

*Lower Platte South Natural Resources District  
Lincoln, Nebraska*

*June 30, 2019*

*Financial Statements  
and  
Independent Auditor's Report*

Lower Platte South Natural Resources District

Year ended June 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

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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 XX, 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.

Lincoln, Nebraska  
October xx, 2019

## Lower Platte South Natural Resources District

### 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>           |
| <b>Total assets</b>                                  | <b><u>\$ 78,730,456</u></b> | <b><u>\$ 74,593,937</u></b> |
| <b>Liabilities</b>                                   | <b><u>\$ 1,293,699</u></b>  | <b><u>\$ 1,156,082</u></b>  |
| Investment in capital assets,<br>net of related debt | 59,604,382                  | 57,812,755                  |
| Unrestricted   | <u>17,832,375</u>           | <u>15,625,100</u>           |
| <b>Total net position</b>                            | <b><u>77,436,757</u></b>    | <b><u>73,437,855</u></b>    |
| <b>Total liabilities and net position</b>            | <b><u>\$ 78,730,456</u></b> | <b><u>\$ 74,593,937</u></b> |

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

|                           | <u>Actual<br/>(Budgetary<br/>Basis)</u> | <u>Budget</u>               |
|---------------------------|---|-----------------------------|
| <b>Receipts</b>           |   |                             |
| 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>                    |
| <b>Total receipts</b>     | <b><u>\$ 12,670,270</u></b>             | <b><u>\$ 17,457,808</u></b> |
| <b>Expenditures</b>       |   |                             |
| 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>           |
| <b>Total expenditures</b> | <b><u>\$ 11,301,044</u></b>             | <b><u>\$ 23,913,380</u></b> |

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

Lower Platte South Natural Resources District

**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.

Lower Platte South Natural Resources District

**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 56<sup>th</sup> & 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 39<sup>th</sup> 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.



Lower Platte South Natural Resources District

**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 40<sup>th</sup> 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

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

For the year ended June 30, 2019

|   | <u>General<br/>Fund</u> | <u>Adjustments<br/>(Note I)</u> | <u>Statement of<br/>Activities</u> |
|---|-------------------------|---------------------------------|------------------------------------|
| <b>Revenues</b>   |                         |                                 |                                    |
| 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                            | 7,700                   | -                               | 7,700                              |
|   | <u>13,646,276</u>       | <u>-</u>                        | <u>13,646,276</u>                  |
| <b>Expenditures/expenses</b>                            |                         |                                 |                                    |
| 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  | 2,436,857               | (2,436,857)                     | -                                  |
|   | <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                          |
| <b>Fund balance/net position</b>                        |                         |                                 |                                    |
| 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.

Lower Platte South Natural Resources District

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.

Lower Platte South Natural Resources District

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<br>TOTAL COST | REMAINING<br>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<br>TOTAL COST | REMAINING<br>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               |
| <b>Total</b>                                   | <b>\$ 20,134,313</b>    | <b>\$ 6,907,204</b>        | <b>\$ 13,227,109</b> | <b>\$ 5,990,878</b> | <b>\$ 7,236,231</b> |



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> |
|------------------|-----------------|

**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>          | <u>Additions<br/>During Year</u> | <u>Disposals<br/>During Year</u> | <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                                  | <u>472,351</u>       | <u>59,971</u>                    | <u>17,689</u>                    | <u>514,633</u>       |
| Total capital assets, depreciated         | <u>42,514,999</u>    | <u>2,081,385</u>                 | <u>44,226</u>                    | <u>44,552,158</u>    |
| 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                                  | <u>336,122</u>       | <u>51,768</u>                    | <u>17,689</u>                    | <u>370,201</u>       |
| Total accumulated depreciation            | <u>5,965,993</u>     | <u>645,230</u>                   | <u>44,226</u>                    | <u>6,566,997</u>     |
| Total capital assets,<br>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.

