



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

Memorandum

Date: October 15, 2021
To: Each Director
From: Paul D. Zillig, General Manager
Subject: Finance and Planning Subcommittee Meeting

The Finance and Planning Subcommittee met on Tuesday, October 12, 2021 at 5:30 pm in the NRD Large Conference Room. Subcommittee members present were Bob Andersen, Lisa Lewis, Ray Stevens, Vern Barrett, Tom Green, Bruce Johnson, Gary Hellerich and Larry Ruth. Others present included Deborah Eagan, Peter Fellers & Mikaela Davis of HBE Inc., Kristin Buntemeyer, David Potter and myself.

Chair Andersen called the meeting to order and a few introductions were made. Andersen asked Peter Fellers of HBE to report on the audit. Fellers reported that both Mikaela Davis and himself will be presenting the Audit Report for FY'21, for both the annual audit and the federal audit. Fellers reviewed a preliminary copy of the FY'2021 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, and Supplementary Information/Schedules for the annual audit.

Davis then reviewed the required State Statute reporting on income, maintenance, depreciation, employees, and bidding practices, a summary of Federal awards that resulted in the required Single/Federal Audit. Davis then reported on the Independent Auditor's Report on Internal Control over Compliance, and Schedules of Findings and Questioned Costs, and a Summary of Auditor's Results (page 34) and the Findings related to Material Audit Adjustments and Preparation of Financial Statements, Compliance for Reporting, and the Corrective Action Plan proposed by Management.

Davis and Fellers also reviewed the District's representation letter from Management confirming our responsibilities for financial statements and the information provided. They also reviewed the HBE letter to the Board and Management on strengthening internal controls and operating efficiency (attached).

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

It was moved by Stevens, seconded by Hellerich, and unanimously approved by the Subcommittee to **recommend the Board of Directors accept the June 30, 2021 Fiscal Year 2021 Financial Statements and Independent Auditor's Report, including the Single (Federal) Audit.**

The next item on the agenda was to report on proposals received for the purchase of two vehicles. I reported that we asked for proposals from the automotive dealers in the District. Due to inventory shortages we didn't receive any proposals. Early in 2022 staff will evaluate the vehicle availability and consider asking for proposals. Bruce Johnson asked that the Subcommittee discuss at the next meeting our criteria for trading in vehicles, this will be scheduled for the next meeting.

The Subcommittee then further discussed and provided input on the proposed Board Planning Retreat to be held in early 2022. Staff proposed that the dates for the retreat will be Friday, February 25 (late afternoon start) thru Saturday, February 26, 2021 (adjourn by mid afternoon) at the Lied Conference Center in Nebraska City. The theme of the retreat will be "Improving Resiliency". Ralph Lassiter has agreed to again facilitate the retreat. The Subcommittee agreed with the proposal and will report those dates at the Board Meeting.

There being no further business, the meeting adjourned at 6:25 pm.

Encl. 2

pc: Steve Seglin & Corey Wasserburger

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

June 30, 2021

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



CPAs & Consultants | Wealth Management

Lower Platte South Natural Resources District

Year ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2021, 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, 2021, 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, as identified in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as identified in the table of contents, and the Schedule of Expenditures of Federal Awards 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, as identified in the table of contents, and the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021, 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 solely 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 effectiveness of Lower Platte South Natural Resources District's 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 14, 2021

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, 2021.

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 include increases in cash & investments and sinking funds for future District projects and programs. The District continues to have funds available for the District's share of the Deadman's Run Flood Reduction Project, the completion of the watershed rehabilitation projects (Oak-Middle 82-B & Upper Salt 3-A), the Antelope Creek streambank repair project at approximately 40th Street, and the District was approved for an additional \$122,155 from the Railroad Transportation Safety District (RTSD) for the Rosa Parks Trail Project. The District continues to financially plan and budget for future projects (sinking fund balance of \$6.5M) and unexpected emergency expenditures (cash reserve of \$1.5M).

The District offers a number of 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. District payments for these programs totaled \$1.1M with the landowners share of the cost exceeding the District's share. Local interest in contributing toward projects that benefits natural resources remains high.

Another financial highlight of this fiscal year included changing the District's financial software. Staff changes presented an opportunity to make this change, and the new software is more user friendly and provides for better options for financial and software assistance. The change required additional work by accounting/bookkeeping staff during the transition, and by all accounts, the change has been a positive change for all aspects of our financial record keeping. The software changes also resulted in format changes to our financial reports. The reports have been updated to meet the Board's expectations. The District now has an accountant on staff and has made arrangements for additional accounting services, as needed.

Directors and staff were required to improvise how the District conducted business this past fiscal year. The pandemic limited "in-person" meetings for both Subcommittees and the Board. Staff utilized a combination of working virtually and working from the office. The financial impact of the pandemic on District finances was less than first anticipated. The pandemic appeared to have had a negative impact on the ability of staff, consultants, contractors, landowners, and the public to complete work and projects as efficiently as in non-pandemic years. Hopefully, we can continue with "in-person" meetings and pre-pandemic working conditions. The benefits of better communication and understanding of issues by the public, Directors, and staff is much better when we can conduct business "in-person".

Lower Platte South Natural Resources District

Management's Discussion and Analysis

Financial Highlights - Continued

Income from investments was approximately \$48,000 below the less than optimistic prediction of \$60,000. In previous years, investment income totaled over \$150,000 due to larger balances of investments and higher interest rates on CD's and savings. The District continues to have funds obligated for future projects, an increase in interest rates would benefit the District's financial situation.

