

***WESTERN REGIONAL
WATER COMMISSION***

FINANCIAL STATEMENTS

JUNE 30, 2010

WESTERN REGIONAL WATER COMMISSION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Western Regional Water Commission
Reno, Nevada

We have audited the accompanying basic financial statements of the Western Regional Water Commission (Commission) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Regional Water Commission as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Schettler, Macy + Silva, LLC

Reno, Nevada
September 17, 2010

WESTERN REGIONAL WATER COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

As management of the Western Regional Water Commission (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Commission's financial statements, which follow this narrative.

The Western Regional Water Commission (Commission) was created on April 1, 2008 pursuant to Chapter 531 of the Statutes of Nevada to improve water resource planning at the regional level and facilitate coordinated resource management among the four public water purveyors of Washoe County (Truckee Meadows Water Authority, Washoe County Water Resources, Sun Valley General Improvement District and South Truckee Meadows General Improvement District).

A cooperative agreement was entered into upon the creation of the Commission by the following member agencies: the cities of Reno and Sparks, the South Truckee Meadows General Improvement District, the Sun Valley General Improvement District, the Truckee Meadows Water Authority, and Washoe County, to form a Joint Powers Authority to operate the Commission. The Commission is directed by a Board of Trustees composed of members from each of the governing agencies.

Financial Highlights

- Government-wide net assets increased by nearly \$189 thousand to \$3.5 million.
- The Commission's General Fund reported an increase in fund balance of \$196 thousand.
- The Commission's net assets are unrestricted and unreserved; therefore, the net assets are available for spending in fulfillment of the Commission's mission.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements consist of three components; the 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the financial statements.

WESTERN REGIONAL WATER COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Commission's finances, similar in format to a financial statement of a private-sector business.

The *Statement of Net Assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *Statement of Activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the Nevada Revised Statutes (NRS) and the Commission's regulations.

Unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The Commission's General Fund is a governmental fund. Governmental funds focus on how assets can be readily converted into cash, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Commission's programs.

WESTERN REGIONAL WATER COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Notes to Financial Statements

The notes to the financial statements provide additional information which is essential for a full understanding of the information provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

The RSI presented compares the Commission's budgetary information to actual results. The Commission adopts an annual budget for its General Fund. The RSI demonstrates the Commission's compliance with its budget.

Government-Wide Financial Analysis

The following is a summary of the Commission's government-wide statement of net assets as of June 30, 2010 and 2009:

WESTERN REGIONAL WATER COMMISSION NET ASSETS

	<u>2010</u>	<u>2009</u>
Assets		
Current and other assets	<u>\$ 3,880,353</u>	<u>\$ 3,361,646</u>
Liabilities		
Current liabilities	394,551	72,864
Long-term liabilities	<u>8,282</u>	<u>-</u>
	402,833	72,864
Net Assets		
Unrestricted	<u>\$ 3,477,520</u>	<u>\$ 3,288,782</u>

WESTERN REGIONAL WATER COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Governmental Activities

The Commission's governmental activities for the years ended June 30, 2010 and 2009 are presented in the following table:

WESTERN REGIONAL WATER COMMISSION CHANGES IN NET ASSETS

	<u>2010</u>	<u>2009</u>
Revenues		
Program revenues:		
Operating grants and contributions	\$ 40,000	\$ -
General revenues:		
Water surcharge fees	1,285,319	1,198,225
Earnings on investments	<u>108,867</u>	<u>156,084</u>
Total Revenues	<u>1,434,186</u>	<u>1,354,309</u>
Expenses		
Services and supplies	<u>1,245,448</u>	<u>1,194,362</u>
Total Expenses	<u>1,245,448</u>	<u>1,194,362</u>
Change in Net Assets	188,738	159,947
Net Assets, July 1	<u>3,288,782</u>	<u>3,128,835</u>
Net Assets, June 30	<u><u>\$ 3,477,520</u></u>	<u><u>\$ 3,288,782</u></u>

ECONOMIC FACTORS / NEXT YEAR'S BUDGET / OTHER SIGNIFICANT MATTERS

Despite an economic downturn, declining revenues due to reduced water consumption have been offset by user rate increases approved by member purveyors. In the opinion of management, only a modest increase in revenues can be expected in the next few years as a result of the above-mentioned circumstances. Since member purveyors regularly monitor water rates to insure an acceptable level of cash flow for operations, a consistent and stable source of revenues should continue to provide sufficient financial resources for the Commission to achieve its desired goals and objectives.

