Due From/(To) Funding Agency June 30, 2003
U.S. Department of Transportation									
Passthrough from Nebraska Department of Roads									
Recreational Trails Construction									
Big Papio Trail - Center to Blondo Street	STPB-28 (74)	20.205	\$ 500,000	\$ -	\$ 362,186	\$ 420,474	\$ -	\$ 420,474	\$ 58,288
Chalco Hills Connector Trail	STPB-77 (42)	20.205	274,810	9,967	9,967	-	-	-	-
Platte River Bridge Reconstruction	STPB-77 (39)	20.205	1,150,000	(763)	-	-	(763)	-	-
MoPac Trail - Springfield to Platte River	STPB-77 (43)	20.205	500,000	-	-	-	-	-	-
U.S. Federal Emergency Management Agency									
Passthrough from Nebraska Game and Parks Commission									
Recreational Trails Program									
Walnut Creek Trails	RTP-2001 (005)	20.205	66,934	-	66,934	66,934	-	66,934	-
U.S. Federal Emergency Management Agency									
Passthrough from Nebraska Emergency Management Agency									
Floodway Project									
Elbow Bend - Sarpy County	83.536		101,009	-	101,009	101,009	-	101,009	-
U.S. Environmental Protection Agency									
Passthrough from Nebraska Department of Environmental Quality									
Water Quality Control Construction									
Zorinsky Lake Watershed Sediment Basin #3 Project	319 (h)	66.460	200,000	-	200,738	200,738	-	200,738	-
Total Expenditures of Federal Awards				\$ 9,204	\$ 740,834	\$ 789,155	\$ (763)	\$ 789,155	\$ 58,288

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this statement

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICTNOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2003

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NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Papio-Missouri River Natural Resources District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The District did exceed the \$300,000 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*. Compliance testing was performed on the Big Papio Trail project and no findings were noted.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2003

DRAFT

A. SUMMARY OF AUDIT FINDINGS

1. The Independent Auditors' Report dated August 29, 2003, expressed an unqualified opinion on the basic financial statements of Papio-Missouri River Natural Resources District.
2. No reportable conditions were found during the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. 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.
5. No audit findings related to the major Federal awards program of the Papio-Missouri River Natural Resources District were found.
6. The only program considered to be a major program of the District is the Big Papio Trail project (CFDA No. 20.205).
7. The threshold for distinguishing between Type A and B programs was \$300,000.
8. The Papio-Missouri River Natural Resources District was considered to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

No reportable conditions were found during the financial statement audit.

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

The Big Papio Trail project was the District's only major program. The granting agency is the U.S. Department of Transportation, with the funds being passed through the Nebraska Department of Roads. No findings were noted during the audit, so no costs were questioned.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

PRIOR AUDIT FINDINGS

Year ended June 30, 2003

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FINANCIAL STATEMENT AUDIT

No findings were noted in the prior financial statement audit.

MAJOR FEDERAL AWARD PROGRAM AUDIT

No programs considered major existed in the prior year, so no major federal award program audit was conducted.

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

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

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

We have audited the financial statements of Papio-Missouri River Natural Resources District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated August 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Independent Auditors' Report On Compliance And On Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards (Continued)
Page 2

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

Omaha, Nebraska
August 29, 2003

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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

DRAFT

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

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

We have audited the financial statements of the Papio-Missouri River Natural Resources District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated August 29, 2003. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Compliance

We have audited the compliance of 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 each of its major federal programs for the year ended June 30, 2003. 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 each of its major federal programs 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 on the District's compliance with those requirements.

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In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

Omaha, Nebraska
August 29, 2003