	<u>2021</u>	<u>2020</u>
Capital assets	\$ 64,859,898	\$ 60,422,180
Other assets	<u>22,868,336</u>	<u>21,362,235</u>
 Total assets	 <u>\$ 87,728,234</u>	 <u>\$ 81,784,415</u>
 Liabilities	 <u>\$ 2,011,022</u>	 <u>\$ 1,140,979</u>
Net investment in capital assets	64,859,898	60,422,180
Unrestricted	<u>20,857,314</u>	<u>20,221,256</u>
 Total net position	 <u>85,717,212</u>	 <u>80,643,436</u>
 Total liabilities and net position	 <u>\$ 87,728,234</u>	 <u>\$ 81,784,415</u>

The District's expenditures for fiscal year 2021 did not exceed the budgeted amount, as shown in the following table.

	<u>Actual (Budgetary Basis)</u>	<u>Budget</u>
Receipts		
Federal	\$ 652,912	\$ 3,706,280
State	190,434	1,086,968
Local	780,561	2,508,777
Property taxes	10,326,127	10,156,870
Other	<u>28,948</u>	<u>-</u>
 Total receipts	 <u>\$ 11,978,982</u>	 <u>\$ 17,458,895</u>
Expenditures		
Administration	\$ 892,435	\$ 1,107,435
Project	2,701,775	10,206,935
Personnel	3,053,138	3,313,424
Other	<u>4,444,369</u>	<u>11,006,160</u>
 Total expenditures	 <u>\$ 11,091,717</u>	 <u>\$ 25,633,954</u>

Budgetary basis revenues exceeded expenditures by \$887,265 during the fiscal year ended June 30, 2021.

Lower Platte South Natural Resources District

Management's Discussion and Analysis

Financial Highlights - Continued

Significant differences between budgeted and actual expenditures included:

- The Deadman's Run Flood Reduction Project was delayed as detailed analysis of flood flows and the evaluation of the flume at the railroad bridge continued. Final design of the conveyance channel, flume, and local bridges and basin can't move forward until this information is finalized. Approximately \$2.25M of funds budgeted for this project were not expended this year.
- The Antelope Creek repairs at 40th Street, damages due to the 2015 flood, has progressed to the point that a Section 404 Permit is needed to mitigate some wetland loss in the channel. We are currently working to identify an acceptable mitigation solution. A total of \$1.94M of funds that were budgeted for the repairs were not expended this year.
- The District budgeted approximately \$690,000 for three repair projects on the Salt Creek Levee system. The District expended approximately \$260,000 on these projects and nearly \$430,000 remain to finish construction and engineering services.
- The USDA/NRCS Watershed Rehabilitation Program is partnering on funding rehab projects at Oak-Middle 82-B and Upper Salt 3-A. The District budgeted \$2.4M in funds for these projects. The contractors for both projects have essentially completed both projects and final payments are being determined. A little less than \$700,000 in funding was budgeted but not expended this fiscal year.
- Several trail corridor repair projects were budgeted. The Rosa Parks Trail is under construction, the Lied Platte River Bridge repairs from the 2019 flood have been repaired utilizing other funds, and several trail bridge repairs and bank stabilization projects will be bid the fall of 2021. Of the approximately \$1.5M budgeted a total of \$1.4M was not expended this fiscal year.
- The District 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 projects approved are not completed due to weather and a variety of other reasons. Of the \$2M budgeted, approximately \$1.2M in funding was not expended for these programs (cover crops, targeted watersheds, special practices, fertilizer meters, soil sampling, well decommissioning, etc.) this fiscal year.
- The District works with communities thru the Community Assistance Program (CAP) and other joint projects. Approximately 50% of the \$385,000 CAP funds were not expended this year. The District budgeted \$309,000 to help Waverly restore the Ash Hollow channel. The project was completed late this fiscal year, but no funds were expended this year. Additionally, the work was also completed for much less than the budgeted cost.
- The Eastern Nebraska Water Resources Assessment (ENWRA) budgeted \$600,000 and planned to apply for a grant to do additional AEM flights and analysis. ENWRA partners were not able to obligate the necessary funds and no funds were spent.
- The Prairie Corridor on Haines Branch (PCHB) project with the City of Lincoln anticipated the installation of improvements on several PCHB properties. The anticipated cost of the improvements was \$500,000. These funds were not expended as no improvements were completed.

Lower Platte South Natural Resources District

Management's Discussion and Analysis

Financial Highlights - Continued

- The District budgeted funds to be available to acquire conservation easements on unique natural resource areas or property in the Prairie Corridor on Haines Branch (PCHB). There was some landowner interest, but no properties or easements were acquired. A total of \$450,000 in funding was not expended this fiscal year.
- The District and City of Lincoln continued with their efforts to update master plans and implement projects. A consultant was selected and began work on updating the Master Plans, of the approximately \$215,000 budgeted, a total of approximately \$150,000 remains unexpended. The Beal Slough 70th to Pine Lake master plan project included \$629,270 in the budget; a total of \$294,000 was unexpended as of the end of the fiscal year.
- A number of other budgeted items had significant differences between budgeted and actual expenditures, they include: The Environmental Education programs were significantly reduced due to pandemic limitations on "in-classroom" visitors and materials, a total of nearly \$145,000 was not expended; the District budgeted \$200,000 for acquisition of a maintenance building, negotiations were not successful and the funds were not spent; a total of \$330,000 was budgeted for the preparation of the Little Salt Creek Watershed Plan, all funds are obligated under contract but \$130,000 was not expended; the Little Salt Creek Master Plan Project #2 is currently under construction, but the budgeted \$160,000 payment was not paid;

Significant differences between budgeted and actual revenues included:

- Federal funding was obligated from FEMA for the Antelope Creek repair project near 40th Street. Final design is currently on hold until the Section 404 Permit from the US Army Corps of Engineers can be obtained to satisfy wetland mitigation requirements. Final design, land rights, and construction has not begun. FEMA will reimburse the District once this work is completed and paid. The District received \$24,425 in Federal reimbursement this fiscal year. The remaining \$1,460,575 in Federal funds will not be reimbursed until the District fulfills the permit requirements, obtains the land rights/construction easement, and completes the required repairs.
- The District also is approved for Federal funding for the Oak-Middle 82-B and Upper Salt 3-A Watershed Rehabilitation Projects. Both projects are nearly 100% completed. This fiscal year, the District received federal reimbursements of approximately \$935,000 of the budgeted \$1,383,000 of anticipated revenues. Land rights reimbursements can't be claimed for both projects until the completion of the projects this fall.
- Federal revenues were also budgeted for the Twin Lakes Section 319 Project (\$60,000), but was delayed by the approval process and no funds were spent or reimbursed. The Little Salt Spring Saline Wetland projects were fully budgeted for in fiscal year 2021, but approximately only 50% of the work (\$330,000) was completed and reimbursed. The Lower Platte River Contingency Study included additional funds for further evaluation and implementation; none of the \$100,000 in Federal funds were expended or reimbursed for this work as the Coalition focused on other planning efforts.

Lower Platte South Natural Resources District

Management's Discussion and Analysis

Financial Highlights - Continued

- The Deadman's Run Flood Reduction Project anticipated revenues from both the City of Lincoln and Water Sustainability Fund. Final design of the conveyance channel by the US Army Corps of Engineers and bridges by consulting engineering firms has been on hold until flood flows and the flume analysis can be completed and inputted into the hydraulic model for the channel design. Due to delays in progress with the design of the project, lower expenditures were realized and less reimbursements were earned. Revenues anticipated from the Water Sustainability Fund were \$891,858 with only \$118,126 received and anticipated revenues from the City of Lincoln of \$718,803 with only \$31,584 received.
- The District planned to partner with the National Guard on the installation of 3 stream gages on the Platte River Chutes near Ashland. The Guard would advance the District \$70,270 for the 3-year stream gage expense and the District would contract with USGS for the work and pay \$33,617 in the first year. The Guard decided to contract directly with USGS. The District didn't incur any expense and no funds from the Guard were advanced to the District.
- The Eastern Nebraska Water Resources Assessment (ENWRA) budgeted \$600,000 for additional AEM flights and planned to reimburse the District a total of \$360,000. ENWRA partners were not able to obligate the necessary funds, so no funds were spent by the District and no funds were reimbursed to the District.
- The Prairie Corridor on Haines Branch (PCHB) project with the City of Lincoln anticipated the installation of improvements on several PCHB properties by the District and reimbursed by the City. The anticipated cost of the improvements was \$500,000; these funds were not expended nor reimbursed to the District.
- The District budgeted funds to be reimbursed from the acquisition of conservation easements or property in the Prairie Corridor on Haines Branch (PCHB). A total of \$100,000 in funding was not reimbursed (or expended) this fiscal year.
- The District budgeted anticipating the completion of the Beal Slough 70th to Pine Lake Master Plan project and reimbursement of 50% of the cost by the City of Lincoln. The project was not completed this fiscal year; the remaining \$100,000 will be reimbursed next fiscal year.

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, 2021

	<u>General Fund</u>	<u>Adjustments (Note I)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash (note B)	\$ 1,876,497	\$ -	\$ 1,876,497
Investments (note B)	15,134,735	-	15,134,735
Cash at County Treasurer	195,445	-	195,445
Accounts receivable (notes A and D)	1,375,272	-	1,375,272
Property taxes receivable (note A)	4,286,387	-	4,286,387
Capital assets (notes A and E)			
Land	-	22,392,375	22,392,375
Other capital assets	-	50,259,525	50,259,525
Accumulated depreciation	-	(7,792,002)	(7,792,002)
Total assets	<u>\$ 22,868,336</u>	<u>\$ 64,859,898</u>	<u>\$ 87,728,234</u>
LIABILITIES			
Accounts payable	\$ 872,740	\$ -	\$ 872,740
Deposits	1,000	-	1,000
Compensated absences payable (note A)	-	187,832	187,832
Accrued salaries and benefits payable	2,260	-	2,260
Accrued payroll liabilities	58,355	-	58,355
Deferred revenue (note A)	2,808	-	2,808
Funds held for interlocal agreements (note A)	886,027	-	886,027
Total liabilities	<u>1,823,190</u>	<u>187,832</u>	<u>2,011,022</u>
FUND BALANCE/NET POSITION			
Fund balance (notes A and C)			
Committed	2,901,254	(2,901,254)	-
Assigned	10,705,980	(10,705,980)	-
Unassigned	7,437,912	(7,437,912)	-
Total fund balance	<u>21,045,146</u>	<u>(21,045,146)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 22,868,336</u>		
Net position (note A)			
Net investment in capital assets		64,859,898	64,859,898
Unrestricted		20,857,314	20,857,314
Total net position		<u>64,672,066</u>	<u>85,717,212</u>
Total liabilities and net position		<u>\$ 64,859,898</u>	<u>\$ 87,728,234</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, 2021

	General Fund	Adjustments (Note I)	Statement of Activities
Revenues			
State grants and funds	\$ 218,002	\$ -	\$ 218,002
Federal grants and funds	1,521,053	-	1,521,053
Local grants and reimbursements	623,908	-	623,908
Property taxes	10,207,133	-	10,207,133
Investment earnings	12,136	-	12,136
Contributed land (note J)	665,324	-	665,324
Miscellaneous income	3,812	-	3,812
Proceeds from sale of assets	13,000	-	13,000
Total revenues	13,264,368	-	13,264,368
Expenditures/expenses			
Administration	866,549	-	866,549
Projects and improvements	3,500,502	-	3,500,502
Personnel	3,127,148	24,418	3,151,566
Depreciation	-	671,975	671,975
Capital outlay	5,109,693	(5,109,693)	-
Total expenditures/expenses	12,603,892	(4,413,300)	8,190,592
Excess (deficit) of revenues over expenditures/expenses	660,476	(660,476)	-
Change in net position	-	5,073,776	5,073,776
Fund balance/net position			
Beginning of year	20,384,670	60,258,766	80,643,436
End of year	\$ 21,045,146	\$ 64,672,066	\$ 85,717,212

