

To the Board of Directors
Nebraska Cooperative Republican Platte Enhancement Project
North Platte, Nebraska

We have performed the procedures enumerated below, which were agreed to by Nebraska Cooperative Republican Platte Enhancement Project (N-CORPE), solely to assist you in connection with evaluating N-CORPE's approval, documentation and support of specific transactions detailed in the arrangement letter dated July 17, 2017. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are as follows:

1. Procedure: Obtain and inspect the related policy and document the procedures for recording in-kind contributions, and make suggestions for improvement, if any are identified.

Results: Through inquiry with N-CORPE management, it was noted that a formal and written in-kind contributions policy did not exist. RSM US LLP (RSM) inquired of N-CORPE management as to the procedures for recording in-kind contributions. As a result of that inquiry, it was determined that supporting documentation is provided to N-CORPE's accountant by either management of N-CORPE or directly from the applicable Natural Resource Districts (NRDs). The in-kind contributions are recorded in the "Member Contributions" account.

Recommendations: RSM recommends that N-CORPE develop a formal and written in-kind contribution policies and procedures document. This document would include detail as to the allowed form of such contributions and provide structure as to approval and documentation standards. It may be prudent to incorporate various approvals levels within this document. For example, N-CORPE management would have an approval authority up to a certain threshold and then in-kind contributions above such threshold would require N-CORPE Board of Director approval. Further, it may be prudent to establish an in-kind contribution acceptance form which documents details such as contributor, form of contribution, amount of contribution, how fair value was established if applicable and formal approval. Lastly, the level of documentation required to support an in-kind contribution should be incorporated into the policies and procedures document.

2. Procedure: Agree the amount, contributor and date of in-kind contributions of \$30,000 and over recorded in N-CORPE's general ledger from October 1, 2012 through June 30, 2016, to supporting documentation. Further, obtain and inspect supporting documentation for evidence of approval in compliance with established approval policies. Report any discrepancies.

Results: RSM selected six in-kind contributions totaling \$1,023,756 from N-CORPE's general ledger detail for the "Member Contributions" account for the period October 1, 2012 through June 30, 2016 and performed the listed procedures. RSM noted a difference between supporting documentation and the recorded in-kind contribution of \$207,330 from the Upper Republican NRD recorded in July 2014. The amount supported by documentation was \$184,172. RSM further researched this variance noting that it was corrected subsequent to June 30, 2016. As previously described, N-CORPE does not have a formal and written in-kind contributions policy. As such, we were unable to determine if the contributions were approved in compliance with established approval policies. For the six in-kind contributions selected, RSM noted that the items were discussed and approved in the Board of Director minutes, however, the documentation of such approval did not contain sufficient detail to support the amount recorded. For example, the number of hours worked was approved, however, the amount of financial statement impact was not specifically documented. As previously recommended, formal approval documentation should include the in-kind contribution amounts.

When selecting our sample of in-kind contributions for testing, it was noted that cash contributions of \$680,000 were incorrectly recorded as in-kind contributions in August 2013 and December 2013 and subsequently corrected and recorded in the "Reimbursements from NRD's" account. RSM noted that the \$680,000 was comprised of \$150,000 to the Lower Republican NRD, \$150,000 to the Middle Republican NRD, \$150,000 to the Twin Platte NRD and \$230,000 to the Upper Republican NRD. RSM agreed these amounts to invoices and/or sales receipts. In December 2013 when these cash contributions were reclassified to the "Reimbursements from NRD's" account, it was noted that \$150,000 was recorded for Middle Republican, Lower Republican and Twin Platte NRDs and \$230,000 recorded for Upper republican NRD.

3. Procedure: Positively confirm in-kind contributions of \$30,000 and over recorded in N-CORPE'S general ledger from October 1, 2012 through June 30, 2016, with each NRD. Report any discrepancies. RSM confirmed the in-kind contributions from October 2012 through June 2016 with the natural resource districts (NRDs).

Results: Positive confirmations were sent for the six in-kind contributions totaling \$1,023,756 discussed previously. All confirmations were returned. The Upper Republican NRD confirmed total in-kind contributions of \$714,423. This amount incorporates the variance previously described. The Middle Republican confirmed in-kind contributions of \$139,391. Total Middle Republican in-kind contributions tested in the previous procedure totaled \$243,731. The difference was confirmed by the Middle Republican as "lost occupational tax" rather than an in-kind contribution. The Twin Platte NRD positively confirmed \$52,305 of in-kind contributions.

