



LOWER PLATTE SOUTH natural resources district

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Item #7

Memorandum

Date: October 16, 2020
To: Each Director
From: Paul D. Zillig, General Manager
Subject: Finance & Planning Subcommittee Meeting Minutes

The Finance & Planning Subcommittee met at 5:30 pm on Tuesday, October 13, 2020. Subcommittee members attending the meeting in the NRD Office included Dan Steinkruger, Greg Osborn, and Luke Peterson. Subcommittee members participating via video/teleconference included Vern Barrett, Tom Green, Ray Stevens, and Gary Hellerich. Other Directors participating via video conference included Larry Ruth and Deborah Eagan. Others participating via video conference included Kathy Spence, Steve Seglin, and Corey Wasserburger. Others present included Peter Fellers of HBE, Nathan Kuhlman, and myself.

Steinkruger opened the meeting, welcomed all those participating and reported that the first item on the agenda was a report on the FY 2020 Audit. Peter Fellers of HBE reviewed a preliminary copy of the FY 2020 Financial Statements and Independent Auditor's Report as of the end of the fiscal year. Feller's report included an overview of the Independent Auditor's Report, that Management provided a Discussion and Analysis, the basic Financial Statements, required Supplementary Information, Supplementary Information/Schedules, the Independent Auditor's Report on Internal Control and Compliance, and Schedules of Control Deficiencies, Responses, and a Summary Schedule of the FY 2019 findings. Fellers referred to the audit as a "clean" audit and pointed out that detailed information on the District's current internal control utilized, provided by Spence/staff, resulted in the FY 2019 significant deficiency of a lack of segregation of duties had been corrected and is not listed as a deficiency in the FY 2020 Audit.

Fellers also reviewed the District's representation letter from Management (attached) confirming our responsibilities for financial statements and the information provided. Feller also reviewed their letter to the Board on the audit.

The Subcommittee had several questions concerning the audit and letters, and discussed with Fellers HBE's findings. A copy of the final audit will be attached to the minutes and available on the NRD website.

It was moved by Osborn, seconded by Stevens, and unanimously approved by the Subcommittee to **recommend the Board of Directors accept the Fiscal Year 2020 Financial Statements and Independent Auditor's Report.**

Steinkruger reported that at the last Subcommittee meeting they discussed the need to include more information to the Directors/public on credit card expenditures. The Subcommittee asked myself to meet with Spence and report back. I reported that we looked at a number of options and my recommendation would be to add an additional page to the monthly expenditures solely for a breakdown of the credit card/VISA expenditures and include this in our monthly financial report that is included with the Board Meeting materials and on the website. Please find attached a copy of the proposed "VISA Breakdown list of September 2020". The Subcommittee directed staff to make that change in the materials for the upcoming Board Meeting materials.

The final item on the agenda was a request by Chair Ruth to discuss with the Subcommittee improvements to NRD Planning documents, in regard to our actions that are related to changes in climate. Ruth reported that he feels we need to improve our recognition, documenting, and reporting of all that we do and clearly attribute it to our efforts in the adaptation to and mitigation of changes in climate. The Subcommittee discussed the need to do this, take into account the positive effect of many of our conservation programs, continue to adjust to change, and assist our landowners/residents with preparing for changes. Staff will work with Ruth on the steps we can take.

There being no further business the meeting adjourned at 6:40 pm.

PDZ/pz

pc: Peter Fellers, HBE
Steve Seglin
Corey Wasserburger

***Lower Platte South Natural Resources District
Lincoln, Nebraska***

June 30, 2020

***Financial Statements
and
Independent Auditor's Report***



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Lower Platte South Natural Resources District

Year ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Lower Platte South Natural Resources District as of and for the year ended June 30, 2020, 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, 2020, 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 accompanying other 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 13, 2020, on our consideration of Lower Platte South Natural Resources District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Platte South Natural Resources District's internal control over financial reporting and compliance.

ABE LLP

Lincoln, Nebraska
October 13, 2020

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, 2020.

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

Financial highlights for this fiscal year were directly impacted by both the Bomb Cyclone Flood in March of 2019 and the ongoing pandemic of 2020. The Bomb Cyclone Flood resulted in massive flood damages to the region which resulted in Corps of Engineer's staff being re-assigned to flood damage repair projects, reduced the availability of private sector engineering firms to design projects and experienced local contractor availability to construct more projects was limited. There was definitely more work than what could be done. This shortage of both engineers and contractors led to shortages and in most cases a higher cost to do the work. The pandemic has required the District to revise our approach to everything from general operations to project management to public participation.

The Deadmans Run Flood Reduction project was approved in fiscal year 2019 by the US Army Corps of Engineers for approximately \$10M in federal funding. This year the District was approved by the Nebraska Natural Resources Commission for Water Sustainability Funds for \$5.86M of the estimated \$10M in local cost for the Local Project. The District and City of Lincoln will equally benefit (\$2.9M each) from this assistance from the State of Nebraska.

