

*Lower Platte South Natural Resources District
Lincoln, Nebraska*

June 30, 2019

*Financial Statements
and
Independent Auditor's Report*



CPAs & Consultants | Wealth Management

Lower Platte South Natural Resources District

Year ended June 30, 2019

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Governmental Fund Balance Sheet/Statement of Net Position	8
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	9
Notes to Financial Statements	10-18
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	20
Supplementary Information	
Schedule of Administrative Expenditures - Budget and Actual - General Fund	22
Schedule of Project and Improvement Costs and Capital Outlay - Budget and Actual - General Fund	23
Schedule of Personnel Costs - Budget and Actual - General Fund	24
Schedule of Information Required by Nebraska Statutes - Budgetary Basis	25
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28
Schedule of Control Deficiencies	29-30
Schedule of Responses	31
Summary Schedule of Prior Year Findings	32



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lower Platte South Natural Resources District
Lincoln, Nebraska

We have audited the accompanying financial statements of the governmental activities and the major fund of Lower Platte South Natural Resources District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lower Platte South Natural Resources District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Lower Platte South Natural Resources District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Lower Platte South Natural Resources District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Platte South Natural Resources District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, on our consideration of Lower Platte South Natural Resources District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Platte South Natural Resources District's internal control over financial reporting and compliance.

ABE LLP

Lincoln, Nebraska
October 8, 2019

Management's Discussion and Analysis

This section of the Lower Platte South Natural Resources District's financial report presents a narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

Overview of Financial Statements

The District's financial statements include government-wide financial statements of the General Fund. The District did not maintain any proprietary funds or fiduciary funds and no component units for the District were identified. Government-wide financial statements are designed to provide readers with a broad overview of the District's finances. These government-wide financial statements include the statement of net position and the statement of activities, which are presented using the accrual basis of accounting. Under the accrual basis of accounting, the current year's revenues and expenses are reported as soon as the underlying event occurs regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the economic position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year.

Financial Highlights

The Deadmans Run Flood Reduction project was approved by the US Army Corps of Engineers in FY 2019. The District entered into agreements with both the Corps of Engineers and the City of Lincoln for the Section 205 and Local Deadmans Run Flood Reduction Projects. The agreements obligated approximately \$10M from the Corps and \$7.5M from the City for the \$25M project. The District budgeted an additional \$1M for the Deadmans Run Sinking Fund. A total of \$140,000 was paid to the Corps to begin design work on the project and the District paid \$101,997 for beginning work on the project.

The City of Lincoln and the District jointly completed several major projects under their annual Stormwater Interlocal Agreement. The District was the lead on the South Salt Creek Master Plan Project #3 located at Pioneers Blvd and Salt Creek. Payments of \$651,055 for construction were made in FY 2019. The City of Lincoln was the lead and completed South Salt Creek Master Plan Project #2 in Irvingdale Park, the District's share of the cost for this project in FY 2019 was \$248,182. The City of Lincoln was also the lead on the 56th & Morton flood reduction project, the District's share of the FY 2019 (second portion) costs were \$207,214. The Antelope Creek drainage improvement project near 84th & Old Cheney included \$102,369 of the District's construction costs during the CY.

The District/ENWRA Multi-NRD Geophysical (AEM) Mapping Project was completed in FY 2019. The District paid ENWRA a total \$1,876,000 for services and received reimbursements from a variety of sources.

Investment income for this fiscal year totaled \$240,277.

The Lower Platte River Consortium Drought Contingency Plan was submitted for approval to the Bureau of Reclamation. The District paid the Consortium \$162,236 for the completion of this work in FY 2019.

Lower Platte South Natural Resources District

Management's Discussion and Analysis

Financial Highlights - Continued

The District offers programs that provide cost-sharing with individual landowners, communities, and homeowners associations to complete projects that benefit primarily water quality, storm-water management and flood control. Payments for these programs totaled \$832,260.

	<u>2019</u>	<u>2018</u>
Capital assets	\$ 59,604,382	\$ 57,812,755
Other assets	<u>19,126,074</u>	<u>16,781,182</u>
Total assets	<u>\$ 78,730,456</u>	<u>\$ 74,593,937</u>
Liabilities	<u>\$ 1,293,699</u>	<u>\$ 1,156,082</u>
Investment in capital assets, net of related debt	59,604,382	57,812,755
Unrestricted	<u>17,832,375</u>	<u>15,625,100</u>
Total net position	<u>77,436,757</u>	<u>73,437,855</u>
Total liabilities and net position	<u>\$ 78,730,456</u>	<u>\$ 74,593,937</u>

The District's expenditures for fiscal year 2019 did not exceed the budgeted amount, as shown in the following table.

	<u>Actual (Budgetary Basis)</u>	<u>Budget</u>
Receipts		
Federal	\$ 192,797	\$ 3,391,750
State	1,507,403	1,877,221
Local	1,316,664	2,611,401
Property taxes	9,393,808	9,577,436
Other	<u>259,598</u>	<u>-</u>
Total receipts	<u>\$ 12,670,270</u>	<u>\$ 17,457,808</u>
Expenditures		
Administration	\$ 879,870	\$ 1,096,377
Project	5,242,214	9,717,104
Personnel	2,742,103	3,005,012
Other	<u>2,436,857</u>	<u>10,094,887</u>
Total expenditures	<u>\$ 11,301,044</u>	<u>\$ 23,913,380</u>

Budgetary basis revenues exceeded expenditures by \$1,369,226 during the fiscal year ended June 30, 2019.

