

**Carson City Board of Supervisors
Agenda Report**

Date Submitted: March 8, 2013

Agenda Date Requested: March 21, 2013
Time Requested: 5 minutes

To: Mayor and Supervisors
From: Purchasing and Contracts

Subject Title: For Possible Action: To approve Task No. 2 for Contract No. 1112-148 with Kafoury Armstrong & Co. to provide auditing services for FY 2012/2013 and to designate Kafoury, Armstrong & Co. as the auditing firm for FY 2012/2013. *(Kim Belt)*

Staff Summary: Carson City is required to designate an auditor on an annual basis per NRS 354.624.

Type of Action Requested: (check one)

Resolution Ordinance
 Formal Action/Motion Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Board Action: I move to approve Task No. 2 for Contract No. 1112-148 with Kafoury Armstrong & Co. to provide auditing services for FY 2012/2013 and to designate Kafoury, Armstrong & Co. as the auditing firm for FY 2012/2013. *(Kim Belt)*

Explanation for Recommended Board Action: NRS 354.624 Annual audit: Requirements; designation of auditor; scope and disposition; dissemination; prohibited provision in contract with auditor.

Applicable Statute, Code, Policy, Rule or Regulation: NRS 354.624

Fiscal Impact: \$105,600.00 plus \$25,000.00 (if needed) for a total of \$130,600.00

Explanation of Impact: If approved, the below referenced funds could be decreased by the following:

Funding Source:

General Fund	101-0701-415-0312	\$ 56,158.00
Group Medical Insurance	570-0706-415-0312	2,612.00
Workers' Compensation	580-0704-415-0312	2,612.00
Fleet Management	560-3025-419-0312	2,612.00
Insurance Fund	590-0745-415-0312	2,612.00
Water Fund	520-3502-435-0312	26,120.00
Sewer Fund	510-3201-434-0312	26,120.00
Ambulance Fund	501-2525-422-0312	3,918.00
Cemetery Fund	530-5067-443-0312	1,306.00
Building Permit Fund	525-3014-424-0312	2,612.00
Landfill	101-6804-441-0312	2,612.00
Storm Water Drain	505-3702-437-0312	1,306.00
		\$130,600.00

Supporting Material: Contract No. 1112-148 and Kafoury Armstrong engagement letter.

Prepared By: Kim Belt, Purchasing and Contracts Manager

Reviewed By: *[Signature]* Date: 3/12/13
(Finance Director)
[Signature] Date: 3/12/13
(City Manager)
[Signature] Date: 3/12/13
(District Attorney)

Board Action Taken:

Motion: _____ 1) _____ Aye/Nay
2) _____

(Vote Recorded By)

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR

Contract No. 1112-148

CARSON CITY EXTERNAL AUDIT FUNCTION

THIS CONTRACT, made and entered into this 5th day of April, 2012, by and between the City and County of Carson City, a political subdivision of the State of Nevada, hereinafter referred to as the "**CITY**", and Kafoury, Armstrong & Co., hereinafter referred to as the "**CONTRACTOR**".

WITNESSETH:

WHEREAS, the Purchasing and Contracts Manager for the City and County of Carson City is authorized, pursuant to Nevada Revised Statutes Chapter 332 and Carson City Purchasing Resolution #1990-R71, to approve and accept this Contract as set forth in and by the following provisions; and

WHEREAS, it is deemed that the services of **CONTRACTOR** for **CONTRACT No. 1112-148 Carson City External Audit Function** are both necessary and in the best interests of **CITY**; and

NOW, THEREFORE, in consideration of the aforesaid premises, the parties mutually agree as follows:

1 **REQUIRED APPROVAL:**

1.1 This Contract shall not become effective until and unless approved by the Carson City Board of Supervisors.

2 **CONTRACT TERM:**

2.1 This Contract shall be effective from April 5, 2012 subject to Carson City Board of Supervisors' approval (anticipated to be April 5, 2012) to December 31, 2014 unless sooner terminated by either party as specified in **Section 7 Contract Termination**.

3 **NOTICE:**

3.1 Unless otherwise specified, termination shall not be effective until thirty (30) calendar days after a party has served written notice of default, or without cause upon the other party. All notices or other communications required or permitted to be given under this Contract shall be in writing and shall be deemed to have been duly given if delivered personally in hand, by e-mail with simultaneous regular mail, by telephonic facsimile with simultaneous regular mail, or by certified mail, return receipt requested, postage prepaid on the date posted, and addressed to the other party at the address specified below.

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

For P&C Use Only	
CCBL expires	12/31/12
GL expires	7/25/12
AL expires	7/25/12
PL expires	7/25/12
WC expires	12/31/12

3.1.1 Notice to **CONTRACTOR** shall be addressed to:

Kristen Burgess, CPA
Kafoury, Armstrong & Co.
6140 Plumas Street
Reno, Nevada 89519-6060
775-689-9100/FAX 775-689-9299
kburgess@kafoury.com

3.1.2 Notice to **CITY** shall be addressed to:

Carson City Purchasing and Contracts
Kim Belt, Purchasing and Contracts Manager
201 North Carson Street Suite 3
Carson City, NV 89701
775-283-7137/ FAX 775-887-2107
KBelt@carson.org

4 SCOPE OF WORK:

4.1 **CONTRACTOR** shall provide and perform the following services for and on behalf of **CITY** hereinafter referred to as the "**SERVICES**".

4.2 **CONTRACTOR** will audit the basic financial statements of Carson City for the fiscal years ending June 30, 2012, June 30, 2013 and June 30, 2014 in accordance with *Government Auditing Standards*, will also perform a Single Audit of the **CITY** in Accordance with OMB Circular A-133, and will issue the appropriate auditor's reports thereon.

4.3 **CONTRACTOR** will print up to twenty (20) bound copies of the audited financial statements.

4.4 **CONTRACTOR** will provide one (1) unbound copy of the audited financial statements.

4.5 **CITY** shall prepare the draft financial statements in an Excel spreadsheet format for the basic and fund financial statements.

4.6 **CONTRACTOR** shall perform all functions relative to the footnotes and auditors' reports.

4.7 **CITY** shall prepare schedules and reconciliations of accounts and shall pull any source

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

documentation for testing as requested by **CONTRACTOR**.

4.8 **CITY** shall prepare the schedule of expenditures of federal awards for **CONTRACTOR'S** review.

4.9 Should **CITY** need assistance from **CONTRACTOR** in preparing that schedule, an additional fee would need to be negotiated.