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<br>and Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance<br>Favorable<br>(Unfavorable) | Budget to GAAP<br>Differences<br>(Over) Under | Actual<br>Amounts<br>GAAP Basis |
|--|---------------------------------|--------------------------------|--|---|---------------------------------|
| <b>Revenues</b>  |                                 |                                |  |   |                                 |
| 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                           |
| <b>Total revenues</b>  | <b>17,457,808</b>               | <b>12,670,270</b>              | <b>(4,787,538)</b>                     | <b>976,006</b>                                | <b>13,646,276</b>               |
| <b>Expenditures</b>  |                                 |                                |  |   |                                 |
| 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)                                   | -                               |
| <b>Total expenditures</b>  | <b>23,913,380</b>               | <b>11,301,044</b>              | <b>12,612,336</b>                      | <b>(1,653,670)</b>                            | <b>9,647,374</b>                |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>\$ (6,455,572)</b>           | <b>\$ 1,369,226</b>            | <b>\$ 7,824,798</b>                    | <b>\$ 2,629,676</b>                           | <b>\$ 3,998,902</b>             |

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)            |
| <b>Excess of revenues over expenditures - budget to GAAP</b> | <b>\$ 2,629,676</b> |

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<br>(Budgetary<br>Basis) | Variance<br>Favorable<br>(Unfavorable) | Budget to GAAP<br>Differences<br>(Over) Under | Actual Amounts<br>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<br>(Budgetary<br>Basis) | Variance<br>Favorable<br>(Unfavorable) | Budget to GAAP<br>Differences<br>(Over) Under | Actual Amounts<br>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<br/>(Budgetary<br/>Basis)</u> | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> | <u>Budget to GAAP<br/>Differences<br/>(Over) Under</u> | <u>Actual Amounts<br/>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                    | 1,480,493           | 1,386,735                               | 93,758  | (10,591)   | 1,376,144                            |
|  | <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,<br>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*

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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 XX, 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.

Lincoln, Nebraska  
October XX, 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

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.

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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.

October xx, 2019

Lower Platte South Natural Resources District  
P.O. Box 83581  
Lincoln, NE 68501-3581

Dear Board Members:

We have audited the financial statements of Lower Platte South Natural Resources District as of and for the year ended June 30, 2019, and have issued our report thereon dated October xx, 2019. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated June 16, 2015, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Lower Platte South Natural Resources District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material weaknesses.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Lower Platte South Natural Resources District  
Lincoln, NE 68501-3581

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Lower Platte South Natural Resources District is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Financial Statement Disclosures*

The financial statement disclosures are neutral, consistent, and clear.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarized uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Lower Platte South Natural Resources District  
Lincoln, NE 68501-3581

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Lower Platte South Natural Resources District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in a separate letter dated October xx, 2019.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Lower Platte South Natural Resources District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the Entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Lower Platte South Natural Resources District's auditors. We have identified the following changes or potential changes:

#### *Accounting for Leases*

In June 2017, the Government Accounting Standards Board (GASB) issued Statement No. 87, Leases. The standard requires all leases to be reported as capital leases and eliminates the classification of an operating lease unless the lease is short-term, defined as 12 months or less, with consideration given to extension and termination clauses. No distinction between operating or capital leases will remain upon implementation of the standard. Under the single approach to accounting for and reporting leases, a lessee will recognize a lease liability and a corresponding intangible asset representing the lessee's controlling "right to use" the asset. The lease liability should be measured at the present value of payments expected to be made during the lease terms, less any lease incentives received. The lease asset should be measured at the amount of the initial lease liability, plus any payments made to the lessor at or before the commencement of the lease term, and certain direct costs. The liability should be reduced as payments are made and an outflow of resources for interest on the liability will be recognized. The asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lower Platte South Natural Resources District  
Lincoln, NE 68501-3581

Furthermore, the lessor accounting model is symmetrical to the lessee model under the new standard. A lessor generally would recognize a lease receivable and a deferred inflow of resources at the start of the lease term. The lease receivable will be measured at the present value of lease payments expected to be received during the lease term and the deferred inflow of resources will equal the value of the lease receivable plus any payments received at or before the start of the lease term that relate to future periods. When payments are received, the lessor would recognize interest revenue on the lease receivable and revenue from the amortization of the deferred inflows of resources over the term of the lease. A lessor would not, however, derecognize the asset underlying the lease.

