

**Finance, Expenditure & Legal
Subcommittee Meeting
November 16, 2004
7:00 p.m.
Agenda**

Finance, Expenditure & Legal Subcommittee Members:

Dick Connealy, Vice-Chairperson
John Conley
Barb Nichols
Jim Thompson

Alternate Members: Joe Neary

Staff Liaison: Jim Becic *
Martin Cleveland
Jack Lawless
Dick Sklenar
Trent Heiser

1. Meeting Called to Order – Vice-Chairperson Connealy
2. Quorum Call
3. Adoption of Agenda
4. Proof of Publication of Meeting Notice
5. Review and Recommendation on P-MRNRD 2004 Audit – Jerry Bland and Mike Pruss, Bland Associates, and Jack Lawless
6. Review and Recommendation on Interim Financing for Washington County Rural Water #2 – Dick Sklenar
7. Review and Recommendation on West Branch Channel Project (90th Street to Giles Road) Right of Way Acquisition [*Executive Session*] – Carl Hibbeler, Midwest Right-of-Way Services, and Martin Cleveland
8. Review and Recommendation on Western Sarpy/Clear Creek Flood Reduction Project – Sarpy County Side Riverside Cabins Purchase Agreements [*Executive Session*] – Carl Hibbeler, Midwest Right-Of-Way Services, Paul Peters, Marlin Petermann and Martin Cleveland
9. Other Items of Interest
10. Adjourn

To: FEL Subcommittee

Subject: FY 2004 Audit

Date: November 2, 2004

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 FY2004 Audit Report and management letter, prepared by Bland and Associates, be accepted and that the General Manager be directed to file an authenticated copy of the audit report with the Nebraska Auditor of Public Accounts and the Nebraska Natural Resources Commission.

Papio-Missouri River Natural Resources District

TENTATIVE FOR DISCUSSION
PURPOSES ONLY

FINANCIAL REPORT

Management's Discussion and Analysis

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

Year ended June 30, 2004

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

**TENTATIVE FOR DISCUSSION
PURPOSES ONLY**

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
WITH

ACCOMPANYING INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2004

INTENTATIVE FOR DISCUSSION
PURPOSES ONLY

CONTENTS

TENTATIVE FOR DISCUSSION
 PURPOSES ONLY
 Exhibit Page

INDEPENDENT AUDITOR'S REPORT

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets	A	3
Statement of Activities	B	4

FUND FINANCIAL STATEMENTS

Balance Sheet – General Fund	C	5
Reconciliation of the General Fund Balance Sheet to the Statement of Net Assets	C-1	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	D	7
Reconciliation of the Change in Fund Balance – General Fund to the Change in Net Assets of Governmental Activities	D-1	8
Statement of Net Assets - Proprietary Funds	E	9
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	F	10-11
Statement of Cash Flows - Proprietary Funds	G	12

NOTES TO FINANCIAL STATEMENTS		13-31
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SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance - Actual and Budget (Budgetary Basis) - General Fund	H	32
Statement of Revenues, Expenses, and Changes in Net Assets – Actual and Budget (Budgetary Basis) – Proprietary Funds	I	33
Statement of Functional Revenues, Expenditures, and Changes in Fund Balance - General Fund	J	34

CONTENTS (Continued)

SUPPLEMENTARY INFORMATION (Continued)

Statement of Net Assets - Non-Major Proprietary Funds	K	35
Statement of Revenues, Expenses, and Changes in Net Assets - Non-Major Proprietary Funds	L	36
Schedule of Investments - General Fund	M	37
Schedule of Investments - Proprietary Funds	N	38
Schedule of Insurance Policies and Bonds	O	39
Schedule of Taxes Receivable - General Fund	P	40
Schedule of Cash Balances Held by County Treasurers	Q	41
Information Required by Section 2-3223, N.R.S.-1943	R	42

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule of Expenditures of Federal Awards	S	43
Note to Schedule of Expenditures of Federal Awards	T	44

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*

45-46

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

47-48

Schedule of Findings and Questioned Costs	U	49-50
Schedule of Prior Year Findings	V	51

EXHIBIT
 PURPOSES ONLY

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 Papio-Missouri River Natural Resources District (the District), as of and for the year ended June 30, 2004, 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, 2004, 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 the 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 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.

Independent Auditors' Report (Continued)
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 10, 2004, 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 supplementary information on pages 32 to 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 43 and 44 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 is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Omaha, Nebraska
September 10, 2004

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

GOVERNMENT-WIDE FINANCIAL STATEMENTS

INTENTIVE FOR DISCLOSURE
PURPOSES ONLY

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-Type Activities	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Notes A and B)	\$ 6,649,800	\$ 1,626,398	\$ 8,276,198
Cash on deposit with County Treasurers (Note B)	185,994	348	186,342
Unrestricted investments (Note A)	-	747,900	747,900
Taxes receivable (Note A)	7,200,555	-	7,200,555
Service receivables	2,832	58,590	61,422
Assessments receivable	-	11,955	11,955
Interest receivable	125	847	972
Prepaid expenses (Note E)	1,900	496	2,396
Inventories (Note A)	-	28,912	28,912
Internal balances (Note C)	40,933	625,555	-
Due from funding agency (Note D)	321,964	-	321,964
	14,404,103	3,101,001	16,838,616
NONCURRENT ASSETS			
Restricted assets (Note I)			
Cash and cash equivalents (Note I)	331,190	-	331,190
Investments (Note I)	667,289	165,104	832,393
Capital assets (Notes A, F and G)			
Land and infrastructure	18,150,039	19,125	18,169,164
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	4,055,739	34,207	4,089,946
Accumulated depreciation	(5,091,618)	(2,257,886)	(7,349,504)
Total capital assets	22,054,132	2,519,099	24,573,231
	23,052,611	2,684,203	25,736,814
TOTAL ASSETS	37,456,714	5,785,204	42,575,430
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	1,119,083	62,411	1,181,494
Accrued salaries and payroll withholdings	24,052	-	24,052
Accrued expenses	80,173	35,928	116,101
Internal balances (Note C)	-	666,488	-
Deferred revenue (Note A)	1,610	2,856	4,466
Current portion long-term debt (Note H)	542,252	114,346	656,598
Current portion compensated absences (Note K)	12,384	-	12,384
	1,779,554	882,029	1,995,095
NONCURRENT LIABILITIES			
Long-term debt (Note H)	89,647	1,416,432	1,506,079
Accrued compensated absences, net of current portion (Note K)	164,593	-	164,593
	254,240	1,416,432	1,670,672
TOTAL LIABILITIES	2,033,794	2,298,461	3,665,767
NET ASSETS			
Invested in capital assets, net of related debt	21,422,234	-	21,422,234
Restricted	275,022	-	275,022
Unrestricted	13,036,168	3,486,743	16,522,911
Sinking fund	689,496	-	689,496
TOTAL NET ASSETS	\$ 35,422,920	\$ 3,486,743	\$ 38,909,663

