

JOINT ANTELOPE VALLEY AUTHORITY
Lincoln, Nebraska

FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002

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INDEPENDENT AUDITORS' REPORT

To the Partners
Joint Antelope Valley Authority
Lincoln, Nebraska

We have audited the balance sheets of the Joint Antelope Valley Authority, a joint administrative entity, as of August 31, 2003 and 2002, and the related statements of revenues, expenses and changes in equity interests, statements of equity interests, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Joint Antelope Valley Authority as of August 31, 2003 and 2002, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2003, on our consideration of the Joint Antelope Valley Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Micek & Crouch, P.C.

Lincoln, Nebraska
November 3, 2003

JOINT ANTELOPE VALLEY AUTHORITY
Lincoln, Nebraska

BALANCE SHEETS
August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,476,660	\$ 14,209
Investments	250,000	-
Prepaid insurance	17,928	-
Total current assets	<u>6,744,588</u>	<u>14,209</u>
Capital Assets:		
Land acquisition	16,951,216	13,222,073
Construction in progress	12,508,179	1,869,295
Total capital assets	<u>29,459,395</u>	<u>15,091,368</u>
Total assets	<u>\$ 36,203,983</u>	<u>\$ 15,105,577</u>
LIABILITIES AND EQUITY INTERESTS		
Current Liabilities:		
Retainage and accounts payable	\$ 826,367	\$ 309,120
Equity Interests	<u>35,377,616</u>	<u>14,796,457</u>
Total liabilities and equity interests	<u>\$ 36,203,983</u>	<u>\$ 15,105,577</u>

The accompanying notes are an integral part of these financial statements.

JOINT ANTELOPE VALLEY AUTHORITY
Lincoln, Nebraska

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY INTERESTS
For the Years Ended August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues:		
Interest income	\$ 141,127	\$ 755
Contributions	-	45
Total revenues	<u>141,127</u>	<u>800</u>
Expenses:		
Operating expenses:		
Contingency contract services	-	16,500
Management services	7,839	5,697
Audit and legal	4,608	-
Insurance	23,359	-
Office supplies	867	83
Postage	195	100
Printing	-	7
Total operating expenses	<u>36,868</u>	<u>22,387</u>
Revenue over (under) expenses	104,259	(21,587)
Equity Contributions	23,980,888	1,627,350
Distributions	(3,503,988)	-
Equity Interests - Beginning of Year	<u>14,796,457</u>	<u>13,190,694</u>
Equity Interests - End of Year	<u>\$ 35,377,616</u>	<u>\$ 14,796,457</u>

The accompanying notes are an integral part of these financial statements.

JOINT ANTELOPE VALLEY AUTHORITY
Lincoln, Nebraska

STATEMENTS OF EQUITY INTERESTS
For the Years Ended August 31, 2003 and 2002

	City of Lincoln	University of Nebraska	Lower Platte South Natural Resources District	Total
Equity Interests:				
Balance - September 1, 2001	\$ 13,154,898	\$ 11,932	\$ 23,864	\$ 13,190,694
Equity contributions	1,569,684	-	57,666	1,627,350
Revenue over (under) expenses	-	(7,196)	(14,391)	(21,587)
Distributions	-	-	-	-
Balance - September 1, 2002	14,724,582	4,736	67,139	14,796,457
Equity contributions	18,570,137	4,229,450	1,181,301	23,980,888
Revenue over (under) expenses	141,127	(12,289)	(24,579)	104,259
Distributions	-	(3,503,988)	-	(3,503,988)
Balance - August 31, 2003	<u>\$ 33,435,846</u>	<u>\$ 717,909</u>	<u>\$ 1,223,861</u>	<u>\$ 35,377,616</u>

The accompanying notes are an integral part of these financial statements.

JOINT ANTELOPE VALLEY AUTHORITY
Lincoln, Nebraska

STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash Flows From Operating Activities:		
Interest received	\$ 141,127	\$ 755
Contribution received	-	45
Payments for services and supplies	<u>(46,590)</u>	<u>(22,387)</u>
Net cash provided (used) for operating activities	<u>94,537</u>	<u>(21,587)</u>
Cash Flows From Investing Activities:		
Deposits to investments	(8,000,000)	-
Withdrawals from investments	<u>7,750,000</u>	<u>-</u>
Net cash provided (used) for investing activities	<u>(250,000)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(13,858,986)	(1,627,350)
Cash contributions	23,980,888	1,627,350
Cash distributions	<u>(3,503,988)</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>6,617,914</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	6,462,451	(21,587)
Cash and Cash Equivalents - Beginning of Year	<u>14,209</u>	<u>35,796</u>
Cash and Cash Equivalents - End of Year	<u>\$ 6,476,660</u>	<u>\$ 14,209</u>
Reconciliation of Revenues Over (Under) Expenses to Net Cash Provided by Operating Activities:		
Revenues over (under) expenses	\$ 104,259	\$ (21,587)
(Increase) in prepaid insurance	(17,928)	-
Increase in operating expenses accrual	<u>8,206</u>	<u>-</u>
	<u>\$ 94,537</u>	<u>\$ (21,587)</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended August 31, 2003 and 2002

Note 1 - General Statement and Summary of Significant Accounting Policies:

- a) General Statement and Reporting Entity – Joint Antelope Valley Authority is a joint administrative entity created April 15, 2000, in accordance with Article XV, Section 18 of the Constitution of the State of Nebraska and Nebraska Revenue Statutes Section 13.801 through 13.827 (1997) authorizing the creation of a joint entity by public agencies. Per an interlocal cooperative agreement by and between the Board of Regents of the University of Nebraska, a public body corporate, the City of Lincoln, Nebraska, a municipal corporation, and the Lower Platte South Natural Resources District, a political subdivision of the State of Nebraska, this joint administrative entity was created to be known as Joint Antelope Valley Authority (JAVA). JAVA constitutes a separate administrative entity, exercising the public power granted by the interlocal cooperation agreement on behalf of the three aforementioned "Partners" to coordinate planning and implementation of a public project described in the Antelope Valley Study and the U.S. Army Corps of Engineers Antelope Creek Feasibility Study (the "Project"). The Project generally includes community revitalization, transportation, and drainage/flood control improvements.

