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May 30, 2006

Pete Peterson
P.O. Box 349
Preston, ID 83263

Pete,

I am in the process of getting everything to IDWR. I did not end up with a copy of the Water Master Report. Would you mind sending me a copy?

I am also enclosing an Oath of Office form. Please sign, have it notarized and mail back to me.

It was my understanding that the \$13,250 that was advanced to you earlier was done so that you could purchase fuel while it was cheaper. Additionally, I thought this was to be applied against expense reports each month on an equal basis of \$1,325 per month since we had ten months left in the year. I have discussed this with Connely and this was his understanding also.

I have talked to two different accounting firms about doing the audit. Both of them will require expense reports that have copies of the documentation to back them up. For mileage, a log book showing the date, number of miles driven and a brief description of the business purpose will be needed. Copies of documents to back up all other expenses need to be provided to us. I would like to see that provided to us on a monthly basis. We also need to get caught up on the three past months. Make sure to include all expenses for both the supplemental water and the water district. If possible it would be nice to have some indication of what is for water district and what is for supplemental water.

I have reviewed the IRS requirements for expense reimbursements and by doing the reports as outlined in the above paragraph, the water district will not be required to issue you a 1099 for the entire amount reimbursed to you.

If the advisory board wishes me to handle this any differently than as I have outlined above, I would appreciate them letting me know.

Very truly yours,
Gerald L. Brown

cc: Lee Ream
Joe Larson
Dean Mathews
Connely Baldwin

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Jay", is positioned above the printed name.

Gerald L. Brown,
Certified Public Accountant