Note: Due to and due from other funds (internal balances) 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, 2004

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Net (Expense) Revenue & Change in Net Assets	Total
FUNCTIONS/PROGRAMS								
GOVERNMENTAL ACTIVITIES								
General administration	\$ 3,443,472	\$ 135,482	\$ (748,234)	\$ -	\$ (2,559,756)	\$ -	\$ (2,559,756)	
Information and education	120,468	-	-	-	(120,468)	-	(120,468)	
Flood prevention	1,492,074	29,366	717,583	-	(745,125)	-	(745,125)	
Erosion control	1,405,515	-	-	-	(1,405,515)	-	(1,405,515)	
Water quality	534,831	145,750	(58,496)	-	(330,585)	-	(330,585)	
Recreation	2,253,488	11,681	735,467	-	(1,506,340)	-	(1,506,340)	
Forestry and wildlife	998,817	-	32,517	-	(966,300)	-	(966,300)	
Capital improvements	122,811	-	-	-	(122,811)	-	(122,811)	
Unallocated depreciation	300,257	-	-	-	(300,257)	-	(300,257)	
Interest on long-term debt	17,875	-	-	-	(17,875)	-	(17,875)	
	10,889,807	322,279	(2,292,297)	-	(8,075,031)	-	(8,075,031)	
BUSINESS-TYPE ACTIVITIES								
Dakota County Rural Water	274,314	353,023	-	-	-	78,709	78,709	
Thurston County Rural Water	116,491	108,167	-	-	-	(8,324)	(8,324)	
Washington County Rural Water	258,566	301,855	-	-	-	43,289	43,289	
Non-major Proprietary Funds	255,569	602,757	-	-	-	347,188	347,188	
	904,940	1,365,802	-	-	-	460,862	460,862	
	\$ 11,594,547	\$ 1,688,081	\$ (2,292,297)	\$ -	\$ (8,075,031)	\$ 460,862	\$ (7,614,169)	
GENERAL REVENUES								
Property taxes					10,701,229	-	10,701,229	
Assessment income					-	65,509	65,509	
Interest income					-	31,505	31,505	
					10,701,229	97,014	10,798,243	
CHANGE IN NET ASSETS					2,626,198	557,876	3,184,074	
NET ASSETS - Beginning					32,796,721	2,928,867	35,725,588	
NET ASSETS - Ending					\$ 35,422,920	\$ 3,485,743	\$ 38,909,663	

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

The accompanying notes to financial statements
are an integral part of these statementsPERMITTED FOR DISCLOSURE
FOR PURPOSES ONLY

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

FUND FINANCIAL STATEMENTS

BALANCE SHEET - GENERAL FUND

June 30, 2004

REVENUE FOR DISBURSEMENT
 PURPOSES ONLY
 General Fund
 (Note A)

<u>ASSETS AND OTHER DEBITS</u>	
Cash and cash equivalents (Notes A and B)	\$ 6,649,800
Cash on deposit with County Treasurers (Note B)	185,994
Receivables	
Taxes (Note A)	7,200,555
Services	2,832
Interest	125
Due from	
Other funds (Note C)	40,933
Funding agency (Note D)	321,964
Prepaid expenses (Note E)	1,900
Restricted assets (Note I)	
Cash and cash equivalents (Note I)	331,190
investments (Note I)	667,289
Property and equipment, net (Notes A, F and G)	-
	<u>\$ 15,402,582</u>
<u>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</u>	
<u>LIABILITIES</u>	
Accounts payable	\$ 1,119,083
Accrued salaries and payroll withholdings	24,052
Accrued expenses (Note K)	92,557
Deferred revenue (Note A)	5,171,937
Long-term debt (Note H)	-
Total liabilities	<u>6,407,629</u>
<u>FUND EQUITY AND OTHER CREDITS</u>	
Fund balance	
Reserved	275,022
Sinking fund	689,496
Unreserved	<u>8,030,435</u>
Total fund equity and other credits	<u>8,994,953</u>
	<u>\$ 15,402,582</u>

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

RECONCILIATION OF THE GENERAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2004

FOR DEPARTMENTAL
PURPOSES ONLY

Total Fund Balances - Governmental Funds	\$ 8,994,953
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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	\$ 18,150,039	
Capital improvements	2,055,772	
Buildings and improvements	2,884,200	
Vehicles and equipment	4,055,739	
Accumulated depreciation	<u>(5,091,618)</u>	
		22,054,132

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

Long-term debt	(631,899)
Compensated absences	(164,593)

Revenues deferred in the prior period now recognized as revenue	<u>5,170,327</u>
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Net Assets of Governmental Activities	<u>\$ 35,422,920</u>
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The accompanying notes to financial statements
are an integral part of these statements.

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

Year ended June 30, 2004

NOT TO BE USED FOR DISBURSEMENT PURPOSES ONLY

REVENUES	
General administration	\$ (10,623,091)
Flood prevention	717,583
Water quality	(58,496)
Recreation	738,748
Forestry and wildlife	32,517
	<hr/>
	(12,170,435)
 EXPENDITURES	
Current	
General administration	3,577,315
Information and education	120,468
Flood prevention	2,024,897
Erosion control	1,405,515
Water quality	534,831
Recreation	2,169,810
Forestry and wildlife	998,817
Indirect cost reimbursement	(111,966)
Cost sharing reimbursement	(183,516)
Capital improvements	310,771
Debt service	
Principal retirement	547,529
Interest	17,875
	<hr/>
	11,412,346
	<hr/>
 EXCESS OF REVENUES OVER EXPENDITURES	 (758,089)
 FUND BALANCE - BEGINNING	 8,236,864
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FUND BALANCE - ENDING	\$ 8,994,953
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The accompanying notes to financial statements
are an integral part of these statements

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

June 30, 2004

FOR DISBURSEMENT
PURPOSES ONLY

Net Change in Fund Balances - Total Government Funds	\$ 758,089
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	857,163
Depreciation expense	(498,437)
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	547,529
Full accrual accounting records revenues when earned. Modified accrual records revenues that are measurable and available.	
Difference in property tax revenue accrual	<u>961,854</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,626,198</u>