Management's Discussion and Analysis

Financial Highlights - Continued

Significant differences between budgeted and actual expenditures included:

- The District budgeted \$400,000 to purchase from the City of Lincoln Fire Station #10 and the property adjacent to the NRD Office Building, once it is vacated. The station was not vacated in FY 2019 and no funds were paid to purchase the facility.
- Professional Services included expenditures for 51.3% of the \$246,500 budgeted. The primary reason for the difference was deferring groundwater Database Management updates due to staff changes.
- Land Best Management Practices were only 46% of budgeted funds, with expenditures \$828,825 less than budgeted. The unexpended 54% was due to a late harvest and very poor weather conditions to construct conservation practices in the fall after harvest, a very wet and cool spring further hampered the construction of conservation practices.
- Several Platte River Projects and Studies were again deferred. The Lower Platte River Watershed Restoration program funding was not expended as we continue to await a federal planning start to obligate federal funding. The Western Sarpy/Clear Creek Flood Reduction Project has been completed and turned over to the local sponsors (LPN, LPS, & PMR NRDs), operation and maintenance expenditures for LPSNRD in FY 2019 were less than anticipated (0.1% or \$51,950 under budget), the proposed Operation & Maintenance Agreement between the local sponsors was not completed in FY 2019. The floods of March 2019 damaged the project but very little maintenance was made at the cost of the sponsors. Actual expenditures for the Platte River Program Area were 56.51% of the budgeted amount.
- The Salt Creek Levee Rosa Parks Undercrossing Trail design is still being reviewed for compliance with Corps levee standards, construction is awaiting this approval, none of \$167,200 were expended. The MoPac East Trail included several projects to design and repair/replace drainage structures, this work required less engineering, construction costs, and one project has been deferred. The Plattsmouth Highway 75/34 Trail Bridge project funding of \$40,000 was not needed in FY 2019. A total of 25% of the funds were expended (\$177,986) on Trails/Conservation Corridors with \$533,714 not expended.
- The District and City of Lincoln's Prairie Corridor on Haines Branch Project included funding for several conservation easements and fee title purchases. Expenditures were 25.46% of the funds budgeted in FY 2019, with a landowner deferring final payment until FY 2020. Landowner negotiations continue on one parcel while another landowner decided to not sell a conservation easement.
- The Upper Little Salt Creek Saline Wetland projects have now been designed. No construction has been started as the sponsors continue to apply for funding assistance. No conservation easements were acquired. Of the total budgeted amount of \$527,500, 44% has been expended on primarily design and a total of \$353,832 was not expended.
- The Community Forestry Program included \$55,000 in assistance. A total of 24% of the funds were expended which was \$13,268.

Management's Discussion and Analysis

Financial Highlights - Continued

- The Deadmans Run Flood Reduction Project included \$1,150,000 for primarily engineering and design. The March floods resulted in the Corps working on the design of repairs for other Corps projects and not the Deadmans Run project. Primarily for this reason only 21% of the budgeted funds were expended.
- Non Basin Master Plan projects with the City of Lincoln spent 60% of the available funds. Of the 40% unspent the 56th & Morton Flood Reduction Project accounted for \$192,786. The multi-million dollar conveyance channel project encountered wet conditions that delayed the completion of the project construction.
- The Operation and Maintenance of Stormwater Facilities section of the budget showed an expenditure of only 13% of the \$4.177M budgeted. The largest project was the Antelope Creek streambank repair project at 39th Street, this FEMA funded repair project, damaged in the 2015 flood, is awaiting final approval of the design and permitting before construction can begin. In FY 2019 just under 4% of the \$2,090,000 project was expended. Major Operation & Maintenance projects on Salt and Oak Creek in Lincoln were also just approaching 30% completed for the \$1.1M projects, as we continue to work on design and permitting of the projects. The availability of consulting engineering firms to complete contracted work and contractor availability to construct projects for the estimated costs is a concern due to high work volumes due to the March floods.
- The Community Assistance Program included expenditures of 27.8% of the \$464,678 budgeted funds. Several additional projects were nearing completion while many others are were delayed while applying for additional funding from other sources.
- Flood Control Dams & Road Structures expended 7.3% of the \$2,818,745 budgeted. Of this amount \$2.4M was budgeted for the rehabilitation/construction of Oak-Middle 82-B and Upper Salt 3-A. Due to a longer than anticipated timeline to complete the permitting and landrights phases, construction had not begun on either project.
- The District budgeted \$100,000 for Stream degradation projects with landowners. One inquiry was pursued. Federal technical and financial assistance was requested. Federal permitting requirements and the cost to obtain permits has delayed the project and will likely result in the landowner not pursuing the project. No funds were expended in FY 2019.
- A total of 20.8% of the \$1.367M ground water management funds were expended. Participation in best management practice cost-share programs were lower than anticipated and we were not able to install the planned monitoring wells.
- The Integrated Management studies included funds to complete the Lower Platte River Consortium's Drought Contingency Plan, implement the Drought Contingency Plan, and modeling. The Plan is essentially complete but no funds were expended implementing the Plan or on modeling. A total of 42.45% of the \$404,000 were expended in FY 2019.

Significant differences between budgeted and actual revenues included:

- Actual investment income exceeded the budgeted revenues from investments by \$240,277. Revenue earned from funds saved for the Deadmans Run Flood Reduction Project (sinking fund) was a major contributor.

Management's Discussion and Analysis

Financial Highlights - Continued

- The District is working on 3 projects that are approved for federal reimbursements once the projects are completed. None of these projects, Antelope Creek and 40th St. (FEMA), Oak-Middle 82-B (USDA-NRCS), and Upper Salt 3-A (USDA-NRCS), are under contract to construct as the District await federal approvals, permits, and land rights approvals. Limited District funds have been spent on these projects and consequently very limited reimbursements have been earned by the District. These three projects are projected to generate \$2.9M in federal assistance, the reimbursement total earned and received for FY 2019 was \$129,284.
- The Deadmans Run Flood Reduction Project budgeted \$375,000 in revenue. Due to the March flooding, work on the project has been delayed with less expenditures and consequently less reimbursements received. The District has received \$120,999 which is 32.3% of the anticipated revenues.
- The Lower Platte River Consortium's Lower Platte River Drought Contingency Plan (Integrated Management) was anticipated to be completed and the District would be contracting for additional work to implement recommendations. The District anticipated to be reimbursed \$88,000 for this work. Due to the plan not being completed the Consortium has not decided to contract for any additional work.
- The Saline Wetland Conservation Partnership budgeted \$172,500 in revenue, only 25.6% of this was received due to less projects being designed and construction initiated.