The District offers programs that provide cost-sharing with individual landowners, communities, and home owners associations to complete projects that benefit primarily water quality, stormwater management and flood control. Payments for these programs totaled \$1,062,702. Local interest in contributing toward projects that benefits natural resources remains high.

The District did purchase the adjoining vacant City of Lincoln Fire Station property. Owning this property provides the District additional storage space and potential expansion options, whenever the need arises.

Income from investments totaled over \$150,000 this fiscal year as the interest rates on CD's and savings remained high until the pandemic. Interest income will not be a highlight next fiscal year.

Lower Platte South Natural Resources District

Management's Discussion and Analysis

Financial Highlights - Continued

The District has many projects that are planned in the next several years and adequate funds are currently budgeted to complete many of those projects. Financially the District is in good shape.

	<u>2020</u>	<u>2019</u>
Capital assets	\$ 60,422,180	\$ 59,604,382
Other assets	<u>21,362,235</u>	<u>19,126,074</u>
Total assets	<u>\$ 81,784,415</u>	<u>\$ 78,730,456</u>
Liabilities	<u>\$ 1,140,979</u>	<u>\$ 1,293,699</u>
Net investment in capital assets	60,422,180	59,604,382
Unrestricted	<u>20,221,256</u>	<u>17,832,375</u>
Total net position	<u>80,643,436</u>	<u>77,436,757</u>
Total liabilities and net position	<u>\$ 81,784,415</u>	<u>\$ 78,730,456</u>

The District's expenditures for fiscal year 2020 did not exceed the budgeted amount, as shown in the following table.

	<u>Actual (Budgetary Basis)</u>	<u>Budget</u>
Receipts		
Federal	\$ 287,681	\$ 3,089,942
State	350,550	904,687
Local	979,346	2,913,581
Property taxes	10,064,674	10,156,870
Other	<u>198,426</u>	<u>-</u>
Total receipts	<u>\$ 11,880,677</u>	<u>\$ 17,065,080</u>
Expenditures		
Administration	\$ 872,065	\$ 1,043,464
Project	4,299,180	8,925,410
Personnel	2,936,062	3,169,247
Other	<u>1,465,589</u>	<u>11,304,165</u>
Total expenditures	<u>\$ 9,572,896</u>	<u>\$ 24,442,286</u>

Budgetary basis revenues exceeded expenditures by \$2,307,781 during the fiscal year ended June 30, 2020.

Lower Platte South Natural Resources District

Management's Discussion and Analysis

Financial Highlights - Continued

Significant differences between budgeted and actual expenditures included:

- The Deadmans Run Flood Reduction Project was delayed primarily due to Corps staff being re-assigned to flood damage repairs. Work was subsequently delayed designing the Corp's conveyance channel, flume, and local bridges and basin. Approximately \$1.8M of funds budgeted for this project were not expended this year.
- The Antelope Creek repairs at 39th Street, damages due to the 2015 flood, continue to work thru the requirements to meet FEMA standards for funding assistance. A total of \$1.99M of funds were budgeted but not expended this year.
- The NRD was notified last year that the Corps approved funding for \$4.7M to repair damage to the Salt Creek Levee system. The NRD had budgeted \$1.15M for this purpose, those funds were not expended as the work is being done completely by the Corps of Engineers.
- The USDA/NRCS Watershed Rehabilitation Program will be funding projects at Oak-Middle 82-B and Upper Salt 3-A. The NRD budgeted matching funds for these projects. Contractor problems and delays have resulted in the projects not progressing as planned. A total of \$1.5M in funding was not expended this fiscal year.
- The Prairie Corridor on Haines Branch Project had several properties where the landowners were considering selling their property for the project. Negotiations were not successful and the properties were not obtained. A total of \$1.4M in funding was not expended this fiscal year.
- Several trail corridor repair projects were budgeted last fiscal year. The Rosa Parks Trail moves closer to approval, the Lied Platte River Bridge repairs from the 2019 flood are being repaired utilizing other funds, and several trail bridge repairs and bank stabilization projects have been slowed in the design and permitting phases. A total of \$534,000 in funding was not expended this fiscal year.
- The NRD budgets funds for a number of cost-share programs, working with landowners and encouraging applications. As the year progresses many landowners decide to not apply and other projects approved are not completed due to weather and a variety of other reasons. Approximately \$500,000 in funding was not expended for these programs (cover crops, targeted watersheds, special practices, fertilizer meters, soil sampling, well decommissioning, etc.) and was not expended this fiscal year.
- Funding for a number of operation & maintenance repairs to drainage structures along Antelope Creek and Salt Creek, repairs to the Oak Creek Weir and Antelope Creek articulated block, and bank erosion along Beal Slough all proceeded with design. Construction was not started this fiscal year. A total of \$720,000 in funding was not expended this fiscal year.

