



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Charlie Janssen  
State Auditor

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September 10, 2019

Sen. Joni Albrecht  
State Capitol, Room 1404  
P.O. Box 94604  
Lincoln, NE 68509

Sen. Mike Groene  
State Capitol, Room 1306  
P.O. Box 94604  
Lincoln, NE 68509

Sen. Steve Erdman  
State Capitol, 12<sup>th</sup> Floor  
P.O. Box 94604  
Lincoln, NE 68509

Sen. Ben Hansen  
State Capitol, 11<sup>th</sup> Floor  
P.O. Box 94604  
Lincoln, NE 68509

Dear Senators:

We received your letter dated May 24, 2019, regarding the Papio-Missouri River Natural Resources District (PMRNRD) and acknowledge your request for an audit of that entity by the Auditor of Public Accounts (APA). We appreciate the opportunity to provide you with information relevant to your inquiry and are happy to assist you in any way that we can.

Per Neb. Rev. Stat. § 2-3223 (Reissue 2012), the PMRNRD is subject to an annual financial audit by a certified public accountant. The audit for the fiscal year ending June 30, 2018, was completed by BerganKDV, a large business management and accounting firm based in St. Cloud, Minnesota, with satellite offices in Omaha, Nebraska, and other Midwestern cities.

In order to understand properly the issues raised in your letter, we posed a number of questions to the PMRNRD, obtaining documentation to support the responses received. Based upon that information, we have addressed below each of the areas that you suggest are problematic:

- 1) **Over-budgeting:** The concern is that the PMRNRD over-budgets for expenses. The schedule provided below is from the PMRNRD's fiscal year 2018 audit. It shows budgeted governmental fund expenses of over \$61 million and actual expenses of slightly under \$31 million.

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**ACTUAL AND BUDGET (BUDGETARY BASIS)**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Actual	Budget		Variance Favorable (Unfavorable)
		Original	Final	
<b>REVENUES:</b>				
General administration	\$ 24,269,432	\$ 23,791,070	\$ 23,791,070	\$ 478,362
Watershed	6,645,987	9,689,500	9,689,500	(3,043,513)
Information and education	8,095	15,000	15,000	(6,905)
Flood control	3,386,198	8,145,954	8,145,954	(4,759,756)
Erosion control	2,922,682	1,153,885	1,153,885	1,768,797
Water quality	288,934	263,405	263,405	25,529
Recreation	92,804	911,000	911,000	(818,196)
Forestry and wildlife	7,795	1,602,005	1,602,005	(1,594,210)
<b>Total revenues</b>	<b>37,621,927</b>	<b>45,571,819</b>	<b>45,571,819</b>	<b>(7,949,892)</b>
<b>EXPENDITURES:</b>				
General administration	10,071,338	11,485,701	11,485,701	1,414,363
Watershed	10,911,769	18,363,198	18,363,198	7,451,429
Information and education	137,479	248,000	248,000	110,521
Flood control	3,834,369	19,317,905	19,317,905	15,483,536
Erosion control	2,079,833	3,468,765	3,468,765	1,388,932
Water quality	837,369	1,213,715	1,213,715	376,346
Recreation	2,268,574	4,932,963	4,932,963	2,664,389
Forestry and wildlife	821,281	2,739,500	2,739,500	1,918,219
<b>Total expenditures</b>	<b>30,962,012</b>	<b>61,769,747</b>	<b>61,769,747</b>	<b>30,807,735</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,659,915</b>	<b>(16,197,928)</b>	<b>(16,197,928)</b>	<b>22,857,843</b>

Because of the discrepancy between governmental fund budget and actual expenditures for fiscal year 2018, the APA compiled the same PMRNRD data for fiscal years 2014 through 2018, which is set out in the following table:

<b>Governmental Funds</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Final Budgeted Expenditures	\$ 61,769,747	\$ 66,213,315	\$ 68,038,177	\$ 79,351,399	\$ 88,818,802
Actual Expenditures	\$ 30,962,012	\$ 38,745,687	\$ 35,421,923	\$ 46,965,860	\$ 45,602,466
<b>Excess of Budget over Actual</b>	<b>\$ 30,807,735</b>	<b>\$ 27,467,628</b>	<b>\$ 32,616,254</b>	<b>\$ 32,385,539</b>	<b>\$ 43,216,336</b>

The APA asked the PMRNRD about these large and fluctuating variances. The response was two-fold. First, ending cash reserves were included in the budgeted expenditures on the PMRNRD's internal documents. The ending reserves should have been deducted from the budgeted expenditures. Once this is done, the variance is more consistent from year to year, averaging about \$24.6 million. See **Attachment A**, which the PMRNRD prepared, for the revised variances.

