

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' MEETING
LAS VEGAS, NEVADA
November 8, 2007
(approved January 9, 2008)

The Board of Trustees of the Las Vegas-Clark County Library District met in regular session in the Las Vegas Library, Las Vegas, Nevada, at 6:00 p.m., Thursday, November 8, 2007.

Present: Board: V. Davis-Hoggard L. Overstreet
F. Sponer (telephone) A. Aguirre
A. Arthurholtz J. Costello
K. Carter

Counsel: G. Welt

Absent: K. Benavidez
L. Harala
E. Sanchez

Staff: Daniel L. Walters, Executive Director
Numerous Staff

Guests: Martha Ford, Piercy Bowler Taylor & Kern
Tom Schoemann, JMA Architecture
Ronald Dubberly, Dubberly Garcia Associates

V. Davis-Hoggard, Chair, called the meeting to order at 6:09 p.m.

Roll Call All members listed above represent a quorum. Trustee Sponer called in at 6:10 p.m.

Agenda Trustee Carter moved to approve the Agenda as proposed. There was no opposition and the motion carried.

Executive Session – Briefing by Counsel regarding pending litigation. Chair Hoggard moved that the Board adjourn into Executive Session for a briefing by Counsel. Chair Hoggard indicated it was to be a closed session and no action would be taken. Counsel Welt advised that the briefing covered pending litigation at the District's Mt. Charleston location. Mr. Welt also announced that Trustee Arthurholtz would not be able to participate because she has an interest in property in the area.

(Item III.) There was no opposition and the motion passed. The meeting was closed at 6:09 p.m. Trustee Sponer joined the Executive Session while in progress.

Chair Hoggard moved that the Board resume. There was no opposition and the motion carried. The meeting resumed at 6:29 p.m.

Approval of Proposed Minutes Regular Session, October 11, 2007 and Finance and Chair Hoggard moved to approve the Minutes of the Board of Trustees Meeting held October 11, 2007. There was no opposition and the motion carried. Trustee Aguirre moved to approve the Minutes of the Finance and Audit Committee Meeting held October 11, 2007. There was no opposition from Committee members and the motion carried.

Audit Committee
Meeting, October
11, 2007.

Chair's Report
(Item V.)

Chair Hoggard announced that the December Board meeting would be cancelled.

Chair Hoggard asked that the January Board meeting date be changed due to a conflict with the ALA Midwinter Meeting. After consulting their calendars, Board members agreed to hold the Board meeting on Wednesday, January 9, at 6:00 p.m. Staff will announce the location at a later date.

Chair Hoggard asked the Bylaws Committee to meet to review criteria for attendance at Board meetings. Trustee Overstreet, who chairs the Committee, will coordinate with other members of the Committee, Executive Director Walters and Mr. Welt to set up the meeting prior to the January Board meeting.

Executive Director's
Report (Item VI.A.)

In addition to highlighting several items from his report, Mr. Walters requested Chief Financial Officer Fred James update Trustees on the District's revenue forecast, due to the potential impact to the District from declining consolidated sales tax (CTX) revenue. He also asked Marketing Director Pat Marvel to show a District public services announcement (PSA), produced in conjunction with Vegas PBS, which was created thanks to a grant from the Institute of Museum & Library Services.

Next month, Mr. Walters said he will have an update on the progress of the Centennial Hills construction that will include photos.

Mr. Walters noted that Chair Hoggard and Trustee Arthurholtz were pictured in a recent ALTA publication showing them at the ALA Annual meeting. Trustees each received a copy.

Mr. Walters also said he had been advised by Daphne DeLeon, the new State Librarian, that some portion of the collection funds was included in the list of proposed cuts requested from each State department by Governor Gibbons due to the budget shortfall. Walters said that the District has worked for years to add collection funds to the State Library's base budget and had finally succeeded in the 2007 Legislative Session. Walters said he expressed his shock and disappointment regarding the decision to cut funds which will affect every public library in the state.

The collection funds are distributed based upon population, so Southern Nevada will suffer deeper cuts than Northern Nevada. Mr. Walters said that it is not known what amount of the collection funds will be cut. The District's share of these funds totaled approximately \$300,000 and was intended to build the collection at Centennial Hills. He said he is working with Deputy Director Morss to determine how to cover the loss from another part of the District's budget.