WESTERN REGIONAL WATER COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

Unrestricted net assets as of June 30, 2010 were \$3.5 million, whereas operating expenses in the June 30, 2011 budget are only \$584 thousand, or 24% of the total budget. All other budgeted expenses relate to projects and can be managed in a way that aligns with remaining resources and expected future revenues.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Commission's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Western Regional Water Commission
c/o Washoe County Department of Water Resources
4930 Energy Way
Reno, NV 89502

FINANCIAL STATEMENTS

WESTERN REGIONAL WATER COMMISSION

STATEMENT OF NET ASSETS
JUNE 30, 2010
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2009)

	GOVERNMENTAL ACTIVITIES	
	2010	2009
ASSETS		
Current Assets		
Cash and investments	\$ 3,614,532	\$ 3,083,360
Accounts receivable	253,594	264,110
Interest receivable	12,227	14,176
Total Current Assets	<u>\$ 3,880,353</u>	<u>\$ 3,361,646</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 35,657	\$ 13,728
Accrued salaries payable	9,447	-
Due to other governments	349,447	59,136
Total Current Liabilities	394,551	72,864
Accrued Compensated Absences	<u>8,282</u>	<u>-</u>
Total Liabilities	402,833	72,864
Net Assets, Unrestricted	<u>3,477,520</u>	<u>3,288,782</u>
Total Liabilities and Net Assets	<u>\$ 3,880,353</u>	<u>\$ 3,361,646</u>

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES OPERATING GRANTS	NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS	
			2010	2009
GOVERNMENTAL ACTIVITIES				
Services and supplies	\$ 1,245,448	\$ 40,000	\$ (1,205,448)	\$ (1,194,362)
General revenues:				
			1,285,319	1,198,225
			108,867	156,084
		Total General revenues	1,394,186	1,354,309
		Change in net assets	188,738	159,947
		Net assets - July 1	3,288,782	3,128,835
		Net assets - June 30	\$ 3,477,520	\$ 3,288,782

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2010
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2009)

	GENERAL FUND	
	2010	2009
ASSETS		
Cash and investments	\$ 3,614,532	\$ 3,083,360
Accounts receivable	253,594	264,110
Interest receivable	12,227	14,176
Total Assets	<u>\$ 3,880,353</u>	<u>\$ 3,361,646</u>
LIABILITIES		
Accounts payable	\$ 35,657	\$ 13,728
Accrued salaries payable	9,447	-
Due to other governments	349,447	59,136
Deferred revenue	1,200	-
Total Liabilities	395,751	72,864
FUND BALANCE, Unreserved and undesignated	<u>3,484,602</u>	<u>3,288,782</u>
Total Liabilities and Fund Balance	<u>\$ 3,880,353</u>	<u>\$ 3,361,646</u>

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2010

Fund Balance - Governmental Fund	\$ 3,484,602
Amounts reported for governmental activities in the Statement of net assets are different because:	
Accrued compensated absences reported in the Statement of Net Assets are not due and payable in the current period and therefore are not reported in the governmental fund.	(8,282)
Certain revenues are not available to pay for current period expenditures and therefore are reported as deferred revenue in the governmental fund.	<u>1,200</u>
Net Assets - Governmental Activities	<u><u>\$ 3,477,520</u></u>

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	GENERAL FUND	
	<u>2010</u>	<u>2009</u>
REVENUES		
Water surcharge fees	\$ 1,284,119	\$ 1,198,225
Grant revenue	40,000	-
Earnings on investments	108,868	156,084
	<u>1,432,987</u>	<u>1,354,309</u>
EXPENDITURES		
Services and supplies	<u>1,237,167</u>	<u>1,194,362</u>
Net Change in Fund Balance	195,820	159,947
FUND BALANCE, July 1	<u>3,288,782</u>	<u>3,128,835</u>
FUND BALANCE, June 30	<u><u>\$ 3,484,602</u></u>	<u><u>\$ 3,288,782</u></u>

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2010

Net Change in Fund Balance - Governmental Fund \$ 195,820

Amounts reported for governmental activities in the Statement of Activities are different because:

The change in accrued compensated absences is reported in the Statement of Activities. These do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. (8,282)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund. 1,200

Change in Net Assets of Governmental Activities \$ 188,738

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Western Regional Water Commission (Commission) was created on April 1, 2008 pursuant to Chapter 531 of the Nevada Revised Statutes (NRS) to improve water resource planning at the regional level and facilitate coordinated resource management among the four public water purveyors of Washoe County (Truckee Meadows Water Authority, Washoe County Water Resources, Sun Valley General Improvement District and South Truckee Meadows General Improvement District).

