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DC/FINANCE

DOUGLAS COUNTY RECORDERS  
Karen Ellison - Recorder

Page: 1 of 22 Fee: \$ 0.00  
Bk: 0914 Pg: 2101



Deputy sd

Assessor's Parcel Number:   N/A  

Date:   SEPTEMBER 11, 2014  

Recording Requested By:

Name:   CHRISTINE VULETICH, FINANCE  

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Real Property Transfer Tax: \$   N/A  

  CONTRACT #2014 184    
(Title of Document)

FILED

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TED THUAN  
CLERK

BY: [Signature] DEPUTY

**P B T K**  
PIERCY BOWLER  
TAYLOR & KERN  
Certified Public Accountants  
Business Advisors

August 22, 2014

Christine Vuletich, Assistant County Manager/Chief Financial Officer  
Douglas County  
P.O. Box 218, 1594 Esmeralda Avenue  
Minden, Nevada 89423

Dear Ms. Vuletich:

Thank you for the opportunity to submit this letter, which sets forth our understanding of the terms and objectives of our engagement to provide professional services to Douglas County (the County). Details of scope and limitations of services to be provided, and certain responsibilities of management with respect thereto, are attached. These attachments are an integral part of this agreement.

Our fees will be based on a percentage of our standard hourly rates as indicated in the attachment. Our fees and out-of-pocket costs will be billed semi-monthly as incurred. Any fee estimates provided, whether presented herein or not, are subject to change as a result of significant changes in business activities, such as a business acquisition, or other conditions affecting audit scope. In addition, to the extent, if any, certain other circumstances arise during this engagement, many of which are noted in the attachments, our estimates could significantly be affected, and additional fees may be necessary.

Subject to the provisions set forth in the attachments, our fees for the requested services are estimated as follows:

Audit of basic financial statements (as defined under Governmental Accounting Standards Board (GASB) Statement No. 34, <i>Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments</i> ) (including a federal financial assistance audit, as required by OMB Circular A-133)	\$ 109,733
Assessment of information technology systems related to financial reporting	7,500

This letter, including the integral attachments thereto, constitutes the complete understanding between Piercy Bowler Taylor & Kern, Certified Public Accountants & Business Advisors, a Professional Corporation and the County relative to services to be rendered to the County and supersedes all proposals and other communications, oral or written.

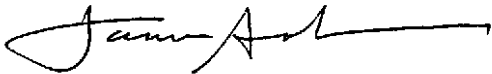
We are confident that we can meet or exceed the service expectations of the County's Board of County Commissioners and senior management and look forward to enjoying a mutually satisfying professional relationship for many years to come.

Christine Vuletich, Assistant County Manager/Chief Financial Officer  
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Please sign and return the enclosed confirmation copy of this letter authorizing us to proceed.

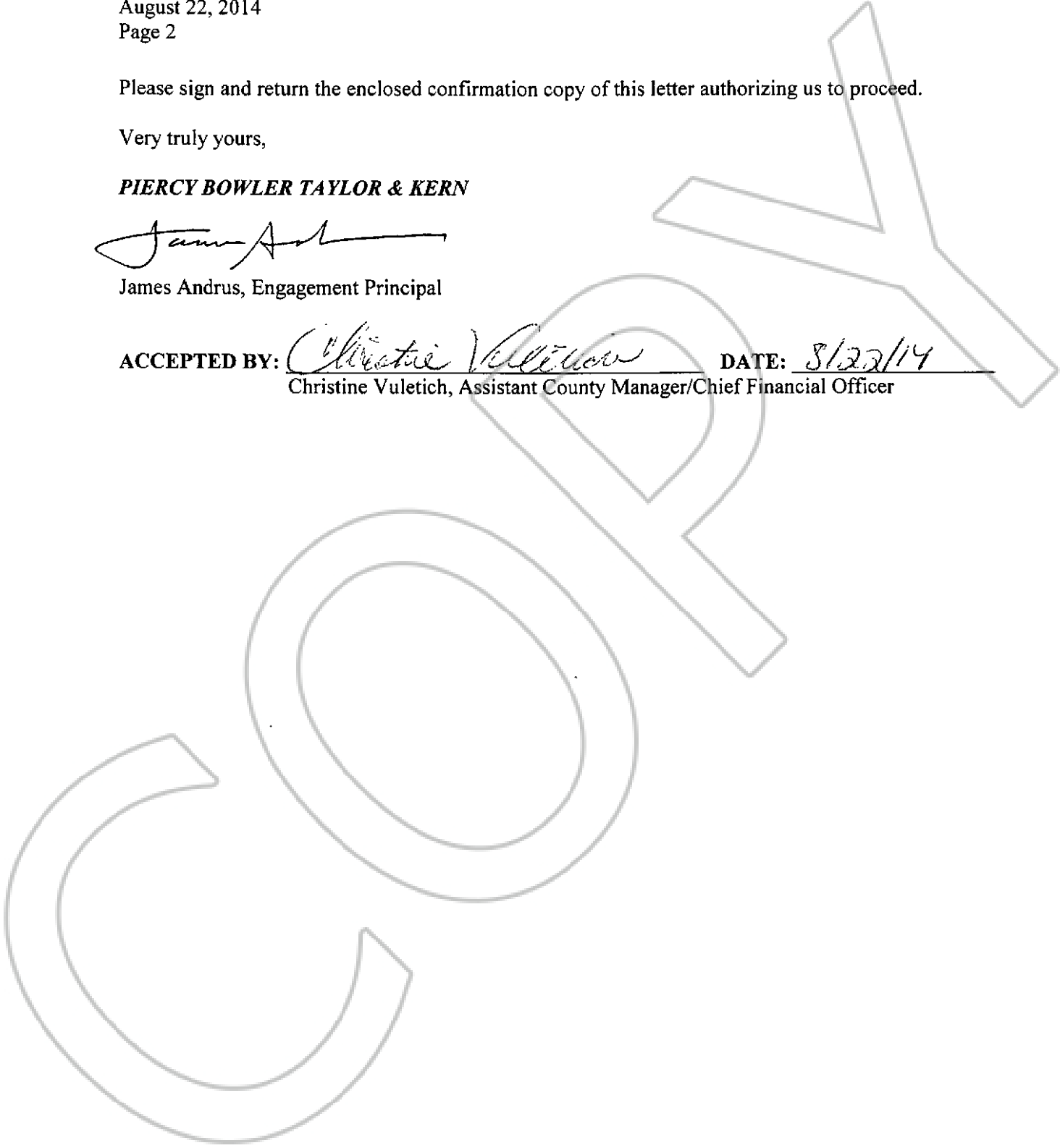
Very truly yours,

**PIERCY BOWLER TAYLOR & KERN**



James Andrus, Engagement Principal

ACCEPTED BY: Christine Vuletich DATE: 8/22/14  
Christine Vuletich, Assistant County Manager/Chief Financial Officer



