WESTERN REGIONAL WATER COMMISSION ("WRWC")
AGENDA
Wednesday, November 16, 2011 @ 9:30 a.m.
Sparks Council Chambers, Legislative Building,
745 Fourth St., Sparks, Nevada

NOTICE OF POSSIBLE QUORUM OF THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY ("TMWA"), BOARD OF COUNTY COMMISSIONERS OF WASHOE COUNTY ("BCC"), AND BOARD OF TRUSTEES OF THE SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT ("STMGID")

(See ‘Notes’)

Notes: Because several of the WRWC Trustees are also members of the Board of Directors of TMWA, it is possible that a quorum of the TMWA Board may be present. Such members will not take action at this meeting as members of the TMWA Board, but may take action solely in their capacity as WRWC Trustees. A quorum of the BCC and STMGID may also be in attendance but will not be taking action.

1. Roll Call and Determination of presence of a Quorum*
2. Pledge of Allegiance*
3. Public comment — limited to no more than three minutes per speaker*
4. Approval of Agenda (for possible action)
5. Approval of the minutes of the June 10, 2011 meeting (for possible action)
6. Discussion and possible approval of the WRWC fiscal year 2010/11 Financial Statements and audit opinion — Zeth Macy, CPA, partner in Schettler, Macy & Silva, LLC (for possible action)
7. Discussion and possible approval of a Second Amendment to the Agreement for Legal Services for the WRWC and the NNWPC, to extend the term of the Agreement and provide for an additional reduction in attorney compensation; and, if approved, authorize the Chairman to execute the Amendment — Jim Smitherman, WRWC Water Resources Program Manager, and John Rhodes, WRWC Legal Counsel (for possible action)

8. Discussion and possible direction to staff regarding proposed purchase of general and public officials liability insurance coverage for the WRWC; and, if approved, authorize Jim Smitherman to complete the application process and obtain the insurance with coverage in the amount of $1,000,000 — John Rhodes (for possible action)

9. Report on amendments to the Open Meeting Law made by the 2011 Nevada Legislature — John Rhodes*

10. Discussion and possible direction to staff regarding agenda items for the December 2011 meeting and other future meetings (for possible action)

11. Commission Comments*

12. Staff Comments*

13. Public comment — limited to no more than three minutes per speaker*

14. Adjournment (for possible action)
The regular meeting of the Western Regional Water Commission (WRWC) Board of Trustees was held on Friday, June 10, 2011, at Sparks Council Chambers, 431 Prater Way, Sparks, Nevada.

1. **Roll Call and Determination of presence of a Quorum** – Chairman Carrigan called the meeting to order at 1:30 p.m. There was a quorum present.

   **Commissioners Present:**
   - Mike Carrigan, Chair
   - Steve Cohen
   - Geno Martini
   - Margaret Reinhardt
   - Ron Smith

   **Representing:**
   - Truckee Meadows Water Authority (TMWA)
   - South Truckee Meadows General Improvement District (STMGID)
   - Truckee Meadows Water Reclamation Facility (TMWRF)
   - Sun Valley General Improvement District (SVGID)
   - City of Sparks

   **Commissioners Absent:**
   - Bob Larkin, Vice-Chair
   - Dave Aiazzi
   - John Breternitz
   - Bob Cashell

   **Representing:**
   - Washoe County
   - Truckee Meadows Water Authority
   - City of Reno
   - Truckee Meadows Water Authority

2. **Pledge of Allegiance**

   Chairman Carrigan asked Commissioner Smith to lead the Western Regional Water Commission in the Pledge of Allegiance.

3. **Approval of Agenda**

   Commissioner Martini made a motion to approve the June 10, 2011 WRWC agenda as posted. Commissioner Smith seconded the motion, which carried unanimously.

4. **Public Comment**

   Chairman Carrigan called for public comments and hearing none, closed the public comment period.

5. **Approval of the Minutes of the May 19, 2011 meeting.**

   The minutes of the May 19, 2011 Western Regional Water Commission meeting were submitted for approval. Commissioner Smith made a motion to approve the minutes as submitted. Commissioner Martini seconded the motion, which carried unanimously.

6. **Discussion and possible approval of funding in an amount not to exceed $262,500 from the Regional Water Management Fund to support the Truckee Meadows Regional Storm Water Quality Management Program, and activities related to the implementation of the storm water drainage provisions of the Comprehensive Regional Water Management Plan; and, if approved, authorize the Chairman to execute an Interlocal Agreement with the City of Reno**
Chairman Carrigan invited Jim Smitherman to present this item. Mr. Smitherman reported that in January the WRWC approved an Interlocal Agreement in the amount of $218,000 to cover expenses and a consultant contract through June 30, 2011, at which time it expires. The project is in support of the Truckee Meadows Storm Water Quality Management Program. He explained that the current request is for funding in the amount of $262,500 for Fiscal Year 2011/2012, (each entity previously paid approximately $87,500 per year). He added that the WRWC previously agreed to provide annual funding.

