COMMENTS OF INDEPENDENT AUDITORS

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Board of County Commissioners
and the County Manager
Clark County, Nevada

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Clark County, Nevada (the "County") as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 4, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of University Medical Center of Southern Nevada, Las Vegas Valley Water District, Big Bend Water District, and Regional Transportation Commission of Southern Nevada, as described in our report on Clark County, Nevada's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2010-1-FS, 2010-2-FS, 2010-3-FS and 2010-4-FS to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the County are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of County Commissioners, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Las Vegas, Nevada
January 4, 2011

FINDING 2010-1-FS POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards of accounting and financial reporting for OPEB expenses and related OPEB liabilities as well as note disclosures and required supplementary information in the financial reports of state and local government employers. In determining the OPEB expenses and related liabilities, employers are required to obtain an actuarial valuation at least biennially for OPEB plans with total membership of 200 or more participants.

Condition: During our audit, we noted that actuarial valuations were performed for Las Vegas Metropolitan Police Department's (LVMPD) regular and civilian employees; however, the census data provided to the actuary was incomplete for both plans. Prior to the conclusion of our audit, LVMPD provided the actuary with the complete census data and the actuary updated the actuarial valuation reports, which resulted in an adjustment to the OPEB expenses and related liabilities for both of LVMPD's plans. This is a continued finding from the prior year. In 2009, the entire population of civilian employees was excluded from the census data.

Cause: As in the prior year, there appears to be insufficient controls in place over the review of the census data submitted to the actuary.

Effect: Insufficient controls over the OPEB actuarial valuation process increase the likelihood that OPEB expenses and related OPEB liabilities will be materially misstated in the County's financial reports and the likelihood that management and other financial statement users will rely on faulty information to make important decisions about the entity.

Recommendation: The County and LVMPD should have sufficient controls in place over the actuarial valuation process of postemployment benefits other than pensions (OPEB) to ensure that all employees and other census data needed to perform an accurate valuation are provided to the independent actuary. As part of this process, the number of participants included in the actuarial valuations should be reconciled to the benefits system.

Management's Response: The County will work with the Las Vegas Metropolitan Police Department to ensure an accurate census for the next actuarial valuation.

FINDING 2010-2-FS CONTROLS OVER METRO SEIZED FUNDS

Criteria: The County should have controls over the seized funds collected and held by Metro to ensure management has knowledge of all transactions impacting the general ledger. Key controls include maintaining documentation for all transactions impacting the general ledger as well as management approval.

Condition: During our audit, we noted that the County has recorded $4.6 million of seized funds in the financial statements as of June 30, 2010. However, Metro's financial system does not keep a detailed listing comprising the seized funds collected and held by Metro. Without this detailed listing, accounting is not able to reconcile the amounts in the evidence vault to the general ledger.

Cause: There are insufficient controls over the general ledger accounting of seized funds collected and held by Metro.

Effect: Insufficient controls over the accounting of seized funds increase the likelihood that the general ledger could be materially misstated.

Recommendation: The County should work with Metro to create a detail listing of all seized funds currently held by Metro. Additionally, the County should help Metro establish policies and procedures for accurately recording and tracking in the general ledger any new seized funds collected and held as well as the release of the seized funds due to returning to the owner or a proper legal claim by Metro.

Management's Response: The County will work with the Las Vegas Metropolitan Police Department to create a detail listing of all seized funds and assist in establishing policies and procedures as recommended.

FINDING 2010-3-FS CONTROLS OVER CAPITAL ASSETS

Criteria: The County should have controls over capital assets to ensure that all capital asset additions and disposals are recorded accurately and that depreciation is calculated accurately. Key controls in achieving this include periodic reconciliation of current-year activity, monitoring of construction in progress, review of valuation of donated infrastructure assets and review of the useful lives of assets.

Condition: During our audit we identified the following issues relating to capital assets:

- The County improperly recorded the sale of a piece of land as a $25 million gain when actually the sale resulted in the removal of a $26.4 million asset and a loss of $1.4 million.
- The County had $70 million in completed projects as of June 30, 2010, that should have been transferred out of construction-in-progress and into the appropriate capital asset component such as land improvements, buildings, and equipment. A journal entry was posted as a result of our audit procedures to correct this classification.
- Three of the County's completed projects related to Metro buildings for which the City of Las Vegas owes $9.5 million for their share of the costs. The County had not recorded this receivable in its financial statements as of June 30, 2010.
- The unit costs utilized to value donated infrastructure assets had not been updated. A journal entry to increase donated infrastructure assets was posted in the amount of $58 million as a result of our audit procedures.

Cause: There are insufficient controls over the record keeping of capital assets.

Effect: Insufficient controls over capital assets increase the likelihood that capital assets and related accounts will be materially misstated.

Recommendation: The County should strengthen policies and procedures over capital assets to ensure that all capital asset additions and disposals are recorded accurately and that depreciation is calculated accurately.