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2004

	Total (Memorandum Only)	Dakota County Rural Water	Thurston County Rural Water	Washington County Rural Water #1	Non-major Proprietary Funds (Exhibit K)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents (Notes A and B)	\$ 1,626,398	\$ 115,742	\$ 82,000	\$ 1,181,564	\$ 247,092
Cash on deposit with County Treasurers (Note B)	348	-	-	-	348
Receivables					
Services	58,590	26,057	9,712	22,821	-
Assessments	11,955	-	-	-	11,955
Interest	847	625	2	220	-
Due from other funds (Note C)	625,555	-	-	-	625,555
Inventories (Note A)	28,912	16,737	4,890	7,285	-
Prepaid expenses (Note E)	496	-	-	496	-
Unrestricted investments (Note A)	<u>747,900</u>	<u>493,624</u>	<u>-</u>	<u>254,276</u>	<u>-</u>
	3,101,001	652,785	96,604	1,466,662	884,950
NONCURRENT ASSETS					
Restricted investments (Note I)	165,104	72,500	55,604	37,000	-
Capital assets (Notes A, F and G)					
Land and infrastructure	19,125	18,125	1,000	-	-
Capital improvements	2,968,052	-	1,365,030	1,603,022	-
Buildings and improvements	1,755,601	1,755,601	-	-	-
Vehicles and equipment	34,207	34,207	-	-	-
Accumulated depreciation	<u>(2,257,886)</u>	<u>(834,667)</u>	<u>(505,034)</u>	<u>(918,185)</u>	<u>-</u>
	<u>2,519,099</u>	<u>973,266</u>	<u>860,996</u>	<u>684,837</u>	<u>-</u>
	<u>2,684,203</u>	<u>1,045,766</u>	<u>916,600</u>	<u>721,837</u>	<u>-</u>
TOTAL ASSETS	<u>5,785,204</u>	<u>1,698,551</u>	<u>1,013,204</u>	<u>2,188,499</u>	<u>884,950</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	62,411	9,831	9,632	42,948	-
Accrued expenses	35,928	6,051	26,665	3,212	-
Due to other funds (Note C)	666,488	21,652	5,301	639,535	-
Deferred revenue	<u>2,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,856</u>
	767,683	37,534	41,598	685,695	2,856
NONCURRENT LIABILITIES					
Notes and bonds payable (Note H)	<u>1,530,778</u>	<u>660,000</u>	<u>530,778</u>	<u>340,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,298,461</u>	<u>697,534</u>	<u>572,376</u>	<u>1,025,695</u>	<u>2,856</u>
NET ASSETS					
Contributed capital	81,700	81,700	-	-	-
Restricted	-	-	-	-	-
Unrestricted	<u>3,405,043</u>	<u>919,317</u>	<u>440,828</u>	<u>1,162,804</u>	<u>882,094</u>
TOTAL NET ASSETS	<u>\$ 3,486,743</u>	<u>\$ 1,001,017</u>	<u>\$ 440,828</u>	<u>\$ 1,162,804</u>	<u>\$ 882,094</u>

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, 2004

	Total (Memorandum Only)		Dakota Rural Water		Washington Rural Water #1		Thursdon Rural Water	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
OPERATING REVENUES								
Water sales	\$ 704,806	\$ 710,000	\$ 332,089	\$ 327,000	\$ 267,855	\$ 247,000	\$ 104,862	\$ 136,000
Customer charges and hookup fees	598,197	168,175	20,133	35,700	33,670	128,700	2,301	3,775
Sales	110	200	110	200	-	-	-	-
Miscellaneous	62,689	629,400	681	500	330	1,200	1,004	560,200
Total revenues	1,365,802	1,507,775	353,023	363,400	301,855	376,900	108,167	699,975
OPERATING EXPENSES								
Repairs and maintenance	9,460	7,400	8,610	7,000	-	200	850	200
Supplies and postage	14,466	13,450	5,142	6,400	4,457	4,350	4,867	2,700
Professional services	114,742	200,250	5,362	30,500	2,670	152,200	1,908	11,050
Personnel	113,250	136,600	62,399	66,000	34,399	38,000	10,422	16,000
Insurance	1,421	1,350	796	500	469	600	156	250
Telephone, utilities, and rent	14,920	17,150	7,082	7,200	3,071	4,850	4,767	5,100
Miscellaneous	9,761	4,300	1,402	2,000	5,208	1,800	3,151	500
Water purchase	156,815	201,500	75,995	72,000	66,407	77,500	14,413	52,000
Contract costs	141,763	188,500	2,677	14,000	17,216	20,000	3,017	9,500
Project construction and land	129,844	265,350	33,776	224,000	70,501	40,300	-	50
Depreciation and amortization	5,890	21,500	4,394	4,500	1,190	7,000	-	-
Vehicle expense	112,352	-	41,276	-	41,357	-	29,719	-
Bond expenditures	3,734	3,100	2,479	2,100	1,255	1,000	-	-
Indirect cost	162	656,000	-	65,000	-	30,000	162	561,000
Total expenditures	3,845	4,400	2,766	2,500	38	200	1,021	1,700
	832,425	1,721,850	254,166	503,700	248,238	378,000	74,453	660,050
OPERATING INCOME (LOSS)	533,377	(214,075)	98,857	(140,300)	53,617	(1,100)	33,714	39,925
NONOPERATING INCOME (EXPENSE)								
Assessment revenue	65,509	62,000	-	-	-	-	-	-
Interest income	31,505	39,275	11,126	18,000	13,946	16,000	1,936	1,600
Interest expense	(72,514)	(57,143)	(20,148)	(20,605)	(10,328)	(10,538)	(42,038)	(26,000)
Fund transfer (Note C)	-	-	-	-	(203,700)	-	-	-
Total nonoperating income (expense)	24,500	44,132	(9,022)	(2,605)	(200,082)	5,462	(40,102)	(24,400)
CHANGE IN NET ASSETS	557,877	\$ (169,943)	89,835	\$ (142,905)	(146,465)	\$ 4,362	(6,388)	\$ 15,525
TOTAL NET ASSETS - BEGINNING	2,928,867		911,182		1,309,270		447,216	
TOTAL NET ASSETS - ENDING	\$ 3,486,744		\$ 1,001,017		\$ 1,162,805		\$ 440,828	

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, 2004

	Non-Major Proprietary Funds	
	Actual	Budget
OPERATING REVENUES		
Water sales	-	\$ -
Customer charges and hookup fees	542,093	-
Sales	-	-
Miscellaneous	60,664	67,500
Total operating revenues	602,757	67,500
OPERATING EXPENSES		
Repairs and maintenance	-	-
Supplies and postage	-	-
Professional services	104,802	6,500
Personnel	6,040	16,600
Insurance	-	-
Telephone, utilities, and rent	-	-
Miscellaneous	-	-
Water purchase	-	-
Contract costs	118,853	145,000
Project construction and land	25,567	2,000
Project operation and maintenance	306	10,000
Depreciation and amortization	-	-
Vehicle expense	-	-
Bond expenditures	-	-
Indirect cost	-	-
Total operating expenses	255,568	180,100
OPERATING INCOME (LOSS)	347,189	(112,600)
NONOPERATING INCOME (EXPENSE)		
Assessment revenue	65,509	62,000
Interest income	4,497	3,675
Interest expense	-	-
Fund transfer (Note C)	203,700	-
Total nonoperating income (expense)	273,706	65,675
CHANGE IN NET ASSETS	620,895	\$ (46,925)
TOTAL NET ASSETS - BEGINNING	261,199	
TOTAL NET ASSETS - ENDING	\$ 882,094	