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 2020 taxes due August 1 and September 1, 2021. All delinquent prior years' taxes are determined to be uncollectible and are not included in taxes receivable. The District considers 2020 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 position. 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 are as follows:

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, 2021, 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, 2021				
	REMAINING TOTAL COST	REMAINING REIMBURSEMENT	NET NRD COST	COMMITTED	ASSIGNED
I&E Programs and Projects	\$ 24,500	\$ -	\$ 24,500	\$ -	\$ 24,500
I&E Env. Education	215,200	-	215,200	70,000	145,200
I&E General Awareness	246,900	-	246,900	67,960	178,940
Surface Water Quality Practices	1,200,000	59,600	1,140,400	242,034	898,366
Special Practices	75,000	-	75,000	75,000	-
Buffer Strips	36,250	31,950	4,300	4,300	-
Salt Valley Lakes	300,000	-	300,000	61,224	238,776
Stevens Creek Watershed	75,000	-	75,000	-	75,000
Cover Crop	125,000	-	125,000	1,400	123,600
Water Quality BMP Projects	150,000	90,000	60,000	-	60,000
GIS Support	14,000	-	14,000	-	14,000
GIS Aerial Imagery Project	23,000	-	23,000	6,200	16,800
GIS Mapping ROW	10,000	-	10,000	-	10,000
LPRCA Coordinator	5,010	5,010	-	-	-
LPRCA Programs and Projects	88,255	88,255	-	-	-
DC Consultant Services	24,000	-	24,000	24,000	-
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	30,000	20,000
Water Quality Management Plan	50,000	30,000	20,000	-	20,000
Western Sarpy / Clear Creek Project	50,000	-	50,000	-	50,000
Trails Administration	3,000	-	3,000	-	3,000
Mopac East O&M	490,500	-	490,500	-	490,500
Mopac East Planning and Development	50,000	16,000	34,000	-	34,000
Salt Creek Trail Planning and Development	293,000	177,150	115,850	115,850	-
Oak Creek Trail O&M	68,500	-	68,500	-	68,500
Oak Creek Trail Planning & Development	350,000	-	350,000	272	349,728
Homestead Trail O&M	952,700	-	952,700	42,089	910,611
Plattsmouth Hwy 75 Trail Bridge	40,000	-	40,000	40,000	-
Wildlife Management Areas O&M	117,000	-	117,000	-	117,000
Diversify Grassland	25,000	-	25,000	-	25,000
Conservation Easements	200,000	-	200,000	-	200,000
PCHB O&M / Project Coordination	649,900	526,800	123,100	60,000	63,100
Haines Branch Corridor	200,000	200,000	-	-	-
Saline Wetlands Partnership Support	280,000	232,000	48,000	48,000	-
Wetland O&M	111,000	7,000	104,000	10,000	94,000
Wetland 404 Monitoring	6,000	-	6,000	6,000	-
Saline Wetlands Conservation Easements	200,000	-	200,000	-	200,000
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	10,000	-	10,000	-	10,000
Community Forestry Program	30,000	-	30,000	-	30,000
Sales Tax	5,128	5,128	-	-	-
Beal Slough	208,250	105,557	102,693	102,693	-
Little Salt Creek	165,410	82,705	82,705	82,705	-
BMP Demos/C-S	15,000	-	15,000	15,000	-
Urban Water Quality Cost-Shares	20,000	-	20,000	2,000	18,000
Basin Master Plan	240,000	-	240,000	240,000	-

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

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

PROJECT	June 30, 2021				
	REMAINING TOTAL COST	REMAINING REIMBURSEMENT	NET NRD COST	COMMITTED	ASSIGNED
Salt Cr Flood Warning	\$ 70,000	\$ 25,000	\$ 45,000	\$ 22,396	\$ 22,604
Lincoln Storm Water Management Programs	12,500	-	12,500	12,500	-
E&SC Administration Cost-Share	30,000	-	30,000	30,000	-
Conservation Easement Inspections	25,000	-	25,000	4,489	20,511
DMR, Flood Reduction Recon. Study	1,568,162	1,138,715	429,447	429,447	-
South Salt Creek Master Plan	27,700	2,000	25,700	25,700	-
Oak Cr. Lynn Cr. N Salt Cr. Tribs Master Plan	75,000	-	75,000	75,000	-
Non-Basin Master Plan Projects	155,000	-	155,000	155,000	-
Structrual Measures Analysis	100,000	-	100,000	100,000	-
Salt Creek O&M	1,356,000	-	1,356,000	13,512	1,342,488
Salt Creek SWIF	38,045	-	38,045	38,045	-
DMR O&M	432,267	-	432,267	9,267	423,000
Ant Cr O&M	741,120	50,000	691,120	18,619	672,501
Antelope Valley Routine O&M	255,000	-	255,000	-	255,000
Stevens Creek	10,000	-	10,000	-	10,000
Oak Cr O&M	45,000	-	45,000	-	45,000
Beal Slough, O&M	105,000	-	105,000	-	105,000
Lynn Creek, O&M	20,000	-	20,000	-	20,000
Ash Hollow O&M	91,670	-	91,670	-	91,670
O&M Equip & Supplies	40,000	-	40,000	-	40,000
Ant Cr Major O&M	2,305,000	1,485,000	820,000	13,155	806,845
Oak Creek Major O&M	51,997	-	51,997	41,997	10,000
Salt Creek Major O&M/Rehabilitation	372,848	-	372,848	130,348	242,500
Beal Slough Major O&M	110,000	-	110,000	-	110,000
Beal Slough Channel Improvements	20,000	-	20,000	-	20,000
Flood Plain Purchase/Easements	25,000	-	25,000	-	25,000
Community Assistance, General Projects	416,095	-	416,095	216,095	200,000
Road Structure O&M	95,000	-	95,000	-	95,000
Piening FC Dam	98,000	-	98,000	-	98,000
FC Dams O&M	15,000	-	15,000	-	15,000
Watershed Dams O&M	250,000	-	250,000	-	250,000
Watershed Rehab	971,181	971,181	-	-	-
Watershed Structures Rehab	90,000	85,000	5,000	-	5,000
Clearing and Snagging	80,000	-	80,000	-	80,000
Stream Stabilization above clean lakes	20,000	-	20,000	-	20,000
Lower Salt Cr Stream Stability	20,000	-	20,000	-	20,000
Stream Stability Demos with agencies	20,000	-	20,000	-	20,000
Stream Degradation control projects/landowners	20,000	-	20,000	-	20,000
USGS Stream Gages Co-op	70,000	-	70,000	34,122	35,878
Surface Water Quality Monitoring	10,000	-	10,000	-	10,000
Lower Salt Cr Phase II	48,000	-	48,000	-	48,000
Phase I and II CWSPAs	175,600	-	175,600	92,817	82,783
Monitoring Q & Q Program	245,000	24,500	220,500	-	220,500
GW BMP Programs	83,122	4,150	78,972	-	78,972
Geophysical Mapping Project	461,000	259,150	201,850	-	201,850
Monitoring well installation	130,000	-	130,000	-	130,000
ENWRA Projects	211,220	163,532	47,688	-	47,688
ENWRA AEM Flights	240,000	144,000	96,000	-	96,000
ENWRA Coordinator	68,368	68,368	-	-	-
IMP - Water Inventory	234,363	136,976	97,387	29,518	67,869
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	\$ 19,879,211	\$ 6,271,977	\$ 13,607,234	\$ 2,901,254	\$10,705,980