The Prairie Corridor on Haines Branch anticipated \$394,000 in local funding for conservation easements, less than 1% of this amount was received from local funds. The City of Lincoln did provide their share (\$251,999) to the District directly from the Nebraska Environmental Trust (State Funds). One landowner decided to not sell a conservation easement over their property so there was no revenue and also no expenditure.

The budget was unchanged during the year from the formal adopted budget. Where specific line item expenditures exceeded the budgeted amount, the Board of Directors reviewed and approved such overages.

The District's planning process includes annually reviewing and updating the five-year Long Range Implementation Plan. The first year of the Plan is coincident with the annual financial budget.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lower Platte South Natural Resources District, P.O. Box 83581, Lincoln, NE 68501-3581.

Lower Platte South Natural Resources District

GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION

June 30, 2019

	<u>General Fund</u>	<u>Adjustments (Note I)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash (note B)	\$ 33,948	\$ -	\$ 33,948
Investments (note B)	13,840,897	-	13,840,897
Cash at County Treasurer	136,779	-	136,779
Accounts receivable (notes A and D)	866,673	-	866,673
Property taxes receivable (note A)	4,245,098	-	4,245,098
Prepaid expenses	2,679	-	2,679
Capital assets (notes A and E)			
Land	-	21,619,221	21,619,221
Other capital assets	-	44,552,158	44,552,158
Accumulated depreciation	-	<u>(6,566,997)</u>	<u>(6,566,997)</u>
Total assets	<u>\$ 19,126,074</u>	<u>\$ 59,604,382</u>	<u>\$ 78,730,456</u>
LIABILITIES			
Accounts payable	\$ 207,567	\$ -	\$ 207,567
Deposits	500	-	500
Compensated absences payable (note A)	-	134,485	134,485
Accrued salaries and benefits payable	2,333	-	2,333
Deferred revenue (note A)	53,213	-	53,213
Funds held for interlocal agreements (note A)	<u>895,601</u>	-	<u>895,601</u>
Total liabilities	<u>1,159,214</u>	<u>134,485</u>	<u>1,293,699</u>
FUND BALANCE/NET POSITION			
Fund balance (notes A and C)			
Nonspendable	2,679	(2,679)	-
Committed	5,990,878	(5,990,878)	-
Assigned	7,236,231	(7,236,231)	-
Unassigned	<u>4,737,072</u>	<u>(4,737,072)</u>	<u>-</u>
Total fund balance	<u>17,966,860</u>	<u>(17,966,860)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 19,126,074</u>		
Net position (note A)			
Investment in capital assets, net of related debt		59,604,382	59,604,382
Unrestricted		<u>17,832,375</u>	<u>17,832,375</u>
Total net position		<u>59,469,897</u>	<u>77,436,757</u>
Total liabilities and net position		<u>\$ 59,604,382</u>	<u>\$ 78,730,456</u>

See accompanying notes to financial statements.

Lower Platte South Natural Resources District

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

	<u>General Fund</u>	<u>Adjustments (Note I)</u>	<u>Statement of Activities</u>
Revenues			
State grants and funds	\$ 1,564,851	\$ -	\$ 1,564,851
Federal grants and funds	351,296	-	351,296
Local grants and reimbursements	1,739,370	-	1,739,370
Property taxes	9,731,161	-	9,731,161
Investment earnings	240,277	-	240,277
Miscellaneous income	11,621	-	11,621
Proceeds from sale of assets	<u>7,700</u>	<u>-</u>	<u>7,700</u>
Total revenues	<u>13,646,276</u>	<u>-</u>	<u>13,646,276</u>
Expenditures/expenses			
Administration	875,827	-	875,827
Projects and improvements	5,399,792	-	5,399,792
Personnel	2,731,243	(4,718)	2,726,525
Depreciation	-	645,230	645,230
Capital outlay	<u>2,436,857</u>	<u>(2,436,857)</u>	<u>-</u>
Total expenditures/expenses	<u>11,443,719</u>	<u>(1,796,345)</u>	<u>9,647,374</u>
Excess (deficit) of revenues over expenditures/expenses	2,202,557	(2,202,557)	-
Change in net position	-	3,998,902	3,998,902
Fund balance/net position			
Beginning of year	<u>15,764,303</u>	<u>57,673,552</u>	<u>73,437,855</u>
End of year	<u>\$ 17,966,860</u>	<u>\$ 59,469,897</u>	<u>\$ 77,436,757</u>

See accompanying notes to financial statements.

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Lower Platte South Natural Resources District (the District) is presented to assist in understanding the District's government-wide and governmental fund financial statements. The District's management is responsible for the integrity and objectivity of these financial statements and notes. The following accounting policies have been consistently applied in the preparation of the government-wide and governmental fund financial statements.

Reporting Entity. The District was created on July 1, 1972 by an act of the Nebraska Legislature. The District was organized with its main responsibilities in the area of conservation including: erosion control, flood prevention, soil conservation, water supply, ground and surface water management, pollution control, fish and wildlife habitat, recreation, and forestry and range management. The District serves an area encompassing portions of six Nebraska counties: Butler, Cass, Lancaster, Otoe, Saunders and Seward. Its governmental authority includes the power to levy property taxes and the right of eminent domain.

The District is a local government governed by an elected twenty-one member board. As required by accounting principles generally accepted in the United States of America, these financial statements present only the Lower Platte South Natural Resources District. There are no legally separate organizations for which the elected officials of the District are financially accountable or for which exclusion from these financial statements would cause them to be misleading or incomplete.