4.10 **CONTRACTOR** should anticipate a maximum of two (2) major programs requiring testing for Single Audit purposes.

4.10.1 If more than two programs are required to be tested in connection with the Single Audit portion of the engagement, the **CITY** will discuss an appropriate modification to the fee.

4.11 **CITY** has received the Certificate of Achievement for Excellence in Financial Reporting for the last twenty one (21) years and **CONTRACTOR** will provide a certificate review.

4.12 **CONTRACTOR** shall complete and submit the audit report including required financial statements to the **CITY** on or before November 30, of each year of contract.

4.13 **CONTRACTOR** will apply the agreed-upon procedures listed below to the Municipal Solid Waste Landfill (MSWL) operating record of Carson City, Nevada for the fiscal years ended June 30, 2012, June 30, 2013 and June 30, 2014.

4.13.1 **CONTRACTOR** will confirm that the City's bond rating satisfies the conditions of subsection 1(a) of Section 2 of NAC Chapter 444; therefore, testing of the financial ratios in subsection 1(b) of Section 2 of NAC Chapter 444 is not required.

4.13.2 **CONTRACTOR** will report that they audited financial statements of Carson City, Nevada for the years ended June 30, 2012, June 30, 2013, and June 30, 2014, and that the financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. **CONTRACTOR** will further report that they issued an unqualified opinion on the financial statements.

4.13.3 Based on information contained in the financial statements of Carson City, Nevada for the years ended June 30, 2012 and 2011, June 30, 2013 and 2012, and June 30, 2014 and 2013, **CONTRACTOR** will determine if the City has operated at a deficit equal to five percent or more of total annual revenue in either of the past two fiscal years for the respective period being reported on.

4.13.4 **CONTRACTOR** will perform calculations using the audited financial statements of Carson City, Nevada as of and for the years ended June 30, 2012, June 30, 2013 and June 30, 2014 to assist management in evaluating if the City's total revenue was adequate to assure the total estimated costs of closure and post closure.

4.13.5 **CITY** shall guarantee access to and make all provisions for the **CONTRACTOR** to enter public buildings as required for the **CONTRACTOR** to perform its services under this

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

Contract.

4.14 **CONTRACTOR** shall make a one (1) hour presentation with appropriate graphic materials to the Carson City Board of Supervisors during a regularly scheduled meeting in December, 2012, 2013 and 2014.

4.15 Prompt written notice shall be provided to the **CONTRACTOR** whenever the **CITY** observes or otherwise becomes aware of any defect in the services provided.

4.16 **CONTRACTOR** represents that it is duly licensed by Carson City for the purposes of performing the **SERVICES**.

4.17 **CONTRACTOR** represents that it is duly qualified and licensed in the State of Nevada for the purposes of performing the **SERVICES**.

4.18 **CONTRACTOR** represents that it and/or the persons it may employ possess all skills and training necessary to perform the **SERVICES** described herein and required hereunder. **CONTRACTOR** shall perform the **SERVICES** faithfully, diligently, in a timely and professional manner, to the best of its ability, and in such a manner as is customarily performed by a person who is in the business of providing such services in similar circumstances. **CONTRACTOR** shall be responsible for the professional quality and technical accuracy of all **SERVICES** furnished by **CONTRACTOR** to **CITY**.

4.19 **CONTRACTOR** represents that neither the execution of this Contract nor the rendering of services by **CONTRACTOR** hereunder will violate the provisions of or constitute a default under any other contract or agreement to which **CONTRACTOR** is a party or by which **CONTRACTOR** is bound, or which would preclude **CONTRACTOR** from performing the **SERVICES** required of **CONTRACTOR** hereunder, or which would impose any liability or obligation upon **CITY** for accepting such **SERVICES**.

4.20 Before commencing with the performance of any work under this Contract, **CONTRACTOR** shall obtain all necessary permits and licenses as may be necessary. Before and during the progress of work under this Contract, **CONTRACTOR** shall give all notice and comply with all the laws, ordinances, rules and regulations of every kind and nature now or hereafter in effect promulgated by any Federal, State, County, or other Governmental Authority, relating to the performance of work under this Contract. If **CONTRACTOR** performs any work that is contrary to any such law, ordinance, rule or regulation, he shall bear all the costs arising therefrom.

5 **CONSIDERATION:**

5.1 The parties agree that **CONTRACTOR** will provide the **SERVICES** specified in **Section 4 Scope of Work** and **CITY** agrees to pay **CONTRACTOR** the **CONTRACT SUM** based upon a not to exceed maximum lump sum amount of Three Hundred Four Thousand Ten Dollars and No Cents (\$304,010.00) to be expended per Fiscal Year as follows: Ninety Six Thousand

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR

Contract No. 1112-148

CARSON CITY EXTERNAL AUDIT FUNCTION

Nine Hundred Ten Dollars and No Cents (\$96,910.00) for FY ending June 30, 2012, One Hundred Five Thousand Six Hundred Dollars and No Cents (\$105,600.00) for FY ending June 30, 2013 and One Hundred One Thousand Five Hundred Dollars and No Cents for FY ending June 30 2014.

5.2 **CONTRACT SUM** represents full and adequate compensation for the completed **SERVICES**, and includes the furnishing of all materials; all labor, equipment, tools, and appliances; and all expenses, direct or indirect, connected with the proper execution of the **SERVICES**.

5.3 **CITY** has provided a sample invoice and **CONTRACTOR** shall submit its request for payment using said sample invoice.

5.4 Payment by **CITY** for the **SERVICES** rendered by **CONTRACTOR** shall be due within thirty (30) calendar days from the date **CITY** acknowledges that the performance meets the requirements of this Contract or from the date the correct, complete, and descriptive invoice is received by **CITY** employee designated on the sample invoice, whichever is the latter date.

5.5 **CITY** does not agree to reimburse **CONTRACTOR** for expenses unless otherwise specified.

6 TIMELINESS OF BILLING SUBMISSION:

6.1 The parties agree that timeliness of billing is of the essence to this Contract and recognize that **CITY** is on a fiscal year which is defined as the period beginning July 1 and ending June 30 of the following year. All billings for dates of service prior to July 1 must be submitted to **CITY** no later than the first Friday in August of the same year. A billing submitted after the first Friday in August will subject **CONTRACTOR** to an administrative fee not to exceed \$100.00. The parties hereby agree this is a reasonable estimate of the additional costs to **CITY** of processing the billing as a stale claim and that this amount will be deducted from the stale claim payment due to **CONTRACTOR**.