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

Federal grants and cost share agreements	\$ 1,278,905
Intergovernmental reimbursements	42,401
State grants	<u>53,966</u>
	<u>\$ 1,375,272</u>

NOTE E - CAPITAL ASSETS

	<u>2020</u>	<u>Additions During Year</u>	<u>Disposals During Year</u>	<u>2021</u>
Capital assets, not depreciated				
Land	\$ 21,727,051	\$ 665,324	\$ -	\$ 22,392,375
Capital assets, depreciated				
Infrastructure	41,162,958	3,915,600	-	45,078,558
Buildings	2,944,909	-	-	2,944,909
Construction in progress	395,252	412,936	-	808,188
Office equipment	281,071	-	9,631	271,440
Machinery and equipment	529,191	46,772	-	575,963
Vehicles	530,384	69,061	18,978	580,467
Total capital assets, depreciated	<u>45,843,765</u>	<u>4,444,369</u>	<u>28,609</u>	<u>50,259,525</u>
Less accumulated depreciation for:				
Infrastructure	4,896,780	489,642	-	5,386,422
Buildings	1,226,400	72,031	-	1,298,431
Office equipment	254,787	11,790	-	266,577
Machinery and equipment	400,815	42,950	9,631	434,134
Vehicles	369,854	55,562	18,978	406,438
Total accumulated depreciation	<u>7,148,636</u>	<u>671,975</u>	<u>28,609</u>	<u>7,792,002</u>
Total capital assets, depreciated, net	<u>38,695,129</u>	<u>3,772,394</u>	<u>-</u>	<u>42,467,523</u>
Total capital assets, net	<u>\$ 60,422,180</u>	<u>\$ 4,437,718</u>	<u>\$ -</u>	<u>\$ 64,859,898</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, 2021 was \$226,054, which consisted of \$125,479 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 include rent expenses of \$31,754 for the year ended June 30, 2021.

Minimum lease payments for the years following June 30, 2021 are as follows:

<u>Fiscal Year</u>	
2022	\$ 9,172
2023	985
	<u>\$ 10,157</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	\$ 21,045,146
Accrued compensated absences represent amounts not due and payable in the current period and therefore, are not reported in the fund.	(187,832)
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund.	<u>64,859,898</u>
Net position of the governmental activities	<u>\$ 85,717,212</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	\$ 660,476
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	5,109,693
Depreciation expense	(671,975)
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>(24,418)</u>
Change in net position	<u>\$ 5,073,776</u>

NOTE J - CONTRIBUTED LAND

During the year, the District received and placed into service contributed land totaling \$665,324 for use in The Prairie Corridor on Haines Branch project, which includes a planned 10-mile passageway connecting the Pioneers Park Nature Center, Spring Creek Prairie Audubon Center, and Conestoga Lake State Recreation Area, roughly 10 miles southwest of Lincoln, Nebraska. The project includes the involvement of multiple agencies, including Nebraska Environmental Trust (NET), City of Lincoln Parks & Recreation, Spring Creek Prairie Audubon Center, Lancaster County, Lincoln Parks Foundation, Nebraska Game and Parks Commission, Nebraska's School of Natural Resources, and the District.

Lower Platte South Natural Resources District

NOTES TO FINANCIAL STATEMENTS

NOTE K - 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 and delays in project approval and completion.