Second, a nearly \$25 million variance between budgeted and actual expenditures still exists each year. The PMRNRD provided the following explanation for such large annual variances:

*The second tab shows programs and projects for which we expended a material amount less than budgeted. These tend to be large construction projects, such as flood control structures which also involve land acquisition, state and federal permitting or cost shares with other entities. For our projects, we budget for what we expect to be able to accomplish in any given fiscal year, but results may vary widely due to factors often outside our control. Land acquisition can be held up for legal reasons. State, federal or local cost share dollars can be delayed. Construction may be hindered by weather or availability of materials and permitting, especially the federal 404 and 408 permits can take 3 to 7 years to secure. Whatever work we are not able to complete that year is then budgeted again in the next year until the project is finished. Cost shares are generally not paid until the other*

partner to the agreement has completed their work, which, similarly to our projects, does not always proceed according to schedule. Due to the nature of the NRD's projects and programs it is not unusual for a project to take anywhere from 3 to 15 years to complete. Consequently, most if not all NRD's throughout the State of Nebraska face similar challenges and historically have nearly the same ratio of budgeted to actual expenditures in any given fiscal year.

See **Attachment B** for a listing of the projects in which the PMRNRD spent significantly less than the amount budgeted.

Clearly, the PMRNRD has budgeted a significant amount more than was actually spent. However, the Nebraska Budget Act (Act), which is found at Neb. Rev. Stat. §§ 13-501 to 13-513 (Reissue 2012, Cum. Supp. 2018), allows for certain types of cash reserves. First, Neb. Rev. Stat. § 13-504(1) (Cum. Supp. 2018) requires the governing body's budget statement to contain, among other things, the following:

- (a) *For the immediately preceding fiscal year or biennial period, the revenue from all sources, including motor vehicle taxes, other than revenue received from personal and real property taxation, allocated to the funds and separately stated as to each such source: The unencumbered cash balance at the beginning and end of the year or biennial period; the amount received by taxation of personal and real property; and the amount of actual expenditures;*
- (b) *For the current fiscal year or biennial period, actual and estimated revenue from all sources, including motor vehicle taxes, allocated to the funds and separately stated as to each such source: The actual unencumbered cash balance available at the beginning of the year or biennial period; the amount received from personal and real property taxation; and the amount of actual and estimated expenditures, whichever is applicable. Such statement shall contain the cash reserve for each fiscal year or biennial period and shall note whether or not such reserve is encumbered. Such cash reserve projections shall be based upon the actual experience of prior years or biennial periods. The cash reserve shall not exceed fifty percent of the total budget adopted exclusive of capital outlay items;*
- (c) *For the immediately ensuing fiscal year or biennial period, an estimate of revenue from all sources, including motor vehicle taxes, other than revenue to be received from taxation of personal and real property, separately stated as to each such source: The actual or estimated unencumbered cash balances, whichever is applicable, to be available at the beginning of the year or biennial period; the amounts proposed to be expended during the year or biennial period; and the amount of cash reserve, based on actual experience of prior years or biennial periods, which cash reserve shall not exceed fifty percent of the total budget adopted exclusive of capital outlay items[.]*

(Emphasis added.) As highlighted in subsections (1)(b) & (c) of the above statutory language, the Act prohibits the amount of cash reserve from exceeding 50% of “the total budget adopted exclusive of capital outlay items.”

The following table, which is from page 2 of the PMRNRD 2018-2019 adopted budget submitted to our office, shows that the calculated cash reserve percentage for that fiscal year was 59%:

Papio-Missouri River NRD				
Line No.	TOTAL ALL FUNDS	Actual 2016 - 2017 (Column 1)	Actual/Estimated 2017 - 2018 (Column 2)	Adopted Budget 2018 - 2019 (Column 3)
1	<b>Beginning Balances, Receipts, &amp; Transfers:</b>			
2	Net Cash Balance	\$ 21,277,096.00	\$ 18,793,734.00	\$ 25,490,681.00
3	Investments	\$ -	\$ -	\$ 50,000.00
4	County Treasurer's Balance	\$ 451,271.00	\$ 472,206.00	\$ 475,456.00
5	<b>Subtotal of Beginning Balances (Lines 2 thru 4)</b>	<b>\$ 21,728,367.00</b>	<b>\$ 19,265,940.00</b>	<b>\$ 26,016,137.00</b>
6	Personal and Real Property Taxes (Columns 1 and 2 - See Preparation Guidelines)	\$ 22,385,229.19	\$ 23,937,037.89	\$ 24,578,168.00
7	Federal Receipts	\$ 587,178.05	\$ 232,434.00	\$ 888,700.00
8	State Receipts: Motor Vehicle Pro-Rate	\$ -	\$ -	\$ -
9	State Receipts: State Aid (State Statute Section 77-27,136)	\$ -	\$ -	\$ -
10	State Receipts: Other	\$ 3,716,864.54	\$ 3,714,843.15	\$ 11,887,275.00
11	State Receipts: Property Tax Credit	\$ -	\$ -	\$ -
12	Local Receipts: Nameplate Capacity Tax	\$ -	\$ -	\$ -
13	Local Receipts: In Lieu of Tax	\$ -	\$ -	\$ -
14	Local Receipts: Other	\$ 11,260,443.87	\$ 11,794,626.60	\$ 8,864,746.64
15	Transfers In Of Surplus Fees	\$ -	\$ -	\$ -
16	Transfer In Other Than Surplus Fees (Should agree to Transfers Out on Line 28)	\$ -	\$ -	\$ -
17	<b>Total Resources Available (Lines 5 thru 16)</b>	<b>\$ 59,678,082.65</b>	<b>\$ 58,944,881.64</b>	<b>\$ 72,235,026.64</b>
18	<b>Disbursements &amp; Transfers:</b>			
19	Operating Expenses	\$ 12,228,061.41	\$ 13,857,835.13	\$ 19,680,856.14
20	Capital Improvements (Real Property/Improvements)	\$ 23,199,204.46	\$ 14,454,423.51	\$ 33,538,480.00
21	Other Capital Outlay (Equipment, Vehicles, Etc.)	\$ 525,872.78	\$ 245,365.00	\$ 218,450.00
22	Debt Service: Bond Principal & Interest Payments	\$ 4,459,004.00	\$ 4,371,121.00	\$ 4,452,017.50
23	Debt Service: Payments to Retire Interest-Free Loans (Public Airports)			
24	Debt Service: Payments to Bank Loans & Other Instruments (Fire Districts)			
25	Debt Service: Other	\$ -	\$ -	\$ -
26	Judgments	\$ -	\$ -	\$ -
27	Transfers Out of Surplus Fees	\$ -	\$ -	\$ -
28	Transfers Out Other Than Surplus Fees (Should agree to Transfers In on Line 16)	\$ -	\$ -	\$ -
29	<b>Total Disbursements &amp; Transfers (Lines 19 thru 28)</b>	<b>\$ 40,412,142.65</b>	<b>\$ 32,928,744.64</b>	<b>\$ 57,889,803.64</b>
30	<b>Balance Forward/Cash Reserve (Line 17 - Line 29)</b>	<b>\$ 19,265,940.00</b>	<b>\$ 26,016,137.00</b>	<b>\$ 14,345,223.00</b>
31	Cash Reserve Percentage			59%
<b>PROPERTY TAX RECAP</b>		Tax from Line 6		\$ 24,578,168.00
		County Treasurer's Commission at 1% of Line 6		\$ 245,781.68
		<b>Total Property Tax Requirement</b>		<b>\$ 24,823,949.68</b>

Although a calculated cash reserve of 59% clearly exceeds the 50% limit established in § 13-504, that statute requires the governing body to report the *unencumbered* cash balances. This is because Neb. Rev. Stat. § 13-503(6) (Cum. Supp. 2018) defines “cash reserve” as follows:

*Cash reserve means funds required for the period before revenue would become available for expenditure but shall not include funds held in any special reserve fund[.]*

(Emphasis added.) On page 2A of the same budget document, the PMRNRD reported that approximately \$13.5 million of the \$14.3 million cash reserve was being held in a special reserve fund:

<b>Cash Reserve Funds</b>	
<p>Statute 13-503 says cash reserve means funds required for the period before revenue would become available for expenditure but shall not include funds held in any special reserve fund. If the cash reserve on Page 2 exceeds 50%, you can list below funds being held in a special reserve fund.</p>	
<u>Special Reserve Fund Name</u>	<u>Amount</u>
Watershed Projects Fund	\$ 1,534,350.00
Missouri River Levee Project	\$ 9,168,838.00
PCWP/SSWP	\$ 983,774.00
Rural Water/IPAs	\$ 1,869,566.00
Ice Jam/Lower Platte Weed	\$ 38,695.00
<b>Total Special Reserve Funds</b>	<b>\$ 13,595,223.00</b>
Total Cash Reserve	\$ 14,345,223.00
Remaining Cash Reserve	\$ 750,000.00
Remaining Cash Reserve %	3%