7 CONTRACT TERMINATION:

7.1 Termination Without Cause:

7.1.1 Any discretionary or vested right of renewal notwithstanding, this Contract may be terminated upon written notice by mutual consent of both parties or unilaterally by either party without cause.

7.2 Termination for Nonappropriation:

7.2.1 The continuation of this Contract beyond June 30, 2012, is subject to and contingent upon sufficient funds being appropriated, budgeted, and otherwise made available by the

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

Carson City Board of Supervisors. **CITY** may terminate this Contract, and **CONTRACTOR** waives any and all claim(s) for damages, effective immediately upon receipt of written notice (or any date specified therein) if for any reason the funding is not appropriated or is withdrawn, limited, or impaired.

7.3 Cause Termination for Default or Breach:

7.3.1 A default or breach may be declared with or without termination.

7.3.2 This Contract may be terminated by either party upon written notice of default or breach to the other party as follows:

7.3.2.1 If **CONTRACTOR** fails to provide or satisfactorily perform any of the conditions, work, deliverables, goods, or services called for by this Contract within the time requirements specified in this Contract or within any granted extension of those time requirements; or

7.3.2.2 If any state, county, city or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by **CONTRACTOR** to provide the goods or services required by this Contract is for any reason denied, revoked, debarred, excluded, terminated, suspended, lapsed, or not renewed; or

7.3.2.3 If **CONTRACTOR** becomes insolvent, subject to receivership, or becomes voluntarily or involuntarily subject to the jurisdiction of the bankruptcy court; or

7.3.2.4 If **CITY** materially breaches any material duty under this Contract and any such breach impairs **CONTRACTOR'S** ability to perform; or

7.3.2.5 If it is found by **CITY** that any quid pro quo or gratuities in the form of money, services, entertainment, gifts, or otherwise were offered or given by **CONTRACTOR**, or any agent or representative of **CONTRACTOR**, to any officer or employee of **CITY** with a view toward securing a contract or securing favorable treatment with respect to awarding, extending, amending, or making any determination with respect to the performing of such contract; or

7.3.2.6 If it is found by **CITY** that **CONTRACTOR** has failed to disclose any material conflict of interest relative to the performance of this Contract.

7.4 Time to Correct:

7.4.1 Termination upon a declared default or breach may be exercised only after service of formal written notice as specified in **Section 3 Notice**, and the subsequent failure of the defaulting party within fifteen (15) calendar days of that notice to provide evidence, satisfactory to the aggrieved party, showing that the declared default or breach has been corrected.

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

7.5 Winding Up Affairs Upon Termination:

7.5.1 In the event of termination of this Contract for any reason, the parties agree that the provisions of this paragraph survive termination:

7.5.1.1 The parties shall account for and properly present to each other all claims for fees and expenses and pay those which are undisputed and otherwise not subject to set off under this Contract. Neither party may withhold performance of winding up provisions solely based on nonpayment of fees or expenses accrued up to the time of termination;

7.5.1.2 **CONTRACTOR** shall satisfactorily complete work in progress at the agreed rate (or a pro rata basis if necessary) if so requested by **CITY**;

7.5.1.3 **CONTRACTOR** shall execute any documents and take any actions necessary to effectuate an assignment of this Contract if so requested by **CITY**;

7.5.1.4 **CONTRACTOR** shall preserve, protect, and promptly deliver into **CITY** possession all proprietary information in accordance with **Section 23 City Ownership of Proprietary Information**.

8 REMEDIES:

8.1 Except as otherwise provided for by law or this Contract, the rights and remedies of the parties shall not be exclusive and are in addition to any other rights and remedies provided by law or equity, including, without limitation, actual damages, and to a prevailing party reasonable attorneys' fees and costs. The parties agree that, in the event a lawsuit is filed and a party is awarded attorney's fees by the court, for any reason, the amount of recoverable attorney's fees shall not exceed the rate of \$125 per hour. **CITY** may set off consideration against any unpaid obligation of **CONTRACTOR** to **CITY**.

9 LIMITED LIABILITY:

9.1 **CITY** will not waive and intends to assert available Nevada Revised Statutes Chapter 41 liability limitations in all cases. Contract liability of both parties shall not be subject to punitive damages. Liquidated damages shall not apply unless otherwise specified in the incorporated attachments. Damages for any **CITY** breach shall never exceed the amount of funds appropriated for payment under this Contract, but not yet paid to **CONTRACTOR**, for the fiscal year budget in existence at the time of the breach. **CONTRACTOR'S** tort liability shall not be limited.

10 FORCE MAJEURE:

10.1 Neither party shall be deemed to be in violation of this Contract if it is prevented from performing any of its obligations hereunder due to strikes, failure of public transportation, civil

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR

Contract No. 1112-148

CARSON CITY EXTERNAL AUDIT FUNCTION

or military authority, act of public enemy, accidents, fires, explosions, or acts of God, including, without limitation, earthquakes, floods, winds, or storms. In such an event the intervening cause must not be through the fault of the party asserting such an excuse, and the excused party is obligated to promptly perform in accordance with the terms of this Contract after the intervening cause ceases.

11 INDEMNIFICATION:

11.1 To the extent permitted by law, including, but not limited to, the provisions of Nevada Revised Statutes Chapter 41, each party shall indemnify, hold harmless and defend, not excluding the other's right to participate, the other party from and against all liability, claims, actions, damages, losses, and expenses, including but not limited to reasonable attorney's fees and costs, arising out of any alleged negligent or willful acts or omissions of the indemnifying party, its officers, employees and agents. Such obligation shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of the indemnity which would otherwise exist as to any party or person described in this paragraph.

11.2 Except as otherwise provided in Subsection 11.4 below, the indemnifying party shall not be obligated to provide a legal defense to the indemnified party, nor reimburse the indemnified party for the same, for any period occurring before the indemnified party provides written notice of the pending claim(s) or cause(s) of action to the indemnifying party, along with:

11.2.1 a written request for a legal defense for such pending claim(s) or cause(s) of action; and

11.2.2 a detailed explanation of the basis upon which the indemnified party believes that the claim or cause of action asserted against the indemnified party implicates the culpable conduct of the indemnifying party, its officers, employees, and/or agents.

11.3 After the indemnifying party has begun to provide a legal defense for the indemnified party, the indemnifying party shall not be obligated to fund or reimburse any fees or costs provided by any additional counsel for the indemnified party, including counsel through which the indemnified party might voluntarily choose to participate in its defense of the same matter.