NOTE L - 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, 2021

	Original and Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget to GAAP Differences (Over) Under	Actual Amounts GAAP Basis
Revenues					
State grants and funds	\$ 1,086,968	\$ 190,434	\$ (896,534)	\$ 27,568	\$ 218,002
Federal grants and funds	3,706,280	652,912	(3,053,368)	868,141	1,521,053
Local grants and reimbursements	2,508,777	780,561	(1,728,216)	(156,653)	623,908
Property taxes	10,156,870	10,326,127	169,257	(118,994)	10,207,133
Investment earnings	-	12,136	12,136	-	12,136
Contributed land	-	-	-	(665,324)	665,324
Miscellaneous income	-	3,812	3,812	-	3,812
Proceeds from sale of assets	-	13,000	13,000	-	13,000
Total revenues	<u>17,458,895</u>	<u>11,978,982</u>	<u>(5,479,913)</u>	<u>(45,262)</u>	<u>13,264,368</u>
Expenditures					
Administration	1,107,435	892,435	215,000	(25,886)	866,549
Projects and improvements	10,206,935	2,701,775	7,505,160	798,727	3,500,502
Personnel	3,313,424	3,053,138	260,286	98,428	3,151,566
Depreciation	-	-	-	671,975	671,975
Capital outlay	11,006,160	4,444,369	6,561,791	(4,444,369)	-
Total expenditures	<u>25,633,954</u>	<u>11,091,717</u>	<u>14,542,237</u>	<u>(2,901,125)</u>	<u>8,190,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (8,175,059)</u>	<u>\$ 887,265</u>	<u>\$ 9,062,324</u>	<u>\$ 2,855,863</u>	<u>\$ 5,073,776</u>

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

Depreciation expense	\$ (671,975)
Contributed land	(665,324)
Capital asset cash purchases	4,444,369
Increase (decrease) in assets	
Accounts receivable	739,056
Prepaid expenses	(1,235)
Property taxes receivable	(118,994)
(Increase) decrease in liabilities	
Accounts payable	(781,581)
Compensated absences payable	(24,417)
Accrued payroll liabilities	(58,345)
Accrued salaries and benefits payable	(1,179)
Deferred revenue	(2,808)
Funds held for interlocal agreements	(1,704)
Excess of revenues over expenditures - budget to GAAP	<u>\$ 2,855,863</u>

SUPPLEMENTARY INFORMATION

Lower Platte South Natural Resources District

SCHEDULE OF ADMINISTRATIVE EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2021

	Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)	Budget to GAAP Differences (Over) Under	Actual Amounts GAAP Basis
Auto and truck expense	\$ 60,000	\$ 43,174	\$ 16,826	\$ (2,386)	\$ 40,788
Directors expense	44,000	6,706	37,294	-	6,706
Directors per diem	59,000	57,591	1,409	-	57,591
Dues and memberships	50,298	51,203	(905)	-	51,203
Personnel expenses	50,000	8,302	41,698	(1,538)	6,764
Fees and licenses	125,000	116,914	8,086	(15,552)	101,362
Bonding expense	1,340	140	1,200	-	140
Insurance	112,000	103,462	8,538	(65)	103,397
Legal notices	6,000	3,826	2,174	-	3,826
Office supplies and expense	205,213	175,557	29,656	1,559	177,116
Postage	3,500	4,214	(714)	-	4,214
Professional services	206,000	180,525	25,475	(6,424)	174,101
Rent expense	14,400	10,800	3,600	-	10,800
Telephone	47,000	39,037	7,963	(167)	38,870
Utilities	30,000	18,487	11,513	(2,000)	16,487
Miscellaneous	4,184	4,183	1	-	4,183
Small equipment	12,000	-	12,000	-	-
Building maintenance	77,500	68,314	9,186	687	69,001
	<u>\$ 1,107,435</u>	<u>\$ 892,435</u>	<u>\$ 215,000</u>	<u>\$ (25,886)</u>	<u>\$ 866,549</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, 2021

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget to GAAP Differences (Over) Under</u>	<u>Actual Amounts GAAP Basis</u>
Fees and licenses	\$ 2,700,066	\$ 1,172,234	\$ 1,527,832	\$ 74,981	\$ 1,247,215
Information and education	467,500	236,467	231,033	(8,999)	227,468
Professional services	64,900	24,680	40,220	-	24,680
Project operation and maintenance	3,770,990	697,706	3,073,284	(3,809)	693,897
Development of district holdings	51,000	21,400	29,600	(475)	20,925
Sales tax	5,128	-	5,128	-	-
Wildlife habitat	290,450	89,886	200,564	(173)	89,713
Land and water treatment	1,988,250	842,597	1,145,653	(8,272)	834,325
Intergovernmental cost sharing	868,651	362,942	505,709	(663)	362,279
Buildings	200,000	-	200,000	-	-
Construction in progress	-	412,936	(412,936)	(412,936)	-
Automobiles and trucks	-	69,061	(69,061)	(69,061)	-
Infrastructure	10,806,160	3,169,463	7,636,697	(3,169,463)	-
Machinery	-	46,772	(46,772)	(46,772)	-
Office equipment	-	-	-	-	-
	<u>\$21,213,095</u>	<u>\$ 7,146,144</u>	<u>\$ 14,066,951</u>	<u>\$ (3,645,642)</u>	<u>\$ 3,500,502</u>

Lower Platte South Natural Resources District

SCHEDULE OF PERSONNEL COSTS
BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2021

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget to GAAP Differences (Over) Under</u>	<u>Actual Amounts GAAP Basis</u>
Employee benefits	\$ 629,518	\$ 569,275	\$ 60,243	\$ (99)	\$ 569,176
Payroll taxes	190,000	110,980	79,020	58,354	169,334
Salaries, administrative	404,855	413,826	(8,971)	(1,948)	411,878
Salaries, clerical	227,964	194,670	33,294	2,420	197,090
Salaries, maintenance and construction	190,000	163,467	26,533	14,578	178,045
Salaries, technical	1,671,087	1,600,920	70,167	25,123	1,626,043
	<u>\$ 3,313,424</u>	<u>\$ 3,053,138</u>	<u>\$ 260,286</u>	<u>\$ 98,428</u>	<u>\$ 3,151,566</u>

Lower Platte South Natural Resources District

SCHEDULE OF INFORMATION REQUIRED BY NEBRASKA STATUTES - BUDGETARY BASIS

For the year ended June 30, 2021

Gross income from all sources	\$ 11,978,982
Amount expended for maintenance, improvements and other such programs	\$ 7,214,458
Amount of depreciation on property	\$ 671,975
Number of employees as of June 30	29
Salaries paid to employees	\$ 2,372,883

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.