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Mr. Walters said that other public library directors throughout the state have expressed their dismay about the proposed cuts in the collection funds. Walters also said that the library directors have been promised more information over the next few months regarding the exact amount of the proposed cuts.

Mr. Walters informed Trustees that he had given a presentation at the Las Vegas Executives Association (LVEA) on Wednesday about the District's construction program and the website, assisted by General Services Director Steve Rice and Ms. Marvel. He was joined by former LVEA member, Trustee Costello. Walters noted that Mr. Rice has received several contracting leads from the group.

Trustee Sponer congratulated Chair Hoggard and Trustee Arthurholtz for their appearance in the Trustee's magazine.

Public Services and Security Report (Item VI.A.1.)

Accepted.

Business Office Report (Item VI.A.2.)

Mr. James noted that during FY 2006-2007 District staff projected that consolidated tax (CTX) revenues would fall approximately \$1.2 million short of projections which proved correct. During the current fiscal year, staff is projecting that the CTX revenues will be short approximately \$1 million from the original projection. He commented that, while falling short of the projected amount, actual CTX revenues increase an average of 2.5% each year from the previous year.

Mr. James said the effect of the shortfall on the District's budget is mitigated due to the fact the approved budget is conservative, based upon historical information about the actual CTX revenue and that there are expenditures that can be cut or postponed. The impact of the CTX shortfall will also be slightly mitigated due to an increase in the property tax revenues and increased interest revenue from the Capital Fund investments.

Trustees asked questions about whether the District had been invited to the Governor's budget meeting about the shortfall, whether models were in place to help plan for the District's shortfall, and asked about future possible economic implications to the District.

Mr. Walters noted that the District is making every effort to control and plan budgeted expenditures to mitigate the effects of the CTX shortfall. Unexpected expenses such as the increased security measures being proposed by staff in one of the action items and cuts in the collection development funds from the State will result in increased expenditures in some areas which will be balanced by cuts in other areas. He noted that CTX revenues make up 35% of the District's revenue and said staff will keep Trustees notified as the year progresses.

Mr. James commented that while CTX makes up 35% of the District's budget, CTX makes up over 50% of the budget for municipalities such

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as the City of Las Vegas, so the impact of a revenue shortfall is greater on their budget.

Human Resources Report (Item VI.A.3.)

Accepted.

Technology Report (Item VI.A.4.)

Accepted.

General Services Report (Item VI.A.5.)

Accepted.

Marketing Report (Item VI.A.6.)

Ms. Marvel showed the PSA produced by the District and Vegas PBS to attendees. Marvel said the partnership with Vegas PBS is designed to increase services to students in the CALL program as well as to promote family literacy. She noted that the PSA, one of ten produced with Vegas PBS, is done in Spanish and promotes the family literacy backpacks. It features District staffer Sebastian Gonzalez.

Ms. Marvel said the PSA won the award for Best Public Service Announcement in Spanish given by the organization, Women in Communication.

Trustees and attendees applauded. Chair Hoggard hoped that the District would publicize the award, not only in the Spanish language press, but also in the English language press to show the District's outreach efforts.

Trustee Aguirre asked that Mr. Walters and Ms. Marvel make a presentation on the award to the Latin Chamber of Commerce Board, on which Aguirre sits, at an upcoming meeting.

Trustee Carter moved to accept Reports VI.1-6. There was no opposition and the reports were accepted.

Unfinished Business (Item VII.)

None.

Consent Agenda

Trustee Costello moved to approve the Consent Agenda (VIII.A.1.), which consisted of the following item, in its entirety:

1. Discussion and possible Board action regarding award of a sole source contract in the amount of \$80,615.00 to TAC Yamas Controls for the upgrade of the computerized

Moved to authorize staff to award a sole source contract in the amount of \$80,615.00 to TAC Yamas Controls for the upgrade of the computerized building controls systems at the Clark County, Enterprise, Sahara West, West Las Vegas, and Whitney libraries.

There was no opposition and the motion carried.

building controls
systems at the Clark
County, Enterprise,
Sahara West, West
Las Vegas, and
Whitney libraries.
(Item VIII.A.1.)