11.4 After the indemnifying party has begun to provide a legal defense for the indemnified party, the indemnifying party shall be obligated to reimburse the reasonable attorney's fees and costs incurred by the indemnified party during the initial thirty (30) day period of the claim or cause of action, if any, incurred by separate counsel.

12 INDEPENDENT CONTRACTOR:

12.1 An independent contractor is a natural person, firm or corporation who agrees to perform services for a fixed price according to his or its own methods and without subjection to

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

the supervision or control of the other contracting party, except as to the results of the work, and not as to the means by which the services are accomplished.

12.2 It is mutually agreed that **CONTRACTOR** is associated with **CITY** only for the purposes and to the extent specified in this Contract, and in respect to performance of the contracted services pursuant to this Contract. **CONTRACTOR** is and shall be an independent contractor and, subject only to the terms of this Contract, shall have the sole right to supervise, manage, operate, control, and direct performance of the details incident to its duties under this Contract.

12.3 Nothing contained in this Contract shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create any liability for **CITY** whatsoever with respect to the indebtedness, liabilities, and obligations of **CONTRACTOR** or any other party.

12.4 **CONTRACTOR** shall indemnify and hold **CITY** harmless from, and defend **CITY** against, any and all losses, damages, claims, costs, penalties, liabilities, expenses arising out of or incurred in any way because of, but not limited to, **CONTRACTOR'S** obligations or legal duties regarding any taxes, fees, assessments, benefits, entitlements, notice of benefits, employee's eligibility to work, to any third party, subcontractor, employee, state, local or federal governmental entity.

12.5 Neither **CONTRACTOR** nor its employees, agents, or representatives shall be considered employees, agents, or representatives of **CITY**.

13 INSURANCE REQUIREMENTS:

13.1 **CONTRACTOR**, as an independent contractor and not an employee of **CITY**, must carry policies of insurance in amounts specified and pay all taxes and fees incident hereunto. **CITY** shall have no liability except as specifically provided in this Contract.

13.2 **CONTRACTOR** shall not commence work before: (1) **CONTRACTOR** has provided the required evidence of insurance to Carson City Purchasing and Contracts, and (2) **CITY** has approved the insurance policies provided by **CONTRACTOR**.

13.3 Prior approval of the insurance policies by **CITY** shall be a condition precedent to any payment of consideration under this Contract and **CITY'S** approval of any changes to insurance coverage during the course of performance shall constitute an ongoing condition subsequent this Contract. Any failure of **CITY** to timely approve shall not constitute a waiver of the condition.

13.4 Insurance Coverage:

13.4.1 **CONTRACTOR** shall, at **CONTRACTOR'S** sole expense, procure, maintain and keep in force for the duration of this Contract the following insurance conforming to the

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

minimum requirements specified below. Unless specifically specified herein or otherwise agreed to by **CITY**, the required insurance shall be in effect prior to the commencement of work by **CONTRACTOR** and shall continue in force as appropriate until the latter of:

13.4.1.1 Final acceptance by **CITY** of the completion of this Contract; or

13.4.1.2 Such time as the insurance is no longer required by **CITY** under the terms of this Contract.

13.4.2 Any insurance or self-insurance available to **CITY** shall be in excess of and non-contributing with any insurance required from **CONTRACTOR**. **CONTRACTOR'S** insurance policies shall apply on a primary basis. Until such time as the insurance is no longer required by **CITY**, **CONTRACTOR** shall provide **CITY** with renewal or replacement evidence of insurance no less than thirty (30) calendar days before the expiration or replacement of the required insurance. If at any time during the period when insurance is required by this Contract, an insurer or surety shall fail to comply with the requirements of this Contract, as soon as **CONTRACTOR** has knowledge of any such failure, **CONTRACTOR** shall immediately notify **CITY** and immediately replace such insurance or bond with an insurer meeting the requirements.

13.5 General Requirements:

13.5.1 **Certificate Holder:** Each liability insurance policy shall list Carson City c/o Carson City Purchasing and Contracts, 201 N. Carson Street Suite 3, Carson City, NV 89701 as a certificate holder.

13.5.2 **Additional Insured:** By endorsement to the general liability insurance policy evidenced by **CONTRACTOR**, The City and County of Carson City, Nevada, its officers, employees and immune contractors shall be named as additional insureds for all liability arising from this Contract.

13.5.3 **Waiver of Subrogation:** Each liability insurance policy shall provide for a waiver of subrogation as to additional insureds.

13.5.4 **Cross-Liability:** All required liability policies shall provide cross-liability coverage as would be achieved under the standard ISO separation of insureds clause.

13.5.5 **Deductibles and Self-Insured Retentions:** Insurance maintained by **CONTRACTOR** shall apply on a first dollar basis without application of a deductible or self-insured retention unless otherwise specifically agreed to by **CITY**. Such approval shall not relieve **CONTRACTOR** from the obligation to pay any deductible or self-insured retention. Any deductible or self-insured retention shall not exceed \$5,000 per occurrence, unless otherwise approved by **CITY**.

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR

Contract No. 1112-148

CARSON CITY EXTERNAL AUDIT FUNCTION

13.5.6 **Policy Cancellation:** Except for ten (10) calendar days notice for non-payment of premium, each insurance policy shall be endorsed to state that; without thirty (30) calendar days prior written notice to Carson City Purchasing and Contracts, the policy shall not be canceled, non-renewed or coverage and /or limits reduced or materially altered, and shall provide that notices required by this paragraph shall be sent by certified mail to Carson City Purchasing and Contracts, 201 N. Carson Street Suite 3, Carson City, NV 89701.

13.5.7 **Approved Insurer:** Each insurance policy shall be issued by insurance companies authorized to do business in the State of Nevada or eligible surplus lines insurers acceptable to the State and having agents in Nevada upon whom service of process may be made, and currently rated by A.M. Best as "A-VII" or better.

13.5.8 **Evidence of Insurance:** Prior to commencement of work, **CONTRACTOR** must provide the following documents to Carson City Purchasing and Contracts, 201 North Carson Street Suite 3, Carson City, NV 89701:

13.5.8.1 **Certificate of Insurance:** The Acord 25 Certificate of Insurance form or a form substantially similar must be submitted to Carson City Purchasing and Contracts to evidence the insurance policies and coverages required of **CONTRACTOR**.

13.5.8.2 **Additional Insured Endorsement:** An Additional Insured Endorsement (CG20 10 or C20 26), signed by an authorized insurance company representative, must be submitted to Carson City Purchasing and Contracts to evidence the endorsement of **CITY** as an additional insured per Subsection 13.5.2.