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, 2004

	TOTAL (Memo only)	Dakota Rural Water	MAJOR FUNDS Thurston Rural Water	Washington Rural Water #1	NONMAJOR FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,297,777	\$ 343,299	\$ 106,704	\$ 305,681	\$ 542,093
Other operating receipts (disbursements)	62,689	691	1,004	330	60,664
Cash paid to suppliers and employees	(726,115)	(208,165)	(66,592)	(399,489)	(51,869)
Net cash provided (used) by operating activities	634,351	135,825	41,116	(93,478)	550,888
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments purchased	(96,240)	(93,118)	(912)	(2,210)	-
Interest received	31,505	11,126	1,936	13,946	4,497
Net cash provided (used) by investing activities	(64,735)	(81,992)	1,024	11,736	4,497
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from issuance of debt	-	-	-	-	-
Payments on long-term debt	(118,680)	(65,000)	(23,680)	(30,000)	-
Interest paid	(76,209)	(24,312)	(42,038)	(9,859)	-
Purchase of capital assets	-	-	-	-	-
Assessments received	65,509	-	-	-	65,509
Net cash provided (used) by capital and related financing activities	(129,380)	(89,312)	(65,718)	(39,859)	65,509
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Change in due to (from) other funds	7,782	467	2,972	629,898	(625,555)
Net cash provided (used) by noncapital financing activities	7,782	467	2,972	629,898	(625,555)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	448,018	(35,012)	(20,606)	508,297	(4,861)
CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED) - BEGINNING OF YEAR	1,178,380	150,754	102,606	673,267	251,753
CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED) - END OF YEAR	\$ 1,626,398	\$ 115,742	\$ 82,000	\$ 1,181,564	\$ 247,092

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS

CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 533,375	\$ 98,857	\$ 33,713	\$ (150,083)	\$ 550,888
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	112,352	41,276	29,720	41,356	-
Changes in assets and liabilities					
(Increase) decrease in receivables	2,687	(1,527)	194	4,020	-
(Increase) decrease in inventories	(8,023)	(7,506)	(653)	136	-
Increase (decrease) in accounts payable	(6,460)	933	(19,132)	11,739	-
Increase (decrease) in accrued expenses	420	3,792	(2,726)	(646)	-
Net cash provided (used) by operating activities	\$ 634,351	\$ 135,825	\$ 41,116	\$ (93,478)	\$ 550,888

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 BASIC FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

District Activities

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

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, 2004

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, 2004, was \$111,966. 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, 2004

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 entities 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 fund financial statements:

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

Of these funds, the Dakota, Thurston, and Washington #1 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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

and the means by which the spending activities are controlled. The various funds are grouped into generic fund types in the government-wide and fund financial statements of this report as follows:

General Fund

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

Proprietary Funds

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

The Proprietary Funds apply all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Economic Dependency

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

Basis of Accounting

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

Property taxes are levied by the counties on September 20 and are delinquent if not paid by April 1 and August 22. The seven counties located within the District collect the

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

property 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.

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

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

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.

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.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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.

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:

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

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Project Costs

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

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

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

Amortization of Bond Expense

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

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, 2004

NOTE B - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments consisted of the following at June 30, 2004:

	<u>Total</u>	<u>General Fund</u>	<u>Proprietary Funds</u>
Unrestricted cash and cash equivalents:			
Cash and cash equivalents	\$ 8,276,197	\$ 6,649,800	\$ 1,626,397
Cash on hand at County Treasurers	<u>186,342</u>	<u>185,994</u>	<u>348</u>
Total unrestricted cash and cash equivalents	8,462,539	6,835,794	1,626,745
Unrestricted investments:			
Certificates of deposit	<u>747,900</u>	<u>-</u>	<u>747,900</u>
Total unrestricted cash, cash equivalents and investments	9,210,439	6,835,794	2,374,645
Restricted cash and cash equivalents:			
Cash and cash equivalents	331,190	331,190	-
Restricted investments:			
Certificates of deposit	215,104	50,000	165,104
U.S. Government Money Market	<u>617,289</u>	<u>617,289</u>	<u>-</u>
Total restricted investments	<u>832,393</u>	<u>667,289</u>	<u>165,104</u>
Total restricted cash, cash equivalents and investments	<u>1,163,583</u>	<u>998,479</u>	<u>165,104</u>
Total cash and investments	\$ <u>10,374,022</u>	\$ <u>7,834,273</u>	\$ <u>2,539,749</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, 2004

INTENDED FOR DISCLOSURE
PURPOSES ONLY

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

At June 30, 2004, the District's deposits at all financial institutions except one are fully insured by the Federal Deposit Insurance Corporation or collateralized by investments held by these financial institutions. The amount that is not fully collateralized is \$822, which is due to interest earned on the Certificate of Deposit being added to the principal instead of being paid out to the District.

The District's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the District at June 30, 2004. 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>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>
Pooled deposits					
Pooled cash and certificates of deposit	\$ 8,831,920	\$ 200,000	\$ 8,631,920	\$ -	\$ 8,763,348
Non-pooled deposits					
General fund	50,000	50,000	-	-	50,000
Proprietary funds	<u>761,946</u>	<u>740,000</u>	<u>21,124</u>	<u>822</u>	<u>760,709</u>
Total deposits	\$ <u>9,643,866</u>	\$ <u>990,000</u>	\$ <u>8,653,044</u>	\$ <u>822</u>	\$ <u>9,574,057</u>

Investments are stated at cost. For fiscal year 2004, 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, 2004

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, 2004. 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	-	617,289	-	617,289	617,289
Proprietary funds	-	-	-	-	-
Total non-pooled investments	\$ -	\$ 617,289	\$ -	\$ 617,289	\$ 617,289

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

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, 2004, consisted of the following individual fund receivables and payables:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General Fund	Thurston County Rural Water	\$ 5,301
General Fund	Washington Co. Rural Water #1	13,980
General Fund	Dakota County Rural Water	21,652
Washington Co. Rural Water #2	Washington Co. Rural Water #1	<u>625,555</u>
		\$ <u>666,488</u>

Washington County Rural Water began collecting hook-up fees and incurring expenses related to creating another rural water service area during fiscal year 2003 and continuing throughout fiscal year 2004. The revenues and expenditures were recorded within the existing Washington County Rural Water accounts, with the intention of creating a separate set of accounts once the new rural water district was established. At June 30, 2004, the revenue received and expenditures paid netted to \$625,555, which is shown as a "due to" Washington County Rural Water #2 and "due from" Rural Water #1 on the Statement of Net Assets-Proprietary Funds (Exhibits E and K). At June 30, 2003, Rural Water #2 had revenues of \$203,700 that were included with the Rural Water #1 revenues in the financial statements. The non-operating revenue/expense adjustment shown on the Statement of Revenues, Expenses, and Changes in Net Assets-Proprietary Funds (Exhibits F and L) shows the reclassification of these revenues from Rural Water #1 to Rural Water #2.