Lower Platte South Natural Resources District

Management's Discussion and Analysis

Financial Highlights - Continued

Significant differences between budgeted and actual revenues included:

- Investment income projections were estimated to be \$245,000. The actual revenue was approximately \$158,000. Income was impacted by reduced interest rates due primarily to the pandemic.
- Federal funding was obligated from FEMA for the Antelope Creek repair project near 39th Street. Engineering design and permitting continues but construction has not begun. FEMA will reimburse the NRD as work is completed and paid. The NRD did not expend any funds on construction and consequently a reimbursement of \$1.49M has not been received or earned.
- The NRD also is approved for Federal funding for the Oak-Middle 82-B and Upper Salt 3-A Watershed Rehabilitation Projects. Progress with the Oak-Middle 82-B project has been slowed and construction is only approximately 50% completed. The Upper Salt 3-A construction will be starting this fall, no construction payments were made this fiscal year and consequently no reimbursements were received. Landrights reimbursements can be claimed for both projects upon the completion of the projects, neither project is completed. A total of \$902,000 in revenue was budgeted but not received this fiscal year.
- The Deadmans Run Flood Reduction Project anticipated revenues from both the City of Lincoln and Water Sustainability Fund. Due to delays in progress with the design of the project lower expenditures were realized and less reimbursements were earned. The reduced revenues included over \$250,000 from the Water Sustainability Fund and nearly \$350,000 from the City of Lincoln.
- The Prairie Corridor on Haines Branch project with the City of Lincoln anticipated the acquisition of several properties. Negotiations for the properties were not successful and \$1.5M was not spent and consequently it was not reimbursed to the NRD.

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

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

Request for Information

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

Lower Platte South Natural Resources District

GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION

June 30, 2020

	General Fund	Adjustments (Note I)	Statement of Net Position
ASSETS			
Cash (note B)	\$ 825,416	\$ -	\$ 825,416
Investments (note B)	15,295,225	-	15,295,225
Cash at County Treasurer	198,761	-	198,761
Accounts receivable (notes A and D)	636,216	-	636,216
Property taxes receivable (note A)	4,405,382	-	4,405,382
Prepaid expenses	1,235	-	1,235
Capital assets (notes A and E)			
Land	-	21,727,051	21,727,051
Other capital assets	-	45,843,765	45,843,765
Accumulated depreciation	-	(7,148,636)	(7,148,636)
Total assets	<u>\$ 21,362,235</u>	<u>\$ 60,422,180</u>	<u>\$ 81,784,415</u>
LIABILITIES			
Accounts payable	\$ 91,159	\$ -	\$ 91,159
Deposits	1,000	-	1,000
Compensated absences payable (note A)	-	163,414	163,414
Accrued salaries and benefits payable	1,083	-	1,083
Funds held for interlocal agreements (note A)	<u>884,323</u>	<u>-</u>	<u>884,323</u>
Total liabilities	<u>977,565</u>	<u>163,414</u>	<u>1,140,979</u>
FUND BALANCE/NET POSITION			
Fund balance (notes A and C)			
Nonspendable	1,235	(1,235)	-
Committed	6,289,197	(6,289,197)	-
Assigned	7,357,532	(7,357,532)	-
Unassigned	<u>6,736,706</u>	<u>(6,736,706)</u>	<u>-</u>
Total fund balance	<u>20,384,670</u>	<u>(20,384,670)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 21,362,235</u>		
Net position (note A)			
Net investment in capital assets		60,422,180	60,422,180
Unrestricted		<u>20,221,256</u>	<u>20,221,256</u>
Total net position		<u>60,258,766</u>	<u>80,643,436</u>
Total liabilities and net position		<u>\$ 60,422,180</u>	<u>\$ 81,784,415</u>

See accompanying notes to financial statements.

Lower Platte South Natural Resources District

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

For the year ended June 30, 2020

	General Fund	Adjustments (Note I)	Statement of Activities
Revenues			
State grants and funds	\$ 290,966	\$ -	\$ 290,966
Federal grants and funds	490,418	-	490,418
Local grants and reimbursements	605,733	-	605,733
Property taxes	10,224,958	-	10,224,958
Investment earnings	167,083	-	167,083
Miscellaneous income	290	-	290
Proceeds from sale of assets	31,053	-	31,053
Total revenues	11,810,501	-	11,810,501
Expenditures/expenses			
Administration	884,763	-	884,763
Projects and improvements	4,107,427	-	4,107,427
Personnel	2,934,912	28,929	2,963,841
Depreciation	-	647,791	647,791
Capital outlay	1,465,589	(1,465,589)	-
Total expenditures/expenses	9,392,691	(788,869)	8,603,822
Excess (deficit) of revenues over expenditures/expenses	2,417,810	(2,417,810)	-
Change in net position	-	3,206,679	3,206,679
Fund balance/net position			
Beginning of year	17,966,860	59,469,897	77,436,757
End of year	\$ 20,384,670	\$ 60,258,766	\$ 80,643,436

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 2019 taxes due August 1 and September 1, 2020. All delinquent prior years' taxes are determined to be uncollectible and are not included in taxes receivable. The District considers 2019 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:

Net investment in capital assets. 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, 2020, 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, 2020				
	REMAINING TOTAL COST	REMAINING REIMBURSEMENT	NET NRD COST	COMMITTED	ASSIGNED
I&E Programs and Projects	\$ 31,000	\$ -	\$ 31,000	\$ -	\$ 31,000
I&E Env. Education	194,200	-	194,200	38,000	156,200
I&E General Awareness	242,300	-	242,300	55,307	186,993
Surface Water Quality Practices	1,100,000	56,000	1,044,000	159,111	884,889
Special Practices	100,000	-	100,000	93,812	6,188
Buffer Strips	36,750	32,000	4,750	4,750	-
Salt Valley Lakes	300,000	-	300,000	40,000	260,000
Stevens Creek Watershed	75,000	-	75,000	-	75,000
Cover Crop	75,000	-	75,000	-	75,000
Water Quality BMP Projects	100,000	60,000	40,000	-	40,000
GIS Support	10,000	-	10,000	-	10,000
GIS Aerial Imagery Project	23,000	-	23,000	18,000	5,000
GIS Mapping ROW	10,000	-	10,000	-	10,000
LPRCA Coordinator	5,010	-	5,010	5,010	-
LPRCA Programs and Projects	153,243	153,243	-	-	-
DC Consultant Services	23,000	-	23,000	23,000	-
Platte River Ice Jam Agreement	22,500	-	22,500	22,500	-
Invasive Species Program	30,000	-	30,000	30,000	-
Endangered Species Studies	5,000	-	5,000	-	5,000
Monitor Lower Platte River Instream Flow	10,000	-	10,000	-	10,000
Conservation Easement NET	50,000	-	50,000	-	50,000
Western Sarpy / Clear Creek Project	50,000	-	50,000	-	50,000
Trails Administration	3,000	3,000	-	-	-
Mopac East O&M	518,500	1,500	517,000	482	516,518
Salt Creek Trail Planning and Development	269,800	-	269,800	120,200	149,600
Oak Creek Trail O&M	66,500	-	66,500	-	66,500
Oak Creek Trail Planning & Development	289,200	-	289,200	20,420	268,780
Homestead Trail O&M	428,700	-	428,700	9,750	418,950
Wildlife Management Areas O&M	51,000	-	51,000	10,000	41,000
Diversify Grassland	25,000	-	25,000	-	25,000
Conservation Easements	200,000	-	200,000	-	200,000
PCHB O&M / Project Coordination	625,290	527,400	97,890	97,890	-
Haines Branch Corridor	100,000	100,000	-	-	-
Saline Wetlands Partnership Support	380,000	332,000	48,000	48,000	-
Wetland O&M	135,000	7,000	128,000	10,000	118,000
Wetland 404 Monitoring	6,000	-	6,000	6,000	-
Saline Wetlands Conservation Easements	150,000	-	150,000	-	150,000
Upper Little Salt Cr Saline Wetland	61,000	5,000	56,000	10,596	45,404
UNL/NRD Forester	30,500	-	30,500	30,500	-
Rural Forestry Program	54,450	42,250	12,200	-	12,200
Windbreak Renovation Program	45,000	15,000	30,000	-	30,000
Tree Voucher Program	25,000	-	25,000	-	25,000
Community Forestry Program	30,000	-	30,000	2,810	27,190
Sales Tax	5,128	5,128	-	-	-
Beal Slough	629,270	330,732	298,538	298,538	-
Little Salt Creek	160,000	80,000	80,000	80,000	-
BMP Demos/C-S	15,000	-	15,000	15,000	-
Urban Water Quality Cost-Shares	20,000	-	20,000	-	20,000
Basin Master Plan	215,438	-	215,438	215,438	-