Commissioner Cohen made a motion to approve the requested funding in an amount not to exceed $262,500, and authorize the Chairman to execute the proposed Interlocal Agreement. Commissioner Martini seconded the motion, which carried unanimously.

7. Discussion and possible approval of an Amendment No. 2 to the Attorney-Client Fee Contract with Somach Simmons & Dunn, to extend the expiration date to June 30, 2012, for specialized legal services required in connection with the Truckee River Total Maximum Daily Load ("TMDL") process; and, if approved, authorize the Chairman to execute the Amendment.

Chairman Carrigan invited Mr. Smitherman to present this item. Mr. Smitherman referred to the staff report and stated that this project is currently midway in the TMDL and Water Quality Standard review process with the State and Federal Environmental Protection Agency (EPA). He reported that not much was required of this contract in the last year; however, in the next two years, the technical review will require legal services. He summarized that he is not asking for additional funding but rather to extend the deadline of the contract to carry it through the next fiscal year.

Commissioner Martini made a motion to approve the proposed Amendment No. 2 to the Attorney-Client Fee Contract with Somach Simmons & Dunn, to extend the expiration date to June 30, 2012, for specialized legal services required in connection with the Truckee River TMDL process, and authorize the Chairman to execute the Amendment. Commissioner Cohen seconded the motion, which carried unanimously.

8. Discussion and possible approval of a First Amendment to the Interlocal Agreement among the WRWC, TMWA and Washoe County for reimbursement of certain expenses incurred in evaluating and implementing recommendations regarding consolidation of the County’s Department of Water Resources and TMWA; and if approved, authorize the Chairman to execute the Amendment.

Mr. Smitherman stated that this previously-approved agreement was in the amount of $550,000 for two years for partial reimbursement of expenses associated with the feasibility of consolidation of TMWA and Department of Water Resources (DWR). He explained that the purpose of today’s request is to extend the deadline for the contract and add $300,000 as recommended by the Northern Nevada Water Planning Commission as part of the fiscal year 2011-2012 budget. He stated that approximately $300,000 was spent last year and the remaining $250,000 is for this fiscal year. This amendment would be for the next fiscal year (2011-2012).

Commissioner Smith made a motion to approve the requested funding, and authorize the Chairman to execute the proposed First Amendment to the Interlocal Agreement among the WRWC, TMWA, and Washoe County for reimbursement of certain expenses incurred in evaluating and implementing the recommendations regarding integration/consolidation of TMWA and DWR. Commissioner Martini seconded the motion, which carried unanimously.
9. **Report on legislative activities, including Bills pending in the 2011 Nevada Legislature that may affect the WRWC; and, possible direction to staff.**

Mr. Rhodes stated that the two bills supported by the WRWC presented by the Legislative Committee to Oversee the WRWC (LOC) were Assembly Bills (AB) 237 and 238. He explained that both passed. Ms. Menard reported that she, Mark Foree, Jeff Tissier and John Sherman went to Carson City the previous day for the bill signing.

Chairman Carrigan asked for clarification that AB 238 was amended to apply to Washoe County only. Ms. Menard stated yes and added that the financial portion of the bill was directed to only apply to water projects.

Mr. Rhodes stated that under the ethics bill, AB 59, each member of a public body who attends a meeting of that public body where action is taken in any violation of provision of Open Meeting Law is subject to a civil penalty in an amount not to exceed $500; however, it was amended to provide that the violator must have knowledge of the violation. Chairman Carrigan asked if the language was changed to address an issue where legal counsel did not believe a violation was occurring. Mr. Rhodes stated it was not; however, in his opinion, Board members are covered if Legal Counsel determines and advises them that they are not in violation.

10. **Discussion and possible direction to staff regarding agenda items for the July 8, 2011 meeting and future meetings.**

Chairman Carrigan asked if pending items were scheduled for the July meeting. Ms. Menard stated there were not and suggested the meeting could be cancelled. She added that a special meeting of the TMWA Board and Washoe Board of County Commissioners is scheduled for July 7th to discuss consolidation.

11. **Commission Comments**

None

12. **Staff Comments**

None

13. **Public Comment**

Chairman Carrigan called for public comments and hearing none, closed the public comment period.

14. **Adjournment**

With no further business, the meeting was adjourned at 1:40 p.m.

Respectfully submitted by,

Niki Linn, Recording Secretary

Approved by Commission in session on __________________ 2011.