**Discussion
regarding a report
from General
Counsel on a recent
Ethics Commission
ruling pertaining to
disclosure
requirements of
elected and
appointed officials.
(Item VIII.B.)**

Counsel Welt advised Trustees on the effect of a new decision by the Nevada Commission on Ethics, "In the matter of the request for opinion concerning the conduct of Michael Carrigan, Councilman, City of Sparks" (Nos. 06-61, 06-62, 06-66 & 06-68).

Mr. Welt told Trustees that, currently, their basic obligation is to vote as they represent specific constituencies. Trustees should only abstain or remove themselves from discussions in very severe circumstances. Those circumstances would be when there is a significant personal benefit to the Trustee or their judgment would be unduly influenced by some outside activity. Welt commented that, so far, the process has worked fairly well. Trustees have been disclosing such relationships as necessary and stating that the individual Trustee can or cannot reasonably exercise independent judgment.

According to Mr. Welt, the effect of the new ruling is that such disclosures are not going to be sufficient in the future. Welt quoted from the decision, "The burden, therefore, is appropriately on the public officer or employee to disclose private commitments and the effect those private commitments can have on the decision-making process, and to make a proper determination regarding abstention, **where a reasonable person's independence of judgment would be materially affected by these private commitments.**" (emphasis added by Welt)

In Councilman Carrigan's case, the matter regarded a contract for a person who had run his election campaign three times. While Councilman Carrigan had disclosed the relationship, he participated in the discussion and did not abstain from voting.

Mr. Welt said that it becomes very difficult to determine whether an individual's Trustee's opinion of their independence would conflict with a "reasonable person's" opinion of the Trustee's independence. Welt said it then will be up to District counsel to determine, once a Trustee has made a disclosure, whether a reasonable person would be affected or not by the disclosure and whether the Trustee should not only abstain, but also refrain from discussing the item. He also believes, based on the history of the Ethics Commission, that while the members may not agree with the action taken, there should be no penalty if the action was taken based upon Counsel's recommendation.

Chair Hoggard requested a copy of the decision for all Trustees to be provided at the January Board meeting.

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Discussion and possible Board action regarding the Finance and Audit Committee's recommendation to approve the audit performed by Piercy Bowler Taylor & Kern for the year ending June 30, 2007. (Item VIII.C.)

Trustee Arthurholtz reported that the Finance and Audit Committee met on Thursday, October 11 to review the 2006-2007 Audit Report with a majority of the Trustees attending. The Committee recommends acceptance of the 2006-2007 Audit Report by the Board.

Martha Ford of Piercy Bowler Taylor & Kern (PBTk), the District's external independent audit firm, reported to the Trustees that there were no reportable findings; therefore there are no findings that are required under NRS statutes to be read into the record.

Ms. Ford also noted that PBTk has been the external auditor for several years and has greatly enjoyed the relationship with the District. She said PBTk looks forward to continuing the relationship should they be chosen again once the District goes through the upcoming Request for Qualifications (RFQ).

Trustee Aguirre asked how often the District did RFQ's for audit services. Mr. Walters said that the District issues RFQ's every three years and firms are chosen primarily based on their experience auditing public entities with complex accounting requirements. Trustee Aguirre then asked if there had been any reportable findings during the previous audits. Ms. Ford responded that there had been findings in previous years, but none that had risen to the level of material weakness.

Mr. Walters stated for the record that there had been no material findings whatsoever during Mr. James' tenure as Chief Financial Officer.

Mr. Walters then clarified the RFQ process and noted that PBTk competes on the same level as other firms vying for the District's audit work in response to the concern expressed by Trustee Aguirre that a particular firm may get too "comfortable" with the District. Walters also assured the Board that Trustees on the Finance and Audit Committee leads the process that evaluates each firm responding to the RFQ and then makes the recommendation to the full Board. Ms. Ford then described the process PBTk has followed to ensure that there has been a regular rotation of audit principals and staff.

Trustee Arthurholtz moved to approve the 2006-2007 audit report as presented by Piercy Bowler Taylor & Kern and to incorporate the Opinion Letter into the official minutes of the Board of Trustees' November 8, 2007 Meeting. There was no opposition and the motion carried.

The Opinion Letter is attached as Appendix A.

Discussion and possible Board action regarding contract award for architectural services for the

General Services Director Steve Rice introduced the item. Rice noted that, at the October 11, 2007 meeting, the Board of Trustees authorized the Executive Director to commence negotiations with JMA Architecture Studios (JMA) for design of the new Compass Point Service Center and Library.