Neb. Rev. Stat. § 13-503(9) (Cum. Supp. 2018) states the following:

*Special reserve fund means any special fund set aside by the governing body for a particular purpose and not available for expenditure for any other purpose. Funds created for (a) the retirement of bonded indebtedness, (b) the funding of employee pension plans, (c) the purposes of the Political Subdivisions Self-Funding Benefits Act, (d) the purposes of the Local Option Municipal Economic Development Act, (e) voter-approved sinking funds, or (f) statutorily authorized sinking funds shall be considered special reserve funds;*

(Emphasis added.) Because more than \$13.5 million of the PMRNRD’s \$14.3 million cash reserve was being held in a special reserve fund, the actual **unencumbered** cash reserve required to be reported under § 13-504 totaled only 3%, well within the requirements of the Act.

- 2) **Engineering Fees:** The concern is that the PMRNRD budgets for engineering fees using both the professional fees expense and the salaries expense. Unless there is a clear duplication of payment for the same service, the expenses paid to consultants and employees would be a management decision. The expenses are also subject to the PMRNRD’s annual audit.

Another concern is that cost increases to service contracts are a frequent occurrence. The APA reviewed the following three engineering contracts, which the PMRNRD approved for amendment during its May 2019 meeting:

- JEO Consulting – Independent External Review of Missouri River Levee Accreditation
- Olsson Associates – Pigeon/Jones Site
- FYRA Engineering – Southern Sarpy Watershed Partnership

The APA obtained the following information for these contracts:

### JEO Consulting

This project was for professional engineering services to provide an Independent External Peer Review (IEPR) for the Section 408 permit process through the U.S. Army Corps of Engineers (USACE). The District planned to modify levees to meet Federal Emergency Management Agency (FEMA) accreditation requirements. This particular RFP was for independent review of the levee designs.

The PMRNRD uses a qualifications-based selection process for its professional service contracts, employing a rigorous interview process to choose the most qualified firm from those that respond to the request for proposals (RFP). Once the firm is selected, the PMRNRD staff negotiates a price for the services sought. If an agreement on price cannot be reached with the most qualified firm, the PMRNRD begins negotiations with the second most qualified firm. After the price has been determined, the contract is presented to the PMRNRD Board of Directors (Board) for approval. According to the PMRNRD, its procurement process for professional services is consistent with both Nebraska and national standards.

The PMRNRD issued an RFP for professional engineering services in January 2013. In March 2013, a subcommittee of the PMRNRD interviewed the three firms that had responded to the RFP. The subcommittee recommended to the Board that JEO Consulting was the most qualified. The Board approved the contract with JEO Consulting in April 2013. The contract was for Phase I of the project for a total of \$207,756. Phase I included the Design Phase Review.

The May 2019 amendment was for \$168,090 and included services for the Construction Phase of the review. The initial contract amount (containing the language “not to exceed”) was for only one portion or phase of the anticipated work. Other phases were intended to be added later. According to the PMRNRD, a series of “per phase” contracts were used to facilitate the replacement of any consultant that failed to meet expectations – allowing, if needed, a new RFP to be issued for other firms to complete the remaining phases.

### Olsson Associates

This project was for a special erosion and sediment control project for the Pigeon/Jones Creek Watershed. The RFP was also a qualifications-based selection process.

In January 2004, PMRNRD staff recommended that two of the four engineering firms that responded to the RFP be interviewed. The interviews were conducted in February 2004, at which time the subcommittee recommended Olsson Associates as the most qualified of the bidders. The contract was signed with Olsson Associates in April 2004.

Again, the project was carried out in phases. The initial contract was for the Design and Planning Phase (I) for Pigeon/Jones Creek Site 12A. Other phases of the project would follow, including a Design Amendment Phase (II), the Upstream Structures Phase (III), the Construction Phase (IV), the Recreation Design and 319 Structures Phase (V), an Amendment to Construction Services Phase (VI), Amendment PJ-16 and PJ-12 Services Phase (VII), Amendment PJ-12A Final Design and Construction Services Phase (VIII), and additional Environmental Permitting Services Phase (IX).

In September 2007, an initial contract (Phase I) was negotiated with Olsson Associates for \$534,573. Since that time, Phases II through VIII, which were also negotiated with Olsson Associates, added approximately an additional \$1.9 million to the project cost.

