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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 9, 2012. 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 opinions 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2011-1 FS that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County's response and, accordingly, we express no opinion on it.

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 9, 2012

FINDING 2011-1-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: The biennial OPEB valuation was obtained for the County's main plan during the year under audit. However, we noted that certain census data provided to the actuary was inaccurate. Providing the actuary with accurate census data is a continued problem that has occurred over the past three years.

Cause: As in prior years, 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 should have sufficient controls in place over the actuarial valuation process of postemployment benefits other than pensions (OPEB) for each of the OPEB plans to which it contributes. These controls should help to ensure that the independent actuary is provided with accurate census data.

Management's Response: The County will implement procedures to ensure the validation of census data against County payroll records prior to its submission to the actuary.

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, 2011

Flat fixed fees:		
Business license base revenue for the year ended June 30, 2010 (base year)		$ 17,504,142
Adjustment to base:		
Percentage increase in population of the local government	0.00%	
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	1.64%	
	1.64%	287,068
Adjusted base at June 30, 2011		17,791,210
Actual revenue		8,901,002
Amount (over) under allowable maximum		$ 8,890,208
Fees calculated as a percentage of gross revenue:		
Business license revenue for the period ended June 30, 2010 (base year)		$ 23,429,116
Percentage increase in the Consumer Price Index	1.64%	384,238
Adjusted base at June 30, 2011		23,813,354
Actual revenue		19,641,496
Amount (over) under allowable maximum		$ 4,171,858

CLARK COUNTY, NEVADA
AUDITOR'S COMMENTS
JUNE 30, 2011

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, "Stewardship, Compliance, and Accountability", 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 material weaknesses in internal control over financial reporting, which were reported in the Schedule of Findings and Responses for the year ended June 30, 2010, as items 2010-1-FS through 2010-4-FS. Finding 2010-1-FS has not been fully resolved and is reported in the accompanying Scheduling of Findings and Responses as 2011-1-FS.

CURRENT YEAR RECOMMENDATIONS

We noted a continued internal control deficiency over financial reporting, which has been reported as a significant deficiency in the accompanying Schedule of Findings and Responses as items 2011-1-FS.

NEVADA REVISED STATUTE 354.598155

The Special Ad Valorem Capital Construction Fund expended the following amounts during the year ended June 30, 2011:

• Public Works – Street Improvements – Services and supplies	$ 1,671
• Public Works – Street Improvements – Capital Outlay	$ 994,506

The Special Ad Valorem Transportation Fund expended the following amounts during the year ended June 30, 2011:

• Services and supplies	$ 508,805
• Capital outlay	$ 217

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have received from County management the statement required by Nevada Revised Statute 354.624(5)(a) which indicates for each of the funds set forth in that paragraph:

- The identified funds are being used in accordance with the provisions of NRS Chapter 354.
- The funds are administered in accordance with accounting principles generally accepted in the United States of America.
- The reserves (ending fund balances/net assets) in the funds at June 30, 2011, are limited to amounts that are reasonable and necessary to carry out the purposes of the funds (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 statutory and regulatory requirements applicable to each of the funds.
- The balance and net assets of the funds are as noted in the financial statements.

This assertion (statement) is the responsibility of the management of Clark County, Nevada. Our responsibility is to review this assertion.

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 9, 2012