13.5.8.3 **Schedule of Underlying Insurance Policies:** If Umbrella or Excess policy is evidenced to comply with minimum limits, a copy of the Underlyer Schedule from the Umbrella or Excess insurance policy may be required.

13.5.9 **Review and Approval:** Documents specified above must be submitted for review and approval by Carson City Purchasing and Contracts prior to the commencement of work by **CONTRACTOR**. Neither approval by **CITY** nor failure to disapprove the insurance furnished by **CONTRACTOR** shall relieve **CONTRACTOR** of **CONTRACTOR'S** full responsibility to provide the insurance required by this Contract. Compliance with the insurance requirements of this Contract shall not limit the liability of **CONTRACTOR** or its sub-contractors, employees or agents to **CITY** or others, and shall be in addition to and not in lieu of any other remedy available to **CITY** under this Contract or otherwise. **CITY** reserves the right to request and review a copy of any required insurance policy or endorsement to assure compliance with these requirements.

14 COMMERCIAL GENERAL LIABILITY INSURANCE:

14.1 Minimum Limits required:

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR

Contract No. 1112-148

CARSON CITY EXTERNAL AUDIT FUNCTION

14.1.1 Two Million Dollars (\$2,000,000.00) - General Aggregate

14.1.2 Two Million Dollars (\$2,000,000.00) - Products and Completed Operations Aggregate

14.1.3 One Million Dollars (\$1,000,000.00) - Each Occurrence

14.2 Coverage shall be on an occurrence basis and shall be at least as broad as ISO 1996 form CG 00 01 (or a substitute form providing equivalent coverage); and shall cover liability arising from premises, operations, independent contractors, completed operations, personal injury, products, civil lawsuits, Title VII actions and liability assumed under an insured contract (including the tort liability of another assumed in a business contract).

15 BUSINESS AUTOMOBILE LIABILITY INSURANCE:

15.1 Minimum Limit required:

15.1.1 One Million Dollars (\$1,000,000) per occurrence for bodily injury and property damage

15.2 Coverage shall be for "any auto", including owned, non-owned and hired vehicles. The policy shall be written on ISO form CA 00 01 or a substitute providing equivalent liability coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage.

16 PROFESSIONAL LIABILITY INSURANCE:

16.1 Minimum Limit required: One Million Dollars (\$1,000,000.00)

16.2 Retroactive date: Prior to commencement of the performance of this Contract

16.3 Discovery period: Three (3) years after termination date of this Contract.

16.4 A certified copy of this policy may be required.

17 WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE:

17.1 **CONTRACTOR** shall provide workers' compensation insurance as required by Nevada Revised Statutes Chapters 616A through 616D inclusive and Employer's Liability insurance with a minimum limit of \$500,000 each employee per accident for bodily injury by accident or disease.

17.2 **CONTRACTOR** may, in lieu of furnishing a certificate of an insurer, provide an affidavit indicating that **CONTRACTOR** is a sole proprietor; that **CONTRACTOR** will not use the services of any employees in the performance of this Contract; that **CONTRACTOR** has

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR

Contract No. 1112-148

CARSON CITY EXTERNAL AUDIT FUNCTION

elected to not be included in the terms, conditions, and provisions of Nevada Revised Statutes Chapters 616A-616D, inclusive; and that **CONTRACTOR** is otherwise in compliance with the terms, conditions, and provisions of Nevada Revised Statutes Chapters 616A-616D, inclusive.

18 BUSINESS LICENSE:

18.1 **CONTRACTOR** shall not commence work before **CONTRACTOR** has provided a copy of his Carson City business license to Carson City Purchasing and Contracts.

18.2 The Carson City business license shall continue in force until the latter of: (1) final acceptance by **CITY** of the completion of this Contract; or (2) such time as the Carson City business license is no longer required by **CITY** under the terms of this Contract.

19 COMPLIANCE WITH LEGAL OBLIGATIONS:

19.1 **CONTRACTOR** shall procure and maintain for the duration of this Contract any state, county, city, or federal license, authorization, waiver, permit, qualification or certification required by statute, ordinance, law, or regulation to be held by **CONTRACTOR** to provide the goods or services of this Contract. **CONTRACTOR** will be responsible to pay all government obligations, including, but not limited to, all taxes, assessments, fees, fines, judgments, premiums, permits, and licenses required or imposed by law or a court. Real property and personal property taxes are the responsibility of **CONTRACTOR** in accordance with Nevada Revised Statutes 361.157 and 361.159. **CONTRACTOR** agrees to be responsible for payment of any such government obligations not paid by its subcontractors during performance of this Contract. **CITY** may set-off against consideration due any delinquent government obligation.

20 WAIVER OF BREACH:

20.1 Failure to declare a breach or the actual waiver of any particular breach of this Contract or its material or nonmaterial terms by either party shall not operate as a waiver by such party of any of its rights or remedies as to any other breach.

21 SEVERABILITY:

21.1 If any provision contained in this Contract is held to be unenforceable by a court of law or equity, this Contract shall be construed as if such provision did not exist and the nonenforceability of such provision shall not be held to render any other provision or provisions of this Contract unenforceable.

22 ASSIGNMENT/DELEGATION:

22.1 To the extent that any assignment of any right under this Contract changes the duty of either party, increases the burden or risk involved, impairs the chances of obtaining the

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

performance of this Contract, attempts to operate as a novation, or includes a waiver or abrogation of any defense to payment by CITY, such offending portion of the assignment shall be void, and shall be a breach of this Contract. **CONTRACTOR** shall neither assign, transfer nor delegate any rights, obligations or duties under this Contract without the prior written approval of CITY.

23 CITY OWNERSHIP OF PROPRIETARY INFORMATION:

23.1 Any files, reports, histories, studies, tests, manuals, instructions, photographs, negatives, blue prints, plans, maps, data, system designs, computer programs, computer codes, and computer records (which are intended to be consideration under this Contract), or any other documents or drawings, prepared or in the course of preparation by **CONTRACTOR** (or its subcontractors) in performance of its obligations under this Contract shall be the exclusive property of CITY and all such materials shall be delivered into CITY possession by **CONTRACTOR** upon completion, termination, or cancellation of this Contract. **CONTRACTOR** shall not use, willingly allow, or cause to have such materials used for any purpose other than performance of **CONTRACTOR'S** obligations under this Contract without the prior written consent of CITY. Notwithstanding the foregoing, CITY shall have no proprietary interest in any materials licensed for use by CITY that are subject to patent, trademark or copyright protection.

