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OFFICIAL RECORD
Requested By:
DC/COMPTROLLER

Assessor's Parcel Number: N/A

Date: MARCH 28, 2008

Recording Requested By:

Douglas County - NV
Werner Christen - Recorder
Page: 1 of 9 Fee: 0.00
BK-0308 PG- 7663 RPTT: 0.00



Name: CLAUDETTE SPRINGMEYER, COMPTROLLER

Address: _____

City/State/Zip: _____

Real Property Transfer Tax: \$ N/A

AUDITING AGREEMENT #2008.064
(Title of Document)

FILED

NO. 2008.064

2008 MAR 28 PM 2:42

"Taking care of Nevada for more than 60 years."

BARBARA J. GRIFFIN
CLERK
February 9, 2008



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Ms. Claudette Springmeyer
Administrative Services Director/Comptroller
Douglas County
P. O. Box 218
Minden, Nevada 89423

Dear Ms. Springmeyer:

We are pleased to confirm our understanding of the services we are to provide for Douglas County, Nevada (Douglas County) for the year ending June 30, 2008. We will audit the basic financial statements of the Douglas County as of and for the year ended June 30, 2008. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the County's basis financial statements. As part of our engagement, we will apply certain limited procedures to the County's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principle and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

ELKO
FALLON
LAS VEGAS
RENO
WINNEMUCCA
YERINGTON



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- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinion is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for establishing and maintaining internal control and for compliance with the provisions of contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, including the schedule of expenditures of federal awards, but the responsibility for the financial statements remains with you. That responsibility includes the establishment and maintenance of adequate records and effective



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internal control over financial reporting and compliance, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements 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. You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary of schedule of prior year findings should be available for our review on November 9, 2008.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with original document.

If you decide to include, publish or otherwise reproduce the financial statements and our report thereon at a date subsequent to their original issuance, such as for inclusion in a bond offering, prospectus or similar document, our Firm is presumed not to be associated with such document, and we have no obligation to perform and procedures with respect to such documents. In addition, we request that you include the following language in such offering documents:

"Kafoury, Armstrong & Co., our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial

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statements addressed in that report. Kafoury, Armstrong & Co. also has not performed any procedures relating to this official statement.”

If, however, management takes certain actions, such as requesting a written consent from us prior to including our audit report in such offering document, our Firm then becomes associated with the offering and, in accordance with professional standards, we will be required to perform certain limited procedures with respect to unaudited information contained in the document. Fees for inclusion of our audit report in such document will be based on our standard hourly rates.

Audit Procedures—General

An audit 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. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do expect auditors to provide reasonable assurance of detecting abuse.

As required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, our audit will include test of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. 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.



Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinions on the Douglas County's financial statements and on its compliance with requirements applicable to major programs.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB 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 major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, Government Auditing Standards, and OMB Circular A-133.



Audit Procedures—Compliance

Our audit will be conducted in accordance with the standards referred to in the section titled Audit Objectives. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Douglas County's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

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

Audit Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any invoices selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide copies of our reports to Douglas County; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits. At the conclusion of the engagement, we will provide information to management as to where the reporting packages should be submitted and the number to submit.

The audit documentation for this engagement is the property of Kafoury, Armstrong & Co. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a cognizant or oversight agency for audit or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Kafoury, Armstrong & Co. personnel. Furthermore, upon request, we may provide copies of selected audit



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documentation to the aforementioned parties. These parties may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the date the auditors' report is issued or for any additional period requested by the a cognizant agency, oversight agency, or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the workpapers.

We will plan to begin our audit work during the month of September 2008 and issue our reports no later than November 30, 2008.

Our profession must implement new auditing standards issued by the American Institute of Certified Public Accountants (AICPA) beginning with the County's June 30, 2008 audit. These new standards will entail substantial increase in audit hours related to documentation and evaluation of the County's internal control. However, management has an opportunity to assist with the documentation resulting in an opportunity to impact the County's audit fee. Assuming management assists in the documentation of the County's key processes and controls, at the assertion level, we estimated a fee not to exceed \$91,000. This fee also includes testing of two major programs during the A-133 compliance audit. Should management be unable to assist with the documentation of the County's key processes and controls, we will bill you for the additional audit hours based on our standard hourly rates, which we estimate the fee between \$8,000 to \$10,000. Should management elect to prepare the financial statements, we will reduce the fees by \$8,000. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In addition, it is our policy to assess a financial charge of 1.5% per month on all accounts past due for more than 30 days. This represents an annual percentage rate of 18%. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue. The terms of this engagement are based on anticipated cooperation from Douglas County, personnel and the assumption that unexpected circumstances will not be encountered during the audit. If unexpected circumstances occur, or if Kafoury, Armstrong & Co. is requested to do additional work, we will propose an addendum to the engagement letter setting forth the specific procedures to be performed and a fee revision.

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report. Our 2007 peer review report accompanies this letter.

We appreciate the opportunity to be of service to Douglas County and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.



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Very truly yours,

KAFOURY, ARMSTRONG & CO.

By: Joan Sciarani-Blake
Joan Sciarani-Blake, CPA
Engagement Shareholder

JSB:
Enclosures

RESPONSE:

This letter correctly sets forth the understanding of Douglas County.

By: Kelly D. Gilb
Title: Chairman Douglas Co. Commission
Date: 3/20/08

CERTIFIED COPY

The document to which this certificate is attached is a full, true and correct copy of the original on file and on record in my office.

DATE: March 28, 2008
Deputy Clerk of the 2nd Judicial District Court
of the State of Nevada, in and for the County of Douglas.

By: David M. Mullock Deputy

SEAL