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## ATTACHMENT A DETAILS OF SCOPE AND LIMITATIONS OF SERVICES

### DEFINED TERMS USED HEREIN

The Firm or PBTk	Piercy Bowler Taylor and Kern, Certified Public Accountants & Business Advisors, a Professional Corporation
The County	Douglas County
Financial statements	The County's basic financial statements and related disclosures
Those charged with governance or financial oversight	The County's audit committee, finance committee, Board of County Commissioners, <i>etc.</i>
AICPA	American Institute of Certified Public Accountants
FASB	Financial Accounting Standards Board
ASC	Financial Accounting Standards Board, <i>Accounting Standards Codification</i>
CPA	Certified Public Accountant
Engagement documentation	The Firm's electronic or paper engagement work documentation
GASB	Governmental Accounting Standards Board
GASB 34	Governmental Accounting Standards Board Statement No. 34, <i>Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments</i> , as amended
NRS	State of Nevada Revised Statutes
MD&A	Management's Discussion and Analysis
CAFR	Comprehensive Annual Financial Report
GFOA	Government Finance Officers Association
OMB	United States Office of Management and Budget
OMB Circular A-133	The applicable version of the United States Office of Management and Budget, Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>
<i>Government Auditing Standards</i>	The latest version of <i>Government Auditing Standards</i> issued by the Comptroller General of the United States
ARRA	American Recovery and Reinvestment Act of 2009
SEC	United States Securities and Exchange Commission

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PCAOB	United States Public Company Accounting Oversight Board
SAS	AICPA Statements on Auditing Standards
IRS	Internal Revenue Service
IRC	Internal Revenue Code
Required supplementary information	Information that a designated accounting standard setter requires to accompany the financial statements and considers to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.
Optional supplementary information	Information presented outside the financial statements, excluding required supplementary information, that is not considered necessary for the financial statements to be fairly presented in accordance with accounting principles generally accepted in the United States.
Other information	Financial and non-financial information (other than the financial statements and the auditor's report thereon) that is included in a document containing audited financial statements and the auditor's report thereon.

### NATURE AND SCOPE OF AUDIT SERVICES TO BE PROVIDED

**What we will audit.** We will audit the financial statements (as defined by GASB 34) of the County as of June 30, 2014, and for the year then ended prepared in accordance with accounting principles generally accepted in the United States, which financial reporting framework management has evaluated and determined to be acceptable and appropriate.

Our audit will also include procedures related to required supplementary, optional supplementary or other information that will accompany the financial statements; however, we will not audit the MD&A or, if presented, the introductory and statistical sections that may accompany the financial statements and are required to earn the Certificate of Achievement for Excellence in Financial Reporting awarded by the GFOA, although we will apply certain limited procedures thereto.

We will also perform a Federal Financial Assistance audit in accordance with the Single Audit Act of 1984, as amended, *Government Auditing Standards* and OMB Circular A-133.

**Use of professional judgment.** The nature of the services to be provided requires that we exercise professional judgment in connection with virtually every procedure applied and conclusion reached throughout the engagement, which judgment may vary from that of another professional in the same or similar circumstances.

**Engagement acceptance and retention.** It is understood and agreed that our acceptance of this engagement

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was contingent upon satisfactory results of certain "due diligence" investigative procedures. Such procedures may be updated periodically and evaluated with other information in connection with our decision to retain or discontinue the engagement, particularly in connection with any significant change in key management personnel or those charged with governance or financial oversight. These procedures may include, among other things, (1) inquiries with professionals whom the County and those associated with the County have had significant relationships, for example, its attorney(s), banker(s), and predecessor auditors/accountants, if any, primarily about matters reflecting upon the integrity of management or those charged with governance or financial oversight, and (2) the search of public records for other indications possibly reflecting upon the integrity and professional conduct of these individuals or groups of individuals. It is agreed that we shall be provided with any necessary authorization to enable such professionals as we may select to respond frankly to our inquiries in this regard, and the Social Security numbers and home (current and immediately preceding) addresses of such individuals and others as we deem necessary to facilitate such due diligence investigation. In addition, management agrees to notify us as soon as practical in the event of becoming aware of the impending resignation or other termination of the chief executive/operating and chief financial/accounting officer(s) enabling us to seek, at our discretion, a special representation letter from such individual(s) while still employed.

**How the audit will be conducted.** Our audit will be planned and conducted in accordance with professional standards and rules generally accepted in the United States, including *Government Auditing Standards*, as are applicable in the circumstances. *Government Auditing Standards* obligate the independent auditor to meet more stringent independence requirements and to perform additional tests of compliance with the provisions of laws, regulations, contracts and grant agreements, and other matters and to prepare additional related reports. Accordingly, our principal goal will be to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement (regardless of cause including, but not limited to, errors, fraudulent financial reporting, misappropriation of assets and violations of laws, rules or regulations) for the purpose of expressing our professional opinion that they are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States. However, we will perform all procedures necessary in our judgment to enable us to issue the other reports, as required by *Government Auditing Standards*.

In connection with financial statements prepared in accordance with GASB 34 and related applicable accounting standards and guidance established by GASB, auditors are required to assess materiality, plan the scope of our audit testing and issue reports on "opinion units." Opinion units in a government's financial statements contain certain combinations of financial data that are viewed as if they are separate financial statements. These include governmental activities, business-type activities, each major governmental and enterprise fund, the aggregate remaining fund information and the aggregate discretely presented component units. Since the determination of opinion units affects the scope of our audit, you agree, (1) to take all practical steps to avoid unnecessary disaggregation of data in the financial statements, resulting in the designation of more than the minimal required number of opinion units, or (2) to pay for additional audit time, as necessary, in excess of our fee estimates, at our standard hourly rates.