NOTE D - DUE TO/DUE FROM FUNDING AGENCIES

Revenue from governmental grants and contracts are recognized as earned when all applicable eligibility requirements are met. Funds received from the various agencies less than or greater than the expenditures of the program are recorded as assets or liabilities, respectively. At June 30, 2004, \$321,964 was due from funding agencies.

NOTE E - DEFERRED CHARGES

It is the District's policy to capitalize loan fees and amortize them over the term of the respective loans. Washington County Rural Water #1 has prepaid loan fees of \$496 net of accumulated amortization as of June 30, 2004. These fees are being amortized over 20 years. Amortization expense for the year ended June 30, 2004, was \$343.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

NOTE F – GENERAL FUND – CAPITAL ASSETS

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

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Not Depreciated				
Land	\$ 17,206,625	\$ 468,351	\$ -	\$ 17,674,976
Water control structures	<u>475,063</u>	<u>-</u>	<u>-</u>	<u>475,063</u>
	17,681,688	468,351	-	18,150,039
Depreciated				
Buildings	2,884,200	-	-	2,884,200
Machinery and equipment	2,130,972	344,907	40,842	2,435,037
Office equipment	1,053,924	24,751	-	1,078,675
Vehicles	564,549	45,259	67,781	542,027
Other capital improvements	<u>2,055,772</u>	<u>-</u>	<u>-</u>	<u>2,055,772</u>
	8,689,417	414,917	108,623	8,995,711
Less accumulated depreciation	<u>(4,701,368)</u>	<u>(498,437)</u>	<u>(108,187)</u>	<u>(5,091,618)</u>
	<u>3,988,049</u>	<u>(83,520)</u>	<u>(436)</u>	<u>3,904,093</u>
	\$ <u>21,669,737</u>	\$ <u>384,831</u>	\$ <u>(436)</u>	\$ <u>22,054,132</u>

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

General administration	\$ 114,502
Recreation	83,678
Unallocated depreciation	<u>300,257</u>
Total depreciation expense	\$ <u>498,437</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

NOTE G - PROPRIETARY FUNDS – CAPITAL ASSETS

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

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Land	\$ 19,125	\$ -	\$ -	\$ 19,125
Buildings	67,097	-	-	67,097
Office equipment	17,559	-	-	17,559
Vehicles	16,648	-	-	16,648
Water distribution system	<u>4,656,556</u>	<u>-</u>	<u>-</u>	<u>4,656,556</u>
	4,776,985	-	-	4,776,985
Less accumulated depreciation	<u>(2,145,878)</u>	<u>(112,009)</u>	<u>-</u>	<u>(2,257,887)</u>
Capital assets, net	\$ <u>2,631,107</u>	\$ <u>(112,009)</u>	\$ <u>-</u>	\$ <u>2,519,098</u>

The Proprietary Funds recorded depreciation expense of \$112,009 for the year ended June 30, 2004.

NOTE H - NOTES PAYABLE AND LONG-TERM DEBT

The following is a summary of the long-term debt of the General Fund for the year ended June 30, 2004. In the government-wide financial statements, these amounts are included in the Statement of Net Assets. These amounts are not reported in the governmental fund financial statements.

<u>Financial Institution</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Principal Balance</u>
Ameritas	Oct, 2004	Annual	\$ 500,000	1.95%	\$ 500,000
Road Builders Machinery Co.	Mar, 2007	Annual	\$ 42,000 to \$46,000	4%	<u>131,899</u>
					\$ <u>631,899</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

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

Principal additions of debt and principal retirement expenditures for the General Fund for the year ended June 30, 2004, were:

	Principal additions	Principal retirements
Ameritas note payable	\$ -	\$ 500,000
Road Builders Machinery Co. note payable	<u>179,427</u>	<u>47,529</u>
	\$ <u>179,427</u>	\$ <u>547,529</u>

Proprietary Fund Notes Payable:

<u>Fund</u>	<u>Series</u>	<u>Due Date</u>	<u>Principal Payable</u>	<u>Payment Ranges</u>	<u>Interest Rates</u>	<u>Principal Balance</u>
Washington Rural Water	2003	April, 2013	Annual	\$30,000 to \$46,000	3.36%	\$ 340,000
Dakota Rural Water	2003	April, 2013	Annual	\$65,000 to \$88,000	3.36%	660,000
Thurston Rural Water	1982	Nov, 2022	Annual	\$26,330	5.00%	305,423
Thurston Rural Water	1993	Feb, 2033	Annual	\$15,963	5.625%	<u>225,355</u>
						<u>\$ 1,530,778</u>

The payment on the Thurston Rural Water note due July 1, 2003 was not paid until August 13, 2003. The payment due July 1, 2004 was made June 14, 2004. Therefore, the payments for both fiscal years 2003 and 2004 were made during 2004 and Thurston County is once again current on its payables.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

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

The annual principal and interest requirements to maturity for long-term debt as of June 30, 2004 are as follows:

Year(s) ending June 30,	General Fund		Proprietary Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 542,253	15,026	\$ 114,346	57,807	\$ 656,599	72,833
2006	43,943	3,586	115,083	55,520	159,026	59,106
2007	45,703	1,825	120,859	52,844	166,562	54,669
2008	-	-	121,675	49,560	121,675	49,560
2009	-	-	123,852	44,496	123,852	44,496
2010-2014	-	-	587,582	155,213	587,582	155,213
2015-2019	-	-	131,869	79,596	131,869	79,596
2020-2024	-	-	109,297	43,819	109,297	43,819
2025-2029	-	-	55,908	23,927	55,908	23,927
2030-2034	-	-	50,307	6,715	50,307	6,715
Total	\$ <u>631,899</u>	<u>20,437</u>	\$ <u>1,530,778</u>	<u>569,497</u>	\$ <u>2,162,677</u>	<u>589,934</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

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, 2004:

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, 2004. The sinking funds and amounts are as follows:

Uninsured Liabilities Fund	\$ 50,000
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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.	107,858
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The Board of Directors, by resolution, has reserved funds for the purpose of covering the costs of Papio Creek Watershed project.	223,332
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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>617,289</u>
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Total reserves	998,479
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Less restricted cash	<u>(331,190)</u>
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Total general fund restricted investments	\$ <u><u>667,289</u></u>
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Restricted investments have decreased during fiscal year 2004 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, 2004

NOTE I - RESTRICTED FUNDS (Continued)

In compliance with loan covenants for the notes described in Note H, the Proprietary Funds have reserved \$165,104 for the amounts listed below:

Issue	Amount
Washington County rural water project	\$ 37,000
Thurston County rural water project	48,431
Dakota County rural 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, 2004, were \$102,947, and equaled the required contribution.