Lower Platte South Natural Resources District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

Federal Grantor/Program Title	Pass through Grantor	Assistance Listing Number	Grant Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Natural Resources Conservation Service (NRCS)				
Soil and Water Conservation	National Association of Conservation Districts (NACD)	10.902		\$ 53,792
Watershed Protection and Flood Prevention		10.904	NR206526XXXXC014	251,772
Watershed Rehabilitation Program		10.916	65-6526-5-892	198,367
Watershed Rehabilitation Program		10.916	69-6526-4-871	996,805
				<u>1,195,172</u>
				1,500,736
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Nebraska Emergency Management Agency (NEMA)	97.036		15,495
				<u>\$ 1,516,231</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation. The accompanying schedule of federal awards includes the federal grant activity of Lower Platte South Natural Resources District (the District) and is presented on the accrual basis of accounting. Grant awards are considered expended when the expense transactions associated with the grant occur. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the financial statements.

Subrecipients. The District provided no federal awards to subrecipients.

Indirect Costs. The District did not elect to use the ten percent de minimis indirect cost rate as allowed in the Uniform Guidance, 2 CFR 200.414.

SINGLE AUDIT SECTION

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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, 2021, 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 14, 2021.

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.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

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 schedule of findings and questioned costs and 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 14, 2021



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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Lower Platte South Natural Resources District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Lower Platte South Natural Resources District's major federal programs for the year ended June 30, 2021. Lower Platte South Natural Resources District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lower Platte South Natural Resources District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lower Platte South Natural Resources District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lower Platte South Natural Resources District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lower Platte South Natural Resources District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Lower Platte South Natural Resources District's response to the noncompliance findings identified in our audit are described in the accompanying scheduling of findings and questioned costs and corrective action plan. Lower Platte South Natural Resources District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Lower Platte South Natural Resources District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lower Platte South Natural Resources District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lower Platte South Natural Resources District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-003, that we consider to be a material weakness and a significant deficiency, respectively.

Lower Platte South Natural Resources District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Lower Platte South Natural Resources District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Lincoln, Nebraska
October 14, 2021

Lower Platte South Natural Resources District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

Summary of Auditor's Results

- a. An unmodified audit report was issued on the financial statements of Lower Platte South Natural Resources District.
- b. Two material weaknesses (2021-001 and 2021-002) in internal control were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which would be material to the financial statements.
- d. One material weakness (2021-002) and one significant deficiency (2021-003) in internal control over Lower Platte South Natural Resources District's major federal award program was disclosed by the audit.
- e. An unmodified audit report was issued on compliance for Lower Platte South Natural Resources District's major federal award program.
- f. The audit disclosed two findings (2021-002 and 2021-003) which were required to be reported relative to the major federal award program.
- g. The program tested as a major program was U.S. Department of Agriculture – Natural Resources Conservation Service (NRCS), Watershed Rehabilitation Program – Assistance Listing No. 10.916.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Lower Platte South Natural Resources District did not qualify as a low-risk auditee as defined by the Uniform Guidance.

Findings - Financial Statements Audit

2021-001 - Material Audit Adjustments

Criteria: SAS 115 requires the communication, in writing, to management and those charged with governance, of material weaknesses identified in an audit.

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

Cause: Management did not identify adjustments necessary to present the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Material audit adjustments were proposed to correct account balances.

Effect or potential effect: The control deficiency is a material weakness that results in material misstatements of the financial statements that were not prevented, or detected and corrected on a timely basis.

Lower Platte South Natural Resources District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

Recommendation: Management should review year-end balances to ensure all necessary adjustments are made and balances are reflected accurately in accordance with U.S. GAAP.

Views of Responsible Officials: Management will continue to enhance its internal control process for identifying and correcting material misstatements during the course of the year, including performing regular reviews of balance sheet accounts and transactions resulting from project activities.

2021-002 - Preparation of the Financial Statements

Identification data: U.S. Department of Agriculture – Natural Resources Conservation Service (NRCS), Watershed Rehabilitation Program, Assistance Listing No. 10.916, Agreement Identifying No. 65-6526-5-892 and 69-6526-4-871.

Criteria: SAS 115 and the Uniform Guidance requires the communication, in writing, to management and those charged with governance, of material weaknesses identified in an audit.

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

Cause: Accounting personnel of the District do not have the expertise to prepare financial statements, including note disclosures and the schedule of expenditures of federal awards, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Additionally, accrual-based adjustments related to federally funded project activities were not identified properly by the accounting personnel.

Effect or potential effect: The control deficiency is a material weakness that results in a reasonable possibility that a material misstatement of the financial statements and schedule of expenditures of federal awards will not be prevented, or detected and corrected on a timely basis.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2020-001.

Recommendation: The District should continue to rely on the board of director's review functions to mitigate risks of potential misstatements. The District may also consider additional training for the accounting personnel to ensure federally-funded project related activities are properly tracking and accounted for.

Views of Responsible Officials: The District will continue to rely on its system of oversight provided by the board of directors in reviewing the financial statements, including note disclosures and the schedule of expenditures of federal awards, of the District. The District will also evaluate training needs for the accounting personnel.

Lower Platte South Natural Resources District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

Findings - Major Federal Awards Program Audit

2021-002 - Preparation of the Financial Statements

This finding, described in the Findings – Financial Statements Audit section above, is also considered a finding under the Major Federal Awards Program Audit.

2021-003 - Noncompliance and Internal Controls over Compliance for Reporting

Identification data: U.S. Department of Agriculture – Natural Resources Conservation Service (NRCS), Watershed Rehabilitation Program, Assistance Listing No. 10.916, Agreement Identifying No. 65-6526-5-892 and 69-6526-4-871.