JAVA is delegated powers by the "Partners" to carry out activities as follows:

During its "Preparation Period":

- public information and review;
- project design;
- receive gifts, grants, bequests, devises, exchanges, and appropriations; and
- contracting or purchasing authority that Each Partner may possess.

During its "Implementation Period":

- the right to acquire property including by condemnation if necessary;
- relocation of residences, business and structures;
- demolition;
- material and equipment leasing and purchasing;
- pre-construction activities;
- construction and construction management;
- mitigate adverse impacts and conditions;
- utility relocation and installation;
- acquisition, development, and construction of the Northeast Park; and
- any other power necessary or convenient to implement the Phase One Components.

After the completion of a specific component of the Project, JAVA will transfer all real estate and improvements thereon to the appropriate individual Partner, subject to the necessary and agreed upon easements which will be conveyed to such Partner or other appropriate public or private entity, or reserved by such a Partner, for the operation, maintenance, repair and inspection of each specific component.

During the Implementation Period of this Agreement, JAVA shall have the power and authority to acquire and condemn property rights, borrow, mortgage, pledge, or secure loans and bond its appropriated revenues and assets; provided however, that JAVA shall have no power and authority to bond the credit or revenues of The Three Partners or Each Partner, or levy taxes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended August 31, 2003 and 2002

Note 1 - General Statement and Organization and Summary of Significant Accounting Policies
(Continued):

- b) Basis of Accounting/Presentation – JAVA prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

JAVA applies all Governments Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

- c) Risk Management – JAVA or one of the Partners shall provide general liability and property insurance coverage. In connection with the employment of its own employees, each Partner at its own expense, shall provide workers' compensation coverage.
- d) Cash and Investments – JAVA's cash and investments are maintained and controlled through pooled cash and investments with the City of Lincoln. JAVA considers highly liquid investment with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

- e) Capital Assets – All capital assets are recorded at historical cost. Costs of capital assets include construction costs, design and engineering fees, land acquisition costs, easement and right-of-way costs.
- f) Retainage Payable – Retainage payable represents amounts billed to JAVA by contractors for which payment is not due pursuant to retained percentage provisions in construction contracts until substantial completion of performance by contractor and acceptance by JAVA.
- g) Equity Interests – Equity interests represent contributions from JAVA partners net of their respective share of revenues over (under) expenses and reduced by any distributions.
- h) Estimates – The use of estimates are required to present the financial statements in conformity with accounting principles generally accepted in the United States of America.

Note 2 - Deposits and Investments:

Deposits and investments, categorized for level of risk, cannot be reasonably apportioned by the City of Lincoln, controller of JAVA's cash and investments. JAVA's share of the City of Lincoln's pool is \$6,476,660 and \$14,209 at August 31, 2003 and 2002, respectively, which is cash on deposit carried at cost, which approximates fair market value. The cash on deposit with the City of Lincoln is secured by the City through their financial institutions' agents in the City's name.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended August 31, 2003 and 2002

Note 2 - Deposits and Investments (Continued):

GASB 31 requires investments to be carried at fair value. At August 31, 2003, there was \$250,000 for JAVA in the City's investment pool. Investment pools under the custody of the City are maintained in accordance with investment policies complying with State Statutes and the City Charter. Pooled funds may be invested in: (1) direct obligations of the United States government pledged by its full faith and credit, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral, (3) savings accounts at savings and loan associations and banks, to the extent fully insured, and (4) any bond, note, or other indebtedness issued by agencies, authorities, or public entities whose governing boards are appointed by the City Council.

Note 3 - Capital Assets:

Capital assets are summarized as follows:

	<u>2003</u>	<u>2002</u>
Land acquisition	\$ 16,951,216	\$ 13,222,073
Construction in progress:		
Design and construction services	7,401,546	1,560,175
Site construction	<u>5,106,633</u>	<u>309,120</u>
	<u>\$ 29,459,395</u>	<u>\$ 15,091,368</u>

Upon completion of the projects, ownership will revert to the Partners based upon their respective equity interest.

Note 4 - Administrative Agreements:

Agreements between JAVA and the City of Lincoln have been entered to provide:

- Administrative, clerical and accounting support
- Right-of-way acquisition and relocation assistance

JAVA is to reimburse the City of Lincoln on an "actual cost" basis including 100% of salary and fringe benefits for actual hours worked on JAVA business plus costs of supplies and related expenses required in the performance of these services.

Note 5 - Prior Period Adjustment:

The value of land, land easements and right-of-ways that were originally contributed to the JAVA project had not been accounted for in the financial statements. Adjustments related to record these assets increased land value and equity interests by \$13,154,898 as of September 1, 2001.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Partners
Joint Antelope Valley Authority
Lincoln, Nebraska

We have audited the financial statements of the Joint Antelope Valley Authority, as of and for the years ended August 31, 2003 and 2002, and have issued our report thereon dated November 3, 2003. 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Joint Antelope Valley Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Joint Antelope Valley Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, and the State of Nebraska Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Micek & Crouch, P.C.

Lincoln, Nebraska
November 3, 2003