Government-wide and Fund Financial Statements. Due to the District's status as a special-purpose government engaged only in governmental activities as described by GASB 34, the fund financial statements and the government-wide financial statements have been combined.

The government-wide financial statements include the statement of net position and the statement of activities, which report financial information for the District as a whole. The statements include governmental activities, which are generally supported by property taxes and grants from other governments.

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

Governmental Major Fund. The District reports the following major governmental fund:

General Fund. The General Fund is the primary operating fund of the District. All financial resources of the District are accounted for in the General Fund.

Budgets and Budgetary Accounting. As prescribed by State Statutes, the District adopts an annual budget using the cash basis of accounting. This method of accounting demonstrates compliance with budget laws of the State of Nebraska. All appropriations lapse at year end.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivables. The General fund accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Property taxes receivable includes the second half of 2018 taxes due August 1 and September 1, 2019. All delinquent prior years' taxes are determined to be uncollectible and are not included in taxes receivable. The District considers 2018 taxes receivable to be fully collectible.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, dams, and similar items), are reported in the statement of net assets. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are carried at cost, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed on the straight-line method. The estimated lives by asset class follow:

Vehicles	5 years
Office equipment	5-7 years
Machinery and other equipment	5-7 years
Buildings	15-40 years
Infrastructure	50-99 years

Property Tax Calendar. Property tax levies are set by the local governing board and filed with the County Clerk on or before September 20. Real and personal property taxes are due and become an enforceable lien on property on December 31. The first half of real estate and personal property taxes become delinquent on either April 1 or May 1 and the second half become delinquent on either August 1 or September 1 following the levy date.

Compensated Absences. It is the District's policy to permit employees to accumulate earned but unused vacation and comp time benefits. Employees who terminate with accumulated vacation leave will be paid for any unused time at their current hourly rate of pay.

Deferred Revenue. Deferred revenue represents advances of grant funds received prior to the incurrence of related costs by the District.

Funds Held for Interlocal Agreements. The District has several interlocal agreements in place for cost-shared projects. Some partners paid their share of estimated costs in advance of expenses being incurred.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Equity. In the government-wide financial statements, equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt. Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted. Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted. Consists of all other assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

In the governmental fund financial statements, equity is classified as fund balance. Beginning with fiscal year 2011, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

Nonspendable. Amounts that are not in a spendable form or are required to be maintained intact.

Restricted. Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation. The District does not currently have any restricted fund balances.

Committed. Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned. Amounts the District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned. Amounts that are available for any purpose.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the District. Assigned fund balance is established by the Board through adoption or amendment of the budget or by Management as intended for specific purpose (such as the purchase of fund assets or construction or for other purposes).

When fund balance resources are available for a specific purpose in more than one classification, it is the District’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned and unassigned as they are needed.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS

State Statutes authorize the District to invest in certificates of deposit and time deposits in any state or national bank in the State of Nebraska. Additionally, State Statutes require banks either to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the extent that deposits exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2019, all of the District's deposits were insured or collateralized.

NOTE C - COMMITTED, ASSIGNED, AND NONSPENDABLE FUND BALANCES

Committed fund balance consists of the following constraints on use of the District's fund balance imposed by the Board of Directors. Assigned fund balance consists of the following constraints on the use of the District's fund balance imposed by Management.

PROJECT	June 30, 2019				
	REMAINING TOTAL COST	REMAINING REIMBURSEMENT	NET NRD COST	COMMITTED	ASSIGNED
I&E Programs and Projects	\$ 30,000	\$ -	\$ 30,000	\$ 3,500	\$ 26,500
I&E Env. Education	203,400	-	203,400	60,600	142,800
I&E General Awareness	228,500	-	228,500	60,355	168,145
Surface Water Quality Practices	1,000,000	55,610	944,390	216,545	727,845
Special Practices	100,000	-	100,000	45,744	54,256
Buffer Strips	32,450	24,450	8,000	8,000	-
Salt Valley Lakes	250,000	-	250,000	11,796	238,204
Stevens Creek Watershed	50,000	-	50,000	-	50,000
Cover Crop	100,000	-	100,000	-	100,000
Water Quality BMP Projects	10,000	-	10,000	-	10,000
GIS Support	10,000	-	10,000	-	10,000
GIS Aerial Imagery Project	19,000	-	19,000	17,093	1,907
GIS Mapping ROW	10,000	-	10,000	-	10,000
LPRCA Coordinator	8,000	8,000	-	-	-
LPRCA Programs and Projects	433,108	241,408	191,700	-	191,700
DC Consultant Services	21,600	-	21,600	21,600	-
Platte River Ice Jam Agreement	10,000	-	10,000	10,000	-
Invasive Species Program	30,000	-	30,000	30,000	-
Endangered Species Studies	5,000	-	5,000	-	5,000
Conservation Easement NET	20,000	-	20,000	-	20,000
Western Sarpy / Clear Creek Project	50,000	-	50,000	-	50,000
Platte River Bank Cut	50,000	-	50,000	-	50,000
Trails Administration	2,500	2,500	-	-	-
Mopac East O&M	327,500	1,500	326,000	34,474	291,526
Salt Creek Trail Planning and Development	175,200	55,000	120,200	120,200	-
Oak Creek Trail O&M	85,500	-	85,500	-	85,500
Oak Creek Trail Planning & Development	100,000	-	100,000	-	100,000
Homestead Trail O&M	239,500	-	239,500	36,843	202,657
Plattsmouth Hwy 75 Trail Bridge	40,000	-	40,000	40,000	-
Wildlife Management Areas O&M	76,000	-	76,000	20,000	56,000
Pollinator Habitat	10,000	-	10,000	-	10,000
Conservation Easements	30,000	-	30,000	30,000	-
PCHB O&M / Project Coordination	200,430	85,000	115,430	115,430	-
Haines Branch Corridor	1,684,000	1,559,000	125,000	125,000	-
Saline Wetlands Partnership Support	65,000	2,000	63,000	45,000	18,000
Wetland O&M	72,000	9,000	63,000	-	63,000
Wetland 404 Monitoring	16,500	-	16,500	16,500	-
Saline Wetlands Conservation Easements	100,000	-	100,000	-	100,000
Upper Little Salt Cr Saline Wetland	153,520	84,420	69,100	69,100	-
UNL/NRD Forester	25,600	-	25,600	25,600	-
Rural Forestry Program	52,250	40,000	12,250	-	12,250
Community Forestry Program	30,000	-	30,000	5,676	24,324
Sales Tax	5,125	5,125	-	-	-
Beal Slough	400,000	200,000	200,000	200,000	-
Little Salt Creek	140,000	70,000	70,000	70,000	-
BMP Demos/C-S	20,000	-	20,000	20,000	-
Urban Water Quality Cost-Shares	20,000	-	20,000	-	20,000