______________________________
Mike Carrigan, Chairman
Note: DRAFT Minutes not approved by Board.
Western Regional Water Commission

STAFF REPORT

DATE: October 7, 2011

TO: Chairman and Members, Western Regional Water Commission ("WRWC")

FROM: Ben Hutchins, Finance & Customer Services Manager, Washoe County Department of Water Resources

SUBJECT: Discussion and possible approval of the WRWC fiscal year 2010/11 Financial Statements and audit opinion from Schettler, Macy & Silva, LLC

SUMMARY
The attached report presents the WRWC’s Financial Statements for the year ended June 30, 2011, and the auditor’s opinion thereof. It is auditor's expressed opinion that the Financial Statements present fairly, in all material respects, the financial position of the WRWC as of June 30, 2011, 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. The report is being presented for consideration, discussion and approval.

PREVIOUS ACTION
On February 11, 2011, the WRWC selected Schettler, Macy & Silva, LLC as its external auditor of record for the fiscal year ending June 30, 2011.

On April 9, 2010, the WRWC ratified the Program Manager’s designation of Schettler, Macy & Silva, LLC as its external auditors for the fiscal year ending June 30, 2010.

On March 13, 2009, the WRWC selected Schettler, Macy & Silva, LLC as its external auditor of record for the fiscal year ending June 30, 2009.

BACKGROUND
Pursuant to NRS 354.624, each local government shall provide for an annual audit of its financial statements. In compliance with this statute, the WRWC engaged Schettler, Macy & Silva, LLC to provide the audit services of the WRWC Financial Statements for the year ending June 30, 2011. The audit results and findings of the auditor must be presented at a meeting of the governing body and immediately thereafter must be filed as a public record and submitted to the Department of Taxation.

FISCAL IMPACT
None.
RECOMMENDATION
Washoe County’s Department of Water Resources Finance and Customer Services Manager recommends that the WRWC approve the Financial Statements and audit opinion from Schettler, Macy & Silva, LLC for fiscal year 2010/11.

POSSIBLE MOTION
Should the Commission agree with the above recommendation, a suggested motion is: “Move to approve the Financial Statements and audit opinion from Schettler, Macy & Silva, LLC for fiscal year 2010/11.”

Attachments
WESTERN REGIONAL WATER COMMISSION

FINANCIAL STATEMENTS

JUNE 30, 2011

SCHETTLER MACY & SILVA LLC
Certified Public Accountants
# WESTERN REGIONAL WATER COMMISSION

## TABLE OF CONTENTS

**JUNE 30, 2011**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEPENDENT AUDITORS’ REPORT</td>
<td>1</td>
</tr>
<tr>
<td>MANAGEMENT’S DISCUSSION AND ANALYSIS</td>
<td>3</td>
</tr>
<tr>
<td><strong>FINANCIAL STATEMENTS</strong></td>
<td></td>
</tr>
<tr>
<td>Government-Wide Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Statement of Net Assets</td>
<td>8</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>9</td>
</tr>
<tr>
<td><strong>Fund Financial Statements:</strong></td>
<td></td>
</tr>
<tr>
<td>Balance Sheet - Governmental Fund</td>
<td>10</td>
</tr>
<tr>
<td>Reconciliation of the Governmental Fund Balance Sheet to the Statement</td>
<td>11</td>
</tr>
<tr>
<td>of Net Assets</td>
<td></td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures, and Changes in Fund Balance -</td>
<td>12</td>
</tr>
<tr>
<td>Governmental Fund</td>
<td></td>
</tr>
<tr>
<td>Reconciliation of the Governmental Fund Statement of Revenues,</td>
<td>13</td>
</tr>
<tr>
<td>Expenditures, and Changes in Fund Balance to the Statement of Activities</td>
<td></td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures and Changes in Fund Balance –</td>
<td>14</td>
</tr>
<tr>
<td>General Fund</td>
<td></td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>15</td>
</tr>
<tr>
<td><strong>COMPLIANCE SECTION</strong></td>
<td></td>
</tr>
<tr>
<td>Report on Internal Control over Financial Reporting and on Compliance</td>
<td>22</td>
</tr>
<tr>
<td>and Other Matters Based on an Audit of Financial Statements Performed</td>
<td></td>
</tr>
<tr>
<td>in Accordance with Government Auditing Standards</td>
<td></td>
</tr>
<tr>
<td>Auditors’ Comments</td>
<td>24</td>
</tr>
</tbody>
</table>
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.
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:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WESTERN REGIONAL WATER COMMISSION NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and other assets</td>
<td>$ 4,108,935</td>
<td>$ 3,880,353</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>631,120</td>
<td>394,551</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>18,399</td>
<td>8,282</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>649,519</td>
<td>402,833</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$ 3,459,416</td>
<td>$ 3,477,520</td>
</tr>
</tbody>
</table>
FINANCIAL STATEMENTS
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

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

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.
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
# Statement of Net Assets