Footnote disclosures will include a description of the leasing arrangements, the amount of lease assets recognized (for lessees) and the amount of inflows of resources recognized (for lessors). A lessee should also disclose the schedule of future lease payments to be made.

The standard does not apply to intangible assets including mineral rights, patents, software, etc., biological assets, inventory, service concession arrangements addressed in GASB Statement 60, assets financed with conduit debt, and supply contracts such as power purchase agreements. The standard also doesn't apply when there's a transfer of an asset to the lessee at the end of the agreement. This is considered a finance purchase and is reported as a long term liability.

To prepare for the implementation of the standard, governmental entities should consider the following steps:

- Determine if bond covenants or debt limit provisions need to be modified as a result of creating additional capital lease liabilities.
- Establish policies that can be applied to current leases being created and that will be in effect when GASB 87 is implemented. Policies include:
  - Identify capitalization thresholds for reporting leases. However, high capitalization threshold policies for leases should not result in a lack of reporting assets and liabilities that are material collectively for all lease contracts.
  - Provide a framework that addresses "reasonably certain." The reasonably certain phrase was included in the standard to help governments determine the length of the contract including extensions and termination clauses.
  - Develop a framework that addresses the allocation process and procedures for dealing with non-lease components of a lease agreement, including items such as maintenance, utilities, repairs, etc.
  - Develop a system to capture the data related to lease terms, estimated lease payments, and other components necessary to calculate the lease liability and intangible asset.

The standard is effective for periods beginning after December 15, 2019 and early application is encouraged. Entities familiar with FASB lease standards should note that the new GASB lease standard is different in several ways from its FASB counterpart. Governmental entities should start familiarizing themselves with the new requirements and prepare to analyze existing lease contracts, consider changes to internal controls, and work on gathering the information necessary for reporting and disclosure purposes.

Lower Platte South Natural Resources District  
Lincoln, NE 68501-3581

**Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Lower Platte South Natural Resources District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

We have made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Directors and management of Lower Platte South Natural Resources District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

HBE LLP

Cynthia R. Love, CPA  
Partner

CRL/nla

October xx, 2019

HBE LLP  
7140 Stephanie Lane  
Lincoln, NE 68501-3581

Dear Sir/Madam:

This representation letter is provided in connection with your audit of the financial statements of Lower Platte South Natural Resources District as of June 30, 2019, and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of Lower Platte South Natural Resources District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October xx, 2019

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 16, 2015, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations.



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Lincoln, NE 68542-3110

7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
10. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
15. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
16. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
17. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
18. All interfund and intra-entity transactions and balances have been properly classified and reported.
19. Deposit and investment risks have been properly and fully disclosed.
20. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

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21. All required supplementary information is measured and presented within the prescribed guidelines.
22. We are in agreement with the adjusting journal entries you have proposed, as summarized in the attached Adjusting Journal Entries Report, and they have been posted to the entity's accounts.
23. With respect to the supplemental information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe significant assumptions or interpretations underlying the measurement or presentation of the supplementary information and the basis for our assumptions and interpretations are reasonable and appropriate in the circumstances.
  - e. When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
  - f. We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
  - g. We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
24. With respect to the required supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with prescribed guidelines.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with prescribed guidelines.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
25. With respect to non-audit services performed by you, we have performed the following:
  - a. Made all management decisions and performed all management functions;
  - b. Assigned a competent individual to oversee the services;
  - c. Evaluated the adequacy of the services performed;
  - d. Evaluated and accepted responsibility for the result of the service performed; and
  - e. Established and maintained internal controls, including monitoring ongoing activities.

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Lincoln, NE 68542-3110

**Information Provided**

26. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
27. All transactions have been recorded in the accounting records and are reflected in the financial statements.
28. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
29. We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
30. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
31. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
32. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
33. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
34. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
35. Lower Platte South Natural Resources District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
36. We have disclosed to you all guarantees, whether written or oral, under which Lower Platte South Natural Resources District is contingently liable.