Management's Response: Journal entries were posted to correctly record the activity and/or value of all four conditions noted above for the year ended June 30, 2010. These entries affected total assets by less than one percent. We will review and strengthen policies and procedures for capital assets as appropriate to ensure that additions, deletions and depreciation are properly recorded.

FINDING 2010-4-FS CONTROLS OVER FINANCIAL REPORTING

Criteria: Management is responsible for establishing and maintaining an effective internal control system over financial reporting. One of the components of an effective internal control system over financial reporting is the preparation of the Schedule of Expenditures of Federal Awards (SEFA) that does not require adjustment as part of the audit process.

Condition:	During our audit testing, we identified $19 million in federal expenditures for the Southern Nevada Public Land Management Act that were missing from the SEFA. These amounts were identified as a part of our audit process and have been added to the final schedule of expenditures of federal awards.
Cause:	There appears to be a lack of communication regarding amounts of federal awards expended between the program personnel who keep track of the grants on a day-to-day basis and comptroller personnel who is responsible for preparation of the SEFA.
Effect:	Insufficient controls over the financial reporting process increase the likelihood that management and other financial statement users will rely on faulty information to make important decisions about the entity.
Recommendation:	The County should strengthen policies and procedures over communicating amounts of federal awards expended to the comptroller's office.
Management's Response:	We agree that the amount in question should be reported in the SEFA. The oversight occurred due to the fact that the associated expenditure was made in prior years from unrestricted County funds as a result of a settlement of litigation related to land in the County Wetlands. When the $19 million was reimbursed at a much later date than is typical for SNPLMA funding, it did not follow the normal expenditure process for SNPLMA projects. Staff will develop procedures to ensure that the SEFA includes all amounts expended from federal grants even if the expenditure is made initially in prior years using general County resources.

CLARK COUNTY, NEVADA

SCHEDULE OF FEES IMPOSED SUBJECT TO THE PROVISIONS OF NRS 354.5989 LIMITATION OF FEES FOR BUSINESS LICENSES FOR THE YEAR ENDED JUNE 30, 2010

Flat fixed fees:		
Business license base revenue for the year ended June 30, 2009 (base year)		$ 17,244,611
Adjustment to base:		
Percentage increase in population of the local government	1.50%	
Percentage increase in the Consumer Price Index for the year ending on December 31, next preceding the year for which the limit is being calculated	0.00%	
	1.50%	259,531
Adjusted base at June 30, 2010		17,504,142
Actual revenue		9,847,629
Amount (over) under allowable maximum		$ 7,656,513
Fees calculated as a percentage of gross revenue:		
Business license revenue for the period ended June 30, 2009 (base year)		$ 17,537,910
Percentage increase in the Consumer Price Index	0.00%	0
Adjusted base at June 30, 2010		17,537,910
Actual revenue		23,429,116
Amount (over) under allowable maximum		$ (5,891,206)

CLARK COUNTY, NEVADA
AUDITOR'S COMMENTS
JUNE 30, 2010

CURRENT YEAR STATUTE COMPLIANCE

Clark County, Nevada conformed to all significant statutory constraints on its financial administration during the year with the following exceptions:

- As disclosed in Note II, certain expenditures exceeded appropriations.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The County continues to have funds with expenditures exceeding appropriations.

PRIOR YEAR RECOMMENDATIONS

We noted one significant deficiency in internal control over financial reporting, which was reported in the Schedule of Findings and Responses for the year ended June 30, 2009. This has not been fully resolved and is reported in the accompanying Scheduling of Findings and Responses as 2010-1-FS.

CURRENT YEAR RECOMMENDATIONS

We noted material weaknesses in internal control over financial reporting, which have been reported in the accompanying Schedule of Findings and Responses as items 2010-1-FS through 2010-4-FS.

NEVADA REVISED STATUTE 354.598155

The Special Ad Valorem Capital Construction Fund expended the following amounts during the year ended June 30, 2010:

• Public Works – Street Improvements – Services and supplies	$ 64,441
• Public Works – Street Improvements – Capital Outlay	$ 570,527

The Special Ad Valorem Transportation Fund expended the following amounts during the year ended June 30, 2010:

• Services and supplies	$ 7,199,100
• Capital outlay	$ 1,865

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INDEPENDENT ACCOUNTANT'S REPORT

To the Honorable Board of County Commissioners
and County Manager
Clark County, Nevada

We have reviewed the assertion provided by management in accordance with Nevada Revised Statute 354.624(5)(a):

- The identified funds are being used expressly for the purposes for which they were created.
- The funds are administered in accordance with accounting principles generally accepted in the United States of America.
- The reserved fund balances/net assets in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 2010 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau).
- The sources of revenues, including transfers, available for the funds are as noted in the financial statements.
- The funds conformed to significant statutory and regulatory constraints on its financial administration during the year ended June 30, 2010 (except as previously noted under statute compliance).
- The balance and net assets of the funds are as noted in the financial statements.

This assertion is the responsibility of the management of Clark County, Nevada.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertion. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the assertion provided by management referred to above is not fairly stated in all material respects.

Kafoury, Armstrong & Co.

Las Vegas, Nevada
January 4, 2011