## June 30, 2011

*(With Comparative Totals As of June 30, 2010)*

### Governmental Activities

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$3,842,207</td>
<td>$3,614,532</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>249,004</td>
<td>253,594</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>17,724</td>
<td>12,227</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>4,108,935</td>
<td>3,880,353</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>19,519</td>
<td>35,657</td>
</tr>
<tr>
<td>Accrued salaries payable</td>
<td>9,307</td>
<td>9,447</td>
</tr>
<tr>
<td>Due to other governments</td>
<td>602,294</td>
<td>349,447</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>631,120</td>
<td>394,551</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accrued Compensated Absences</strong></td>
<td>18,399</td>
<td>8,282</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>649,519</td>
<td>402,833</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Assets, Unrestricted</strong></td>
<td>$3,459,416</td>
<td>$3,477,520</td>
</tr>
</tbody>
</table>

*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)

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

See accompanying notes.
WESTERN REGIONAL WATER COMMISSION

GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2011
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010)

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

See accompanying notes.
WESTERN REGIONAL WATER COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund Balance - Governmental Fund

$ 3,475,715

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.

(18,399)

Certain revenues are not available to pay for current period expenditures and therefore are reported as deferred revenue in the governmental fund.

2,100

Net Assets - Governmental Activities

$ 3,459,416

See accompanying notes.

11
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)

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

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)

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Original And Final Budget</th>
<th>Actual</th>
<th>Variance To Final Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water surcharge fees</td>
<td>$ 1,367,000</td>
<td>$ 1,315,587</td>
<td>$(51,413)</td>
<td>$ 1,284,119</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40,000</td>
</tr>
<tr>
<td>Earnings on investments</td>
<td>33,852</td>
<td>64,818</td>
<td>30,966</td>
<td>108,868</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$ 1,400,852</td>
<td>$ 1,380,405</td>
<td>$(20,447)</td>
<td>1,432,987</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services and supplies</td>
<td>2,470,632</td>
<td>1,389,292</td>
</tr>
</tbody>
</table>

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 | $3,842,207 |

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.
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 Statues 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:

<table>
<thead>
<tr>
<th></th>
<th>July 1, 2010</th>
<th>Additions</th>
<th>Retirements</th>
<th>June 30, 2011</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated absences</td>
<td>$ 8,282</td>
<td>$ 10,117</td>
<td>$ -</td>
<td>$ 18,399</td>
<td>$ -</td>
</tr>
</tbody>
</table>

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.
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, Tracy & 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.
Western Regional Water Commission

STAFF REPORT

DATE: October 7, 2011

TO: Chairman and Members, Western Regional Water Commission ("WRWC")

FROM: Jim Smitherman, Water Resources Program Manager

SUBJECT: Discussion and possible approval of a Second Amendment to the Agreement for Legal Services for the WRWC and the Northern Nevada Water Planning Commission ("NNWPC"), to extend the term of the Agreement and provide for an additional reduction in attorney compensation; and, if approved, authorize the Chairman to execute the Amendment.

SUMMARY
Both the WRWC and the NNWPC require legal services on a regular and continuing basis. Since May 1, 2008, the required legal services have been provided on a contractual basis by Rhodes Law Offices, Ltd., a Nevada corporation solely owned by John B. Rhodes, a former Deputy District Attorney for Washoe County. The current Agreement for Legal Services expires on November 1, 2011. Mr. Rhodes has many years of legal experience in local governmental law, water law, water resource planning, and the Nevada Open Meeting Law; for the ten-year period prior to his retirement from Washoe County, he served as legal counsel to the Regional Water Planning Commission ("RWPC"), predecessor to the NNWPC.

Mr. Rhodes has offered to renew the Agreement for representation of the WRWC and the NNWPC for a three-year period commencing November 1, 2011, upon the same general terms and conditions, with the exception that Mr. Rhodes has proposed a 10% reduction in compensation. This fee reduction is comparable to or exceeds existing and future compensation reductions currently proposed for Washoe County employees, and would be effective for all payments due for legal services provided commencing November 1, 2011.

PREVIOUS ACTION
On November 1, 2009, the WRWC approved an Agreement for Legal Services with Rhodes Law Offices, Ltd.(the "Agreement") for the required legal representation for a two-year period beginning November 1, 2009, and ending November 1, 2011. The Agreement included a voluntary 2.5% retroactive and prospective fee reduction in the amount of $2,700 for the period April 1, 2009 through December 31, 2009, to coincide with compensation reductions in effect for Washoe County employees during that period of time. The 2.5% reduction was deducted from the payment due for legal services provided in November 2009.

On September 2, 2010, the WRWC approved an Amendment to the Agreement to accept a 3.0% voluntary reduction in attorney compensation, retroactive to July 1, 2010, to implement an adjustment comparable to and coinciding with the 2.84% overall reduction in total labor costs.
adopted by Washoe County for the 2010/2011 fiscal year. (This reduction resulted in a savings of $5,760 which, together with the prior voluntary reduction in the amount of $2,700, resulted in a total discount or savings of $8,460 over the term of the Agreement.)