During its May 2019 meeting, the Board approved an additional \$64,524 to the total project cost for Olsson Associates to perform Phase IX services, which involved providing for a cultural resources assessment and wetland mitigation design for the Section 404 permit process through the USACE.

FYRA Engineering

This contract was for professional services to develop the Southern Sarpy Watershed Management Plan – a project that, like the others addressed herein, was to be completed in phases. The PMRNRD issued its RFP, and three engineering firms were selected in November 2016 to interview for the contract. Again, the RFP for consulting services utilized a qualifications-based selection process, and the price was negotiated after the consultant was selected.

At its December 2016 meeting, the PMRNRD subcommittee selected FYRA Engineering. The initial contract was for Phase I services and was scheduled to take two years at a cost of \$400,640. The amendment approved at the PMRNRD’s May 2019 meeting was for Phase II services at an expected cost of \$401,108. Phase III of the plan is also anticipated.

The Board requested bids for all three of these services contracts. Additionally, the Board approves all contract and contract amendments during its public meetings.

Thus, each of the contracts at issue were bid and awarded through an open and public process. Though somewhat disconcerting at first glance, the unusual length of the contracts is an understandable result of their being amended for each phase of the projects.

- 3) **Employee Issues:** The concern is the perceived high level of PMRNRD employee benefits, including accrued pay. As shown in the table below, however, most of the benefits offered to PMRNRD workers are comparable to those available to State employees:

Benefit	PMRNRD	State
Number of Days of Annual (Vacation) Leave Carryover	53	35
Number of Days of Sick Leave Carryover	180	180
Payout of Accumulated Annual Leave at Termination	100%	100%
Payout of Accumulated Sick Leave at Termination	25%	25%

Although the number of days of annual leave carryover is somewhat higher for PMRNRD employees than for their State counterparts, the other benefits are identical.

The PMRNRD’s benefit policies are subject to approval by the Board.

- 4) **Developer Benefits:** There are a number of concerns about a particular PMRNRD contract with Dial Realty Development Corporation (Dial Corporation), a developer whose services have been engaged for a project at Dam Site 13. Of particular interest is whether that agreement benefits the developer improperly at the expense of the taxpayer.

First, the APA reviewed the PMRNRD meeting minutes pertaining to the Dam Site 13 project and found that the Board voted unanimously to approve the initial agreement with Dial Corporation at a public meeting in November 2004.

Copied below are the relevant minutes from that meeting:

- **MOTION NO. 13** It was moved by Director John Conley and seconded by Director Fred Conley that the following recommendation be adopted:

*PPO Recommendation #5:* Public/Private Agreement for Dam Site 13 (192<sup>nd</sup> and Dodge Streets) with Dial Realty Co. – Recommendation that the proposed Agreement between the District and Dial Realty Development Corp. for Dam Site 13 should be approved.

The following detailed resolution is recommended:

#### RESOLUTION

WHEREAS, a District project has been proposed for purchase of rights-of-way for, and construction of, a multi-purpose flood control dam and reservoir at the site of the formerly-proposed Corps of Engineers' Papillion Creek and Tributaries Lakes Project Dam Site 13, on a tract of land between Dodge and Blondo Streets and west of 192<sup>nd</sup> Street in Douglas County; and,

WHEREAS, the formerly-proposed Corps of Engineers' Papio Dam Site 13 project was planned to be an integral part of the flood control for the Papillion Creek Watershed; and,

WHEREAS, the District's proposed Papio Dam Site 13 project will be an important part of a regional public recreation area that the City of Omaha is expected to develop, operate and maintain; and,

WHEREAS, the District's Dam Site 13 project would be accomplished pursuant to a proposed public/private partnership agreement between the District and Dial Realty Development Corp., a Nebraska corporation, presented to this meeting; and,

WHEREAS, this Board finds that such project should be carried out by the District,

NOW, THEREFORE, BE IT RESOLVED that this Board hereby determines that the District's project for purchase of rights-of-way and construction of a flood control dam and reservoir at Dam Site 13, pursuant to the proposed agreement between the District and Dial Realty Development Corp., would be of general benefit to the District, with only an incidental special benefit, and that such project should be carried out with general funds of the District; and, that the General Manager should be, and is hereby, authorized and directed to execute such proposed agreement for and on behalf of the District, together with such amendments thereto as the General Manager determines necessary and District Legal Counsel approves as to form.

Larry Foster, City of Omaha, distributed a letter from the Nebraska Game and Parks Commission indicating that they would build fishing facilities on the lake as soon as it was filled. He also displayed a site map and further explained the City of Omaha's commitment to the project. Bob Welstead, Dial Realty Co., also addressed the Board and displayed a site map showing Dial's portion of the project.