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**Compass Point
Service Center and
Library.
(Item.VIII.D.)**

Mr. Rice continued to say that the scope of work includes providing architectural services including schematic design, design development, construction documents/plan check, bidding, construction administration, project closeout, interior design, and furnishings selection and specifications for bidding for a 100,000 square foot service center and 40,000 square foot library. Additional services include extended construction administration and the programming and design, through schematic design, of a future 300 seat theater, which will most likely be funded through private fund raising or a future bond issue. Mr. Rice noted that JMA will assess the site before producing schematic plans for the theater. JMA's fees are based on a combined construction budget of \$55,157,015.00 and reflect an 8% savings in design fees by designing the Service Center and Library as one project. The project will be designed to earn LEED Silver Certification.

Trustees discussed the site setup and asked whether a decision has been made on how many floors the building would have. Also, several Trustees asked what steps were being taken to encourage minority participation in the design and construction of the project. Thomas Schoemann, President of JMA, noted that 39% of his staff were minorities and discussed the participation of two qualified minority firms as consultants, including the LEED consultant, out of nine consultant firms.

Trustee Overstreet moved to authorize the Executive Director to execute a contract with JMA Architecture Studios not to exceed \$3,856,140.00, plus authorized reimbursable expenses, for architectural services for the Compass Point Service Center and Library. There was no opposition and the motion carried.

**Discussion and
possible Board
action to enter into
an agreement with
Hobbs, Ong &
Associates, Inc. as
the Las Vegas-Clark
County Library
District's
Financial/Bond
Advisors.
(Item.VIII.E.)**

Mr. James presented the item which is an agreement that is intended to provide a fee structure to the District over the next three years for services that will be needed for financial planning, Advisory services for Managing and Issuing of Debt Securities including the Reinvestment of Bond Proceeds, and Other services as needed.

This contract is not for award of services for a specific project but provides a fee structure for future contract services, including advisor services for managing and issuing debt services. All future contracts for services in excess of the Executive Director's contract authority will be presented to the Board for approval.

Chair Hoggard moved to authorize staff to award a contract for Financial Bond/Advisory service to Hobbs, Ong & Associates, Inc. subject to review by Counsel. There was no opposition and the motion carried.

**Discussion and
direction to staff
and consultants
based upon
presentation by**

Mr. Morss introduced Ronald Dubberly, of Dubberly Garcia Associates, Inc., (DGA) which was hired to assist staff in the reevaluation of the District's current *Strategic Plan* for the fiscal years 2008-2011. Morss said, in addition to working with staff to develop goals and objectives with measurable metrics, DGA was also asked to develop the following

**Dubberly Garcia
Associates, Inc. for
the District's 2008-
2011 Strategic Plan.
(Item.VIII.F.)**

**Discussion and
possible Board
action to authorize
the Executive
Director to execute
a contract for a
Radio Frequency
Identification
(RFID) and
Automated
Materials Handling
System with
EnvisionWare and
P.V.Supa.
(Item.VIII.G.)**

IT Director Al Prendergast presented the item. Mr. Prendergast began his presentation by reviewing the history of the project to date. The vendor selected by the Executive Council after a thorough process was EnvisionWare, in partnership with P.V. Supa.

Two separate onsite negotiation sessions took place in October 2007 between the District, EnvisionWare, and P.V. Supa. The proposed contract language is being developed under the direction of General Counsel Welt and Greg Gemignani of Lionel Sawyer & Collins. Final language has not yet been agreed to by all parties as P.V. Supa's counsel is located in Finland, but Counsel has advised the Board can authorize the Executive Director to execute a final contract subject to the terms stipulated by the Board.

Staff is requesting the authority to contract with EnvisionWare and with P. V. Supa with the final Agreement language subject to review by Counsel.