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 (\$12,384 at June 30, 2004) is recorded as an expenditure and liability in the General Fund in both the

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

NOTE K - ACCUMULATED UNPAID ANNUAL LEAVE AND SICK PAY (Continued)

government-wide and fund financial statements. The long-term portion of \$164,593 at June 30, 2004, 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 \$176,978 at June 30, 2004, and is not reported as an expenditure or liability in any of the District's June 30, 2004, 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, 2004.

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, 2004, a reasonable estimate could not be determined for any potential loss contingencies.

NOTE M - COMPLIANCE

The District had total expenditures of federal awards in the amount of \$678,336 for the fiscal year ended June 30, 2004. The determination was made that one major award program existed for the year then ended. Compliance testing was performed on the Highway Planning and

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Year ended June 30, 2004

NOTE M – COMPLIANCE (Continued)

Construction program (CFDA No. 20.205), which included both the West Papio Trail Project and the MoPac Trail Project. No findings were noted for either project under this program.

NOTE N - 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 fund financial statements, but have been made on the government-wide financial statements.

TENTATIVE FOR DISCUSSION
PURPOSES ONLY

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SUPPLEMENTARY INFORMATION

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, 2004

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES			
General administration	\$ (8,550,583)	\$ (15,058,633)	\$ 6,508,050
Flood prevention	717,583	2,802,950	(2,085,367)
Erosion control	-	5,000	(5,000)
Water quality	(58,496)	(438,000)	379,504
Recreation	416,784	1,059,000	(642,216)
Forestry and wildlife	32,517	1,173,350	(1,140,833)
	(9,775,963)	(20,536,933)	10,760,970
EXPENDITURES			
Current			
General administration	2,347,274	3,992,354	1,645,080
Information and education	120,468	155,700	35,232
Flood prevention	2,024,897	6,580,900	4,556,003
Erosion control	1,405,515	1,792,528	387,013
Water quality	534,831	727,340	192,509
Recreation	2,169,810	3,712,000	1,542,190
Forestry and wildlife	998,817	2,697,500	1,698,683
Unallocated depreciation	-	-	-
Indirect cost reimbursement	(111,966)	(110,000)	1,966
Cost sharing reimbursement	(183,516)	(254,000)	(70,484)
Capital improvements	358,300	429,550	71,250
Debt service			
Principal retirement	500,000	500,000	-
Interest	14,125	23,875	9,750
	10,178,555	20,247,747	10,069,192
EXCESS OF REVENUES (BUDGETARY BASIS) OVER EXPENDITURES AND OTHER USES	402,592	\$ 289,186	\$ 691,778
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA			
To adjust revenues for accruals	2,394,472		
To adjust expenditures for accruals	(1,233,791)		
EXCESS OF REVENUES (US GAAP BASIS) OVER EXPENDITURES AND OTHER USES	(758,089)		
FUND BALANCE - BEGINNING	8,236,864		
FUND BALANCE - ENDING	\$ (8,994,953)		

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
ACTUAL AND BUDGET (BUDGETARY BASIS) - PROPRIETARY FUNDS

Year ended June 30, 2004

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES			
Water sales	\$ 704,806	\$ 710,000	\$ (5,194)
Customer charges and hookup fees	598,197	168,175	430,022
Sales	110	200	(90)
Miscellaneous	62,689	629,400	(566,711)
	1,365,802	1,507,775	(141,973)
EXPENSES			
Repairs and maintenance	9,460	7,400	(2,060)
Supplies and postage	14,466	13,450	(1,016)
Professional services	114,742	200,250	85,508
Personnel	113,250	136,600	23,350
Insurance	1,421	1,350	(71)
Telephone, utilities, and rent	14,920	17,150	2,230
Miscellaneous	9,761	4,300	(5,461)
Water purchase	156,815	201,500	44,685
Contract costs	141,764	188,500	46,736
Project construction	129,844	266,350	136,506
Project operation and maintenance	5,890	21,500	15,610
Depreciation and amortization	112,352	-	(112,352)
Vehicle expense	3,734	3,100	(634)
Bond expenditures	162	656,000	655,838
Indirect cost	3,845	4,400	555
	832,426	1,721,850	889,424
OPERATING INCOME	533,376	(214,075)	747,451
OTHER INCOME (EXPENSE)			
Assessment revenue	65,509	62,000	3,509
Interest income	31,505	39,275	(7,770)
Interest expense	(72,514)	(57,143)	(15,372)
Total other income (expense)	24,500	44,132	(19,633)
NET INCOME	557,876	\$ (169,943)	\$ 727,818
RETAINED EARNINGS - BEGINNING	2,928,867		
RETAINED EARNINGS - ENDING	\$ 3,486,743		

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

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

Year ended June 30, 2004

NOT FOR DISBURSEMENT PURPOSES ONLY

REVENUES		
Property tax	\$	9,739,375
State and agency grants		1,685,399
Federal grants		-
Sales		6,041
Rental income		132,722
Interest income		59,001
Miscellaneous		<u>547,897</u>
		12,170,435
EXPENDITURES		
Current		
Personnel		2,134,947
Employee benefits		492,015
Travel		45,563
Repairs and maintenance		257,612
Conservation assistance program		759,263
Supplies and postage		50,020
Printing and publications		78,138
Professional services		908,167
Insurance		190,758
Telephone, utilities, and rent		120,550
Special projects		837,267
Dues and memberships		40,831
Information and education		58,762
Project construction and land		4,113,039
Project legal costs		94,756
Project operation and maintenance		160,600
Contract works		192,269
Fees		89
Vehicle expense		116,100
Board of directors		56,882
Bonds and amortization		660
Payroll taxes		154,454
Indirect cost reimbursement		(111,966)
Cost sharing reimbursement		(183,516)
Miscellaneous		14,170
Capital improvements		
Office equipment		85,310
Machinery and equipment		227,731
Debt service		
Principal retirement		500,000
Interest		<u>17,875</u>
		<u>11,412,346</u>
EXCESS OF REVENUES OVER EXPENDITURES		758,089
FUND BALANCE - BEGINNING		<u>8,236,864</u>
FUND BALANCE - ENDING		<u>\$ 8,994,953</u>