Criteria: The District’s agreements with the U.S. Department of Agriculture – Natural Resources Conservation Service (NRCS) require the District to submit quarterly SF-425 Federal Financial Reports and semi-annual progress reports throughout the life of the agreements. Additionally, the SF-425 Federal Financial Reports are due at the end of the month following the quarter.

Condition: The District failed to submit SF-425 Federal Financial Reports for the quarters ended September 30, 2020, December 31, 2020, and March 31, 2021 for each of its agreements. For the SF-425 Federal Financial Reports submitted by the District for the quarter ended June 30, 2021, the District did not file such reports timely. Additionally, the District failed to submit the semi-annual progress reports for the agreements for the period ended December 31, 2020.

Cause: A breakdown in the District’s internal controls over reporting did not allow the District to meet the reporting requirements under the award agreements.

Effect or potential effect: The control deficiency is a significant deficiency that prevented the District from complying with the reporting requirements of the award agreements.

Recommendation: The District should review its system of internal control over reporting to determine improvements that can be made to ensure the District actively tracks and adheres to reporting requirements outlined in its award agreements.

Views of Responsible Officials: The District will evaluate its system of internal control over reporting to determine how the District can better monitor and comply with reporting requirements of its award agreements.



LOWER PLATTE SOUTH
natural resources district

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

CORRECTIVE ACTION PLAN

Year ended June 30, 2021

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

Finding 2021-001 Material Audit Adjustments

Corrective Action Planned: Management will continue to enhance its internal control process for identifying and correcting material misstatements during the course of the year, including performing regular reviews of balance sheet accounts and transactions resulting from project activities.

Anticipated Completion Date: June 30, 2022

Responsible: Management and Board of Directors.

Finding 2021-002 Preparation of the Financial Statements

Corrective Action Planned: The District will continue to rely on its system of oversight provided by the board of directors in reviewing the financial statements, including note disclosures and the schedule of expenditures of federal awards, of the District. The District will also evaluate training needs for the accounting personnel.

Anticipated Completion Date: Continuous.

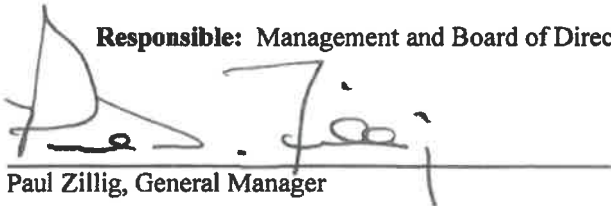
Responsible: Management and Board of Directors.

Finding 2021-003 Noncompliance and Internal Controls over Compliance for Reporting

Corrective Action Planned: The District will evaluate its system of internal control over reporting to determine how the District can better monitor and comply with reporting requirements of its award agreements.

Anticipated Completion Date: June 30, 2022

Responsible: Management and Board of Directors.


Paul Zillig, General Manager



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

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year ended June 30, 2021

Finding - 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 *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: The District will continue to rely on its system of oversight provided by the board of directors in reviewing the financial statements.

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 the 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.



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October 14, 2021

The Board of Directors and Management
Lower Platte South Natural Resources District
P.O. Box 83581
Lincoln, NE 68501-3581

Dear Board Members and Management:

In planning and performing our audit of the financial statements of Lower Platte South Natural Resources District for the year ended June 30, 2021, we considered the District’s internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

This letter does not affect our report dated October 14, 2021 on the financial statements of Lower Platte South Natural Resources District. The District received an unmodified audit opinion for the year ended June 30, 2021. However, during our audit we became aware of some matters that create an opportunity for strengthening internal controls and operating efficiency.

Accrual Basis Adjustments

During the audit, several audit adjustments were proposed due to deficiencies in the District’s internal controls related to tracking accrual-based project costs and related liabilities, and related reimbursable project costs receivable. Accurate financial reporting requires that the District capture all accrual-based activity, preferably on a monthly basis. Accrual-based accounting records revenues when they’re earned and liabilities when they’re incurred, regardless of when actual payments are received or made.

We recommend the District review its processes for tracking accrual-based project costs and related liabilities, including retainage, as well as related reimbursable project costs receivable, to ensure accurate and complete financial reporting during the year. We have discussed proper recording of these transactions with members of management and have recommended improvements to the District’s processes to accurately track such activity.

Billing Reimbursable Project Costs

During the audit, we noted that the reimbursable project costs receivable account balance had increased significantly from historical levels of this account in prior years. The historical balances of the reimbursement project costs receivable account are as follows:

June 30, 2021	\$1,375,272
June 30, 2020	\$ 636,215
June 30, 2019	\$ 866,673
June 30, 2018	\$ 228,020

7140 Stephanie Lane | P.O. Box 23110 | Lincoln, NE | 68542-3110 | p: 402.423.4343 | f: 402.423.4346
1314 Andrews Drive | Norfolk, NE | 68701 | p: 402.379.9294 | f: 402.379.2338
1121 N 102nd Court, #100 | Omaha, NE | 68114 | p: 402.895.5050 | f: 402.895.5723

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

Further investigation noted that although approximately \$1,006,000 of the balance as of June 30, 2021 was related to two primary projects, prudent fiscal management recommends pursuing collection of the balances in more frequent intervals. Furthermore, because a portion of the receivable balance is related to project costs occurring in prior years, the ability to collect the reimbursable portion of prior year costs may be diminished if amounts are not billed on a timely manner or if discrepancies in the billed amounts arises. We recommend the District develop a standard procedure for timely billing of receivables that would ensure more frequent collection.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with members of management, and we would be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Very truly yours,

HBE LLP

A handwritten signature in black ink, appearing to read "Kiley Wiechman". The signature is written in a cursive, flowing style.

Kiley A. Wiechman, CPA
Partner

KAW/jwf