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

NOTE C - COMMITTED, ASSIGNED, AND NONSPENDABLE FUND BALANCES - CONTINUED

PROJECT	June 30, 2019				
	REMAINING TOTAL COST	REMAINING REIMBURSEMENT	NET NRD COST	COMMITTED	ASSIGNED
Salt Cr Flood Warning	\$ 95,000	\$ 25,000	\$ 70,000	\$ 70,000	\$ -
Lincoln Storm Water Management Programs	12,500	-	12,500	10,000	2,500
E&SC Administration Cost-Share	30,750	750	30,000	30,000	-
Conservation Easement Inspections	5,000	-	5,000	5,000	-
DMR, Flood Reduction Recon. Study	2,036,500	712,500	1,324,000	1,324,000	-
South Salt Creek Master Plan	397,250	41,612	355,638	355,218	420
Oak Cr. Lynn Cr. N Salt Cr. Tribs Master Plan	25,000	-	25,000	25,000	-
Basin Master Plans (General)	230,000	-	230,000	230,000	-
Non-Basin Master Plan Projects	770,000	-	770,000	770,000	-
Hazard Mitigation Plan Update	39,600	35,000	4,600	4,600	-
Beal Slough, Channel Improvements	20,000	-	20,000	-	20,000
Salt Creek O&M	372,300	-	372,300	-	372,300
Salt Creek SWIF	39,400	-	39,400	39,400	-
DMR O&M	250,000	-	250,000	-	250,000
Ant Cr O&M	332,000	-	332,000	-	332,000
Antelope Valley Routine O&M	105,000	-	105,000	-	105,000
Stevens Creek	10,000	-	10,000	-	10,000
Oak Cr O&M	30,526	-	30,526	-	30,526
Beal Slough, O&M	110,000	-	110,000	-	110,000
Lynn Creek, O&M	10,000	-	10,000	-	10,000
Ash Hollow O&M	9,000	-	9,000	-	9,000
O&M Equip & Supplies	40,000	-	40,000	-	40,000
Stormwater Sec 404 Monitoring	3,200	-	3,200	3,200	-
Ant Cr Major O&M	2,017,000	1,512,750	504,250	66,381	437,869
Oak Creek Major O&M	333,543	-	333,543	30,479	303,064
Salt Creek Major O&M/Rehabilitation	1,217,400	-	1,217,400	171,239	1,046,161
Flood Plain Purchase/Easements	15,000	-	15,000	-	15,000
Community Assistance, General Projects	448,432	-	448,432	248,432	200,000
Road Structure O&M	45,000	-	45,000	-	45,000
Piening FC Dam	48,000	-	48,000	-	48,000
FC Dams O&M	15,000	-	15,000	-	15,000
Watershed Dams O&M	161,500	-	161,500	-	161,500
Watershed Rehab	2,060,010	1,257,582	802,428	802,428	-
Clearing and Snagging	5,000	-	5,000	-	5,000
Stream Stabilization above clean lakes	5,000	-	5,000	-	5,000
Lower Salt Cr Stream Stability	5,000	-	5,000	-	5,000
Stream Stability Demos with agencies	5,000	-	5,000	-	5,000
Stream Degradation control projects/landowners	20,000	-	20,000	-	20,000
USGS Stream Gages Co-op	67,365	-	67,365	67,365	-
Surface Water Quality Monitoring	5,000	-	5,000	-	5,000
Lower Salt Cr Phase II	48,500	-	48,500	-	48,500
Phase I and II CWSPAs	413,618	-	413,618	134,518	279,100
Monitoring Q & Q Program	208,000	21,000	187,000	23,000	164,000
GW BMP Programs	87,927	4,930	82,997	8,320	74,677
Geophysical Mapping Project	70,000	-	70,000	-	70,000
Certification of irrigated acres	10,000	-	10,000	-	10,000
Monitoring well installation	216,742	-	216,742	86,742	130,000
ENWRA Projects	329,626	329,626	-	-	-
ENWRA AEM Flights	252,000	252,000	-	-	-
ENWRA Coordinator	65,441	65,441	-	-	-
Integrated Management Planning	10,000	-	10,000	-	10,000
IMP - Water Inventory	232,500	206,000	26,500	26,500	-
Lower Platte Basi Coalition	2,000	-	2,000	-	2,000
Total	\$ 20,134,313	\$ 6,907,204	\$ 13,227,109	\$ 5,990,878	\$ 7,236,231

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

NOTE C - COMMITTED, ASSIGNED, AND NONSPENDABLE FUND BALANCES - CONTINUED

Nonspendable fund balance includes the following balance that is not in a spendable form:

Prepaid expenses	<u>\$ 2,679</u>
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NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

Federal grants and cost share agreements	\$ 208,027
Intergovernmental reimbursements	572,667
State grants	<u>85,979</u>
	<u>\$ 866,673</u>