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
STATEMENT OF NET ASSETS - NON-MAJOR PROPRIETARY FUNDS

June 30, 2004

	Total (Memorandum Only)	Elkhorn River Stabilization	Elkhorn Breakout	Elk/Pigeon Creek Drainage	Western Sarpy Drainage	Washington County Rural Water #2
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes A and B)	\$ 247,092	\$ 84,214	\$ 5,610	\$ 71,170	\$ 86,098	\$ -
Cash on deposit with County Treasurers (Note B)	348	143	205	-	-	-
Receivables	-	-	-	-	-	-
Services	-	-	-	-	-	-
Assessments	11,955	10,181	1,774	-	-	-
Interest	-	-	-	-	-	-
Due from other funds (Note C)	-	-	-	-	-	625,555
Inventories (Note A)	625,555	-	-	-	-	-
Prepaid expenses (Note E)	-	-	-	-	-	-
Unrestricted investments (Note A)	-	-	-	-	-	-
	884,950	94,538	7,589	71,170	86,098	625,555
NONCURRENT ASSETS						
Restricted investments (Note I)	-	-	-	-	-	-
Capital assets (Notes A, F and G)	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
	-	-	-	-	-	-
TOTAL ASSETS	884,950	94,538	7,589	71,170	86,098	625,555
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-
Due to other funds (Note C)	-	-	-	-	-	-
Deferred revenue	2,856	1,082	1,774	-	-	-
	2,856	1,082	1,774	-	-	-
NONCURRENT LIABILITIES						
Notes and bonds payable (Note H)	-	-	-	-	-	-
TOTAL LIABILITIES	2,856	1,082	1,774	-	-	-
NET ASSETS						
Restricted	-	-	-	-	-	-
Unrestricted	882,094	93,456	5,815	71,170	86,098	625,555
TOTAL NET ASSETS	882,094	93,456	5,815	71,170	86,098	625,555

Year ended June 30, 2004

	Total (Memorandum Only)		Elkhorn River		Elkhorn Breakout		ElkPigeon Creek Drainage		Western Sappy Drainage		Washington Rural Water #2	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
OPERATING REVENUES												
Water sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Customer charges and hookup fees	542,093	-	-	-	-	-	-	-	-	-	542,093	-
Sales	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	60,664	67,500	-	-	-	-	60,664	67,500	-	-	-	-
Total operating revenues	602,757	67,500	-	-	-	-	60,664	67,500	-	-	542,093	-
OPERATING EXPENSES												
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Supplies and postage	-	-	-	-	-	-	-	-	-	-	-	-
Professional services	104,802	6,500	-	-	-	-	8,267	6,500	-	-	96,535	-
Personnel	6,040	16,600	-	600	-	-	6,040	10,000	-	6,000	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-
Telephone, utilities, and rent	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Water purchase	-	-	-	-	-	-	-	-	-	-	-	-
Contract costs	118,853	145,000	-	-	-	-	115,714	135,000	3,139	10,000	-	-
Project construction and land	25,567	2,000	-	-	-	-	-	-	-	2,000	25,567	-
Project operation and maintenance	306	10,000	-	5,000	-	-	280	1,500	26	3,500	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle expense	-	-	-	-	-	-	-	-	-	-	-	-
Bond expenditures	-	-	-	-	-	-	-	-	-	-	-	-
Indirect cost	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenditures	255,568	180,100	-	5,600	-	-	130,301	163,000	3,165	21,500	122,102	-
OPERATING INCOME (LOSS)	347,189	(112,600)	-	(5,600)	-	-	(69,637)	(85,500)	(3,165)	(21,500)	419,991	-
NONOPERATING INCOME (EXPENSE)												
Assessment revenue	65,509	62,000	1	-	15	-	45,559	44,000	19,934	18,000	-	-
Interest income	4,497	3,675	839	1,500	61	75	774	1,500	959	600	1,864	-
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Fund transfer (Note C)	203,700	-	-	-	-	-	-	-	-	-	203,700	-
Total nonoperating income	273,706	65,675	840	1,500	76	75	46,333	45,500	20,893	18,600	205,564	-
CHANGE IN NET ASSETS	620,895	\$ (46,925)	840	\$ (4,100)	76	\$ 75	(23,304)	\$ (40,000)	17,728	\$ (2,900)	625,555	-
TOTAL NET ASSETS - BEGINNING	261,199		92,616		5,738		94,474		68,370		-	-
TOTAL NET ASSETS - ENDING	\$ 882,094		\$ 93,456		\$ 5,815		\$ 71,170		\$ 86,098		\$ 625,555	-

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

June 30, 2004

	<u>Cost</u>	<u>Interest Rate</u>
General Fund		
Certificates of Deposit		
Great Western Bank	\$ 50,000	1.55%
Escrow accounts		
Wells Fargo	<u>617,289</u>	-
	667,289	
Less unrestricted portion	<u>-</u>	
Total General Fund - restricted investments	<u>\$ 667,289</u>	

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

June 30, 2004

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary Funds		
Certificates of Deposit		
Dakota County		
American National Bank	\$ 100,302	1.45%
Commercial Federal	100,000	1.54%
Gateway Community Bank	100,000	2.10%
Nebraska State Bank	66,000	1.24%
Siouxland National Bank	25,000	1.74%
Siouxland National Bank	14,000	1.74%
Siouxland National Bank	60,000	1.74%
TierOne Bank	<u>100,822</u>	2.23%
	566,124	
Washington County		
American National Bank	116,276	1.54%
Team Bank	75,000	1.34%
Centennial Bank	<u>100,000</u>	2.19%
	291,276	
Thurston County		
American National Bank	6,448	1.55%
American National Bank	44,156	1.55%
Centennial Bank	<u>5,000</u>	1.56%
	<u>55,604</u>	
Total	913,004	
Less unrestricted portion	<u>(747,900)</u>	
Total Proprietary Funds - Restricted Investments	<u>\$ 165,104</u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICTSCHEDULE OF INSURANCE POLICIES AND BONDS

June 30, 2004

PRIVATE FOR DISBURSEMENT
USES ONLY

SCHEDULED PROPERTY FLOATER AND EQUIPMENT

Covering property, vehicle, and equipment; total limit \$8,721,647; deductible/\$1,000 except for boiler and machinery/\$25 per horsepower.

GENERAL LIABILITY

Medical payments/\$10,000; Personal injury and advertising injury/\$1,000,000; Wrongful acts/\$1,000,000 with deductible/\$2,500; Employee benefits liability/\$1,000,000; Professional liability/\$1,000,000; Employment-related practices injury/\$1,000,000 with deductible/\$2,500; 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/\$2,500.

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; Trees, shrubs, and landscape plantings/\$50,000.

