

***WESTERN REGIONAL
WATER COMMISSION***

FINANCIAL STATEMENTS

JUNE 30, 2011



**SCHETTLER
MACY & SILVALLC**
Certified Public Accountants

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 financial statements of the governmental activities and the General Fund of the Western Regional Water Commission (Commission) as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions 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 governmental activities and the General Fund of the Western Regional Water Commission as of June 30, 2011, and the changes in its financial position and the budgetary comparison for the General Fund 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 13, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do 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.

Schettler, Macy & Silva, LLC

Reno, Nevada
September 13, 2011

WESTERN REGIONAL WATER COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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, 2011. 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 Commission was created on April 1, 2008 pursuant to Chapter 531, Statutes of Nevada 2007 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 decreased by nearly \$18 thousand to \$3.46 million.
- The Commission's General Fund reported a decrease in fund balance of nearly \$9 thousand.

Governmental Activities:

- General revenues decreased by nearly \$13 thousand or 1% from the prior year.
- Expenses increased by nearly \$154 thousand or 12% from the prior year.

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, 2011

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, 2011

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.

Government-Wide Financial Analysis

The following is a summary of the Commission's government-wide Statement of Net Assets as of June 30, 2011 and 2010:

WESTERN REGIONAL WATER COMMISSION NET ASSETS

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 4,108,935	\$ 3,880,353
Liabilities		
Current liabilities	631,120	394,551
Long-term liabilities	18,399	8,282
	<u>649,519</u>	<u>402,833</u>
Net Assets		
Unrestricted	<u>\$ 3,459,416</u>	<u>\$ 3,477,520</u>

WESTERN REGIONAL WATER COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Governmental Activities

The Commission's governmental activities for the years ended June 30, 2011 and 2010 are presented in the following table:

WESTERN REGIONAL WATER COMMISSION CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues:		
Operating grants and contributions	\$ -	\$ 40,000
General revenues:		
Water surcharge fees	1,316,487	1,285,319
Earnings on investments	64,818	108,867
Total Revenues	<u>1,381,305</u>	<u>1,434,186</u>
Expenses		
Services and supplies	1,399,409	1,245,448
Total Expenses	<u>1,399,409</u>	<u>1,245,448</u>
Change in Net Assets	(18,104)	188,738
Net Assets, July 1	<u>3,477,520</u>	<u>3,288,782</u>
Net Assets, June 30	<u>\$ 3,459,416</u>	<u>\$ 3,477,520</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, 2011

Unrestricted net assets as of June 30, 2011 were \$3.46 million, whereas operating expenses in the June 30, 2012 budget are only \$585 thousand, or 16% 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, 2011

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010)

	GOVERNMENTAL ACTIVITIES	
	2011	2010
ASSETS		
Current Assets		
Cash and investments	\$ 3,842,207	\$ 3,614,532
Accounts receivable	249,004	253,594
Interest receivable	17,724	12,227
Total Current Assets	<u>4,108,935</u>	<u>3,880,353</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	19,519	35,657
Accrued salaries payable	9,307	9,447
Due to other governments	602,294	349,447
Total Current Liabilities	<u>631,120</u>	<u>394,551</u>
Accrued Compensated Absences	<u>18,399</u>	<u>8,282</u>
Total Liabilities	<u>649,519</u>	<u>402,833</u>
Net Assets, Unrestricted	<u>\$ 3,459,416</u>	<u>\$ 3,477,520</u>

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	<u>2011</u>	<u>2010</u>
Program Expenses		
Services and supplies	\$ 1,399,409	\$ 1,245,448
Program Revenues		
Operating grants	-	40,000
Net program revenues (expenses)	<u>(1,399,409)</u>	<u>(1,205,448)</u>
General Revenues		
Water surcharge fees	1,316,487	1,285,319
Unrestricted investment earnings	<u>64,818</u>	<u>108,867</u>
Total General revenues	<u>1,381,305</u>	<u>1,394,186</u>
Change in net assets	(18,104)	188,738
Net assets - July 1	<u>3,477,520</u>	<u>3,288,782</u>
Net assets - June 30	<u><u>\$ 3,459,416</u></u>	<u><u>\$ 3,477,520</u></u>

