

Agenda Item: 6.

MEMORANDUM

To: Finance, Expenditures and Legal Subcommittee

Subject: Accounts over 110% - Accounting Fees and Service Awards
and Leave Paid Out

Date: February 3, 2012

From: Carey Fry, District Accountant

Orizon CPAs, LLC has submitted an additional invoice for work performed outside the scope of the audit for FY2011. The original contract amount was \$39,800, and total billings are \$49,942. A memo from audit partner Gene Garrelts is attached.

The District paid \$28,760 of accrued sick and annual leave on a recent staff member's retirement. For FY2011, we budgeted \$22,000 for leave paid out.

- **It is staff's recommendation that the FEL Subcommittee recommend to the Board of Directors that accounts 01-01-000-4391 (Accounting Fees) and 01-01-000-4154 (Service Awards and Leave Paid Out) be allowed to exceed 110% of budgeted amounts.**

MEMORANDUM

TO: Finance Committee
CC: John Winkler, Carey Fry
FROM: Gene Garrelts
RE: Fee for accounting services
DATE: December 16, 2011

Enclosed is our invoice for accounting services provided to assist your accounting department with making year-end adjustments, reconciling account balances and preparing the financial statements.

These accounting services were outside the scope of our audit services contract and are being billed separately based on our standard hourly rates as agreed to in our engagement letter. These services were essential for the District to accurately record and report the financial information of the District. Prior to performing these services our team obtained approval from either the John or Carey.

As indicated in my comments at the Finance Committee meeting, the performance of these services were not the result of the capabilities of your accounting department but were necessary to complete the engagement on a timely basis based on the workload and other responsibilities of your people.

Enclosed is a copy of our engagement letter that sets forth these terms.

ORIZON CPAs LLC
CERTIFIED PUBLIC ACCOUNTANTS
16924 FRANCES STREET, SUITE 210
OMAHA, NEBRASKA 68130



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330 / 6851 / FAX
www.orizongroup.com

May 11, 2011

Papio-Missouri River Natural Resources District
8901 S. 154th Street
Omaha, NE 68138

We are pleased to confirm our understanding of the services we are to provide for Papio-Missouri River Natural Resources District. We will audit the basic financial statements of Papio-Missouri River Natural Resources District as of June 30, 2011 and 2012 and for the years then ended. In addition, we will audit the entity's compliance over major federal award programs for the periods ended June 30, 2011 and 2012. Also, the document we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the financial statements – The Schedule of Expenditures of Federal Awards.

Audit of the Financial Statements

Our audit of the financial statements will be made in accordance with U.S. generally accepted auditing standards and Government Auditing Standards of the Comptroller General of the United States of America, and will include tests of the accounting records of Papio-Missouri River Natural Resources District and other procedures we consider necessary to evaluate the fair presentation of the basic financial statements, in all material respects, in conformity with U.S. generally accepted accounting principles and to express opinions on each opinion unit. If any of our opinions are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit, we will not issue a report as a result of this engagement.

Our procedures will include tests of documentary evidence that support the transactions recorded in the accounts and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with customers, creditors, and financial institutions. Also, we will request written representations from your attorneys as part of the engagement, and they may bill you for responding to that inquiry. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

An audit of the financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit is designed to provide reasonable, not absolute, assurance about whether the financial statements of each opinion unit are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and not be detected by us. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements. The entity's management is responsible for establishing and maintaining a sound system of internal control, which is the best means of preventing or detecting errors, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

A financial statement audit 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 and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, we will ensure that those charged with governance are aware of any significant deficiencies that come to our attention. In accordance with the requirements of Government Auditing Standards, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of Papio-Missouri River Natural Resources District's major federal award program(s) compliance will be made in accordance with the requirements of the Single Audit Act, as amended; and the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and will include tests of accounting records, a determination of major programs in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. If our opinion on compliance for any major program is other than unqualified, we will fully discuss the reasons with you in advance.

Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the entity has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. The purpose of those procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to Circular A-133.

Also, as required by Circular A-133, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements, applicable to each of the entity's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the entity's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

We understand that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. We may advise you about appropriate accounting principles and their application and may assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. This management responsibility includes (a) establishing and maintaining adequate records and related internal control policies and procedures, (b) selecting and applying accounting principles, (c) safeguarding assets, (d) identifying all federal awards expended during the period, and (e) identifying and ensuring that the entity complies with laws, regulations, grants, and contracts applicable to its activities and its federal award programs.

Management is responsible for making all financial records and related information available to us. Management is also responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the management representation letter that the effects of any uncorrected misstatements, resulting from errors or fraud, aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, management is responsible for (a) the design and implementation of programs and controls to prevent and detect fraud, (b) informing us about any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, or others where the fraud could have a material effect on the financial statements and major federal award programs, and (c) informing us about any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

Additionally, as required by Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings from prior periods and to prepare a summary schedule of prior audit findings and follow up on current year audit findings and prepare a corrective action plan for such findings. Management is also responsible for submitting the reporting package and data collection form to the appropriate parties. Management will also make the auditor aware of any significant vendor relationships where the vendor is responsible for program compliance.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

We understand that District staff will provide us with a complete and accurate trial balance upon commencement of our fieldwork, will prepare all confirmations we request, will locate and provide any documents or invoices selected by us for testing, will prepare supporting documentation for all significant account balances and provide us with a complete set of financial statements including required footnotes and supplementary information in accordance with generally accepted accounting principles.

Fees

As set forth in our proposal dated March 21, 2011, our fee for the audit of your financial statements under a two year contract will be \$39,800 for the year ending June 30, 2011 and \$40,500 for the year ended June 30, 2012. In addition, our fees for set-up and transitional procedures for initial audits that were allocated over five year contract in our proposal that will be allocated to this two year contract of \$3,000 will be billed \$1,500 for each of the years.

Our fees for other additional services, including the additional audit procedures relating to fraud or suspected fraud, assistance with accounting matters and reconciling accounts, consultation on accounting or financial reporting issues, corrections or adjustments to the financial statements, footnotes or supplementary information will be billed at our standard hourly rates, plus out of pocket expenses.

Other Matters

The audit documentation for this engagement is the property of Orizon CPAs LLC and constitutes confidential information. However, we may be requested to make certain audit documentation available to federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided under the supervision of Orizon CPAs LLC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature, as set forth in our proposal dated March 21, 2011.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

At the conclusion of our audit engagement, we will communicate to the Board of Directors the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management

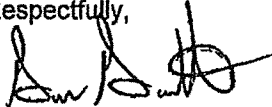
In accordance with the requirements of Government Auditing Standards, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Papio-Missouri River Natural Resources District
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If the foregoing is in accordance with your understanding, please indicate your agreement by signing the duplicate copy of this letter and returning it to us. If you have any questions, please let us know.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,



Gene G. Garrelts, CPA, CFP
For the Firm

RESPONSE:

This letter correctly sets forth our understanding.

Papio-Missouri River Natural Resources District

Approved by:  _____

Title: General manager _____

Date: 5-12-2011 _____