Our Federal Financial Assistance audit will be planned and conducted in accordance with OMB Circular A-



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133. OMB Circular A-133 requirements obligate the independent auditor to meet more stringent requirements than *Government Auditing Standards* and to perform additional tests of compliance with the provisions of laws, regulations, contracts and grant agreements, and other matters and to prepare additional related reports. Accordingly, we will perform all procedures necessary in our judgment to enable us to issue the reports required by *Government Auditing Standards* and OMB Circular A-133.

Since we did not audit the prior year financial statements, it will be necessary for us to extend our audit procedures (ordinarily principally by review of the work of the predecessor auditing firm) to obtain satisfaction as to the opening account balances, as of the beginning of the period under audit, that significantly affect the determination of results of operations and components of cash flows for the ensuing period. By signing this letter, it is agreed and acknowledged that proper authorization will be provided directly to the predecessor firm (and that management will advise us when this has been done) to enable it to waive confidentiality restrictions and to disclose to us any and all information at its disposal about management and those charged with governance or financial oversight. It is also agreed that we are duly authorized to discuss with the predecessor firm, with the participation of management, in accordance with our professional responsibility, any matters that may arise regarding any proposed restatements of previously issued financial statements.

As required under applicable SAS, we will examine, on a test basis, evidence sufficient in our professional judgment to support the amounts and disclosures in the financial statements and to enable us to evaluate the overall financial statement presentation, including the completeness, accuracy, and clarity of related disclosures. In that regard, we will need to communicate with the County's attorney(s), who may bill the County for preparing a response to our inquiries.

We will obtain an understanding and perform a preliminary assessment of the design effectiveness of internal control over financial reporting and update it annually, for the purpose of helping to determine the nature, timing, and extent (scope) of audit procedures needed to express our professional opinions on the financial statements. We will not express an opinion or any other form of assurance on the operating effectiveness of the County's internal control over financial reporting unless provided for elsewhere in this letter or by a separate written letter of engagement.

The scope of our audit procedures will be based, in part, on our annual assessment of the risk that material misstatements might occur and not be detected and corrected, whether as a result of fraud or other illegal acts (including violations of any laws or regulations) or errors. A material misstatement is defined for this purpose as one that would cause the financial statements to be misstated by an amount that in our judgment would likely make a difference to the intended financial statement users, identified to us by management below, whether intentional or unintentional. Nevertheless, principally because of the inherent characteristics of fraud and other illegal acts, particularly when involving forgery and collusion, an audit can afford only reasonable, but not absolute, assurance of discovery of a material misstatement in the financial statements as a consequence of a fraud or other illegal act. We will not perform procedures designed to detect misstatements that are not material. However, if indications of possible fraud or other illegal acts (including violations of any laws or regulations) or errors come to our attention, we will report such matters to management and those charged with governance or financial oversight of the County.

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If necessary or requested, we will provide routine advice and recommendations to management with respect to its financial reporting obligations and as to the preparation of the financial statements, but only to an extent limited, as necessary in our sole judgment, to comply with relevant independence rules and regulations. Our responsibility with respect to such financial statements; however, shall be limited solely to matters relating to the scope and results of our services as will be described in our report. Accordingly, despite any preparation advice or recommendations that may be provided by us, management is solely and fully responsible for the County's financial statements and the assertions made or implied therein.

**Intended users of the financial statements.** The County's financial statements will be intended for the following third-party users and/or purposes and no others unless we are subsequently notified in writing:

- ◆ For distribution to regulatory agencies.
- ◆ For distribution to grantors or their cognizant, administrative or "pass-through" agencies, and other government agencies.
- ◆ For distribution to selected significant creditors/prospective creditors.
- ◆ For distribution to bondholders and bond underwriters.

In the event we are notified in writing that the financial statements and our report thereon are to be provided to other users for other purposes, we reserve the right to apply additional procedures at our sole discretion, possibly subject to revised billing arrangements, before we authorize such additional distribution and use of our report.

However, we understand that, under applicable State law, the financial statements, our report(s) thereon and certain other communications from us may be available upon request to members of the general public and, in accordance with NRS 354.624, the use thereof is not limited.

**Reporting.** If, during the course of our engagement, we encounter circumstances that could preclude our issuance of an unmodified standard report, we will notify management and those charged with governance or financial oversight and attempt to resolve the matter satisfactorily prior to the issuance of the related report.

The required supplementary information presented with the financial statements is required by applicable standards. Although we will apply limited procedures to this information, we will not express an opinion or other form of assurance thereon.

The optional supplementary information presented with the financial statements will be presented for purposes of additional analysis and subjected to the procedures applied in our engagement relative to the financial statements. Therefore, we will express an opinion on the optional supplementary information in relation to the financial statements as a whole.

The other information presented with the financial statements will be presented for purposes of additional



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analysis. Although we will apply limited procedures to this information, we will not express an opinion or other form of assurance thereon.

As required by *Government Auditing Standards*, we will prepare a separate written report on compliance and on internal control over financial reporting based on our audit of the financial statements. Our report will contain, (1) results of our tests of compliance with certain provisions of laws, regulations, contracts, grants, and other matters with which we believe that noncompliance could have a direct and material effect on the determination of financial statement amounts, including, when applicable, NRS 354.624 Sec. 5 (a)(1) through (5) for the purpose specified in NRS 354.6241, and (2) the results of our consideration of internal control over the financial reporting including significant deficiencies (if any), and the presentation of any material weaknesses identified. However, our work will not be intended to enable us to and; therefore, we will not express an opinion or other form of assurance on the County's internal control over financial reporting.

We will also prepare Federal Financial Assistance audit reports, as required by OMB Circular A-133, which contain, (1) a description of the scope and results of procedures performed with respect to applicable requirements for each major federal program, including an opinion on compliance, (2) the results of our consideration of internal control over compliance including significant deficiencies (if any), and the presentation of any material weaknesses identified, (3) an opinion, based on our audit, on the schedule of expenditures of federal awards, and (4) an auditors' schedule of findings and questioned costs.