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

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

PROJECT	June 30, 2020				
	REMAINING TOTAL COST	REMAINING REIMBURSEMENT	NET NRD COST	COMMITTED	ASSIGNED
Salt Cr Flood Warning	\$ 70,000	\$ 25,000	\$ 45,000	\$ 25,000	\$ 20,000
Lincoln Storm Water Management Programs	12,500	-	12,500	12,500	-
E&SC Administration Cost-Share	31,500	750	30,750	30,750	-
Conservation Easement Inspections	25,000	-	25,000	-	25,000
DMR, Flood Reduction Recon. Study	2,664,037	1,610,661	1,053,376	1,053,376	-
South Salt Creek Master Plan	451,860	8,930	442,930	442,930	-
Oak Cr. Lynn Cr. N Salt Cr. Tribs Master Plan	75,000	-	75,000	75,000	-
Non-Basin Master Plan Projects	70,000	-	70,000	70,000	-
Hazard Mitigation Plan Update	6,150	6,003	147	-	147
Beal Slough, Channel Improvements	20,000	-	20,000	-	20,000
Salt Creek O&M	462,500	-	462,500	67,400	395,100
Salt Creek SWIF	64,900	-	64,900	64,900	-
DMR O&M	422,000	-	422,000	44,558	377,442
Ant Cr O&M	373,000	-	373,000	4,175	368,825
Antelope Valley Routine O&M	180,000	-	180,000	10,000	170,000
Stevens Creek	10,000	-	10,000	-	10,000
Oak Cr O&M	29,000	-	29,000	9,000	20,000
Beal Slough, O&M	85,000	-	85,000	-	85,000
Lynn Creek, O&M	10,000	-	10,000	-	10,000
Ash Hollow O&M	309,000	-	309,000	300,000	9,000
O&M Equip & Supplies	40,000	-	40,000	-	40,000
Ant Cr Major O&M	1,980,000	1,485,000	495,000	495,000	-
Oak Creek Major O&M	365,640	-	365,640	25,640	340,000
Salt Creek Major O&M/Rehabilitation	752,380	-	752,380	732,380	20,000
Flood Plain Purchase/Easements	25,000	-	25,000	-	25,000
Community Assistance, General Projects	384,563	-	384,563	184,563	200,000
Road Structure O&M	40,000	-	40,000	-	40,000
Piening FC Dam	48,000	-	48,000	-	48,000
FC Dams O&M	15,000	-	15,000	-	15,000
Watershed Dams O&M	153,500	-	153,500	-	153,500
Watershed Rehab	2,399,973	1,649,277	750,696	750,696	-
Clearing and Snagging	5,000	-	5,000	-	5,000
Stream Stabilization above clean lakes	10,000	-	10,000	-	10,000
Lower Salt Cr Stream Stability	20,000	-	20,000	-	20,000
Stream Stability Demos with agencies	30,000	-	30,000	-	30,000
Stream Degradation control projects/landowners	50,000	-	50,000	-	50,000
USGS Stream Gages Co-op	70,000	-	70,000	70,000	-
Surface Water Quality Monitoring	5,000	-	5,000	-	5,000
Lower Salt Cr Phase II	48,000	-	48,000	-	48,000
Phase I and II CWSPAs	359,600	-	359,600	244,425	115,175
Monitoring Q & Q Program	243,000	21,000	222,000	47,331	174,669
GW BMP Programs	83,122	4,150	78,972	8,734	70,238
Geophysical Mapping Project	46,000	-	46,000	6,000	40,000
Monitoring well installation	130,000	-	130,000	-	130,000
ENWRA Projects	126,661	126,661	-	-	-
ENWRA AEM Flights	600,000	365,000	235,000	-	235,000
ENWRA Coordinator	66,705	66,705	-	-	-
IMP - Water Inventory	214,725	136,976	77,749	39,725	38,024
IMP - Water Supply Management	5,000	-	5,000	-	5,000
IMP - Water Use Management	20,000	-	20,000	-	20,000
Lower Platte Basi Coalition	10,000	-	10,000	10,000	-
Total	\$ 20,903,095	\$ 7,256,366	\$ 13,646,729	\$ 6,289,197	\$ 7,357,532

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>\$ 1,235</u>
------------------	-----------------

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

Federal grants and cost share agreements	\$ 410,764
Intergovernmental reimbursements	199,054
State grants	<u>26,398</u>
	<u>\$ 636,216</u>

NOTE E - CAPITAL ASSETS

	2019	Additions During Year	Disposals During Year	2020
Capital assets, not depreciated				
Land	\$ 21,619,221	\$ 107,830	-	\$ 21,727,051
Capital assets, depreciated				
Infrastructure	40,335,437	827,521	-	41,162,958
Buildings	2,669,108	275,801	-	2,944,909
Construction in progress	241,997	153,255	-	395,252
Office equipment	275,223	5,848	-	281,071
Machinery and equipment	515,760	26,200	12,769	529,191
Vehicles	514,633	69,187	53,436	530,384
Total capital assets, depreciated	<u>44,552,158</u>	<u>1,357,812</u>	<u>66,205</u>	<u>45,843,765</u>
Less accumulated depreciation for:				
Infrastructure	4,422,917	473,863	-	4,896,780
Buildings	1,156,899	69,501	-	1,226,400
Office equipment	239,536	15,251	-	254,787
Machinery and equipment	377,444	36,087	12,716	400,815
Vehicles	370,201	53,089	53,436	369,854
Total accumulated depreciation	<u>6,566,997</u>	<u>647,791</u>	<u>66,152</u>	<u>7,148,636</u>
Total capital assets, depreciated, net	<u>37,985,161</u>	<u>710,021</u>	<u>53</u>	<u>38,695,129</u>
Total capital assets, net	<u>\$ 59,604,382</u>	<u>\$ 817,851</u>	<u>\$ 53</u>	<u>\$ 60,422,180</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, 2020 was \$226,054, which consisted of \$117,941 from the District and \$108,113 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 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 \$35,843 for the year ended June 30, 2020.

Minimum lease payments for the years following June 30, 2020 are as follows:

<u>Fiscal Year</u>	
2021	\$ 9,791
2022	9,172
2023	<u>985</u>
	<u>\$ 19,948</u>

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

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

Reconciliation between 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	\$ 20,384,670
Accrued compensated absences represent amounts not due and payable in the current period and therefore, are not reported in the fund.	(163,414)
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund.	<u>60,422,180</u>
Net position of the governmental activities	<u>\$ 80,643,436</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.