**BACKGROUND**
Mr. Rhodes has provided a broad scope of legal services required by the WRWC and the NNWPC, including: working closely with staff to ensure that all meeting agendas and staff reports comply with Nevada Open Meeting law and other legal requirements; providing legal representation at all public meetings of the WRWC, and its subcommittees, and the NNWPC; drafting legal documents such as interlocal agreements and contracts with planning consultants and other service providers; addressing specific Open Meeting Law and other statutory compliance issues; assessing potential liability from a risk management perspective; advising/representing the WRWC and NNWPC on federal, state, and local legislative issues; and, providing services as a registered lobbyist at the Nevada Legislature. Mr. Rhodes initially estimated, based upon his prior experience in representing the RWPC, that the necessary legal services for both entities would average approximately 20 hours per week (80 hours monthly), exclusive of any civil litigation, and that estimate, since 2008, has continued to be accurate. Over the preceding 24-month period, through October 31, 2011, the time required for providing the required legal services has ranged from 58 to 87 hours per month, for a monthly average of 75 hours, resulting in a corresponding average billing rate of $155 per hour for all legal services provided pursuant to the terms of the Agreement.

**FISCAL IMPACT**
The fiscal impact to the budget of the WRWC will be $129,600 for each one-year period, which is $14,400 less than initially provided for in the Agreement, and $40,400 less than the $170,000 initially and currently budgeted for legal representation on an annual basis.

**RECOMMENDATION**
At its regular meeting held October 4, 2011, the NNWPC unanimously adopted a motion recommending that the WRWC approve the proposed Second Amendment to the Agreement for Legal Services, for the WRWC and the NNWPC, with Rhodes Law Offices, Ltd.

**POSSIBLE MOTION**
Should the Board agree with the recommendation, a suggested motion is: “Move to approve the Second Amendment to the Agreement for Legal Services, for the WRWC and the NNWPC, with Rhodes Law Offices, Ltd., and authorize the Chairman to execute the Amendment.”
SECOND AMENDMENT TO AGREEMENT
FOR LEGAL SERVICES

The Agreement for Legal Services (the “Agreement”) made and entered into on November 1, 2009 between the Western Regional Water Commission (the “WRWC”) and Rhodes Law Offices, Ltd., a Nevada corporation (“Attorney”), is hereby further amended as follows:

Section 6 is revised to provide:

6. Term. This Agreement will be effective commencing November 1, 2009, through October 31, 2014, unless terminated by either Party as provided in Section 11, below, or extended by written agreement between the Parties.

Section 9(a) is revised to provide:

9. Consideration. The WRWC will pay Attorney for the Legal Services, as follows:

a. A flat fee retainer of $10,800 per month, commencing November 1, 2011. The Parties estimate that the Legal Services will require approximately 15 to 20 hours of Attorney’s customary billable time per week, or an average of approximately 70 hours per month over the entire term of this Agreement, resulting in hourly rates of $180 to $135 for 15 to 20 hours of Legal Services per week, respectively. Attorney will not provide itemized billings, but will submit a monthly Statement, within 10 days after the first day of each month commencing December 1, 2011, summarizing the total number of hours spent in providing the Legal Services during the preceding month. The WRWC will pay each Statement within 15 days after receipt.

All other terms and conditions of the Agreement shall remain unchanged, and continue in full force and effect.

Rhodes Law Offices, Ltd. Western Regional Water Commission
Dated: November 16, 2011 Dated: November 16, 2011

By ____________________________  By ____________________________
John B. Rhodes Mike Carrigan, Chairman
Western Regional Water Commission

STAFF REPORT

DATE: November 7, 2011

TO: Chairman and Members, Western Regional Water Commission ("WRWC")

FROM: John B. Rhodes, WRWC Legal Counsel

SUBJECT: Discussion and possible direction to staff regarding proposed purchase of general and public officials liability insurance coverage for the WRWC; and, if approved, authorize Jim Smitherman to complete the application process and obtain the insurance with coverage in the amount of $1,000,000

SUMMARY
As a political subdivision of the State of Nevada, the WRWC is entitled to all immunities and limitations on liability provided by Chapter 41, Nevada Revised Statutes. The WRWC does not currently carry general liability or Public Officials (professional liability and wrongful acts) insurance, and has not established or budgeted for a self-insurance fund. Although water resource planning is not generally considered a high risk governmental activity, any civil legal action brought against the WRWC would result in costs for defense, in addition to exposure for any potential liability. Accordingly, Legal Counsel has obtained the attached proposal for insurance. The brokers submitting the proposal, Gerry Roberts and Brandon Lewis of Wells Fargo Insurance Services, were selected due to their experience and expertise in providing various insurance products to several local governments and agencies, including the Truckee Meadows Water Authority.