HBE LLP  
Lincoln, NE 68542-3110

37. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
38. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
39. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
40. Lower Platte South Natural Resources District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral.
41. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
42. With respect to federal awards, we represent that we are under the reporting threshold for the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

LOWER PLATTE SOUTH NATURAL RESOURCES DISTRICT

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Signature

Title



Client: **1895-000 - Lower Platte South Natural Resources District**  
 Engagement: **1895-000 - 2019 Audit**  
 Trial Balance: **Trial Balance**  
 Workpaper: **3550 - Adjusting Journal Entries Report**

| Account  | Description                           | W/P Ref        | Debit             | Credit            |
|--|---------------------------------------|----------------|-------------------|-------------------|
| <b>Adjusting Journal Entries JE # 1</b>                          |                                       | <b>3599.02</b> |                   |                   |
| PBC Journal entry to zero out 700000 accounts                    |                                       |                |                   |                   |
| 161020   | Land Improvement                      |                | 5,483.19          |                   |
| 775220   | DMR Flood Reduction                   |                |                   | 2,994.00          |
| 775300   | Salt Creek (O&M) Lincoln              |                |                   | 2,489.19          |
| <b>Total</b>   |                                       |                | <b>5,483.19</b>   | <b>5,483.19</b>   |
| <b>Adjusting Journal Entries JE # 2</b>                          |                                       | <b>3599.03</b> |                   |                   |
| PBC entry to adjust property tax receivable to actual            |                                       |                |                   |                   |
| 184100   | Accounts Receivable - Property Taxes  |                | 312,929.72        |                   |
| 306000   | General Property Taxes - General Fund |                |                   | 312,929.72        |
| <b>Total</b>   |                                       |                | <b>312,929.72</b> | <b>312,929.72</b> |
| <b>Adjusting Journal Entries JE # 3</b>                          |                                       | <b>3599.04</b> |                   |                   |
| PBC entry for June expenses that were input after TB sent to HBE |                                       |                |                   |                   |
| 419126   | CWSPA Phase II BMP c-s                |                | 9,615.00          |                   |
| 439010   | Attorney Retainer & Fees              |                | 4,599.50          |                   |
| 447011   | Salt Cr Routine O&M (Lincoln)         |                | 3,523.50          |                   |
| 447060   | Mopac Trail O & M                     |                | 4,003.01          |                   |
| 447065   | Homestead Trail O & M                 |                | 121.44            |                   |
| 447065   | Homestead Trail O & M                 |                | 121.68            |                   |
| 447065   | Homestead Trail O & M                 |                | 2,597.70          |                   |
| 447099   | Equipment and supplies                |                | 1.99              |                   |
| 447099   | Equipment and supplies                |                | 60.36             |                   |
| 201000   | Accounts Payable                      |                |                   | 24,644.18         |
| <b>Total</b>   |                                       |                | <b>24,644.18</b>  | <b>24,644.18</b>  |
| <b>Adjusting Journal Entries JE # 4</b>                          |                                       | <b>4625</b>    |                   |                   |
| To record CY disposals   |                                       |                |                   |                   |
| 165010   | Machinery and Equipment               |                | 700.00            |                   |
| 167010   | Automobile and Trucks                 |                | 7,000.00          |                   |
| 171010   | Less Accumulated Depreciation         |                | 44,226.13         |                   |
| 165010   | Machinery and Equipment               |                |                   | 10,248.95         |
| 167010   | Automobile and Trucks                 |                |                   | 17,689.00         |
| 169010   | Office Equipment                      |                |                   | 16,288.18         |
| 770010   | Gain/Loss on Asset Disposal           |                |                   | 7,700.00          |
| <b>Total</b>   |                                       |                | <b>51,926.13</b>  | <b>51,926.13</b>  |
| <b>Adjusting Journal Entries JE # 5</b>                          |                                       | <b>4610</b>    |                   |                   |
| To adjust depreciation expense to actual                         |                                       |                |                   |                   |
| 480000   | Depreciation Expenses                 |                | 35,334.47         |                   |
| 171010   | Less Accumulated Depreciation         |                |                   | 35,334.47         |
| <b>Total</b>   |                                       |                | <b>35,334.47</b>  | <b>35,334.47</b>  |