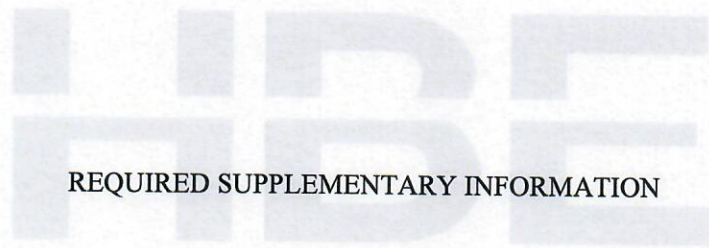
Excess of revenues over expenditures	\$ 2,417,810
Governmental fund reports capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlay	1,465,589
Depreciation expense	(647,791)
Compensated absences 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>(28,929)</u>
Change in net position	<u>\$ 3,206,679</u>

NOTE J - RISKS AND UNCERTAINTIES

The COVID-19 (coronavirus) outbreak continues to prompt global health concerns. Consequently, it is possible the District could be impacted by the resulting volatility in the economy beyond the financial statement date. Specifically, the District could experience decreases in grant funding, delays in project approval and completion, and declines in investment markets.

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

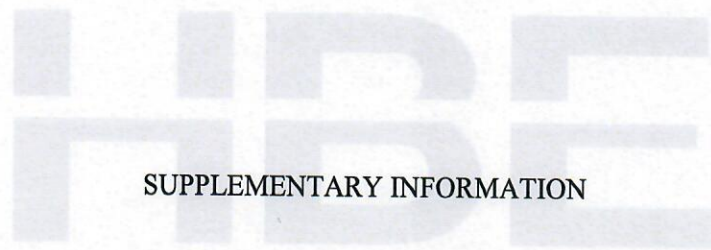
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2020

	Original and Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget to GAAP Differences (Over) Under	Actual Amounts GAAP Basis
Revenues					
State grants and funds	\$ 904,687	\$ 350,550	\$ (554,137)	\$ (59,584)	\$ 290,966
Federal grants and funds	3,089,942	287,681	(2,802,261)	202,737	490,418
Local grants and reimbursements	2,913,581	979,346	(1,934,235)	(373,613)	605,733
Property taxes	10,156,870	10,064,674	(92,196)	160,284	10,224,958
Investment earnings	-	167,083	167,083	-	167,083
Miscellaneous income	-	290	290	-	290
Proceeds from sale of assets	-	31,053	31,053	-	31,053
Total revenues	17,065,080	11,880,677	(5,184,403)	(70,176)	11,810,501
Expenditures					
Administration	1,043,464	872,065	171,399	12,698	884,763
Projects and improvements	8,925,410	4,299,180	4,626,230	(191,753)	4,107,427
Personnel	3,169,247	2,936,062	233,185	27,779	2,963,841
Depreciation	-	-	-	647,791	647,791
Capital outlay	11,304,165	1,465,589	9,838,576	(1,465,589)	-
Total expenditures	24,442,286	9,572,896	14,869,390	(969,074)	8,603,822
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (7,377,206)	\$ 2,307,781	\$ 9,684,987	\$ 898,898	\$ 3,206,679

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

Depreciation expense	\$ (647,791)
Capital asset cash purchases	1,465,589
Increase (decrease) in assets	
Accounts receivable	(230,458)
Prepaid expenses	(1,444)
Property taxes receivable	160,284
(Increase) decrease in liabilities	
Accounts payable	116,408
Deposits	(500)
Compensated absences payable	(28,930)
Accrued salaries and benefits payable	1,250
Deferred revenue	53,213
Funds held for interlocal agreements	11,277
Excess of revenues over expenditures - budget to GAAP	\$ 898,898



SUPPLEMENTARY INFORMATION

Lower Platte South Natural Resources District

SCHEDULE OF ADMINISTRATIVE EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2020

	Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget to GAAP Differences (Over) Under	Actual Amounts GAAP Basis
Auto and truck expense	\$ 60,000	\$ 46,858	\$ 13,142	\$ 2,009	\$ 48,867
Directors expense	46,000	29,126	16,874	(2,693)	26,433
Directors per diem	59,000	47,166	11,834	-	47,166
Dues and memberships	49,787	48,215	1,572	-	48,215
Personnel expenses	53,000	25,700	27,300	(1,785)	23,915
Fees and licenses	115,000	93,187	21,813	15,552	108,739
Bonding expense	1,340	70	1,270	-	70
Insurance	99,700	96,602	3,098	65	96,667
Legal notices	6,000	3,455	2,545	-	3,455
Office supplies and expense	186,578	150,534	36,044	(1,947)	148,587
Postage	2,500	2,744	(244)	-	2,744
Professional services	189,700	200,949	(11,249)	771	201,720
Rent expense	14,400	14,400	-	-	14,400
Telephone	47,000	41,462	5,538	167	41,629
Utilities	22,000	17,345	4,655	569	17,914
Miscellaneous	10,759	4,183	6,576	-	4,183
Small equipment	18,700	-	18,700	-	-
Building maintenance	62,000	50,069	11,931	(10)	50,059
	<u>\$ 1,043,464</u>	<u>\$ 872,065</u>	<u>\$ 171,399</u>	<u>\$ 12,698</u>	<u>\$ 884,763</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, 2020

	Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget to GAAP Differences (Over) Under	Actual Amounts GAAP Basis
Fees and licenses	\$ 2,530,297	\$ 1,323,234	\$ 1,207,063	\$ (71,303)	\$ 1,251,931
Information and education	461,900	310,831	151,069	3,082	313,913
Professional services	39,400	-	39,400	-	-
Project operation and maintenance	2,388,956	756,428	1,632,528	(5,168)	751,260
Development of district holdings	76,000	42,432	33,568	199	42,631
Sales tax	5,125	2,403	2,722	-	2,403
Wildlife habitat	150,750	42,588	108,162	173	42,761
Land and water treatment	1,652,450	900,625	751,825	6,687	907,312
Intergovernmental cost sharing	1,620,532	794,553	825,979	663	795,216
Land	-	107,830	(107,830)	(107,830)	-
Buildings	300,000	275,801	24,199	(275,801)	-
Construction in progress	-	153,255	(153,255)	(153,255)	-
Automobiles and trucks	-	69,187	(69,187)	(69,187)	-
Infrastructure	11,304,165	953,554	10,350,611	(953,554)	-
Machinery	-	26,200	(26,200)	(26,200)	-
Office equipment	-	5,848	(5,848)	(5,848)	-
	<u>\$20,529,575</u>	<u>\$ 5,764,769</u>	<u>\$ 14,764,806</u>	<u>\$ (1,657,342)</u>	<u>\$ 4,107,427</u>

Lower Platte South Natural Resources District

SCHEDULE OF PERSONNEL COSTS
BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2020

	Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget to GAAP Differences (Over) Under	Actual Amounts GAAP Basis
Employee benefits	\$ 606,405	\$ 517,984	\$ 88,421	\$ (83)	\$ 517,901
Payroll taxes	180,000	155,885	24,115	-	155,885
Salaries, administrative	389,785	381,727	8,058	3,416	385,143
Salaries, clerical	226,201	215,142	11,059	(8,288)	206,854
Salaries, maintenance and construction	180,000	170,520	9,480	183	170,703
Salaries, technical	1,586,856	1,494,804	92,052	32,551	1,527,355
	<u>\$ 3,169,247</u>	<u>\$ 2,936,062</u>	<u>\$ 233,185</u>	<u>\$ 27,779</u>	<u>\$ 2,963,841</u>

HBE

Lower Platte South Natural Resources District

SCHEDULE OF INFORMATION REQUIRED BY NEBRASKA STATUTES -
BUDGETARY BASIS

For the year ended June 30, 2020

Gross income from all sources	\$ 11,880,677
Amount expended for maintenance, improvements and other such programs	\$ 5,814,838
Amount of depreciation on property	\$ 647,791
Number of employees as of June 30	31
Salaries paid to employees	\$ 2,262,193

Bidding practices of the District

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Lower Platte South Natural Resources District as of and for the year ended June 30, 2020, 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 13, 2020.

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 2020-001 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.

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.

ABE LLP

Lincoln, Nebraska
October 13, 2020

Lower Platte South Natural Resources District

SCHEDULE OF CONTROL DEFICIENCIES

Year ended June 30, 2020

Findings - Financial Statements Audit

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

2020-001 - *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.

Context: We reviewed the District's organizational chart and performed interviews of personnel and management to determine if management has the ability to prepare the financial statements in accordance with the modified cash basis of accounting.

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.

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.

Identification of repeat finding: This is a repeat finding from the immediate previous audit, 2019-2.

Views of Responsible Officials and Planned Corrective Actions: The District's Board of Directors continually evaluates the distribution of duties to employees and monitors accounting functions.



LOWER PLATTE SOUTH
natural resources district

3125 Portia Street | P.O. Box 83581 • Lincoln, Nebraska 68501-3581
P: 402.476.2729 • F: 402.476.6454 | www.lpsnrd.org

SCHEDULE OF RESPONSES

Year ended June 30, 2020

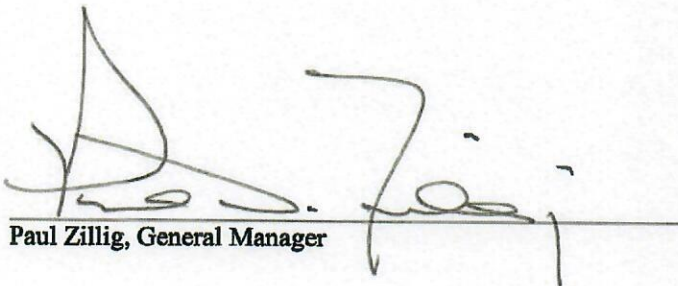
The corrective action plan for the findings included in the schedule of findings and questioned costs is summarized as follows:

Finding 2020-001 Internal Control over Preparation of the Financial Statements

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

Anticipated Completion Date: Continuous.