4. Procedure: Obtain and inspect the related policy and document the procedures for recording the receipt of cash contributions, and make suggestions for improvement, if any are identified.

Results: Through inquiry with N-CORPE management, it was noted that a formal and written cash contribution policy did not exist. RSM inquired of N-CORPE management as to the procedures for recording cash contributions. As a result of that inquiry it was determined that there are two general types of transactions. One, cash contributions are recorded by N-CORPE's accountant when the cash is received and posted to one of the three Union Bank and Trust Company trust accounts directly from the NRDs. These trust accounts are utilized to serve the outstanding debt. Two, N-CORPE management sends an invoice to the respective NRDs, deposits the funds when received and then sends the applicable support to N-CORPE's accountant to record the transactions. Such receipts from the NRDs are recorded in the "Reimbursements from NRDs" account.

5. Procedure: Agree the amount, payer and date of cash contribution receipts of \$30,000 and over recorded in N-CORPE's general ledger from October 1, 2012 through June 30, 2016, to supporting documentation.

Results: RSM selected 18 cash contribution postings totaling \$11,165,199 from N-CORPE's general ledger detail for the "Reimbursements from NRD's" account for the period October 1, 2012 through June 30, 2016 and performed the listed procedures. Disbursement support (for example, a cancelled check or bank statement activity) was obtained from the NRDs for all selections and no discrepancies were noted. Deposit support (trust statement activity) was obtained from N-CORPE management for all selections without exception excluding the following. Trust statements were unavailable to support receipts of \$449,209 with disbursement support dated in November 2014, \$87,302 with disbursement support dated in April 2014, and \$21,691 with disbursement support dated in August 2014.

6. Procedure: Agree the amount, vendor, date for all capitalized property and equipment of \$30,000 and over recorded in N-CORPE's general ledger from October 1, 2012 through June 30, 2016, to supporting documentation, including invoice and evidence of payment. Further, obtain and inspect the supporting documentation for evidence of disbursement approval in compliance with established approval policies. Report any discrepancies.

Results: RSM selected 25 property and equipment postings totaling \$105,398,825 from N-CORPE's general ledger detail for the property and equipment accounts for the period October 1,

2012 through June 30, 2016 and performed the listed procedures. The following items were noted. Property and equipment acquisition totaling \$83,040,751 were recorded in December of 2012. These acquisitions were discussed and approved in the minutes, however, the minutes did not include detail as to the approved purchase price. We noted a property and equipment addition of \$45,073 that was recorded in June of 2015. This invoice was not specifically approved in the Board of Director minutes. RSM noted that pivot purchases of \$1,380,000 and building purchase of \$4,721,200 the specific amounts were not specifically approved in the Board of Director minutes.

7. Procedure: Inspect invoices dated between October 1, 2012 and June 30, 2016, that exceed \$30,000 for vendors to identify unrecorded property and equipment additions. Report any unrecorded items.

Results: RSM obtained 15 invoices totaling \$14,101,658 for certain vendors between October 1, 2012 and June 30, 2016 noting no unrecorded construction transactions.

8. Procedure: Obtain and inspect property and equipment disposal policy and document the procedures for disposal transactions of \$30,000 and over, and make suggestions for improvement, if any are identified.

Results: Through inquiry with N-CORPE management, it was noted that a formal and written property and equipment disposal policy did not exist. RSM inquired of N-CORPE management as to the procedures for authorization and recording property and equipment transactions. As a result of that inquiry, it was determined that property and equipment disposals are approved during monthly meetings of the Board of Directors. Subsequent to approval from the Board of Directors, the supporting documentation from the disposal is provided to N-CORPE's accountant for recording.

Recommendations: RSM recommends that N-CORPE develop a formal and written property and equipment disposal policies and procedures document. This document would provide structure as to approval standards. It may be prudent to incorporate various approvals levels within this document. For example, N-CORPE management would have an approval authority up to a certain threshold and then disposals above such threshold would require N-CORPE Board of Director approval. Lastly, it would be prudent to require the documentation of the Board of Director approval to include the approved sales price. Also consider obtaining third party appraisals before selling occurs to ensure prices are reasonable.

9. Procedure: Agree the amount, purchases, date and item purchased for disposals of \$30,000 and over recorded in N-CORPE's general ledger from October 1, 2012 through June 30, 2016, to supporting sales documentation. Further, obtain bank account documentation of the related cash receipt, and also obtain and inspect the supporting documentation for evidence of disposal approval in compliance with the established approval policies. Report any discrepancies.

