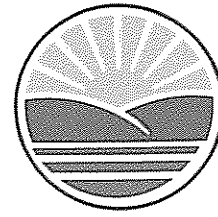


PAPIO-MISSOURI RIVER



NATURAL RESOURCES DISTRICT

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December 8, 2008

Bland & Associates, P.C.
8712 West Dodge Road, Suite 200
Omaha, Nebraska 68114

We are providing this letter in connection with your audit of the basic financial statements of Papio-Missouri River Natural Resources District as of June 30, 2008, and for the year then ended for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position of Papio-Missouri River Natural Resources District and the results of its operations and the cash flows of its proprietary and similar trust fund types in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the basic financial statements of the financial position, results of operations, and cash flows of the proprietary and similar trust fund types in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 8, 2008, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and account groups of the primary reporting entity and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

2. We have made available to you all:
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of the meetings of the Board of Directors of the District or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the basic financial statements or the schedule of expenditures of federal awards.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of fraud or suspected fraud affecting the entity involving
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the basic financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
8. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the District is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
10. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant

agreements that we believe have a direct and material effect on the determination of financial statement amounts.

11. There are no:

- a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies.
- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
- d. Reservations or designations of fund equity that were not properly authorized and approved.

12. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

13. The District capitalizes all assets costing \$5,000 or more.

14. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

15. With respect to federal award programs:

- a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
- b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
- c. We have expended \$642,842 for projects funded by federal awards during fiscal year 2008. Since the District's total federal award expenditures exceed the \$500,000 threshold stated in OMB Circular A-133, the U.S. Department of Agriculture – Natural Resource Conservation Service – Papio Reservoirs Project therefore qualifies for compliance testing.
- d. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws,

regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

- e. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to reportable conditions reported in the schedule of findings and questioned costs.
- f. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program.
- g. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- h. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including results of other audits or program reviews.
- i. Amounts claimed or used for matching were determined in accordance with the relevant guidelines in *OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments*, and *OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- j. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- k. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
- m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- n. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by *OMB Circular A-133*, and we are

responsible for preparing and implementing a corrective action plan for each audit finding.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned basic financial statements or in the schedule of findings and questioned costs.

Signed: John White
Title: General Manager
Date: 12/8/2008

Signed: Carly Fly CPA
Title: District Accountant
Date: 12/8/2008