If, as a result of our work, any matters come to our attention that, (1) in our judgment, represent significant deficiencies (including the most serious, called "material weaknesses") in internal control over financial reporting that we believe could adversely affect management's ability to record, process, and summarize financial data, and to produce reliable financial statements or to adequately safeguard its resources, or (2) constitute other reportable matters under professional standards such as, but not limited to, possible fraud or other illegal acts, we will communicate them to management and those charged with governance or financial oversight together with any other findings we believe warrant attention, and may offer related recommendations for improvement. If requested, we will be pleased to meet with management and/or those charged with governance or financial oversight, to discuss such matters. There can be no assurance that our services will discover all material weaknesses or other significant deficiencies in internal control over financial reporting.

All reports and other written communications issued by us relative to all services provided will be delivered and entrusted to an appropriate officer or management executive, who will be responsible for timely distribution to intended users or their representatives. We will not be responsible, ordinarily, for the distribution thereof to intended users.

Our written reports and other communications will be addressed to those charged with governance or financial oversight to whom we are obligated under professional standards to make certain required communications.

Our engagement to perform the professional services described herein shall not constitute our agreement to be associated with any documents reproduced, published or otherwise distributed by or on behalf of the County, electronically or in print media except as authorized by us in this letter or otherwise in writing. Any reports or

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other communications that we may issue in connection with these services may not be distributed or published in any document containing other material without the express written consent of our Firm, except as may be required by law or regulatory provision. It is our professional responsibility and policy to review any material containing financial information with which we are, or are likely to become, associated prior to approving its distribution. Accordingly, it is agreed that we shall be allowed the opportunity to review such material, for example, as may be included in a private or public offering document, on a website, in a newsletter or in an annual report, that is intended to contain our report or any reference to our Firm, or any accounting or other significant financial information with which we are, or are likely to become, associated, at least in their final draft or printers' proof stage, and preferably earlier stages, as well, and to make necessary revisions as we may reasonably require, prior to any distribution outside of management and those charged with governance or financial oversight. It is understood that any fee estimates provided herein do not include fees that would be incurred in connection with any services we deem necessary for us to perform in connection with and precedent to granting our authorization for any such distribution not expressly contemplated in the terms set forth herein.

**Misstatements discovered in previously issued financial statements.** If misstatements or omissions are discovered in previously issued financial statements, it shall be management's responsibility to make a timely assessment of the materiality of such matters, both quantitatively and qualitatively and, in consultation with securities counsel, if applicable, and those charged with governance or financial oversight, to determine whether it is necessary to restate any financial statements affected or attempt to notify users of such financial statements, including regulatory agencies, that the financial statements are no longer to be relied upon. In no event shall any public notification be issued by management or any representative thereof without our advance approval of the content. In the event of a restatement, our fees for any additional work that we, in our sole discretion, determine must be performed in connection therewith shall be based on our then standard billing rates, plus any out-of-pocket expenses incurred.

**Management responsibilities and representations.** Management responsibilities include responding fully and truthfully to all inquiries made by us and understanding that the nature of the service(s) provided by us requires that our service team exercise professional judgment in connection with virtually every aspect of and throughout the engagement, and understanding that the nature of services to be provided by our Firm's service team requires the exercise of professional judgment in connection with virtually every aspect thereof, and that such professional judgments might vary from those of another professional in the same or similar circumstances. In addition, other management responsibilities include, but are not limited to, those listed in Attachment B, which is an integral part of this agreement.

At the conclusion of our engagement, it is agreed that management will provide us with a letter of representation that will reconfirm representations about material matters that were (or should have been) made to us during the course of the engagement and will acknowledge, among other things, the foregoing responsibilities of management for, (1) the financial statements, (2) maintaining effective internal control by designing, adopting, and implementing sound policies and procedures and, when required, documenting, testing and assessing its internal control over financial reporting, and (3) either making all proposed adjustments or determining, based on management's materiality assessments, if any proposed adjustments will not be made. Any proposed adjustments waived at management's request will be communicated to those charged with

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governance or financial oversight. This letter of representation will also set forth management's understanding of the term "material" for purposes thereof.

It is also hereby agreed that the County shall release, indemnify, defend, and hold our Firm (and its shareholders, principals and other employees and their heirs, executors, personal representatives, successors, and assigns) harmless from any liability and costs resulting from knowing misrepresentations by management personnel made to us in connection with our services.

Because of a rapidly widening gap in the applicability (to either auditors or financial statement issuers) of certain professional standards, rules or regulations, dealing with accounting, internal control, auditing and auditors'/accountants' independence that depend significantly on the financial statement issuer's status as either privately-held vs. a current (or planned) SEC issuer (including, among other significant things, indemnification clauses and the nature and extent of non-audit services that may be provided by independent auditors), it is agreed that we will be notified as soon as practical should management begin to consider a change in such status, for example, through a planned registration of securities or other transaction that would cause the financial statements to be filed with the SEC, or consolidated with the financial statements of another entity that is an issuer, or a planned "going private" transaction. In connection with such a change in status, we shall not be responsible for any noncompliance with any applicable standards, rules or regulations, or other requirements in the event we are not informed in a timely manner of such consideration or intent.

**Licensing and independence.** We hereby represent that our Firm is duly licensed to perform this engagement, and, in our professional judgment, independent under all applicable rules, regulations and interpretations. In addition, we represent that we know of no relationships that a reasonably informed person might consider an impairment of our independence under such requirements with regard to this engagement.

### ACCOUNTING AND CERTAIN OTHER NON-ATTEST SERVICES

We will perform accounting and other non-attest services as necessary or requested, including the following:

- ◆ Assist the County's bookkeeper in preparing adjustments to the accounts included in the trial balance (for example, cash to accrual basis conversion, depreciation, income tax provision, *etc.*).
- ◆ Preparation of financial statements (as defined under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*) in conformity with accounting principles generally accepted in the United States.
- ◆ Preparation of required supplementary information/schedules, if any.
- ◆ Preparation of optional supplementary information/schedules, if any.
- ◆ Preparation of other information/schedules, if any.

Preparation of financial statements and any journal entries that may be necessary in that connection are non-attest services that are subject to the limitations discussed below including under "Other terms, Limitations on

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services provided." Our responsibility with respect to such financial statements and accompanying information shall be limited solely to matters expressed in our reports.