The following individuals addressed the Board expressing opposition to the project:

- ⇒ Julie Thacker, 16506 Dutch Hall Road, Bennington, NE
- ⇒ Jeff Thacker, 16506 Dutch Hall Road, Bennington, NE
- ⇒ Lance Myers, 2321 N. 155<sup>th</sup> St., Omaha, NE
- ⇒ John Timmermier, 14635 County Road, Kennard, NE
- ⇒ Patrick Rinn, 4922 California St., Omaha, NE
- ⇒ Victoria Dorau, 13075 N. 126<sup>th</sup> St., Omaha, NE
- ⇒ Jennifer Andersen, 7272 County Road 25, Kennard, NE
- ⇒ Tyler Mohr, 12101 Pawnee Road, Omaha, NE
- ⇒ Ken Dreessen, 2317 S 191 St., Omaha, NE
- ⇒ Bill Japp, Kennard, NE
- ⇒ Tim Dreessen, 17320 Dutch Hall Road, Kennard, NE
- ⇒ Shelia Dreessen, 1597 County Road 25, Kennard, NE

There was extended discussion.

Roll call vote was held on the motion. The motion carried unanimously.

Voting Yea - Conley (Fred), Conley (John), Connealy, Fowler, Neary, Nichols,  
Thompson, Jansen  
Voting Nay - None  
Abstaining - None  
Absent - Tesar  
Absence Excused - Tesar

Another concern has to do with both an interlocal agreement between the PMRNRD and Sanitary & Improvement District #521, which authorized the contribution of more than \$1 million by the latter to the former, and the execution of an addendum to a purchase agreement between PMRNRD and Dial Corporation.

Again, during a public meeting in February 2006, the Board approved both the interlocal agreement and the addendum to the purchase agreement with Dial Corporation, as shown by the minutes copied below:

- **MOTION NO. 4** It was moved by Director John Conley that the following recommendation be adopted:

*PPO Recommendation #2:* Papio Dam Site 13 Project Agreements – Recommendation that the General Manager be authorized to execute for and on behalf of the District an Interlocal Cooperation Act agreement with Sanitary & Improvement District #521 to secure a \$1,035,000 contribution to the District, and authorized to execute the First Addendum to Purchase Agreement with Dial Realty Corporation, both as presented to the meeting, and such amendments and other documents, approved as to form by District Legal Counsel, as deemed necessary by the General Manager.

There was discussion. Paul Peters explained the amendments to the original contract.

The following individuals addressed the board:

- Shawn Melotz, 10404 N. 132<sup>nd</sup> St., Omaha, NE
- Jennifer Andersen, 7272 Co. Road 25, Kennard, NE
- Tyler Mohr, 12101 Pawnee Rd., Omaha, NE 68142

Roll call vote was held on the motion. The motion carried on a vote of 8-yea and 1-nay.

Voting Yea - Conley (Fred), Conley (John), Fowler, Neary, Schwoppe Tesar, Thompson,  
Jansen  
Voting Nay - Lanphier  
Abstaining - None  
Excused Absence - Connealy, Kolowski  
Absent - Connealy, Kolowski

Finally, there is the concern that the PMRNRD had to pay the special assessments on the properties subject to the purchase agreement addendum. The Board approved the payment of the special assessments at its September 2011 meeting, as follows:

•• **MOTION NO. 5** It was moved by Director Tesar and seconded by Director Erickson that the following recommendation be adopted:

*FEL Recommendation #1.:* Special Lot Assessment of Dial Property: Recommendation that the General Manager be authorized to make a payment of \$258,976.62 for the special assessments against Lots 114 and 115, Elk Ridge and Lots 8 through 14, Elk Ridge Replat 2.

Roll call vote was held on motion. The motion carried on a vote of 8-yea and 1-nay.

Voting Yea	-	Bradley, Conley (Fred), Conley (John), Erickson, Lanphier, Tesar, Thompson, Kolowski
Voting Nay	-	Japp
Abstaining	-	None
Excused Absence	-	Fowler, Klug
Absent	-	Fowler, Klug

\* \* \* \* \*

The PMRNRD contracts and related expenses that have given rise to the concerns addressed in this letter were presented, discussed, and approved at public Board meetings. While there may be differences of opinion regarding the practicality of certain agreements or expenditures, we lack the authority to opine upon such matters. Rather, we must focus solely upon compliance with applicable laws, rules and regulations, and contract provisions. From that limited financial perspective, we have found nothing to which to take exception. At this time, therefore, we believe that the cost of a separate financial audit of the PMRNRD would prove unnecessarily duplicative to that agency.