A cooperative agreement was entered into upon the creation of the Commission by the following member agencies: the cities of Reno and Sparks, the South Truckee Meadows General Improvement District, the Sun Valley General Improvement District, the Truckee Meadows Water Authority, and Washoe County, to form a Joint Powers Authority to operate the Commission. The Commission is directed by a Board of Trustees composed of members from each of the governing agencies.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements include both government-wide and fund financial statements.

Government-Wide Statements

The government-wide Statement of Net Assets is presented on a full accrual, economic resource basis that recognizes all long-term assets as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the Commission's functions. The functions are also supported by the general government revenues. The Statement of Activities reduces gross expenses by related program revenues and operating grants. The Statement of Activities is also presented on a full accrual basis where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available (susceptible to accrual). Interest and surcharges are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures are recorded only when payment is due.

The General Fund is the Commission's sole fund; therefore, it accounts for all financial resources of the general government.

Accounts Receivable

Accounts receivable arise from water surcharge fees. No allowance for doubtful accounts is required as all receivables are considered to be fully collectible (Also see note 6).

Compensated Absences

As described in Note 6, the Commission entered into an agreement with Washoe County on November 8, 2008 to retain the services of certain assigned County employees to perform duties of the Commission. The Commission interprets this agreement to obligate the Commission to pay any applicable accrued vacation and sick pay for its assigned employees upon their termination. Accordingly, since the payroll reimbursement payments from the Commission to the County are exclusive of these termination payments, the Commission's policy is to provide for this obligation in their financial statements in the same manner as if the assigned employees were deemed to be actual employees of the Commission.

Earned vacation and compensatory time may each be accumulated up to a maximum of 240 hours. The earned vacation and compensatory time is payable upon termination and the liability is reported at the employees' current rate of pay.

Sick leave is only applicable for payout after 10 years of employment. Personnel are paid sick leave upon termination on half of the total accumulated hours in excess of 300 hours up to a maximum of 600 hours.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Revenue

The Commission is funded by imposing a 1.5% surcharge fee on all customer water bills within the planning area. The surcharge fee is collected by each public water purveyor and supplier of water within Washoe County and transferred to the Commission.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Prior Year Information

The basic financial statements include certain prior-year summarized information but which is not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended June 30, 2009, from which the summarized information was derived. Certain amounts presented in the prior year data may be reclassified to be consistent with the current year's presentation.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The Commission adheres to the *Local Government Budget and Finance Act* incorporated within the statutes of the State of Nevada, which includes the following major procedures to establish the budgetary data which is reflected in these financial statements:

1. Prior to April 15, the Commission's Board of Trustees (the "Board") files a tentative budget with the Nevada Department of Taxation for the fiscal year beginning the following July 1. The tentative budget includes proposed expenditures and the means of financing them.
2. Prior to June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the Board's members.
3. The Water Resources Program Manager is authorized to transfer appropriations between accounts within the Water Management Fund, if amounts do not exceed the original budget, subject to subsequent Board approval. Augmentations in excess of the original budget require approval from the Board.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

4. Formal budgetary integration is employed as a management control device for the Commission's General Fund. The budget is legally adopted, and its annual appropriations lapse at year-end.
5. Budgeted appropriations may not be exceeded by actual expenditures of the various programs in the budgeted governmental fund (the General Fund).
6. All budgets are adopted on a basis consistent with GAAP. The accompanying financial statements reflect the Original Budget and the Final Budget in one columnar presentation as there were no adjustments made to the Original Budget.

NOTE 3 - CASH IN COUNTY TREASURY

Cash at June 30, 2010 consisted of the following:

Cash in County Treasury	\$ <u>3,614,532</u>
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The Commission maintains all of its cash and investments with the Washoe County Treasurer in an investment pool. The Treasurer allocates interest to participants based upon their average balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The Washoe County financial statements may be obtained by contacting the Office of the Comptroller at 1001 E. Ninth Street, Room D-120, Reno, NV 89512. The Investment Committee oversees the Washoe County Treasurer's investments and policies.

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value. The fair value of the Commission's position in the pool equals the value of the pool shares.

Interest Rate Risk - Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from the rise in interest rates. To limit exposure to interest rate risk, the Nevada Revised Statutes limits bankers' acceptances to 180 days maturities, repurchase agreements to 90 days, U.S. Treasuries and Agencies to less than 10 years, and commercial paper to 270 days.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. In accordance with Nevada Revised Statutes, the Commission limits its investment instruments by their credit risk. The Washoe County Investment Pool is an unrated external investment pool.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of long-term liability activity of the Commission for the year ended June 30, 2010:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ -</u>	<u>\$ 8,282</u>	<u>\$ -</u>	<u>\$ 8,282</u>	<u>\$ -</u>

NOTE 5 – NET ASSETS AND FUND BALANCE

Net Assets

Equity is classified as net assets in the government-wide financial statements. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors or laws or regulations of other governments.