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

GOVERNMENTAL FUND BALANCE SHEET

JUNE 30, 2011

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010)

	GENERAL FUND	
	2011	2010
ASSETS		
Cash and investments	\$ 3,842,207	\$ 3,614,532
Accounts receivable	249,004	253,594
Interest receivable	17,724	12,227
Total Assets	<u>\$ 4,108,935</u>	<u>\$ 3,880,353</u>
LIABILITIES		
Accounts payable	\$ 19,519	\$ 35,657
Accrued salaries payable	9,307	9,447
Due to other governments	602,294	349,447
Deferred revenue	2,100	1,200
Total Liabilities	<u>633,220</u>	<u>395,751</u>
FUND BALANCE		
Assigned to subsequent year's budget	1,069,780	1,056,835
Unassigned	2,405,935	2,427,767
	<u>3,475,715</u>	<u>3,484,602</u>
Total Liabilities and Fund Balance	<u>\$ 4,108,935</u>	<u>\$ 3,880,353</u>

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	GENERAL FUND	
	2011	2010
REVENUES		
Water surcharge fees	\$ 1,315,587	\$ 1,284,119
Grant revenue	-	40,000
Earnings on investments	64,818	108,868
	<u>1,380,405</u>	<u>1,432,987</u>
 EXPENDITURES		
Services and supplies	<u>1,389,292</u>	<u>1,237,167</u>
 Net Change in Fund Balance	(8,887)	195,820
 FUND BALANCE, July 1	<u>3,484,602</u>	<u>3,288,782</u>
 FUND BALANCE, June 30	<u><u>\$ 3,475,715</u></u>	<u><u>\$ 3,484,602</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, 2011

Net Change in Fund Balance - Governmental Fund \$ (8,887)

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. This does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental fund. (10,117)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund. 900

Change in Net Assets of Governmental Activities \$ (18,104)

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010)

	2011		2010	
	Original And Final Budget	Actual	Variance To Final Budget	Actual
REVENUES				
Water surcharge fees	\$ 1,367,000	\$ 1,315,587	\$ (51,413)	\$ 1,284,119
Grant revenue	-	-	-	40,000
Earnings on investments	33,852	64,818	30,966	108,868
Total Revenues	1,400,852	1,380,405	(20,447)	1,432,987
EXPENDITURES				
Services and supplies	2,470,632	1,389,292	1,081,340	1,237,167
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,069,780)	(8,887)	1,060,893	195,820
FUND BALANCE, July 1	3,650,470	3,484,602	(165,868)	3,288,782
FUND BALANCE, June 30	\$ 2,580,690	\$ 3,475,715	\$ 895,025	\$ 3,484,602

See accompanying notes.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, Statutes of Nevada 2007 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 comprised 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, 2011

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, 2011

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 remitted 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, 2010, 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.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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.
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, 2011 consisted of the following:

Cash in County Treasury	<u>\$ 3,842,207</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.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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.

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of long-term liability activity of the Commission for the year ended June 30, 2011:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ 8,282</u>	<u>\$ 10,117</u>	<u>\$ -</u>	<u>\$ 18,399</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.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

As of June 30, 2011, 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

The Commission has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The Commission reports the following classifications:

Non-spendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision making authority for the Commission. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board's adopted policy, only the Board may assign amounts for specific purposes.

Appropriated assigned fund balance is an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Unassigned – the residual classification for the General Fund.

WESTERN REGIONAL WATER COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

When both restricted and unrestricted resources are available for use, it is the Board's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – as needed, unless the Board has proved otherwise in its commitment or assignment actions.

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 \$312,863 for the year ended June 30, 2011.

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, 2011 were \$1,315,587, which includes accounts receivable of \$249,004.

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 governmental activities and the General Fund of the Western Regional Water Commission (the Commission) as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 13, 2011. 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 a 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 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 solely for the information and use of the Board of Trustees, management, others within the entity, and Federal awarding agencies and pass-through entities, when 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 13, 2011

WESTERN REGIONAL WATER COMMISSION

AUDITORS' COMMENTS
JUNE 30, 2011

STATUTE COMPLIANCE

Current Year

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

Prior Year

During the 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.

Prior Year

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