PREVIOUS ACTION
None.

FISCAL IMPACT
The initial annual premium for a policy with $1,000,000 in coverage would be $1,911.

RECOMMENDATION
It is recommended that the WRWC direct staff to purchase the proposed insurance coverage for the WRWC in the specified amount, and authorize Jim Smitherman to complete the application process and pay the required premium.

POSSIBLE MOTION
“Move to direct staff to purchase the proposed insurance coverage for the WRWC in the specified amount, and authorize Jim Smitherman to complete the application process and pay the required premium.”

Attachments
September 19, 2011

Western Regional Water Commission
Attn: John Rhodes
4930 Energy Way
Reno, NV 89502

Subject: Western Regional Water Commission Trustees
Public Official Name Schedule Bond LSM0166135
RLI Insurance Company
Policy Term of 12-01-10 to 12-01-11

Mr. Rhodes,

I am pleased to enclose our proposal for insurance based on a quote received from Arch Insurance Company through Grundy Insurance.

The quote provides coverage for Business Personal Property, General Liability, Hired & Non-Owned Automobile Liability, Professional Liability and Wrongful Acts. The annual premium is $1,911. A policy fee of $200 has also been included by Grundy Insurance.

The underwriter included $5,000 in property coverage for Business Personal Property. The premium would remain the same if property coverage were excluded. Please let us know if the total replacement cost value of property owned by the Commission might exceed this amount.

The liability premium is based on a “deemed” payroll of $15,600. This is based on minimum payroll required to rate the coverage and is used in the absence of actual payroll.

The underwriter will require the following in order to bind coverage:

- Signed Acord 125 and Arch Supplemental Applications
- A signed letter detailing loss history (if any) for the last four years
- Signed Statement of Values (SOV)
- Acceptable Financial Report

The underwriter requires that questions 1 & 2 be completed on page 1 of the Arch Supplemental Application under “General Questions. Also, please complete questions 1, 3 and 4 on page 2 of this application.
Arch Insurance requires the following minimum underlying limits to be maintained by individuals driving on behalf of the Commission for the non-owned auto coverage, which is based on usage:

<table>
<thead>
<tr>
<th>Usage</th>
<th>Required Minimum Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td>$300,000</td>
</tr>
<tr>
<td>Weekly</td>
<td>$150,000</td>
</tr>
<tr>
<td>Monthly</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

Grundy Insurance would require the total premium and fee within ten (10) days of binding coverage. Our office will provide an invoice for this amount at binding.

Please review the enclosed proposal, quote and related documents and contact our office if there are any questions. We appreciate the opportunity to provide this insurance proposal to the Western Regional Water Commission.

Sincerely,

/  

Brandon Lewis
Account Executive

Enclosure
AN INSURANCE SUMMARY
PREPARED FOR:

WESTERN REGIONAL WATER COMMISSION

REGARDING

PROPERTY, GENERAL LIABILITY, WRONGFUL ACTS LIABILITY AND PROFESSIONAL LIABILITY

PRESENTED BY:

WELLS FARGO INSURANCE SERVICES
3640 WARREN WAY
RENO, NV 89509

GERRY ROBERTS, SENIOR-VICE PRESIDENT
BRANDON LEWIS, ACCOUNT EXECUTIVE

SEPTEMBER 19, 2011
This proposal is merely a descriptive summary of coverage provided by the insurance companies being proposed and should be used for reference purposes only. This is a quotation of coverage only. It is not a binder. This proposal does not amend or alter the insurance contract.

Wells Fargo Insurance Services Confidential. © 2011 Wells Fargo Insurance Services USA, Inc. All rights reserved.
### Building and Personal Property

<table>
<thead>
<tr>
<th>Covered Property</th>
<th>Location</th>
<th>Limit</th>
<th>Deductible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Personal Property (BPP)</td>
<td>4930 Energy Way Reno, Nevada</td>
<td>$5,000</td>
<td>$500</td>
</tr>
</tbody>
</table>

### Additional Coverage (per policy terms & conditions)

- Debris Removal
- Preservation of Property
- Fire Department Service Charge

### Coverage Extensions (per policy terms & conditions)

- Newly Acquired or Constructed Property
- Personal Effects and Property of Others

### Exclusions (including but not limited to)

- Ordinance or Law
- Governmental Action
- Utility Services
- Water, including Flood

### Additional Terms & Conditions (including but not limited to)

- Covered Causes of Loss Form

**Basic Form:** Fire, Lightning, Explosion, Windstorm or Hail, Smoke, Aircraft or Vehicles, Riot or Civil Commotion, Vandalism, Sprinkler Leakage, Sinkhole Collapse and Volcanic Action

**Broad Form:** Basic Form perils plus Falling Objects, Weight of Snow, Ice or Sleet and Water Damage from accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance.