We would be happy to meet, if you wish, to discuss not only the information contained in this letter but also any other matters of importance. If you have specific questions, please feel free to contact myself or Mary Avery, Special Audits and Finance Manager in my office.

Thank you again for the opportunity to be of service to you. We look forward to assisting you further whenever possible.

Sincerely,



Charlie Janssen  
State Auditor

Papio-Missouri River Natural Resources District  
**Revised Excess of Adjusted Budget Over Actual Expenditures**  
 Fiscal Years 2014 – 2018

**Attachment A**

P-MRNRD

Projected ending cash for project reserves included as budgeted expenditures

	FY2018	FY2017	FY2016	FY2015	FY2014
General cash reserve	\$ 700,000	\$ 700,000	\$ 600,000	\$ 540,000	\$ 540,000
MO River Levee project funds	\$ 3,249,142	\$ -	\$ -	\$ -	\$ -
Watershed project funds	\$ 400,297	\$ 1,906,824	\$ -	\$ 365,344	\$ -
DS-15A bond proceeds	\$ -	\$ 1,461,169	\$ 4,006,926	\$ 9,393,473	\$ 19,320,150
Totals budgeted cash reserves	<u>\$ 4,349,439</u>	<u>\$ 4,067,993</u>	<u>\$ 4,606,926</u>	<u>\$ 10,298,817</u>	<u>\$ 19,860,150</u>
Total budgeted expenditures shown	\$ 61,769,747.00	\$ 66,213,315.00	\$ 68,038,177.00	\$ 79,351,399.00	\$ 88,818,802.00
Less: projected ending cash included	<u>\$ (4,349,439)</u>	<u>\$ (4,067,993)</u>	<u>\$ (4,606,926)</u>	<u>\$ (10,298,817)</u>	<u>\$ (19,860,150)</u>
Adjusted budgeted expenditures	\$ 57,420,308	\$ 62,145,322	\$ 63,431,251	69,052,582	\$ 68,958,652
Less: actual expenditures	<u>\$ (30,962,012)</u>	<u>\$ (38,745,687)</u>	<u>\$ (35,421,923)</u>	<u>\$ (46,965,860)</u>	<u>\$ (45,602,466)</u>
Excess of adjusted budget over actual	\$ 26,458,296	\$ 23,399,635	\$ 28,009,328	\$ 22,086,722	\$ 23,356,186
5-year average	\$ 24,662,033.40				

Prepared by Papio-Missouri River Natural Resources District

Papio-Missouri River Natural Resources District  
**Projects with Actual Expenses Significantly Lower than Budget**  
 Fiscal Years 2014 – 2018

**Attachment B**

<b>Major projects/cost shares that carried into future years</b>	Internal Budget Page (following year)	Budgeted	Actual	Variance
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**FY2014**

Thompson Creek Levee Rehab (511)	10	905,000	10,000	895,000
Floodway Purchase Program (533)	11	2,477,690	711,100	1,766,590
Omaha Levee Certification (539)	12	500,000	-	500,000
Urban Drainageway Program (521)	18	1,374,925	508,220	866,705
Pigeon Jones site 15 (552)	19	1,995,000	927,784	1,067,216
Papio Trails System (261)	27	3,893,000	611,360	3,281,640
WP-5 (554)	32	10,466,396	6,854,903	3,611,493
Dam Site 15A (555)	32	23,599,500	12,235,757	11,363,743

**FY2015**

Thompson Creek Levee Rehab (511)	10	1,210,500	1,059,758	150,742
Floodway Purchase Program (533)	11	3,790,382	1,818,382	1,972,000
Omaha Levee Certification (539)	12	500,000	-	500,000
Streambank Stabilization (547)	13	1,240,000	121,782	1,118,218
Western Sarpy Clear Creek (548)	13	3,478,493	3,120,065	358,428
Maintenance - Dams (590)	15	472,000	237,447	234,553
Maintenance - Channels/Levees (591)	16	1,987,500	1,185,844	801,656
Pigeon Creek Special Watershed (505)	17	510,000	160,443	349,557
Urban Drainageway Program (521)	18	1,284,140	1,146,842	137,298
Kramper Lake/Danish Alps Rec Area (552)	19	4,340,000	3,874,129	465,871
Water Quality Programs (187)	21	256,984	145,960	111,024
Chalco Hills Recreation Area (264)	23	433,475	47,068	386,407
Platte River Landing (267)	25	214,200	71,335	142,865
MOPAC trail (281)	26	247,000	121,746	125,254
Trails Assistance Program (260)	28	529,567	64,675	464,892
Papio Trails System (261)	28	4,332,584	713,000	3,619,584
Missouri River Projects (262)	29	1,030,000	30,000	1,000,000
WP-5 (554)	33	3,623,352	2,956,905	666,447
Dam Site 15A (555)	33	22,375,000	14,160,889	8,214,111

