# CHURCHILL COUNTY AUDIT COMMITTEE CHURCHILL COUNTY, NEVADA

155 N. Taylor Street, Suite 110 Fallon, Nevada 89406 (775) 423-4092 Fax: (775) 423-7069

E-mail: pammoore@churchillcounty.org

# \*\*\*\*NOTICE OF PUBLIC MEETING\*\*\*\*

#### **PLEASE POST**

**PLACE OF MEETING:** Churchill County Administration Building, 155 North Taylor Street, Commission Chambers, Suite 145, Fallon, NV

**DATE & TIME:** February 7, 2014 at 9:00 a.m.

TYPE OF MEETING: Churchill County Audit Committee Meeting

#### Notes:

- I. These meetings are subject to the provisions of Nevada Open Meeting Law (NRS Chapter 241). Except as otherwise provided for by law, these meetings are open and public.
- II. Action will be taken on all Agenda items, unless otherwise noted.
- III. The Agenda is a tentative schedule. The Churchill County Audit Committee may act upon Agenda items in a different order than is stated in this notice so as to affect the people's business in the most efficient manner possible.
- IV. In the interest of time, the Churchill County Audit Committee reserves the right to impose uniform time limits upon matters devoted to public comment.
- V. Any statement made by a member of the Churchill County Audit Committee during the public meeting is absolutely privileged.

#### Agenda:

- 1. Call to Order.
- 2. Verification of the Posting of the Agenda.
- 3. Review and Adoption of Agenda: Action to approve the Agenda as submitted or revised.
- 4. Review and Adoption of Minutes of October 24, 2013.
- 5. Public Comment: Comment upon matters not on the Agenda.
- 6. Appointments:
- 9:00 a.m. Consideration and possible action re: Appointment of Kafoury, Armstrong and Company as the Independent Auditors for the CC Communications' and Churchill County's Comprehensive Annual Financial Report for Fiscal Year End June 30, 2014.
- 7. Consider and schedule future meeting dates and future Agenda items.
- **8.** Public Comment: Comment upon matters not on the Agenda.

# 9. Adjournment.

# 10. Affidavit of Posting:

State of Nevada ) : ss County of Churchill )

I, Jackie Bauman, Deputy Clerk of the Board, do hereby affirm that I posted, or caused to be posted, a copy of this notice of public meeting, on or before the **3rd day of February, 2014**, at the following locations in Churchill County, Nevada:

- 1. City Hall;
- 2. County Administration Building;
- 3. Public Library;
- 4. Churchill County Law Enforcement Center;
- 5. The Churchill County Website @ www.churchillcounty.org.

Jackie Bauman, Deputy Clerk of the Board

Subscribed and Sworn to before me this 3rd day of February, 2014, Jackie Bauman.

Deputy County Clerk

#### Endnotes/Disclosures:

\*Churchill County is an equal opportunity provider and employer.

#### Accommodations:

\*Churchill County will make all reasonable efforts to assist and accommodate physically handicapped persons desiring to attend. Persons who are disabled and require special assistance may contact the Churchill County Commission, in writing at 155 N. Taylor Street, Suite 110, Fallon, Nevada 89406, or by calling (775) 423-4092.

#### Procedures:

- \*The public meetings may be conducted according to rules of parliamentary procedure.
- \*Persons providing public comment will be asked to state their name for the record.
- \*The Churchill County Audit Committee reserves the right to restrict participation by persons in the public meeting where the conduct of such persons is willfully disruptive to the people's business.
- \*All supporting materials for this Agenda are available by requesting a copy from the Clerk prior to the meeting. During the meeting, there will be one copy available for public inspection. Additional copies are available by making the request from the Clerk. You are entitled to one copy of the supporting materials free of charge.
- \* In accordance with Federal law and U.S. Department of Agriculture policy, Churchill County is prohibited from discriminating on the basis of race, color, national origin, sex, age, or disability (not all prohibited bases apply to all programs). To file a complaint of discrimination, write USDA, Director, Office of Equal Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800)795-3972 (voice), or (202)720-6382 (TDD).