**Special Form:** Risks of Direct Physical Loss unless the loss is excluded or limited by the form.

**Valuation**: Replacement Cost

**Coinsurance Requirement**: 100%

---

This proposal is merely a descriptive summary of coverage provided by the insurance companies being proposed and should be used for reference purposes only. This is a quotation of coverage only. It is not a binder. This proposal does not amend or alter the insurance contract.

Wells Fargo Insurance Services Confidential. © 2011 Wells Fargo Insurance Services USA, Inc. All rights reserved.
<table>
<thead>
<tr>
<th>Coverage Type</th>
<th>Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodily Injury and Property Damage</td>
<td></td>
</tr>
<tr>
<td>Per Occurrence Limit</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Aggregate Limit</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Personal Injury and Advertising Injury</td>
<td></td>
</tr>
<tr>
<td>Per Occurrence Limit</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Aggregate Limit</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Hired &amp; Non-Owned Auto Liability</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Damage to Rented Premises</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Medical Payments</td>
<td>$10,000</td>
</tr>
<tr>
<td>Deductible</td>
<td>$0</td>
</tr>
<tr>
<td>Coverage Form</td>
<td>Occurrence</td>
</tr>
</tbody>
</table>

**Bodily Injury** means bodily injury, sickness or disease sustained by a person. It includes death or mental anguish which result at any time from such physical harm, physical sickness or physical disease. Mental anguish means any type of mental or emotional illness or disease. Bodily injury also includes any resulting care and loss of services by any person or persons.

**Advertising Injury** means injury arising out of one or more of the following offenses:

1. Oral or written publication of material that slanders or libels a person or organization or disparages a person’s or organization’s goods, products or services;
2. Oral or written publication of material that violates a person’s right of privacy;
3. Misappropriation of advertising ideas or style of doing business; or
4. Infringement of copyright, title or slogan.

**Personal Injury** means injury arising out of one or more of the following offenses:

1. False arrest, malicious prosecution or willful detention;
2. Libel, slander or defamation of character;
3. Wrongful entry or eviction, or other invasion of the right of private occupancy;
4. Assault and battery; and
5. Non-employment discrimination prohibited by law or violation of federal civil rights law, not intentionally committed by or at the direction of an Insured.

This proposal is merely a descriptive summary of coverage provided by the insurance companies being proposed and should be used for reference purposes only. This is a quotation of coverage only. It is not a binder. This proposal does not amend or alter the insurance contract.

Wells Fargo Insurance Services Confidential. © 2011 Wells Fargo Insurance Services USA, Inc. All rights reserved.
Public Officials Liability (Wrongful Acts & Professional Liability)

<table>
<thead>
<tr>
<th>Wrongful Acts Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Claim Limit</td>
</tr>
<tr>
<td>Aggregate Limit</td>
</tr>
<tr>
<td>Retroactive Date</td>
</tr>
<tr>
<td>Deductible</td>
</tr>
<tr>
<td>Coverage Form</td>
</tr>
</tbody>
</table>

Wrongful act means any actual or alleged error, omission, misstatement, misleading statement, neglect or breach of duty by any Insured in the discharge of his/her duties for you, including service with any other entity at your direction, subject to policy terms and conditions.

<table>
<thead>
<tr>
<th>Professional Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Claim Limit</td>
</tr>
<tr>
<td>Aggregate Limit</td>
</tr>
<tr>
<td>Retroactive Date</td>
</tr>
<tr>
<td>Deductible</td>
</tr>
<tr>
<td>Coverage Form</td>
</tr>
</tbody>
</table>

Professional liability means liability for damages resulting from any error or omission arising out of your professional activities.

The Occurrence Form covers liability or damage losses that occur during the policy period, regardless of when the insurance company is notified of the loss or claim. The key to this coverage approach is the date of loss or the period of time when the loss occurs. Coverage is triggered by the date of the occurrence.

This proposal is merely a descriptive summary of coverage provided by the insurance companies being proposed and should be used for reference purposes only. This is a quotation of coverage only. It is not a binder. This proposal does not amend or alter the insurance contract.

Wells Fargo Insurance Services Confidential. © 2011 Wells Fargo Insurance Services USA, Inc. All rights reserved.
Transparency and Disclosure

Insurance is a highly regulated, competitive industry that fuels the US economy and protects individuals and commercial entities from losses. There is nothing more important to our industry and to Wells Fargo Insurance Services than maintaining the trust of our customers and conducting business with the utmost integrity. We believe that our leadership role on disclosure should tie directly to our core values. Among these we state that we:

- Value and reward open, honest, two-way communication
- Do what is right for the customer
- Talk and act with the customer in mind
- Exceed our customers’ expectations

Wells Fargo Insurance Services is proactively providing customers with complete transparency on standard and contingent commission income. Wells Fargo Insurance Services is taking a leadership role using the new National Association of Insurance Commissioners (NAIC) model act.