NOTE E - CAPITAL ASSETS

	<u>2018</u>	Additions During Year	Disposals During Year	<u>2019</u>
Capital assets, not depreciated				
Land	\$ 21,263,749	\$ 355,472	\$ -	\$ 21,619,221
Capital assets, depreciated				
Infrastructure	38,649,984	1,685,453	-	40,335,437
Buildings	2,669,108	-	-	2,669,108
Construction in progress	-	241,997	-	241,997
Office equipment	281,989	9,522	16,288	275,223
Machinery and equipment	441,567	84,442	10,249	515,760
Vehicles	472,351	59,971	17,689	514,633
	<u>42,514,999</u>	<u>2,081,385</u>	<u>44,226</u>	<u>44,552,158</u>
Total capital assets, depreciated				
Less accumulated depreciation for:				
Infrastructure	3,949,198	473,719	-	4,422,917
Buildings	1,091,073	65,826	-	1,156,899
Office equipment	239,550	16,274	16,288	239,536
Machinery and equipment	350,050	37,643	10,249	377,444
Vehicles	336,122	51,768	17,689	370,201
	<u>5,965,993</u>	<u>645,230</u>	<u>44,226</u>	<u>6,566,997</u>
Total accumulated depreciation				
Total capital assets, depreciated, net	<u>36,549,006</u>	<u>1,436,155</u>	<u>-</u>	<u>37,985,161</u>
Total capital assets, net	<u>\$ 57,812,755</u>	<u>\$ 1,791,627</u>	<u>\$ -</u>	<u>\$ 59,604,382</u>

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

NOTE F - DEFINED CONTRIBUTION PENSION PLAN

The District employees participate in the Nebraska Association of Resource Districts Employees Governmental Retirement Plan (the Plan), a multiple-employer public employee retirement plan (PERS). On January 1, 1998, the Plan was converted from a defined benefit to a defined contribution pension plan under IRS Code Section 414(h). All District employees who are working at least 1,000 hours in a year, have 6 months of service, and have reached the age of 19 are eligible to participate in the Plan.

Plan members are required to contribute 5.5% of their covered salary. The District is required to contribute 6% of covered salary to the plan. The contribution requirement for the year ended June 30, 2019 was \$204,872, which consisted of \$106,890 from the District and \$97,982 from employees.

NOTE G - DEFERRED COMPENSATION PLAN

On July 1, 1994, the District began offering its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years.

NOTE H - OPERATING LEASES

On February 1, 2005, the District entered into a lease for storage space. In June 2017, the District renewed the lease for an additional two years, commencing September 1, 2017. The lease calls for monthly payments of \$1,200.

On May 5, 2017, the District entered into a 60-month lease for office equipment. Under the terms of the lease, monthly rent payments are \$619.

On August 10, 2017 the District entered into a 63-month lease for office equipment. Under the terms of the lease, monthly rent payments are \$197.

The financial statements included rent expenses of \$35,973 for the year ended June 30, 2019.

Minimum lease payments for the years following June 30, 2019 are as follows:

<u>Fiscal Year</u>	
2020	\$ 12,191
2021	9,791
2022	9,172
2023	<u>985</u>
	<u>\$ 32,139</u>

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

NOTE I - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Reconciliation between the governmental fund balance and the net position of governmental activities:

The total fund balance of the District's governmental fund differs from the total net position of governmental activities reported in the statement of net position. The difference results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

Fund balance of governmental fund	\$ 17,966,860
Accrued compensated absences represent amounts not due and payable in the current period and therefore, are not reported in the fund.	(134,485)
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund.	<u>59,604,382</u>
Net position of the governmental activities	<u>\$ 77,436,757</u>

Reconciliation between excess of revenues over expenditures and change in net position of statement of activities:

The excess of revenues over expenditures differs from the change in net position for governmental activities. The differences arise from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental fund.

Excess of revenues over expenditures	\$ 2,202,557
Governmental fund reports capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlay	2,436,857
Depreciation expense	(645,230)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as a governmental expenditure.	<u>4,718</u>
Change in net position	<u>\$ 3,998,902</u>

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

NOTE J - RELATED PARTY TRANSACTIONS

The District has one board member who is an employee of the City of Lincoln. The District paid the City \$675,659 for multiple projects shared by the entities during the year ended June 30, 2019. The District also received from the City \$321,328 for joint projects during the year ended June 30, 2019. This board member abstains from voting on issues involving his respective City of Lincoln department.

NOTE K - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.



HIDE

REQUIRED SUPPLEMENTARY INFORMATION

Lower Platte South Natural Resources District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2019

	Original and Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget to GAAP Differences (Over) Under	Actual Amounts GAAP Basis
Revenues					
State grants and funds	\$ 1,877,221	\$ 1,507,403	\$ (369,818)	\$ 57,448	\$ 1,564,851
Federal grants and funds	3,391,750	192,797	(3,198,953)	158,499	351,296
Local grants and reimbursements	2,611,401	1,316,664	(1,294,737)	422,706	1,739,370
Property taxes	9,577,436	9,393,808	(183,628)	337,353	9,731,161
Investment earnings	-	240,277	240,277	-	240,277
Miscellaneous income	-	11,621	11,621	-	11,621
Proceeds from sale of assets	-	7,700	7,700	-	7,700
Total revenues	17,457,808	12,670,270	(4,787,538)	976,006	13,646,276
Expenditures					
Administration	1,096,377	879,870	216,507	(4,043)	875,827
Projects and improvements	9,717,104	5,242,214	4,474,890	157,578	5,399,792
Personnel	3,005,012	2,742,103	262,909	(15,578)	2,726,525
Depreciation	-	-	-	645,230	645,230
Capital outlay	10,094,887	2,436,857	7,658,030	(2,436,857)	-
Total expenditures	23,913,380	11,301,044	12,612,336	(1,653,670)	9,647,374
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (6,455,572)	\$ 1,369,226	\$ 7,824,798	\$ 2,629,676	\$ 3,998,902