# Churchill County Agenda Report

Agenda Item: Appointment

Agenda Date Requested: February 7, 2014

Time Requested: 7 minutes

**To:** Audit Committee

Date Submitted: February 5, 2014

**From:** Alan F. Kalt, County Comptroller

Subject Title: Consideration and Possible Action: Appointment of Independent Auditors for Churchill

County and CC Communications for this fiscal year ending June 30, 2014.

<b>Type of Action Requested:</b> (check one)  () Resolution  (X) Formal Action/Motion	() Ordinance () Other – Informational Only
Does this action require a Business Impact	Statement? Yes ( ) No ( )

#### **Recommended Board Action:**

A motion to recommend appointment of Kafoury Armstrong and Company as independent auditors for Churchill County in the amount of \$73,000 for the fiscal year ending June 30, 2014 audit and \$56,000 for the audit of the four enterprise operations of CC Communications subject to the conditions noted in the two proposals to the Board of County Commissioners for their consideration at their next regularly scheduled meeting.

#### **Discussion:**

The engagement period for the County and CC Communication's independent auditors has been completed with the presentation of the audit report and related financial statements. Staff has had discussions regarding the process to proceed for the selection and appointment of auditors. The two options considered were to obtain quotes from the existing firms or consider going out for a Request for Proposals. This decision ultimately rest with the Audit Committee. The RFP process would likely take two to three months to complete since there is an advertising period, obtaining the proposals, reviewing the proposals, interviewing the firms, selecting and appointment. Historically when the County has went out to bid, it has been for a three year contract with two one year renewal options. This allows the firm adequate time to recoup the investment of upfront work to create a complete file if a new firm is selected.

The County Comptroller and CC Communications Chief Financial Officer requested engagement proposals from Kafoury Armstrong and Company to perform the independent audit of the respective organizations for the fiscal year ending June 30, 2014. Attached for your review and consideration are the fee proposals from Kafoury Armstrong and Company to perform the audit for Churchill County and CC Communications for the fiscal year ending June 30, 2014.

As noted in the e-mail from Kristen Burgess, Engagement Shareholder, Kafoury, Armstrong & Co.'s fee quote for the FY14 audit of the County would be an amount not to exceed \$73,000. This fee includes preparation of the County's financial statements and the audit of three (3) major federal award programs. If there are more than three major federal award programs, our fee would be an additional \$4,000 for each major program in excess of three. This compares to the prior year amount of \$77,000 with only two major programs and the additional \$6,000 to implement new standards for a total of \$83,000. The additional \$6,000 was not billed as the County implemented the standards and it did not require any significant amount of additional hours by Kafoury. Thus, the proposed price is a reduction from the prior year.

The submission of this agenda report by county officials is not intended, necessarily, to reflect agreement as to a particular course of action to be taken by the board; rather, the submission hereof is intended, merely, to signify completion of all appropriate review processes in readiness of the matter for consideration and action by the board.

It is noted that this fee quote is based on the assumption that the CC Communications Telephone Fund and the CC Communications Broadband Fund (i.e. major funds of the County) will be separately audited and the audits will be performed by Kafoury, Armstrong & Co. If it is determined that these Funds will not be separately audited, we will need to discuss a revision to the County's fee quote as we'll need to perform additional audit testing that is not reflected in the fee quote above. In addition, should the CC Communications Telephone and Broadband Funds be audited by someone other than Kafoury, Armstrong & Co. we will also need to discuss a revision to the County's fee quote as we'll be required to perform additional testing and communication with the other auditors in accordance with the new group audit standards to which we are bound.

The engagement proposal for the CC Communications audit for a single year engagement totals \$56,000 for individual audit for each "Major" fund reported in the County's CAFR (with management compiling the fund statements and notes only for all funds) and limited procedures over the non-major funds to provide adequate coverage for the in relation to opinion expressed at the County level. The proposal also includes a three year option that would charge a reduce fee of \$53,200 or a discount of \$2,800 or 5% for the one year rate. See proposal for specific information.

**Fiscal Impact:** Amount not to exceed \$73,000 assuming the audit of three major programs with \$4,000 for each major program in excess of three for the general County audit. The one year rate for CC Communications is \$56,000 or if a three year agreement is reached the proposed fee is \$53,200.