Results: RSM selected eight property and equipment disposals totaling \$3,462,908 from N-CORPE's property and equipment disposal listings for the period October 1, 2012 through June 30, 2016 and performed the listed procedures. No exceptions were noted.

Recommendation: RSM will recommend when items are sold at auction to include additional financial information (i.e. minimum sales price) in the approval of auction sales. RSM will also recommend the auction sales being approved subsequent to the sale to include the sales price as to note that the amount accounted for was properly approved.

10. Procedure: Obtain and inspect bond and loan requirements from management from October 1, 2012 through June 30, 2016, to determine what conditions, if any, N-CORPE was to comply with related to the sale of land, equipment or structures. Report any such conditions and violations thereof.

Results: RSM obtained a promissory note dated December 4, 2012, a real estate mortgage dated November 29, 2012, and a bond pledge and security agreement dated December 4, 2012. Section 3(a) of the bond pledge and security agreement prohibits N-CORPE from selling pledged

collateral prior to full payment of outstanding obligations. However, were we unable to determine if any property and equipment disposals related to the applicable collateral as it was noted that "Exhibit A" of the real estate mortgage dated November 29, 2012 did not include a description of the real property.

11. Procedure: Confirm compliance with any bond and loan requirements related to the sale of land, equipment or structures \$30,000 and over between October 1, 2012 and June 30, 2016, with the bond and loan holders.

Results: See the previous results.

12. Procedure: Perform a search for unrecorded sales transactions \$30,000 and over and occurring between October 1, 2012 and June 30, 2016, by inspecting the list of capitalized items (fixed assets) and discussing any items that have been sold and yet remain on the listing with management and the Board of Directors.

Results: RSM obtained and reviewed a list of capitalized items at June 30, 2012, 2013, 2014, 2015 and 2016 and inquired with N-CORPE management and also reviewed Board of Director minutes noting no unrecorded sales transactions.

13. Procedure: Obtain and inspect bank statements for deposits \$30,000 and over not previously inspected in the above procedures, and determine the nature and recording in the N-CORPE general ledger of such transactions by obtaining and inspecting supporting documentation.

Results: RSM selected 46 items totaling \$27,965,065 from bank statements for the periods between October 1, 2012 and June 30, 2016. The listed procedures were performed without exception.

14. Procedure: Obtain and inspect the bid policy and document the procedures for recording transactions over \$30,000, and make suggestions for improvement, if any are identified.

Results: Through inquiry with N-CORPE management, it was noted that a formal and written procurement/disbursement policy did not exist. RSM US LLP (RSM) inquired of N-CORPE management as to the procedures for soliciting bids and approving cash disbursements. As a result of that inquiry, it was determined that acquisition requests of \$30,000 or greater require approval by the N-CORPE Board of Directors. This approval is documented in the Board of Director minutes. The minutes reference approval of a payables listing. Acquisition requests greater than \$100,000 require formal bids from at least three parties.

Recommendations: RSM recommends that N-CORPE develop a formal and written procurement/disbursement policy. This document would include detail as to the allowed form of such bids/quotes and provide structure as to approval tiers and documentation protocols. For disbursements requiring Board of Director approval, it would be a best practice to specifically approve the total dollar amount of a payables listing. This would improve the level of documentation surrounding the approval documentation. Consider excluding related parties from soliciting bids.

15. Procedure: Judgmentally select a sample of 20 transactions over \$30,000 recorded in N-CORPE's general ledger (not previously selected based on the above procedures) from October 1, 2012 through June 30, 2016, and agree the amounts and dates to supporting documentation. Further, inspect the supporting documentation for evidence of disbursement approval, if applicable, in compliance with established approval policies. Report any discrepancies.

Finding: RSM selected 20 transactions and performed the listed procedures. Three transactions were debt service payments of \$1,694,105. The specific approval of these amounts was not located in the Board of Director minutes. The Board of Directors is compiled of members from each NRD and the bond payments are made directly from each NRD to the bank. Three expense disbursements of \$304,641 were not specifically approved in the Board of Director minutes. Finally, three expense disbursements of \$980,159 should be reevaluated to determine if such items meet capitalization standards.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the cash records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors, and management of N-CORPE, and is not intended to be and should not be used by anyone other than these specified parties.

Omaha, Nebraska
[Date]

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