The District prepares its budget on the cash basis rather than the accrual basis resulting in the following differences:

Depreciation expense	\$ (645,230)
Capital asset cash purchases	2,436,857
Increase (decrease) in assets	
Accounts receivable	638,655
Prepaid expenses	(341)
Property taxes receivable	337,353
(Increase) decrease in liabilities	
Accounts payable	(101,876)
Deposits	(500)
Compensated absences payable	4,718
Accrued salaries and benefits payable	(21)
Deferred revenue	9,122
Funds held for interlocal agreements	(49,061)
Excess of revenues over expenditures - budget to GAAP	\$ 2,629,676

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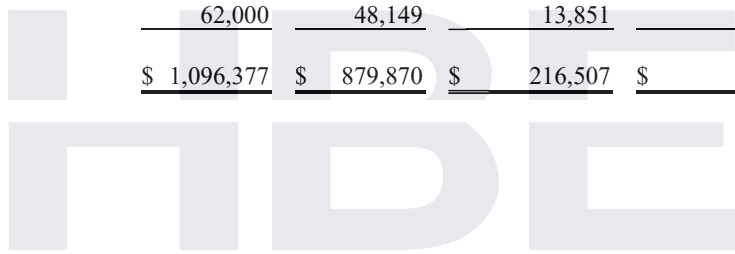
SUPPLEMENTARY INFORMATION

Lower Platte South Natural Resources District

SCHEDULE OF ADMINISTRATIVE EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2019

	Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget to GAAP Differences (Over) Under	Actual Amounts GAAP Basis
Auto and truck expense	\$ 50,000	\$ 45,430	\$ 4,570	\$ (1,191)	\$ 44,239
Directors expense	65,000	41,968	23,032	925	42,893
Directors per diem	59,000	56,580	2,420	-	56,580
Dues and memberships	47,614	46,341	1,273	-	46,341
Personnel expenses	53,000	37,840	15,160	658	38,498
Fees and licenses	140,000	124,197	15,803	(7,517)	116,680
Bonding expense	1,340	1,045	295	-	1,045
Insurance	94,268	92,435	1,833	-	92,435
Legal notices	6,000	3,458	2,542	-	3,458
Office supplies and expense	204,997	175,303	29,694	(1,929)	173,374
Postage	2,500	2,787	(287)	(29)	2,758
Professional services	221,500	121,345	100,155	5,653	126,998
Rent expense	14,400	14,400	-	-	14,400
Telephone	45,000	41,533	3,467	-	41,533
Utilities	21,000	18,301	2,699	(443)	17,858
Miscellaneous	8,758	8,758	-	-	8,758
Building maintenance	62,000	48,149	13,851	(170)	47,979
	<u>\$ 1,096,377</u>	<u>\$ 879,870</u>	<u>\$ 216,507</u>	<u>\$ (4,043)</u>	<u>\$ 875,827</u>

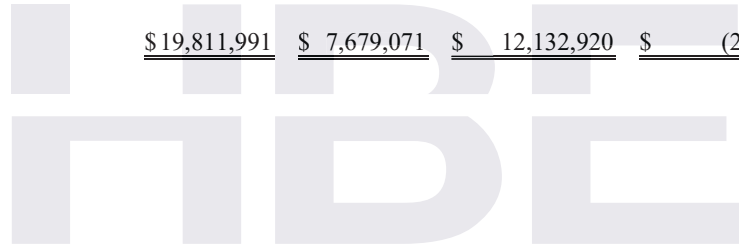


Lower Platte South Natural Resources District

SCHEDULE OF PROJECT AND IMPROVEMENT COSTS AND CAPITAL OUTLAY
BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2019

	Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget to GAAP Differences (Over) Under	Actual Amounts GAAP Basis
Fees and licenses	\$ 4,392,351	\$ 3,052,321	\$ 1,340,030	\$ 15,572	\$ 3,067,893
Information and education	447,400	383,386	64,014	(9,498)	373,888
Professional services	93,850	27,794	66,056	-	27,794
Project operation and maintenance	1,511,319	496,071	1,015,248	9,945	506,016
Development of district holdings	50,000	27,466	22,534	(234)	27,232
Sales tax	2,606	3,608	(1,002)	-	3,608
Wildlife habitat	146,450	66,095	80,355	-	66,095
Land and water treatment	1,703,950	733,227	970,723	(8,023)	725,204
Intergovernmental cost sharing	1,369,178	606,203	762,975	(4,141)	602,062
Land	-	355,472	(355,472)	(355,472)	-
Buildings	400,000	-	400,000	-	-
Construction in progress	-	241,997	(241,997)	(241,997)	-
Automobiles and trucks	65,000	59,971	5,029	(59,971)	-
Infrastructure	9,531,887	1,531,496	8,000,391	(1,531,496)	-
Machinery	85,000	84,442	558	(84,442)	-
Office equipment	13,000	9,522	3,478	(9,522)	-
	<u>\$19,811,991</u>	<u>\$ 7,679,071</u>	<u>\$ 12,132,920</u>	<u>\$ (2,279,279)</u>	<u>\$ 5,399,792</u>



Lower Platte South Natural Resources District

SCHEDULE OF PERSONNEL COSTS
BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2019

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget to GAAP Differences (Over) Under</u>	<u>Actual Amounts GAAP Basis</u>
Employee benefits	\$ 605,905	\$ 488,103	\$ 117,802	\$ 138	\$ 488,241
Payroll taxes	180,000	146,183	33,817	-	146,183
Salaries, administrative	367,875	361,131	6,744	2,247	363,378
Salaries, clerical	213,739	206,325	7,414	3,646	209,971
Salaries, maintenance and construction	157,000	153,626	3,374	(11,018)	142,608
Salaries, technical	<u>1,480,493</u>	<u>1,386,735</u>	<u>93,758</u>	<u>(10,591)</u>	<u>1,376,144</u>
	<u>\$ 3,005,012</u>	<u>\$ 2,742,103</u>	<u>\$ 262,909</u>	<u>\$ (15,578)</u>	<u>\$ 2,726,525</u>