23.2 CITY shall be permitted to retain copies, including reproducible copies, of **CONTRACTOR'S** drawings, specifications, and other documents for information and reference in connection with this Contract.

23.3 **CONTRACTOR'S** drawings, specifications and other documents shall not be used by CITY or others without expressed permission of **CONTRACTOR**.

24 PUBLIC RECORDS:

24.1 Pursuant to Nevada Revised Statute 239.010, information or documents received from **CONTRACTOR** may be open to public inspection and copying. CITY will have the duty to disclose unless a particular record is made confidential by law or a common law balancing of interests. **CONTRACTOR** may clearly label specific parts of an individual document as a "trade secret" or "confidential" in accordance with Nevada Revised Statute 332.061, provided that **CONTRACTOR** thereby agrees to indemnify and defend CITY for honoring such a designation. The failure to so label any document that is released by CITY shall constitute a complete waiver of any and all claims for damages caused by any release of the records.

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

25 CONFIDENTIALITY:

25.1 **CONTRACTOR** shall keep confidential all information, in whatever form, produced, prepared, observed or received by **CONTRACTOR** to the extent that such information is confidential by law or otherwise required by this Contract.

26 FEDERAL FUNDING:

26.1 In the event federal funds are used for payment of all or part of this Contract:

26.1.1 **CONTRACTOR** certifies, by signing this Contract, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency. This certification is made pursuant to the regulations implementing Executive Order 12549, Debarment and Suspension, 28 C.F.R. pt. 67, § 67.510, as published as pt. VII of the May 26, 1988, Federal Register (pp. 19160-19211), and any relevant program-specific regulations. This provision shall be required of every subcontractor receiving any payment in whole or in part from federal funds.

26.1.2 **CONTRACTOR** and its subcontractors shall comply with all terms, conditions, and requirements of the Americans with Disabilities Act of 1990 (P.L. 101-136), 42 U.S.C. 12101, as amended, and regulations adopted thereunder contained in 28 C.F.R. 26.101-36.999, inclusive, and any relevant program-specific regulations.

26.1.3 **CONTRACTOR** and its subcontractors shall comply with the requirements of the Civil Rights Act of 1964, as amended, the Rehabilitation Act of 1973, P.L. 93-112, as amended, and any relevant program-specific regulations, and shall not discriminate against any employee or offeror for employment because of race, national origin, creed, color, sex, religion, age, disability or handicap condition (including AIDS and AIDS-related conditions).

27 LOBBYING:

27.1 The parties agree, whether expressly prohibited by federal law, or otherwise, that no funding associated with this Contract will be used for any purpose associated with or related to lobbying or influencing or attempting to lobby or influence for any purpose the following:

27.1.1 Any federal, state, county or local agency, legislature, commission, counsel or board;

27.1.2 Any federal, state, county or local legislator, commission member, counsel member, board member, or other elected official; or

27.1.3 Any officer or employee of any federal, state, county or local agency; legislature, commission, counsel or board.

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

28 **GENERAL WARRANTY:**

28.1 **CONTRACTOR** warrants that all services, deliverables, and/or work product under this Contract shall be completed in a workmanlike manner consistent with standards in the trade, profession, or industry; shall conform to or exceed the specifications as set forth in the incorporated attachments; and shall be fit for ordinary use, of good quality, with no material defects.

29 **PROPER AUTHORITY:**

29.1 The parties hereto represent and warrant that the person executing this Contract on behalf of each party has full power and authority to enter into this Contract. **CONTRACTOR** acknowledges that this Contract is effective only after approval by the Carson City Board of Supervisors and only for the period of time specified in this Contract. Any services performed by **CONTRACTOR** before this Contract is effective or after it ceases to be effective are performed at the sole risk of **CONTRACTOR**.

30 **ALTERNATIVE DISPUTE RESOLUTION:**

30.1 Pursuant to NRS 338.150, public body charged with the drafting of specifications for a public work shall include in the specifications a clause requiring the use of a method of alternative dispute resolution before initiation of a judicial action if a dispute arising between the public body and the contractor engaged on the public work cannot otherwise be settled. Therefore, in the event that a dispute arising between **CITY** and **CONTRACTOR** cannot otherwise be settled, **CITY** and **CONTRACTOR** agree that, before judicial action may be initiated, **CITY** and **CONTRACTOR** will submit the dispute to non-binding mediation. **CITY** shall present **CONTRACTOR** with a list of three potential mediators. **CONTRACTOR** shall select one person to serve as the mediator from the list of potential mediators presented by **CITY**. The person selected as mediator shall determine the rules governing the mediation.

31 **GOVERNING LAW; JURISDICTION:**

31.1 This Contract and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the State of Nevada, without giving effect to any principle of conflict-of-law that would require the application of the law of any other jurisdiction. **CONTRACTOR** consents and agrees to the jurisdiction of the courts of the State of Nevada located in Carson City, Nevada for enforcement of this Contract.

32 **ENTIRE CONTRACT AND MODIFICATION:**

32.1 This Contract and its integrated attachment(s) constitute the entire Contract of the parties and such are intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other Contracts that may have been made in

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR

Contract No. 1112-148

CARSON CITY EXTERNAL AUDIT FUNCTION

connection with the subject matter hereof. Unless an integrated attachment to this Contract specifically displays a mutual intent to amend a particular part of this Contract, general conflicts in language between any such attachment and this Contract shall be construed consistent with the terms of this Contract. Unless otherwise expressly authorized by the terms of this Contract, no modification or amendment to this Contract shall be binding upon the parties unless the same is in writing and signed by the respective parties hereto and approved by the Carson City Board of Supervisors.

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

33 ACKNOWLEDGMENT AND EXECUTION:

33.1 In witness whereof, the parties hereto have caused this Contract to be signed and intend to be legally bound thereby.

CARSON CITY

Purchasing and Contracts Department
Attn: Kim Belt
Purchasing and Contracts Manager
201 North Carson Street, Suite 3
Carson City, Nevada 89701
Telephone: 775-283-7137
Fax: 775-887-2107
KBelt@carson.org

CITY'S LEGAL COUNSEL

Neil A. Rombardo, District Attorney

I have reviewed this Contract and approve as to its legal form.