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

June 30, 2004

	<u>Cost</u>	<u>Interest Rate</u>
Proprietary Funds		
Certificates of Deposit		
Dakota County		
American National Bank	\$ 100,302	1.45%
Commercial Federal	100,000	1.54%
Gateway Community Bank	100,000	2.10%
Nebraska State Bank	66,000	1.24%
Siouxland National Bank	25,000	1.74%
Siouxland National Bank	14,000	1.74%
Siouxland National Bank	60,000	1.74%
TierOne Bank	<u>100,822</u>	2.23%
	566,124	
Washington County		
American National Bank	116,276	1.54%
Team Bank	75,000	1.34%
Centennial Bank	<u>100,000</u>	2.19%
	291,276	
Thurston County		
American National Bank	6,448	1.55%
American National Bank	44,156	1.55%
Centennial Bank	<u>5,000</u>	1.56%
	<u>55,604</u>	
Total	913,004	
Less unrestricted portion	<u>(747,900)</u>	
Total Proprietary Funds - Restricted Investments	<u>\$ 165,104</u>	

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICTSCHEDULE OF INSURANCE POLICIES AND BONDS

June 30, 2004

SCHEDULED PROPERTY FLOATER AND EQUIPMENT

Covering property, vehicle, and equipment; total limit \$8,721,647; deductible/\$1,000 except for boiler and machinery/\$25 per horsepower.

GENERAL LIABILITY

Medical payments/\$10,000; Personal injury and advertising injury/\$1,000,000; Wrongful acts/\$1,000,000 with deductible/\$2,500; Employee benefits liability/\$1,000,000; Professional liability/\$1,000,000; Employment-related practices injury/\$1,000,000 with deductible/\$2,500; 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/\$2,500.

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; Trees, shrubs, and landscape plantings/\$50,000.

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

June 30, 2004

FOR INFORMATION OF THE BOARD OF DIRECTORS
 PURPOSES ONLY

County

Douglas	\$ 4,097,307
Sarpy	2,439,211
Washington	403,308
Dakota	353,548
Burt	51,962
Thurston	40,010
Dodge	<u>1,203</u>
	<u>\$ 7,386,549</u>

RECONCILIATION TO BALANCE SHEET

Cash on hand with county treasurers	\$ 185,994
Taxes receivable, including deferred revenues	<u>7,200,555</u>
	<u>\$ 7,386,549</u>

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

June 30, 2004

General Fund

Douglas	\$ 143,732
Sarpy	29,998
Washington	5,811
Dakota	3,800
Burt	1,655
Thurston	386
Dodge	<u>612</u>
	185,994

Proprietary Funds

Elkhorn Breakout	205
Elkhorn River Stabilization Project	<u>143</u>
	<u>348</u>
	<u>\$ 186,342</u>

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

Year ended June 30, 2004

Gross income from all sources		\$ <u>13,383,672</u>
Amount expended for		
Maintenance	\$ 363,615	
Improvements and other such programs	<u>1,596,530</u>	
		\$ <u>1,960,145</u>
Amount of depreciation on property		\$ <u>610,445</u>
Number of employees as of June 30, 2004		<u>58</u>
Gross salaries	\$ 2,395,509	
Less amount reimbursed by projects	<u>147,312</u>	
Net salaries paid to employees		\$ <u>2,248,197</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, 2004

Program	Pass-Through Grantor's Number	Federal CFDA Number	Contract Amount	Due From/(To) Funding Agency July 1, 2003	Grant Receipts	Grant Revenues	Other Revenue	Expenditures	Due From/(To) Funding Agency June 30, 2004
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	\$ 58,288	\$ 36,158	\$ -	\$ -	\$ -	\$ 22,130
West Papio Trail - Bellevue to Papillion	STPB-77 (48)	20.205	500,000	-	249,763	374,666	-	374,666	124,903
McPac Trail - Springfield to Platte River	STPB-77 (43)	20.205	500,000	-	128,739	303,670	-	303,670	174,931
Total Expenditures of Federal Awards				<u>\$ 58,288</u>	<u>\$ 414,660</u>	<u>\$ 678,336</u>	<u>\$ -</u>	<u>\$ 678,336</u>	<u>\$ 321,964</u>

NOT TO BE USED FOR DISBURSEMENT PURPOSES ONLY

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

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

Year ended June 30, 2004

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 \$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*. Compliance testing was performed on two projects under the Highway Planning and Construction program (CFDA No. 20.205), and no findings were noted.

FOR DEPOSIT ONLY
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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*

FOR DEPOSIT ONLY
11/11/08 22:41

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, 2004, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the District's management in a separate letter dated September 10, 2004.

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

TELETYPE FOR DISCUSSION
USES ONLY

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
September 10, 2004

TELETYPE FOR DISCUSSION
USES ONLY

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

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

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

We have audited the financial statements of Papio-Missouri River Natural Resources District (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. 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 its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our 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.

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, 2004.

RESTRICTED FOR DISCUSSION
JUN 08 2005 ONLY

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 major federal programs 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
September 10, 2004

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2004

A. SUMMARY OF AUDIT FINDINGS

1. The Independent Auditors' Report dated September 10, 2004, 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 Highway Planning and Construction project (CFDA No. 20.205).
7. The threshold for distinguishing between Type A and B programs was \$500,000.
8. The Papio-Missouri River Natural Resources District was considered to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

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

1. The District tracks only the assets that it purchases or disposes of, but does not track the total capital assets for reporting purposes.
2. The District does not separate the federal award monies from other monies received.
3. Effective segregation of duties is not in place, since the person reconciling bank balances to account balances also has responsibilities relating to cash receipts, cash disbursements, and preparing or approving vouchers for payment.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year ended June 30, 2004

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

The Highway Planning and Construction 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, 2004

FOR INFORMATION
JAN 13 2005

FINANCIAL STATEMENT AUDIT

No findings were noted in the prior financial statement audit.

MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings were noted in the prior major federal award program audit.

MEMORANDUM

TO: Finance, Executive and Legislative Subcommittee

DATE: November 8, 2004

SUBJECT: Interim Financing for Development of Washington County Rural Water Project #2

FROM: Dick Sklenar

Until such time as revenue bonds are issued in late 2005 for financing Washington County Rural Water Project #2 construction costs, it will be necessary to provide interim financing for the development of the utility. Currently, all invoices for construction activities are being paid by from the collection of hookup fees submitted by property owners. It is expected that interim financing will be necessary no earlier than December 2004 or January 2005.

The Staff contacted Wells Fargo Bank last month about this issue, indicating a need for a line of credit to temporarily borrow about \$3.3 million during the construction period. The funds would be borrowed in sufficient increments so as to pay monthly invoices. Mr. Jeff Jurgensen of Wells Fargo Bank responded that an interim loan interest rate would range from 2.74% to 2.94% for the period.

Management recommends that the Subcommittee recommend to the Board of Directors that a line of credit be acquired from Wells Fargo Bank for interim financing up to \$3.3 million regarding the construction of the Washington County Rural Water Project #2.

Memo(s) for the following agenda item(s) are posted under “Confidential” on the District’s website at www.papionrd.org.

Agenda Item #7: Review and Recommendation on West Branch Channel Project (90th Street to Giles Road) Right of Way Acquisition

Agenda Item #8 Review and Recommendation on Western Sarpy/Clear Creek – Sarpy County Side Riverside Cabins Purchase Agreement [*Executive Session*]
This will be posted as soon as it is available.