As of June 30, 2010, the Commission's net assets were comprised of:

- *Unrestricted Net Assets* – Net assets of the Commission which are not restricted for any project or other purpose.

Fund Balance

Equity is classified as fund balance in the fund financial statements as follows:

Reserved Fund Balance – Those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures.

Unreserved Fund Balance – The portion of fund equity which is available for appropriation in future periods.

- *Designated Unreserved Fund Balance* – This represents the portion of unreserved fund balance for which management has tentative plans for financial resource utilization in a future period. Such plans or intentions are subject to change and have not been legally authorized and do not represent commitments of the Commission.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 6 - RELATED PARTY TRANSACTIONS

On November 8, 2008, the Commission entered into an agreement with Washoe County ("County") whereby the County will provide to the Commission, on a contractual and reimbursable basis, services of employees from the County's Department of Water Resources (assigned employees), who have historically been fully dedicated to supporting and performing the duties associated with planning and implementation of regional water matters. Assigned employees retain all rights and status of Washoe County employees.

The Commission reimburses the County for all actual costs for the services provided by the assigned employees, including wages, hours, compensatory time, sick leave, special sick leave, annual leave, insurance premiums, worker's compensation insurance, and all other benefits the County currently provides or may provide in the future. Reimbursable future obligations of the Commission include compensated absences, but do not include postemployment benefits other than pensions. Total costs reimbursed by the Commission to the County for these services were \$297,058 for the year ended June 30, 2010.

In addition to the services provided by the assigned employees, routine and general administrative activities in support of the Commission's mission are provided by other personnel of the County Department of Water Resources. The County does not charge the Commission for these routine and general administrative services.

As discussed in Note 1, the Commission derives its revenue from a surcharge on customer water bills within the region collected by water purveyors in Washoe County. Some members of the governing bodies of the purveyors are also members of the Commission's Board of Trustees. Total water surcharge revenues for the year ended June 30, 2010 were \$1,285,319, which includes accounts receivable of \$253,594.

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN REGIONAL WATER COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009)

	2010			2009
	Original And Final Budget	Actual	Variance To Final Budget	Actual
REVENUES				
Water surcharge fees	\$ 1,446,000	\$ 1,284,119	\$ (161,881)	\$ 1,198,225
Grant revenue	-	40,000	40,000	-
Earnings on investments	30,180	108,868	78,688	156,084
Total Revenues	<u>1,476,180</u>	<u>1,432,987</u>	<u>(43,193)</u>	<u>1,354,309</u>
EXPENDITURES				
Services and supplies	<u>2,533,015</u>	<u>1,237,167</u>	<u>1,295,848</u>	<u>1,194,362</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,056,835)	195,820	1,252,655	159,947
FUND BALANCE, July 1	<u>3,498,773</u>	<u>3,288,782</u>	<u>(209,991)</u>	<u>3,128,835</u>
FUND BALANCE, June 30	<u>\$ 2,441,938</u>	<u>\$ 3,484,602</u>	<u>\$ 1,042,664</u>	<u>\$ 3,288,782</u>

COMPLIANCE SECTION



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

To the Board of Trustees of the
Western Regional Water Commission
Reno, Nevada

We have audited the financial statements of the Western Regional Water Commission (the Commission) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission'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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express 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 solely for the information and use of the Board of Trustees, management, others within the entity, and Federal awarding agencies and pass-through entities, as applicable, and is not intended to be and should not be used by anyone other than these specified parties.

Schettler, Macy + Silva, LLC

Reno, Nevada
September 17, 2010

WESTERN REGIONAL WATER COMMISSION

AUDITORS' COMMENTS
JUNE 30, 2010

STATUTE COMPLIANCE

Current Year

The Commission complied with all significant statutory constraints on its financial administration during the year.

Prior Year

During prior year, the Commission complied with all significant statutory constraints on its financial administration.

AUDIT RECOMMENDATIONS

Current Year

We did not note any financial weaknesses of a magnitude to justify inclusion within our report.

We have prepared a management letter related to the June 30, 2010 audit, which addresses internal controls in the accounting process. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Prior Year

There were no prior year recommendations related to financial statement weaknesses of a magnitude to justify inclusion within the audit report.