**Explanation of Impact:** NRS 354 requires local government to have an independent audit annually. The cost of the audit is based on several factors associated with the amount of time and complexity of performing the professional services required under General Accepted Auditing Standards.

**Funding Source**: Amounts will be included in the General Fund budget for FY 2015 under professional fees for the general County budget and the CC Communications audit would be paid within their budgetary resources.

Prepared By:	Alan F. Kalt, Comptroller	Date: February 5, 2014	
Reviewed By:	Eleanor Lockwood, Churchill County Mana	Date:	
	Churchill County Civil Deputy Attorney	Date:	
	Alan Kalt, Churchill County Comptroller	Date: February 5, 2014	
Board Action Motion:	1)		Aye/Nay
(Vote Recorde	ed By)		

The submission of this agenda report by county officials is not intended, necessarily, to reflect agreement as to a particular course of action to be taken by the board; rather, the submission hereof is intended, merely, to signify completion of all appropriate review processes in readiness of the matter for consideration and action by the board.

# Alan Kalt

From:

Kristen Burgess < KBurgess@kafoury.com>

Sent:

Wednesday, January 22, 2014 12:13 PM

To: Cc:

Alan Kalt Licia O'Carroll

Subject:

Churchill County - Audit Services FY14

Hi Alan -

As discussed, Kafoury, Armstrong & Co.'s fee quote for the FY14 audit of the County would be an amount not to exceed \$73,000. This fee includes preparation of the County's financial statements and the audit of three (3) major federal award programs. If there are more than three major federal award programs, our fee would be an additional \$4,000 for each major program in excess of three.

Please note, this fee quote is based on the assumption that the CC Communications Telephone Fund and the CC Communications Broadband Fund (i.e. major funds of the County) will be separately audited and the audits will be performed by Kafoury, Armstrong & Co. If it is determined that these Funds will not be separately audited, we will need to discuss a revision to the County's fee quote as we'll need to perform additional audit testing that is not reflected in the fee quote above. In addition, should the CC Communications Telephone and Broadband Funds be audited by someone other than Kafoury, Armstrong & Co. we will also need to discuss a revision to the County's fee quote as we'll be required to perform additional testing and communication with the other auditors in accordance with the new group audit standards to which we are bound.

Alan, thanks to you and the County staff. Please feel free to contact me regarding any questions or concerns with the information / fee quote reflected above. We really are looking forward to working with the you all and value the relationship as your auditors.

# Kristen Burgess, CPA

Shareholder



# KAFOURY, ARMSTRONG & CO.

6140 Plumas Street Reno, NV 89519

P: 775.689.9100 |F: 775.689.9299

www.kafoury.com



This email, and any attachments thereto, is intended only for use by the addressee(s) named herein and may contain legally privileged and/or confidential information. If you are not the intended recipient of this email, you are hereby notified that any dissemination, distribution or copying of this email, and any attachments thereto, is strictly prohibited. If you have received this email in error, please immediately notify me at the above number and permanently delete the original and any copy of any email and any printout thereof.

Please consider the environment before printing this email.

# **CC Communications**

Engagement Proposal 6/30/14

Individual audit for each "Major" fund reported in the County's CAFR (with management compiling the fund statements and notes only for all funds) and limited procedures over the non-major funds to provide adequate coverage for the in relation to opinion expressed at the County level.

	Single Year Engagement	Multi (3-year) Engagement
CC Communication – Telephone	34,800	33,000
CC Communication – Broadband	14,600	13,900
CC Communication – MDS	3,300	3,150
CC Communications – Long Distance	3,300	3,150
	56,000	53,200

# MINUTES OF THE CHURCHILL COUNTY AUDIT COMMITTEE

155 No. Taylor Street, Fallon, NV Fallon, Nevada October 24, 2013

# **CALL TO ORDER**

The meeting of the Churchill County Audit Committee was called to order at 2:00 p.m. on the above date by Chairman Carl Erquiaga.