To protect our independent status, you hereby represent to us that Christine Vuletich, Assistant County Manager/Chief Financial Officer, has been designated to oversee and accept responsibility on behalf of management for these or any other services other than those involving reporting on the financial statements, and you assert that based on management's assessment, Christine Vuletich possesses suitable skill, knowledge, and/or experience to do so, meaning that Christine Vuletich understands the services performed sufficiently to oversee them, but is not required to possess the expertise to perform or re-perform the services. In that regard you agree that management will provide us with sufficient support for the foregoing assertion regarding Christine Vuletich's qualifications. You also agree that Christine Vuletich will be responsible, and hereby acknowledge responsibility, for all necessary management decisions and all necessary management functions, to evaluate the adequacy and results of the services performed, and to establish and maintain appropriate and effective internal controls, including monitoring ongoing activities with regard to such services and functions. We will be pleased to explain our recommendations to members of management and others to the extent necessary to enable them to make appropriate decisions, but we will not assume management's responsibility for making the decisions. Moreover, we shall not perform any services that are not pre-approved by those charged with governance or financial oversight or of a type that would impair our independence as auditors/accountants under applicable standards, rules or regulations.

### **SERVICES NOT SPECIFICALLY IDENTIFIED HEREIN**

We will also be available to provide, on an as requested basis, other management consulting services, if permissible in our judgment under applicable independence requirements (see OTHER TERMS, Limitations on services to be provided, below), and in accordance with established professional standards and rules applicable to such services, for example, in connection with financial or business matters. However, except for the hourly billing rates listed below, neither this letter nor any fee estimates included herein are intended to cover any services not described herein. In the event that significant additional or alternative professional services are requested, possibly upon our recommendation, or are determined to be required, it is probable that a supplemental or revised letter of engagement will be required setting forth the nature and limitations of such additional or alternative services and the terms under which we will perform them.

We will not accept responsibility for any management decisions or functions or perform any work that may be considered beyond routine advice or that may put us in a position of auditing our own work, for example, designing or implementing a new accounting system, or performing extensive valuation services, such as may be related to infrastructure assets. Accordingly, our services will not include, for example:

- ◆ Serving as a member of management or a governance body.
- ◆ Developing policies or making policy decisions affecting the direction of operations.
- ◆ Supervising employees.



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- ◆ Authorizing transactions.
- ◆ Maintaining custody of the County's assets.

### FEES, TIMING AND BILLING ARRANGEMENTS

Except as otherwise explained elsewhere herein, our fees for the services described herein will be based on our Firm's standard hourly billing rates, as summarized below, which, in turn, are based generally on the various experience levels of those assigned to perform the services. Our current standard hourly billing rates, which are subject to change without notice, are as follows:

- |                     |            |
|---------------------|------------|
| ◆ Principals        | \$275 -450 |
| ◆ Managers          | \$175 -235 |
| ◆ Senior Associates | \$135 -160 |
| ◆ Staff Associates  | \$110 -125 |

We will provide appropriate personnel with a list of account and transaction analyses, documentation and other information well before our fieldwork begins, and supplement it as deemed necessary, to enable us to complete the services described herein efficiently. Management's failure to provide the requested account and transaction analyses, documentation and other information in time to meet any statutory or other deadline could result in monetary penalties or other adverse consequences for which we will not be responsible in addition to an adverse effect on our time and fees, as discussed below. Furthermore, sufficient time must be provided to allow us to complete our work, including the resolution of any open issues to our satisfaction, without undue pressure or hardship.

Any estimate of time and fees provided, whether or not presented herein, has been or will be made in reliance on information provided to us by management, excludes any time or fees for additional services as may be necessary or requested, and is or will be subject to change as a result of any significant change in business activities (such as a business acquisition or disposal, or other conditions increasing or decreasing the engagement scope) and the level of assistance expected from the County's personnel. Therefore, current and future years' fees may increase or decrease based on actual circumstances.

Possible circumstances that, if encountered, would likely result in increased time and fees include, but are not limited to, the following:

- ◆ Changes in the timing of the engagement at management's request.
- ◆ Changes in applicable accounting or other professional standards.
- ◆ Unexpected and significant changes in the County's operations, operating components, assets, liabilities or capital structure.
- ◆ Changes in accounting policies or practices or identification of significant new accounting issues (particularly when not

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identified and/or resolved by management).

- ◆ Misstatements discovered in financial statements of prior periods and any resultant restatements thereof.
- ◆ Management's failure to provide requested trial balances (adjusted as appropriate), analysis schedules, electronic data files and other information and documents timely and, if applicable, in acceptable format, mathematically correct, and in agreement with the general ledger or other documents.
- ◆ Previously unknown deficiencies in accounting records, an unexpected number of proposed adjustments, or other internal controls over financial reporting.
- ◆ Significant changes in key accounting personnel and/or their responsibilities or diminished availability or changes in the financial reporting process, including the information technology systems and related controls.
- ◆ An unexpected, unusually significant number of changes to draft financial statements.

As suggested above, when unexpected, unfavorable circumstances such as described above occur, there is a presumption that our fees will exceed our estimate, if any, although not always. We will advise management and those charged with governance or financial oversight, as appropriate, when these or other unforeseen circumstances occur. It is management's responsibility to assist us in minimizing our time associated with these or other unforeseen circumstances and, if requested, we will provide management with an estimate of the additional fees to be incurred. However, it is frequently not practical to make meaningful estimates of additional fees caused by inadequate or untimely assistance or as a result of the previously discussed circumstances, including the necessity for our personnel to prepare account and transaction analyses to meet our scheduling commitments or the County's deadlines.

Rest assured, we are committed to controlling the fees and costs that the County is charged for the services described herein and meeting our fee estimate, if any. However, the County must be equally committed to controlling the costs that we incur in providing these services, particularly when a fee estimate has been provided. When your staff has accurately prepared requested account and transaction analyses and assembled requested documentation and other information so that our procedures can commence and proceed as scheduled, we are efficient and our costs are consistent with our fee estimate, if any. When your staff is not ready and we have to work around critical account and transaction analyses, documentation and other information, start and stop work, or reschedule the timing of services, our costs increase exponentially. In addition to simply taking more time to complete your engagement, creating down time (or wait time), additional deadline pressures, and inefficiencies on your engagement and other client engagements, frequently we are also unable to rearrange the timing of the services we have agreed to provide to other clients. In other words, unexpected, unfavorable circumstances, including extreme deadline pressures, make us inefficient, disrupt our practice, and impair the quality of service we strive to provide to all our clients.