The contract language will include provisions for the following:

- Both firms will be signators to the final Agreement, with EnvisionWare as prime contractor and P.V. Supa as the sole subcontractor.
- Contract execution across multiple fiscal years.
- The equipment is modular and has an anticipated minimum life of 10 years. The Agreement is for an initial period of five years with provisions for renewal for an additional five years.
- Both firms will be required to file copies of the software source code and manufacturer specifications for equipment in separate escrow accounts, similar to agreement between the District and Innovative Interfaces, Inc. (the District's ILS vendor).
- In the event that EnvisionWare should cease to provide service and equipment, the District will have authority to negotiate and contract directly with P.V. Supa. Similar language will address any potential failure of P.V. Supa to provide necessary services during the life of the contract.
- As with Innovative Interfaces, Inc. there is no requirement for performance bonds but contractors will be required to install equipment or meet specified performance benchmarks prior to payment by the District.
- Provisions for the development of custom equipment are included in the Agreement, if requested by the District.
- The Agreement will include price commitments for current and future branches.
- A Master Price List will be used for the acquisition of major components and tags. However, the Master Price List will not include prices for all software and hardware components. A copy of the draft Master Price List is included for Trustee

information.

- Trustees should disregard the vendors' note on the draft Master Price List that pricing is proprietary as staff has advised the vendors that in the State of Nevada pricing is considered a public record and cannot be claimed as proprietary.
- The Master Price List includes pricing for:
 1. RFID tags (books and media) and readers
 2. Sorting equipment
 3. Security gates
 4. Related equipment
- The modular Master Price List is necessary because the District will not be able to determine the appropriate configuration and cost of required modular equipment for all branches until the collection is tagged and the branch remodels are completed. Branch requirements for modular equipment will vary due to different circulation loads and remodeling configurations of branch workrooms.

The total estimated cost of implementation for existing branches is estimated at \$6,814,698, and a 5% contingency allowance is also requested.

Trustee Costello asked if the sustainability of the vendors over the course of the contract was part of the evaluation criteria. Mr. Prendergast discussed the criteria used to evaluate the ability of the vendors to fulfill their part of the contract and the steps that will be taken to safeguard the District.

Mr. Walters acknowledged that the issue was the age and maturity of the technology as some of the technology being considered is emerging technology with no track record. Some of the vendors considered have a short history working with RFID technology, but have a good history working with other types of technology. P.V. Supa has one of the longest RFID technology experience of all the vendors who participated. EnvisionWare is a well-established, privately held company with experience in other technological areas that relate to patron and ILS services.

According to Mr. Walters, there was not a single vendor with the combination of corporate history and experience with the RFID technology the District was looking for. The question turns on a very uncomfortable issue which Trustee Costello noted: to what extent, in an era of implementing new technologies, can the District have a comfort level with moving forward? While EnvisionWare and P.V. Supa did not have the technological history of Innovative, the District's ILS vendor, Walters said that EnvisionWare and P.V. Supa rated highly on the financial analysis and better than the other finalists. In order to compensate, the District insisted upon a strong and two-fold independent escrow account that will hold software codes and production drawings.

Mr. Walters indicated that several variables affecting the contract price will remain unknown until the District and the vendors reached various

deadlines. He addressed benchmarks that had to be met at different points in the implementation process. Walters emphasized that the lengthy and complicated RFID procurement process was necessary in order for the District to protect itself while also fulfilling its goals to serve ever increasing numbers of users at a lower cost.

Chair Hoggard moved to authorize the Executive Director to negotiate a contract, subject to approval by counsel, with EnvisionWare and P.V. Supa, for a Radio Frequency Identification and Automated Materials Handling System with pricing based on the negotiated Master Price List, not to exceed \$6,814,698 plus 5% contingency. There was no opposition and the motion carried.

Discussion and possible Board action regarding staff recommendations on increased security options to address recent and recurring security incidents as reported at the October 11, 2007 Board meeting. (Item.VIII.H.)

Mr. Morss said that based on discussion from Trustees from the October Board meeting, staff has met with Wackenhut Security and has developed a plan to address these increased situations in the future. He noted the District is not the only public library with problems and directed Trustees to the article handed out at the meeting, "Refuge for readers can be risky" by John L. Mitchell (*LA Times*, 10/25/07).

It is proposed that the District will initially add a higher level of guard called "Custom Protection Officers" (CPO) to the following urban branches: Clark County, Las Vegas, Rainbow, Spring Valley, Sunrise, and the Whitney Libraries. A CPO from Wackenhut Security must meet higher qualifications than the guards currently being deployed including having previous law enforcement or military experience. These officers also receive training that exceeds all industry standards and state mandated requirements.