PRESENT: Carl Erquiaga, Charman

Mark Feest, CC Communications Counsel Ben Shawcroff, Civil Deputy District Attorney Pamela D. Moore, Deputy Clerk of the Board

Lorrie Ford, CC Communications

Laurel Jackson, Kafoury Armstrong and Company

ABSENT:

Kelly G. Helton, Clerk of the Board

# PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited by the hoard and public.

# VERIFICATION OF POSTING OF AGENDA

It was verified by Deputy Clerk Moore that the Agenda for this meeting was posted in accordance with NRS 241.

# **ACTION ITEMS**

### **AGENDA**

Member Erquinga reported that the minutes of October 18, 2011 were not yet prepared, so they were withdrawn. Member Shawcroft made a motion to approve the Agenda as revised. Member Erquiaga seconded the motion, which carried by unanimous vote.

#### MINUTES

Member Shawcroft made a motion to approve the Minutes of the meeting field on March 12, 2012 and December 19, 2012 as submitted. Member Erquiaga seconded the motion, which carried by unanimous vote.

# PUBLIC COMMENTS

Chairman Erquiaga inquired if there were any public comments on issues that were not listed on the Agenda but there were none.

#### APPOINTMENTS

THE BOARD MAY REQUIRE THE PROVISION OF AN OATH OR AFFIRMATION BY ANY PERSON PROVIDING ORAL TESTIMONY AT A PUBLIC HEARING.

# 2:00 p.m. Consideration and possible action re: Presentation of the CC Communications Audited Financial Statements for FY 2012-2013.

Laurel Jackson distributed a copy of the audit. She explained the required standard communication to the Audit Committee, the overall audit process, and the conclusion based on the original engagement letter signed that outlined the responsibility and objectives of the auditors with regard to the engagement. At the beginning of the engagement, the auditors established a timeline to keep everyone on track regarding the engagement.

The auditors have met with CC Communications' management staff to conduct the exit conference and have released and signed all of their audit records. They only have one issue regarding the audit engagement that deals with some issues in conjunction with the report that was submitted to NECA, an error within self-formulas in those reports. She explained the ultimate results and the magnitude of that to the currently issued financial statements. She also noted that, when the error is discovered, it is the responsibility of the auditors to make sure that the impact on the financial statement issued today is identified. CC Communications conferred with NECA to make sure that they truly understood. The Financial Statement for CC Communications Telephone includes a proper adjustment.

Going back to the required standard engagement, CC Communications has 5 funds. The level of service that they provide on those 5 funds deals with whether or not they will become what is considered a major fund in the county's financial statement. Based on the preliminary and final conclusions, in working with Comptroller Kalt and Lorrie Ford, the two funds that were deemed major funds, which will be major funds in the county's financial statements, are CC Communications Telephone and CC Communications Broadband. Those are the only two funds that Kafoury has expressed an opinion on. They have audited those funds because that's part of what that opinion would be into the county's audit. So this record communication is for audit services. When you see terminology being used, they are only referring to telephone and broadband. Attached to the letter are the audit adjustments that were made in conjunction with those two audit engagements. She talked about different languages used in the financial statements and noted that she would be happy to answer any questions.

Lorrie Ford had a presentation as an overview of the financial numbers from the different entities or funds. There is change of terminology such as the net asset, which is now called net position. Next year, there will be some additional changes in GASB 65. This year we have 5 funds—Telephone, Wireless, MDS (Management Data Services), Long Distance, and Broadband. Once again, the definition is included for the enterprise fund, proprietary fund, and business type activities, and we fall under enterprise funds.

The telephone net position increased to \$50,765,558.00. We now call it "equity"; last year we called it "net asset". The change in net position is \$ 120,218.00. The noncurrent assets are capital assets, minus accumulated depreciation at \$41,493,683.00 and that is a decrease of \$2,150,881.00, mainly because we put less capital assets into use than the depreciation and that makes our depreciation higher. The wireless net position is zero because all assets and liabilities were transferred to the MDS enterprise fund. For the MDS enterprise fund, this is the first year of operation for the MDS fund. As mentioned earlier, all assets, liabilities, and expenses were transferred from the wireless fund. Any bills coming after that should be just small invoices and, per the approval by the County Commissioners, effective June 30, 2013, those will be billed under MDS. The MDS net position, after all the transfer's are in, is \$2,054,169.00. The current asset is \$1,814,607.00 and the non-current asset is \$600,599.00. The MDS net position at the end of the year is actually good. The long distance net position had \$898,814.00, with an increase of \$205,504.00 from last year's net position of \$693,310.00. The broadband net position had a total of \$2,016,186.00 at the end of the year. That was a small decrease of \$5,854.00 from last year's net position of \$2,022,040.00.