Except as otherwise provided for herein, fees and out-of-pocket expenses will be billed twice monthly as the work progresses, and our invoices will be payable upon presentation. An additional finance charge of 1% per month will be added in the event of payment later than 30 days after invoicing or otherwise due. Unless satisfactory alternative arrangements are made, it is understood that failure to pay our invoices timely could



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impair our independence, may result in discontinuance of our services pending a satisfactory resolution, and possibly prevent the timely completion of your engagement.

For all legally binding purposes, payments received by PBTK shall be applied to our most recent invoice first, regardless of which invoice(s) are identified by the payee, PBTK's receivable records or any other payment arrangements.

### OTHER TERMS

**Term of agreement.** Subject to a new letter of engagement, it is agreed that this agreement may be considered for renewal annually for subsequent years, under substantially the same terms unless and until terminated by either party for any reason or amended in writing, for example, for changes in fee arrangements or other clarification or modification of terms. Nevertheless, our engagement will be considered complete each year following the rendering of all reports and communications agreed to on an annual basis. However, in the event of a significant change in management, or the composition of those charged with governance or financial oversight, continuation of these arrangements will be subject to the results of our normal investigatory client acceptance procedures and our approval of new management or other key personnel.

**Limitations on services to be provided.** It is acknowledged that management is primarily responsible for safeguarding the County's resources and for fair presentation of its financial statements and that the primary purpose of our services is to add credibility to the assertions of management embodied in those financial statements for the benefit of third party users thereof. Accordingly, it is agreed that our responsibility to detect misstatements in the County's financial statements, whether unintentional or the result of fraudulent misrepresentations or misappropriations, shall be limited to third party users of the financial statements, and shall not extend to the County, which hereby agrees to hold us harmless with respect to any claims for losses it might sustain as a result of any such misstatements.

In performing the foregoing and any other services, we will not perform or accept responsibility for any management functions or management decisions for the County, all of which shall be the sole responsibility of the County's management. Therefore, it is agreed that management shall be responsible to establish and maintain appropriate internal controls, to evaluate and accept responsibility for any implementation decisions and for assessing the adequacy of any accounting and non-attest services that we may be asked to perform and for the results thereof, and to designate an individual who possesses suitable skill, knowledge, and/or experience to oversee such services and will provide us with sufficient support for its assessment of the qualifications of such individual and advise us of this designation, in writing.

**Conflicts of interest and other issues.** In the unlikely event that a potential conflict of interest, significant client-imposed scope restriction, or other issue arises that, in our sole judgment, (1) affects our ability to provide services in accordance with applicable regulatory requirements, ethical, or other professional standards, or (2) causes us to doubt the credibility of management's representations, we may be required to suspend our services until a satisfactory resolution can be achieved, or we may have to terminate our services and resign from the engagement.

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**Confidentiality and access to and maintenance and retention of engagement documentation.** Please be assured that consistent with our professional responsibility, we will keep confidential all client information obtained during the course of providing services, subject to the following provisions:

- ◆ It is understood and agreed that our engagement documentation may be required to be reviewed by others in connection with a legal or regulatory proceeding or by regulators or other professionals similarly bound by confidentiality requirements if selected for inspection in connection with our system of quality control or a professional practice monitoring program.
- ◆ It is understood and agreed that we shall have unrestricted, direct access to any attorney engaged by the County, who, likewise, shall be duly authorized to discuss any legal matters without other specific authorization and without regard to client confidentiality, subject to any applicable attorney-client and accountant-client privileges
- ◆ It is understood and agreed that, from time to time, when and if deemed necessary in our sole judgment, we have your permission to consult with other CPAs outside of our Firm with whom we have relationships and who are bound by the same ethical restrictions applicable to all CPAs as to certain complex technical accounting and related matters. The costs of such consultations, generally at hourly rates similar to our own, will be included in our billings to the County, as out-of-pocket expenses.
- ◆ It is understood and agreed that, in connection with research and/or benchmarking purposes, we may at any time provide to a third-party service provider financial information about the County, without identifying the County, that otherwise would be considered confidential.
- ◆ During the course of our engagement, it may be necessary or desirable to transmit confidential information electronically by e-mail or other means to or from the County or other authorized individuals or entities assisting in the engagement. Such communications will be appropriately encrypted when required by law. However, e-mail travels over the public internet, which is not a secure means of communication; and therefore, despite any encryption or written notification to readers of the confidentiality of the contents of these communications, it is understood that such confidentiality may be compromised. Nevertheless, the County agrees to our use of e-mail or other electronic methods as appropriate in our judgment to transmit and receive confidential information to such persons or entities to whom we may otherwise be authorized to communicate in connection with our engagement. Furthermore, the County also agrees to retain any electronic communication received from us for no longer than a reasonable time as may be necessary to serve its intended purpose and to comply with any statutory record retention requirements and those of the County's own written policies.
- ◆ In the event we receive a duly issued subpoena or summons requesting that we produce documents or testify in regards to this engagement, unless we are advised that we are legally prohibited from doing so, we will notify management and those charged with governance or financial oversight prior to responding, thus enabling an attorney to initiate, during the allowed time for responding, any such legal action as the attorney deems appropriate to protect such information from discovery at the County's expense. Although an accountant-client privilege may exist for certain proceedings, it is agreed that we are not under any obligation to assert such privilege at our expense to protect any such information from discovery. In the event access to our engagement documentation is otherwise requested by any regulatory agency, we will not permit such access without the County's permission unless advised that we are legally required to do so.
- ◆ *Government Auditing Standards* impose certain "whistleblowing" responsibilities on auditors in connection with illegal acts. Accordingly, in the event that we encounter and report to management or those charged with governance or financial oversight an illegal act that, in our judgment, has a material effect on the County's financial statements, unless appropriate remedial action is taken by management or those charged with governance or financial oversight, you understand and agree that we may

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be required to report the matter directly to a regulatory or grantor agency and that, depending on its severity, we could be required to resign from the engagement.