The cost for a guard at this level will result in an additional expense of \$34,000 per location or \$204,000 for all six locations per year. The branches identified to receive a CPO were determined not only by the number of increased incidents over the past year but also the severity of the incidents at these locations. Should an increase in incidents or the severity of incidents occur in the other urban branches, the District is committed to adding a CPO to those locations as well.

Mr. Morss noted that there is an important difference between the current branch security and the level of security that will be provided by the new Custom Protection Officers. Currently security can only assist staff to help alleviate situations but cannot intervene. A CPO will intervene, if necessary, and detain the problem patron until the police arrive. A CPO will have handcuffs and can basically make a citizen's arrest.

Two-way radios will also be purchased and distributed at all urban branch libraries so that branch staff can be in constant communication with security officers. Currently the Las Vegas and Sahara West libraries have used two-way radios and they have been found to be very effective. Public Services administrative staff will meet with branch managers and staff to determine the number of radios needed at each location based on their size and layout.

All branch supervisors will receive additional training from Wackenhut Security Services which will include general security and safety issues and also training on dealing with missing children, how to address the signs of abnormal behavior, dealing with disruptive juveniles, and effective communication during an incident. These specific training topics are relevant to the types of incidents staff has encountered over the past few years.

Trustees asked questions regarding District procedures related to unattended children, possible insurance increases for branches, the possibility of the District checking for registered child molesters, installing panic buttons at urban branches and what happens if patron is shot by security.

Trustee Aguirre moved to authorize staff to implement approaches as presented. There was no opposition and the motion carried.

Mr. Welt, Mr. Walters and Mr. Rice then discussed whether an amended contract with Wackenhut or a new RFP was required due to the increased level of security and different costs which might impact the level of service described in the RFP. Due to the public safety issue, Mr. Walters believes, and Mr. Welt concurred, that staff can move ahead with the upgraded security levels while he and Counsel review the contract and RFP and bring the item back to Trustees to ratify, if necessary.

Announcements
(Item IX.)

The next Board Meeting will be held Wednesday, January 9, 2008 in the Las Vegas Library at 6:00 p.m.

Public Comment
(Item X.)

Don Dehar – 5045 Harrison Drive #317/Las Vegas, NV 89120

Mr. Dehar commented on the lack of books on particular subjects. He said he went to the Clark County Library for books on Hawaii and there were no books. He said a staffer told him that was due to a problem with theft and thought there should be better control at the exits. Dehar also said he was told about a study done years ago on theft problems at the District and that nothing was done regarding a lack of tags on books and that the security gate everyone must walk through is non-functional.

Mr. Dehar also said that he thought the Words on Wheels program which serves his senior-citizen apartment complex was fantastic. He said he has never had a negative interaction with District staff and said they were "almost perfect." He thought the District was well-run and, compared to other government agencies in the area, was summa cum laude.

Mr. Dehar concluded by saying that he watched the C-Span program "Book TV" every weekend but was always frustrated when he went to the library on Monday morning to find that the District did not have all the books. He asked what would be a more credible recommendation than that program, which covers events such as the Los Angeles Book

Fair. He said he is finding more books from the program recently.

Chair Hoggard thanked Mr. Dehar for his comments regarding staff and noted that the District had a large collection.

Mr. Walters also thanked Mr. Dehar for his comments about staff, noted he had called and that the Collections Development Director has heard the comments. Walters also said that security gates are activated and books are tagged but that the District is unable to prevent those who want to steal from doing so. He also said he hoped that Mr. Dehar would continue checking the catalogue for those titles he wants.

Adjournment (Item XI.)

Chair Hoggard moved to adjourn the meeting at 8:35 p.m. There was no opposition and the motion carried.

Respectfully submitted,

Kelly Benavidez, Secretary

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

Board of Trustees
Las Vegas – Clark County Library District
Las Vegas, Nevada

We have audited the financial statements of the Las Vegas – Clark County Library District (the District) as of and for the years ended June 30, 2007, and have issued our report thereon dated October 12, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters. As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts including whether the funds established by District, as listed in Nevada Revised Statutes (NRS) 354.624 Sec. 4 (c)(1 through 5) and NRS 354.6105 complied with the express purposes required by NRS 354.6241 Sec. 1 (a)(b)(c)(d)(e)(f) and NRS 354.6105 Sec. 4 (a) and (b), respectively. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, Audit Committee members, and District management. However, this report is a matter of public record, and its distribution is not limited.


October 12, 2007