The broadband enterprise fund does include the internet (the bigger profit) and digital TV. As of June 30<sup>th</sup>, Digital TV has 1,605 customers and they are offering DVR and HD. The HD customers increased by 130 customers, with a total of 897.

Overall, the operating revenue was \$16,663,417.00 and the non-operating revenue was \$867,318.00, which makes the total revenue of \$17,530,735.00. The overall operating expense for all of the entities is \$15,841,089.00 and the non-operating expense is \$1,724,007.00, which makes the total expenses of \$17,565,096.00. For all our 5 enterprise funds, we had a loss or a negative net position change of \$(34,361.00).

Mark Feest explained that the net position change of (\$34,160.00) is a little bit deceiving and has something to do with the shareholders taking their profit. Anything above what would be paid out legitimately, the taxes, which is the NECA issue that we're dealing with, is really the shareholders taking their profits. So it's a little misleading to say that the company's change in net position is (\$34,361.00), when you moved over probably \$1.9M in taxes. Ms. Ford also pointed out the net income comparison between this year and last year is for all 5 entities and a few reasons why we had a negative change in net position this year. The change in net position for 2012 is \$1,309,653.00 and for 2013 is (\$34,361.00). The revenue and expense comparison were also pointed out between this year and last year. The total revenue decreased by \$1,865,414.00 and a lot of that was in wireless, as cell roaming went away, so they stopped and exited the business.

Mark Feest explained why cell roaming went away, which dealt with the 4 year agreement for roaming with Verizon. Roaming actually dried up by the time 4 years was up and there was barely any roaming from Verizon because of the ALLTEL purchase acquisition from Verizon.

Regarding revenue and expense comparison, Ms. Ford pointed out the comparison of 2012 and 2013 expenses. As the revenue decreased, expenses also decreased, but not at the same rate. The total expense comparison decreased by \$893,784.00, maybe due to reduction of employees and benefits. She concluded the presentation of the financial statement and asked if they have any questions or concerns.

Member Shawcroft made a motion to accept the CC Communication's Audited Financial Statement for FV 2012-2013. Member Erquiaga seconded the motion, which carried by unanimous vote.

# DISCUSSION BY COMMITTEE REGARDING MATTERS AFFECTING THE COMMITTEE.

Comptroller Kalt discussed the replacement person needed for the committee due to the fact that Mark Feest can no longer serve as one of the Audit Committee members as he is now the General Manager for CC Communications. Finding a third member for the Audit Committee will be in process and the committee is hoping to find a public-spirited individual willing to serve on the Audit Committee.

Chairman Erquiaga asked if there are any other matters that needed to be discussed but there were none.

# CONSIDER AND SCHEDULE FUTURE MEETING DATES AND FUTURE AGENDA ITEMS.

Comptroller Kalt reported that a meeting will need to be held the first week of December to consider the general county's audited financial statements.

# **PUBLIC COMMENTS**

Chairman Erquiaga inquired if there were any public comments on issues that were not listed on the Agenda but there were none.

### **ADJOURNMENT**

There being no further business to come before the board, the meeting was adjourned at 2:25 p.m.

APPROVED:	1 F
Ca	rl Erquiaga, Chairman
APPROVED:	
Be	n Shaweroft, Member
ATTEST:	400
KELLY G. HELTON, CLERK/TREASURER	A. A.
Jackie A. Bauman, Deputy Clerk of the Board	
vacate in Balanan, Beparty cross or the Bearty	
	W
11.00	
1 1	
- 10	
	E:
6 1 1 4	
1 1 0	
-	
-	