We receive compensation from the insurance companies we represent when placing your insurance. Our compensation is usually a percentage of the premium you pay for your insurance policy or bond (a “commission”), which is paid to us by the insurance companies for placing and servicing your insurance or bonds with them. Intermediaries, such as wholesale brokers, may sometimes be used to access certain insurance companies. Such intermediaries will allocate a portion of the compensation from the insurance companies to us and may, in some cases, be an affiliated company.

We receive payments from insurance companies to defray the cost of services provided for them, including advertising, training, certain employee compensation, and other expenses.

We earn interest on premiums received from you and forwarded to the insurance companies through our bank accounts.

Some of the insurance companies we represent may pay us additional commissions, sometimes referred to as contingent or bonus commissions, which may be based on the total volume of business we sell for them, and/or the growth rate of that business, retention rate, claims loss ratio, or other factors considering our entire book of business with an insurance company for a designated period of time.

The amount of premium you pay for a policy may change over the term of the policy. For example, your endorsement requests will affect the premium. Should the premium for any of your policies change, the amount of compensation paid to us by the insurance company would change accordingly.

This proposal is merely a descriptive summary of coverage provided by the insurance companies being proposed and should be used for reference purposes only. This is a quotation of coverage only. It is not a binder. This proposal does not amend or alter the insurance contract.

Wells Fargo Insurance Services Confidential. © 2011 Wells Fargo Insurance Services USA, Inc. All rights reserved.
Western Regional Water Commission
Staff Report

DATE: October 7, 2011
TO: Chairman and Members, Western Regional Water Commission ("WRWC")
FROM: John B. Rhodes, Legal Counsel
SUBJECT: Report on amendments to the Open Meeting Law made by the 2011 Nevada Legislature.

Two Nevada Open Meeting Law ("OML") bills were passed the 2011 Legislature: AB59, requested by the Attorney General, and AB257, requested by Assemblymen Carpenter and Ellison. In the electronic version of this Report, the full text of each bill in final form, as enrolled, is available by clicking on the above links. A summary of the amendments that affect the WRWC is provided below. Some of the required changes can be noted in various revisions to the form of the agenda for the October 14, 2011 WRWC meeting.

SUMMARY

1) The amendments to the OML enacted by AB 257 affect only the public comment period requirements, and provide that comments by the general public must be taken:
   (I) At the beginning of the agenda (before any action is taken), and again before adjournment. [This has always been the general practice of the WRWC.] This option allows, but does not require, that comments be taken during the meeting on action items; or
   (II) After each action item is discussed, but before action is taken on that item. If this option alone is used, public comment must be allowed, at some time before adjournment, on any subject matter not specifically included on the agenda as an action item.

Nothing in the existing or amended OML prevents a public body from doing both -- providing public comment periods and allowing public comment on action items. That has and will continue to be the procedure recommended by counsel and followed by the WRWC.

2) A list of the amendments enacted by AB 59 is set forth below. Three changes that affect the content of the agenda are discussed following the list.

   • If the Attorney General finds a violation of the OML, the public body must include an item on its next agenda acknowledging the finding of the violation. This acknowledgement does not constitute an admission of wrongdoing in subsequent legal proceedings.
• The Attorney General is given the power to issue subpoenas to investigate violations of the OML, and failure to comply with a subpoena is a misdemeanor.
• Any administrative or advisory body that is created by a resolution or other formal designation of a body created by a statute of this state, e.g., the WRWC, is a public body for the purposes of the OML.
• In addition to existing criminal penalties for violations of the OML, the Attorney General may recover a civil penalty not to exceed $500 from each member of a public body who attends a meeting where action is taken in violation of the OML, and who participates in such action with knowledge of the violation. (Emphasis added.) Any such penalty must be recovered through a civil action brought, in the name of the State of Nevada, within one year from the date of violation.

Any restriction on public comment must be reasonable and stated on the meeting notice (agenda). A public body may restrict time, place, and manner of public comment, but may not restrict comment based on viewpoint. That is consistent with the concept that meetings of public entities are limited public forums instead of open public forums where almost no restrictions on speech will survive legal challenges.

The agenda must provide notice that: "Items on the agenda may be taken out of order; the public body may combine two or more agenda items for consideration; and the public body may remove an item from the agenda or delay discussion relating to an item on the agenda at any time." The revised WRWC agenda form addresses those requirements.

Finally, the list of items on which action may be taken must denote that action may be taken on those items by placing the term “for possible action” next to the action item. The revised WRWC agenda form also complies with this requirement.

The above amendments became effective on July 1, 2011. The current and all future agendas must be in compliance with the new requirements. Legal counsel will be available at the October 14 WRWC meeting to answer any questions and address any concerns.