Lower Platte South Natural Resources District

SCHEDULE OF INFORMATION REQUIRED BY NEBRASKA STATUTES -
BUDGETARY BASIS

For the year ended June 30, 2019

Gross income from all sources	\$ 12,670,270
Amount expended for maintenance, improvements and other such programs	\$ 7,727,220
Amount of depreciation on property	\$ 645,230
Number of employees as of June 30	30
Salaries paid to employees	\$ 2,107,817

Bidding practices of the District

The District lets bids as prescribed by State Statutes and in instances where a project co-sponsor requires bids. Invitations for bids are published and circulated to interested prospective bidders. Sealed bids are publicly opened at a specified date, time and place. The Board of Directors awards the contract after considering price and other factors.



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

Board of Directors
Lower Platte South Natural Resources District
Lincoln, Nebraska

We have audited, 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, the financial statements of the governmental activities and the General Fund of Lower Platte South Natural Resources District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lower Platte South Natural Resources District's basic financial statements and have issued our report thereon dated October 8, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lower Platte South Natural Resources District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lower Platte South Natural Resources District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Platte South Natural Resources District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of control deficiencies as item 2019-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of control deficiencies as item 2019-001 to be a significant deficiency.

Compliance and Other Matters

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

Lower Platte South Natural Resources District's Response to Findings

Lower Platte South Natural Resources District's response to the findings identified in our audit is described in the accompanying corrective action plan. Lower Platte South Natural Resources District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "HBE LLP". The letters are stylized and cursive.

Lincoln, Nebraska
October 8, 2019

Lower Platte South Natural Resources District

SCHEDULE OF CONTROL DEFICIENCIES

Year ended June 30, 2019

Findings - Financial Statements Audit

The audit disclosed one significant deficiency in Lower Platte South Natural Resources District's internal control over financial reporting summarized as follows:

2019-001 - *Criteria:* The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Lower Platte South Natural Resources District does not have appropriate segregation of duties. Presently, the same individual has access, recording, and reconciliation responsibilities.

Cause: The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner. This is not an unusual deficiency for an entity of this size.

Effect or potential effect: The significant deficiency adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

Recommendation: Lower Platte South Natural Resources District's management and Board of Directors should rely on its review and oversight authority to mitigate this inherent weakness in its internal control system.

The audit disclosed one material weakness in Lower Platte South Natural Resources District's internal control over financial reporting summarized as follows:

2019-002 - *Criteria:* Communication, in writing, to management and those charged with governance, of significant deficiencies and material weaknesses identified in an audit is required.

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Cause: The District's accounting personnel do not have the expertise to prepare financial statements, including note disclosures, in accordance with U.S. generally accepted accounting principles. This is not an unusual deficiency for an entity of this size.

Lower Platte South Natural Resources District

SCHEDULE OF CONTROL DEFICIENCIES

Year ended June 30, 2019

Findings - Financial Statements Audit - Continued

2019-002 - Continued

Effect or potential effect: The material weakness results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Recommendation: Lower Platte South Natural Resources District's management and Board of Directors should rely on its review and oversight authority to mitigate this inherent weakness in its internal control system.





LOWER PLATTE SOUTH
natural resources district

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SCHEDULE OF RESPONSES

Year ended June 30, 2019

The corrective action plan for the findings included in the schedule of findings and questioned costs is summarized as follows:

Finding 2019-001 Lack of Segregation of Duties

Corrective Action Planned: Lower Platte South Natural Resources District's management and Board of Directors will rely on its review and oversight authority to mitigate this inherent weakness in its internal control system.

Anticipated Completion Date: Continuous.

Responsible: Management and Board of Directors.

Finding 2019-002 Internal Control over Preparation of the Financial Statements

Corrective Action Planned: Lower Platte South Natural Resources District's management and Board of Directors will rely on its review and oversight authority to mitigate this inherent weakness in its internal control system.

Anticipated Completion Date: Continuous.

Responsible: Management and Board of Directors.

Paul Zillig, General Manager

Lower Platte South Natural Resources District

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year ended June 30, 2019

Findings - Financial Statements Audit

The audit disclosed one significant deficiency in Lower Platte South Natural Resources District's internal control over financial reporting summarized as follows:

2018-1 *Condition:* Lower Platte South Natural Resources District does not have appropriate segregation of duties. Presently, the same individual has access, record-keeping, and reconciliation responsibilities.

Corrective action planned: Lower Platte South Natural Resources District's management and Board of Directors will rely on its review and oversight authority to mitigate this inherent weakness in its internal control system.

Status: Not corrected.

Due to the limited size and staffing resources of the entity, the District does not have the ability to fully segregate incompatible duties in a cost-effective manner. Management and the Board of Directors will continue to exercise oversight authority to mitigate this weakness in its internal control system.

The audit disclosed two material weaknesses in Lower Platte South Natural Resources District's internal control over financial reporting summarized as follows:

2018-2 *Condition:* The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Corrective action planned: Lower Platte South Natural Resources District's management and Board of Directors will rely on its review and oversight authority to mitigate this inherent weakness in its internal control system.

Status: Not corrected.

Due to the limited size and staffing resources of the entity, the District does not have the ability or expertise to prepare financial statements, including note disclosures, in accordance with U.S. generally accepted accounting principles. Management and the Board of Directors will continue to exercise oversight authority to mitigate this weakness in its internal control system.

2018-3 *Condition:* Material audit adjustments were proposed that were not identified by the District's internal control system.

Corrective action planned: Lower Platte South Natural Resources District will continue to improve communication of accounting transactions to both accounting personnel and those charged with oversight in order to decrease future proposed material audit adjustments.

Status: Corrected.