Responsible: Management and Board of Directors.



Paul Zillig, General Manager

Lower Platte South Natural Resources District
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year ended June 30, 2020

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:

2019-1 *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: Corrected.

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

2019-2 *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.

**LOWER PLATTE SOUTH NATURAL RESOURCES
DISTRICT
P.O. BOX 83581
LINCOLN, NE 68501-3581**

October 13, 2020

HBE LLP
7140 Stephanie Lane
P.O. Box 23110
Lincoln, NE 68542-3110

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, 2020, and for the year 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 13, 2020:

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.

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Lincoln, NE 68542-3110

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.
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 uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
12. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
13. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements 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* (FASB Accounting Standards Codification™ (ASC) 450, *Contingencies*), and we have not consulted a lawyer concerning litigation, claims, or assessments.
14. All funds and activities are properly classified.
15. 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.
16. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
17. 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 this policy.

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18. 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.
19. 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.
20. All interfund and intra-entity transactions and balances have been properly classified and reported.
21. Special items and extraordinary items have been properly classified and reported.
22. Deposit and investment risks have been properly and fully disclosed.
23. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
24. All required supplementary information is measured and presented within the prescribed guidelines.
25. 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.
26. With respect to preparation of the financial statements and depreciation schedule maintenance, 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.
27. 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.

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28. With respect to the supplementary 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 the 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.

Information Provided

29. 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,⁷ 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.
30. All transactions have been recorded in the accounting records and are reflected in the financial statements.
31. 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.
32. 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.

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33. 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.
34. 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.
35. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
36. 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.
37. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
38. Lower Platte South Natural Resources District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
39. We have disclosed to you all guarantees, whether written or oral, under which Lower Platte South Natural Resources District is contingently liable.
40. 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.
41. 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.
42. 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).

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43. 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, except as disclosed to you.
44. 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.

LOWER PLATTE SOUTH NATURAL RESOURCES DISTRICT

Signature

Title

GENERAL MANAGER

Signature

Title

SUMMARY AND EVALUATION OF MISSTATEMENTS AND OMITTED, INACCURATE, OR INCOMPLETE DISCLOSURES

[illegible]

Client: 1895-000 - Lower Platte South Natural Resources District
Engagement: 1895-000 - 2020 Audit
Trial Balance: Trial Balance
Workpaper: 3550 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To balance equity		GL		
254500	Fund Balance			
311000	Miscellaneous		203.10	
Total			203.10	203.10
Adjusting Journal Entries JE # 2				
To record property tax receivable adjustment PBC				
184100	Accounts Receivable - Property Taxes			
184000	US Treasury Bill (O & M Sinking)		160,283.87	
Total			160,283.87	160,283.87
Adjusting Journal Entries JE # 3				
To record PBC entries.		3599.03		
120000	Reimbursable Project Costs		4,312.07	
210010	Unearned Revenue		2,823.35	
419005	Directors Election		15,551.83	
421023	I & E General Awareness		3,900.28	
439010	Attorney Retainer & Fees		6,424.50	
447065	Homestead Trail O & M		1,000.00	
453001	Utilities		5.17	
470010	Surface Water Quality Practices		8,271.71	
201000	Accounts Payable			35,153.49
302470	Integrated Management Planning			2,823.35
303220	Watershed Structures Rehabilitation			4,312.07
Total			42,288.91	42,288.91
Adjusting Journal Entries JE # 4				
To adjust property plant and equipment to actual		4610/4625		
165010	Machinery and Equipment		500.00	
167010	Automobile and Trucks		30,500.00	
171010	Less Accumulated Depreciation		66,152.10	
405001	Auto & Truck Expense		589.39	
480000	Depreciation Expenses		11,148.57	
165010	Machinery and Equipment			12,769.45
167010	Automobile and Trucks			53,436.03
169010	Office Equipment			482.63
171010	Less Accumulated Depreciation			11,148.57
770010	Gain/Loss on Asset Disposal			31,053.38
Total			108,890.06	108,890.06

Visa Breakdown list of September 2020

Visa		461.49
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breakdown:

Deluxe	Supplies	461.49
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Visa		
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breakdown:

Youcanbookme	Services	30.90
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Visa		1,545.30
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breakdown:

Amazon	Supplies	33.98
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Amazon	Supplies	49.39
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Amazon	Supplies	188.36
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Amazon	Supplies	95.98
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Teamviewer	Supplies	637.07
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Amazon	Supplies	40.54
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Go Daddy	Services	199.99
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Amazon	Supplies	299.99
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Visa		1,064.93
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breakdown:

Amazon	Supplies	137.76
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Amazon	Supplies	88.79
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Amazon	Supplies	166.62
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Amazon	Supplies	671.76
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