By: 
Kim Belt

By: 
Deputy District Attorney

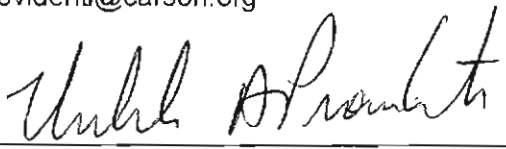
DATED 3/27/12

DATED 3/27/12

CITY'S ORIGINATING DEPARTMENT

BY:

Nick Providenti, Director
Carson City Finance Department
Carson City, NV 89701
Telephone: 775-283-7143
Fax: 775-887-2107
NProvidenti@carson.org

By: 

DATED 3/27/12

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

Kristen Burgess deposes and says: That she is the **CONTRACTOR** or authorized agent of the **CONTRACTOR**; that she has read the foregoing Contract; and that she understands the terms, conditions, and requirements thereof.

CONTRACTOR

BY: Kristen Burgess

TITLE: CPA

FIRM: Kafoury, Armstrong & Co.

CARSON CITY BUSINESS LICENSE #: 12-00000912

Address: 6140 Plumas Street

City: Reno **State:** Nevada **Zip Code:** 89519-6060

Telephone: 775-589-9100 / **Fax #:** 775-689-9299

E-mail Address: Kburgess@kafoury.com

Kristen Burgess


(Signature of **CONTRACTOR**)

DATED 3/26/12

STATE OF Nevada)
County of Washoe) ss

Signed and sworn (or affirmed) before me on this 26th day of March, 2012, by
Kristen Burgess

Diane Sherman
(Signature of Notary)

(Notary Stamp)


CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR
Contract No. 1112-148
CARSON CITY EXTERNAL AUDIT FUNCTION

SAMPLE INVOICE

Invoice Number: _____
 Invoice Date: _____
 Invoice Period: _____

Carson City Contract Number: 1112-148
 Carson City Contract Name: Carson City External Audit Function

Vendor Number: _____
 Kafoury, Armstrong & Co
 6140 Plumas Street
 Reno, NV 89519-6060

Invoice shall be submitted to:

Carson City Finance Department
 Attn: Gail Schroeder
 201 North Carson Street, Suite 3
 Carson City NV 89701

Line Item #	Description	Value	% Completed	Total \$\$
Total for this invoice				

Original Contract Sum	\$ _____
Less amount previously billed	\$ _____
= contract sum prior to this invoice	\$ _____
Less this invoice	\$ _____
=Dollars remaining on Contract	\$ _____

ENCLOSE COPIES OF RECEIPTS & INVOICES FOR EXPENSES & OUTSIDE SERVICES

CONTRACT FOR SERVICES OF INDEPENDENT CONTRACTOR

Contract No. 1112-148

CARSON CITY EXTERNAL AUDIT FUNCTION

CONTRACT ACCEPTANCE AND EXECUTION:

The Board of Supervisors for Carson City, Nevada at their publicly noticed meeting of April 5, 2012, approved the acceptance of **CONTRACT No. 1112-148**. Further, the Board of Supervisors authorizes the Mayor of Carson City, Nevada to set his hand to this document and record his signature for the execution of this contract in accordance with the action taken.

CARSON CITY, NEVADA



ROBERT L. CROWELL, MAYOR

DATED this 5th day of April, 2012.

ATTEST:



ALAN GLOVER, CLERK-RECORDER

DATED this 5th day of April, 2012.

CARSON CITY PURCHASING AND CONTRACTS
201 North Carson Street, Suite 3
Carson City, NV 89701
775-283-7137/FAX 887-2107
<http://www.carson.org/index.aspx?page=998>

NOTICE TO CONTRACTORS
BID #1112-148

February 1, 2012

Addendum No. 1

As of 2/1/2012, the following questions have been received. Answers are provided in italics

1. I just wanted to clarification the expectations of the City with respect to the "Estimated Manpower and Expense Matrix" required to be included in our submission of the SOQ. Does the City want this Matrix to include detail of our audit approach? *Carson City wants to know the type of positions, the estimated hours and the cost per hour of the people that will be working on the audit.*
2. We understand that Kafoury Armstrong were the prior auditors. How long have they been doing the audit? Were you happy with them? *Not pertinent to Bid Document.*
3. Are there written accounting policies and procedures? *YES*
4. Where is the audit work to be performed? *City Hall*
5. Where are the accounting records located? *City Hall - Finance Department and other City Departments, located within Carson City limits.*
6. How many people are on the accounting staff? Who is in charge? What is the accounting staff experience? *3 CPA's who each have over 15 years combined Public and governmental accounting experience. 1 Non CPA with over 20 years of government accounting experience. Nick Providenti, the Finance Director is in charge.*
7. How many employees? Locations? How is payroll handled? *562 FTE's, approximately 7 locations in Carson City, payroll hours entry is done at the department level and payroll is processed by the Finance Department.*
8. Are there any major changes in significant financial areas this year? Investments? Fixed assets? Accounting personnel? Accounting policies or methods? *NO*
9. What is in the inventory? Who counts the inventory? Is there a count performed on June 30? *Fleet and Water inventory. Public Works Department performs a count at fiscal year end.*
10. Do you have your own fixed asset inventory? Depreciation schedule? Perform annual physical inventory? *YES*
11. With respect to federal funds, will the federal grant awards in fiscal year 2011-2012 be similar to the awards reported in the 2010-2011 SEFA? *They will be similar, but there may be fewer major programs and the dollar amount should be less.*

12. When are the accounting records reconciled and ready to be audited? *Approximately October 15th.*

13. Will client prepare all schedules we request? *Please see page SOQ-3 under- Scope of services.*

14. What software is used for the accounting records? *Sungard Public Sector*

15. It is stated that the City's staff prepares the financial statements. Does City staff prepare any of the note disclosures? *City staff prepares all draft note disclosures.*

16. How many adjusting journal entries did the auditors record last year? What were the nature of the adjusting journal entries? *Not pertinent to Bid Document.*

17. How many auditors were in the field last year? How long were they there for both interim work and field work? *Not pertinent to Bid Document.*

18. What were the prior year's audit fees including any adjustments and/or "change orders?"
\$132,300

End of Addendum 1



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

Serving our clients since 1941.