Except as otherwise provided in this paragraph, all engagement documentation prepared or accumulated by us in support of our report(s) on the financial statements and, if applicable, the tax returns will remain our property at all times, and it is agreed that they will be retained by us for a limited time in accordance with all applicable professional, legal, and regulatory requirements and our normal record retention/destruction policies and practices, but no less than seven years following the completion or other termination of our services for each period (except for certain records relative to audit engagements subject to the standards of the PCAOB that are terminated without issuance of a report) after which they will no longer be available. It is understood and agreed that under our normal record retention/destruction policies and practices, such records may be stored off premises in a public facility, and may ultimately be destroyed by a third-party service provider, all subject to appropriate security measures. We are not responsible to maintain records on the County's behalf in support of the financial statements or tax returns and we will not be responsible to the County for loss or damage to our engagement documentation or the County's documents as a result of catastrophic events, physical deterioration, or as a result of the application of our own record retention/destruction policies and practices in accordance with all applicable laws and regulations. Original paper documents and other records provided to us by you in connection with our engagement shall remain the County's property and will be returned to appropriate management or other designated employees as soon as practical following completion of the engagement. It shall be the management's responsibility to retain and protect the County's records for possible future use, including potential examination by any government or other regulatory agencies and otherwise pursuant to required records and retention statutes and regulations. Legal or other professional counsel should be obtained by the County for guidance on any specific statutory or regulatory requirements that may apply or specific records and retention policies that may be mandated.

In the event our services are terminated for any reason, subject to our withholding of certain information that we, in our sole judgment, may regard as proprietary, we will make our engagement documentation available to, and respond to inquiries of, a successor, consistent with professional standards, but only, (1) with regard to completed services, (2) if we are duly authorized by management to do so, and (3) if all of the following other conditions have been met:

- ◆ All our invoices have been paid, and satisfactory arrangements have been made for payment for any time and costs to be incurred in that connection.
- ◆ The successor executes a letter of understanding as to the use of information provided that we determine to be appropriate.
- ◆ We have not withdrawn from the engagement as a result of matters involving possible fraud or other illegal acts by management, client-imposed scope restrictions or other significant matters reflecting adversely on our perceptions of management integrity.
- ◆ There are no pending or threatened claims or litigation matters or ongoing regulatory investigations against our Firm with regard to any services provided or contracted for

In the event our services are terminated prior to their completion for any reason, or if we decide in our sole

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discretion to withdraw from the engagement as a result of nonpayment (or slow payment) of fees or matters involving possible fraud or other illegal acts by management, client-imposed scope restrictions, threatened claims or litigation, or other significant matters reflecting adversely on our perceptions of management integrity, the County shall be liable for fees and expenses that are incurred during the succeeding 45 days following termination in the processes of file review and assembly in preparation for storage and retention pursuant to applicable professional standards and regulatory or statutory requirements and any applicable interest charges incurred during that period and thereafter.

**Peer Review.** As required by *Government Auditing Standards*, a copy of our Firm's latest peer review report is available at [www.pbtck.com](http://www.pbtck.com) or upon request from the engagement principal.

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## **ATTACHMENT B MANAGEMENT RESPONSIBILITIES**

**Management responsibilities.** Management responsibilities include responding fully and truthfully to all inquiries made by us and understanding that the nature of the service(s) provided by us requires that our service team exercise professional judgment in connection with virtually every aspect of and throughout the engagement, and understanding that the nature of services to be provided by our Firm's service team requires the exercise of professional judgment in connection with virtually every aspect thereof, and that such professional judgments might vary from those of another professional in the same or similar circumstances. In addition, other management responsibilities include, but are not limited to, the following:

### **Transactions, records, estimates, adjustments and financial reporting:**

- ◆ Authorizing, initiating, processing, and reporting transactions only in connection with the legitimate business purposes and best interests of the County, including, but not limited to, all related party and other transactions outside the normal course of business, if any.
- ◆ Ensuring that such transactions comply with all applicable laws, regulations, and contractual agreements
- ◆ Assessing materiality of all matters relative to financial reporting including, but not limited to, proposed adjustments applicable to the current or prior period financial statements (including disclosures), for purposes of determining which proposed adjustments, if any, may be waived, subject to our consideration, acceptance and approval.
- ◆ Ensuring that all material transactions (including significant estimates) have been recorded in the financial records underlying the financial statements including, but not limited to, related party transactions, sales or purchases of goods or services, loans, transfers, leasing arrangements or guarantees and related amounts receivable or payable.
- ◆ Ensuring that all assets and liabilities recorded in the financial statements at fair value are appropriately valued and reported, based upon appropriate methods and assumptions, and that all reasonable, appropriate and practical steps necessary to objectively estimate the fair value of such assets and liabilities including those that do not have readily determinable market values are taken and appropriately documented.
- ◆ Understanding that the service(s) provided by us will not include preparing, or accepting any responsibility to prepare or assist in the preparation of, any fair value estimates to be contained in the financial statements.
- ◆ Ensuring the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, which financial reporting framework management has evaluated and determined to be acceptable and appropriate.
- ◆ Identifying, and disclosing to us, all affiliated entities and other related parties and transactions therewith including related amounts receivable or payable and ensuring that such transactions and balances are appropriately reported and disclosed in the financial statements in accordance with accounting principles generally accepted in the United States.
- ◆ Understanding that our services will not include performing an evaluation of the financial stability or qualifications of depository banks, other financial institutions or other service organizations including, but not limited to, computer service bureaus, investment advisors, brokers and agents.
- ◆ Understanding that we will neither determine nor opine as to solvency or insolvency for bankruptcy or other purposes since such would be a legal determination that may be made only by a court.



