
From: Winkler, John
Sent: Tuesday, December 01, 2009 11:30 AM
To: Lanphier, Dorothy
Cc: Bradley, Larry; Conley, Fred; Conley, John; Fowler, Tim; Japp, Scott; Klug, David; Kolowski, Rick; Schwope, John; Tesar, Richard; Thompson, Jim; Fry, Carey; Teer, Pat; Petermann, Marlin
Subject: Accounting policies and procedures
Attachments: Papio Letter.pdf

Dear Dorothy:

In reference to your request for written procedures and policies for the Papio Watershed Fund and the Papio Creek Partnership Fund by **December 1, 2009**: District personnel met with the District Auditor Bland and Associates to discuss this request in great detail. Attached please find a letter from our audit partner concerning the work they perform during the audit to offer an opinion on the District's internal control and other policies and procedures as well as on the financial statements.

In conjunction with the audit, the District completed internal control questionnaires for Bland that detailed the District's current procedures for recording revenues, expenditures, etc. Bland reviewed and tested these procedures to validate the effectiveness of the District's internal controls. **Their unqualified opinion included these procedures.** The current accounting handbook predates the Partnership's existence; therefore staff and management planned to rewrite this handbook as part of the current project to update the account structure and reporting in the accounting system which is scheduled for implementation in the next fiscal year. Furthermore, for Bland to assist in writing procedures for the District would impair their independence, and they would no longer be able to perform our audit.

With specific reference to the Partnership and Watershed Funds, these are established as fiduciary and restricted funds respectively so that these funds are held and accounted for separately from the District general fund but will be subject to the same stringent internal controls over receipt, accounting and reporting, and disbursement as the general fund.

Please let me know if you have any questions.

Carey Fry, CPA
Senior Accountant
Papio-Missouri River NRD
8901 South 154th Street
Omaha, Nebraska 68138-3621
402-444-6222 x221
402-895-6543 (fax)

John Winkler
General Manager
Papio-Missouri River NRD

November 30, 2009

To The Board of Directors
Papio-Missouri River Natural Resources District
8901 South 154th Street
Omaha, NE 68138

This letter is to explain the services performed, the audits and opinions given, and the report of internal controls by Bland & Associates, P.C. (Bland), in particular to the fiduciary fund, by referencing the engagement letter and specific pages in the FY2009 DRAFT financial statements.

Services, Audits, and Opinions

Per the engagement letter, page one, second paragraph, it states, "We will perform an audit of the District's governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison as of and for the year ended June 30, 2009 which collectively comprise the basic financial statements."

In other words, we were going to perform audits on the General Fund, each major fund (which includes the fiduciary fund -- Papillion Creek Watershed Partnership (PCWP)), and the total of the remaining non-major funds as a whole; then provide an opinion on each of them.

The first sentence on page one of the Independent Auditors' Report on Financial Statements and Supplemental Schedule of Expenditures of Federal Awards states, "We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Papio-Missouri River Natural Resources District (the District)..." This agrees with the engagement letter; in the engagement letter, we say what we were going to do; in the report, we say what we did.

Further, on page one of the report, it states our opinions in the third paragraph, "In our opinion, the financial statements of the District referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information..."

The opinions given were unqualified, meaning we feel that the financial statements are fairly stated in all material respects. Since the opinions were all the same, standards allow for them to be stated only once. This is why the word "opinion" is not plural in paragraph three of the report on page one; however, if one of the opinion units (the District's governmental activities, business-type activities, each major fund, and the aggregate remaining fund information) were different, we would separately state the opinion.

To specifically apply this to the PCWP, Bland performed an audit of the fiduciary fund (the PCWP) and provided an unqualified opinion on it.

Services and Internal Controls

Per the engagement letter, the fourth paragraph on page two, it states, "An audit of financial statements also includes obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements... we will communicate to management and the audit committee any significant deficiencies or material weaknesses that become known to us during the course of the audit."

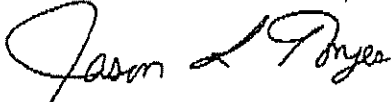
During the audit, Bland performed specific tests of internal controls and addresses this in the report. Please see the report on page 50 of the financial statements; the second sentence states, "We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses..." Further on that same page, the last sentence in second paragraph states, "The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards."

To further elaborate on the PCWP, Bland performed tests of the internal controls, including those of the fiduciary fund, and the tests did not identify any deficiencies in internal control required to be reported under *Government Auditing Standards*.

We hope this provides the appropriate insight about the services provided. We appreciate the opportunity to be of service to you. If you have any questions, please let us know.

Very truly yours,

BLAND & ASSOCIATES, P.C.



Jason L. Tonjes, CPA, CFE
Managing Shareholder

Request for Written Procedures and Policies
November 12, 2009

I believe it is vital for the Papio NRD to develop upfront written procedures to provide guidance for protecting public funds.

Therefore, I request that the General Manager, with assistance from our auditing firm Bland & Associates, prepare written procedures and policies with respect to the Papio Watershed Fund (#03-15) and the Papio Creek Partnership Fund (#03-16).

Specifically, I request that the procedures and policies are written in conjunction with the Papillion Creek Watershed Partnership Interlocal Agreement and the Papio NRD's current policies. In addition, I ask that the procedures address the administration of receiving funds and paying expenditures, determining account posting, and internal control procedures for:

Revenue [Tracking and Receiving Funds] such as:

- Partnership Dues
- Contributions
 1. Criteria for accepting the funds
 2. Accepting, tracking, and/or administering contributions with specific earmarks attached.
- Reimbursements
- Transfers from the P-MRNRD Special Reserve Fund
- Bond Funds

Disbursements [Documentation and Payments] such as:

- All Expenditures
- Bond principal and interest payments

Please have a draft of the above forwarded to the Papio NRD Board Members for our review and comment by December 1, 2009, one week prior to next months Subcommittee meeting.

Thank you.
Dorothy Lanphier, Subdistrict #7