February 18, 2013

Mr. Larry Werner, City Manager
Carson City
201 N. Carson Street, Suite 3
Carson City, Nevada 89701

Dear Mr. Werner:

We are pleased to confirm our understanding of the services we are to provide Carson City, Nevada (Carson City) for the year ended June 30, 2013. We will audit 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, which collectively comprise the basic financial statements, of Carson City as of and for the year ended June 30, 2013. We will not audit the aggregate discretely presented component units (Airport Authority of Carson City Nevada and the Carson City Convention and Visitors' Bureau) as the financial statements for these discretely presented component units will be audited by other auditors whose reports thereon will be furnished to us and upon which we will rely. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Carson City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Carson City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis
- Schedule of Funding Progress
- Budgetary Comparison Schedules

We have also been engaged to report on supplementary information other than RSI that accompanies Carson City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial

ELKO

FALLON

LAS VEGAS

RENO

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- The combining and individual fund statements and schedules, including budgetary comparisons,
- The Schedule of Expenditures of Federal Awards
- Other supplementary information

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information:

- The Introductory Section
- Statistical Section

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on –

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

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on

Mr. Larry Werner, City Manager
Carson City
February 18, 2013
Page 3

compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and OMB Circular A-133 in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. We will make reference to Kohn Colodny, LLP's audit of the Airport Authority of Carson City and The Carson City Convention and Visitors Bureau in our report on your financial statements. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified (unmodified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carson City and the respective changes in financial position and, where

Mr. Larry Werner, City Manager
Carson City
February 18, 2013
Page 4

applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on September 30, 2013.

You are responsible for preparation of the schedule of expenditures of federal awards in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in

Mr. Larry Werner, City Manager
Carson City
February 18, 2013
Page 5

accordance with OMB Circular A-133; (2) that you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to the users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

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

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are

Mr. Larry Werner, City Manager
Carson City
February 18, 2013
Page 6

attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

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

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less

Mr. Larry Werner, City Manager
Carson City
February 18, 2013
Page 7

in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

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

Audit Procedures—Compliance

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

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

Engagement Administration, Fees, and Other

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

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end

Mr. Larry Werner, City Manager
Carson City
February 18, 2013
Page 8

of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

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

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

We expect to begin our audit in May 2013 and to issue our reports no later than November 30, 2013. Dan Carter is the engagement shareholder and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as typing, postage, etc.) and our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. For the year ended June 30, 2013 we agree that our gross fee will not exceed \$105,600. This fee is based upon the assumption that Carson City will have two major programs subject to the audit provisions under the Single Audit Act Amendments of 1996 and OMB Circular A-133. If the City has additional major programs subject to audit, our fee will increase \$4,500-\$5,500 for each additional major program depending on the nature of the federal award program.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. In addition, it is our policy to assess a financial charge of 1.5% per month on all accounts past due for more than 30 days. This represents an annual percentage rate of 18%.

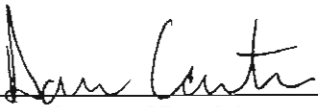
Mr. Larry Werner, City Manager
Carson City
February 18, 2013
Page 9

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2010 peer review report accompanies this letter.

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

Very truly yours,

KAFOURY, ARMSTRONG & CO.

By: 
Dan Carter, CPA, MAcc
Engagement Shareholder

DC:ts
Enclosures

RESPONSE:

This letter correctly sets forth the understanding of Carson City, Nevada.

By: _____

Title: _____

Date: _____

System Review Report

To the Shareholders of
Kafoury, Armstrong & Co.
and the Nevada CPA Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Kafoury, Armstrong & Co. (the firm) in effect for the year ended December 31, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Kafoury, Armstrong & Co., in effect for the year ended December 31, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Kafoury, Armstrong & Co. has received a rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana

May 27, 2010



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

Serving our clients since 1941.

February 18, 2013

Mr. Larry Werner, City Manager
Carson City
201 N. Carson Street, Suite 3
Carson City, Nevada 89701

Dear Mr. Werner:

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for Carson City, Nevada.

We will apply the agreed-upon procedures which the management of Carson City, Nevada has specified, listed in the attached schedule, to the Municipal Solid Waste Landfill (MSWL) operating record of Carson City, Nevada (the City) for the year ended June 30, 2013. This engagement is solely to assist management in evaluating the financial tests for assurances, of Chapter 444 of Nevada Administrative Code, Proposed Temporary Regulation of the Nevada State Environmental Commission, Petition 97001. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, we will not express an opinion on the MSWL operating record or on the City's compliance with the record keeping and reporting requirements of Chapter 444 of Nevada Administrative Code, Proposed Temporary Regulation of the Nevada State Environmental Commission, Petition 97001. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the use of management and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

You are responsible for the presentation of the MSWL operating record in accordance with Chapter 444 of Nevada Administrative Code, Proposed Temporary Regulation of the Nevada State Environmental Commission, Petition 97001; and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are responsible for assuming all management responsibilities and for overseeing any nonattest services we provide by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience. In addition, you are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for the results of such services.

ELKO

FALLON

LAS VEGAS

RENO

Mr. Larry Werner, City Manager
Carson City
February 18, 2013
Page 2

We plan to begin our procedures during October 2013 and, unless unforeseeable problems are encountered, the engagement should be completed by November 30, 2013. At the conclusion of the engagement, we will require a written representation letter from management that, among other things, will confirm management's responsibility for the presentation of the MSWL operating record in accordance with Chapter 444 of Nevada Administrative Code, Proposed Temporary Regulation of the Nevada State Environmental Commission, Petition 97001.

Dan Carter is the engagement shareholder and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fees for these services will be at our standard hourly rates including out-of-pocket costs (such as typing, postage, etc.). We estimate the fee to be \$1,830. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. In addition, it is our policy to assess a finance charge of 1.5% per month on all accounts past due more than 30 days. This represents an annual percentage rate of 18%. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

Very truly yours,

KAFOURY, ARMSTRONG & CO.

By 
Dan Carter, CPA, MAcc
Engagement Shareholder

DC:ts
Enclosures

Mr. Larry Werner, City Manager
Carson City
February 18, 2013
Page 3

RESPONSE:

This letter correctly sets forth the understanding of Carson City, Nevada.

By: _____

Title: _____

Date: _____

CARSON CITY AGREED-UPON PROCEDURES REPORT
ATTACHMENT

1. We will confirm that the City's bond rating satisfies the conditions of subsection 1(a) of Section 2 of NAC Chapter 444; therefore, testing of the financial ratios in subsection 1(b) of Section 2 of NAC Chapter 444 is not required.
2. We will report that we audited the financial statements of Carson City, Nevada for the year ended June 30, 2013, and that the financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. We will further report that we issued an unqualified opinion on the financial statements.
3. Based on information contained in the financial statements of Carson City, Nevada for the years ended June 30, 2013 and 2012, we will determine if the City has operated at a deficit equal to five percent or more of total annual revenue in either of the past two fiscal years.
4. We will perform calculations using the audited financial statements of Carson City, Nevada as of and for the year ended June 30, 2013 to assist management in evaluating if the City's total revenue was adequate to assure the total estimated costs of closure and post closure.