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## **ATTACHMENT B MANAGEMENT RESPONSIBILITIES**

- ◆ Identifying, and disclosing to us, all matters that are material and relevant to the ability to continue as a going concern, and management's plans to address such matters and understanding that we will, when applicable, make reference in our report(s) as to uncertainty about the ability to continue as a going concern.
- ◆ Evaluating events or transactions that have occurred subsequent to the end of the most recent financial statement period to be presented, but before the financial statements are issued or available for issuance (subsequent events) for possible recognition and/or disclosure in accordance with accounting principles generally accepted in the United States.
- ◆ Evaluating, reviewing, and approving all non-attest services performed by us including, but not limited to, any financial statement preparation assistance, analysis, and/or adjustments proposed by us and for designating appropriate management personnel to oversee such services and for ensuring that the designated person possesses suitable skills, knowledge, and/or experience to do so.
- ◆ Ensuring compliance with all restrictions on resources, including donor restrictions, and all aspects of contractual and grant agreements that could have a material effect on the financial statements.
- ◆ Ensuring appropriate classification of contract and grant revenues as either contributions or exchange transactions in accordance with the provisions of applicable standards and for ensuring that all such revenues are appropriately reported.
- ◆ Compliance with all applicable laws and regulations in adopting and amending the budget, and that the budget information presented in the financial statements includes all approved amendments.
- ◆ Identifying, and disclosing to us, component units or joint ventures that require inclusion and/or disclosure in the financial statements.
- ◆ Properly classifying revenues in the statement of activities and reporting of all inter-fund, internal and intra-entity activities and balances in accordance with GASB 34.
- ◆ Identifying, and disclosing to us, all funds that meet the quantitative criteria in GASB 34 for presentation as a major fund and ensuring that all qualifying funds are reported as such. In addition, ensuring that any fund presented as a major fund that does not meet the quantitative criteria has qualitative significance to users of the financial statements.

### **Internal control over financial reporting and fraud:**

- ◆ Designing, implementing, establishing and maintaining effective internal control over financial reporting that provides reasonable assurance that, (1) the financial statements are fairly presented in conformity with accounting principles generally accepted in the United States, (2) resources are adequately safeguarded, (3) there is compliance with all applicable laws, regulations and contractual requirements, and (4) fraudulent and other illegal acts are detected and prevented, including those involving fraudulent financial reporting or misappropriation of assets possibly leading to financial statement misstatements.
- ◆ Evaluating the qualifications of all service organizations employed including, but not limited to, computer service bureaus, financial institutions, investment advisors, brokers and agents engaged, particularly as to their integrity and ability to perform the services requested in accordance with management's authorization(s), and ensuring that there is no use of, or reliance on, any services that we perform in making these evaluations.
- ◆ Identifying, and disclosing to us, any fraud that is either material, probably material or that, although not material, involves management or other employees who have a significant role in internal control over financial reporting.



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## ATTACHMENT B MANAGEMENT RESPONSIBILITIES

- ◆ Identifying, and disclosing to us, any communication from or actions by law enforcement or regulatory agencies concerning possible, alleged or suspected fraud, deficiencies in financial reporting practices or other noncompliance with laws, regulations or contractual requirements or any other illegal acts.
- ◆ Assessing the expected benefits and the related costs of all control procedures, including any additional or alternative procedures recommended by us.
- ◆ Understanding that a *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected. A *significant deficiency* is a deficiency, or combination of deficiencies, that is less severe than a material weakness yet important enough to merit attention by those charged with governance.
- ◆ Identifying, and disclosing to us, all known deficiencies in the design or operation of internal control over financial reporting, including disclosure controls, that were identified as part of management's assessment or otherwise, including, specifically, identifying all such deficiencies that are material weaknesses and other significant deficiencies, if any.

### Compliance with and control over federally funded programs:

- ◆ Complying with the requirements of OMB Circular A-133, various other laws, regulations, and provisions of contracts, including grant agreements applicable to each federal program.
- ◆ Specifically identifying, and disclosing to us, the provisions of contracts and grant agreements that have a direct and material effect on each federal program.
- ◆ Identifying, and disclosing to us, all amounts questioned and any known instances of non-compliance with the requirements of federal awards, including the results of, or current status of, other audits or program reviews.
- ◆ Identifying, tracking, and disclosing to us, the status of all audit and program review findings.
- ◆ Preparing and implementing, and disclosing to us, a corrective action plan, if applicable.
- ◆ Making available to us all records and related data for federal programs, including but not limited to, (1) a schedule of expenditures of federal awards prepared in accordance with OMB Circular A-133, which includes all expenditures made during the most recent financial reporting period presented for all awards provided by federal agencies (including those passed through other entities) in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property, donated surplus property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, (2) all contracts and grant agreements, including amendments, if any, and other correspondence with federal agencies or pass-through entities related to the federal programs, and (3) all documentation related to the compliance requirements, including information related to federal program financial reports, and claims for advances and reimbursements.
- ◆ Specifically identifying, and disclosing to us, all amounts that have been awarded under the authority of ARRA including any such amounts expended or received.
- ◆ Ensuring that all federal program financial reports and claims for advances and reimbursements are supported by the books

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## ATTACHMENT B MANAGEMENT RESPONSIBILITIES

and records from which the financial statements are prepared.

- ◆ Ensuring that the copies provided to us are true copies of federal program financial reports that have been submitted (including electronically transmitted) to the applicable federal agency or pass-through entity.
- ◆ Monitoring subrecipients compliance with applicable laws and regulations including OMB Circular A-133, reviewing and issuing decision(s) as to subrecipient audit findings, if any, and ensuring that corrective action is taken timely. In connection with reviewing the subrecipients' audit findings, considering the possible need for adjustment to the books and records and making such adjustments as determined to be necessary.
- ◆ Ensuring that all costs charged to federal programs, including allocated indirect costs, if any, are in compliance with applicable cost principles.
- ◆ Accurately preparing the summary schedule of prior audit findings and ensuring that it includes all findings required to be included by OMB Circular A-133.
- ◆ Ensuring the completion of the "data collection form" and the submission of the "reporting package" as required by OMB Circular A-133.
- ◆ Designing, implementing, establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance of the appropriate managing of federal awards in compliance with all applicable laws, regulations, and provisions of contracts, including grant agreements, which could have a material effect on federal programs.
- ◆ Identifying, and disclosing to us, any changes in internal control over compliance for federal programs subsequent to the end of the most recent financial statement period to be presented, but before the financial statements are issued or available for issuance, that might significantly affect internal control over compliance or have a direct and material effect on any federal program.
- ◆ Identifying, and disclosing to us, any known instances of non-compliance occurring subsequent to the end of the most recent financial statement period to be presented, but before the financial statements are issued or available for issuance.

Douglas County

State of Nevada

### CERTIFIED COPY

I certify that the document to which this certificate is attached is a full and correct copy of the original record on file in the Clerk-Treasurer's Office on this

11th day of August, 2014

By David S. [Signature] Deputy