**FY2016**

Thompson Creek Levee Rehab (511)	9	519,200	435,773	83,427
Floodway Purchase Program (533)	9	927,000	506,101	420,899
Streambank Stabilization (547)	11	1,139,000	709,898	429,102
Western Sarpy Clear Creek (548)	11	1,067,754	10,181	1,057,573
Missouri Levee Certification (560)	12	5,260,000	805,839	4,454,161
Maintenance - Channels/Levees (591)	14	4,521,000	1,566,774	2,954,226
Pigeon Creek Special Watershed (505)	15	580,000	216,207	363,793
Kramper Lake/Danish Alps Rec Area (552)	17	967,500	832,916	134,584
Chalco Hills Recreation Area (264)	21	418,500	85,401	333,099

Papio-Missouri River Natural Resources District  
**Projects with Actual Expenses Significantly Lower than Budget**  
 Fiscal Years 2014 – 2018

**Attachment B**

**FY2016**

Recreation Area Development (265)	21	120,000	50,000	70,000
Elkhorn Crossing Recreation Area (266)	22	339,800	108,166	231,634
Platte River Landing (267)	22	229,712	100,598	129,114
MOPAC trail (281)	23	197,000	12,405	184,595
Trails Assistance Program (260)	25	659,158	440,295	218,863
Papio Trails System (261)	25	4,126,600	2,351,764	1,774,836
Rumsey Station/Rumsey West (272)	27	350,000	23,672	326,328
Dam Site 15A (555)	30	13,205,000	9,027,216	4,177,784
WP-6 Detention Structure (556)	31	4,465,851	1,733,703	2,732,148
WP-7 Detention Structure (557)	31	3,199,500	1,592,561	1,606,939
Zorinsky 2 Water Quality Basin	32	3,120,500	16,139	3,104,361

**FY2017**

Floodway Purchase Program (533)	9	205,000	585	204,415
Western Sarpy Clear Creek (548)	11	1,058,000	3,757	1,054,243
Floodplain remapping (549)	11	500,000	165,902	334,098
Missouri Levee Certification (560)	12	8,050,000	691,955	7,358,045
Maintenance - Channels/Levees (591)	14	6,621,800	4,899,597	1,722,203
Urban Drainageway Program (521)	16	1,161,665	439,995	721,670
Lake Dredging Program (192)	20	100,000	-	100,000
Recreation Area Development (265)	22	102,500	-	102,500
Trails Assistance Program (260)	25	693,142	166,828	526,314
Papio Trails System (261)	25	2,558,296	1,511,649	1,046,647
Missouri River Projects (262)	26	2,855,000	311,605	2,543,395
Glacier Creek Mitigation (283)	27	598,678	200,000	398,678
WP1,WP2,WP4,DS7, DS12, DS19 ( 02-000)	29	2,500,000	154,970	2,345,030
WP-6 Detention Structure (556)	31	3,540,000	1,960,096	1,579,904
Zorinsky 2 Water Quality Basin (558)	31	3,465,200	2,230,578	1,234,622

**FY2018**

Omaha Levee Certification (539)	12	500,000	97,313	402,687
Western Sarpy Clear Creek (548)	12	711,000	13,385	697,615
Missouri Levee Certification (560)	13	8,250,000	440,404	7,809,596
Maintenance - Channels/Levees (591)	15	4,623,000	1,969,664	2,653,336
Pigeon Creek Special Watershed (505)	16	425,000	166,420	258,580
Urban Drainageway Program (521)	17	1,530,415	675,814	854,601
Groundwater Management Plan (184)	19	435,000	212,309	222,691
Recreation Area Development (265)	23	408,864	28,995	379,869
Trails Assistance Program (260)	26	865,499	93,750	771,749
Papio Trails System (261)	26	2,435,500	1,687,513	747,987
Missouri River Projects (262)	27	2,206,500	496,782	1,709,718
WP-6 Detention Structure (556)	31	5,540,000	1,627,518	3,912,482
WP-7 Detention Structure (557)	31	2,850,000	95,828	2,754,172